

THE WORLD BUSINESS COMMUNITY NEEDS THE WTO
NEGOTIATION ON TRADE FACILITATION

Benefits of a Rules-Based Customs System

The WTO was created to liberalize trade throughout the world. In order to achieve this goal, many protective rules that act as barriers to trade must be removed. As old rules are being dismantled, new rules to facilitate trade must be enacted. The United States is not the only country that will benefit from a rules-based liberalization; every member nation of the WTO will mutually gain from such an approach. It is critical that we support a WTO negotiation on trade facilitation and the implementation of better rules governing the trade process.

Taking into consideration the wide gulf that separates various member nations' cultural traditions, political systems, and environmental, safety, and health standards, a rules-based system will not be adopted without first gaining significant credibility. Perhaps the best example of how a country can benefit from liberalizing trade measures and the introduction of new standards, such as the determination of the value of goods, is to look at the United States. The past decade has witnessed an explosion in America's prosperity. A combination of high growth, low unemployment, low inflation, and rising wages can be attributed, in large measure, to the United States' dedication to exploring new markets, reducing trade barriers between existing trading partners, and adhering to a more coordinated rules-based approach in facilitating trade. The benefits of trade are felt beyond simply a rise in economic statistics. More liberalized trade enables a country to specialize in producing more of the goods and services in which it has a comparative advantage. In return, citizens enjoy the high standards, as well as variety of imported goods and services. Under a rules-based system increases in competition will result in higher productivity and innovation in all sectors and an overall higher standard of living for everyone.

While the United States has reaped the benefits of improved rules in trade facilitation, there are several other additional factors supporting the implementation of new rules to standardize control and release procedures, capacity building, and other facilitation measures. Small and medium enterprises (SMEs) are often deterred from entering into the international trade arena due to the disparities in procedures and laws among different countries. A rules-based system, adopted by the WTO, would set a minimum standard for member countries to adopt. As a result, the threshold for SMEs entering into international trade is lowered and choice, quality, and competition is increased worldwide. A rules-based system will further gain credibility if complemented by a neutral, clear, and binding dispute settlement procedure. This settlement process, if free from political and industry pressures, can empower smaller countries when dealing with major trading powers.

While the benefits of a rules-based system are numerous, there is a need to appreciate and accommodate the varying social and economic developments of member countries. There is a considerable relationship between the overall level of political stability and economic growth of a country and the country's ability to implement and gain from a rules-based system. However, if adequate time lines are established and countries aim to improve upon their current systems, a rule-based system will not only benefit individual countries, but will be enjoyed by every participating country. While initial costs of reducing current trade barriers, improving infrastructure and services, and implementing new rules and standards may be high, the long-term gains from such changes can be enormous. The next round of WTO meetings scheduled for late November in Seattle presents a unique opportunity to establish and garner support for guidelines to move towards a rules-based system.

Please use your considerable influence in foreign markets to encourage developing country members of the WTO to support this critical initiative. The World Customs Organization, the World Bank, the International Chamber of Commerce, and many other governmental and non-governmental organizations support the need for better rules governing the trade process. If you need assistance in developing arguments or identifying officials to approach, please call Jim Clawson at JBC International.