

THE 1999 WTO MINISTERIAL, CUSTOMS AND SEA TURTLES

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Opportunity Knocks in Seattle

Despite the fact that the world is bickering over Seattle and what the new round of multilateral trade negotiations should or should not be, there is a light at the end of the tunnel: customs. Yes that's right, customs. For the first time in the history of the multilateral trading system, customs and trade facilitation issues will be on the agenda to be considered as rules-based, enforceable measures. Perhaps customs is not as sexy as the three Bs – Bananas, Beef and Biotech -- but it benefits everyone: consumers, producers, governments and even the cute, but endangered, *Eretmochelys imbricata* or Hawksbilled sea turtle. Indeed, Customs not only serves as the entry point for everything that enters countries, it also enforces a diverse range of laws protecting society like those prohibiting trade in endangered species. It is this complex and multifaceted nature of the customs function that can often become fertile environment for inefficiencies and arbitrary procedures, ultimately resulting in a roadblock for traders. Seattle will be an opportunity to finally expose this roadblock to the light of day and cast it for what it is: a non-tariff barrier to trade.

Trade Liberalization without Facilitation is a Mirage

Many of the hard fought gains from the Uruguay Round negotiations go unrealized in the face of the customs barriers to trade. What many traders take for granted as “necessary costs” of doing business are actually gross distortions of price and delivery, which drive up cost for everyone. These “costs” take many shapes: goods waiting to be unloaded, containers stuck at customs, mountains of paperwork, non-transparent rules, unpredictable tariff rates, uplifted values, etc. The list goes on and on but the costs are born by everyone.

Guess what? That zero tariff rate you just negotiated means nothing if the goods you thought you classified in the correct Harmonized System (HS) heading are reclassified in the wrong HS heading at twice the tariff rate. Hold the celebration on that nifty 15% tariff you just negotiated, your customs value has just been arbitrarily uplifted at the border and your effective rate is still 30% of “your” cost of the product.

Events such as this occur everyday and traders and consumers will continue to pay the price unless a rules-based system for customs and trade facilitation emerges from the Millennium round. Simply relying on more tariff cuts as the primary means of trade liberalization is like a mirage in the desert. From far away it looks like a beautiful pool of crystal blue water, but as you get closer, it's really just a pile of hot, hard sand. Sure tariff reductions are easy to focus on off in the distance, but the benefits can vanish in the vast desert of global trade.

Businesses Need to Show More Support Trade Facilitation

We all know that it is easier to focus on the “sexy” market access and investment issues and think of the nuts-and-bolts stuff as an afterthought. This could not be more evident than at the high-level trade meetings in Washington, D.C. Although the trade community is abuzz with the anticipation of Seattle, not a peep has been said about trade facilitation. The Administration, however, has articulated a very ambitious proposal for the establishment of a WTO undertaking to create a rules-based system. If business does not start talking about trade facilitation soon, we may lose the opportunity to finally address the nuts-and-bolts issues that hamper our trade.

Having trouble getting senior management to buy in? Walk into your CFO's office and tell him that you can shave an average of 7 to 10 percent off the cost of bringing your goods to market. You might catch his attention on his way to floor as he falls out of his chair. That number might even be as high as 30 to 50 percent in some countries. Take the time to consider what it takes to get your inputs to your plants and your products from factory floor to the customer's door. In most countries this amount seriously cuts into the bottom line.

Seize the Day in Seattle

The governments of Korea, Switzerland, Japan, the United States and European Union have put submitted formal positions on trade facilitation for the next round. Several other nations are opposed to the idea of a binding set of rules for trade facilitation because the status quo guarantees the preservation of this tangled web of non-tariff barriers. Wouldn't it be nice to rid ourselves of these trade barriers disguised as unnecessary import and export procedures that impede our trade flows? Wouldn't it be nice to conduct seamless global transactions?

Businesses desperately need transparency, predictability, automation and efficiency in all aspect of their business, including their customs and supply chain management processes. A rules-based system adopted by the WTO would set a minimum standard in all these areas and provide the political commitment needed to ensure that the proper measures are introduced where they are needed most. As the days tick down to Seattle, we must seize this unique and monumental opportunity to finally establish rules that overhaul the international trade machinery so that it can support the very agreements we negotiate.