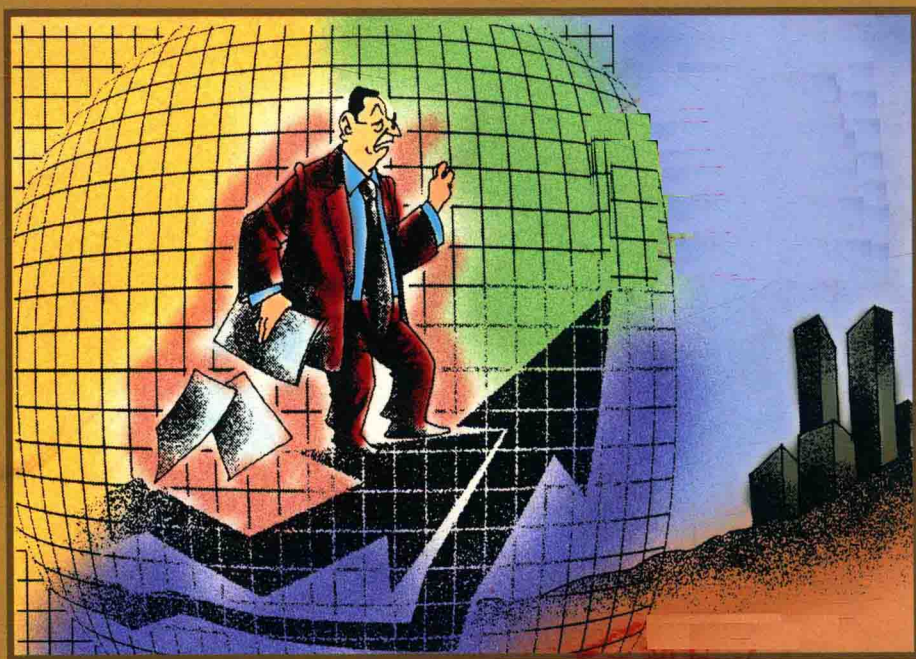


Trade Facilitation

Reducing the Transaction

Costs or Burdening the Poor?



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CUTS Centre for International Trade, Economics & Environment

D-217 Bhaskar Marg, Bani Park, Jaipur 302 016, India

Tel: +91 141 228 2821, Fax: +91 141 228 2485

E-mail: citee@cuts-international.org

Website: www.cuts-international.org



Coordinated by:

Aparna Shivpuri*

and Shailly Gupta**

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* Researcher cum Project Coordinator, CUTS Centre for International Trade, Economics & Environment

** Assistant Programme Officer, CUTS Centre for International Trade, Economics & Environment

Preface

The July decision of the General Council of the World Trade Organisation (WTO) is a significant step in the multilateral trading regime, though it may be a little too early to uncork the champagne. The decision on agriculture, non-agricultural market access (NAMA) and services is quite ambiguous with some glaring gaps. Nevertheless, the agreement on modalities for negotiations on various issues, including trade facilitation is a welcome step.

Trade facilitation measures are welfare enhancing and a multilateral agreement on trade facilitation will bring significant gains to world trade by reducing the transaction costs on exports of developing countries thus making them competitive.

Trade facilitation has been on the WTO's agenda as one of the four Singapore issues along with competition policy, investment and transparency in government procurement. There was strong opposition on all four issues from the developing world, and to some degree even by the USA. At the end of the day, three issues were dropped and only trade facilitation was included in the July Package to be negotiated. It is unfortunate that transparency in government procurement and competition policy do not find a place in the negotiating agenda of the WTO.

However, this dropping out does not mean that these three issues are dead. In all likelihood the study process and analysis on these three issues would continue. Moreover, these issues could formally be brought back into the WTO. Secondly, these three or at least two of the issues (competition and investment) are already being negotiated and/or incorporated under various non-multilateral forums, such as regional and bilateral trade agreements.

CUTS had undertaken two projects under a programme titled: International Working Group on the Doha Agenda (IWOOGDA) to analyse the contours of possible international agreements on all the four issues. In the first phase of the programme, analyses were done on competition policy and investment, whereas the second phase deals with trade facilitation and transparency in government procurement. Two separate reports are being produced under the second phase, while only one was published in the first phase: "Putting Down Our Fears on the Table". The first report showed that a) there is no economic case for an investment accord, and b) there is an economic case for a multilateral framework on competition.

The purpose of the programme is to bring together the diverse viewpoints and concerns on the issue of definition of trade facilitation, Article V, VIII and X, dispute settlement

and technical assistance and capacity building. We have also incorporated five case studies of developing countries to analyse whether trade facilitation measures can reduce transaction costs.

According to the July decision, the scope of negotiations on trade facilitation will be of "limited nature". The negotiations shall aim to clarify and improve upon the relevant aspects of Articles V, VIII and X of General Agreement on Tariffs and Trade (GATT). Though the decision does not require countries to undertake investments beyond their means, the biggest apprehension of developing countries and LDCs is the huge recurring costs that they would have to incur.

The focus of the decision is on providing technical assistance to the least developed countries (LDCs) and the developing countries. It is important that in the actual negotiations the LDCs and developing countries ensure that providing financial and technical assistance is made binding for the developed countries.

One salient feature of the modalities on trade facilitation is the linking together of imposing trade facilitation measures with the financial capability of LDCs and developing countries. One major impact of negotiations on trade facilitation in the WTO will be that it will push many developing countries to unleash domestic reforms in the areas of trade facilitation.

Countries still follow cumbersome custom and port procedures, which lead to delay in exports and imports and thus countries suffer losses. An agreement on trade facilitation at the multilateral level would give impetus to such reform measures at the domestic level too. For instance, India has taken a number of trade facilitation measures on a voluntary basis like adopting a reasonably transparent system of publishing trade regulations.

This report is an attempt to analyse and present the contentious, but fundamental issues pertaining to trade facilitation in order to facilitate better understanding of these issues. It also aims to initiate discussions among the international trade community and act as a road map for future negotiations.

Jaipur
December, 2004

Pradeep S Mehta
Secretary General

Abbreviations and Acronyms

AB:	Appellate Body
ACIS:	Advanced Cargo Information System
ADA:	Anti Dumping Agreement
ADB:	Asian Development Bank
APEC:	Asia Pacific Economic Co-operation
ASCM:	Agreement on Subsidies and Countervailing Measures
ASEAN:	Association of South East Asian Nations
ASYCUDA:	Automated System for Custom Data
CARICOM:	Caribbean Community
CAM:	Customs Administration Modernisation
CBEC:	Central Board of Excise & Custom
CBP:	Customs and Border Protection
CEFACT:	Centre for Facilitation of Procedures & Practices for Administration
CII:	Confederation of Indian Industry
CIF:	Cost Insurance Freight
CITEE:	Centre for International Trade, Economics and Environment
COMESA:	Common Market for Eastern and Southern Africa
CTD:	Cargo Transit Document
CTG:	Council for Trade in Goods
CUTS:	Consumer Unity & Trust Society
DDA:	Doha Development Agenda
DGFT:	Directorate General of Foreign Trade
DoC:	Department of Customs
DSU:	Dispute Settlement Understanding
DSB:	Dispute Settlement Body
DTI:	Direct Trader Inputs
EC:	European Communities
ECE:	Economic Commission for Europe
ECOWAS:	Economic Community of Western African State
EDI:	Electronic Data Interchange
EPB:	Export Promotion Bureau
EPZ:	Export Processing Zone
ERC:	Export Registration Certificate
EU:	European Union

FAO: Food and Agriculture Organisation
FDI: Foreign Direct Investment
FTAA: Free Trade Area of the Americas

GATS: General Agreement on Trade in Services
GATT: General Agreement on Tariffs and Trade
GDP: Gross Domestic Product
GFP: Global Facilitation Partnership
GoI: Government of India
GSP: Generalised System of Preferences

IADB: Inter American Development Bank
IBRD: International Bank for Reconstruction and Development
ICAO: International Civil Aviation Organisation
ICC: International Chamber of Commerce
ICD: Internal Container Depot
IDA: International Development Agency
IECC: International Electrification Certification Centre
IGO: Inter Governmental Organisation
IMF: International Monetary Fund
IMO: International Maritime Organisation
IO: International Organisation
IPECI: Institute for International Trade Policies and Strategies
IPPC: International Plant Protection Convention
IRC: Import Registration Certificate
IRU: International Road Transport Union
ISO: International Standards Organisation
ITC: International Trade Centre
ITO: International Trade Organisation
IWOGDA: International Working Group on the Doha Agenda

JITAP: Joint Integrated Technical Assistance Programme

LCA: Letter for Credit Authorisation
L/C: Letter of Credit
LDC: Least Developed Country

MERCOSUR: Common Market of the Southern Cone

MFN: Most Favoured Nation
MRA: Mutual Recognition Agreement

NAFTA: North American Free Trade Agreement
NAMA: Non-Agricultural Market Access

OECD: Organisation for Economic Co-operation & Development
OIE: Office International de Epizooties

PEA: Post Entry Audit
PEV: Post Entry Verification
PSI: Pre-Shipment Inspection

RoO: Rules of Origin
RTA: Regional Trade Agreement

SAD: Single Administrative Document
SAWTEE: South Asian Watch for Trade, Economics & Environment
SBW: Special Bonded Warehouse
S&DT: Special & Differential Treatment
SITPRO: Simpler Trade Procedures Body
SME: Small and Medium Enterprises
SPS: Sanitary and Phytosanitary
SWEPRO: Swedish Trade Procedures Council

TBT: Technical Barriers to Trade
TGP: Transparency in Government Procurement
TIA: Tribhuvan International Airport
TRIPs: Trade Related Aspects of Intellectual Property Rights
TRTA: Trade Related Technical Assistance

UK: United Kingdom
UNCTAD: United Nations Conference on Trade & Development
UNCITRAL: United Nations Conference on International Trade Law
UNECE: United Nations Economic Commission for Europe
UNESWA: United Nations Economic and Social Commission for Western Asia
UNIDO: United Nations Industrial Development Organisation
UNISTE: United Nations International Symposium on Trade & Efficiency
US: United States

VAT: Valued Added Tax

WCO: World Customs Organisation
WTO: World Trade Organisation

List of Contributors

Pritam Banerjee is currently a Ph. D Student at the International Trade Policy Centre, George Mason University US. Formerly he was an International Trade Analyst with Confederation of Indian Industry (CII). He has completed his MA in Economics from International Trade and Development Division, JNU. His areas of research interest include, Services Trade, Transaction Costs in Trade and Diaspora related issues.

Eduardo Bianchi is currently the Chief Economist, Institute for International Trade Policies and Strategies (IPECI), Argentina. Bianchi was Under-Secretary of Foreign Trade in Argentine National Government; General Manager of the Argentine National Commission for Foreign Trade and Chief-Economist of the Argentine Competition Policy Commission. He has also been professor at various Argentine universities. He is author of a number of articles and publications on international trade. His current research work deals with tariff and non-tariff measures, trade remedies, rules of origin and assessing the impact of preferential trade agreements.

Navin Dahal is Research Director at the South Asian Watch for Trade, Economics & Environment (SAWTEE). Dahal has more than 12 years of experience in the private, public and development sector. His interest is in international trade, especially in the supply side issues of developing and least developed Countries.

Michaela Eglin is an independent consultant on the multilateral trading system working in Geneva. She headed the UN Liaison Office of the International Chamber of Commerce in Geneva from 1998-2003, where her main focus was on analysing developments in the WTO and UN agencies and promoting the public/private sector dialogue. She has edited a volume on the results of the Uruguay Round of multilateral trade negotiations and contributed chapters on the WTO for a handbook on world trade for Kogan page. Her early career includes eight years as an editor with the World Bank

Mostafa Abid Khan is currently working in Bangladesh Tariff Commission as Deputy Chief. He has been associated with this organisation, since 1993. He has also served in Trade Policies Review Division, WTO as a Trade Policy Analyst. He has also been the first Secretary, Bangladesh Mission to Geneva.

Tadatsugu T. Matsudaira is Technical Officer, World Customs Organisation (WCO) in-charge of Customs procedures and trade facilitation. He is an experienced Customs Officer with more than 15 years career in Japan, working in the policy side, in particular international context.

Rasika Mendis is Attorney at Law. Originally from Sri Lanka, she currently resides in the United Kingdom. Prior to moving to the UK, Mendis worked from May 2000- September 2002 as a researcher with the Law & Society Trust, Colombo, Sri Lanka. Her work primarily involved the evaluation of various policy initiatives and (legal) reforms that were underway in Sri Lanka (and South Asia).

Dipankar Sengupta, is currently an Economic Fellow at the Centre de Sciences Humaines, New Delhi. His research interests include – problems in political economy, problems of transitional economies, financial economics as well as E-commerce.

Brian Rankin Staples is currently the Principal, Trade Facilitation Services, Canada. In Ottawa, he works with a variety of clients, ranging from small domestic firms to multinationals, to resolve technical trade issues including valuation, tariff classification and rules of origin. He recently completed a series of rules of origin technical assistance activities in Vietnam on behalf of Arthur Dunkel and the IDEAS Centre.

Prabhash Ranjan is currently working as a Legal Researcher in the CUTS Centre for International Trade, Economics and Environment. He has worked extensively on anti-dumping, standards and dispute settlement.

Krista Lucenti is Trade Consultant for the Centre for Economic Policy Research (CEPR). She has published in the areas of safeguards, anti-dumping and trade facilitation and is completing her Ph.D in Economics (University of Berne) in the area of competition policy and anti-dumping.

About IWOOGDA

International Working Group on Doha Agenda (IWOOGDA) was a programme launched by the CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) in the aftermath of the WTO's Doha Ministerial Conference. The inclusion of the so-called new issues, namely, investment, competition policy, trade facilitation and transparency in government procurement, in the Doha Declaration threw up new challenges before the developing countries.

At the Cancún Ministerial Conference many developing countries were reluctant to discuss these issues at the WTO. Following the Cancún debacle, it appears that the Doha Round of negotiations are back on track as in July 2004, the WTO members adopted a Framework Agreement, which includes one of these new issues: trade facilitation.

Awareness of these issues has been traditionally low in many developing countries, not only in the civil society, but also amongst policy-makers and trade negotiators. Consequently, research and dialogue on these issues confined to a limited circle and there is an urgent need to promote understanding on a broader plane.

The IWOOGDA programme was a response to this situation. It was intended to promote broad understanding of these issues, involving leading international experts, practitioners and other stakeholders. In the first phase of the programme, a project on investment and competition policy was undertaken. The outcome was the publication of a document titled "Putting Our Fears on the Table". It was much appreciated within the trade community and the civil society.

In the second phase, issues relating to trade facilitation and transparency in government procurement are taken up. Two documents are being published with the aim of creating better awareness on these issues.

The programme has plan to do research on other issues of the Doha agenda, in particular 'trade, debt and finance' and 'trade and transfer of technology'. Exploring these issues are necessary for better understanding of development dimensions of the international trading system.

The objectives of IWOOGDA are to:

- develop a knowledge base and understanding on the principles, provisions, modalities and implications of possible multilateral agreements on these issues;
- assist countries, especially the developing ones, to evolve appropriate negotiating positions, if required, on these issues;
- build the capacity of trade negotiators and other stakeholders on these issues; and
- sensitise developed countries to the concerns and feelings of developing countries.

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