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## **Trade Facilitation Initiative for 2005**

### **Background**

#### **What is Trade Facilitation (TF)?**

- TF consists of measures to make ports (air and sea) and customs more efficient through improvement of their administration and procedures. TF is generally measured based on four indicators: port efficiency, customs procedures and requirements, the overall regulatory environment, and automation and e-business usage. TF aims to make international trade faster and cheaper.

#### **What are the potential benefits of TF?**

- A World Bank study has reported that one-third of the benefits from the Doha Development Agenda negotiations would come from TF.
- Researchers at the World Bank and the Institute for International Economics, based on a survey of 75 countries, estimate that trade flows would increase by \$107 billion as a result of increased seaport and airport efficiency and \$33 billion from streamlining customs procedures.
- TF could allow Latin America and the Caribbean to leverage a key advantage the region has over Asia – namely, its relative proximity to the U.S. marketplace and the faster “speed to market” this can afford. Also, TF is part and parcel of modernization efforts that can make trade more secure.

#### **How does TF fit into international trade negotiations?**

- The global Doha Development Agenda includes a working group on TF, which was the only one of the four so-called “Singapore Issues” to win broad approval from the 148 members of the World Trade Organization for inclusion in the Doha round.
- Recent free trade agreements negotiated by the United States and some other countries often include excellent TF measures; for instance, the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) includes very specific provisions on TF.

- However, countries need not conclude international trade agreements to reap the gains of TF. Governments may implement TF measures and see benefits immediately, regardless of whether other nations reciprocate. The benefits of TF accrue to the countries that implement TF – not to their trading partners.

### **What is Asia's experience with TF?**

- The 21 economies that participate in the Asia-Pacific Economic Cooperation (APEC) forum launched a Trade Facilitation Action Plan in 2002 that included a commitment to reduce business transaction costs by five percent within six years. Meeting in Santiago in November 2004, the leaders were proud to announce that they had reached their goal three years ahead of schedule.
- The speed, efficiency, and low cost of ports and customs in Asia have advanced notably. In Taiwan today, an express shipment clears customs in 12 minutes; in Mexico, such a shipment takes an average of two days. A World Bank study suggests that moderately successful implementation of TF measures could boost intra-APEC trade by more than \$250 billion, or more than 20%, which would in turn increase per capita GDP by more than 4%.
- But best of all, the APEC experience provides a ready-to-use model of how to approach TF. In terms of how to approach and implement TF measures, Western Hemisphere countries need not start from scratch. In this regard, Chile's experience could be highly relevant, and leaders from both the private and public sectors (e.g., Hernan Somerville, Ricardo Lagos Weber) could provide expertise and insight.
- TF represents an opportunity for Latin American and Caribbean countries to catch up with more competitive Asian economies.

### **Has TF been explored in the Americas?**

- Yes. At the 1999 FTAA Ministerial in Toronto, Canada, trade ministers from 34 Western Hemisphere nations committed to a package of customs-related "business facilitation" measures that are similar to the APEC trade facilitation measures (though they appear to be less specific). Implementation by the 34 countries was spotty. Nonetheless, that experience shows that TF is not as politically controversial as some other trade initiatives.

### **What resources are available?**

- The U.S. Agency for International Development has been funding trade facilitation studies and programs in collaboration with the Inter-American Development Bank. Sectoral associations such as CLADEC (express shippers) and ATPC (automotive) have significant expertise they can lend.

## Potential elements in a Program of Work

- AACCLA and its member AmChams can focus their advocacy resources on an educational effort with host country government officials to encourage support for implementation of TF measures used in the APEC context, in existing FTAs, or elsewhere.
- AACCLA and its member AmChams can assist in the effort by generating anecdotal evidence of positive or negative experiences with trade infrastructure (ports, etc.) and with customs administration. By giving a human face to the complex issues of customs and ports, it will be easier to make the case for TF.
- AACCLA and its member AmChams can bring national chambers of commerce and other local business associations into the effort, signing them onto national TF campaigns.
- AACCLA and its member AmChams may consider preparing a study of customs clearance times in different countries in Latin America and the Caribbean. AACCLA staff will conduct a search to see what studies have been done already, and may, if good data exist for specific sectors, focus on a meta-study that compiles the work of others.
- AACCLA and its member AmChams may bring in Asian officials to share their positive experiences with TF efforts.
- AACCLA will work to place TF on the agenda of key hemispheric events in 2005, including:
  - AACCLA's own meetings and conferences;
  - Ninth Symposium of the Americas Customs/Trade/Finance (April: Miami, Florida);
  - The OAS General Assembly as well as a private-sector forum organized on its margins by the U.S. Department of Commerce (June: Fort Lauderdale, Florida); and
  - The Summit of the Americas as well as a possible private-sector forum organized on its margins (November: Mar del Plata, Argentina).

With regard to the latter two events, this proposal has already won the support of key officials at the U.S. Departments of State and Commerce (Stephen M. Liston, Deputy Summit Coordinator, U.S. Department of State; and Walter Bastian, Deputy Assistant Secretary of Commerce for the Western Hemisphere).

- A long-term goal should be to translate Asia's positive TF experience into additional successes in Latin America and the Caribbean, and then leverage that success into broader support for TF in the Doha round.