

Trade facilitation: gathering solutions for once-hidden barriers

Consultations with EU and International Business Federations on Doha
Development Agenda Trade Facilitation Negotiations,

Brussels, 25 April 2002

I would like to thank you for coming to this meeting today. We have invited you because we want to consult you on the positions the EU should take on Trade Facilitation in the Doha Development Agenda, a vital and often overlooked part of the agenda for the new Round.

But not overlooked in the EU, which has pushed for action on this ever since the Ministerial meeting in Singapore in 1996 decided to give this a WTO dimension. It is also something to which I personally attach great importance. It is an issue which has resonance for businesses and bureaucracies in both developed and developing countries. Having been, in my former lives, both a businessman and a bureaucrat, I hope I am in a reasonable position to understand the importance of trade facilitation.

Nor is it overlooked in the business community, as today's turn-out demonstrates. We count on your continued support to achieve a successful outcome. So in the first instance, I urge you to speak up today so we can take full account of your views in putting together our negotiating position with the Council and Parliament.

Before getting into the detail, perhaps we could step back for a moment to examine the benefits which we believe would flow from a multilateral set of rules on trade facilitation.

First of all, trade facilitation is based on the very simple assumption that trade is generally good for society, a point which merits reiteration from time to time. Trade is a key factor in generating economic growth. Great strides have been made since the Second World War to reduce the classical trade barriers such as tariffs and quotas. But in doing so, we have exposed - en plein air - the non-tariff barriers to trade which inhibit and distort trade flows. Trade liberalisation, as I have said before, is not sufficient: it has to be accompanied by an updating of the multilateral rules of the road. Trade facilitation, as an issue, gathering together a series of solutions to tackle this previously hidden barriers, is therefore vital.

Secondly, you, yourselves, have pointed to the direct benefits to your businesses of simplified procedures in the substantial and helpful papers you have put to us, in terms of greater transparency, predictability, fairness and speed in doing business, in terms of the reduced costs and delays, and in terms of new trading opportunities and markets. Consider the problems. The typical international trade transaction includes both the physical movement of goods as well as the physical movement of data required by customs authorities. Would that this were all computerized ! this business is sometimes less movement of goods and more movement of paper ! a typical cargo ship carries around 250 kilos of paper (invoices, bills of lading, packing lists, certificates of origin or conformity, etc.) which is required for customs so that the goods can be cleared upon arrival as well as for other elements of the trade process. A U.N. study on trade efficiency showed that an average transaction includes 27 to 30 parties, including such groups as customs brokers, vendor suppliers, banks, carriers, sureties, freight forwarders etc. Forty documents were necessary. And of approximately 200 data elements, 15% were retyped up to thirty times each. And it is not as if all the rules are clear: a recurrent complaint is that transporters are presented with unknown technical rules and unpublished internal standards when crossing the border.

Thirdly, trade facilitation measures will also of course benefit national administrations, allowing them to free up the resources they currently have to devote to administer the trade of today with the rules of yesterday. All public administrations need to be shaken up from time to time in order to adapt to new realities, including inside Europe (and including the Commission!). Trade facilitation can do just that in respect of border related rules and procedures. Because even though business has expanded and gone global, customs and other procedures in many countries are still based on creaky, old fashioned rules and are geared to modest volumes of trade and a suspicious mentality even towards legitimate business.

Moreover, if (as we all hope and expect) the DDA round results in a significant and general lowering of tariffs, those countries who still rely heavily on incomes from tariff as a basis for fiscal revenues will be able to offset the loss of revenues from this tariff liberalisation by introducing trade facilitation measures. That is certainly what has happened in those countries which have overhauled their import and export procedures and related collection of duties.

Fourthly, a commitment to trade facilitation is also an important factor for attracting inward investment. Again evidence shows that for business it is vital to be able to export and import their inputs and finished products in a predictable, efficient and speedy manner, and this is a key element in business decisions on investment.

The final argument for trade facilitation rules is that they will improve countries' abilities to control their borders while making life easier for compliant traders. The link between trade facilitation and improved protection for the public is not a zero sum game, but a virtuous circle, and an essential one in the wake of the security and terrorist problems being experienced around the globe. We can and must create an improved system which picks up the real problems while providing better conditions for legitimate activities.

So much for the theory. How will we handle the practicalities of Trade Facilitation in the WTO ?

The Doha mandate gives us scope to address all the issues I have mentioned and more. Formally, it consists of a mandate to clarify and strengthen the obligations in three articles in the GATT: Article V on freedom of transit; Article VIII on formalities related to customs and export and import procedures; and Article X on transparency and access to information. Leaving technicalities aside, this amounts to a very broad mandate, covering all those issues that you as a business community find important.

Example: to use this to harmonise, substantially, the data requirements that you as traders have to comply with for import and export - for example, the so-called Single Window. Instead of having to present various sets of documents at a number of instances both at the points of export and import, we should aim at the requirement for the presentation of one declaration or one set of electronic data on a single occasion to one address.

Further example: reward compliance with rules. The overwhelming majority of traders who play by the rules should not pay the price for "rogue traders" who do not comply. For compliant traders, all border related procedures should take place either before or after the goods arrive at the border and with controls taking place on an audited basis. We suggest that all WTO members should grant authorised trader status and thus simplified procedures to compliant companies who have a track record of compliance, whether they be multinationals or SMEs.

Third example: we need rules that separate the flow of goods from the flow of information from the flow of money. Customs and border authorities must adapt fully to the "just in time" production environment and of ever expanding trade volumes. If not the result will be to penalise companies which export or source their requirements from abroad.

And finally, we also need WTO rules that will ensure better and more efficient collaboration between customs and other agencies. Trade facilitation is not exclusively related to collection of duties. More and more goods in international trade are subject to requirements like health and safety, SPS, IPRs etc, and this involves controls and inspections by numerous agencies. So we should consider the movement of goods in trade in a holistic manner, along all points of the logistics chain, and try to co-ordinate the different controls.

These are just a few of the priorities of business on which we will try to set a framework of basic rules, using internationally recognised standards and concepts.

Needles to say that in this respect, we need, as in other areas, of the DDA negotiation to take fully into account the development dimension. It's quite simple: developing countries will be the ones who will have most to gain from trade facilitation, but of course they will face the greatest challenge in implementing these provisions. We need to take that into account both in drafting the provisions and when providing assistance for the implementation of commitments. On which, more in a moment.

But some ask: why the WTO? Hasn't the UN Economic Commission for Europe or the WCO solved all the problems already? The answer is no. What is needed for making trade facilitation a reality is political will and commitment. Customs reform and simplification of procedures can't be achieved just at the grassroots or from the bottom up, it also needs a degree of top down political pressure and direction which the WTO is uniquely placed to deliver. The WTO also offers real predictability and stability for business because of binding rules and monitoring mechanisms. The comprehensive nature of the new negotiating round creates of course the necessary political leverage to secure such a set of binding rules.

So I believe that the WTO is clearly the right place to create an overarching set of commitments, within a framework of cooperation with other international organisations, such as those who write standards for trade facilitation, like the WCO, or who provide technical assistance to developing countries, like UNCTAD and the World Bank.

The EU approach on trade facilitation is to be ambitious. We will come forward with proposals on the key issues by the summerbreak, to enable a smooth transition to the formal negotiating phase. First, we have started with a paper on GATT Article X on transparency, which you have received in preparation of this meeting. We look forward to your comments, which we will try to incorporate in future submissions. Second, you have seen our initial think-piece on transit issues, a very new subject that is growing in importance and we are looking forward to hear about practical problems that you encounter in this respect. And third, we are now preparing a paper on Article VIII - on import and export procedures. This paper will be the cornerstone of our approach. You will have seen our basic ideas on this which we submitted to the WTO a couple of years ago: this remains the basis of our thinking, but again, we look forward to business views based on your knowledge on the ground.

Good rules and obligations are one side of the coin. The other side of the coin will be the implementation of these rules. We know that this will be a major effort in some developing countries. We are committed to a major effort at mid and long term capacity building and technical assistance, and here business has a crucial role to play, as well as in lobbying and selling the benefits of WTO negotiations on trade facilitation around the world.

If I may conclude these introductory remarks, I would humbly ask you to think about three ways of helping this process. First, I want you to continue to provide a loud and clear message of support, here in the EU and just as importantly in those parts of the world where the awareness of trade facilitation (and the benefits that it can bring) are not so obvious to other governments. The key point are that simpler trade procedures are of common interest for all WTO Members, but particularly for developing countries. Secondly, please continue to

ply us with detailed input on the substance. I commend the work you have done so far, and as is clear, we will use your input.

And third, you should make clear your willingness to contribute to beneficial change on the ground, again, particularly in developing countries.

I wish you a very productive session, for although it was pleasing to get trade facilitation and the other Singapore issues into the Doha Development Agenda, the work has just begun. We look forward to working together to make this negotiation a success.

Thank you. Happy, of course to take questions.