Asian Council on Trade Facilitation

NEWSLETTER

Volume V – August 2016

Contents

Message from the Chairman

My dear colleagues:

It is a pleasure to present to you the “Asian Council on Trade Facilitation” newsletter for 2016. This publication is a compendium of relevant news, reports, and analysis on recent developments in trade facilitation in Asia Pacific.

The articles contained in this newsletter show progress in the trade facilitation agreement’s negotiation and implementation throughout the region.

This year we observe international organizations such as the ADB releasing funds to facilitate financing, WTO expanding consultations, ASEAN backing up paperless trade, Nepal focusing on reducing trade barriers, and Vietnam forging ahead with custom reforms.

Indeed, the Asia Pacific region is experiencing positive changes in trade because everybody recognizes that foreign trade is fundamental to economic growth. “Trade Facilitation” has become a top priority for policymakers.

Obstacles remain but progress is unquestionable because all types of companies, and most importantly small and medium enterprises, are realizing that they need to trade in international market directly and easily.

CACCI would like also to invite all our members to celebrate together the 50 years anniversary of CACCI at the 30th CACCI Conference on November 23-25 in Taipei.

Besides renowned speakers from academia, business world and government, CACCI is preparing amenities for the families of attendees. Please make your reservation and tell your constituents and colleagues. CACCI will be a great host, along with local organizers, CIECA (Chinese International Economic Cooperation Association), CNAIC (Chinese National Association of Industry & Commerce) and CTBC Bank.

In the meantime, enjoy your reading!

R. B. Rauniar
Chairman of Asian Council on Trade Facilitation
CACCI

Making WTO Trade Facilitation Agreement work for SMEs

International Trade Centre, March 10 2016

The WTO Trade Facilitation Agreement (WTO TFA) aims at increasing the transparency and efficiency of customs and other administrative procedures involved in trading goods across international borders.

Implementation of the agreement is expected to benefit both developing and developed countries, with an overall reduction of in global trade costs of 11 to 15% (OECD, 2014) and global potential gain in exports estimated by some at roughly one trillion dollars, producing 21 million jobs (PIIE, 2013). Moreover, trade facilitation is expected to also benefit consumers and Small and Medium sized Enterprises (SMEs) (ITC, 2013).

SMEs represent 95% of global enterprises and at least two-thirds of all private sector employment (ITC, 2014), and are recognized engines of growth, innovation, social integration and employment. In high-income countries, they contribute nearly two-thirds of both employment and GDP, while in low-income countries (where SMEs are typically hidden in the informal sector), formal SMEs account for almost half (45%) of employment and 33% of GDP (IFC, 2013). 3

In developing countries, SMEs also play an important role in closing the development gap through their contribution to poverty reduction, women empowerment, and income distribution (ITC, 2014). Countries need them to strengthen their resilience in facing a competitive and challenging global environment. However, SMEs face particular constraints in doing business, in particular in accessing international markets.

It is generally recognized that policy interventions are needed to support internationalization of SMEs and enabling their more direct participation in international trade. One constraint faced by SMEs in this context is their limited capacity to deal with the complex administrative and regulatory procedures associated with moving and selling goods across borders.

A recent firm-level study conducted by the UN Regional Economic and Social Commission for Asia and the Pacific (ESCAP) found that a reduction in customs and trade clearance times increased SMEs likelihood of participation in export or international production networks (IPNs) relatively more than that of larger enterprises (Duval and Utoktham, 2014).

In principle, therefore, the WTO TFA provides a convenient policy vehicle for most countries to address this constraint to SME development. However, much of the WTO TFA – and many other trade facilitation programmes - has been crafted by governments with existing importers and exporters in mind, i.e., predominantly large firms (OECD, 2013). Indeed, both in the Asia-Pacific region and in Europe, total SME contribution to national exports never exceeds 30% of total exports despite comprising the bulk of all employment (Abe et al., 2012; EU Commission, 2014).

Accordingly, it is proposed that relevant elements of the WTO TFA be mainstreamed in existing SME policies and initiatives so as to ensure it truly benefits such enterprises and contributes to their internationalization.

Abe & Dutta (2014) cite that World Bank figures place these at over 65% of total employment and 55% of GDP in high-income countries, over 95% of total employment and about 70% of GDP in middle-income countries and over 70% of total employment and 60% of GDP in low-income countries.

It is important to note that these figures only consider direct exports, and would be significantly complicated by indirect SME participation in global value chains (GVCs) through subcontracts with partner multinational companies, traders, exporting companies, and other intermediaries. Making the WTO Trade Facilitation Agreement Work for SMEs – unnext.unescap.org 2 facilitation measures included in the WTO agreement have been – or could be - incorporated into SME development policy frameworks.

The WTO Trade Facilitation Agreement

The WTO TFA was the ultimate achievement of the 9th WTO Ministerial Conference in Bali in 2013. This Agreement contains provisions for faster and more efficient customs procedures through effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It also contains provisions for technical assistance and capacity building in this area. The agreement has three sections.

Section I contains the Substantive provisions of the agreement. It covers areas on Transparency, Fees and Formalities, Transit and Customs Cooperation, and clarifies and improves Articles V, VIII and X of the 1994 General Agreement on Tariffs and Trade (GATT). The trade facilitation provisions (or measures) to be implemented are specified under 12 different articles: 1. Publication and availability of information 2. Opportunity to comment, information before entry into force, and consultation 3. Advance rulings 4. Procedures for appeal or review 5. Other measures to enhance impartiality, non-discrimination and transparency 6. Fees and charges 7. Release and clearance of goods 8. Border agency cooperation 9. Movements of goods intended for import under customs control 10. Formalities connected with importation, exportation and transit 11. Freedom of transit 12. Customs cooperation.

Section II contains Special and Differential Treatment (SDT) provisions that allow preferential treatment for developing and least-developed countries (LDCs).

Section III contains Institutional Arrangements and Final provisions that establish a permanent committee on trade facilitation at the WTO, and require Members to have a national committee to facilitate domestic coordination and implementation of the provisions of the Agreement (Art. 23.2).

http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/makingwto.pdf

Is the WTO still relevant?

The Star Online, Rebecca Fatima Sta. Maria, May 16 2016

Earlier in May, 30 parliamentarians from across Asia gathered in Singapore for a three-day workshop to understand the intricacies of the World Trade Organisation (WTO). What was apparent is that while the participants acknowledged that the WTO is the only global organisation dealing with the rules of trade between nations, they were unclear, or unconvinced, of its relevance in today's environment.

Yes, the WTO deals with the global rules of trade between nations. And in essence it is about trade facilitation, fostering inclusive growth, and with these the assurance that trade flows as smoothly, predictably and freely as possible.

So what has the WTO achieved to date? To be sure much work has, and is, being done in the area of trade facilitation and technical assistance to foster inclusive growth.

An outstanding contribution of the WTO was in its interventions during the global financial crisis of 2008. Under pressure from domestic constituents, the retreat to protectionist measures was increasingly attractive for countries affected by the crisis. Shadows of beggar-thy-neighbor policies of the 1930s loomed large.

The WTO stepped up to the plate and acted as an insurance policy against protectionism. It created what Pascal Lamy, the then WTO director-general, called a WTO "Radar Screen" to flash all the new trade restrictions that government would impose.

This was to prevent countries from taking the easier route of blaming others for the crisis, and taking measures to shut them out. If governments were allowed to do that we could have had a repeat of the 1930s situation. Instead, the WTO acted as a "containing force" to prevent this from happening.

On technical assistance, the WTO garners the resources of member countries to assist the developing and least developed countries in the various aspects of international trade, from technical barriers to trade to the understanding and appreciation of the various international trade disciplines.

So how effective is the WTO? As a rules-making body, the WTO is clearly one of the most advanced engines of global governance. This is its strength. It provides the oversight for the implementation of the many multilateral agreements which are requisite disciplines for the smooth flow of international trade among its 162 members.

The WTO is also an egalitarian, inclusive, organisation. The voice of the small is not, and cannot, be ignored. It champions the cause of the least developed countries (LDCs), ensuring that they are provided preferential treatment in trade. It operates on the principle of one member, one vote. Decision by consensus.

It has a dispute settlement mechanism that has allowed, and can allow, members to peacefully settle their trade differences. In this, what matters is not the size or wealth of a country, but the strength of the legal and economic arguments.

Despite its success, why the skepticism about the WTO?

Let me weigh in on some of the concerns faced when discussing the WTO. We must differentiate the WTO from the Doha Development Agenda (DDA).

The WTO is not just about the DDA. We have been at the DDA since November 2001. What was meant as an inclusive multilateral trade agreement to deepen developing countries' and LDCs' participation, has instead descended into a quagmire.

Seven ministerial conferences have been convened since the DDA was launched. At every one, we hoped to see conclusion of the round but to no avail. At the Bali Ministerial in 2013, we came close to delivering a package. At the 10th ministerial in Nairobi, we tried again.

The tug-of-war taking place in DDA negotiations, between developed and developing countries, between the differing groups, the inability to meet halfway, is not going to help us get any closer to concluding the DDA.

Even as we haggle over the DDA, international trade is transforming. The way we do business is surely changing. Supply chains are changing to the extent that most products are not so much made in "a country" as "made in the world".

This new reality requires us to think about what it means to actually "trade" and how to measure trade. It can no longer be about counting goods and services crossing our borders. It's about where has the value been added to these goods and services.

Then there's the 4th industrial revolution; and the advances in e-Commerce. These call for yet a different set of governance. On e-Commerce, for example, the WTO goes extending the moratorium on duties for on-line trade.

In the meantime, this has been dealt with definitively in other plurilateral fora outside the WTO. Likewise the conversations around environmental goods.

What these developments tell us is that the WTO rules-making process must be in tandem with global developments. Otherwise this role will be taken over by regional bodies and arrangements. Yes, clearly there's a place for the WTO in the face of global developments. But we must collectively see the value in engaging constructively to make the WTO work for us.

Tan Sri Rebecca Fatima Sta Maria is secretary-general of the International Trade and Industry Ministry. The views expressed here are entirely her own.

http://www.thestar.com.my/news/nation/2016/05/19/is-the-wto-still-relevant-despite-its-success-there-is-still-scepticism-about-this-rulesmaking-body/

Letters of credit (LCs): a valuable & simple trade tool

International Chamber of Commerce, Paris, July 12, 2016

Swept up in the enthusiasm around new, perhaps more sophisticated, trade finance instruments, it can be easy to overlook the Letter of Credit (LC). David Bischof, policy manager at the International Chamber of Commerce (ICC) Banking Commission, reminds us of its importance.

The trade landscape has evolved. Globalisation has opened doors to relatively untapped markets that present almost unlimited opportunities for both developed and emerging market companies. Yet it is a landscape of opportunity that is balanced precariously upon an unsteady global economic backdrop, and relies on accessing unfamiliar markets with different cultural practices, currencies and regulations.

Trade in 2016 therefore requires sophisticated trade finance instruments that offer cost-efficiency and streamline the process underlying trade. New products and services have emerged to meet the ever-evolving needs of today's economy - changing the way trade finance is conducted. Automation around Bank Payment Obligations (BPOs) and systems such as open account programmes, supply chain finance, and forfaiting mean trade companies now have a proliferation of choice with respect to trade finance products.

Yet "in with the new" must not mean "out with the old". While such sophistication of the trade finance industry is absolutely beneficial, it can make it quite easy to overlook something as well-worn and simple as letters of credit (LCs) - despite their formative position as a lasting trade finance instrument.

The rich history of LCs

Certainly "old" is an adequate description of the LC. Indeed, although known by an array of different names throughout history, the LC can be traced as far back as 3000 BC, where Ancient Babylonian and Egyptian civilisations would use a rudimentary form of the trade instrument to ensure payment between parties.

Further evidence of LCs may be found in Europe during the 12th and 13th centuries. LCs not only removed the danger of travelling with gold, but also ensured payment for merchants and traders throughout Europe, Africa, and Asia - regions where commerce generated currency that was not sufficient to meet the needs of merchants.

Fast forward to World War I - a period characterised by the breakdown of international allegiances, and rising suspicion - where LCs bridged the gap between merchants that were considered no longer trustworthy, by inviting trusted sources such as banks into the trade relationship. This crucially helped cross-border trade continue during a period of devastating economic and political hardship.

Today, the LC is a widely-adopted trade finance instrument that ensures payment for buyers and sellers alike. For sellers, LCs not only ensure payments will be made promptly and in full, they also reduce the production risk in case the buyer cancels or changes an order. LCs also provide sellers with the opportunity to receive financing during the period between the shipment of goods and the receipt of payment.

For buyers, LCs ensure that the seller will honour their side of the deal and provide products or services with documentary proof. LCs also allow buyers to demonstrate solvency and control the time period for shipping goods.

The secure nature of LCs

Throughout history one thing is constant: the LC has been celebrated owing to its low risk nature - something the International Chamber of Commerce (ICC) Banking Commission's Trade Register reminds us of, using data from 23 global banks and including 13 million transactions that encompass a total exposure of $7.6 trillion. According to the Trade Register, export LCs compare to somewhere between an 'Aaa' and 'Aa' rating by Moody's.

Specifically, the customer default rate for export LCs between 2008-14 stood at 0.01%. During the same period, transaction default rate for export LCs was 0.08% and the exposure weighted default rate for export LCs was 0.02%.

Import LCs remained strong during the 2008-14 period as well, with a transaction default rate standing at 0.08%, and the exposure weighted default rate standing at 0.07% during the same period.

LCs and similar short-term trade finance products all performed well in the wake of the recession, with an average increased default rate of 0.3%. Moody's Baa corporate default rate, on the other hand, increased by 80%. In fact, the overall Moody's rated universe default rates tripled during this period.

Even in the unlikely event of default, LCs hold record high recovery rates - attributed to their ability to seize collateral associated with transactions. In fact, import LCs are fully recovered 98% of the time. This lies in stark contrast of performance guarantees, which are fully recovered only 38% of the time.

In addition to high recovery rates, LCs hold quick recovery times. The average recovery time for defaulted transactions between 2008-14 was 178 and 71 days, respectively. In contrast, loans for import and export have a recovery rate of 238 days.

A digital rebirth

Of course, just because LCs are old, doesn't mean they can't embrace the new. Today's trade landscape requires security, but it also requires the benefits offered by technology namely efficiency and automation.

While traditionally LCs have been paper-based, LCs of 2016 are now not only requested and conducted online, but they may also be modified with a click of the mouse. Their transaction status is available to be viewed instantly online, so each participating party has an accurate and up to date view of each LCs' status. On top of this, LCs are now customizable to fit the unique needs of each party.

Remembering the LC

The value offered by newer and more sophisticated trade finance instruments and techniques is indisputable - the trade landscape has grown more complex, and trade instruments must evolve in kind. But it is important to remember that sometimes beauty lies in simplicity. And in this case, simplicity means security - a quality that is invaluable against a volatile economic backdrop.

http://www.iccwbo.org/News/Articles/2016/Letters-of-credit-(LCs)-recognizing-the-value-of-simple-trade-instruments/

Regional Asian deals backing paperless trade

Business World Online, March 29 2016

SEVERAL COUNTRIES in the Asia-Pacific region have agreed to ease regional trade by forging a treaty that promotes paperless transactions among them during a forum led by the United Nations (UN) in Bangkok.

“The agreement... will result in long-term benefits for the region by promoting cross-border paperless trade to make international trade more efficient and transparent, while improving regulatory compliance,” the UN Economic and Social Commission for Asia and the Pacific (ESCAP) said in a statement on March 25.

Shamshad Akhtar, UN undersecretary-general and ESCAP executive secretary described the agreement as a “unique and innovative intergovernmental framework for cross-border paperless trade facilitation.

The treaty was drafted by working groups that brought together 27 member states of ESCAP, the UN’s regional development arm that counts 53 member states and nine associate members in Asia-Pacific.

The deal -- which is said to be the first of its kind to focus on implementing advanced trade facilitation measures, particularly to achieve paperless trade across borders -- is expected to “contribute to regional economic cooperation and integration and also enhance economic competitiveness of the region as a whole.”

It is hoped to provide momentum for member states to adopt a so-called “single window” ahead of the implementation of the World Trade Organization trade facilitation agreement, a measure that speeds up transit, release and clearance of goods.

ESCAP cited research that indicates region-wide cross-border electronic trade in Asia-Pacific could lead to export gains of $257 billion annually. It said even a partial implementation of paperless trade measures could lead to a rise in exports of $36 million yearly. It also placed the time required to export to shorten by as much as 44%, while reducing cost by up to 31%.

http://www.bworldonline.com/content.php?section=Economy&title=regional-deal-signed-backing-paperless-trade&id=125090

SAARC CCI demands free movement of businesspersons & goods across South Asia

SAARC, March 16 2016

POKHARA, Nepal - On the occasion of the 37th session of the Council of SAARC Minister held at Pokhara, SAARC CCI delegation led by Mr. Suraj Vaidya, President SAARC CCI had a brief session with Honorable Finance Ministers of all member states. The meeting was facilitated by Honorable Kamal Thapa of Nepal, Deputy Prime Minister and Minister for foreign Affairs, Nepal on the request of President SAARC CCI.

President SAARC CCI briefly reported the activities of the oganisation in the year 2015 and shared action plan for the year 2016 which included setting up of sub-regional offices at Mumbai, Dhaka and Sri Lanka to assist SAARC CCI Headquarters at Islamabad, establishment of SAARC Industrial Parks, Launching of CEO Forum and Smart Green Economic villages and close working with SAARC Development Fund to promote green SMEs.

The Foreign Minister of Nepal introduced SAARC CCI delegation to his counterparts and congratulated Mr. Vaidya on assuming office of the President of SAARC CCI and invited him to share views on behalf of the private sector of South Asia.

Taking advantage of the presence of Foreign Ministers from South Asia countries, President SAARC CCI put forth few suggestions to promote intra-SAARC trade and investment, which include as follows:

To consider signing of SAARC Motor Vehicle Agreement and Railway Agreement in next SAARC Summit scheduled in Pakistan and to ensure its implementation in phased-manner. This will help brining down cost of doing business in South Asia and create supply and regional value chains.

To allow private sectors' representation through SAARC CCI in economic and development related Working Groups/ Eminent Persons for effective involvement in policy-making process.

Services contribute more than 50% of all economies of SAARC member states. There is need to consider implementation of South Asian Agreement on Trade in services (SATIS) and creation of free trade areas under SAFTA vision by end of 2016.

Investment be allowed through direct channels while Governments can guarantee to protect investment therefore signing of SAARC double taxation and Investment Treaty has become quite essential in order to encourage and promote cross border and beyond border trade and investment in SAARC.

Eradicating poverty is a joint mission of the Government and the Private sector, for which leaders have been pledged in every Summit. Unfortunately, the movement of the Private sector, which has the potential to create jobs and eradicate poverty, has been restricted. This potential has become hostage by 0.01% unwanted elements that hold the states by fear and terror. Therefore we urge Councils of Ministers to allow free movement of businessperson by allowing them SAARC Visa Exemption Sticker with one-year validity, on recommendation of SAARC CCI.

The Honorable Foreign Ministers assured their full support for consideration of SAARC CCI proposal.

Foreign ministers in presence included Mr. Kamal Thapa of Nepal, Ms. Sushma Swaraj of India, Ms. Dunya Maumoon of the Maldives, Mr. Mangala Pinsiri Samaraweera of Sri Lanka, Mr. Abadul Ahsan Mohammad Ali of Bangladesh, Mr. Damcho Dorji of Bhutan, Deputy Foreign Minister of Afghanistan Mr. Hekmat Khalil Karzai and Foreign Affairs Adviser Mr. Sartaj Aziz at Pakistan's Ministry of Foreign Affairs.

http://www.saarcchamber.org/index.php?option=com_content&view=article&id=308:a-session-with-saarc-council-of-ministers-saarc-cci-demands-free-movement-of-businessperson-and-goods-across-south-asia&catid=25:saarc-chamber-news-blog&Itemid=180

ADB signs $40m trade finance deals with Bangladeshi banks

The Daily Star, April 1 2016

From left (seated), Faruq M Ahmed, acting managing director and CEO of City Bank; Shahid Hossain, managing director of Southeast Bank; Steven Beck, head of the ADB's trade finance programme; Oleg Tonkonojenkov, deputy country director of ADB's Bangladesh resident mission; Anis A Khan, managing director and CEO of Mutual Trust Bank, and Md Abdul Halim Chowdhury, managing director and CEO of Pubali Bank, pose at the agreements signing ceremony in Dhaka yesterday. Photo: ADB

The Asian Development Bank signed trade finance programme (TFP) agreements worth $40 million with four Bangladeshi banks to support exporters, importers and small and medium enterprises.

The Bangladeshi partners are City Bank, Mutual Trust Bank, Pubali Bank, and Southeast Bank.

“Under these agreements, the ADB and our Bangladeshi partners will provide loans and guarantees to support export and import companies in Bangladesh, including small and medium enterprises,” said Steven Beck, head of trade finance of the Manila-based multilateral lender.

The City, Mutual Trust, and Pubali are all new banks joining the TFP, while Southeast Bank — which is already a part of the programme — has signed a new agreement for a funded facility.

The programme has provided more than $2.2 billion in trade finance support in Bangladesh since 2009, through more than 1,400 transactions. With these latest agreements, the total number of banks under the TFP in Bangladesh will reach 15.

The TFP provides guarantees and loans to more than 200 partner banks to support trade, enabling more companies throughout Asia to engage in import and export activities. With dedicated trade finance specialists and a response time of 24 hours, the programme has established itself as a key partner in the international trade community, providing fast, reliable, and responsive support to fill gaps in the region's most challenging markets.

Since 2009, the TFP has supported more than 7,000 small and medium enterprises across the region, with about 10,000 transactions valued at more than $20 billion, in sectors ranging from commodities and capital goods, to medical supplies and consumer goods.

http://www.thedailystar.net/business/adb-signs-40m-trade-finance-deals-local-banks-1202653

WTO Trade Facilitation Agreement to reduce cost of business: Bangladesh ICCB

The Independent BD, May 6 2016

In November 2014, WTO members adopted a Protocol of Amendment which is a necessary step towards making the Trade Facilitation Agreement (TFA) an integral part of the WTO Agreements. TFA was successfully negotiated at the Bali Ministerial Conference in December 2013 as part of a wider set of ministerial decisions, according to the editorial of the current News Bulletin of International Chamber of Commerce-Bangladesh (ICCB) released.

TFA will enter into force with the ratification by at least two-third of WTO members. So far, 72 countries have ratified the TFA. Since WTO members have a shared interest in facilitating trade, the agreement also breaks new ground in the way that it encourages and helps developing-country members to implement their commitments. It is the first WTO Agreement in which members determine their own implementation schedules and in which progress in implementation is explicitly linked to technical and financial capacity.

Although a large part of the trade facilitation agenda involves policy changes – especially coordination and information-sharing, both within and among governments– modernizing customs systems and adapting new technologies can also involve significant technical capacity and financial resource demands. With this in mind, the TFA sets out a framework for trade facilitation-related technical assistance and capacity-building support, as well as detailed transparency procedures for monitoring this support.

The WTO's Trade Facilitation Agreement also represents an important milestone by creating an international framework for reducing trade costs. Early estimates by the OECD suggested that implementation of the TFA would reduce trade costs by 10%. More recent OECD estimates increase this to 14.5%. Of course, trade facilitation can be implemented unilaterally, but a multilateral agreement brings added value. First, it provides greater legal certainty to the changes in policy. Second, it helps reform in governments marshal support from domestic constituents. Third, it helps solve a coordination problem that would have been created by different approaches to changing border procedures.

There are varying estimates of the value of implementation of TFA. One frequently referenced report by the Peterson Institute estimates that trade facilitation reforms will expand global trade by as much as US$ 1 trillion annually. The OECD estimates that 2/3rd of the gains from the TFA will accrue to the developing countries. But not only do developing countries capture a big share of the trade expansion; they are also able to diversify their exports, entering new markets and selling a wider array of products.

Moreover, the increase in global economic activity to be brought about by TFA implementation will provide a badly needed dose of momentum at this time of global economic weakness, especially due to the slowdown in Chinese and Indian economies.

Experts, based on the survey of WTO members, believe that, trade facilitation is a high priority for developing economies and LDCs. However, they also report a great deal of uncertainty about the benefits and costs of the TFA. Donor countries and Agencies expect to increase aid for trade facilitation, but are concerned that political will may be lacking in partner countries.

Bangladesh is actively considering the TFA Ratification soon, to allow an easy flow of goods across borders and lowering the costs of doing business. One of the major commitments of the TFA is the introduction of paperless business worldwide, which is expected to slash the cost of doing business by 10-15%.

http://www.theindependentbd.com/printversion/details/42867

G-20 enhancing trade to combat protectionism: China

The Strait Times, Reuters, July 10 2016

SHANGHAI - In the face of a "worrying" rise in protectionism, trade ministers from the world's major economies have agreed to cut trade costs, increase policy coordination and enhance financing, China's Commerce Minister Gao Hucheng said on July 10.

The Group of 20 trade ministers, who wrapped up a two-day meeting in Shanghai on Sunday, approved a broad trade growth strategy aimed at reversing a slowing in global trade, and backed guiding principles for global investment policymaking.

"The global recovery continues, but it remains uneven and falls short of our ambition for strong, sustainable and balanced growth. Downside risks and vulnerabilities persist," the ministers said in a joint statement.

"We agree that we need to do more to achieve our common objectives for global growth, stability and prosperity."

The spectre of protectionism has loomed large over global trade amid sluggish economic growth and is a pressing concern for China.

The country's huge but struggling steel sector has relied on exports to offset the impact of slowing domestic demand, but it has been accused of using unfair pricing to push foreign competitors out of business.

The ministers discussed the need to address overcapacity, particularly in the steel sector, but some disagreed about the need for specific new commitments to resolve the problem, said one senior trade official involved in the talks, declining to be identified because details of the discussions had not been made public.

The joint statement reflected China's concerns that the country was being singled out for blame for a glut that has led to a collapse in global prices, noting instead that excess capacity in steel and other industries is "a global issue which requires collective responses", and that subsidies and government support could cause distortions.

The United States has been a vocal critic of China's excess capacity, saying its pledges have not gone far enough to resolve the problem.

Chinese trade officials have repeatedly stressed that the country has been the victim of overzealous anti-dumping actions by foreign countries, which fail to take into account Chinese efficiency or its low labour and production costs.

The trade growth strategy adopted by the ministers spelled out broad principles for stimulating trade, including lowering costs, boosting trade finance and stimulating the service sector.

The investment policymaking guiding principles urged governments to avoid protectionism in relation to cross-border investment and establish "non-discriminatory, transparent and predictable" conditions for investment.

On Britain's exit vote, UK and EU representatives in Shanghai were at pains to stress that they would come up with a “sensible and mature new arrangement", South Africa's Minister for Trade and Industry Rob Davies told Reuters on Saturday.

http://www.straitstimes.com/asia/east-asia/g-20-seeks-to-enhance-trade-growth-in-face-of-protectionism-china

India promotes Trade Facilitation Agreement in services at WTO

Hindustan Times, HT Correspondent, June 8 2016

In what would help in increasing trade in services globally, India will "shortly" submit a proposal to the World Trade Organisation (WTO) to start discussions on the trade facilitation agreement (TFA) in services.

Commerce Minister Nirmala Sitharaman recently pitched the idea at the recent informal meeting with the key members of the WTO on the sidelines of the Organisation for Economic Co-operation and Development (OECD) ministerial council meeting in Paris, and asked the members to look at an agreement similar to the existing pact in goods sector.

The minister said that WTO director general Roberto Azevedo has welcomed the proposal and has asked India to submit the same for further discussion.

"We will do that at the earliest...This is a good breakthrough, which we can achieve," she said.

Explaining about the proposal, Sitharaman said that there is a total absence of collective recognition of services sector as part of trade in the WTO.

"Trade is no longer just in finished goods. Trade is no longer in material goods. In fact, the world economy today depends more on trade in services...Services should be put under the definition of commodity. We are saying make that distinction obvious.

"Recognise that services is a tradeable item and if it is a tradebale item, shouldn't there be a framework, shouldn't the WTO, which is the ultimate body for dealing with anything under trade, have a space for it, definition for it and have a procedure for arbitration for it," she said.

India is pitching for this agreement as the services sector contribute about 60% in the country's GDP, and 28% in the total employment.

When asked whether it would propose deadlines for clearance of visas within timeline among others as part of the proposal, Sitharaman said it could include such things, but it all depends on the negotiations between the members.

The move assumes significance as about a dozen countries are already negotiating Trade in Services Agreement (TISA) in the WTO, she said the framework and contours of the TFA in services would be much broader and many things can be subsumed in this. India is not part of TISA.

http://www.hindustantimes.com/business/india-to-pitch-for-trade-facilitation-agreement-in-services-at-wto/story-lLE5NBmQ4RePwTZH1Ao5TJ.html

Korea donates US$350,000 to help developing nations in trade negotiations

WTO, July 22 2016

The Republic of Korea has donated USD 350,000 (over CHF 340,000) to help developing and least-developed countries (LDCs) participate effectively in WTO multilateral trade negotiations in 2016. This contribution to the WTO's Doha Development Agenda Global Trust Fund (DDAGTF) will finance training workshops for government officials both in Geneva and elsewhere. The funding will also help these members meet their WTO obligations and fully benefit from WTO membership.

WTO Director-General Roberto Azevêdo said: "Korea's donation is very welcome as it will support developing countries and LDCs to expand their trade capacities and participate more effectively in the global trading system. Korea's generosity will help to ensure that the benefits of trade reach some of the WTO's poorest members."

The Republic of Korea is the sixth donor to the DDAGTF in 2016. Overall, Korea has donated nearly CHF 5 million to this trust fund over the past 15 years.

https://www.wto.org/english/news_e/pres16_e/pr775_e.htm

Trade barriers at top of Nepal's agenda

The Kathmandu Times, Rajesh Khanal, June 28 2016

KHATMANDU - India has compelled Nepali tea exporters to obtain quality test certification from an Indian laboratory each time they ship tea to India. Therefore, Nepal put trade barriers imposed by India on its exports at the top of the agenda when the commerce secretaries of the two countries meet for an Inter-Governmental Committee (IGC) meeting in June in New Delhi.

Commerce Secretary Naindra Prasad Upadhyay led a 12-member team to hold discussions with Indian Commerce Secretary Rita Teaotia.

Previously, Nepali tea exporters were allowed to conduct trade with multiple parties after receiving a quality check certificate valid for six months.

Exports of Nepali processed leather have come to a complete halt for the last three months after India's Raxaul customs office banned the product. According to exporters, the Indian authorities have cited issues of animal quarantine for barring the entry of processed leather.

“As traders have been complaining about these issues, we will be raising them during the meeting,” said Rabi Shankar Sainju, joint secretary of the Commerce Ministry, before his departure.

The southern neighbour has long been imposing quantitative restrictions on vegetable ghee, acrylic yarn, zinc oxide and copper products exported from Nepal as they have been included in the trade treaty between the two countries.

Likewise, Nepali exporters have also been facing problems in exporting agricultural goods and medicinal products due to the need for certification.

The trade treaty signed between the two countries states that Nepali agricultural products can be exported to India at zero or nominal customs duty. Although Nepali exporters have been producing phyto-sanitary certification issued by domestic laboratories, the Nepali products have not been put in the positive lists by Indian customs.

India has been imposing countervailing duty on Nepali readymade garments, copper and brass utensils and kattha. Nepal has been requesting India to remove it at almost every IGC meeting, but it has never agreed to do so.

In addition, India has been charging 10-15% service tax on goods exported to Nepal. Commerce Secretary Upadhyay said Nepal would be requesting the Indian government to waive the service tax. “Besides, we will be requesting trade facilitation by removing all types of para-tariff and non-tariff barriers,” he said.

Easing quarantine procedures on exports of agricultural goods, finalising the transhipment modality in customs clearance and early construction of Integrated Check Posts (ICPs) in Nepal was also be on the agenda.

Currently, goods imported from third countries are required to be cleared through Indian customs in Kolkata. After the implementation of the transshipment modality, the imported goods can be cleared at the Nepal-India border. India has agreed in principle to enforce the transshipment modality.

Nepal also asked India to operationalise bulk cargo at other border points besides Birgunj. The southern neighbour has also agreed to expedite the Kolkata/Haldiya-Jogbani-Biratnagar and Kolkata/Haldiya-Nautanwa/Sunauli-Bhairahawa rail routes for bulk cargo.

Likewise, Nepal also asked India to ease cross-border banking services for traders. At present, Nepali traders cannot transfer more than IRs50,000 via Indian banks. Similarly, they have to go through a lengthy process to open accounts in Indian banks.

http://kathmandupost.ekantipur.com/news/2016-06-28/trade-barriers-at-top-of-nepals-agenda.html

Philexport questions Trade Facilitation issues in Customs Modernization Act

The Philippine Star, Richmond Mercurio, June 5 2016

MANILA, Philippines - The country’s largest export group has raised concern over some provisions in the implementing rules and regulations (IRR) of the newly-signed Customs Modernization and Tariff Act (CMTA) which it sees affecting trade facilitation.

While it lauded the recent signing of CMTA into law, the Philippine Exporters Confederation Inc. (Philexport) said certain provisions in the IRR may defeat the law’s goal of faster shipment processing and improving ease of doing business.

One of the issues identified by the group is the need to lodge and amend goods declaration at designated Bureau of Customs (BOC) offices within office hours.

Philexport president Sergio Ortiz-Luis Jr. said this “defeats the purpose of the BOC’s complete customs modernization efforts,” pointing out traders have to be given 24/7 access to the system.

Another issue raised by Philexport involves the plan to make export products conform to standard grades.

“Complying with product standards and markings is more the concern of the receiving country and more so by the buyer abroad,” said Ortiz-Luis, noting that making grading a part of the export clearance process is bound to cause delays.

Aside from the two concerns specified, Philexport said there are other issues in the law which the group is hoping to be addressed in the IRR.

Ortiz-Luis said now is the perfect time for the group to voice out its concerns given that the IRR is currently being completed and is targeted to be finished in time for the change in the administration.

Last May 30, President Aquino signed RA 10863, An Act Modernizing the Customs and Tariff Administration that updates the Tariff and Customs Code of the Philippines and overhauls BOC operations.

The CMTA is expected to simplify, harmonize and align BOC’s laws and policies with international standards and best practices.

http://beta.philstar.com/business/2016/06/05/1590058/philexport-raises-concern-trade-facilitation-issues-customs-modernization-act

Philippines' Bureau of Customs to focus on trade facilitation & corruption reduction

Business Mirror, July 8, 2016

Reform measures in support of trade facilitation and elimination of corruption will be the focus of the Bureau of Customs (BOC), new Customs Commissioner Nicanor E. Faeldon said.

Faeldon, a former captain in the Philippine Marines, said in a statement that under his wing, trade facilitation rather than revenue collection will be the top priority of the BOC.

He said that instead of setting collection targets based on the percentage of the GDP, there will be performance indicators that "should contain grading on ease of doing business and facility of trade."

Normally, the inter-agency policy-making body Development Budget Coordination Committee assigns monthly and annual revenue-collection targets for BOC.

The customs agency, however, has not been reaching its targets for the past years.

Former Customs chief John Sevilla earlier said the targets were unrealistic since prices of oil have been falling since 2014.

Faeldon said that to ensure accuracy of product valuation, transparency is a priority, to be realized by establishing a trade transparency unit similar to that in the USA.

The US Immigration and Customs Enforcement's (USICE) Trade Transparency Unit identifies global trade-based money-laundering (TBML) trends, and conducts ongoing analysis of trade data supplied by its partner-trade transparency units in other countries.

According to the USICE, one of the most effective ways to identify instances and patterns of TBML is through the exchange and analysis of trade data for anomalies that become apparent only when examined by both sides of a trade transaction.

Faeldon suggested the daily monitoring of shipment valuation and upgrade of scanning systems to prevent smuggling. BOC currently updates the public on a weekly basis.

The incoming customs commissioner is plans to keep BOC's operations running 24/7.

Meanwhile, incoming Finance Secretary Carlos G. Dominguez III said "the perception of Customs as the most corrupt agency has to stop."

"Beginning now, tell your staff we will not tolerate this [corruption]. Complaints are coming from people who are honest. Remember, this election was about issues. That's why our candidate won even if he spent only 40% of what other presidentiables spent," Dominguez said.

Dominguez and Faeldon met with incumbent Customs officials on June 13 for the formal transition of BOC leadership.

Dominguez, in a statement, cited a personal experience in which one of his companies, Halifax Davao Hotel Inc., was offered lower taxation by a customs official in exchange for a split in the tax savings.

“We would prefer to pay the full amount to the government as the payment would not make us poor, so we did not cheat,” Dominguez said.

He also lamented that “no culpable Customs officer has been fired until now, with the bureau losing out on cases against erring officials.”

Earlier, Faeldon said President Duterte’s marching order is to eliminate corruption in the BOC within six months.

http://www.businessmirror.com.ph/2016/07/08/bureau-of-customs-to-focus-on-trade-facilitation-and-cutting-corruption/

Chinese Taipei donates CHF 35,000 for implementation of Trade Facilitation Agreement

WTO, July 22 2016

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) has donated CHF 35,000 in 2016 to help the WTO’s developing and least-developed countries (LDCs) reap the full benefits of the Trade Facilitation Agreement. This is Chinese Taipei’s first contribution to the Trade Facilitation Agreement Facility (TFAF), which aims to help developing countries implement the agreement.

The Trade Facilitation Agreement, the WTO’s first multilateral trade deal in 20 years, will enter into force once two-thirds of WTO members have ratified it. To date, 86 members have done so. The Facility — created at the request of developing countries and LDCs — became operational in November 2014 when the General Council adopted the Trade Facilitation Agreement Protocol, inserting the new Agreement into the WTO rulebook.

The Permanent Representative of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu to the WTO, Dr. Shin-Yuan Lai, said: “By contributing to the Facility, we aim to help developing and least-developed countries increase their capacity to implement the WTO’s new Trade Facilitation Agreement. This agreement will be key in helping poorer members to achieve economic growth through trade.”

Chinese Taipei has donated nearly CHF 2 million to WTO trust funds in 15 years.

https://www.wto.org/english/news_e/pres16_e/pr776_e.htm

Vietnam reforming customs ahead of FTAs

Vietnam.net, February 16 2016

The World Trade Organisation's Trade Facilitation Agreement (TFA) will boost customs reforms to facilitate trade across borders in line with international standards, an official has said.

Customs officers check imported goods at Ka Long Bordergate in the northern Quang Ninh Province's Mong Cai City. (Source: VNA)

This is important as the Southeast Asia economy is striving to hasten customs reforms riding on the hope of increasing exports as a number of free trade agreements (FTAs) are on the horizon.

Nguyen Toan, Director of the International Cooperation Department under the General Department of Customs, said that the TFA, which includes provisions for expediting the movement and release and clearance of goods, will also create favourable conditions for Vietnam to implement commitments in FTAs that the country has signed and is going to sign.

The modernisation of customs management will be hastened to speed up customs clearance and prevent losses for collection of import and export taxes, Toan said.

The TFA was adopted by the WTO members at the Bali Ministerial Conference in 2013. The agreement aims to set out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues while enhancing technical support and capacity building in the area.

According to Toan, Vietnam was 54th out of 64 WTO members which approved the TFA. The agreement will come into effect when it is approved by at least two-thirds of WTO members, or 108 member countries.

Still, Toan said the TFA will be a challenge to Vietnam where 90% of businesses are of small and medium sizes and trade frauds remain a headache.

He also pointed out that the lack of coordination among relevant ministries and organisations will also badly impact efforts to facilitate trade.

The General Department of Customs will set up plans to establish a steering committee to carry out the agreement's commitments, he said.

As of 2015, Vietnam had trade relations with more than 200 countries and territories. With 14 impending FTAs, the country will have liberalised trade with 55 partners, promising prosper exports.

Vietnam targets to achieve an export revenue of 187 billion USD this year, a rise of 10% over 2015.

Under a project of development of regional markets, Vietnam's export turnover is expected to touch 300 billion USD by 2020 with an annual average growth rate of 11% to 12% from 2015 to 2020.

http://english.vietnamnet.vn/fms/business/151207/vietnam-strives-to-reform-customs-ahead-of-ftas.html

WTO Trade Facilitation Agreement introduced in Vietnam

VCCI, Hien Hung, February 29, 2016

The General Department of Vietnam Customs held a press conference to introduce the WTO Trade Facilitation Agreement (TF Agreement). Mr Nguyen Toan, Head of International Cooperation Department, introduced TF Agreement contents, negotiation preparation processes and implementation plans of Vietnam and answered questions on advantages and challenges to Vietnam from reporters.

TF Agreement defines clear, consistent and comprehensive trade facilitation standards according to international standards. Hence, once it is executed, it will provide favourable conditions for Vietnam when it enforces other free trade agreements (FTAs) like ASEAN Free Trade Area (AFTA), Trans-Pacific Partnership (TPP), Vietnam - Eurasian Economic Union FTA (VN-EAEU FTA), and Regional Comprehensive Economic Partnership (RCEP). In November 2014, at a general assembly in Geneva, member countries adopted the amended Protocol to bring TF Agreement into Annex 1A of the Marrakesh Agreement on the World Trade Organisation (WTO) formation. On November 26, 2015, Vietnam's National Assembly passed Resolution No. 108/2015/QH13 ratifying the Protocol that amends the Marrakesh Agreement on WTO formation, becoming the 54th WTO member to pass the agreement.

http://vccinews.com/news_detail.asp?news_id=33209

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