

TRADE FACILITATION - CLEARING UP RED TAPE

Trade facilitation is the term used to describe World Trade Organisation negotiations on simplifying the red tape associated with international trade. The end goal is to reduce the transaction costs of trading by helping goods move more quickly and efficiently.

The issue

'Red tape' and unnecessary formalities at the border can undercut market access gains achieved through lower tariffs. Some studies suggest red tape can be the equivalent of an extra five to 15 percent tariff.

'Red tape' amounts to an estimated dead weight cost to trade of at least US\$650 billion worldwide every year.

Estimates of the costs from red tape associated with international trade range from a tenth to a quarter of the total value of world trade. If this cost could be halved, even at the lower end of that range, this could save traders, governments, and consumers around the world an estimated US\$325 billion per year.

What does New Zealand stand to gain?

Studies show the non-tariff barriers most frequently cited by New Zealand exporters include: uncertainty about customs procedures, import requirements, hidden fees, and slow border release times. Small and medium-sized exporters are particularly affected by unclear customs procedures and unexpected clearance problems for critical shipments into important markets.

Improved conditions in these areas would significantly assist New Zealand exporters in gaining cheaper, more efficient access to overseas markets.

The negotiations

As part of the Doha Work Programme agreed to in July 2004, WTO members decided to launch negotiations to clarify and improve existing WTO rules on 'Trade Facilitation'. The Negotiating Group on Trade Facilitation (NGTF) started work in October 2004, and has made significant progress since then.

The aim of the WTO negotiations on trade facilitation is to clarify and improve the relevant existing provisions of the General Agreement on Tariffs and Trade (GATT), which cover the transit of goods, fees and formalities connected with importing and exporting, and the publication and administration of trade regulations.

Numerous proposals to clarify and improve these GATT provisions have been presented by a wide spectrum of WTO members, including developing and least-developed countries.

New Zealand has been an active participant in the negotiating group, presenting four proposals to date (some of which were co-sponsored with other members).

Where to next?

The most important immediate step in the trade facilitation negotiations is for WTO members to accurately identify their trade facilitation needs and priorities.

This task entails collaborative efforts from domestic border control agencies and relevant international organisations, in particular the World Customs Organisation, the World Bank and the OECD.

These international organisations will play a crucial role in the co-ordination and delivery of any technical assistance and capacity building which may be required to implement trade facilitation measures, particularly in the case of some developing and least-developed countries.

The Singapore Issues

Trade facilitation is the only remaining "Singapore Issue" (named so after the Singapore Ministerial Meeting in 1996) in the Doha Round of negotiations.

In July 2004, WTO members decided that the three other remaining Singapore issues would not form part of the Doha Work Programme and therefore no work towards negotiations on any of these issues is taking place within the WTO during the Doha Round. These issues were:

- transparency in government procurement.
- trade and investment.
- trade and competition policy.

WTO transparency in government procurement

Globally, governments are significant purchasers of goods and services, whether it involves buying stationery or building roads. Government procurement refers to these purchases. The transparency part of the phrase refers to the clarity and openness to public scrutiny of the processes through which governments make their purchases.

WTO trade and investment

Investment underpins much of the growth in international trade and economic exchange. However, it is an area that has so far failed to keep pace with the progress in streamlining rules and expectations around global commerce that has characterised the WTO's work in other key areas.

Investment is, however, already being partially addressed in the WTO through a number of areas:

- the agreement on Trade Related Investment Measures (TRIMS), which deals with investment measures taken by governments that impact adversely on trade - for example, local content requirements

- one of the four distinct types of supply of services in the General Agreement on Trade in Services (GATS) is commercial presence, or a firm establishing a physical presence in another territory to provide services. Commercial presence may include services-related foreign direct investment.
- the working group on the relationship between trade and investment, set up in 1996 to analyse and discuss issues relating to trade and investment.

WTO trade and competition policy

Competition laws and policies aim to promote market efficiency by enforcing and fostering healthy competition among businesses. Anti-trust legislation and the work of New Zealand's Commerce Commission are good examples of the implementation of competition policy.

In the WTO, there has long been recognition that competition policies have an important role to play in helping to secure the benefits of trade liberalisation and market based reforms. While there is no comprehensive framework on competition in the WTO, specific competition issues are addressed in key agreements. For example:

- The General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS) include rules on monopolies and exclusive service suppliers.
- The GATS and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) also recognise WTO members' rights to act against anti-competitive practices.

For a glossary of trade associated words please go to:
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm



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