

**The Third Session of the Sub-Committee on
Customs Procedures
3-5 October 1995 Tokyo, Japan
Report to the Committee on Trade and Investment**

1. The Sub-Committee on Customs Procedures held its third Session from 3 to 5 October 1995 in Tokyo, Japan. Delegates from Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, Chinese Taipei, Thailand, and the United States participated in the meeting. Representatives of the APEC Secretariat and the South Pacific Forum also attended (Attachment 1). Mr. Susumu Fujimoto, Director of the International Trade Organizations Division, Customs and Tariff Bureau of Japan, chaired the meeting.

AGENDA ITEM 1: OPENING REMARKS

2. The Chairman opened the session by welcoming the delegates to Tokyo. He emphasized that the Sub-Committee is about to enter the implementation phase of the Action Program agreed upon in Sapporo.

AGENDA ITEM 2: ADOPTION OF AGENDA

3. The draft agenda was adopted with minor modifications and is attached hereto (Attachment 2).

AGENDA ITEM 3: REPORT OF MEETINGS

a) Pacific Business Forum (PBF) July Meeting in Tokyo

4. The Chairman informed the Sub-Committee that he made a report to the representatives of the Pacific Business Forum (PBF) on the occasion of their meeting in Tokyo on 14 July 1995. He noted that the PBF showed strong interest in the Sub-Committee's activities. He further referred to the PBF report submitted to the Prime Minister of Japan on 22 September 1995. The meeting noted the recommendations contained in the report of the PBF which related to Customs matters and recognized the need to take account of APEC business-sector expectations.

b) Informal meeting of CTI and S/SOM in Hong Kong

5. The Chairman also referred to the report that he made to the informal meeting of CTI and S/SOM which was held from 11 to 13 September in Hong Kong. Firstly, he reported that the CTI and S/SOM welcomed the overall progress made so far by the Sub-Committee in the context of the implementation of the common action plan, that the importance of the technical assistance and review process was mentioned, and that the Sub-Committee was encouraged to continue the discussion in the October meeting.

6. Then, the Chairman referred to the issue of rules of origin, conveying the CTI's request that the Sub-Committee on Customs Procedures report to the October meeting of the CTI suggestions on possible future work of the CTI on preferential rules of origin without prejudging CTI's decision on those suggestions.

AGENDA ITEM 4: NEW WORK ITEMS

a) Implementation Plan and Framework for Technical Assistance and Human Resource Development (Japan/Canada/Philippines)

7. Japan introduced a paper on the "Implementation Plan and Framework for Technical Assistance and Human Resource Development" which was prepared jointly with Canada and the Philippines (Attachment 3). It emphasized the importance of establishing clear milestones of

individual steps to be taken for the successful implementation of the action plan as well as the need to identify technical assistance requirements.

8. Following Japan, Canada stressed the importance of the WCO Diagnostic Study, in view of the fact that members may be faced with substantial organizational changes in implementing the action plan items, and encouraged the Sub-Committee members to consider its advantages in the implementation stage.

9. The Philippines, which had already tabled its action plan implementation schedule at the meeting, emphasized that an implementation schedule will help in monitoring the action plans from beginning to end (Attachment 4).

10. The Sub-Committee welcomed the initiative taken jointly by the three members and endorsed the paper. In this context, it was agreed that Japan and Canada would play the role of facilitating and coordinating the work as mentioned in the last paragraph of the paper.

11. New Zealand said that, while the implementation schedule as attached to "Implementation Plan and Framework for Technical Assistance and Human Resource Development" is intended for internal use in managing the necessary steps to be taken and identifying the need for technical assistance, another paper for reporting to the business sector, government, CTL, SOM, etc., will be necessary, which could also be used to review progress. It said that the action plan reporting format, as proposed by New Zealand and agreed upon in Sapporo, should be prepared for these purposes (Attachment 5).

12. It was pointed out that action plan reporting formats would be constructed from the implementation schedule.

13. Finally, the Sub-Committee agreed that:

- the action plan reporting format should be slightly amended so that it will be arranged based on the common action plan items and not based on the FACTS principles as it now stands;

- implementation schedules covering nine common action plans should be completed and collected with a target date of the end of December 1995; and
- the action plan reporting format will be constructed by the shepherd (New Zealand) for external purpose and sent back to members for verification.

b) Feasibility of Harmonizing among APEC Members Common Data Elements for Customs Processing of Cargo to Facilitate International Trade (Canada)

14. Canada circulated a paper on the "Feasibility of Harmonizing among APEC Members Common Data Elements for Customs Processing of Cargo to Facilitate International Trade" (Attachment 6). It stated that the purpose of this paper was to gather a complete picture of available data elements to see if harmonization is feasible.

15. The Sub-Committee agreed to start this work under the 1996 Work Program. It was pointed out that in order to avoid duplication of effort, existing elements, such as those appearing in UN/EDIFACT and ISO standards, should be reflected in this work to the extent possible. Canada hoped that the study could be completed within 18 months.

16. In connection with the Customs part of the S/SOM Co-Chairs' Action Agenda, it was noted that since this item was still a candidate for the common action plan, the time frame is not set and the work to be done is for purposes of considering feasibility only.

17. Finally, the possibility of linking this item with relevant aspects of the study on APEC Cargo Clearance Systems (see paragraph 32) will be explored by the two shepherds (Canada and Australia).

c) A Common Yardstick to Conduct a Survey on the Time Required for Cargo Clearance among Members (Japan)

18. Japan outlined the paper on "A Common Yardstick to Conduct a Survey on the Time Required for Cargo Clearance" (Attachment 7), which analyzed the necessity of a common yardstick in three areas: (1) timing for lodgement of declarations; (2) authorization by other

agencies; and (3) timing of duty collection.

19. It was noted that the WCO's Outline of Study on the time required for cargo clearance would be a good starting point for establishing a common yardstick and it should be improved to reflect the points mentioned above. Japan asked the members to identify any other items for a common yardstick to be incorporated in the WCO Outline and to submit them to the Sub-Committee. The Sub-Committee endorsed Japan's proposal. Several members noted the importance of measuring clearance time from the perspective of the importer, that is elapsed time from the arrival of the goods to the release to the importer.

d) Risk Management (Australia)

20. In view of the growing importance of risk management, Australia expressed its willingness to host a seminar on risk management preferably in 1996 (Attachment 8).

21. The Sub-Committee welcomed the initiative of Australia and requested that a questionnaire on the seminar be sent to participating members in advance to facilitate discussion. Australia will further consult with interested members regarding the venue and timing of the seminar.

22. The Sub-Committee accepted the Australian proposal.

AGENDA ITEM 5: RULES OF ORIGIN

a) Questionnaire on Current Rules of Origin of APEC Economies (Japan/Australia/U.S.A.)

23. Japan briefed the Sub-Committee of the outcomes of the research and analysis on current non-preferential rules of origin of 13 APEC members, which were collected on the basis of replies to questionnaire as well as other relevant information (Attachment 9). This survey was conducted in collaboration with Australia and the United States on a voluntary basis.

24. From the results of the survey, Japan highlighted the following points:

- current non-preferential rules of origin of each Member are substantially different;

- much effort would have to be made by each member in order to comply with the harmonized rules of origin to be completed by WTO/WCO; and
- technical assistance may be useful to help in harmonizing rules of origin among members.

25. The Sub-Committee congratulated the comprehensive survey done by Japan and noted that the result, after members' verification, should be input into WCO's work on Technical Committee on Rules of Origin.

26. In this connection, it was agreed that it would be preferable to incorporate this material on the tariff database into the CD-ROM (after the members' verification). This matter should be brought to the attention of the Tariff Data Base Task Force, which will meet on 6 October 1995 in Tokyo.

b) Report of the WCO Technical Committee on Rules of Origin (Australia)

27. Australia reported the results of the meeting of Technical Committee on Rules of Origin which was held from 11 to 22 September 1995 in Brussels (Attachment 10). It was stated that consensus was achieved on wholly obtained goods with a reservation on waste and scrap. For minimal operations, the general definition was agreed while specific operations will need to be revisited in Phases II and III of the work program. The Sub-Committee noted the willingness of the Technical Committee to receive contributions and advice from the regional groupings to facilitate its work.

28. As regards the participation of regional organizations, input should address areas mandated to the WCO Technical Committee. In this connection, the Sub-Committee took note of the suggestion that documents to be submitted by individual members to the WCO may be circulated to APEC member economies.

c) Consideration on Menu of Work Items which may be Considered by the CTI regarding the Preferential Rules of Origin

29. The Chairman briefed the Sub-Committee of the paper on " Consideration of menu of work items which may be considered by the CTI regarding the preferential rules of origin" (Attachment 11). The Chairman stated that this paper was prepared on the basis of the request of the CTI in Hong Kong, drawing particular attention to paragraphs 12 and 13 of the paper.

30. Divergent views were expressed with regard to how to tackle preferential rules of origin issues:

a. There was general agreement that preferential rules origin should be taken up in the APEC process since:

- preferential rules of origin issues will relate to trade and investment implication but also Customs procedural issues. Gathering and sharing information on preferential rules of origin was useful. These matters should be considered by the CTI as well as the Sub-Committee;
- Seminar held in Beijing in September revealed that exchange of views on preferential rules of origin was very useful and APEC is a suitable forum to that end; and
- it would be preferable to identify problem areas, which will help in trade facilitation.

b. Some members were opposed to taking up this issue at this time since:

- before considering the preferential rules of origin, it should be considered first whether APEC will seek liberalization on a multilateral basis or preferential basis.
- working on preferential rules would divert attention from existing WTO obligations on non-preferential rules of origin.

31. The Sub-Committee endorsed the Chairman's proposal that this paper referred to in Paragraph 29 will be reported to the CTI with the comment that opinions are divided on whether SCCP deals with preferential rules of origin.

AGENDA ITEM 6: OTHER 1995 WORK PROGRAM ITEMS

32. The Sub-Committee discussed, project by project, the progress made in the other 1995 Work Program items.

a) Advance Passenger Clearance (APC)

33. Australia stated that APC has commenced on all Qantas flights from Los Angeles to Sydney and will be extended further to other Qantas flights to Australia. The shepherd noted that it would like to see APC spread to other APEC economies and sought expressions of interest from other members.

34. The Sub-Committee appreciated Australia's effort in promoting APC and noted that this project was concluded as part of the 1995 Work Program.

b) APEC Customs Guide Update

35. The Sub-Committee considered how to deal with the 500 remaining copies of the Customs Guide. Members noted that the guide was incorporated in the pilot CD-ROM tariff database and that any future editions could contain updated and additional material.

36. It was noted that the APEC Secretariat was prepared to send the remaining guides as they are to members who desire them. References of new members (Chile, Mexico, and Papua New Guinea) are available from the U.S. (Shepherd) as submitted. Finally, the Sub-Committee noted the APEC Secretariat's intention to cover transportation costs related to this undertaking.

c) APEC Mutual Assistance Guidelines

37. The Sub-Committee requested the U.S. to analyze the members' replies to the questionnaire on APEC mutual assistance guidelines, which differ from member to member, and to report back to the Sub-Committee on its findings, thereby concluding the project.

d) Proposal for a Project concerning the Protection of Intellectual Property Rights

38. Australia circulated a position paper on Customs aspects of TRIPs (Attachment 12).

39. The Sub-Committee noted that TRIPs are an area of focus for technical assistance in the common action plan and members agreed to provide responses to the Australian paper.

e) Study of APEC Cargo Clearance Systems

40. Australia circulated a paper setting out a way to proceed with a study of APEC cargo clearance systems (Attachment 13). Since this paper was only circulated earlier in the week, Australia asked the members to provide their comments in the next couple of weeks.

41. The Sub-Committee took note of the proposal and the possibility of linking relevant aspects of this item and the feasibility study on common data elements in the future (see paragraph 17).

f) Feasibility Study for Exchange of Classification Rulings

42. New Zealand briefed the Sub-Committee of the progress made since the Sapporo meeting. It stated that in line with the Pacific Business Forum's Report to Leaders last year, the classification rulings should be made available on CD-ROM in such a way that they can be used both by administrations and by the business sector (Attachment 14). Australia as chair of the Tariff Database Taskforce confirmed the possibility of including this information on future editions of a tariff database.

43. Since there was not enough time to go through the paper thoroughly, it was agreed that members would send comments and advice to New Zealand subsequently.

g) Project for Air Express Carrier Consignments

44. Australia thanked the other participations in this project, Chinese Taipei and Singapore, and advised that the business cases had been completed on schedule and will be progressively implemented over the next 6-12 months (Attachment 15).

45. Australia further stated that the project will facilitate trade through elimination of paper-based processes, that it was open to other parties, and that the possibility of extending it to other economies and industries would be pursued.

46. In this context, Singapore mentioned that EDI to a great extent has helped Singapore in improving its productivity and effectiveness in the area of cargo clearance and trade documentation. The project for Air Express Consignment is part of Singapore's continuing efforts to review procedures to introduce further changes to maintain the competitiveness of the Singapore trading system.

47. Chinese Taipei expressed its intention of becoming the Asia-Pacific region operation center for air cargo by introducing an Express Handling Unit.

48. The Sub-Committee noted the progress made and invited other members to participate in the project.

h) APEC Customs Fellowships

49. The United States brought up the idea that the APEC Customs fellowships project could be absorbed by the "Implementation Plan and Framework for Technical Assistance and Human Resource Development" project.

50. The Sub-Committee agreed to the U.S. proposal.

i) Kyoto Convention Principles Paper

51. Canada briefed the Sub-Committee on the proposed revisions to Annex B1 of the Kyoto Convention and a set of guidelines for this Annex which have been forwarded to the WCO. Work is continuing on several other annexes by Canada, Japan, Australia, and U.S.

52. The Sub-Committee welcomed and noted the progress made.

j) Port to Port Bayplan

53. Australia reported that the project was proceeding and that opportunities to expand the number of participants would be actively pursued. In this regard, the Sub-Committee noted that some participants at the recent transportation working group meeting in Australia had indicated their willingness to join the project. Australia further noted the relevance of this matter to coordination of EDI across other APEC working groups (See Item 10(a)).

54. The Sub-Committee took note of the progress (Attachment 16).

AGENDA ITEM 7: 1996 WORK PROGRAM

55. Based on the discussion held during the current session, the Sub-Committee agreed on the following 1996 Work Program with shepherds as indicated.

- 1) Implementation Plan and Framework for Technical Assistance and Human Resource Development (Japan/Canada)
- 2) Action Plan Reporting Format (New Zealand)
- 3) Feasibility Study on Common Data Elements (Canada)
- 4) Study on APEC Cargo Clearance Systems (Australia)
- 5) Risk Management (Australia)
- 6) APEC Mutual Assistance Guidelines (U.S.A.)
- 7) Feasibility of Exchanging Classification Rulings (New Zealand)
- 8) Air Express Carrier Consignments (Australia/Singapore/Chinese Taipei)

- 9) Development of guidelines for Annexes to the Kyoto Convention
(Canada/Australia/Japan/U.S.A.)
- 10) Port-to-Port Bayplan (Australia)
- 11) Seminar on Computer Application Systems (Singapore)
- 12) Study Missions on Singapore's Computerized Customs Procedures (Singapore)
- 13) Rules of Origin

AGENDA ITEM 8: SEMINARS, ETC.

56. Singapore reported on progress made so far in preparing for the seminar on computer application systems in Customs documentation. The seminar will be held for four days during the third week of August 1996, and a survey form will be circulated to members.

57. The Sub-Committee noted Singapore's intention to coordinate with the Philippines on the timing of the seminar.

58. Singapore informed the Sub-Committee that it will be accepting study missions on its computerized Customs procedures from April 1996, preferably in small groups of six to eight persons.

59. Finally, Singapore reported that information on their Customs and Trade documentation procedures was available on the Internet, in line with the objective in the common action plan of making available to the public information on administrative guidelines, procedures, and rulings in addition to Customs laws and regulations (Attachment 17).

AGENDA ITEM 9: CUSTOMS AND INTERNATIONAL ECONOMY SYMPOSIUM

60. Japan informed the Sub-Committee that it has received over 60 applications to set up booth displays at the Customs and International Economy Symposium to be held from 9 to 10 November 1995 in Osaka. However, only half of APEC Customs Administrations have applied. Japan encouraged those members who have not yet applied for booth displays to do so since this will provide an excellent opportunity to make contacts and to talk with the private sector.

61. The Sub-Committee welcomed the report made by Japan.

AGENDA ITEM 10: OTHER BUSINESS

a) Collaboration on EDI

62. The Chairman introduced a letter from the Lead Shepherd of the APEC Transportation Working Group regarding collaboration on EDI matters among the Sub-Committee, the Transportation Working Group, and the Telecommunications Working Group (Attachment 18).

63. The Sub-Committee considered ways to work closely with the Transportation Working Group to avoid any duplication of effort in this area and agreed that the Chairman of the Sub-Committee will be the contact point between the Sub-Committee and other APEC working groups. The Sub-Committee noted that the Chairman would write to the Chair of the Transportation Working Group (TPT) about concerns relating to Customs matters in the TPT's September report.

b) Action Agenda

64. Regarding the Customs procedures part in the Co-Chairs' proposed Action Agenda, Thailand questioned the inclusion of the Candidates for the Common Action Plan under "collective action." In response, the Chairman explained that the wording "collective action," which follows the format applied by all working groups alike, only indicates the activities to be undertaken by the Sub-Committee as a collective body and that the work to be done under the candidates is confined only to exploring the possibility of introduction and the feasibility of harmonization.

65. Thailand also proposed to amend the wording "APEC economies will harmonize tariff structure . . ." to read "APEC economies will harmonize tariff nomenclature . . ." in order to avoid unnecessary misunderstandings. The Sub-Committee agreed to this amendment and asked the Chairman to report to the S/SOM to that effect.

c) Individual Action Plan

66. The Sub-Committee welcomed the submission of the final individual action plan by PNG (Attachment 19).

d) Election of Chairman and Vice Chairmen

67. Philippines was elected for next year's Chairman and Canada for next year's Vice-Chairman. In addition, the Sub-Committee agreed to elect Japan as Vice-Chairman recognizing the importance of continuity of the Sub-Committee's activities, in particular the implementation stage of common action plan, etc.

e) Date and Venue of the next Sub-Committee Meeting

68. Mr. Villanueva, the Philippines, announced that the Sub-Committee meeting will be held on the first week of February 1996 in the Philippines, although this is still on a preliminary basis.

AGENDA ITEM 11: DRAFTING OF THE REPORT TO THE CTI

69. The Sub-Committee considered and adopted this report.

AGENDA ITEM 12: CLOSING REMARKS

70. The Chairman noted the commitment of APEC Customs administrations in international cooperation and mutual assistance and thanked the members for constructive contribution toward the work of the Sub-Committee. The Sub-Committee congratulated Japan for its leadership and consensus building as the Chair of the Sub-Committee on Customs Procedures.