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TRADE FACILITATION WITHIN THE FORUM, ASIA-PACIFIC ECONOMIC COOPERATION (APEC) ¹

In terms of content, this article follows along the same lines as [Bulletin FAL No. 167](#), although it reviews exclusively developments in the area of trade facilitation within the Asia-Pacific Economic Cooperation Forum (APEC). Thus, the information contained in Bulletin 167 has been updated and expanded. More analytical elements have also been incorporated. For more background information, contact the author, Miguel Izam (mizam@eclac.cl), an officer in the International Trade Unit of the Economic Commission for Latin America and the Caribbean (ECLAC).

I. SUMMARY AND CONCLUSIONS

APEC has advanced in certain areas of trade facilitation, although there is still room for improvement. The most important achievements have been the introduction of a more expeditious system of inspection and customs valuation and the progressive use of electronic methods to reduce paperwork in commercial procedures and improve the efficiency of international business. At the same time, in other areas of trade facilitation, progress has been very limited, for example, as regards technical standards and quality and more active participation by the private sector. Therefore, there is still considerable potential for furthering trade facilitation within APEC. This article explores a few of the factors which may have contributed to the current situation and which can also help to maximize future achievements. Some of these factors are linked to the complex way in which APEC operates, especially in dealing with this topic, to the need to establish a more precise definition of trade facilitation, and to the improvement of technical assistance, which is required especially by the developing economies within this Forum.

II. BACKGROUND

APEC was founded in Australia in 1989. Its original membership of 12 economies has been expanded over the years to stand today at 21^[1]. APEC is an important international forum accounting, in value terms, for more than 40 percent of world trade. The nine general principles of APEC are as follows: comprehensiveness, consistency with the World Trade Organization (WTO), comparability, non-discrimination, transparency, a “standstill” with respect to the application of restraints on trade and investment, simultaneous starts, continuous process and differentiated timetables, flexibility and cooperation. APEC decisions are reached only by consensus, and the adoption of its methods is voluntary and not necessarily binding on member economies. The mechanisms defined by APEC, the special way it operates and the institutions it encompasses are, as will be seen below, integral components of a Forum with its own identity. Thus, APEC does not resemble any of the known formal models of economic integration. Since 1993, APEC has had a relatively small secretariat with offices in Singapore.

The Ministerial Declaration of Bogor, Indonesia, in 1994 constituted a decisive step in defining the identity of APEC. Fundamentally, this Declaration planted the seed for an area of free trade and investment. According to the APEC timetable, this should come into effect in 2010 for the developed economies and in 2020 for the developing economies. In the Declaration, the Ministers adopted the following three principal objectives:

- To strengthen the openness of the multilateral trade system.
- To stimulate liberalization of trade and investment.
- To intensify cooperation for the development of the Asian Pacific region.

With these objectives in view, the ministers’ meeting in Japan in 1995 adopted the Osaka Action Agenda (OAA), which established that the APEC Forum would be based on three fundamental pillars:

- Free trade and investment
- Trade facilitation
- Technical and economic cooperation.

In 1996, the Manila Action Plan was drawn up and defines the path towards the achievement of the three objectives of Bogor. The plan sets out the general methods to be adopted for the operation of APEC, together with the three fundamental pillars established in the OAA.

III. PRINCIPAL APEC MECHANISMS AND THEIR RELATIONSHIP WITH TRADE FACILITATION

The OAA stated that APEC should adopt various actions in the following 15 areas: tariffs,

non-tariff measures, services (telecommunications, transport, energy and tourism), investment, standards and conformity, customs procedures, intellectual property rights, competition policies, government procurement, deregulation, rules of origin, dispute mediation, the mobility of business people, implementation of the Uruguay Round agreements, and the collection and analysis of information. These issues would be dealt with using two separate mechanisms.

Firstly, each of the economies should prepare an Individual Action Plan (IAP), which should cover all of the aforementioned areas. The final goal of an IAP is to establish unilateral free trade and investment. Although the preparation of this plan is not mandatory, all APEC economies have been applying their own IAP for a number of years now. The IAPs have had some success. Moreover, each year, they are subjected systematically to a dynamic review process.

Secondly, Collective Action Plans (CAP) are in place whereby some or all of the economies can address jointly each of the 15 policy issues listed above. The CAPs have borne fruit since they were first adopted in 1996, especially as a result of the periodic review process. Their implementation by the APEC economies is non-binding. It should be noted that there is a considerable amount of overlap, interdependence and feedback between the CAPs and the IAPs.

In terms of structure, both the CAPs and the IAPs have undergone changes. For example, some of the 15 original areas have been regrouped in a different way since they were first established. The areas today that correspond to tariffs and anti-tariff measures function jointly. The same applies to competition and deregulation policies and the application of the Uruguay Round Agreements and rules of origin. Lastly, the gathering and analysis of information functions in a more decentralized fashion.

The basic purpose and essential focus of both the CAPs and IAPs is to consolidate liberalization of trade and investment and trade facilitation (the first two of the three basic pillars of APEC). Moreover, a number of the activities undertaken within the framework of the third pillar, which corresponds to economic and technical cooperation (ECOTECH), function as instruments of support in relation to the needs derived from the CAPs and the IAPs. Therefore, in their actions and beyond their analytical differences, the three fundamental pillars of APEC operate together, to a large extent, which accounts for the high degree of complexity of this Forum, in particular in terms of the dynamic of its operational function.

Other tasks undertaken by ECOTECH are oriented towards the advancement of other sectors, for example, energy, fisheries, human resource development, technology, marine resources, telecommunications, tourism and transport. Even though some of these sectors coincide with some of the 15 specific areas of the CAPs and the IAPs, their objective and focus are independent of those of these plans, since each of these nine subject areas is

addressed separately by Working Groups assigned to the Sub-Committee for Economic and Technical Cooperation. This clearly increases the complexity of this forum – especially since some of the issues addressed by APEC are considered simultaneously under each of the three pillars. As we shall see below, this has important consequences when it comes to defining the concept of trade facilitation in this Forum, and to implementing it at the operational level. The organizational chart of APEC also reflects these difficulties.

IV. SOME ASPECTS OF APEC INSTITUTIONALITY AND THEIR IMPLICATIONS IN RELATION TO TRADE FACILITATION.

The organizational structure of APEC encompasses a wide range of bodies which focus on a variety of topics. The highest organ is the Informal Meeting of Economic Leaders. At the second level are the Ministerial Meetings. At the third level are the Senior Officials' Meetings (SOM). Below this come the Working Groups and the Sub Committees, Sub-working Groups and Sub-Committee Groups; an Ad Hoc Advisory Group and a Management Group, which are responsible for the Task Forces; Expert Groups and Informal Expert Groups. In addition, the thematic coverage is very diverse and includes a few new topics such as environmental protection, and small and medium-sized businesses. In short, the issues range from gender integration to electronic trade. Like others, this field is dependent on the SOM. In turn, this body supervises the work of the Committee on Trade and Investment (CTI). Lastly, some elements that form part of the same field may depend on different higher authorities--which may be related in a horizontal or vertical way--creating some degree of confusion. This complexity and high level of decentralization makes it even more difficult for APEC to tackle certain issues.

Another point to note with respect to the makeup of this Forum is the APEC Business Advisory Council (ABAC), which was created in 1995 and, in relation to the two major bodies, is situated at an intermediate, lateral level. This Council advises the Leaders and Ministers of the Forum and makes recommendations on economic and other matters. Because it is composed mainly of private-sector representatives, its primary concern is, understandably, trade facilitation. This explains the Council's involvement in the tasks undertaken by different APEC agencies. For example: mobility of business people, customs procedures, electronic commerce, transport, telecommunications and tourism. APEC attaches great importance to some sectors of civil society, since other bodies more or less representative of the private sector participate in a very direct manner in this forum, without being part of its organizational structure. Two groups appear to work more closely with this Forum: the Pacific Basin Economic Council (PBEC), formed in 1967 and made up exclusively of business people; and the Pacific Council for Economic Cooperation, created in 1980 by business representatives, governments and academics.

V. TRADE FACILITACION IN APEC

As stated before, it is difficult to separate the three fundamental pillars that were established

for APEC by the Osaka Action Agency (OAA), that is, liberalization of trade and investment, trade facilitation, and technical and economic cooperation. This difficulty is expressed as much in the institutional structure of the Forum as in its operational function. Of the three pillars mentioned, it is particularly difficult to disassociate the first from the second. This complexity became evident in 1995, when it was observed that the title of the first part of the OAA refers to liberalization and facilitation. Obviously, this confusion has been reflected especially in the question of trade facilitation, not only because of the scope of the issue in APEC, but also because there has been no attempt to establish an order of priority for the principal areas to be covered. This makes it difficult to fulfil more in-depth studies or to ensure efficiency and success in the final outcome.

Although in some official APEC documents, trade facilitation is defined as encompassing all the Forum's undertakings, except for the reduction of tariff barriers, other official documents also show that the activities carried out to eliminate such obstacles are also included under this concept. Given the breadth of the concept, it is difficult to dissociate trade facilitation with APEC as a whole. In addition, trade facilitation in this Forum refers as much to joint activities as to measures taken individually by member economies. Concretely, in APEC, trade facilitation has been explicitly related to each and every one of the 15 main issues listed above and covered under the CAPs and the IAPs.

APEC has taken significant steps in various fields of trade facilitation. The most important advances have been the introduction of a faster system of customs inspection and clearance, valuation procedures and more consistent customs evaluations, a more widespread use of electronic commerce and a reduction in paperwork in commercial transactions. In addition, among other subjects, there have been some achievements in terms of standardization and conformity, risk reduction for energy investments, efficient access to the markets of governmental purchases, simplifying business travel, adoption of the United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT). All things considered, it has been recognized that these advances are still partial and should be reinforced through specific actions to be realized in the near future. This recognition was made at the Auckland Summit in 1999.

Also at the Auckland Summit, concern was expressed for small and medium-sized businesses; attention was also drawn to the need to improve the quality of technical assistance provided, especially with regard to developing economies in APEC. It should be borne in mind that the economic and financial reality of these economies creates obstacles, particularly in regard to the application of administrative restructuring and personnel training, both of which are necessary for improving performance in terms of trade facilitation. Another important area is the improvement of communications with the private sector, in particular with respect to disseminating the achievements in trade facilitation. Subsequently, at their meeting in Australia in June 2000, trade ministers agreed to give priority to electronic commerce and to reducing paperwork in international transactions.

With respect to the need to modify and update the trade facilitation agenda in APEC, members made a formal undertaking to improve this situation by the second half of 2001. Nevertheless, this undertaking seems to consist exclusively in amplifying actions that have already been executed. That is to say, it appears that not enough thought has been given to the need to limit the number of subjects to be considered, or to the establishment of an appropriate structure and system of coordination. All things considered, the process of evaluation has already permitted an advance in some areas that could be important in the near future. Three points will be highlighted in this regard.

VI. FUTURE PROSPECTS FOR TRADE FACILITATION IN APEC.

The first point to highlight emerges from a publication produced by the Asia Pacific Foundation of Canada for the APEC Business Advisory Council in July 2000 relating to a survey of 461 persons in the business sector in different APEC countries and which identifies the three most important subject areas to be tackled under trade facilitation in APEC as, by order of importance, customs procedures, standards and conformity, and the movement of business people. These three areas, with the corresponding order of priorities, were endorsed in an official APEC document in November 2000. Among other objectives, this study refers to the need to give priority to several areas of study and to measures for strengthening the APEC secretariat.

The second point to highlight concerns the advances in the Workshop on Trade Facilitation in APEC held in Singapore in September 2000, that is, after publication of the first document referred to in the foregoing paragraph but before publication of the second. This workshop was attended by representatives of APEC economies as well as by representatives of various international organizations, including the World Trade Organization (WTO), the World Bank and PCEC. The objective of the Workshop was to revise the trade facilitation agenda. The main three points raised at all the sessions were as follows:

- Trade facilitation should be looked at from a more horizontal perspective. In this way, since the relevant tasks in this field are carried out by different agencies, a selective thematic approach should be established, coordinated and supervised in a centralized manner by the Committee on Trade and Investment (CTI) or the Senior Officials' Meeting (SOM). It will be recalled that there is a hierarchical relationship between these two bodies.
- A greater effort should be made to involve the private sector in actions relating to trade facilitation.
- Since trade facilitation implies increasing the level of technical cooperation, especially for developing economies, the objective would be to improve systems of immigration, customs and procedures and standards in such countries, as well as to build up their physical infrastructure and human resources in order to facilitate the use of electronic

commerce.

In sum, with the support of basic documents, the Workshop discussed the four following subjects:

- Mobility of labor and of business people.
- Standards and regulations reform.
- Customs procedures.
- Electronic commerce.

In general terms, the Workshop concluded that APEC should make further progress in implementing its mutual recognition arrangements with respect to technical standards and quality, that the CTI should develop a clear agenda regarding trade facilitation and coordinate, in a transparent fashion, the work of all the agencies that play a role in this area, and that they should strengthen the corresponding technical and economic cooperation, especially cooperation geared to developing countries. The PCEC suggested that instead of establishing rules, principles should be developed that foster trade facilitation and that these should be included in the CAPs and the IAPs. Likewise, the representative of the World Bank stressed the importance of a horizontal approach for resolving the problems of coordination between the CTI and the SOM. In sum, it appears that the future tendency is towards selectivity in matters of trade facilitation in APEC, and achieving a global institutional function that is clearer and more organized, which obviously can also contribute to achieving greater efficiency in the thematic areas linked to trade facilitation.

The third point to underline is the outcome of the most recent APEC Trade Ministers' Meeting on trade facilitation, held recently in Shanghai on 6 and 7 June (2001), that is the adoption of a combination of nine trade facilitation principles developed by the Task Force on Hong Kong-Province of China. These principles are as follows: transparency; communication and consultations; simplification, practicability and efficiency; non-discrimination; consistency and predictability; harmonization, standardization and recognition; modernization and the use of new technology; due process; and cooperation. In addition, the Ministers received a proposal from Canada for the creation of an integrated programme for capacity-building in APEC to deal with trade facilitation. Lastly, APEC was urged to adopt the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. It is hoped that these issues will be developed further at the forthcoming meeting of the Economic Leaders of APEC to be held in October 2001.

[1] These economies are Australia, Brunei Darrussalam, Canada, Chile, Hong Kong, Province of China, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua-New Guinea, People's Republic of China,

Peru, Philippines, Republic of Korea, Russia, Singapore, Taipei, Province of China, Thailand, United States and Vietnam.
