

Q&A Primer

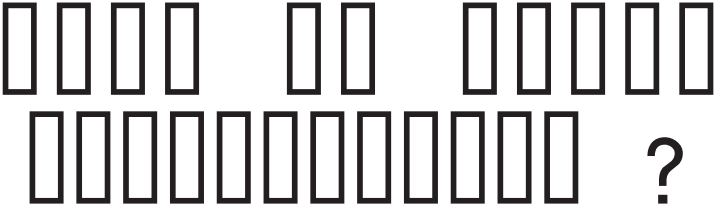


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Q&A Primer

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FOREWORD

This Philippine Exporters Confederation (PHILEXPORT), Inc. primer, the third in this Q&A series, discusses the current state of trade facilitation (TF) implementation in the country, along with approaches employed in the process of TF implementation.

Developing countries like the Philippines will benefit greatly from trade facilitation, particularly in the wake of lower tariffs and the reduction of trade barriers worldwide. TF is expected to specifically benefit small and medium enterprises (SMEs) in developing countries which fall prey to cumbersome trade/customs procedures and practices. Aside from being costly in time and money, such an environment deters productivity and global competitiveness, promotes corruption and deprives government of possible revenues.

A number of international TF protocols should serve as instruments and models to Philippine TF implementation. These are initiatives of various international and regional trade organizations, some of which are listed in this Primer. The country has in fact adopted a number of these, hopefully soon to include accession to the Revised Kyoto Convention (RKC). The RKC, which was the subject of an earlier PHILEXPORT Primer, is designed to promote international trade by prescribing modern, simplified and harmonized Customs procedures, as well as standards and best practices. An RKC-based border control environment facilitates and reduces the cost of cross-border transactions, fosters administrative transparency and efficiency and enhances trade security without sacrificing customs objectives of revenue generation and protection of national security, public health and safety, natural resources and the environment.

PHILEXPORT provides this contribution of a Primer to help ensure that TF ultimately leads to enhancing Philippine competitiveness. This stance is consistent with PHILEXPORT's commitment to trade facilitation as a competitiveness-enhancement measure. In pursuing this thrust, PHILEXPORT works with the Export Development Council (EDC) at the policy and program level, particularly its Networking Committee on Trade Policy and Procedures Simplification, while it also manages One-Stop Export Documentation Centers (OSEDs) and operates a Common Bonded Warehouse (CBW) for its members to help facilitate trade.

PHILEXPORT was a member of the Trade Facilitation Alliance, short-lived as it was, to push the agenda of developing country exporters in the WTO negotiations on TF. PHILEXPORT also facilitated the resumption of Philippine participation in AFACT, the regional arm of the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT).

What is trade facilitation?

The definition of trade facilitation (TF) has evolved since it was first introduced in the context of international trade. Initially, it referred to the movement of goods through ports or the required documentation at a customs post. More recently, it covered the “environment in which trade transactions take place”, showing that trade facilitation now focuses on “inside-the-border” transactions (World Bank, 2003). Reform involves “domestic” policies and institutional structures where capacity building can play an important role. These areas are for example, transparency in government regulatory agencies and harmonization of standards and conformance to international norms (Woo and Wilson, 2000). Finally, the rapid integration of networked information technology into trade suggests that modern definitions of TF should encompass technology infrastructure as well (World Bank, 2003).

Working through these concepts, TF then aims to make “trade procedures as efficient as possible through the simplification and harmonization of documentation, procedures and information flows” (Roy, 2005). This can be made possible by an interface between government bodies and traders at national borders.

The table below enumerates the evolving definition of TF by various trade organizations (Wilson et al, 2002):

<p>World Trade Organization (WTO) and United Nations Conference on Trade and Development (UNCTAD)</p>	<p>“simplification and harmonization of international trade procedures, including activities, practices, and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade.” (WTO website, and UNCTAD, E-Commerce and Development Report 2001, p 180)</p>
<p>Organization for Economic Cooperation and Development (OECD)</p>	<p>“simplification and standardization of procedures and associated information flows required to move goods internationally from seller to buyer and to <i>pass payments</i> in the other direction” (OECD, TD/TC/WP(2001) 21 attributed to John Raven)</p>
<p>United Nations Economic Commission for Europe (UN/ECE)</p>	<p>“<i>comprehensive and integrated approach</i> to reducing the complexity and cost of the trade transactions process, and ensuring that all these activities can take place in an efficient, <i>transparent, and predictable manner</i>, based on internationally accepted norms, standards, and best practices” (draft document 3/13/2002)</p>

Asia-Pacific Economic Cooperation (APEC)	“Trade facilitation generally refers to the simplification, harmonization, <i>use of new technologies</i> and other measures to address procedural and administrative impediments to trade. (APEC Principles on Trade Facilitation 2002);
	”the use of technologies and techniques which will help members <i>to build up expertise</i> , reduce costs and lead to better movement of goods and services” (APEC Economic Committee 1999).

Meanwhile, many TF proponents also include payment procedures (e.g. via commercial banks) in the context. For example, UN/CEFACT defines TF as “the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment” (OECD, 2001).

A typical example of simplification is the combination of several administrative documents into one, based on a pre-established format such as the United Nations Layout Key, the International Chamber of Shipping Bill of Lading and the European Union Single Administrative Document (SAD).

Harmonization is the alignment of national formalities, procedures, operations and documents with international conventions, standards and practices. Typical examples of harmonization are the adherence by a country to the International Maritime Organization’s Convention on the Facilitation of International Maritime Traffic to prevent unnecessary delays to ships and to persons and property on board, and the use of INCOTERMS when referring to internationally accepted trade terms in contracts and electronic messages.

Standardization in trade facilitation is the process of developing internationally agreed formats for practices and procedures, documents and information. Typical examples of standardization in trade facilitation are the United Nations Layout Key for Trade Documents, the United Nations Standard for Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT), and international codes for countries, currencies and locations.

It should be noted that the use of technical standards, such as the ISO standards for freight containers, is also a very important element in the facilitation of international trade and transportation (UN/CEFACT, 2001).

At the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA), TF is handled within the context of customs, immigration, quarantine and security (CIQS) rules. As early as 1995, there were moves to

harmonize CIQS rules, regulations and procedures to improve economic activities within the sub-region. The Philippines proposed for the conduct of the 1st BIMP-EAGA CIQS Conference during the 5th Senior Officials' Meeting in 1996. Since then, there had been a number of initiatives taken towards enhancing cooperation among CIQS agencies, including efforts to simplify, mutually recognize and harmonize CIQS processes to facilitate intra-EAGA movement of people, services and goods at designated ports. An important output of this policy is the establishment of one-stop CIQS facilities at designated entry points to intensify cooperation and facilitate trade (www.medco.gov.ph).

How did it come about?

TF came rushing to the foreground of WTO issues as the international business community increasingly expressed concern for greater transparency, efficiency, and procedural uniformity of cross-border transportation of goods. As tariffs are brought down, countries have become wary of non-tariff barriers that could prevent market access as easily as tariffs do. Unreasonable and "unrecepted" fees, cumbersome trade procedures, red tape at borders and similar forms of difficulties have proved to be trade restrictive.

The First WTO Ministerial Conference held in Singapore in 1996 added the issue of trade facilitation in the WTO's future agenda to determine the scope of WTO rules in this area. It was at this time that the Singapore issues surfaced.

The inclusion of trade facilitation in the Doha Development Agenda (DDA) was decided at the Fifth WTO Ministerial Conference held on September 2003 in Cancun, Mexico. It was also agreed that adequate technical assistance and capacity building in this area must be ensured. No such agreement was, however, reached at the Cancun Conference.

In July 2004, WTO's General Council decided to include trade facilitation in the DDA as part of the "July Package", and set the date for the completion of DDA to January 1, 2007 (WTO, 2004).

The WTO's 147 member governments agreed on August 1, 2004 to commence negotiations on trade facilitation. The issue of whether trade facilitation, along with four other so-called "Singapore issues", should be included in the Doha round of negotiation had been one of the issues that resulted in the failure of the WTO Ministerial Meeting in Cancun in 2003.

The August 1 Decision of the WTO General Council, often referred to as the "July Package", outlined the modalities of the trade facilitation negotiations in its Annex D.3 (Duval, 2006).

How does it relate to logistics?

Logistics services face a broad range of impediments in foreign markets. The barriers include customs, foreign investment, and mode-specific constraints.

Feedback from an ASEAN survey suggests that customs-related barriers represent the greatest impediment to free trade in the logistics services sector (de Souza, et al, 2007). Institutionalizing TF principles at these barrier points can therefore help address said issues.

Logistics further involves the integration of information, transportation, inventory, warehousing, material handling and packaging, all of which are components also covered by TF. The operating responsibility of logistics is the geographical repositioning of raw materials, work in process, and finished inventories where required at the lowest cost possible. Lowering cost is the same objective being raised by TF proponents worldwide as they rationalize the implementation and promotion of TF. The issue is not really the means of transport but the streamlining and control of the flow through the value-adding processes and elimination of non-value adding ones.

What are its main principles?

The four principles of TF are simplification, standardization, harmonization and modernization of international trade procedures (Grainger, 2007).

Simplification involves improving the efficiency in customs clearance and the delivery of goods to benefit importers, exporters and manufacturers through streamlined customs procedures and best practices. Further, by simplifying processes, regulatory agencies involved, primarily Customs, should ensure that these are not burdensome or restrictive than necessary. Possible reforms to simplify trade policy could include:

- streamlining documentary requirements for import/export transactions;
- reducing the number of border agencies with which firms must interact;
- removing “hidden” trade barriers or limiting unofficial payments (Helble et al, 2007).

By promoting greater transparency in customs procedures, rules and regulations, cases of unofficial payments can be reduced, if not eliminated.

Meanwhile, there is need for standardization so that rules and procedures relating to trade should be applied in a consistent, predictable and uniform manner with integrity. By doing so, it is expected that uncertainty to the trade and trade-related parties is minimized (Helble et al, 2007).

To promote TF, harmonization of procedures, standards and conformance to regulations is not only imperative for local implementation. Due to the fact that goods are moved from one border to another, harmonization must be observed regionally and internationally to enable implementation of customs and other trade-related laws/ regulations in a consistent and uniform manner across the economy and avoid any inappropriate exercise of discretion by Customs and other trade-related administration Officers (www.apec.org).

In the APEC framework for instance, modernizing international trade procedures requires that rules and procedures relating to trade should be kept under review and updated if necessary, taking into account changed

circumstances, including new information and new business practices...” (Helble et al, 2007). Active use of information technology strongly supports efforts towards this direction. Making information on national trade regimes available through the intelligent use of information technology can considerably enhance policy predictability. Examples are online publication of tariff schemes and new trade policies being implemented.

Why is there an increasing importance to trade facilitation?¹

TF is getting increasingly important because of the following developments:

First, for the last several decades, market access has been the focus of international trading system under the leadership of the GATT, thus the trend towards reduced quotas and lower tariff rates. As a result of the Kennedy, Tokyo, and Uruguay Rounds of multilateral GATT agreements and various regional and bilateral Free Trade Agreements (FTAs), tariff levels have been lowered, giving rise to concerns regarding the relative importance of non-tariff barriers to trade (Finger et al, 2000). With this trend of low tariffs across the globe, the cost for businesses to comply with inefficient implementation of customs formalities and red tape has been reported to be high. For example, average tariff reductions under the Uruguay Round were about 2% of the total trade value while potential gains from trade facilitation are estimated in the range of 2-3% (<http://www.international.gc.ca>). According to an APEC study, the estimated gains from trade facilitation programs would be about 0.26% of real GDP of APEC, almost double the expected gains from tariff liberalization.

Second, with the rapid progress in modern technology, many economies are now able to significantly improve the infrastructure of managing cross-border trade transactions. In particular, the availability of high-speed, large-capacity data processing computers and communications technology enables governments to set up much more efficient trade management procedures, and thereby yielding a very high rate of return on investments in new trade-facilitating systems.

Third, in the modern business environment of just-in-time production and delivery, traders need fast and predictable release of goods (WTO, 2001). Thus international competitiveness is heavily dependent on the speed of business transaction, of which the speed of clearing at the international border plays an essential part. This is particularly important for economies located away from the major international markets, including many developing economies. Therefore, business communities of many economies are asking their governments to help their business by taking TF measures.

Fourth, TF is an issue that will help both exporters and importers who are major recipients of government TF assistance. Unlike tariff negotiations where different economies have different interests in different industries, it should not be difficult to achieve an agreement in multilateral rules on TF.

¹ Answers extensively quoted from Trade Facilitation: A Development Perspective in the Asia Pacific Region, John S. Wilson, Catherine Mann, Yuen Pau Woo, Nizar Assanie, Inbom Choi, October 2002.

How relevant is trade facilitation in the various bilateral and multilateral trading agreements?²

Many inter-governmental organizations are engaged in TF issues. As shown below, some of these organizations are multilateral ones with large members, while some of them are regional or bilateral in nature with fewer members:

Multilateral Organizations Working on Trade Facilitation

- International Monetary Fund (IMF)
- International Trade Center UNCTAD/WTO (ITC)
- International Maritime Organization (IMO)
- International Civil Aviation Organization (ICAO)
- OECD
- UNCTAD
- UNECE
- United Nations Commission on International Trade Law (UNCITRAL)
- World Customs Organization (WCO)
- WTO
- World Bank (WB)

Regional Organizations Working on Trade Facilitation

- APEC
- Association of Southeast Asian Nations (ASEAN)
- Asian Development Bank (ADB)
- Asia Europe Meeting (ASEM)
- Inter-American Development Bank (IDB)
- Free Trade Area of Americas (FTAA)
- Common Market of the South (MERCOSUR)
- G-7 (Wilson et al, 2002).

Depending on their organizational characteristics, some of these organizations have done a substantial amount of work on a wide range of issues in trade facilitation, while others have only dealt with particular aspects of trade facilitation (Wilson et al, 2002).

Multilateral level: WTO

The most natural platform for a future “base agreement” on trade facilitation is the WTO, but a WTO agreement must draw upon existing agreements and work by other valid organizations such as UN/CEFACT, the World Bank, UNCTAD and the WCO’s Kyoto Convention (Sweden National Board of Trade, 1958).

The First WTO Ministerial Conference held in Singapore in 1996 added the issue of trade facilitation in the WTO’s future agenda. It requested the Council for Trade in Goods to undertake a work program to assess the scope for WTO rules concerning the simplification of trade procedures. Against this background, together with the issues of trade and investment, trade and competition policy, and transparency in government

² *Answers extensively quoted from Q&A Primer: The Revised Kyoto Convention for SMEs, PHILEXPORT, 2007.*

procurement, the issue of trade facilitation formed the so-called “Singapore Issues.”

The WTO’s Sixth Ministerial Conference, held in Hong Kong, China in December 2005, aimed to agree on a basic framework on trade facilitation agreement. Annex D of the July Package states that trade facilitation aims to clarify and improve relevant aspects of Articles V, VIII, and X of the GATT 1994 with a view to further expediting the movement, release, and clearance of goods. In doing this, due account is taken of the relevant work of the WCO.

The WTO Doha Round discussion on TF covers Articles V, VIII and X on the freedom of transit, simplification of fees and formalities, and publication and administration of trade regulations, respectively (GATT, 1947). Common themes as suggested by the WCO are provisions for advance rulings; provisions for appeal procedures; the Single Window concept; use of risk management and post clearance controls; and the use of simplified procedures for suitably authorized persons (WCO, 2006b). While trade tariffs fall under trade negotiators, the collection of duties and administration of tariff measures is governed by customs procedures. These too are bound in the majority of cases by international arrangements.

Other than the said GATT Articles on TF, other relevant GATT agreements include:

1. Agreement on Customs Valuation;
2. Agreement on Rules of Origin;
3. Agreement on Pre-shipment Inspection;
4. Agreement on Import Licensing Procedures;
5. Agreement on Technical Barriers to Trade (TBT); disciplines are provided for technical regulations and standards, including packaging, marking, and labeling requirements in order for procedures for assessment of conformity with technical regulations and standards not to create unnecessary obstacles to international trade. National, regional, and international bodies have been establishing various technical regulations and standards.
6. Agreement on the Application of Sanitary and Phytosanitary Measures; and
7. Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs), especially the border enforcement provisions of the Agreement. TRIPS is an agreement to secure an appropriate protection of seven different intellectual property rights, such as patents, copyrights, trademarks, and so on. There are a number of international agreements that have been agreed before the TRIPs Agreement (Fasan, 2004).

After the original Kyoto Convention of the WCO came into force in 1974, the pattern of and environment for international trade underwent dramatic changes. These came as a result of many developments including increased globalization of trade; rapid growth in international cargo; severe competition for foreign investments; establishment of the WTO and regional

trading arrangements such as the APEC and ASEAN Free Trade Area (AFTA); reduction of tariffs and elimination of non-tariff barriers; dynamic growth and development of information communications technology (ICT); advancement in e-commerce; and increased focus on trade security. Consequently, with traditional Customs administration practices and procedures becoming regarded as non-tariff barriers, WTO called for simplification and harmonization of Customs procedures as a key to TF.

Sectoral: WCO

At the sectoral level, the WCO "... maintains, supports and promotes international instruments for the harmonization and uniform application of simplified and effective customs systems and procedures" (WCO, 2002). Given the lead role that Customs has in controlling national borders, its representing international body, the WCO, plays a prominent role in TF.

The WCO is an independent specialized international organization for customs matters that provides a set of international standards on customs procedures to facilitate trade. WCO's revised International Convention on Simplification and Harmonization of Customs Procedures, known as "Revised Kyoto Convention" (WCO, 1999) provides international standards on customs procedures as well as modern customs techniques, such as use of information technology (IT), risk management, and post clearance audit system. It was enforced on February 3, 2006 (Ojile, 2006). The WCO is responsible for literally dozens of additional programs, guidelines, resolutions, norms, recommendations and international conventions.

Although the WCO aims to facilitate cooperation among customs administrations, many of its instruments and recommendations are connected to wider international agreements. The WCO committees are therefore able to exercise considerable influence over the mechanics of trade and customs procedures among its member-countries, including the scope for TF. The most noteworthy instruments include the Kyoto Convention/RKC for Harmonizing Customs Procedures and the WCO's Harmonized Commodity Description and Coding System (HS) for tariff classification.

UNECE/UN/CEFACT

Unlike the WTO or the WCO, the activities of the UNECE do not relate to any international legal instruments. However, much of UNECE's work may be unilaterally adopted by nation states or through regional agreements and trading blocs. Thus, the UNECE is widely recognized as the global focal point for trade facilitation recommendations, standards and specifications.

In the area of TF, UNECE has taken on a global remit on behalf of the entire UN through its UN/CEFACT. UN/CEFACT was established in 1996, replacing the UNECE Working Party No 4 which was formed in 1960 for the facilitation of international trade procedures. UN/CEFACT specifically aims to improve the ability of business, trade and administrative organizations, from developed, developing and transitional economies, to exchange products and relevant services effectively. Its principal focus is on facilitating national and international transactions through the simplification and harmonization of processes,

procedures and information flows, and so contribute to the growth of global commerce (Wilson et al, 2002).

UN/CEFACT now serves as a forum to develop, initiate and consolidate work by other international organizations (e.g. WTO, WCO, OECD, UNCTAD and ISO). In this capacity, it looks after 33 trade facilitation recommendation and range of electronic business standards and technical specifications (UN/CEFACT, 2005; UNECE, 2005).

There are a number of other international bodies with TF concerns. Most recently, these include the International Standards Organization (ISO), which has developed its ISO/PAS 28000 family of best practice guidelines for implementing supply chain security (Piersall and Williams, 2006). Also involved are the IMO, International Chamber of Shipping (ICS), International Road Transport Union (IRU), ICAO and International Chamber of Commerce (ICC), the International Federation of Freight Forwarders Associations and the International Road Transport Union.

Bodies and organizations that have an interest in international development and capacity building also play an important role in shaping the international trade regime. For instance, the World Bank maintains an active transport and TF program, lending financial resources and intellectual contributions to international TF initiatives (World Bank, 2006). A similar role is played by UNCTAD (UNCTAD, 2006), which also developed the Automated System for Customs Data and Management (ASYCUDA) – a free electronic customs platform used by many countries, especially with emerging and developing economies (ASYCUDA, 2006). ASYCUDA, a customs software program developed specifically for developing countries, simplifies and automates customs functions with a view towards increasing revenue collection, speeding clearance of cargo and improving data collection and dissemination.

Regional: APEC and ASEAN

At a more regional level, the activities of these international organizations are mirrored by organizations such as APEC (APEC, 2006) and the UN's Economic and Social Division for Asia and the Pacific (UNESCAP, 2004). A global network of practitioners and policymakers is maintained by the Global Facilitation Network for Transport and Trade and the United Nations Trade Facilitation Network of Partners (GFP/UNTF, 2006).

TF has been an important part of APEC's agenda since the beginning of the regional forum in 1989. All APEC Leaders' statements have emphasized the importance of trade facilitation and this agenda has evolved, matured, and extended to other areas.

Single window developments in international trade have been identified as a priority of the APEC trade facilitation agenda. The APEC Sub-Committee on Customs Procedures (SCCP) is leading the work in this area. In 2007 the SCCP's Single Window Working Group completed the first stage of a regional single window initiative, producing a Single Window Strategic Plan and Single Window Development Report. The Plan provides a

vision for the development of single window systems by APEC members to achieve trade facilitation targets and enable data sharing. The Strategic Plan contains six recommendations to assist members in this endeavor, to ensure a common approach, and provide the mechanism for APEC members to work collaboratively and agree on various issues where appropriate. The Single Window Strategic Plan and Single Window Development Report are available for download from the APEC Secretariat website http://www.apec.org/apec/publications/all_publications/committee_on_trade.html (APEC, 2007).

Meanwhile, in over two decades of regional cooperation, ASEAN Customs as a group has made significant contributions to the facilitation of intra-regional trade. Recently developed agreements on harmonization of tariff nomenclature, customs valuation, establishment of post-clearance audit system in all member countries, implementation of green lane for ASEAN trade, and common customs formalities for transit goods have laid the groundwork for regional customs integration. Notwithstanding the achievements, ASEAN Customs is challenged by the still wide variations in cargo processing efficiency of member countries. Even as investments in modernizing the physical systems for cargo processing are not lacking, delays in passage of supporting legislation, difficulty in eliciting cooperation from other stakeholders, and backlogs in skills and integrity upgrading of customs personnel are just some of the institutional factors that may prevent an economy from taking maximum advantage of IT use in cargo processing. Other factors hindering efficiency improvements are outside the sphere of customs influence such as the structure of trade controls (tariff and non-tariff barriers).

The bright spot in the complex web of constraints facing many of the customs members is that all have recognized the imperatives for reform and of catching up with the performance of others. To move forward on regional customs integration, a three-part strategy for harmonization of cargo processing policies and practices is recommended. One part enumerates tasks to achieve some degree of convergence in cargo processing efficiency; another focuses on the broader demands of trade facilitation; and a third explores other areas for regional cooperation. Some of the recommended measures to achieve convergence in processing are: developing a common trade declaration form; forging a consensus on sequencing of procedures to reduce variations; and establishing a system of information exchange on profiles of authorized persons for special processes in each member economy with the view of extending the privilege on the regional level. Forging tighter links with other regional groups involved in cargo processing such as the ASEAN Shipowners Association, ASEAN Port Authorities and the like, will enable ASEAN Customs to take the lead in the broader agenda of trade facilitation (The Centre for International Economics Society for the Advancement of Technology Management in the Philippines, 2006).

Still on ASEAN, the Sectoral Integration Protocol for Logistics to formalize measures to accelerate economic integration of this sector was signed during the 39th ASEAN Economic Ministers Meeting in August 2007 in Manila. With this, the logistics sector will be added as the 12th priority sector in ASEAN. The

business community can expect to benefit from measures on progressive liberalization of the logistics sub-sectors by 2013, in addition to trade and customs facilitation, and enhanced transparency of logistics-related regulations (Singapore Ministry of Trade and Industry web site). This is expected to be complemented by an ASEAN Work Plan on Trade Facilitation. Meanwhile, work on an ASEAN Single Window started in 2005 and is expected to be implemented among the original six ASEAN member countries in 2008.

What are the various areas of trade facilitation?

Wilson et al (2002) enumerates the following TF areas:

- port logistics
- customs procedures
- local regulatory environment
- standards harmonization
- business mobility
- e-business usage, and
- administrative transparency and professionalism.

The first two are two different views on TF at the border and represent different kinds of projects or technical assistance that a policymaker might use to address trade facilitation. 'Port logistics' focuses on infrastructure quality and efficiency, while Customs procedures within the context of APEC, for example, capture the APEC processes of Individual Action Plans (IAP) and Collective Action Plans (CAP) in the area of customs procedures.

'Regulatory environment' and 'standards harmonization' are two different ways to address trade facilitation efforts. Regulatory environment focuses on unilateral regulations and enforcement of one's own regulations. 'Standards harmonization' measures the extent to which an economy has met standards through their action plans.

'Business mobility' looks at enhancing the mobility of business people engaged in the conduct of trade and investment activities.

The 'e-business' indicator measures the extent to which firms are using the Internet for electronic commerce.

'Administrative transparency and professionalism' indicators acknowledge the underpinning of effective trade facilitation since this aspect of TF is complementary to all others.

Trade facilitation activities may be performed by individual private firms; trade-related associations; non-profit organizations (e.g., chambers of commerce); governments; or international organizations (e.g., WTO). While the WTO deals with government measures, individual private firms facilitate trade, for example, by enhanced marketing, cost-cutting efforts ranging from management to production to become more competitive, and sending new market development missions. Trade-related associations can do similar activities. Non-profit organizations can also facilitate trade

by providing services on various private legal aspects of international transactions. These include assistance to business and trading communities in model contracts for the international sale of goods, including the concepts of International Rules for the Interpretation of Trade Terms, modes of payment and securing payment, transport contracts, insurance, and settlement of disputes.

Governments can do many things. First of all, they can provide basic infrastructure to trade facilitation, namely, port facilities such as public warehouses, water, roads from factories, and telecommunications. A second aspect is public law. Domestic public laws set conditions for imports and exports administered by various government agencies for specific policy objectives. Typical public laws relating to international trade are external trade laws (trade control measures: import prohibitions and quantitative restrictions including quota system, import monitoring, licensing, certification); customs-related laws (procedures, customs valuation, nomenclature, rules of origin); plant and animal quarantine laws; pharmaceutical law; laws concerning intellectual property rights; laws relating to drugs, and national security laws, etc.

These public laws can be grouped into two categories. One category has direct trade-restricting effects such as quantitative restrictions (QRs). The other does not intend to affect trade such as health and sanitary regulations, but may potentially do so (e.g., excessive documentary requirements, discretionary import licensing). Still, there is room for trade facilitation. While a government cannot abolish procedures to attain a specific policy objective, it is possible to improve such procedures.

Likewise, international organizations can intervene in a number of ways. They can provide international standards and rules as already mentioned earlier.

WTO members focus on procedural aspects or trade procedures in the discussion of trade facilitation. Many government agencies administer various domestic laws that may affect imports and exports. There are instances where a particular authority is delegated to customs authorities from another agency since, for international transaction of goods, it is effective and efficient if customs authorities at the border check goods for conformity with requirements under a particular domestic law. For this reason customs can play a key role in terms of trade procedures.

At the same time, customs is criticized for complexity of rules and regulations, delay in customs clearance, etc. Business and trading communities often claim this as a typical example of non-tariff measures (NTMs). Article XI of GATT (General Elimination of Quantitative Restrictions) stipulates that tariff measures are the sole instrument to regulate trade. However, there are exceptions that include "import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade." This means that these standards and regulations are NTMs, and that the

WTO/GATT trading system allows maintaining these NTMs.

Quarantine requirements apply to animal (live and meat, etc.) and plant products (vegetables, fruits, etc.). Trading nations prohibit the importation of contaminated products and set conditions and formalities to import, in order to protect the lives of humans, animals, and the environment. It should be noted that these quarantine requirements apply to any person who imports listed products; even diplomats are not exempt under the international treaty concerning diplomatic relationships. This example shows the objective (i.e., protection of life) and the means (i.e., formalities). In other words, it implies that while the objective remains unchanged, simplified and effective means, for example, to reduce the time required for testing or to develop more effective testing devices, can facilitate trade. This is the core idea in the discussion on trade facilitation to reduce and eliminate “red tape” (Ojile, 2006).

On other specific implementations, the BIMP-EAGA model provides the following:

1. *Customs*
 - Harmonization of customs rules, regulations and procedures based on strategies and initiatives by World Customs Organization and Asia Pacific Economic Cooperation Sub-Committee on Customs Procedures;
 - Accelerating efforts towards acceding to these international conventions; and,
 - Establishment of port-to-port arrangements within the sub-region
2. *Immigration*
 - Adoption of a common embarkation/disembarkation card;
 - Providing training to immigration officials within the sub-region; and
 - Exchange of immigration rules, regulations and procedures to identify areas for harmonization.
3. *Quarantine (Animal, Plant and Fisheries)*
 - Harmonization of quarantine rules, regulations and procedures based on WTO and ASEAN agreements;
 - Creation of a task force composed of BIMP health quarantine offices;
 - Publication of a directory of BIMP health quarantine offices;
 - Conduct of meetings and exchange visits to ports within the sub-region; and,
 - Set-up of a yellow fever vaccination center in Davao City.
4. *Security*
 - Establishment of direct linkages among BIMP security offices (www.medco.gov.ph)

What international standards and agreement relate to trade facilitation?

The following are some of the trade facilitation standards and practices:

1. Incoterms – an abbreviation of “international commercial terms”,

are standard trade definitions that are most commonly used in international contracts. They either reduce or remove altogether uncertainties arising from differing interpretations of such terms in different countries. Incoterms are developed, maintained and promoted by the ICC Commission on Commercial Law and Practice (CLP).

Incoterms cover matters relating to the rights and obligations of the parties to the contract of sale with respect to the delivery of goods sold, but excluding “intangibles” like computer software. Each Incoterm is referred to by a three-letter abbreviation, and has been limited by ICC to 13 in 2000:

- EXW - Ex Works
- FCA - Free Carrier
- FAS - Free Alongside Ship
- FOB - Free On Board
- CFR - Cost And Freight
- CIF - Cost, Insurance And Freight
- CPT - Carriage Paid To
- CIP - Carriage And Insurance Paid To
- DAF - Delivered At Frontier
- DES - Delivered Ex Ship
- DEQ - Delivered Ex Quay
- DDU - Delivered Duty Unpaid
- DDP - Delivered Duty Paid (The 13 Incoterms, FAQs About the Basics, International Chamber of Commerce website, www.iccwbo.org).

2. Harmonized commodity description and coding system – also referred to as the Harmonized System, means the Nomenclature comprising the headings and subheadings and their related numerical codes, the Section, Chapter and Subheading Notes and the General Rules for the interpretation of the Harmonized System, set out in the Annex to this Convention (<http://www.colaw.cn/findlaw/customs/hs.htm>).

Although only two-thirds of WTO Members are Contracting Parties to the HS, this nomenclature is already applied to over 95 per cent of world trade. New Zealand sees benefit in requiring all WTO Members to commit to using this system of tariff classification (Trade Facilitation Alliance, 2005).

3. UN standard lay-out key; single administrative document (SAD) – The United Nations Layout Key (UNLK, ISO 6422) provides an international standard for the format and layout of the trade documents. It is a forerunner of electronic (EDIFACT or XML) documents and is recommended to be used for developing standard layouts and forms. The UNLK ensures that the same information and data can be found at the same place in the same format on all documents, regardless of the size of paper (fits the size of ISO A4 format as well as a legal format used in the United States). These are based on a series of Master

Documents, each of which can be re-used for deriving other subset documents by duplicating or copying its data either completely, or partially. Documents aligned to the UNLK can then be reproduced by printers in printed forms, software products for computer systems or web services providers.

The UNLK can be used for the creation of international, regional or national layout keys, which provide the basis for trade documents set at the international (e.g. UNCTAD Certificate of Origin, WCO Customs Declaration), regional (e.g. Single Administrative Document of the European Union, Form D under the Common Effective Preferential Tariff of ASEAN) and national levels (e.g. customs declaration in the Kyrgyz Republic, Lao People's Democratic Republic). The United Nations System of Aligned Trade Documents has been developed to describe how the UNLK serves as the basis for the creation of subsidiary international and national layout keys and standard forms and aligned masters and forms at the company level (UNESCAP, 2007).

Meanwhile, the SAD was set up by the European Community Council on January 1, 1988 to standardize customs documents, harmonize codification and simplify procedures in international trade exchanges. This document has replaced most of the customs declaration forms existing in member states of the European Community and is also used for transit procedures with European Free Trade Association (EFTA) countries.

Four types of declarations are in existence. All use the same form, according to the flow and/or the origin of the goods. They are the following:

EX:	Declaration for export from the customs territory of the community (EFTA trade excepted)
IM:	Declaration of placing goods imported into the customs territory of the community under any customs procedure (except trade with EFTA) Declaration of placing non-community goods under a customs procedure at destination, in the context of trade between two member states (except trade with EFTA)
COM:	Declaration for introduction (import) or dispatch (export) of community goods from or to a member state of the community
EU:	Declaration for import or export of goods from or to an EFTA country (Single Administrative Document, www.asycuda.org)

4. EDIFACT syntax, ebXML, UNeDocs, WCO data model – UN/EDIFACT and XML are today's most widely used electronic business protocols and provide access and connectivity to e-business systems and electronic supply chain management. To standardize the format and layout of documents, there is need to have a standard list of data which are collected by governments

and a standardized classifications and names for these data. The WCO Customs Data Model can serve such function. Currently, the WCO is in the final stages of developing the Customs Data Model. This Model is expected to enhance the harmonization and standardization of customs data requirements. Under this Model, the names and definitions of data elements required by customs authorities will be harmonized to eliminate ambiguity for traders. The utilization of this model will enable a 'seamless data flow' between importing and exporting countries. If the model is fully utilized in a country where IT is extensively used for customs procedures, traders need to enter information only once, and the same information can be used for commercial invoices, import and export documents, release of goods and tax purposes, statistical purposes, and trade regulation purposes, since all information headings would be standardized. Even for countries that do not use IT extensively, the use of common data sets will allow closer cooperation between the customs authorities of different members and allow for better control of controlled or restricted goods. Further, that country will be prepared for the eventual and inevitable introduction of IT in its customs procedures.

Once the Data Model is in place, members can consider harmonizing and standardizing the format for their documents irrespective of whether it is paper-based or computer-based. In this regard, members can use 'aligned documents' so that all use the same size paper, with common items of information set out in the same relative position in each form. The most widely used aligned document is the UNLK.

While the UNLK is the world standard for international trade documents in paper format, the UneDocs are aimed at becoming the worldwide electronic trade document standard. UNeDocs is an evolving tool developed by UN/CEFACT which provides for a smooth migration from paper trade documents to electronic trade documents. It also facilitates the implementation of e-single window environments and paperless trade concepts. The implementation of UNeDocs could greatly speed up the whole cross-border trade transaction process, while at the same time catering to new trade security requirements, which are often based on the provision of advance cargo information for risk assessment. UNeDocs designs documents based on international trade procedures, the UNLK and the United Nations Trade Data Elements Directory (UNTDDED), ISO standard 7372. These two standards provide the basis for a later definition of the electronic equivalent of the trade document in UN/EDIFACT or XML format (UNESCAP, 2007).

5. Government Interoperability Framework – refers to the ability of government bodies to network with other offices and provide seamless services to users within the context of functionality, ease of use, security and reliability. Government and public authorities

seeking interoperability within their own administration and with others face the same interoperability challenges that private enterprises face in accomplishing enterprise application integration (EAI) and business-to-business (B2B) integration, such as business process alignment, data semantics resolution. Interoperability with other governmental entities must take into account the diverse application software systems and ICT hardware that governmental entities already have in place as well as local governmental business processes predicated on local and national laws (<http://www.comptia.org>).

6. One-stop shop, single window – a single Window system enables users to complete all the necessary trade (import/export) and port-related procedures in a single entry and a single transmission. There is no need to re-enter data for this has already been entered, therefore speeding up the process, improving accuracy and reducing manpower costs for data entry (Itoh, 2005).

The Single Window concept can be implemented in a manual environment with the cooperation of all border authorities. However, countries may enjoy fuller benefits of a Single Window by using ICT and dataset standards commonly accepted by the relevant public and private stakeholders. In particular, the use of internationally accepted standards such as Harmonized System of Commodity Description and Coding, the WCO Data Model and the Unique Consignment Reference is important. Agencies involved in Integrated Border Management should determine the essential amount of data necessary to effect their controls. If examination of the goods is necessary, the coordination of physical inspection among the relevant agencies adds significantly to the value of the Single Window (WCO).

7. National inquiry point – also called Single National Focal Points / Information Centers are to serve as central repositories for a country's trade regulations and trade-related information for easy access to all interested public and private parties as well as WTO Members. Provisions for enquiry points exist already in WTO Agreements on Technical Barriers to Trade (TBT) and on the Application of Sanitary and Phytosanitary Measures (SPS), and responds to information requests from Members and interested parties and make accessible documents on, *inter alia*, technical regulations, standards, conformity assessment procedures. There are ongoing discussions for a similar facility on customs matters, to provide information on:
 - all relevant laws, regulations, administrative guidelines, decisions and rulings of or having general application;
 - Customs and other border-related agency processes (including port, airport and other entry-point procedures and relevant forms and documents);
 - conditions for different forms of Customs treatment;
 - appeal procedures (including standard times and conditions for appeal);

- fees and charges applicable to import, export and transit procedures and requirements
- agreements with any other country or countries relating to the above issues;
- management plans of Customs and other government agencies relating to implementation of WTO commitments, possibly including standard processing times or relevant reform and modernization programs; and
- all significant amendments to the above and regulatory updates.

Such information should be cast and provided in the simplest manner possible and be made easily available to governments and traders alike, on a non-discriminatory basis, where feasible by electronic means, and via person-to-person and on-line enquiry services. A timeframe for responses to queries should be indicated. An Enquiry Point should be equipped by competent staff, and the information be made available - insofar as local capacities allow - in at least one of the official languages of the WTO (English, French or Spanish). For some countries, translation of trade laws and regulations may be unfeasible owing to lack of resources, in which case a brief summary would be useful. In many cases, particularly in developed economies, trade-related information from partner countries is translated for the benefit of domestic SMEs. Such translations could be made available as widely as possible (UNCTAD, 2006). The Bureau of Product Standards of the Department of Trade and Industry is the Philippine national enquiry point for standards and conformance requirements, while the Department of Agriculture is the Philippine national enquiry point for sanitary and phytosanitary standards.

8. National trade facilitation organization – The UN/CEFACT recommends that Governments establish and support national trade facilitation bodies with balanced private and public sector participation to:
 - identify issues affecting the cost and efficiency of their country's international trade;
 - develop measures to reduce the cost and improve the efficiency of international trade;
 - assist in the implementation of those measures;
 - provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
 - participate in international efforts to improve trade facilitation and efficiency.

Participants in such bodies should represent all companies and institutions that take part in international trade transactions: manufacturers, importers, exporters, freight forwarders, carriers, banks, insurance companies and public administrations, each with a joint and separate interest in the facilitation of trade. It is only with

the active involvement of these participants that impediments can be analyzed meaningfully and cooperative solutions devised. Currently many national trade facilitation bodies around the world operate with the support of the trading community and governments in their respective country. A list of these organizations can be found on the UN/CEFACT web page <http://www.unece.org/cefact> (<http://www.unece.org/cefact>, 2001).

9. Post-clearance control – means Customs control or audit performed subsequent to the release of cargo from Customs custody. Such audit may take into account individual transactions or cover imports/ exports undertaken over a certain period. The audit can take place either at a Customs office or on the premises of a company. Implementation of post clearance audit is a major simplification of Customs control and thus provides facilitation for the traders. Time previously spent waiting for Customs clearance will be minimized and traders can dispose of their goods quickly after arrival in the country. It is a facilitation measure relating to Article VIII of GATT 1994 (Fees and Formalities connected with Importation and Exportation). Of particular relevance is paragraph 1(c): “The contracting parties also recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements” (UNCTAD, 2005).

10. Advance rulings – for customs purposes, advance ruling can be defined as a binding official decision prior to an import or export, issued by a competent authority in writing, which provides the applicant with a time-bound tariff classification, valuation, entitlement to preferences, or an assessment of the origin accorded to a particular good. Such rulings must protect confidential information submitted by the trader, can be revoked in case of changed circumstances, and must be appealable by the applicant. The WCO guidelines on advance rulings in accordance with the provisions of standard 9.9 of the RKC define the term as follows: The expression “binding ruling” (or “advance ruling”) generally designates the option for Customs to issue a decision, at the request of the economic operator planning a foreign trade operation, relating to the regulation in force. The main benefit for the holder is the legal guarantee the decision will be applied. A pertinent discipline in the WTO Agreement on Rules of Origin, Article 2(h), which might serve as a model for an advance ruling provision, is worded as follows: “Members shall ensure that, upon the request of an exporter, importer or any person with a justifiable cause, assessments of the origin they would accord to a good are issued as soon as possible but no later than 150 days after a request for such an assessment provided that all necessary elements have been submitted. Requests for such assessments shall be accepted before trade in the good concerned begins and may be accepted at any later point in time... Such assessments

shall remain valid for three years provided that the facts and conditions, including the rules of origin under which they have been made remain comparable. Provided that the parties concerned are informed in advance, such assessments will no longer be valid when a decision contrary to the assessment is made in a review as referred to in subparagraph (j). Such assessments shall be made publicly available subject to the provisions of subparagraph (k).” (UNCTAD, 2006).

11. Authorized persons (economic operators) – provides for the selection of low-risk traders, based on certain risk management criteria, which would be allowed expeditious clearance of goods by customs authorities. The Super Green Lane system is such an implementation in the Philippines. SAFE extends the concept to security standards.
12. Mutual recognition agreements (MRAs, as they apply to technical barriers to trade, sanitary and phytosanitary certificates, professions) – as defined by UNESCO, is an agreement by two or more institutional bodies to validate each other’s degrees, programs, or institutions and/or an affirmation by two or more quality assurance or accrediting agencies that the methodology of the agencies are sound and that the procedures are functioning accordingly. It reduces transaction costs of granting entry for regulatory bodies and the uncertainty related to rights of entry for professionals. Mutual recognition is sometimes referred to by professional bodies as “inter-recognition” or reciprocity.

The “recognition” involved here is of the “equivalence”, “compatibility” or at least “acceptability” of the counterpart’s regulatory system; the “mutual” part indicates that the reallocation of authority is reciprocal and simultaneous. An MRA is one in which the respective regulatory authorities accept, in whole or in part, the regulatory authorizations obtained in the territory of the other Party or Parties to the agreement in granting their own authorization (Nicolaidis, 2000).

13. The 1973 International Convention on the Simplification of Customs Procedures (the Kyoto Convention) was a major international treaty designed to promote the standardization and simplification of customs procedures worldwide. The convention underwent a substantial revision in 1999, resulting in improved provisions for customs automation, electronic commerce, audit-based reviews and risk management techniques. It is the most comprehensive instrument for promoting international trade facilitation in the world today.

The review and update of the KC resulted in the revision of the convention to reflect the economic and technological changes and best practices of the members of the WCO. The revised

document is known as the Revised Kyoto Convention (RKC). RKC is designed to promote international trade by prescribing modern, simplified and harmonized Customs procedures, as well as standards and best practices. It was adopted by 114 customs administrations attending the WCO's 94th Session in June 1999. It came into force on February 3, 2006, three months after India became the 40th signatory to the Protocol of Amendment (Parayno, 2004). RKC is the subject of the second Q&A Primer of PHILEXPORT.

14. Another major TF instrument is the 1993 Declaration Concerning Integrity in Customs (the Arusha Declaration), which addresses the issue of corruption within customs administrations.

UNCTAD is likewise actively involved in TF and encourages the input and participation of developing economies in trade facilitation initiatives. Central to its TF programs is the ASYCUDA which has been discussed earlier.

The regional economic commissions of the United Nations are also significant in promoting trade facilitation. The UNECE is in many ways the home of modern trade facilitation. Its fifty-five member states, including the USA and Canada, all of the European Union and EFTA, and all the former Soviet countries plus Turkey and Israel together account for more than two-thirds of world trade. Countries like Canada, the United Kingdom, Finland and Sweden have been in the forefront of measures to promote the facilitation of international trade for more than fifty years. Indeed the UNECE and its internationally-recognized CEFAC has become the principal forum for developing trade facilitation recommendations, including agreed norms and standards for automating international procedures to support regional and global supply chains. In 2004, it adopted a recommendation on the establishment of a "Single Window". A Single Window would allow for the lodgment of standardized information and documents with a single entry point to fulfill all export, import and transit-related regulatory requirements. UNECE is perhaps best known for its work on Electronic Data Interchange (EDI), a form of electronic commerce that uses a structured exchange of data between two parties in any trade transaction, and for the development of the UNEDIFACT.

Another trade facilitation instrument originating in UNECE is the TIR Convention of United Nations Economic Commission for Europe. First drawn up in 1949 and having undergone a major revision in 1975, this is one of the most successful international transport conventions and so far the only universal transit system in existence. The trend of "containerization" as a means for ocean transport brought about the system of faster, safer, and a greater number of transportation. To maximize its benefits, a legal framework has to be created. Any container meeting the size and seal equipment requirements are cleared at customs in a simplified manner with a special "carnet" that is considered as an import declaration. No additional documentation is required at transit third countries.

UNECE is currently computerizing the whole TIR process. The final

objective is to provide countries with an electronic tool for the international transfer of advanced cargo information for TIR transport, thereby also enhancing the security of transit operations.

Also in the line of security, UNECE manages the regulation of the carriage of dangerous goods by rail and by road. In the light of recent developments, it has adopted new provisions with a view to enhancing the security of the transport of such goods. The provisions focus in particular on identification of carriers, securing temporary storage, better identification of crew and the implementation of training and security plans (Sacks, undated).

The Customs Convention on the ATA Carnet for the Temporary Admission of Goods of 1961 (the ATA Carnet Convention) allows treatments to sample importation under certain conditions. Samples of goods are an effective tool for marketing. If simplified procedures in the form of “carnet”, which is considered an import declaration equivalent, were granted to such samples at customs, and if a temporary duty exemption treatment were granted subject to re-exportation, trade facilitation can be expected. Since samples are often carried by a person by air, customs clearance is done at the airport facilities. Precious stones (diamonds) are a good example.

Under the auspices of the WCO, there is the HS International Convention on the Harmonized Commodity Description and Coding System signed in 1983. The Convention aims to facilitate international trade by standardization of trade documentation and the transmission of data. The collection, comparison and analysis of trade statistics are facilitated by reducing the expense incurred in re-describing, reclassifying and re-coding goods from one classification to another.

What agreements relevant to trade facilitation have the Philippines entered into?

The Philippines has entered into a number of international agreements that have direct TF implications. These include the Harmonized Commodity Description and Coding System, the Customs Valuation Agreement and the Agreement on Rules of Origin. These agreements determine the tariff classification of an imported product, its country of origin and its value for duty purposes. Other WTO agreements on TF include the Agreement on Import Licensing Procedures, the Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures and the Agreement on Pre-shipment Inspection (Sacks, undated).

An assessment of the Philippine's position with all the main multilateral treaties that have an impact on international trade is contained in the ITC Legacarta as provided below. This resource provides assessment and technical assistance tools on these international positions. The main topics covered referenced in LegaCarta are contracts, customs, dispute resolution, environment, finance, payments and insolvency, illicit trade, institutional membership, intellectual property, investments, law of treaties, products, telecommunications, transport and WTO rules.

A. In terms of number of instruments ratified by the Philippines:

Number of instruments ratified:	72 (of 213 instruments)		
Average ratification by world:	73 (of 213 instruments)	Rank in world:	81 (of 193 countries)
Average ratification by region:	61 (of 213 instruments)	Rank in region:	8 (of 23 countries)

B. In terms of country ratification scores:

Score:	36.03	
Average score of all countries:	35.27	Rank in world: 78 (of 193 countries)
Average score of countries in region:	29.67	Rank in region: 7 (of 23 countries)

The full text of this report is available through subscription to ITC Legacarta.

What is the current position of the country on trade facilitation?

As early as the mid-1970s, trade facilitation was an initiative of the Philippine government; Presidential Decree 930 issued on May 13, 1976 ordered “the adoption of simplified procedures to govern export from the Philippines” including the use of periodic clearances, a moratorium on “new or additional inspection fees and/or related charges,” and a clearance process for any new documents, procedures or fees. Executive Order 574 restructuring the Ministry of Trade provided that government body the mandate to “provide measures designed to facilitate trade and minimize cost increasing inefficiencies, disincentives and regulatory restraints in the market,” with a Bureau of International Trade Relations to “assist and advice the Minister in the performance of the export facilitation functions of the Ministry, which functions include the promulgation and enforcement of regulations on export trade ... and) ... the overall coordination of the simplification and integration of export procedures adopted by the Ministry and other agencies of the government.”

Executive Order 843 created a Commission on Export Procedures in 1982 to review and simplify export procedures and documentation requirements, and to consider setting up an “Export Documentation Center whose personnel shall be detailed from government agencies involved with exports such as Central Bank, Bureau of Customs, and other agencies, to process any application to export without need of referring the said application to their respective offices and thus facilitate exportation.” This eventually became the One Stop Export Documentation Center (OSEDC) which provided a model for other one-stop action centers in the Philippine government. Executive Order 1016 in March 1985 withdrew inspection, commodity, and export clearance requirements except for those required by international agreements or covered

by export bans and restrictions. Executive Order 133 reorganized the Department of Trade and Industry in 1987, and Executive Order 343 reconstituted and expanded the Commission on Export Procedures in 1988. An Export Assistance Network (EXPONET) was also formed to address specific problems of exporters, which mostly concerned procedures.

In the various reforms and modernization programs undertaken by the Bureau of Customs (BOC), particularly during the 1992-1998 Customs Reform and Modernization Program under then Commissioner Parayno, several national legislation were issued and systems and procedures developed. These reforms made many of its Customs operations compliant with major provisions not just of the KC but also with the then being deliberated RKC (Parayno, 2004).

Key accomplishments during the six-year period were as follows:

- implementation of a new Customs processing system called ASYCUDA. It resulted in the computerization of the following end-to-to end import process: the manifest, lodgment, assessment of duties and taxes, risk assessment and selectivity, payment and on-line release. All these involve the processing of only a SAD;
- physical modernization and improvement of customs facilities;
- introduction of risk analysis and threat assessment procedures in lieu of 100% inspection;
- introduction of paperless, cashless and queueless clearance processes;
- partnerships with business associations to assist in customs processing (e.g. designation of the PCCI as manager of Community Trading Centers); and
- establishment of a Management Information System and Technology group (Arevalo, 2002).

Specific BOC ICT Projects within the said period include:

- A. Automation of Segments of the Cargo Clearance Process
 - Beginning Segment: Manifest Clearance System
 - End Segment: On Line Release System
 - Payments Segment: Collection Systems and PAS
 - Middle Segment: ASYCUDA Declaration and Assessment Modules

- B. Enhancements of the Application System
 - Selectivity System
 - Remote Lodgments: DTI and EDI vs. ECC; “somewhat paperless processing”
 - Tax Exempt System
 - Integration of the Segments into a Seamless System

- C. Back-end Systems
 - Project Reconciles 1 and 2
 - Data Warehousing and Customs Decision Support System
 - Payments Verification System

D. Public Information

- Customs Website. By 1998 and before the passage of the E-Commerce Act, Customs was able to migrate some of its business operations and to extend service to the trade community through E-Commerce. For a number of importers, clearance of shipments through the Ports in Manila was transacted through remote workstations located right at the offices of importers or of their agents. Service availability was practically 7x24 (Parayno, 2004).

The Philippine BOC and the private sector have embarked on various activities leading to the ratification of the RKC by the Senate. Once this is ratified, the country becomes one of the 53 countries (as of September, 2007) that are implementing the RKC, considered as the most comprehensive instrument for promoting international trade facilitation in the world today.

A member of the WCO, TF implementation by the Philippine BOC is helped by using the benchmarking principle. For National Customs administrations, the overall aim of benchmarking is to improve the efficiency and effectiveness by comparing procedures and/or processes with the same or similar ones by others, and then identifying and implementing best practices.

Benchmarking trade performance is primarily focused on the international supply chain model buy-ship-pay (UN/CEFACT Recommendation 18 on Facilitation Measures on International Procedures). Within these three international trade transactions, the official procedures, trade and business practices that can be benchmarked include:

- time to clear goods;
- level of access to required regulatory and other official information and documentation;
- level of transparency in official procedures;
- application of international laws;
- exchange of trade and Customs-related information between business and government;
- application of trade facilitation recommendations; and
- access to an arbitration and dispute resolution process (UNECE).

In trying to avert the sliding competitiveness ranking of the Philippines, the country has set improvement targets benchmarked against global leaders in this area. The Philippine rankings in trade facilitation benchmarks in the Doing Business Report co-published by the World Bank and the International Finance Corporation (IFC) show the following results:

- There are ongoing reforms but no significant impact on Philippine ranking;
- Other countries are reforming much faster thus rankings keep improving especially countries moving from centrally planned to market economies;
- The Philippines has to undertake significant high profile reforms (preferably administrative in nature at the national and LGU levels) to improve the rankings; and
- In a global economy, the Philippines is competing with 178 countries

in 2007 and perhaps even more in the coming years. Thus, to be attractive, there is a need to keep reforming.

The World Competitiveness Yearbook, prepared annually by the Institute for Management Development in Geneva, provides a broader view of Philippine competitiveness, with measures on business efficiency, government efficiency, infrastructure, and economic performance. In the 2007 publication, the Philippines ranked 45 out of 55 economies, with its performance brought down by rankings of 47 and 51 in government efficiency and infrastructure, respectively. According to Professor Federico Macaranas of the Asian Institute of Management (AIM), the ranking also implies that to compete, the country needs to analyze its performance in detail to determine which aspects contributing to overall performance need more workouts, corrections and reforms. Among the priority areas for attention recommended are the effective implementation of government decisions and increased efficiency in the distribution infrastructure for goods and services (Macaranas, 2007).

Meanwhile, the World Economic Forum will release *The Global Competitiveness Report 2007-2008* on October 31. The Report will include *The Global Competitiveness Index* featuring the 12 pillars of competitiveness, *The Business Competitiveness Index*, detailed country profiles and data tables covering more than 100 social and economic indicators. The rankings are drawn from a combination of publicly available hard data and the results of the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of Partner Institutes (leading research institutes and business organizations) in the countries covered by the Report. This year, over 11,000 business leaders were polled in a record 131 economies worldwide (gcp@weforum.org).

What reforms has the country done in keeping with trade facilitation principles?

The following outlines recent policy implementations and reforms related to TF:

1. Executive Order 482 – Creating the National Single Window task Force for Cargo Clearance
2. Executive Order 428 - Directing Department, Bureaus, Offices And Other Agencies In The Executive Branch, Including Government – Owned And Controlled Corporations To Simplify Rules And Regulations And Reduce Reportorial Requirements To Facilitate Doing Business And Encourage More Investments In The Country
3. Executive Order 553 – establishing an Infrastructure Monitoring Task Force
4. Executive Order 554 -directing all Departments, bureaus, Commissions, Agencies, Offices and Instrumentalities of the National government, including GOCCs to improve the competitiveness of the country's export sector by eliminating the

- fees, charges, imposed on export clearances, inspections, permits, certificates and other documentation requirements
5. Executive Order 557 – Establishing an Anti-Red Tape Task Force
 6. Administrative Order 158 – Ordering the fast-tracking of the computerization of export related processes of government agencies
 7. BOC eCustoms project
 8. BFAD computerization

Back to BOC initiatives, work on the following TF interventions started in 2002:

- re-engineering of BOC's existing computer system to further streamline and simplify its operations. A digital copy of the BoC Corporate Plan was electronically launched where this may be browsed or downloaded. This also marked the launching of the upgraded version of the BoC website (www.customs.gov.ph); and
- launching of several projects on electronic commerce and paperless trading.

The BOC is likewise actively working with various private sector stakeholders in implementing its TF program. Customs has signed a memorandum of understanding/agreement with the

- Semiconductor and Electronics Industries of the Philippines, Inc. to develop and implement an automated system for processing applications of enterprises in special economic zones;
- Association of International Shipping Lines (AISL) for IFM Submission via Electronic Means;
- Clark Development Corp. (CDC) for special procedures for authorized locators;
- Philip Morris International for transshipment of tobacco products; and
- Globe Telecommunications for Customs SIM cards for stakeholders with special Customs Features, allowing for mobile transactions with the use of cellular phones.

An Industry Advisory Council has been institutionalized to champion all efforts for customs reforms for TF and anti-smuggling. It is composed of heads of Industry Groups, including Philippine Chamber of Commerce, Exporters Confederation, Filipino-Chinese Chamber of Commerce, Federation of Philippine Industries, Fair Trade Alliance. Regular meetings provide a venue for consultation with industry leaders, making TF implementation easier.

- Various industry groups are supporting the migration of ASYCUDA++ to ASYCUDA WORLD, the internet-based IT system of customs
- A non-intrusive container inspection system as advocated by industry groups for cargo clearance is now in place, making cargo clearance faster and more accurate. The BOC is looking at procuring additional units.
- The Plan of Action and Strategy for Accession of the Philippines

to the RKC has been endorsed by all major stakeholders in the Philippines.

In return, the BOC provides special procedures for importers with high compliance through its

- super Green Lane Program making clearance faster for qualified importers especially for low-risk cargo and
- advance information on cargo manifest under agreements.

Meanwhile, at the heart of the TF programs and projects of the Department of Trade and Industry is the institutionalization of the Anti-Red Tape Task Force through EO 557. Its mandate includes:

1. enforcement of existing Presidential Directives to eliminate red tape and streamline business-related procedures;
2. quick wins through EO 554 (Elimination of Fees on Export-related Documentation); and
3. public-Private Partnership in improving business processes at the local government level

The following strategies hope to fulfill these mandates:

1. streamline the bureaucracy and red tape both at the national and LGU level in matters pertaining to business transaction processes;
2. undertake continuous advocacy towards ensuring that LGUs and NGAs develop and implement time bound programs and measures toward improving competitiveness; and
3. implement and advocate documented risk-based and automated system, and supplement it with audit-based system in all government transactions and services, with the end in view to institutionalize the systems designed.

TF moves across the Bureaucracy involves freezing the issuance of additional administrative requirements; conducting an impact analysis on existing procedures; and implementing e-Governance features in the course of streamlining procedures.

Local Government Units (LGUs) are also in the picture. They were tasked to:

- establish One-Stop-Shops, Customer Complaint Desks, Business Assistance Desks in all DILG Regional, Provincial and City Offices;
- PPP to conduct nationwide campaign among LGUs to adopt best practices; and
- PPP for capability-building of LGUs and monitoring of compliance with anti-red tape measures.

Priority projects under these programs and strategies cover the following areas:

1. Improve the procedures for the entry and exit of business persons (Short-Term: BI)
 - a. ACR-ICard Implementation (3 months)
 - b. Visa upon arrival application (3 months)

2. Enhance the procedures for the entry and exit of goods (Short Term: BOC)
 - a. X-ray machines for imported/export inspection
 - b. National Single Electronic Window
 - b1. BOC-DA link (3 mos)
 - b2. Other agencies link (12 mos)
 - c. Automated System for Customs Data (ASYCUDA-World)

3. Improve the processes in starting, maintaining and closing a business (Short-Long Term)
 - a. Consistency in the implementation of business rules at the national and local levels (Long Term)

Prioritization levels:

 - 1st level: cities of NCR
 - 2nd level: priority sectors and other key cities
 - 3rd level: other locations increasing coverage per year
 - a1. Benchmarking and Best Practices
 - a2. Capability Building

 - b. Streamlining of procedures through business support tools
 - b1. Phil Business Registry System
 - b2. Business Registry (DTI-2007)
 - b3. Business Portal (DTI-2008)
 - c. Streamlining of procedures on business transactions of DENR (DENR 2007-2008)
 - d. Virtual Call Center (CICT 2007-2008)
 - e. Establishment of business support tools (e.g. OSS, CCD, etc.) and streamlining procedures in selected local areas (LGUs and NGAs in the localities 2007-2010)

4. Institutionalize the need for regulatory impact assessment (RIA) on new government requirements (Long Term – DTI, NEDA, DBM, PMS)
 - a. Develop the implementing framework for conducting RIA
 - b. Capability building for conducting RIA
 - c. Integration into the government processes (Maglaya, 2007)

What are the benefits and costs of trade facilitation to SMEs?

Trade facilitation is an essential dimension in economic development in today's globalized world, especially from a developing country (DC) perspective. DCs normally have more cumbersome trade procedures, are more dependent on healthy environment for SMEs and are reliant on Customs revenue collection and FDIs (Sweden National Board of Trade, 1958). Further, TF is relevant to developing countries where inefficiencies are sometimes more costly to industries than are tariff barriers (WTO Doha, 2004).

TF simplifies, increases security and lowers the cost of complying with rules and procedures both for governments and businesses. It will level

the playing field for SMEs in relation to larger companies and enable them to grow and trade more efficiently. To SMEs then, this means savings in time and money as bottlenecks are lessened, eventually leading to a more internationally competitive position. Reformed customs procedures will likewise reduce opportunities for fraud and collusion with customs officials (Sweden National Board of Trade, 1958).

At the same time, governments will benefit directly in terms of increased security and Customs revenue (Sweden National Board of Trade, 1958) and better investment climate.

In terms of costs, an UNCTAD estimate (In the preamble to the Columbus Ministerial Declaration on Trade Efficiency, <http://www.un.org/Conferences/trade94/columbus.html>) puts the “transaction” costs of international transactions at 7–10 percent of the cost of international trade. The European Union uses a 2–10 percent cost estimate for “compliance with procedural requirements” (www.irishexporters.ie/trade_facilitation_report.pdf). It is important to note that these costs thus often exceed import tariffs and as opposed to tariffs, are dead-weight losses for the economy with no re-distributive effects (Claridge, 2006).

The potential for savings and gains will obviously vary from country to country, depending on the existing costs and levels of (in)efficiency. Similarly, the potential for improvement is greater for developing countries, since most developing countries have not yet incorporated many of the trade facilitation measures operating in advanced countries (Sacks). Costs will likewise depend on the TF measures (TFMs), as some make take substantial start up cost and time (Duval, 2006).

The main reason for the reluctance of many DCs to negotiate on trade facilitation as part of the DDA seemed to be the fear that implementation of such agreement would entail substantial investment in infrastructure and human resources for them, while at the same time requiring nothing from the developed countries which had already implemented many of the TFMs likely to be included in a multilateral trade facilitation agreement. Some also feared that a trade facilitation agreement might not reflect the needs and priorities of their countries in this area, as most of the standards and international best practices were established by a few developed countries based on their own needs and priorities. Finally, a binding trade facilitation agreement could have serious consequences on some of the lesser developed countries that still derived a significant share of their government revenue from customs activities.

Data on implementation approaches and costs of eleven TFMs selected among those proposed by WTO members for negotiations was collected in fourteen developing countries (OECD, 2004; OECD, 2005c). While the OECD cost study does not include any conclusive quantitative cost estimates for the measures examined, it provides very useful information on the relative complexity of the various measures examined and some of the major issues associated with their implementation. The study focused specifically on

implementation costs for government:

- *Regulatory/Legislative Costs*: Extent to which new legislation will be needed, requiring expertise and time;
- *Institutional Costs*: Extent to which new institutions will be needed, additional units in existing institutions, or restructuring with existing institutions;
- *Human Resources (HR) Training Costs*: Extent to which government officials will need to be trained for efficient implementation of the trade facilitation measure;
- *Equipment/Infrastructure Costs*: Extent to which new/additional equipment will be needed for implementation of the measure, as well as to ensure its effectiveness (e.g., if docs are published online but SMEs do not have internet access because of lack of a decent national ICT infrastructure...);
- *Political Costs*: Extent to which such measures will be resisted by staffs within relevant institutions; or by policy makers because of fears of losing political support they need; and
- *Recurring/Operating Costs*: Costs associated with maintaining the new/additional systems associated with the trade facilitation measure (e.g., replacement of computers and softwares for e-customs or e-trade doc. systems; salary/wages of dedicated additional staffs or experts;...) (Duval, 2006).

However, the study notes that overall implementation costs of specific measures will be affected by the current level of infrastructure development in each country, which may need to be improved before a particular measure may be effectively implemented. While the study did not attempt to compare costs of various measures examined, *risk assessment, audit-based controls, and special procedures for authorized persons* are identified as the most complex and costly measures, followed by *advance lodgment and processing of data*. In contrast, *advance rulings and security for duties and taxes* reportedly have minimal implementation costs. The study concludes that the costs of even the most technically demanding measures were by no means large, and observed inter-linkages between various TFMs require the need for a coherent implementation plan of the TFMs to be included in the negotiations (Duval, 2006).

In addition to the above, a qualitative approach may allow for the political dimension to be included in the cost estimates, as many of the trade facilitation and customs practitioners are well aware that this dimension is crucial to the success, failure and implementation time of most TFMs (Duval, 2006).

What will be the country's approach in implementing trade facilitation?

There were a number of policies and legislations that helped TF implementation in the Philippines:

1. At the BOC:
 - knowing that government resources and initiatives are not

enough, the BOC starting in the 1992-1998 period, invited the private sector to be more actively involved in implementing its TF projects, as already mentioned above. Thus emerged the BOC-Private sector ICT initiatives which provided immediate relief to urgent concerns and help trailblazed major work;

- customs leadership provided the vision for the Customs community and enlisted the support of all concerned towards it, with the national government leadership providing full support to the program and backing for the leadership even as it warned all those who will not cooperate of the dire consequences for them;
 - the major management decision to utilize a generic Customs software versus the alternative of self-building a system from scratch was strongly criticized by certain quarters for among others, not engaging the country's IT professionals. But said decision cut the waiting time for the implementation of the core functionalities and allowed management and the organization to focus on implementation issues rather than on design and development matters. Customs officers participated in customizing the system to the business and process rules of Customs as well as in the development of other systems that were then attached to the core software; and
 - Republic Act 7650 dated April 6, 1993 removed the mandatory 100% inspection of all shipments by at least 10% of the total packages. In lieu of 100% inspection, Customs was allowed to selectively inspect cargo based on risk analysis and threat assessment. End-to-end automation of the cargo clearance system as well as full electronic service from remote sites was facilitated by a Risk Assessment and Selectivity engine that "thinks" and decides which consignments will be extended Greenlane Processing that does not require any Customs officer intervention (Parayno, 2004).
2. At the DTI and other government agencies, the work of the Anti-Red Tape Task Force covers TF initiatives as already mentioned above. The Task Force handles the Transaction Flows and Costs working group under the six working groups at the National Competitiveness Council.
 3. ESCAP's framework on TF highlights the appropriate approaches with reference to international and regional conventions:
 - Stage Ai: Collect feedback, analyze, assess and prioritize needs
 - Stage Aii: Establish the trade facilitation institutional structure
 - Stage Bi: Revise trade and customs laws and regulations
 - Stage Bii: Simplify, standardize and harmonize import-export documentation and customs procedures
 - Stage Biii: Implement effective trade and customs enforcement

- Stage Biv: Implement effective information dissemination (UNESCAP, 2004)

What will be its effects on Philippine economy and competitiveness?

Under the current trade environment, the focus for Governments is increasingly to enhance trade competitiveness. Trade competitiveness encompasses the cost, time and quality competitiveness of a country's exports as well as its efficiency in importing inputs for the local industries. Enhancing trade competitiveness requires a holistic review of the entire trade development strategy of the country.

Trade development strategy, on the other hand, is defined as a holistic approach to develop and expand sustainable trade flows that are suitable and appropriate for the different phases in a country's economic development. Governments need to strategize trade policies in a coordinated and integrated manner in line with economic development strategies. Trade facilitation may be seen as one of the four components of a comprehensive trade development strategy (ESCAP, 2004).

Trade facilitation is an important issue as it helps countries like the Philippines to enhance and sustain their trade competitiveness. This is because

- exports will be efficient and cost-effective;
- imports of raw materials for the manufacturing sector will be less costly;
- SMEs will be able to participate in international trade as the country's trade regulations and procedures become easier; and
- increased trade flows will result in more foreign exchange earnings (ESCAP, 2004)

The fact that the greatest part of the business and employment sector of most developing countries, including the Philippines, are SMEs increases the positive effects of TF. SMEs provide employment, further justifying TF implementation.

Unlike multinational companies that can "bear the costs" of cumbersome trade procedures, often have well-facilitated internal trade-systems concerning transport, Customs matters and payment, and ultimately have the option of choosing another market (Sweden National Board of Trade, 1958), SMEs have limited flexibilities under these trading conditions. Simplification of trade procedures may therefore significantly improve the possibility for SMEs to get involved in international trade as well as increasing their competitiveness. By creating this environment for SMEs to thrive, the Philippines is likely to enjoy the fruits.

Finally, the Anti-Red Tape Task Force has identified simplification of procedures as part of the National Competitiveness action agenda. The other priority measures include:

1. improving procedures for the entry & exit of business persons;
2. enhancing procedures for the import & export of goods;
3. improving the processes in starting, maintaining & closing a business;
4. institutionalize the need for regulatory impact assessment;
5. harmonize incentives; and
6. operationalizing the Office of the Investment Ombudsman (OIO) (Maglaya presentation, 2007)

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