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Appendix 8 - Supply-Chain Connectivity Framework

Purpose: Consideration
Submitted by: CTI Chair



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SUPPLY-CHAIN CONNECTIVITY FRAMEWORK

In Shanghai in 2001, APEC reaffirmed the key importance of trade facilitation in achieving the Bogor goal of free and open trade and investment in the Asia-Pacific. APEC's trade facilitation work continues to play an important role in improving business conditions in the region by fostering an environment that increases trading opportunities and helps business save time and reduce costs.

2. Accordingly, the *APEC Principles on Trade Facilitation*, (i.e. transparency, communications, consultations and cooperation; simplification, practicability and efficiency; non-discrimination, consistency, predictability and due process; harmonization, standardization and recognition; and modernization and the use of new technology) were endorsed in 2001. These *Principles* became the cornerstone of two consecutive Trade Facilitation Action Plans (TFAPs) that Leaders affirmed in 2002 and 2006. They will continue to provide guidance on the work to be carried out in APEC on supply-chain connectivity.

3. The objective of both TFAPs has been the reduction of transaction costs by 5 percent across the APEC region over two five-year timeframes, through focussing on customs and other administrative procedures that hinder, delay or increase the cost of moving goods across international borders.

4. With the upcoming conclusion of the second of the TFAPs, APEC is looking to move beyond reducing transaction costs addressed in the TFAPs and expand its trade facilitation work to cover other associated transport, communication and related regulatory behind the border costs. Improving trade logistics through enhanced supply-chain connectivity has emerged recently as a significant factor contributing towards increased trade facilitation. In November 2008, in recognition of this linkage, Ministers in Lima welcomed the inclusion of trade logistics issues in the trade facilitation agenda and instructed officials to make this a focus of APEC's work in 2009.

5. In February 2009, the Committee on Trade and Investment (CTI), together with the Economic Committee (EC) held a Trade Policy Dialogue to identify the elements to be included in a work program on trade logistics/connectivity. It was agreed that a framework would be developed that would (i) identify chokepoints in the existing supply-chain networks and (ii) identify work streams that would address these chokepoints. This was to be done by building and expanding on the existing TFAP as well as identifying work currently underway in other APEC fora (e.g. the Transportation Working Group (TPTWG)). All of this was to be carried out under the rubric of a new APEC Supply-Chain Connectivity (SC) Framework.

6. The attached SC Framework has been developed building on policy recommendations from the Supply-Chain Connectivity Symposium in May 2009, a mapping exercise undertaken by the CTI, and continuing input from [the EC and], the TPTWG, and other relevant CTI subfora such as SCCP. The process was also informed by academic research as well as studies by private sectors and international organisations.

7. The Framework sets down eight chokepoints to the smooth flow of goods, services and business travellers throughout the APEC region. These were identified as trade-impeding bottlenecks at the Singapore Symposium. Annex 1 of the Framework spells out these chokepoints.

8. Annex 2 lists work identified in the map exercise as relevant to addressing the various chokepoints and currently underway in various APEC fora. Non-binding preliminary suggestions for possible new APEC action, including those arising from the outcome of discussions at the Singapore Symposium, are set out in Annex 3.

9. Taken together as the SC Framework these are being put forward for consideration by Ministers at the APEC Ministerial Meeting (AMM) 2009 for possible further work by relevant APEC sub-fora from 2010 onwards. The SC Framework reinforces the need for approaching supply chain connectivity holistically and conducting cross-cutting work on trade facilitation across APEC fora and sub-fora.

10. As with the TFAPs, the SC Framework will entail setting objective criteria for progressing forward. The criteria will take into account the diversity among the member economies, as well as

progress achieved in respective economies in their implementation of the TFAPs and the development of their respective transport corridors, etc. Noting the challenges involved in the setting of specific performance measures in areas addressing logistical chokepoints, Senior Officials have tasked the APEC Policy Support Unit (PSU) to explore ways to measure progress and to report on this by AMM 2009.

11. Pending the report from the PSU, the suggestions for action in this SC Framework are meant to be open-ended at this stage. The further development of the SC Framework will need to be explored fully through discussion in relevant sub-fora, through the course of 2010 and finalized by the 2010 MRT meeting. Further development of the SC Framework in 2010 will be iterative and inclusive to the relevant APEC fora and subfora. It will entail close cooperation between relevant APEC fora and the APEC Business Advisory Council (ABAC). By the 2010 MRT meeting, it is anticipated that an action plan based on the SC Framework will be completed; this first phase of the SC Framework will cover the period 2010-2013.

APEC SUPPLY-CHAIN CONNECTIVITY FRAMEWORK**CHOKEPOINTS**

Chokepoint 1: *Lack of transparency/awareness of the full scope of regulatory issues affecting logistics; Lack of awareness and coordination among government agencies on policies affecting logistics sector; Absence of single contact point or champion agency on logistics matters.*

Chokepoint 2: *Inefficient or inadequate transport infrastructure; Lack of cross border physical linkages (e.g. roads, bridges).*

Chokepoint 3: *Lack of capacity of local/regional logistics sub-providers.*

Chokepoint 4: *Inefficient clearance of goods at Customs; Lack of coordination among border agencies, especially relating to clearance of regulated goods 'at the border'.*

Chokepoint 5: *Burdensome customs documentation and other procedures (including for preferential trade).*

Chokepoint 6: *Underdeveloped multi-modal transport capabilities; inefficient air, land, and multimodal connectivity.*

Chokepoint 7: *Variations in cross-border standards and regulations for movement of goods, services and business travellers.*

Chokepoint 8: *Lack of regional cross-border customs-transit arrangements*

APEC SUPPLY-CHAIN CONNECTIVITY FRAMEWORK

WHAT APEC IS ALREADY DOING

Chokepoint 1: *Lack of transparency/awareness of full scope of regulatory issues affecting logistics; Lack of awareness and coordination among government agencies on policies affecting logistics sector; Absence of single contact point or champion agency on logistics matters.*

- Sector-specific investment laws: Publication of Investment Guidebook which provides information on sector-specific laws and policies for investing in APEC economies. (IEG)
- Customs Business Consultation: Annual meeting between APEC customs administration and business sector. (SCCP)
- Transparency for Ease of Doing Logistics Business – Contact Points & Website (CTI)

Chokepoint 2: *Inefficient or inadequate transport infrastructure; Lack of cross border physical linkages (e.g. roads, bridges).*

- Project “Web-based Atlas of Global Commerce, Transportation Corridors, Infrastructure and Constraints”. (TPTWG)
- APEC Port Services Network (APSN). (TPTWG)
- Study on Impact of Transport Policy on International Cargo Shipping and Economic Activities. (TPTWG)

Chokepoint 3: *Lack of capacity of local/regional logistics sub-providers.*

- APEC-Customs Business Dialogue. (SCCP)
- Survey of Supply Chain Workforce Development Needs and the conduct of seminars on Managing Operations and Risk in International Global Supply Chain Operations. (TPTWG)
- Project “Customs Import Automation – A Pilot Project for SMEs and OEMs”. (Automotive Dialogue)

Chokepoint 4: *Inefficient clearance of goods at Customs; Lack of coordination among border agencies, especially relating to clearance of regulated goods ‘at the border’.*

- Project “Conducting Time Release-Survey to measure the effect of simplifying and facilitating customs procedures”. (SCCP)
- WCO Immediate Release Guidelines (previous WCO Guidelines on Express Consignments Clearance) (SCCP)

Chokepoint 5: *Burdensome customs documentation and other procedures (including for preferential trade).*

- Simplification and harmonisation of customs procedures on the basis of Kyoto Convention. (SCCP)
- Simplification and harmonisation of data necessary for customs procedures. (SCCP)
- Harmonisation of Tariff Structure with the HS Convention. (SCCP)
- APEC Tariff Database and APEC Website on Tariff and Rules of Origin (WebTR). (CTI)
- Assessment of best practices in paperless trade. (ECSG/PTS)

- Study on archiving of e-documents in paperless trade. (ECSG/PTS)
- Alignment with UN/EDIFACT International Standards for Electronic Commerce/Paperless Trading. (ECSG & SCCP)
- APEC Elements for Simplifying Documents and Procedures Relating to Rules of Origin. (MAG & SCCP)

Chokepoint 6: *Underdeveloped multi-modal transport capabilities; inefficient air, land, and multimodal connectivity.*

- Eight Options for Competitive Air Services with Fair and Equitable Opportunity. (TPTWG)
- Continue with work to facilitate further work on the multilateral negotiation on Multilateral Agreement on the Liberalisation of International Air Transport.(MALIAT) (TPTWG)
- Project “Secure and Smart Container Development for Intermodal Transport”. (TPTWG)
- Research and Analysis on Using Inland Rivers in Intermodal Transport. (TPTWG)
- Project “Management of Security, Safety and Emerging Technology in Global Intermodal Transportation and Supply Chain Systems”. (TPTWG)
- Survey of Workforce Development Needs and Development of Train-the-Trainer Seminar on Intermodal & Global Supply Chain Management with a
- Focus on a Risk Management Approach to Improve Intermodal Logistics Networks. (TPTWG)
- Promoting the use of multimodal infrastructure (land terminals) through customs regime of the internal transit. (sub-forum *tbc*)

Chokepoint 7: *Variations in cross-border standards and regulations for movements of goods, services and business travellers.*

- APEC Business Travel Card (ABTC) scheme. (BMG)
- Review of immigration processing functions to ensure effective and responsive delivery of services to business travellers within APEC. (BMG)
- A project to develop a compendium of best practice measures to improve motorcycle and scooter safety. (TPTWG)

Chokepoint 8: *Lack of regional cross-border customs-transit arrangements.*

APEC SUPPLY-CHAIN CONNECTIVITY FRAMEWORK

POSSIBLE WORK STREAMS

Chokepoint 1: *Lack of transparency/awareness of full scope of regulatory issues affecting logistics; Lack of awareness and coordination among government agencies on policies affecting logistics sector; Absence of single contact point or champion agency on logistics matters.*

Enhance transparency

- Encourage transparency on all aspects of policy affecting the logistics sector.
 - Encourage the creation of a single APEC online contact point for information on logistics regulations within the APEC region through the establishment of the 'Transparency for Ease of Doing Logistics Business' APEC website.
- Promote regular consultations by pertinent government agencies with private sector to seek feedback on areas for improvement.
- Support and regularly consult logistics associations.
- Promote the exchange of best practices among trade logistics practitioners.

Encourage Coordination and Holistic Approach to Logistics within each APEC economy

- Encourage a whole-of-economy approach on logistics by individual economies via
 - Exploring the concept of individual economy logistics council.
 - Improved coordination amongst pertinent government agencies
- Consider establishment of an APEC coordination mechanism on supply-chain connectivity to integrate various streams of APEC work on trade logistics.
- Share models and best practices on efficient coordination among agencies regulating the logistics sector

Encourage Review and Assessment of the Policy Environment

- Identify policies or regulations that address chokepoints in the supply chain

Chokepoint 2: *Inefficient or inadequate transport infrastructure; Lack of cross border physical linkages (e.g. roads, bridges).*

Encourage 'informed' infrastructure development through needs assessment and stakeholder consultation

- Review existing models to determine the appropriate infrastructure development that contributes to the enhancement of supply chain connectivity in the region.
- Identify infrastructure needed to support efficient trade through an informed
- Infrastructure approach. This might include:
 - taking a whole-of-supply-chain focus that includes business users of supply chains
 - identifying opportunities to optimise systems that support the efficient use of infrastructure.

Study international best practices

- Share expertise on approach to attaining 'informed' infrastructure throughout APEC.
- Study the development of infrastructure linkages based on identified trade and transport corridors.
- Examine individual transportation/trade policies that use a gateway or trade corridor approach.

Explore financing options

- Understand the feasibility and legal requirements for establishment of Public-Private Partnerships (PPP).

Chokepoint 3: *Lack of capacity of local/regional logistics sub-providers.*

Needs Assessment and Capacity Building

- Review constraints affecting engagement of Small and Medium Enterprises.
- Work with other relevant APEC sub-fora to develop capacity-building, especially focused on the SME sector, to help raise the quality of APEC economies' logistics services and management.
- Identify Free Trade Zone (FTZ) models or complimentary programs.

Chokepoint 4: *Inefficient clearance of goods at the border; Lack of coordination among border agencies, especially relating to clearance of regulated goods 'at the border'.*

Enhance customs clearance efficiency

- Encourage adoption of appropriate de minimus thresholds for low value shipments allowing duties to be waived.

Facilitate coordination among border agencies

- Encourage implementation of individual single windows to assist with inter-agency coordination at the border.

Chokepoint 5: *Burdensome procedures for customs documentation and other procedures (including for preferential trade).*

Simplification of customs documents

- Explore the possibility of widely adopting self-certification of origin for simplifying trade
 - For example, conducting capacity building under the APEC Pathfinder Initiative on Self-Certification with common operating guidelines
- Explore other ways to simplify customs documents and procedures relating to rules of origin, including collecting information on:
 - Waiver of Certificates of Origin/declarations for low value shipments
 - Adopting a reasonably long and common validity period for Certificates of Origin or Declarations

Enhance Customs Transparency and Predictability

- Explore common criteria for tolerating certificates of origin or declarations with errors.

Chokepoint 6: *Underdeveloped multi-modal transport capabilities; inefficient air, land, and multimodal connectivity.*

- Study to quantify how enhanced multi-modal connectivity could contribute to economic integration and competitiveness in APEC, including opportunity costs arising from chokepoints relating to physical infrastructure.
- Explore and identify policy and technical requirements relating to multi-modal transportation.
- Explore public-private sector collaboration to address development concerns.
- Identify Intelligent Transportation Systems (ITS) gaps impeding efficiency of multi-modal transport.

Chokepoint 7: Variations in cross-border standards and regulations for movement of goods, services and business travellers

Develop common technical standards

- Consider introduction of uniform logistics safety arrangements
 - For example, 'black box' technology.

Facilitate cross-border movement of service providers

- Explore ways in which the movement of drivers of vehicles across borders can be facilitated.
- Consider further enhancements to ABTC, including introduction of biometrics.

Chokepoint 8: Lack of regional cross-border customs-transit arrangements

- Examine and identify issues relating to transport and customs-transit and work towards addressing them.
 - e.g. Identify and examine the policy, technical, and regulatory issues involved in the passage of goods through 3rd party territory