

**RECOMMENDATIONS
FOR THE ESTABLISHMENT OF
A PACIFIC ISLANDS TRADE GATEWAY**

February 2004

The recommendations in this document are the outcome of the *Regional Seminar on Using Information Technology for Trade Promotion and Facilitation*, 26-27 November 2003, Sydney, Australia, attended by senior government officials of Pacific Islands countries, and during which the draft recommendations from a UNESCAP study entitled “*Establishment of a Pacific Islands Virtual Trade Gateway: A Feasibility Study*”¹ were discussed and generally approved.

¹ The complete study, conducted by Prof. James Mc Master, Director, Pacific Institute of Management and Development, The University of the South Pacific, is available at www.unescap.org/tid/projects/pacific0203.asp

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A – Background: Global Developments in Electronic Trade Portals

More countries are now requiring importers and exporters to submit electronic documentation to their Customs, Ports, Quarantine, immigration and health, authorities through a national trade portal. Trade transactions and interactions with Customs are also being accelerated through the widespread adoption of electronic banking and payment systems. Many countries have now established national virtual trade gateways and most others are moving quickly to establish their trade portals to maintain their competitiveness and to maintain access to countries that are making electronic documentation a mandatory requirement.

Indeed, recent initiatives of the Government of the United States of America (USA), such as the introduction of ACE (Automated Commercial Environment), AMS (Advance Manifest System) and C-TPAT (Customs – Trade Partnership against Terrorism), have significantly changed the USA trading environment and requirements. Because of these initiatives, companies who trade with the USA are now being forced to adopt fully electronic trade.

It is now likely that many other countries will be motivated to follow the USA move to protect their export markets in that country. The European Union will be implementing electronic trade by 2005. New trade gateways are being established in Korea (E-trade Hub), in Hong Kong (Digital Trade and Transportation Network (DTTN)), and in Jamaica (Jamaica Trade Point). Australia has implemented a project called CMR (Cargo Management Reengineering) and under the new legislation called “International Trade Modernization Act”, it will require electronic documentation for customs purposes from mid 2004.

The Pacific Islands main trading partners, such as the United States of America, Japan, China, Australia, and New-Zealand are moving to full electronic trade. These global developments make it most important for the Pacific Island countries to establish a common trade gateway based on a global standard platform. The development of a virtual trade portal has major implications for most Pacific Island countries who risk becoming locked out of some major export markets if they fail to adopt online customs and electronic trade documentation.

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B - Pacific Islands Readiness for Electronic Trade

Some Pacific Island countries are more ready to move to full electronic trade than others, where e-government has not been given priority. At one end of the spectrum, the Fiji Islands is well advanced in electronic documentation. All the fifty or so customs brokers now send electronic documents to the customs authority and may receive green line approvals within five minutes. However, online submissions and approvals are yet to be developed for Fiji quarantine, health and immigration. At the other end of the spectrum, the small states of Kiribati and Tuvalu still rely on the old paper forms and manual processing systems.

In comparison to the Pacific Island government agencies, the private sector in countries such as Papua New Guinea, Fiji and Samoa have been quicker to move to electronic documentation and online systems. Many Customs agents already use softwares such as EDI Deliverance or Freightpack, maintain their own web sites, and make intensive use of the internet and email. They have welcomed Customs automation and electronic banking developments. It is important for governments to take a more proactive role to electronic trade and to build the capacity of their own trade-related authorities in this area, as has been done in the island economy of Jamaica.

Indeed, all the advantages of electronic trade will not be realised until the government authorities such as Customs, quarantine, ports, airports, health, and immigration services adopt a common platform for online submissions and approval. Customs computerization is a basic prerequisite for electronic trade, but online systems for all the other government agencies involved in trade is the next important step.

C - The Case for a Pacific Islands Virtual Trade Gateway

The concept of virtual trade gateway is not new to the Pacific islands trading community. The Pacific Islands Forum Secretariat (PIFS) currently has four regional trade and investment promotion gateways based at its offices in Sydney, Auckland, Tokyo and Beijing. However, these regional trade gateways focus on trade promotion but not trade facilitation. Indeed, they do not allow traders to submit trade documents for approval or to make payments to relevant government agencies and other organizations electronically through a single online form. This type of services, sometimes referred to as tradegate services, would involve establishing a common platform that would link all the private and public sector organisations in the Forum island countries involved in the trade transactions such as Customs, shipping companies, insurance companies, airlines and the trading firms.

The main benefits to Pacific Island users of a virtual trade gateway offering tradegate services may be summarized as follow:

- The ability for Pacific Island Countries to continue to trade with the rapidly growing number of its trading partners that now require electronic document submission and online processing as well as electronic banking.
- The removal of internal barriers to trade such as having to physically move between ministries & agencies for each shipment, standing in lines, and having to transact business between 9 am & 5 pm only.

- Improved customer satisfaction through the availability of 24 / 7 web-based information services
- Reduced labour costs through the replacement of labour-intensive tasks with an automated electronic communication system.
- Less re-keying of information as once the data is keyed into the system it is used for a number of different transactions and sent to the many organisations involved in the trade processes.
- Reduced risk or error. Paper documents are often rejected due to errors sometimes resulting in costly delays to the shipment.
- Reduced inventory requirements and inventory carrying costs and improved cash flow.
- Longer service hours and faster response time to market needs as most trade facilitation portals operate 24 hours a day seven days a week. Faster processing for license applications submitted electronically saving exporters at least one working day.

The initial concept of developing a regional trade gateway was based on an assumption that there would be economic, technical and administrative benefits in providing a regional service to all Pacific Island countries rather than each country developing their own approach without regional coordination and project management. The study conducted by the University of South Pacific for UNESCAP found that, at this stage of trade development, there are substantial administration advantages as well as some economies of scale involved in adopting a regional approach. However, because each of the Pacific Island countries has its own customs regulations and set of trade-related institutions, the tradegate service would have to be tailored to each country even if based on a common regional platform.

The benefits of adopting a regional approach are summarized as follows:

- There will be substantial project management cost savings from a regional approach that would not be achieved by individual countries independently developing their own approach to a virtual trade facilitation service.
- Most of the Pacific Island countries do not have an agency with the required technical skills to plan and supervise the implementation of a national tradegate service whereas a regional agency such as the Pacific Islands Forum Secretariat does have a critical mass of trade experts and project management skills.
- A regional project implemented in phases will allow for lessons of experience to be gained in establishing tradegate services in the larger Pacific Island countries before extending these services to the smaller Pacific Island countries.

D - Recommendations

The recommendations are divided into three sets as follows:

- The first set of recommendations relates to the establishment of a virtual trade gateway for trade facilitation.
- The second set of recommendations relates to the development of a virtual trade promotion gateway based on the existing Pacific Islands portals for the promotion of trade and investment.
- The third set of recommendations relates to national IT infrastructure development and the role of governments.

I - Recommendations for the establishment of electronic trade facilitation services

1. The Pacific Islands Forum Secretariat (PIFS) should implement a pilot project to introduce electronic trade facilitation and documentation services (or tradegate services) to the Forum Island countries. The development of virtual tradegate services to Pacific Island enterprises should be planned and implemented over the period 2004-2009.
2. It should be implemented as a development project by the PIFS in scalable components divided into three phases, with Phase 1 being a pilot project. Phase 1 could commence in 2004 and it should establish tradegate services to PNG and Fiji by 2005. The cost of establishing these services has been estimated by Tradegate Australia to be about AUD \$100,000 per country. The total cost for Phase 1 is estimated to be about AUD \$300,000 (See Annex 1 for details).
3. The first activity in Phase 1 should be to promote the benefits of a virtual trade facilitation gateway to all stakeholders and to gain strong support from the politicians, government ministers and senior officials and the private sector traders. A series of seminars should be conducted in Papua New Guinea with stakeholders such as the PNG Investment Promotion Authority, Department of Trade & Industry, PNG Harbours Board, Department of Foreign Affairs (Customs Services), Telikom PNG, local private internet service providers and the shipping companies. Similar seminars should also be conducted in Fiji.
4. Before proceeding to Phase 2, a review and evaluation study should be undertaken to assist planning for stage 2 of the project. Phase 2 of the project from 2005-2007 should involve extending the trade gate services to Samoa, Vanuatu and Tonga at an estimated establishment cost of AUD \$400,000. Phase 3 of the project from 2007-2009 should involve extending the tradegate services to all other Pacific Island countries that request the provision of the service and where it is a cost-effective approach.
5. The trade facilitation gateway and the tradegate service should be developed and operated by a well-established and experienced provider of electronic trade facilitation and documentation services in the region, such as Tradegate Australia or Ozdocs Australia. It would be cost effective to host the system on the computers and servers of the provider during the initial stage. However, it is vitally important to site the system within the

Pacific Islands subregion (e.g., Fiji) eventually to obtain the expertise and the overall control.

6. The Plant Protection Service of the Secretariat of the Pacific Community, that is located in Suva, Fiji Islands (Email: PPS@spc.int) has developed a Pest List database that contains important information required by export destination countries for determining the approval for the importation of agricultural commodities. It is most desirable that this database forms a component of the tradegate service. The Pest List database should be made web-based and integrated into a trade facilitation gateway, as “Pest lists” are often part of the required trade documentation.

II - Recommendations for the improvement of the Pacific Islands Forum Secretariat’s websites to form the core of a regional virtual trade promotion gateway

7. The PIFS should redesign and upgrade the web page of its Trade and Investment Division into a regional trade promotion gateway with highly visible links to the websites of the four regional trade and investment promotion offices of the PIFS in Sydney, Auckland, Tokyo and Beijing, as well as to all national trade and investment promotion and facilitation agencies in each Pacific Island Country.
8. The websites of the PIFS regional offices in Auckland, Tokyo and Beijing should be upgraded and redesigned, based on the design and structure of the Sydney office website (<http://www.pitic.org.au/>). Ideally, all four websites should have the same design, be linked, and provide a consistent set of information to trade and investment clients.
9. The new gateway should provide guidance and online application forms for the wide array of donor-funded assistance programs that are available to Pacific Island enterprises to help them prepare business and marketing plans, and to undertake market research on potential export markets. Links to national trade portals of key trade partners and their trade support agencies (e.g., Austrade) should also be provided.
10. The Pacific Islands Club Trade website, a concept proposed by Citadel Computer and Administry Pty Limited of North Sydney, NSW Australia, could be developed as one component of the regional trade promotion gateway to make it easier for buyers and sellers to find each other and trade goods and services around the Pacific, Australia and New Zealand. Such an online facility would allow registered users to (1) list their products or service for trade; (2) search for products or services; (3) find information on trading, customs, transport, shipping and other logistics; and (4) select the best freight transport.
11. Existing virtual trade information and promotion tools and services designed and made available by international agencies, often at low or no cost, should also be integrated into the regional trade promotion gateway, again to avoid duplication and unnecessary expenses. These could possibly include the online trade information services offered by UNESCAP (www.unescap.org/tid/) or those offered by the International Trade Center UNCTAD/WTO (www.intracen.org) or UNCTAD and the World Bank (e.g. WITS; <http://192.91.247.38/tab/>).

12. The gateway should provide a comprehensive set of up-to-date trade information and statistics to meet the needs of traders, but also trade-related government agencies (e.g., national trade and investment and promotion offices). Trade and investment consultancy reports and policy studies on PICTA and PACER and EU and WTO trade issues should be made available in electronic form.
13. Higher priority and more resources should be allocated by PIFS to maintaining and updating its website with current information. Some staff members of the Trade and Investment Division should receive training to enable them to regularly update the website.

III - Recommendations for the development of national ICT infrastructures and E-commerce Legislation

14. Pacific Island governments should where possible introduce competition into the telecommunications sector and should introduce policies to support the development of e-commerce. They should lead by example through accelerating the introduction of e-government especially to departments and agencies that are involved in trade and investment promotion and facilitation such as customs, quarantine, health, immigration and the ports authority.
15. Pacific Island governments should ensure that their own interfaces with the business world are open, transparent and highly efficient and not an impediment to trade. Government agencies and departments should have well-designed and maintained web sites that set a good standard. Government agencies and departments should be leaders in providing clients with web-based services.
16. The government business enterprises in the information technology sector should focus upon providing more reliable and better quality IT services to rural as well as urban consumers. While most of the urban areas currently receive adequate Internet services, the rural areas and outer islands are not adequately serviced in most Pacific Island countries. For example, many of the tourist resorts in the more remote locations do not receive reliable Internet services to support their efforts to develop web-based marketing and online booking and payment systems.
17. Governments should give higher priority to implementing policy measures to reduce the high cost of Internet services.
18. Government agencies should be more actively involved in setting e-commerce standards and enforcing e-commerce regulations as well as legislating modern e-commerce laws to support e-commerce trading and tradegate services for Pacific Island enterprises.

Annex 1
Pacific Islands Trade Gateway Project:
Activity-Based Budget Outline (Phase I only)

Project Duration: 24 months

Total Budget: \$300,000 (All costs in Australian dollars; Year 1: \$130,000; Year 2: \$70,000)

Activities:

1. Consultations with (1) government officials in PNG and Fiji from ministries involved in trade: customs, quarantine, ports, immigration, health to gain agreement of portal services; and (2) with private sector exporters/importers and customs agents to explain economic and financial benefits of online tradegate services and gain their support (Estimated costs include travel and accommodations in PNG).	\$25,000
2. Preparation of tradegate service contract, tendering and selection of service provider, and contract administration. Private-Public Sector Meetings to be conducted in six locations to identify and discuss gateway services and design issues prior to selection of service provider (Suva, Nadi, in Fiji and in Port Moresby, Lea and Madang in PNG). (Estimated cost include airfares, accommodations, local transportation, and hire of seminar rooms)	\$35,000
3. Subcontract to tradegate service provider for: <ul style="list-style-type: none"> • Development and implementation of tradegate software to link traders with Customs and other government approving agencies in PNG and Fiji: (\$100,000) • Stakeholders meetings with private sector clients in PNG and Fiji during the development phase (\$40,000) • Registration of clients and establishment of accounts and services(\$20,000) • Trainings for traders and relevant government institutions on using the new services (\$40,000) 	\$200,000
4. Website design of Pacific Islands Trade Gateway and hosting (Design to be undertaken in close consultation with tradegate service provider, the PIFS, and the managers of existing regional and national trade promotion portals).	\$25,000
5. Monitoring and evaluation of project and undertaking a review /evaluation at the end of phase I.	\$15,000
TOTAL	\$300,000