

ATTACHMENT 6

QUARANTINE AND MARKET ACCESS CONFERENCE

CANBERRA 22-23 MAY 2007

**RESPONDING TO TRADE FACILITATION IN A GLOBALISED
WORLD**

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Part 1-Hart Krtschil

1. Thanks for the opportunity to talk about a subject that is of keen interest to the industries operating in the Sea and Air Cargo Area
2. Refer to theme: *Trade facilitation in a globalised world*
Sea and Air Cargo Challenges for Service Providers - **global not just Australia – continuum of quarantine turned 180 degrees becomes continuum for exports**
3. The Sea and Air Cargo interests and obligation in international trade fall into four basic activity groups: Three are globally aligned – same processes apply across all trades. The fourth, BS/Q isn't and in our talk today we will endeavour to come up with some suggestion as to solutions in this important area

Commercial: Underpinning activity -

International Banking protocols,
international currency exchange protocols,
purchasing / supply / logistics conditions,

All these arrangements are highly sophisticated and follow internationally accepted and agreed processes that have been established over many years (for centuries)

Participation in international trade requires compliance with these protocols.

Billions of dollars change hands every day under these integrated arrangements yet many of these commercial documents are not acceptable to regulatory agencies

Customs:

The World Customs Organisation has today some 170 or so Government members and sets a wide range of trade protocols

The centre piece of the WCO is the Harmonised Tariff system: which is internationally accepted / compulsory provides the basis for a wider range of functions
classification of commodities
trade statistics etc
border control

Structure:

Level 1- 21 basic product sections - such as Minerals, Animal, plant , material timber etc

Level 2 - 97 chapters identified by two numerical digits

Level 3 - further detailed identification by six numerical digits

Example 9403 40 00 22 is wooden kitchen furniture **worldwide**

Clearly a decision making tree that ends up in a commodity being correctly identified for tariff purposes (we will come back on this one)

Transport: As with Customs transport safety / security arrangements are also addresses by way of internationally consistent systems and arrangements:

Sea Cargo - IMO – sets transport conditions of dangerous goods through the IMDG - a very sophisticated set of regulation. All goods moving by sea are subject to a hazardous cargo classification prior to being shipped.

Air Cargo – International Civil Aviation Organisation (ICAO) and IATA – the International Air Transport Association is a global commercial organisation that is the major facilitation body – assisting by way of standard processes for air cargo that covers all transport security and also assists in meeting certain Customs requirements.
Can be vehicle for Biosecurity

STRESS THAT THE ABOVE THREE STREAMS ARE STANDARD INTERNATIONAL SYSTEMS BECAUSE THEY ARE DEALING WITH “GLOBAL CONSTANTS”

Also access to Customs and Transport Security via one web portal
In the Customs and Transport Security area it is compulsory for industry persons to be either licensed (example **licenses broker** – extensive training) or **accredited in the transport field**

The fourth group is

BIOSECURITY – QUARANTINE and this group currently doesn't sit too well with Trade Facilitation – often because BS / Q conditions are developed without adequate stakeholder consultation. In the longer term BS / Q conditions have to become part of the international trade conventions.

Background and detail

Sanitary and Phytosanitary (SPS) Agreements recognise the right of Governments to protect its people and industries from Biosecurity hazards. It obliges governments to base any SPS measures on scientific risk assessments to prevent disguised trade protection measures. This is the origin of disparate BS/Q requirements

In the BIOSECURITY area ONE internationally agreed and accepted risk mitigation measure has been agreed a relatively short while ago and that covers timber packaging material such a dunnage pallets etc. ISPM15. – A step in the right direction and in the process of being introduced from 2005 / 2006 onwards

UNLIKE THE COMMERCIAL, CUSTOMS AND TRANSPORT requirements BS /Q FOR COMMODITIES import **conditions are not able to be internationally consistent** for reasons we are all aware of.

The Sea and Air Cargo Service Industry is faced with a number of problems when it comes to BS and Q issues:

The Classification of commodities for BS / Q purposes varies considerably between countries,

For example words such as “Cooked”-“Dried” etc have different meanings in different countries and finding the applicable

definitions is not easy. Some countries also require exceedingly detailed lists of commodity ingredients to determine the classification for BS/Q purposes.

Correct **classification** is a challenging task and it often relies on **individual** interpretations which **doesn't assist uniformity**

Once one has correctly identified the commodity **classification** for BS/Q purposes the next task is to determine the correct **Import Conditions** and interpret them which is again a challenge in itself.

Many **Import Conditions** are written in challenging terms and formats that are not easily interpreted and thus often do little to encourage compliance. (Example 53 pages for one plant commodity – confusing). Surely they must be written in terms so that people can understand them and that leaves little room for individual interpretation. Also English is not everyone's first language.

Most **Import Conditions** vary considerably between countries and these variations extend to the types of treatments which again makes it difficult to achieve correct compliance
Kiln drying temperatures vary: Canada has 56 degrees OZ has 74 degrees. The doses of Methyl Bromide vary considerably from country to country – Also Testing regimes vary and the costs may be a trade restrictive requirement

Very brief selective quote (DFAT survey 2003)

Out of nine trade barrier aspects Quarantine scored the highest number of concerns

- i) **harmonising or more closely aligning regulatory processes,31%**
- ii) **costs of testing procedures,30%**
- iii) **transparency/consistency of requirements, 49%**
- iv) **delays in testing procedures, 30%**
- v) **delays in accepting Australian certification in export markets 30%**

Difficulties with transparency and/or consistency of requirements featured most strongly in the primary (52%) and manufacturing (53%) sectors as could be expected

Accessibility to Import Conditions:

WCO, IMO IATA –one click and the global conditions are available

Biosecurity – difficult to access import conditions and again this doesn't assist in facilitating compliance
Challenge Audience to find Import Conditions for cooked pork meat on the Chinese web site
Summing up:
BS / Q problems as outlined DO NOT ENCOURAGE COMPLIANCE
Stress that in other areas there has been a lot of progress to achieve international consistency.
Biosecurity issues can be addressed much better and Mr. Morris will be touching on some initiatives that could address these concerns

Part 2 Stephen Morris

INTERNATIONAL TRADE CHALLENGES AUSTRALIAN TRADERS AND SERVICE PROVIDERS PERSPECTIVE

"How will Australia move forward in a new global environment?"

1. Trade - Business Imperatives

- Government set policy framework for trade (and transport)
 - National
 - border / barrier protection
 - human
 - agricultural
 - horticultural
 - International - intergovernmental organisations
 - World Trade Organization
 - United Nations
 - World Bank
 - International Maritime Organisation
 - International Civil Aviation Organisation
- Business or Traders trade within and outside of policy frameworks.
Differences exists between:
 - developed economies (free market)
 - economies in transition (moving to free markets)
 - controlled economies

- developing economies, or
- a mixture of above

The common driver - the need to trade

2. Key Drivers

In today's environment the greatest challenge is to:

- maximise trade options / opportunities
- minimise cost and
- reduce risk without compromising sovereign (border) integrity.

As to international trade, the key elements to trade regulatory compliance are:

1. certainty
2. uniformity
3. consistency
4. transparency

These four key determinants give effect to the four (4) areas previously referenced (by Hart) and are, in the commercial environment achieved by way of agreed international standards, protocols or conventions emanating from intergovernmental and non-governmental institutions.

These entities / standards include:

- Uniform Banking Code and Practice
- Universal Postal Union
- International Road Union
- World Trade Organization and in particular the General Agreement on Tariffs and Trade
- World Customs Organization and the Harmonize Commodity Description and Coding System

Regulatory (border) issues remain a constant challenge to traders (customs, quarantine / bio-security and transport security) however there has been some hope in the regulatory / business interface to maintain

border integrity and facilitate trade and, in the main, these have been outcomes from the World Customs Organization in relation to its:

- Harmonized System
- Standardised Data Set
- Framework of Standards to Secure and Facilitate International Trade
- Authorised Economic Operator, and
- Kyoto Convention (facilitate trade)

3. Quarantine and Bio-security - some observations as to referenced difficulties

1. No uniformity in threats to different countries - so no uniformity to regulatory intervention.
2. Uniqueness of quarantine and bio-security arrangements for each country to manage risks.

This lack of uniformity as to threat and uniqueness of processes creates for traders:

- complexity and lack of uniformity, transparency and consistency for all traders

These outcomes have the effect of:

- artificial barriers to trade
- cost variables, and
- economic distortions

... with all of the ramifications arising therein for traders and economies.

Q The challenge is: "Where are the standards, protocols and perhaps conventions able to be readily referenced to meet trade expectations on quarantine and border security."

4. Start Point

Leveraging off the World Trade Organization membership requirement as to the use of the World Customs Organization Harmonized System (with its integrated classification principles which provides for uniformity and consistency in the classification of goods) provides the mechanism for annotated quarantine and bio-security requirements referenced to internationally agreed classification principles.

The example of cooked pig meat in terms of the Harmonized System sees universal classification to reference number 1602.49. This therefore creates the key where with an appropriate decision making tree and process such as the Australian Quarantine & Inspection Service (AQIS) Import Conditions (linked to the classification principles enable the Australian conditions ... and any applicable reference international standards applicable to a commodity) are able to be accessed and determined.

Such a process could be used as a bench mark or standard for other quarantine / bio-security arrangements to facilitate international trade. Perhaps this could be an initiative for the World Trade Organization.

The challenge for international traders and trade logistics and supply chain management providers is to the greatest possible extent to have quarantine conditions and requirements at least referenced / recognised in discussion outcomes notwithstanding SPS determinations. To achieve this objective standards for quarantine protocols, other terms and conditions capable of ease of interpretation must be developed.

Perhaps a need also exists to consider bio-security accreditation options for industry to support regulatory intervention.

These arrangements would facilitate regulatory compliance and provide the framework for cost efficient and cost effective international trade.

Query: *"Who will drive this initiative?"*

Perhaps Australia through the SPS? Perhaps bi-laterals as proof of concept through ANZCERTA?