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TRADE FACILITATION

Communication from Canada

In the declaration emanating from the Singapore Ministerial meeting, WTO Ministers established a WTO mandate to:

Carry out exploratory and analytical work, taking into account the work of other relevant organizations, on the simplification of trade procedures, in order to assess the scope for WTO rules in this area.

Canada fully supports and will continue to participate fully in the WTO work and approaches the discussions with an open mind. This paper presents some preliminary views and suggestions which may be supplemented or altered as the work proceeds. Canada's basic approach to the WTO's work on trade facilitation is to identify and analyze where the WTO can contribute value-added to existing work in the area by other organizations and by filling gaps in the existing work. This includes identifying where the development of WTO rules could provide a framework of binding commitments to facilitate trade and where the WTO can enhance current technical discussions and assistance efforts to the benefit of all Members.

The increasing flow of international trade and the increasing use of inventory methods, such as just-in-time delivery, highlight the importance of transparent and efficient systems at international borders as essential elements of achieving the gains that WTO international trade agreements seek to provide.

Customs and other government agencies' border processes should reflect high standards of integrity. They should incorporate modern procedures, such as risk assessment and post-entry audit, to ensure an appropriate balance between enforcement and facilitation which results in a high degree of compliance without delaying the efficient movement of goods across borders.

There may be scope for the formulation of WTO rules, which build on current initiatives in other international organizations to simplify and harmonize border procedures, to ensure that procedures keep up with business practices and reduce, as much as possible, the burden on business consistent with appropriate border controls. Any WTO rules should be in line with international business requirements and practices.

As noted in the mandate for our work, we also need to take into account the work of other international organizations. As we look at border procedures in particular, we should take account of the mission of the World Customs Organization (WCO), which is to enhance the efficiency of customs administrations in the areas of compliance with trade regulations, protection of society and revenue collection. The WCO's work relates closely to trade facilitation. It makes recommendations to its Members to ensure the uniform interpretation and application of international conventions designed to promote trade facilitation and harmonize and simplify customs border procedures. The WCO also actively promotes cooperation not only between customs administrations but also between customs administrations and the trading community to improve communication and facilitation.

In addition, the Members of the World Customs Organization are now engaged in major and important work to update the 1973 Kyoto Convention which covers customs procedures. A successful conclusion to the Kyoto Convention update is essential and the development of WTO rules may provide an opportunity for full multilateral participation in such an initiative with binding obligations through the WTO system.

The WTO discussions to date provide a good foundation for the work to proceed. We recall an excellent inventory of worldwide trade facilitation initiatives produced earlier by the WTO Secretariat. The March 1998 symposium provided an opportunity for world traders to inform WTO Members of their perceived problems and solutions relating to trade across the world's borders. As we proceed with the discussion, we should note very carefully and take into account the views expressed by world business as we pursue the trade facilitation exploratory work program.

The European Union has recently circulated a paper setting out its views on what WTO Members might pursue in this exercise. The paper very effectively addresses the broad sweep of issues highlighted by world traders at the March symposium. Canada generally supports the thrust of the analysis and many of the paper's specific suggestions for areas in which the WTO work might proceed.

An Example of Canadian Trade Facilitation Initiatives

Canada prides itself on constantly modernizing its border procedures to serve traders better by employing modern business practices, to match the pace of increased international trade and to make the most efficient use of scarce resources. Revenue Canada is the government department responsible for customs services. It operates in a dynamic and fast moving international trade environment that requires continual improvement and innovation. Through the application of principles for the development of trade facilitation measures, as outlined in the following section, Revenue Canada has developed a solid trade facilitation initiative in partnership with other departments and agencies.

As an example of the coordination of various government departments' activities at the border, Revenue Canada examined the increased use of information technology for the clearance of goods that require the involvement of other government agencies. Consultations with the trading community confirmed that, although Canadian importers were generally satisfied with the importing process, this level of satisfaction was lower with regard to transactions that involved other government entities. The requirement to provide import information and data to more than one authority was singled out as a costly and burdensome irritant that could be addressed through the introduction of electronic interfaces with these other departments and agencies.

The Canadian Food Inspection Agency (CFIA), responsible for all federally-mandated food inspection and quarantine services, and Revenue Canada piloted such an interface in June of 1997. This pilot interface was evaluated and credited with increased usage of electronic technology on the part of the importing community, decreased paperwork and cost savings for the CFIA and Revenue Canada, and reduced release times for goods subject to the review and approval of the CFIA. The CFIA-Revenue Canada interface was fully implemented on a national level in April of 1998.

Given the efficiency gains and cost savings that are secured for the trading community and for government agencies, Revenue Canada is widening its efforts by launching similar initiatives (e.g. involving energy efficiency requirements and road safety requirements administered by other government departments) that pursue the following objectives:

- increasing the use of electronic commerce by re-engineering and automating the processes of these other government departments and agencies; and
- standardizing and streamlining the import review and approval process for commodities administered by these other government department and agencies.

Principles for the Development of Trade Facilitation Measures

Canada supports the development of WTO principles for trade facilitation. These could provide the framework for specific trade facilitation measures related to customs and other border procedures and requirements. Specific procedures or requirements would be based on their consistency with the principles. The following are Canadian suggestions for trade facilitation principles.

Efficiency and Simplification:

WTO discussions on border procedures might be premised on securing improved management practices and procedures associated with the timely movement and clearance of goods. The promotion of improved infrastructures and simplified customs and border formalities would streamline requirements and operations so as to reduce the cost burden placed on the international trading community.

Harmonization and Consistency:

WTO work should attempt to further the development and adoption of common international trade requirements and procedures. Where it is deemed appropriate, this work could also take into account the implementation of existing international trade instruments and standards as a basis for the development of trade facilitation obligations.

Transparency:

WTO work should attempt to address the international trading community's need for procedural clarity and information. Trade facilitation efforts should aim to ensure predictability as to national requirements and procedures that affect international business operations and the timely clearance of goods. Specific procedures and mechanisms may be developed with regard to this particular principle (e.g., mechanisms for information dissemination, listing of clearance requirements, procedures for advance rulings, appeals and redress mechanisms, etc.).

Protection and Compliance:

Procedures that facilitate trade should also support mechanisms and activities to protect citizens, through responsible enforcement and the use of technology, from unlawful importations. The development of trade facilitation measures should seek an appropriate balance between these concerns and the objective of improving the international movement and clearance of legitimate trade.

Integrity:

WTO Members could consider reforms and modernization to increase the level of integrity associated with the international customs and trade environment. Management of operations and personnel, including recruitment, training and internal staff controls, should be included in these deliberations (i.e., WCO Arusha Declaration).

Cooperation:

WTO work in this area could focus on increased cooperation, technical assistance and exchanges of best practices critical to the eventual implementation of trade facilitation obligations. In particular, cooperation among the customs and other border authorities should include the development of exchanges of information.

Consultations:

Through the course of discussions, WTO Members should continue to consult and engage all of the players involved in the international movement of commercial goods (e.g., customs brokers, express consignment industry, insurance providers, freight forwarders, shippers, warehouses, etc.). Emphasis should be placed not only on customs activities, but also on the activities of these other entities (e.g. how goods are loaded for transport, lines of credit, insurance, pre-shipment inspection) and on developing improvements as to their inter-relationships that impact the movement and clearance of goods.

WTO Members should begin to consider whether and how to enshrine the above principles in the WTO framework.

Suggestions for the Development of Specific Trade Facilitation Measures

Within the framework of the above principles, specific border-related procedural issues could be discussed to explore the scope for WTO rules. The following are preliminary Canadian suggestions.

1. Release of goods: Goods should be released from the border and customs control as quickly as possible on the basis of presentation and acceptance of appropriate documents and data. Approaches to securing expedited clearance may be premised on:

- the pre-arrival or arrival provision of a minimal level of documentation and data coupled with post-entry accounting and verifications; or
- the pre-arrival or arrival provision of more extensive documentation and data which may not require post-entry accounting and verifications.

Customs administrations may apply both of these approaches based on the nature of the client's business, its accounting procedures, its compliance performance, etc. The emphasis is placed on introducing tailored approaches to particular goods and traders that secure the objective of expedited clearance.

The approach of minimal documentation and data may not be amenable to certain products. For example, for certain food products or controlled products such as quota merchandise, expedited clearance may in fact be achieved only through the presentation of a more detailed and specifically targeted set of data which would allow authorities quickly but comprehensively to consider the merchandise for release.

WTO Members could consider the opportunities for trade facilitation provided by pre-arrival processing of entry documents and data. The increased usage of information technology, particularly Electronic Data Interchange (EDI) systems with the trading community for the transmittal of import data, can be examined in this regard.

2. The use of risk assessment principles for purposes of inspections at the border and for post-entry verification procedures will provide the greatest degree of facilitation while at the same time

providing a highly efficient means of compliance. Risk assessment should be contrasted with a full-scale transactional compliance approach which envisages the comprehensive examination at the border of each shipment for full compliance with all requirements. Risk assessment allows authorities to focus compliance efforts in the areas that require such efforts, promoting a more efficient use of resources and incentives to traders for voluntary compliance efforts.

3. Border Agency Coordination: Although Customs agencies are normally seen as the primary border agency, many other agencies, such as agriculture departments, food inspection or fish and wildlife agencies, are often present at borders, physically or otherwise, and apply an additional layer of inspections, documents and data requirements. WTO Members could consider whether rules could be developed to ensure that the activities and requirements of all agencies present at borders are coordinated in a manner designed to facilitate trade. One such technique is to make maximum use of a data set which has been harmonized across the various border agencies of a country. This "single window" approach also lends itself readily to electronic technology.

4. Harmonization of import documents and the data required for release of merchandise using existing international standards where appropriate. This could include expansion of efforts of like-minded countries (e.g. G-7) to harmonize electronic data elements and electronic data transmission standards.

5. Commercial Samples and Goods for Exhibition: Simplified and streamlined clearance requirements and procedures for these types of goods are increasingly critical to the timely and effective operations of international business. These procedures should secure timely clearance and entry through the introduction of standardized and simplified procedures for such goods that are not destined to enter the economy for commercial purposes, are of negligible value or are to be subsequently exported.

6. Express Consignment Clearance: WTO Members could promote the widespread implementation of principles contained in the World Customs Organization (WCO) Principles on Express Consignment, the international standard procedures for clearance of express goods. The objective would be to introduce expedited clearance procedures for these shipments while maintaining appropriate enforcement and targeting activities.

7. Simplified Procedures for Low Value Shipments: Simplified and streamlined procedures for low value shipment transactions currently associated with low duty revenues could be explored. The objective would be to introduce expedited clearance procedures and requirements for these shipments while maintaining appropriate enforcement and targeting activities.

8. Compatible Electronic Data Interchange (EDI) Systems: WTO Members might agree to the increased application of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT) electronic messaging format for automated customs systems. The objectives would be to facilitate increased and rapid exchanges of information between administrations, contribute to cooperative compliance and facilitation activities and provide the trading community with expedited clearance procedures through EDI applications.

9. Advance Rulings: International business requires as much certainty as possible in the conduct of international trade. WTO Members should consider the use of rulings, issued in advance of importations, which are binding on the importing authorities provided that the goods and the circumstances at importation are identical to those presented in the ruling request. Rulings could cover the main elements of import requirements, for example, tariff classification and applicable duties and taxes. The Uruguay Round Agreement on Rules of Origin contains provisions for such advance rulings and might serve as a model to apply more generally.

10. Review and Appeal: WTO Members should consider obligations relating to the ability of importers and exporters to have access to an unbiased administrative appeal process, in the first instance, and then to judicial levels to seek a redetermination of treatment accorded by port of entry officials.

11. Availability of Requirements: WTO Members should be prepared to make their national laws, regulations and administrative policies and guidelines readily available to the international trading community (including references to various governmental requirements which may need to be satisfied depending on the particular goods). The public dissemination of and easy access to them (e.g. through electronic means) would go a long way to achieve greater transparency for international traders.
