

REGIONAL COOPERATION ON TRADE AND TRANSPORT FACILITATION

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Introduction

Global industry and trade today involve production processes that are, more often than not, staged in multiple countries. This is very different from the traditional vertically integrated factories, where all stages take place on the same factory floor. When the products of these international processes are exported, the factors that influence their competitiveness are usually related to the boundaries of the exporting countries.

When stages of production take place among many countries (or in different parts of the same country), trade and transport act as bridges. Trade integration links the stages together, and networking among firms strengthens those linkages. Transport is crucial to the integration of these production processes because the components of production need to arrive in time for one stage and leave in time for the next. When transport facilities falter along the chain, the production processes suffer.¹ Finally, when production stages take place in different countries, cooperation among the countries becomes necessary to ensure that border formalities are satisfied, that bottlenecks are anticipated and addressed, and that components and parts are moved efficiently.

This paper attempts to identify regional cooperation measures that support trade and transport facilitation and thereby enhance export competitiveness. This will be done by examining some experiences in Asia and the Pacific that illustrate how cooperation has developed or is developing.

Accordingly, in section A we attempt to determine the degree of importance of trade and transport as components in the movement of goods across countries. In section B, we develop a simple heuristic device to examine in more detail some trade and transport factors essential to regional economic integration, and distinguish between the two types of factors. We argue that trade and transport factors are mutually reinforcing in enhancing the competitiveness of a country that is part of the global production chain, given that goods in production stages across countries require the entry of components and parts (as imports), and the exit of a processed product to the next production stage (as exports).

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¹ One clear example is the disruption of component cargoes between the United States and Canada that occurred after the attacks of 11 September 2001. Trucks crossing the Ambassador Bridge were delayed due to more rigid inspection procedures, and automakers in Detroit had to suspend production.

While products vary in terms of the ratio of domestic to cross-border stages, the minimal differences caused by such variations do not affect the importance of trade and transport factors.

Section C elaborates on some modalities of regional cooperation in trade and transport facilitation. A number of regional cooperation initiatives in transport are well established and described. Such cooperation is important in order to ensure the efficient movement of goods across borders. Cooperation modalities used by countries that have common borders as well as by those that are landlocked might require adaptation.

In the final section we discuss some directions for increasing regional cooperation in trade and transport facilitation.

A. Importance of trade and transport facilitation

One important driver behind globalization is the continued decline in the cost of transportation and communications, which has reduced the overall international prices of traded goods and accentuated the contestability of global markets. Technology in transport and communications (for example, the Internet and post-Panamax vessel configuration) has increased efficiency even further in almost all kinds of traded product.

Furthermore, the increasing liberalization of trade through reductions in tariff and non-tariff measures across all trading nations has made international commerce more integrated. Although many new non-tariff barriers may have been introduced to compensate for tariff fallout, by and large, the gains from liberalization have not been eroded, increasing the overall openness of even less developed economies.

What has been partly neglected in efforts to support overall openness and transport and communications improvement are other associated rules, processes and procedures that still hinder goods that must cross a border—in other words, border restrictions.² These range from customs clearance to the delivery of goods to the final buyers and sellers. The extent to which these impose additional costs, on top of transport, impinges on the competitiveness of traders in global markets.

Greater liberalization, low transport and communications costs, and technological efficiencies have fostered the exchange of goods and vertical specialization among countries, and have reduced distance as a trade constraint. Both bulky and heavy products, and high-value but light products have benefited from the improvements. These improvements seem to have marked an irreversible trend towards economic integration that has reshaped the structure of trade and industry and ushered in a period of a single global economy.

The recent spikes in oil prices, however, have raised the possibility that certain threshold transport costs or geographic distances may be sufficient to wipe out the competitive

² See, for example, Wilson and others (2002) and Wilson (2007).

advantages of some countries, recalibrate the location of production bases, and set off new global adjustments. This is especially true of bulk products that travel long distances, products that have low value-to-freight costs, or products with a high ratio of freight costs to selling price. Rubin and Tal (2008), who have examined these developments, argue that the tariff equivalents of escalating oil/energy prices effectively bring back the period before the Kennedy Round of the General Agreement on Tariff and Trade (GATT) negotiations of the mid-1960s. Furthermore, the pace of globalization could slow down or more regional trade might emerge to substitute for the long-haul movement of goods (Krugman 2008; Jacks, Meissner and Novy 2008).

Clearly, increasing transport costs are a concern for countries that export, since they scale the degree of competitiveness. Yet in most cases, such costs are exogenously determined (for example, through liner conferences), are sensitive to fuel and thus oil consumption, and may induce behavioural changes on the part of vessels and other cargo carriers. Therefore, transport facilitation focuses on various measures that affect principally the transport of goods into the port of loading or from the port of discharge, including, among other things, measures concerning service roads, exchanges among different modes of transport, traffic flow and other infrastructure.

The relevance of particular transport facilitation measures depends on a number of factors, which can also affect the eventual border transportation. One is the product composition of traded goods. For example, in addition to more specialized cargo vehicles, highly sensitive goods require smooth infrastructure (such as well-paved roads). Bulk cargo, however, may use traditional transport networks or other modes (for example, log exports may be transported through river channels).

A second factor is the location of the exporting and importing countries. Clearly, coastal countries have inherent advantages of accessibility, and are able to transport products directly to other country markets. These advantages are rarely found in landlocked or even in juxtaposed countries, depending on how far they are from ports. Not only are transport costs higher inland, but additional transport-related costs might be involved in bringing products into the international marketplace.

Finally, certain country characteristics would also affect how transport facilitation measures are applied. These include country openness, public investment expenditures, foreign direct investment, investment incentives and the existence of export processing zones, among others. In short, transport facilitation measures depend on the extent to which (a) a country is integrated into the rest of the world, and (b) a country's bilateral and regional interests are reflected in cross-border trade.

The magnitude of the transport and trade impediments faced by a country ultimately determines their effect on competitiveness. Unfortunately, few estimates of such impediments are comparable, cover the same measures, or apply to all types of trading economies.³

³ The culled estimates of trade and transport costs in OECD (2003) show a range of 1 to 15 per cent of the value of traded goods.

One way of quantifying the extent of transport and trade impediments (other than those pertaining to overseas transport) is by the loss of time that traders incur when moving their goods across borders. In a cross-border study of Bangladesh and India, comparisons were made between an "ideal" time for undertaking transport and trade functions, and the actual time. The differences between the two reflect losses in terms of time, which can then be quantified relative to the costs of trading the goods. The table shows the loss of time in bringing cargoes from Petrapole (India) to Benapole (Bangladesh). The average loss is more than three times (300 per cent) the standard time required.

Loss of time in crossing borders, India-Bangladesh

<i>Border activities</i>		<i>Ideal time (hours)</i>	<i>Loss of time (hours)</i>
Phase 1	Loading, unloading, border crossing (exit)	5.9	17.8
Phase 2	Transportation	2.4	3.2
Phase 3	Parking, customs clearance, border crossing (entry)	21.3	78.1
Total		29.6	99.1

Source: Das and Pohit (2004).

Note: Between Petrapole (India) and Benapole (Bangladesh).

With regard to the Petrapole-Benapole border activities, close to 80 per cent of the loss of time is related to parking, customs clearance and crossing the border. Those issues must be addressed by trade facilitation rather than transport-related measures. For example, delays related to the actual border crossing reflect inadequate warehouses, a lack of safety measures at the border, congestion, poor entry formalities, and other factors. The amount of time spent loading and unloading is also related to trade facilitation measures, specifically: (a) loading cargo at the point of departure or exit (for example, Kolkata); (b) unloading cargo carriers from the exiting country at the border; and (c) reloading cargo into carriers of the arrival country. To the extent that there are restrictions on cross-border movement of cargo vehicles, these border activities lead to time losses (not to mention cargo losses arising from the transfer of goods) on the part of the exporting country (up to the border) and on the part of the importing country (from the border).

B. Trade and transport factors in economic integration

It is important to locate the discussion of trade and transport facilitation, that is, to define a set of measures that can potentially lower the international prices of exports and imports. We exclude freight transport costs, as these are exogenously determined and usually refer to ocean transportation. In a small country assumption, there is little that either private traders or governments can do to effectively reduce these kinds of transportation costs.

The context for transport factors, in terms of affecting a country's export competitiveness, is essentially the value chain from (to) the point of production to (from) the point of loading (discharge) at the port. Transport facilities can be improved anywhere along the way, with consequent effects on production costs for exporters and importers. Trade factors are those measures that are applied at or near borders and that are associated with the eventual sale (purchase) to (from) another country.

Measures for transport facilitation, however, encompass a wider area, from transport infrastructure to containers or storage yards at ports. Transport infrastructure involves the development of multi- and intermodal exchanges that promote the faster and more convenient movement of goods. It is useful, then, to begin with a master transport plan for the country, which would presumably lay out how trade fits in with the overall economy, what infrastructure is needed and what specific transport facilities are important.

Transport facilitation at the national level (as distinguished from regional cooperation, discussed in the next section) can be viewed in terms of functionality, for example, addressing bottlenecks in freight mobility or enhancing the turnaround time of cargo vehicles. Such measures address transport elements such as landside access, ramps, feeders, connectors to main corridors into gateways or directly into ports, airports and rail stations. Determining which of these elements must be tweaked to improve the movement of goods requires specific information and an understanding of the mechanisms through which trade is impinged.

The increasing development of hinterlands as integral to a trade-oriented development strategy is contingent on transport facilitation measures. In particular, such development may call for the creation of dry port facilities, where processing takes place before final loading at the port (ESCAP, 2007). Logistics services providers, for example, serve the need for the consolidation and deconsolidation of containerized goods. As such facilities develop, they eventually generate economic activities and become "freight villages" or growth poles. They help reduce congestion at regular ports, increase the proximity of outlying areas to the trade stream, and promote trade access. It must be ensured that transport connections are in place to provide the seamless movement of tradable products from distant places into the dry port stations, which act as halfway houses between the point of production and the border gateway. Transport facilitation has contributed to the evolution of such dry ports—once simply tools for decongestion, dry ports are now often hubs for broader development and a more inclusive trade strategy.

While transport facilitation measures are focused largely on the services and infrastructure surrounding existing ports, support for the development of logistics services through the establishment of dry ports, distriparks, or freight villages is gaining ground.⁴ Government initiatives in the form of transport infrastructure, the location of Government

⁴ This is seen as short of the traditional creation of export processing zones, which usually locate near ports and are seen as special areas. The idea behind the development of logistics centres outside the confines of processing zones is to bring about broader development. See also Il-Soo (2007).

border agencies, and the involvement of the private sector in servicing auxiliary needs are essential in providing not only trade-related functions but also other development activities that integrate peripheral communities to the global marketplace. Transport facilitation is a critical component to this emerging link to economic integration.

Trade facilitation can be defined as the simplification and harmonization of international trade procedures including activities, practices and formalities in collecting, presenting, communicating, and processing data required for the movement of goods in international trade. This means that, for both exports and imports, the process of loading as well as discharge to and from international carriers should be simplified and easy to undertake. Several points regarding trade facilitation context at the national level must be understood and taken into consideration.

First, an important element in national trade facilitation is the transparency of information regarding rules, regulations and procedures associated with trading in the global market. Information must be open and completely accessible, either publicly posted or available on the Internet. Process flowcharts that define each step in the procedures, the various requirements, and the length of time required to complete the process should be published. Where these steps are not yet widely known, the application of national trade facilitation measures could be beneficial. This is, in fact, the substance of article X of GATT 1994 on the publication and administration of trade regulations.

Second, where there are multiple Government agencies with border responsibilities, some synchronization, if not harmonization, of procedures and requirements would reduce the time for securing the clearance and release of goods from warehouses. And going back further in the process, the issuances of necessary licenses, permits, and certification for particular products must be tied closely to the entire process. It is equally essential to synchronize any required physical inspections, to ensure they are undertaken only once instead of repeatedly. Trade facilitation measures are meant to promote harmonization and simplification of the various requirements of Government agencies. Some of these measures include locating all such agencies in a single area (a "one-stop action centre"), and encouraging agencies to use a single document.

Third, private sector firms and entities with border functions would also have to fit in the overall procedures. Private sector firms with border functions include (a) banks (to process payments for duties and taxes), (b) warehouses (to temporarily store goods which are undergoing clearance procedures), (c) freight forwarders (to handle paper requirements), (d) customs house agents or brokers (to act on behalf of the consignor or consignee), and (e) truckers/haulers (to handle the retrieval and delivery of goods). Trade facilitation measures include incentives to locate some of these entities (such as banks) within the physical premises of borders. Incentives can also be set in order to improve private sector coordination with Government agencies with regard to these functions.

Fourth, where these systems are electronically integrated through information and communications technology (ICT), trade facilitation can be optimized as software compatibilities are pursued. This would most likely affect Government agencies, assuming

there is an overall Government ICT system in place. Private sector modules, however, may be different. The scope for trade facilitation measures in this area is to promote a common format and language.

Finally, the definition of trade facilitation above appears too narrow and neglects some hardware complements. Indeed, concerns about “behind-the-border” issues range from soft components to technology, and from equipment to the buildings that house border services. In the case of more sophisticated manufactures, entry into and exit out of countries can be contingent on satisfying international standards. As trade in such goods is increasing, accredited laboratories will have to be set up, technical staff need to be trained, and sustained maintenance assured. Trade facilitation measures are aimed at keeping a strong connection between the software and hardware components of the process of goods movement across borders.⁵

One constraint on trade facilitation is the complex institutional setting, involving (a) many agencies, public and private, each with its own mission and function, (b) modular information systems, (c) separate standards and requirements for traded products, and (d) the close guarding of turf. This makes coordination difficult to achieve, in turn impeding efforts to create a seamless process of moving products into and out of a country. Even when an environment for processing the entry and exit of goods is fully automated, there are bound to be institutional frictions. There are, however, various measures to address these constraints. It has been suggested that, at the minimum, countries should create national trade facilitation committees (or national focal points for trade facilitation) with memberships that comprise all government agencies with border responsibilities, including those related to transport and other infrastructure (ESCAP, 2002). Such an inter-agency committee, among other things, (a) develops the trade facilitation framework, (b) identifies measures for which member agencies are responsible and will undertake, (c) maintains an active forum where trade bottlenecks and barriers are indicated, and (d) monitors and evaluates the effectiveness of measures. The decision to institutionally attach such a committee to one Government agency, for example, the ministry of trade or another ministry, is sometimes controversial.

Another variant is the designation of a specific Government agency as the “hub” for the facilitation of traded goods. The obvious candidate to act as the portal for all other institutions that matter to trade is customs. Customs has traditionally been the gateway for all trade into or out of countries, is customarily located at the border, and has no other functions other than those at the border. Locating at customs the other institutions that have border responsibilities facilitates goods-clearance processes. In terms of institutional relationships, customs coordinates inter-agency participation at the border; some agencies

⁵ The scope of trade facilitation in the World Trade Organization negotiations is limited to the clarification and improvement of relevant articles (articles V, VIII and X) and their priorities for members.

may even cede their border authority to customs in terms of processing agency-related procedures.⁶

Finally, the creation of a separate border agency that brings together all the agencies with border functions is expected to reduce the delays in inter-agency transactions, as well as the associated incompatibilities in information systems (JBC International 2005). The integrated border management model was followed in the creation of the European border agency. It is difficult to imagine applying this type of institutional organization in the developing world, given that in addition to handling customs and immigration, Government agencies also have non-border functions that tend to conflict with border interests (Albuero, 2008). There are also inherent institutional weaknesses among Government agencies, especially in the developing world, and it is doubtful if a reorganization into one institution could overcome those weaknesses.

Enhancing export competitiveness through transport and trade facilitation involves not only reforming systems, rules, regulations and processes, but also implementing institutional modifications and addressing the various physical and infrastructural requirements to ensure the smooth flow of goods. Since globalization has enabled the production of exports to be divided into different stages in different countries, export competitiveness also hinges on improving import processes.

C. Regional cooperation in trade and transport facilitation

The previous section briefly laid out several factors that influence the facilitation of trade and transport at the national level, and that are important for enhancing the movement of goods across the value chain. But goods move beyond national borders, into another territory before reaching their final destination. Those countries of arrival also have national standards, processes and regulations that must be followed. If the criteria of the countries of arrival and exit are not comparable, log jams are likely to occur. Cooperation is therefore needed between trading partners or, more generally, among all traders.

On the transport side, there are numerous areas in which the easy movement of cargo could be enhanced, especially in contiguous territories marked by sovereign boundaries. For example, there are international conventions to harmonize technical specifications with regard to both road and rail transport. In road transport these specifications cover,

⁶ This was illustrated in the aftermath of the attacks of 11 September 2001, which led to the creation of the United States of America Department of Homeland Security. At the port level, the border function of the United States Department of Agriculture Animal and Plant Health Inspection Service (USDA-APHIS) was initially ceded to the Department of Homeland Security authority. There have since been calls to revert the authority back to USDA. See "Statement of James L. Taylor, Deputy Inspector General, U.S. Department of Homeland Security before the Subcommittee on Horticulture and Organic Agriculture, Committee on Agriculture, U.S. House of Representatives" (Department of Homeland Security, 2007), available at agriculture.house.gov/testimony/110/h71003/Jim_Taylor.pdf, and Kate Campbell, "Bill would move ag inspections back to USDA", *California Farm Bureau Federation*, 28 March 2007, available at www.cfbf.com/agalert/AgAlertStory.cfm?ID=788&ck=C15DA1F2B5E5ED6E6837A3802F0D1593.

among other aspects, gross vehicle weights, overhead clearance, horizontal and vertical alignment, road lighting, auxiliary facilities installation, road safety standards, road design and road markings. The application of technical parameters for rail transport varies according to whether the rail lines are for passenger traffic only or for both passenger and goods traffic, and includes parameters regarding vehicle loading gauge, minimum distance between track centers, authorized mass per axle (railway cars and wagon carriages), maximum gradient, minimum platform length of principal stations, and minimum siding strength.

In many developing and least developed countries, including several in Asia, domestic laws are not consistent with the provisions of these conventions. After all, for most of them, international traffic constitutes only a small fraction of total traffic. Nevertheless, aligning domestic laws with international conventions would be expected to increase the competitiveness of traded products. Such conventions include (a) those that address road traffic, road signs and signals, international carriage of goods, international carriage of passengers and luggage, international road transit (TIR), and transit cargoes, (b) those that cover the recognition of driver's licenses, commodity classification, liability insurance, and registration of vehicles, and (c) customs conventions related to transport, such as the temporary importation of commercial or private road vehicles and containers, the harmonization of frontier controls of goods, and the movement of dangerous goods (see annex for examples). The extent to which countries in Asia are signatories or have acceded to these conventions is limited at best; much remains to be done to encourage more countries to subscribe to such conventions, with a view to improving the transport of goods across borders and promoting regional cooperation on trade and transport facilitation to enhance competitiveness.

In addition to acceding to international conventions, countries could enter into bilateral or regional (subregional) agreements regarding transport cooperation. Such agreements might address areas of cooperation covered in the conventions, in the context of a specific group of countries or a specific region. In Asia, several cooperation agreements have been forged, outlining transport and transport-related facilitation measures jointly undertaken by the signatory countries. These agreements tackle both physical and non-physical barriers to the mobility of goods and people. Non-physical barriers keep traffic volumes low, rendering investments in transport infrastructure unfeasible. Compounding the problem, poor infrastructure itself and physical barriers also keep volume low. Such cooperation agreements include:

- (a) The Asia land transport infrastructure development project, under the aegis of ESCAP, which focuses on the development of the Asian Highway and the Trans-Asian Railway, particularly in regard to the connectivity of national road networks and regional railway networks, respectively;
- (b) The Association of Southeast Asian Nations (ASEAN) Framework Agreement on the Facilitation of Goods in Transit,⁷ which calls for the development of an

⁷ Adopted at the 6th ASEAN Summit, Hanoi, 15 and 16 December 1998 (see www.aseansec.org/8872.htm).

ASEAN transportation network. Although this was meant for transit transport, subsequent frameworks include the ASEAN Framework Agreement on Multimodal Transport⁸ and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport.⁹ The latter recognizes the mutual right of transit and the right to load and discharge third countries' goods destined for or coming from contracting parties (art. 5, paras. 1 (a) and (b)). This is significant, as a key transport constraint has always been the need to transfer goods from the carriers of the exporting country to the carriers of the importing country. Analogous provisions can also be found in the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor¹⁰ and the Economic Cooperation Organization Transit Transport Framework Agreement.¹¹

More recently (2005), there is the Greater Mekong Subregion Agreement on the Facilitation of the Cross-border Transport of Goods and People¹² covering many aspects of transport facilitation. That agreement essentially covers most of the issues addressed by the international conventions relating to technical requirements for cross-border transport cooperation. Its 16 annexes and 3 protocols include provisions for (a) transit traffic (e.g. customs inspection, bond deposit, escorts, and phytosanitary and veterinary inspections), (b) road vehicle requirements for cross-border traffic, (c) exchange of commercial traffic rights, (d) infrastructure (e.g. road and bridge design standards, signage and signals), (e) single-stop/single-window customs inspection, and (f) cross-border movement of persons (those engaged in transport operations). The Agreement is applicable to mutually agreed routes and points of entry and exit (sect. B, art. 8).

Regional, subregional or even bilateral cooperation often plays a part in transport facilitation, for example in the case of customs inspection modalities that increase the speed of the movement of goods across borders. To this end, there are a number of international conventions and standards that countries can adopt with respect to specific steps related to (a) the processing of trade documents, and (b) the communication and processing of data required for the movement of goods. Such conventions and standards include the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures,¹³ the Convention on Facilitation of International Maritime Traffic, the International Convention for the Safety of Life at Sea (and the recent International Ship and Port Facility

⁸ Adopted at the 11th ASEAN Transport Ministerial Meeting, Vientiane, 17 November 2005 (see www.aseansec.org/17877.htm).

⁹ Signed at the 14th ASEAN Transport Ministers Meeting, Manila, 6 November 2008.

¹⁰ United Nations, *Treaty Series*, vol. 2075, No. I-35956.

¹¹ Endorsed at the 8th Meeting of the Council of Ministers, Almaty, 9 May 1998 (see www.ecosecretariat.org/ftproof/Documents/Agreements/TTFA%20Final.doc).

¹² See www.adb.org/GMS/agreement.asp.

¹³ Adopted at the ninety-third and ninety-fourth sessions of the Council of the World Customs Organization, Brussels, 24-26 June 1999 (see www.wcoomd.org/kybodycontent.htm).

Security Code¹⁴), the Customs Convention on the International Transport of Goods under Cover of TIR Carnets, the Customs Convention on Containers, the ATA Carnet for the Temporary Admission of Goods, and the UN/CEFACT standards for trade facilitation such as the United Nations Layout Key and the United Nations Trade Data Elements Directory.¹⁵

Another area for regional cooperation that has received a significant amount of attention is the use of active information exchanges, both among border authorities themselves and between such authorities and the private sector, in order to undertake procedures in advance of cargo arrival. Such exchanges are expected to reduce the processing time once the goods arrive. For example, information exchanges provide authorities with advance information that can be used to (a) facilitate risk management, (b) issue an advance ruling on the classification of goods and the necessary procedures and taxes due, (c) allow submission of a pre-arrival declaration, and (d) determine release requirements. Exchanges between the private sector (for example, inspection agencies) and Government authorities would support the necessary security checks and evaluation prior to the arrival of the goods. And in the context of the Security and Facilitation in a Global Environment Framework of Standards¹⁶ of the World Customs Organization, procedures can be undertaken even before cargoes leave their country of exit. Two pillars (Customs-to-Customs network arrangements and Customs-to-Business partnerships) provide the basis for the Framework, establishing standards and facilitating understanding.

Continuous monitoring and evaluation of the process of moving goods from border to border allows a more systematic understanding of determinants, which may vary depending on the kinds of products that are moving, the country of origin, the value, and the stage in the declaration process. The tracking of the whole flow yields insights on which part is causing delays. The application and frequent measurement of time-release studies using a common framework (as specified by the World Customs Organization) would provide a better picture of the effectiveness of trade facilitation measures. Indeed, the lack of an analytical foundation for trade facilitation might be a weak spot in designing strong policy and cooperation mechanisms for raising competitiveness in exports.

D. Directions

In both trade and transport facilitation, there appears to be a wide range of opportunities for implementing national and regional measures that enhance the ability of export sectors to be internationally competitive—particularly national initiatives aimed at reinforcing regional cooperation to increase the mobility of trade. All can draw on international

¹⁴ SOLAS/CONF.5/34, annex 1.

¹⁵ See the annex for a list of policy variables and trade facilitation measures, particularly with respect to customs procedures, and the corresponding convention or reference standards to which countries have subscribed or acceded.

¹⁶ The Framework was endorsed by the Council of the World Customs Organization during its annual sessions in Brussels, 23-25 June 2005 (see www.vam.hu/loadBinaryContent.do?binaryId=15833).

conventions as a reference for action, and it is important that national policies and legislation are aligned with such conventions. Although it would seem a straightforward matter to apply the conventions as policy directions, at a national level the establishment of priorities still depends largely on individual country environments.

An important, if not critical, precondition for trade and transport facilitation is the existing international economic environment. Countries which are less open tend to be less able to integrate with international commerce or more likely to oppose international trade. In such an environment, policy priorities should include (a) mounting a campaign to promote exports, (b) encouraging (if not providing incentives to) domestic entrepreneurs to look beyond national markets, and (c) supporting networks of international firms. Institutional capacities to follow through on such actions would have to be built up through technical assistance to relevant Government and private sector groups or national committees that pursue international commerce.

In a more open environment, trade and transport facilitation is viewed as reflecting a strong commitment to advancing the cause of exporters and their increased competitiveness, and, in turn, increasing benefits to the country. In such a context, putting definitive facilitation measures in place is recognized as imperative. Measures that should be considered as priorities include (a) the development of a trade and transport plan linking infrastructure facilities to trade (and vice versa), (b) the identification of cooperation with trading partners in bilateral and regional settings while maintaining interests in a multilateral framework, and (c) the implementation of a programme to enhance the competitiveness of specific export sectors through linkages with the trade and transport plans.

Finally, it is equally important to implement, maintain and continue an evaluation and monitoring system to provide the necessary feedback on the impacts of various trade and transport facilitation measures. Analytical evaluations of these measures are significant signals to the trade stakeholders that a country is committed not only to integrating with the world markets, but also to instituting the necessary policies and reforms that would enhance its competitiveness in global commerce.

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Annex

Policy indicators for customs procedures

<i>Indicator</i>	<i>Basis</i>
A. General customs environment	
Provision of adequate resources (qualified personnel, equipment and facilities) to administer control services	ECE, International Convention on the Harmonization of Frontier Controls of Goods, ^a
National legislation to cater for computerized procedures	WCO, Revised Kyoto Convention, ^b General Annex, chapter 7, standard 7.4
Acceptance of electronically transmitted cargo manifest	ICAO, Convention on International Civil Aviation, annex 9
Conformity of customs computer systems to internationally accepted standards	WCO, Revised Kyoto Convention, General Annex, chapter 7, standard 7.2
Establishment of data interchange between customs and trade users	WCO, Revised Kyoto Convention, General Annex, chapter 7, standard 7.4
Exchange of information between customs and other government agencies using ICT	WCO, Revised Kyoto Convention, General Annex, chapter 7
Use of UN/EDIFACT or other standard electronic format	UN/CEFACT Recommendation No. 25
Use of international trade data elements (ISO 7372)	ECE, United Nations Trade Data Elements Directory
Adoption of computerized customs clearance system	..
Adoption of post-clearance audit scheme	WCO, Revised Kyoto Convention, General Annex, chapter 6, standard 6.6
Continuous simplification of tariff structure	..
Continuous review and elimination of unnecessary technical barriers to trade	WTO Agreement on Technical Barriers to Trade ^c
Adoption of system to provide customs clearance service 24 hours a day	..
Adoption of procedures and organizational framework to secure border enforcement to protect intellectual property rights	WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ^c (TRIPs)
B. Pre-arrival	
Acceptance of declaration before arrival of goods	WCO, Revised Kyoto Convention, General Annex, chapter 3, standard 3.25
Pre-arrival clearance of goods	..

<i>Indicator</i>	<i>Basis</i>
Adoption of procedures and organizational framework to accept requests and provide advance classification ruling	..
C. Declaration/Lodgment	
Limitations on requests for copies of documents, specifically negotiable bill of lading	UN/CEFACT Recommendation No. 12
Alignment of documents with United Nations Layout Key (ISO 6422)	WCO, Revised Kyoto Convention, General Annex, chapter 3, standard 3.11
Provisional declaration when all required information are not available	WCO, Revised Kyoto Convention, General Annex, chapter 3, standard 3.13
Outright exportation	WCO, Revised Kyoto Convention, Special Annex, Recommended Practice C.1.2
Electronic customs declaration in all services	..
Establishment of national single window	UN/CEFACT Recommendation No. 33
D. Assessment/examination	
Clearly defined, transparent and uniformly administered rules of origin	WTO Agreement on Rules of Origin ^c
Acceptance of sanitary and phytosanitary measures of other members as equivalent	WTO Agreement on the Application of Sanitary and Phytosanitary Measures ^c
Coordination and harmonization of controls of Customs and other regulatory bodies	WCO, Revised Kyoto Convention, General Annex, chapter 3, transitional standard 3.35
Clearance by summary examination whenever possible	WCO, Revised Kyoto Convention, General Annex, chapter 3
Detailed examination by selective methods	WCO, Revised Kyoto Convention, General Annex, chapter 3
Certification of origin required only when necessary	WCO, Revised Kyoto Convention, Special Annex, chapter 2, recommended practice 2
Acceptance of declaration of origin	WCO, Revised Kyoto Convention, Special Annex, chapter 2, recommended practice 12
Adoption of procedures and organizational framework to secure consistent and uniform application of the WTO valuation agreement within each economy	WTO Agreement on Implementation of Article VII of the GATT 1994 ^c

<i>Indicator</i>	<i>Basis</i>
Adoption of selectivity to identify high-risk and low-risk shipments and application of risk assessment techniques in cargo examination and document review	WCO, Revised Kyoto Convention, General Annex, chapter 6
Establishment of infrastructure to manage risk	WCO, Revised Kyoto Convention, General Annex, chapter 6
Establishment of risk management training system	WCO, Revised Kyoto Convention, General Annex, chapter 6
Adoption of system to analyse risk	WCO, Revised Kyoto Convention, General Annex, chapter 6
Adoption of compliance measurement strategy to support risk management	WCO, Revised Kyoto Convention, General Annex, chapter 6
E. Payment	
Single comprehensive bond to cover customs, immigration and health obligations	ICAO, Convention on International Civil Aviation, annex 9
Self-assessment of duty and tax liability	WCO, Revised Kyoto Convention, General Annex, chapter 3, transitional standard 3.32
Deferred payment of duties and taxes (at least 14 days after release)	WCO, Revised Kyoto Convention, General Annex, chapter 4, standard 4.9
Consolidation of duty and tax payment for authorized operators	..
Separation of duty and tax payment from the clearance process	..
Advance deposit for duty and tax purposes	..
Establishment of a de minimis level and adoption of informal entry system	WCO, Revised Kyoto Convention, chapter 4, transitional standard 4.13
F. Release	
No delay in release in goods for minor information omissions	WCO, Revised Kyoto Convention, chapter 3, standard 3.40
Provisional release of goods upon presentation of incomplete customs requirements and adequate guarantee for payment of duties and other taxes	ICAO, Convention on International Civil Aviation, annex 9 (4.27), Recommended Practice
Temporary release on bonds or securities by banking institutions	WCO, Revised Kyoto Convention, chapter 3, standard 41
Adoption of procedures to deal with applications for suspension of release of counterfeit goods	WTO Agreement on Trade-related aspects of Intellectual Property Rights (TRIPs)

<i>Indicator</i>	<i>Basis</i>
G. Special procedures for authorized persons	
Release of goods on provision of minimum information for authorized persons	WCO, Revised Kyoto Convention, chapter 3, transitional standard 3.32
Clearance of goods at declarant's premises for authorized persons	WCO, Revised Kyoto Convention, chapter 3, transitional standard 3.32
Periodic export declaration for authorized persons	WCO, Revised Kyoto Convention, chapter 3, transitional standard 3.32
Periodic import declaration for authorized persons	WCO, Revised Kyoto Convention, chapter 3, transitional standard 3.32
H. Special procedures for specific types of trade	
Simplified customs documentation and procedures for air cargo up to specified value or weight	ICAO, Convention on International Civil Aviation, annex 9 (4.26)
Accession to the ATA Carnet/Istanbul Convention (temporary imports)	..
Adoption of simplified clearance procedures for express consignment	<i>WCO Guidelines for the Immediate Release of Consignments by Customs^d</i>
I. Treatment of transit goods	
Freedom of transit	WTO, GATT article V
Minimize unnecessary controls of compliance with technical and quality standards.	ECE, International Convention on the Harmonization of Frontier Controls of Goods, annex 5, articles 4 and 5
Limited inspection	ECE, International Convention on the Harmonization of Frontier Controls of Goods, annex 5, article 10
Exemption from customs duties and taxes	WCO, Revised Kyoto Convention, Specific Annex E, chapter 1, standard 1.3
Specification of maximum sum per TIR carnet that may be claimed from the guaranteeing association (limited to \$5,000, except for alcohol and tobacco, \$200,000)	ECE, Customs Convention on the International Transport of Goods under Cover of TIR Carnets
No escort of goods in transit or itinerary	WCO, Revised Kyoto Convention, Specific Annex E, chapter 1, standard 1.15
No medicosanitary/veterinary/phytosanitary inspection for goods in transit if no contamination risk	ECE, International Convention on the Harmonization of Frontier Controls of Goods, annex 3, article 5
Declarant allowed to choose form of security if required to provide one	WCO, Revised Kyoto Convention, General Annex, chapter 5, standard 5.3

<i>Indicator</i>	<i>Basis</i>
General security allowed to cover several transit operations for regular declarants	WCO, Revised Kyoto Convention, General Annex, chapter 5, standard 5.5

Source: CIE and SATMP (2006).

^a United Nations, *Treaty Series*, vol. 1409, No. I-23583.

^b Adopted at the ninety-third and ninety-fourth sessions of the Council of the World Customs Organization, Brussels, 24-26 June 1999 (see www.wcoomd.org/kybodycontent.htm).

^c See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT Secretariat Publication, Sales No. GATT/1994-7).

^d World Customs Organization, *Guidelines for the Immediate Release of Consignments by Customs* (Brussels, WCO, 2007).

Abbreviations: ECE, Economic Commission for Europe; GATT, General Agreement on Tariffs and Trade; ICAO, International Civil Aviation Organization; ISO, International Organization for Standardization; UN/CEFACT, Centre for Trade Facilitation and Electronic Business; UN/EDIFACT, United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport; WCO, World Customs Organization; WTO, World Trade Organization.