

RUGGIERO CRITICIZES 'INVISIBLE' TRADE BARRIERS

WTO Director-General Renato Ruggiero, in opening the WTO Symposium on Trade Facilitation today (9 March), criticized "invisible" trade barriers - excessive documentation requirements and procedural delays facing businesses in moving goods across borders - that he said are adding costs to traders, consumers and national economies, and creating "an overall negative trading environment".

He said that as the classical trade barriers - tariffs and quantitative restrictions - have come down to the lowest levels ever as a result of the Uruguay Round, attention has turned to what he called "invisible costs" resulting from documentation requirements, procedural delays, and lack of transparency and predictability in the application of government rules and regulations.

Mr. Ruggiero said he called these costs "invisible" because they are not part of governments' actual commercial policy, but that "they are surely not invisible for traders and consumers". He said that in many cases, these "invisible" costs exceed the actual level of duties paid on the products.

He added that "as tariffs and traditional non-tariff measures have been sharply reduced everywhere, procedural barriers to cross-border transactions have become crucial determinants of investment decisions by foreign investors".

Mr. Ruggiero expressed confidence that the Symposium "will place WTO Members in a better position to move to the phase of analytical work on trade facilitation, in order to assess the scope for WTO rules in this area".

The WTO has brought some 300 traders and government policymakers together to identify problems hampering movement of goods across borders at a Symposium on Trade Facilitation on 9-10 March 1998 in its new conference centre. It is an initiative of the WTO Council for Trade in Goods, which was instructed by the Singapore Ministerial Conference "to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area".

Some of the world's leading corporations are presenting the practical problems traders face when moving goods across borders. Among the panellists at the Symposium are representatives from the United States' Federal Express, General Motors, General Electric Information Systems and Mattel; the Netherlands' Shell; Switzerland's Gondrand AG; India's Lemuir Group; United Kingdom's SITPRO and Marinade Ltd.; Xerox Brazil; the Bank of Botswana; and Malaysia's Multimedia Development Corporation. Also participating are the following industry groups: the Federation of German Industries, French Wine and Spirits Exporters, Federation of Dutch Entrepreneurs and the British Services Association.

NGO participants include the International Chamber of Commerce, International Air Transport Association (IATA), International Chamber of Shipping, International Road Transport Union, the International Union of Railways, Lima Chamber of Commerce, Zimbabwe National Chamber of Commerce and FIATA.

Attached is the full text of Mr. Ruggiero's speech.

"I would like to welcome you to the WTO Symposium on Trade Facilitation.

This year we are celebrating the fiftieth anniversary of the multilateral trading system. The system embodied in the GATT earlier and now in the WTO has brought unprecedented prosperity to the world through progressive liberalization of trade in goods and services. Fifty years ago, tariffs in industrial countries were on average around 40 per cent for industrial products. Once the results of the Uruguay Round will be fully implemented, these tariffs will have dropped to less than 4 per cent on average for developed countries. Some 40 per cent of imports into these markets will then be entirely duty free.

In addition to substantially lower tariffs, we have in recent years experienced a dramatic decrease in the use of quantitative restrictions as a means of commercial policy. In two product groups, textiles and clothing and agriculture which had until 1994 the largest incidence of such restrictions, these have either been eliminated or are in the process of being eliminated as a result of the Uruguay Round. Great strides have been taken in the GATT and the WTO in reducing the trade impediments in the areas of customs valuation, import licensing, standards and technical regulations and sanitary and phytosanitary measures.

Falling trade barriers have stimulated a phenomenal growth in international trade. Between 1948 and 1997, world merchandise exports increased at an average annual rate of 6 per cent in real terms, multiplying the volume of transactions 14 times. Total output, by comparison, expanded at an annual average rate of 3.7 per cent and grew by 5.5 times. Since the mid-1980s and especially throughout the 1990s, while large parts of the industrialized countries have been experiencing low growth in output, trade growth has been constantly high.

For business, lower market access barriers increasingly facilitated global sourcing.

The process of increasing economic integration has also been helped by the lowered barriers to foreign direct investment in many countries, which also has increased manifold over the last decades.

Further stimulus to global economic integration has been provided by the revolution in information technology, which enables corporations to manage far flung operations, and increase trade through electronic commerce. Falling costs of transportation have boosted trade in merchandise further.

As the classical trade barriers are disappearing less visible barriers produced by inefficient administration and organization of the trade transaction process are being exposed to the public view.

Attention has turned to the "invisible" costs on account of documentation requirements, procedural delays, or a lack of transparency and predictability in the application of government rules and regulations. I call these costs "invisible" as they are not part of governments' actual commercial policy. They are surely not invisible for traders and consumers. Estimates of these costs vary, depending on the variables used for their calculation. Yet, in many cases, it is evident that they exceed the actual level of duties paid on the products concerned.

Administrative barriers for imports and exports are certainly not effective instruments of restrictive trade policy. Excessive documentation requirements and outdated and slow procedures are crude, imprecise, and indiscriminate measures which hinder all trade and create an overall negative trading environment. National economic policy objectives are often adversely affected. For example, a carefully devised tariff structure with low tariffs for intermediate goods to boost the competitiveness of the domestic industry could be frustrated, if administrative barriers add additional costs on the import of these goods. Unlike customs duties, which benefit the government budget, the invisible costs of

administrative barriers are genuine deadweight losses, benefitting nobody and achieving no meaningful policy objective.

Today businesses compete in a world where barriers to trade and investment are disappearing, thereby making capital and technology more mobile. Global economic integration has changed the nature of the international market place. Industries establish themselves in places where they can operate most efficiently. The availability of a high-quality physical and social infrastructure is the starting point for their decision on location. The macroeconomic environment, allowing business to operate in relative freedom is of utmost importance for business decisions. Business must have access to markets worldwide, both for their inputs and exports. As tariffs and traditional non-tariff measures have been sharply reduced everywhere procedural barriers to cross-border transactions have become crucial determinants of decisions by foreign investors.

At the first Ministerial meeting of the WTO at Singapore in December 1996, Ministers mandated the Council for Trade in Goods "to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area."

Since Singapore, exploratory work has been carried out through a background note prepared by the WTO Secretariat on work already done or being done on the subject of trade facilitation in other international organizations, including non-governmental organizations. The background note describes the work of more than 15 organizations which are dealing with a wide range of aspects relating to the simplification of trade procedures.

After preliminary discussions in the Council, it was felt by many Members that more information and a deeper understanding of the nature of administrative barriers to cross-border transactions was needed before any meaningful analysis could be undertaken. Therefore it was decided to hold a Symposium on Trade Facilitation in the WTO.

I have full confidence that the presentations and discussions in these two days will place WTO Members in a better position to move to the phase of analytical work on trade facilitation, in order to assess the scope for WTO rules in this area.

I wish you a successful symposium."

END