



Policy Statement

ICC recommendations for a WTO agreement on trade facilitation

Prepared by the Commission on Customs and Trade Regulations

ICC is actively addressing a wide range of international issues with the aim of improving processes associated with cross border trade. The 1996 WTO Singapore ministerial conference recognized the benefit of addressing “trade facilitation” within the WTO, and the 2001 Doha ministerial conference agreed that this topic should be considered for a WTO rules-based agreement with particular reference to the modernization of Articles V, VIII and X of the GATT 1994.

Trade Facilitation

ICC’s preferred definition of “trade facilitation” focuses on improvements in the efficiency of the processes associated with trading in goods across national borders. This requires the adoption of a comprehensive and integrated approach to simplifying and reducing the cost of international trade transactions, and ensuring that all relevant activities take place in an efficient, transparent, and predictable manner, based on internationally accepted norms, standards and best practices. Trade facilitation is not just a matter of improving customs procedures but should also target the growing range of controls being implemented at national borders by other authorities. Procedures associated with agricultural products and security are just two areas where many new controls are being implemented and where it is imperative that a rational, transparent and standardized approach be adopted.

ICC’s aim is to encourage the establishment of a trade facilitation agreement that benefits all WTO Members through the establishment of mutually agreed rules covering trade procedures that improve the management process of traded goods as they cross national borders.

International transactions sometimes span a series of countries, some not necessarily directly concerned with the manufacture or use of the goods. Specific issues may arise through the goods’ physical transit of intervening territories and the availability or not of arrangements linking initial export and final import. Facilitation of trade therefore concerns not only the countries directly involved in a transaction but also others indirectly linked to the transaction.

An important role for an International Trade Facilitation Agreement (ITFA) will be to define the responsibilities of governments involved in complex transactions covering export, transit, and final import of the goods.

Benefits

ICC is convinced that an ITFA will deliver very significant benefits to all Members -- especially those that suffer from commercially damaging delay or lack of predictability due to inefficient border or transit procedures. The more specific benefits will be:

- more gross revenue collection,
- more cost effective revenue collection,
- more effective detection of non-compliance,
- improved security of international transactions through improved control of high risk transactions,
- more efficient and correct application of regulations, thereby ensuring that any differential treatment of traders is based on objective criteria,
- more predictable and faster movement of goods,
- more efficient transit procedures,
- increased trade, increased revenue, and improved economic performance, and
- more efficient and predictable border procedures encouraging increased foreign direct investment.

The bottom line for Members is increased trade, increased foreign direct investment, enhanced competitiveness, overall reduction in costs, and enhanced government revenues. (For more details on benefits see the ICC statement "Trade liberalization, foreign direct investment and customs modernization: a virtuous circle" 8 October 1999.)

The largest potential for improvement in trade facilitation exists in, and therefore the main potential beneficiaries are generally likely to be, developing countries. An ITFA will augment the capacity of developing countries to handle and grow their share of international trade, not least in trade with other developing countries. Increased efficiency will enable higher volumes of both imports and exports to be managed with the same level of resources, resulting in higher compliance and lower costs for both governments and business.

Scope of an agreement

The WTO ministerial conference in Cancún in September 2003 offers the opportunity to make a key change in the effective border management of international trade. Not only is there huge scope for improving the efficiency of the current international trade process but there is also a compelling need to improve customs efficiency to deal with disciplines covering emerging and potentially costly new areas of control, such as security issues and agricultural goods. For example, modern customs administrations are an operational necessity to ensure that security and trade facilitation objectives are integrated in ways that maintain both objectives. (See also ICC Policy Statement on Supply Chain Security, 18 November 2002.)

Binding commitments are essential because only the WTO can ensure the political support required for durable improvements in global trade facilitation.

ICC believes that a WTO agreement covering trade facilitation should encompass the following principles:

- rules should have sufficient impact to cause a measurable improvement in trade facilitation;
- measurement of the improvement in trade facilitation, for example through the measurement of release times, is in the interest of all WTO members as it will quantify improvement and help ensure the sustainability of improved border procedures;
- rules should set global standards in facilitation, encourage sustainable progress, and assist in the progressive adoption of those standards;
- rules should be non-discriminatory, and must be based on objective criteria;
- rules should not undermine the efficiency and reliability of traders and transport or impose unnecessary costs;
- implementation of a rules-based trade facilitation agreement must be linked to increased overall economic benefits and capacity building to help fund and enable sustainable improvements in those countries with the greatest need; and
- implementation of the rules should be capable of objective assessment and enforcement through the WTO dispute settlement process and policy review mechanism.

In particular, ICC recommends that the WTO seek to improve efficiency and facilitation with reference to the trade facilitation objectives outlined in the attached Annex.

Securing commitment

For agreement to be secured on an approach that is sufficiently ambitious and comprehensive to deliver the benefits described, it is essential to take account of the needs and capabilities of all WTO members. All members should sign up to a significant set of core commitments that will bring about progressive improvements in international trade. There should be a commitment to assess facilitation through the measurement of release times and to reduce them over a period of time. This approach allows improvements to be made within the structure of the existing processes and legal systems.

ICC recognizes that an ITFA should acknowledge the state of development and ability of some WTO member countries to implement the agreement. In such cases it may be necessary to make appropriate accommodation both in transition time and support to ensure that all member countries are capable of implementing and benefiting fully from the agreement.

Capacity building

In line with the commitment made in Doha to establish this round as the “development round,” capacity building for those countries unable to finance improved border management is vital.

Capacity building should not just consist of a package of training. It must be a project that takes due regard of the infrastructure development of countries and builds both capability and competence in a way that will lead to sustainable improvement. ICC urges that the agreement include commitments to capacity building based on member needs, with designated funding and WTO coordination of donor activity to ensure efficiency and common standards.

Business very much supports the process of capacity building and will work energetically together with international organisations and local administrations to help manage the process of change and contribute expertise where required. To ensure that capacity really produces the benefits on a sustainable basis, a system of measuring the benefits achieved through this process should be implemented.

Conclusions

A trade facilitation agreement is fundamental to the establishment of an improved and more efficient management process for international trade in goods on a global basis. All WTO member countries will benefit from it -- especially those burdened with the least efficient trading processes, either through infrastructure or managerial limitations or because of procedural barriers being imposed by trading partners. ICC is committed to assisting the WTO and its member countries to realize the full benefits of international trade through a trade facilitation agreement that encourages improved border management and discourages both inefficient and artificially complex or burdensome border procedures. To realize these benefits for all parties, WTO negotiations should be launched at the upcoming Cancún ministerial regardless of the decisions made on the other "Singapore Issues." In view of the high level of mutual benefits for all parties, it will be in their interest to begin implementing eventual results without waiting for the formal conclusion of the Doha Development Round.

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Annex: general ICC trade facilitation objectives

- transparent conduct by customs and other government agencies, with easily accessible procedures and regulations, including an open, independent and efficient appeal process of customs decisions open to all importers;
- an authorization for legitimate traders, allowing operators to cross national borders with minimal interference, through the use of pre-arrival declarations and post release audits, enabling Customs to concentrate their resources on the key target of illegitimate trade;
- the measurement of release time at the frontier and, the introduction of targets to encourage governments to reduce release time;
- use of modern customs techniques such as risk assessment and profiling, enabling administrations to make direct resources gains, while reducing the time for legitimate trade to cross borders;
- utilization of commercial systems for customs controls including sophisticated information technologies, the internet and integrated information systems more rapidly adaptable to business and government needs than independent customs information technology systems;
- adoption and implementation of international standards in the trade transaction process such as those of the United Nations, WCO and ICC;
- global automation to create a paperless environment, with data transmitted and processed by Electronic Data Interchange (EDI) or over the internet;
- administration of official frontier controls by a single agency, preferably customs;
- consider where appropriate, a “Seamless Integrated Transaction” where a core set of identification control data can be generated, submitted and processed at any time during the transaction, to avoid duplication of the traditionally separate export and import procedures.