# Proposal for a Commercial APEC Tariff Database

*Proposal Summary*

The National Center for APEC, U.S. ASEAN Business Council and U.S. Council for International Business propose to launch an APEC-wide customs and tariff database. As an initial step, a pilot phase would be launched to help develop and test the concept and functionality of such a database.

Under APEC, 21 economies* have agreed to make their customs and tariff information more transparent and available to the public. That commitment includes an agreement to publish up-to-date tariff, preferential trade agreement (PTA) and rules of origin information in a Web-based format located on national Customs Service Web sites.

APEC businesses have expressed interest in taking that important progress one step further by creating a robust trade database that would be fully searchable based on Harmonized System classification numbers. The database would include information regarding each APEC member economy's applied tariff rates for all products as well as additional information regarding any preferential duty rates that the economy might apply on products entering from another APEC member. The database would also include detailed information on the rules of origin associated with preferential trade treatment and any scheduled future tariff phase outs.

*Business Need*

Barriers to free trade and investment in the APEC region hinder business performance, particularly in the area of customs transparency. Customs transparency is regularly cited by the private sector as a major impediment to doing business in the APEC region. The lack of readily available information regarding applied tariff rates, rules of origin and the details regarding various regional, bilateral and multilateral trade preference arrangements negotiated among various APEC members makes it difficult for companies to take full advantage of the trade liberalization carefully negotiated by governments throughout the region.

*Case Studies*

An APEC Business Advisory Council (ABAC) funded University of Southern California (USC) Marshall School study conducted in 2007 highlighted the significant number of free trade agreements (FTAs) in the region. The study identified 23 FTAs in force and 20 more pending. However, the study also found that many companies do not take advantage of the benefits of the FTAs due to the complexity of the agreements and difficulty in obtaining information regarding rules of origin and customs compliance. This was particularly true for small and medium-sized enterprises (SMEs). These companies simply do not have the resources necessary to navigate the complex trade environment and often determine that it is easier to forgo the trade benefits offered by the FTAs rather than to commit the resources necessary to understand and comply with the various trade requirements established by them. This, the study found, creates a significantly unfair competitive disadvantage for SMEs vis-à-vis larger companies operating in the region since larger firms generally have greater resources to manage their trading operations. However, even large firms forego significant trade benefits because of the difficulty in and cost of obtaining accurate information.

*\*APEC's 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.*

In addition, in a 2007 World Bank report on Transparency and Trade Facilitation in the Asia-Pacific, the World Bank and APEC acknowledged that "lack of transparency can impose unwanted and unnecessary costs on economic actors, and throw sand in the wheels of international economic integration." The study identified two main touchstones of transparency: predictability and simplification. One recommendation from the World Bank/APEC study called for the region to more actively use and rely on information technology.

*The Solution*

The next-generation APEC tariff database is intended to be a one-stop shop for exporters and importers within APEC to obtain current and future tariff information for the movement of their goods between APEC economies.

The launch of the next-generation APEC interactive tariff database will ensure that tariff and preference information is timely, current, commercially-relevant and accessible to all businesses. The database will provide companies with the capability to extract information for planning purposes and compare of sourcing alternatives. Specifically:

- ✓ The database will be *flexible in its functionality* with information available on WTO tariffs/quotas, preferential tariffs/quotas, links to rules of origin and access to future tariff reductions and phase-outs for those PTAs which are in force but not fully implemented.
- ✓ The database can *act as a platform for inclusion of important non-tariff information* as well including export controls, standards, import requirements, import documents, etc.
- ✓ *All APEC economies will be included* once fully implemented.
- ✓ *APEC commitments* to provide public access to tariff and rules of origin data in English will decrease the cost and increase the utility of the database.
- ✓ The database is *user-friendly for all sizes of companies*, from SMEs and first-time exporters to large multi-nationals with sophisticated ERP systems.
- ✓ Finally, the next-generation database *complements the APEC transparency initiative in a commercially relevant way* as it makes all information available with a few clicks, removes the necessity to navigate, read and interpret complicated preferential trade agreements, can provide data in table format for easy analysis, and can be integrated into companies' internal logistical, supply chain and sourcing systems.

*The Pilot Phase*

While the eventual database would be comprehensive and include all APEC economies and all APEC FTAs and preference programs, the pilot would necessarily be more limited in scope. Prior to implementing the full database, a pilot database will be launched in 2010 to obtain feedback and input from companies of all sizes (including SMEs) and all APEC economies on depth and breadth of information available, functionality and ease of use. The cost for participating in the pilot would be between US$5,000 and US$10,000, depending upon how many companies sign up to participate. Ideally a minimum of 20 companies would sign on and a small group of select SMEs would be able to participate at no cost. Pilot database elements would include:

- ✓ Launch in spring/summer 2010: Available for beta test through Dec 2010.
- ✓ APEC economy coverage:

- o 16 economies available immediately: Australia, Canada, China, Chile, Hong Kong, Indonesia, Japan, Korea, Mexico, Peru, Philippines, Singapore, Taiwan, Thailand, United States, Vietnam
- o Additional economies available summer/fall 2010: Malaysia, New Zealand, Papua New Guinea; October - Russia
- ✓ Tariff Preferences (FTAs and preference programs):
  - o Examples of preferences available immediately: ASEAN FTA *(partial),* AANZFTA *(partial),* Australia-Thailand FTA, Canada-Peru FTA, Japan-Mexico FTA, NAFTA, US-Australia FTA, US-Chile FTA, US-Peru FTA, GSP for developing countries.
  - o Available on a rolling basis: ASEAN-Korea FTA *(partial)*
- ✓ Linked preferential rules of origin (ROO):
  - o Examples of preferential ROO available immediately: Japan-Mexico FTA, NAFTA, US-Australia FTA, US-Peru FTA
  - o Available on a rolling basis: ASEAN FTA and ASEAN-Korea FTA
- ✓ Future-casting of Preferences:
  - o Examples of future tariffs available on a rolling basis: Thailand-Australia FTA, AANZFTA *(partial)* , and others.

*Benefits*

Participation in the pilot will provide businesses with immediate access to live data for use with the pilot sourcing tools. The results of queries can be used to support the participant's global sourcing operations. Pilot participants will influence the content, interface and reporting functions of the final product and may be granted a 10%-25% discount on initial support fees for the production database.

Once the database is fully implemented, businesses would have access to all applied tariff rates, preferential tariff rates for 40+ PTAs (and more as concluded and implemented), applicable rules of origin by tariff code, sourcing comparisons, future tariff rates in wizard forms. Contributing companies will be granted access to additional, enhanced data management capabilities including: product number / HTS cataloging, flexible reporting capabilities, and data download capabilities to allow the information to be used in conjunction with company logistics and planning systems.

*Next Steps*

A demo for the pilot is slated for spring/summer 2010. We invite interested companies and trade associations to view the demo to learn more about the pilot and the full database. More information is forthcoming.