

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

EC Approach to Trade Facilitation

Communication from the European Communities

The following communication, dated 28 May 1999, has been received from the Permanent Delegation of the European Commission.

1. Inefficient and unnecessary import and export procedures impede trade flows. Industry worldwide is looking to the WTO to simplify, harmonize and automate procedures, reduce documentation, and increase transparency. Gains will be especially great for small companies and developing countries, for whom costs of compliance with procedures are proportionately higher and deter exports. Simple procedures also improve the investment climate and allow service sectors like transport and distribution to compete efficiently. They help governments improve administration, reduce operating costs, increase revenue and detect illicit transactions. Against limited government resources, but rapidly growing trade volumes, simplification is thus a must.

2. The WTO, as the main organization for international trade, has a natural role in setting rules in this field. A rules-based approach will guarantee transparency and predictability for traders, ensure political commitment to reforms, and ensure that appropriate measures are introduced. A WTO framework can provide confidence to the private sector and international institutions to invest in necessary capacity building and assistance. It will also ensure regional initiatives develop in the same direction and reduce, not create new, barriers. A WTO framework should also draw on, while not duplicate, standards developed by other specialist organizations.

3. The Community therefore advocates developing a framework of WTO commitments to simplify and harmonize trade procedures, that could encompass the following:

- Application of key WTO principles

Application to trade procedures of WTO principles of non-discrimination and national treatment, together with transparency and the concept of proportionality – so that procedural requirements do not create unnecessary obstacles. Provisions should be developed to ensure that small- and medium-sized companies fully benefit from simplified procedures.

- Harmonization and simplification of documents and data

Commitments to simplify and harmonize trade and transport documents and data, drawing on international standards, and relying on commercial information. This will reduce delays and costs to traders, and assist introduction of automated procedures.

- Modern customs and management techniques

Commitments to progressively introduce modern customs techniques designed to strengthen compliance and control while speeding release of legitimate goods, e.g. pre-arrival processing, post-release payment, time-limits for release, facilities for authorized traders, efficiency benchmarking, and cooperation with business, drawing on the WCO's Kyoto Convention. Over time, PSI systems should be replaced by functioning customs administrations operating to these principles.

- Automation and convergence of official controls

Commitments to progressively introduce automation and EDI – at the level of customs and other agencies – to replace paper procedures for export and import. This will speed up transactions, improve controls, and facilitate "seamless integrated transactions" between exporting and importing administrations. Such provisions and other simplification measures should also be considered in existing WTO agreements such as import licensing, customs valuation etc. Measures could also be developed to facilitate convergence of official controls on border crossing goods, to reduce the incidence of delays through separate, uncoordinated official interventions.

- Development

Coordinated capacity building is needed to strengthen human and physical infrastructure and improve import and export management in developing countries. Such capacity building should go beyond conventional WTO technical cooperation and involve, within a broad framework of coherence, strategic cooperation between key international organizations – notably UNCTAD, ITC, the World Bank, the IMF, and WCO. It should also involve the private sector which benefits from simplification and which constitutes the interface with governments. Provisions on development and capacity building should be integrated into a trade facilitation framework. Countries should be given not only support but also time to introduce commitments.

- Other issues

Members could also consider the scope for provisions to ensure banking and payment transactions are conducted smoothly to the benefit of traders. In the longer term there would be merit in reviewing multimodal rules affecting goods trade.

Conclusion

4. The task for WTO Members is to develop a balanced set of commitments in these areas that correspond to Members' needs and that will bring all Members benefits. Those benefits should accrue to large and small traders, and ultimately the consumer, through reduced costs and delays, and to governments and taxpayers through better controls, higher revenue intakes, more efficient management, and a better investment climate.
