

TRADE FACILITATION IN ASIA AND THE PACIFIC: AN UPDATE

Trade facilitation and the reduction of international trade transaction costs remain an important priority for many countries of the Asian and Pacific region. Two thirds of the Asia-Pacific members of WTO have now ratified the WTO Trade Facilitation Agreement and are well on their way towards its implementation.¹ In addition, ESCAP member States, in May 2016 finalized the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (Framework Agreement). This unique and innovative instrument is expected to greatly support the region in maintaining its trade competitiveness and reaping the benefits from the fast-growing digital economy. The Framework Agreement encourages continued progress by early adopters of cross-border paperless trade, while also lowering the barriers to entry for late movers. This is particularly important given the wide range of capabilities for trade facilitation and paperless trade implementation in the Asia-Pacific region.

Section A of this chapter provides a snapshot of the progress on trade cost reduction in the Asia-Pacific region, based on the ESCAP-World Bank Trade Cost Database. Section B looks at the performance of the Asia-Pacific region in relation to “hard” and “soft” infrastructure reform, by considering the Logistics Performance Index, Liner Shipping Connectivity Index and Trading across Border: Doing Business in the Asia-Pacific countries. Section C provides a brief update on trade facilitation and paperless trade initiatives in Asia and the Pacific, including a review of the progress made by ESCAP member States in ratifying the WTO Trade Facilitation Agreement as well as the adoption of the Framework Agreement. Given the disparities between the Asia-Pacific subregions with regard to trade costs and trade facilitation implementation, this chapter highlights the fact that the new regional cooperation framework can provide a useful mechanism for allowing late-movers to progress more quickly and to participate in more efficient and less costly cross-border trade.

“Further reductions in trade costs will have to be achieved by tackling the non-tariff sources of trade costs.”

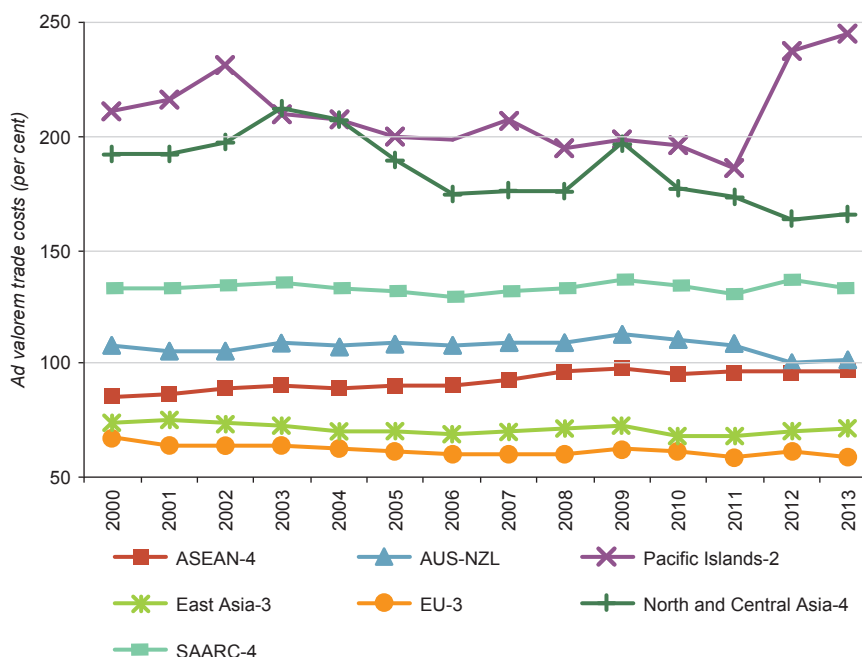
A. PROGRESS IN TRADE COST REDUCTION

After the significant reduction – and, in many cases, elimination – of import tariffs during the past two decades, further reductions in trade costs will have to be achieved by tackling the non-tariff sources of trade costs, which now account for more than 90% of overall international trade costs.

Figure 4.1 shows the evolution of trade costs of the Asia-Pacific subregions in trading with the three largest developed economies from 2000 to 2013.² With the exception of the Pacific island developing economies (PIDEs), the trade cost levels in the Asia-Pacific region have typically remained similar across time. Although trade costs in North and Central Asia remain excessively high, this subregion appears to have made relatively more progress in reducing trade costs with the selected developed markets during the period. No such trend is found in the case of South or South-East Asia. In contrast, the regional group of EU-3 (considered the global benchmark) continues to reduce its trade costs over time, implying that there are possibilities for further trade cost improvement, even among the best performers.

Figure 4.1

Trade costs of Asia-Pacific subregions with large developed economies, 2000-2013



Sources: ESCAP-World Bank Trade Costs Database (accessed June 2016).

Note: ASEAN-4 – Indonesia, Malaysia, the Philippines and Thailand; AUS-NZL – Australia and New Zealand; East Asia-3 – China, Japan and the Republic of Korea; EU-3 – Germany, France and the United Kingdom; Pacific Islands-2 – Fiji and Papua New Guinea; North and Central Asia-4 – Georgia, Kazakhstan, Kyrgyzstan and the Russian Federation; and SAARC-4 – Bangladesh, India, Pakistan and Sri Lanka. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries in each subregion with the three largest developed economies (Germany, Japan and the United States).

Table 4.1 Intra- and extraregional comprehensive non-tariff trade costs in the Asia-Pacific region

(Percentage)

Region	ASEAN-4	East Asia-3	North and Central Asia - 4	Pacific Islands Developing Economies	SAARC-4	AUS-NZL	EU-3
ASEAN-4	76 (8)						
East Asia-3	75 (5)	51 (-3)					
North and Central Asia - 4	354 (11)	175 (-6)	121 (7)				
Pacific islands developing economies	172 (-10)	175 (-3)	369 (29)	132 (-10)			
SAARC-4	128 (1)	124 (-1)	285 (2)	318 (2)	116 (11)		
AUS-NZL	101 (4)	88 (-5)	336 (-7)	83 (-8)	138 (-5)	52 (-4)	
EU-3	106 (-1)	85 (-3)	152 (-8)	209 (-4)	115 (2)	108 (-1)	43 (-5)
United States of America	86 (10)	63 (0)	177 (-1)	163 (-6)	110 (6)	100 (4)	67 (1)

Source: ESCAP-World Bank Trade Costs Database (accessed June 2016).

Note: Trade costs shown are average trade costs during 2009-2014 and may be interpreted as tariff equivalents. Changes in average trade costs between 2003-2008 and 2009-2014 are in parenthesis. Refer to the note in figure 4.1 for details of country groupings.

As table 4.1 shows, the subregional grouping that exhibits the lowest intraregional trade costs (closest to EU-3) is East Asia-3 (51%) for 2009-2014, followed by AUS-NZL (52%). In addition, the intraregional trade costs of East Asia-3 show a 3% decrease during 2009-2014 when compared with the 2003-2008 average; at the same time, the extraregional trade costs of East Asia-3 with all the regional groups also fell. The PIDEs have the highest intraregional trade costs (132%) followed by North and Central Asia-4 (121%); both subregions have intraregional trade costs that are more than double those of the regional benchmark, East Asia-3. The two subregions also have the highest extraregional trade costs (369%).

Overall, trade costs in the Asia-Pacific region remain heterogeneous across subregions. There is no strong trend towards convergence in trade costs between subregions that experience higher intra- and extraregional trade costs and those for which trade costs are relatively lower. Furthering regional integration agendas and ensuring that international trade continues to be an engine for growth will require addressing the disparities in trade costs.

“No strong trend towards convergence in trade costs between subregions is observed.”

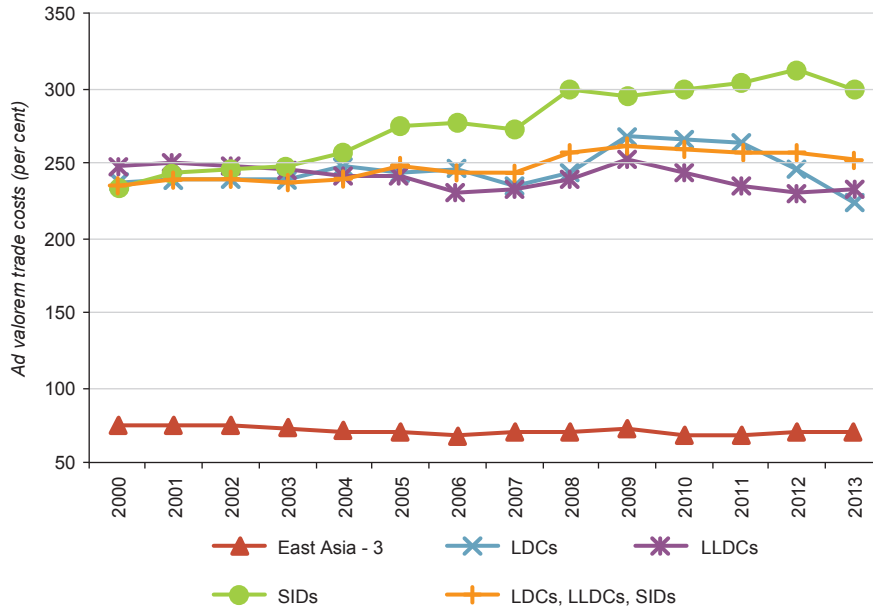
Figure 4.2 shows the trade costs evolution of countries with special needs (CSNs) with the three largest developed economies. Trade costs of CSNs are found to be two to three times higher than those experienced by East Asia-3 (the regional benchmark). The small island developing States (SIDS) experience the highest trade costs. Of greatest concern is the fact that trade costs for this set of countries appear to have increased over time – although more detailed analysis reveals that trade costs of the larger SIDS, such as Fiji and Papua New Guinea have seen a declining trend. Landlocked developing countries appear to have fared better and exhibit a gradually declining trend over time. Asia-Pacific least developed countries, as a group, also have experienced declining trade costs in recent years (since 2009).

“Addressing the disparities in trade costs is a critical part of furthering regional integration agendas.”

The costs shown in table 4.1 are broadly consistent with data published by UNCTAD on international transport costs, which show a long-term trend towards cost reductions, albeit with stark differences among regions (UNCTAD, 2015). They are also consistent with the outcomes of the 2015 Global Survey on Trade Facilitation and Paperless Trade Implementation

Figure 4.2

Trade costs of Asia-Pacific countries with special needs and large developed economies, 2000-2013



Sources: ESCAP-World Bank Trade Cost Database (accessed June 2016).

Note: The trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries in each group with the three largest developed economies (Germany, Japan and the United States). LDCs – least developed countries; LLDCs – landlocked developing countries; SIDs – small island developing States.

(ESCAP, 2015a), which found disparities between the subregions in their trade facilitation implementation levels. Given the strong correlation between trade facilitation and paperless trade implementation levels found in the survey and international trade costs, as explored in APTIR 2015,³ there is a strong case for policymakers to pursue further reform in these areas in order to reduce trade costs, and ultimately enhance trade competitiveness and promote regional integration.

B. TRADE FACILITATION TOWARDS SEAMLESS SUPPLY CHAINS

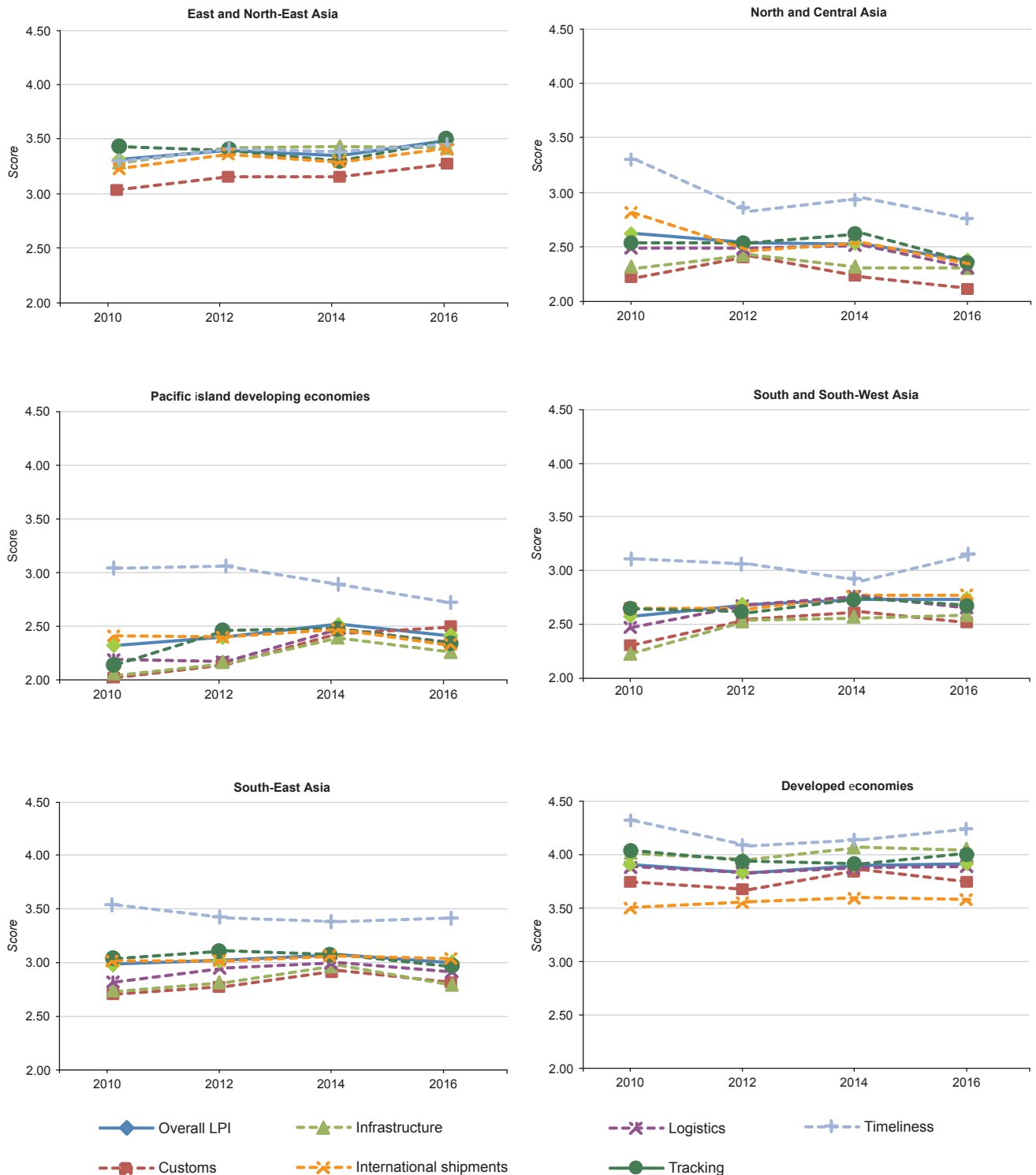
In order to gain greater insight into the progress made and the remaining challenges towards trade facilitation and seamless supply chains, regional performance is analysed based on the latest data from the three metrics – the World Bank Logistics Performance Index (LPI)⁴ and Trading Across Borders (TAB)⁵ indicators as well as the UNCTAD Liner Shipping Connectivity Index (LSCI).⁶ While the three sets of indicators are interrelated, there are also differences – LPI covers both “soft” and “hard” infrastructure aspects associated with moving goods across borders, while TAB focuses mainly on regulatory and procedural aspects at the border in terms of documentation. In turn, LSCI provides insights specifically into maritime connectivity and port efficiency, which remain an essential aspect of reducing international trade costs.

According to LPI 2016, the top trade logistics performers in the Asia-Pacific region are Singapore, which is ranked the highest, followed by Hong Kong, China in second place and Japan in third position. The LPI, through its six components captures “hard” and “soft” infrastructure elements of trade facilitation measures.

Figure 4.3 shows the relative performance of Asia-Pacific subregions for six components of LPI, i.e. efficiency of customs and border management clearance (customs); quality of trade and transport infrastructure (infrastructure); ease of arranging competitively priced shipments (international shipments); competence and quality of logistics services – trucking, forwarding, and customs brokerage (logistics quality and competence); ability to track and trace consignments (tracking and tracing); and frequency with which shipments reach consignees within scheduled or expected delivery times (timeliness).⁷ The performance of ESCAP developed economies is also shown for reference purposes.

Overall, figure 4.3 shows that trade logistics performance varies greatly across the Asia-Pacific subregions. East and North-East Asia, the best performing Asia-Pacific subregion, is continuing to make progress across all components of LPI over time. The other Asia-Pacific subregions, with the exception North and Central Asia, have shown only incremental improvement between 2010 and 2016.

Figure 4.3 Evolution of the Logistics Performance Index, by Asia-Pacific subregion, 2010-2016



Sources: World Bank Logistics Performance Index (accessed August 2016).

Note: East and North-East Asia – China, Hong Kong, China, Republic of Korea, Mongolia; South-East Asia – Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam; South and South-West Asia – Afghanistan, Bangladesh, India, Islamic Republic of Iran, Nepal, Pakistan and Turkey; Pacific island developing economies – Fiji and Papua New Guinea; North and Central Asia – Armenia, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan and Uzbekistan; developed economies – Australia, France, Germany, Japan, New Zealand, United Kingdom and the United States.

However, the rate of improvement and performance across indicators is mixed. A number of subregions – i.e. South-East Asia, South and South-West Asia, PIDEs and North and Central Asia – show uneven and, in some cases, declining performance in relation to the “timeliness” indicator.

“East and North-East Asia continue to top the Asia-Pacific region in terms of logistics and trade facilitation performance.”

The “timeliness” indicator, which provides some insights into the reliability and predictability of the supply chain, is particularly important for traders and producers. Hence, sustained improvement in this area would be beneficial to achieving overall competitiveness. The Asia-Pacific subregions show the widest range of performance in relation to the LPI “customs” and “tracking and tracing” components. Overall, “tracking and tracing” can be considered as one of the most challenging components, particularly for developing countries, due to the investments required for the technical infrastructure and solutions (World Bank, 2016a).

The seven worst logistics performers shown in figure 4.4 are all landlocked developing countries. This is unsurprising, as access to an efficient port is an important component of logistics performance. Furthermore, the requirements for transit and the frequent changes in modes of transport required by

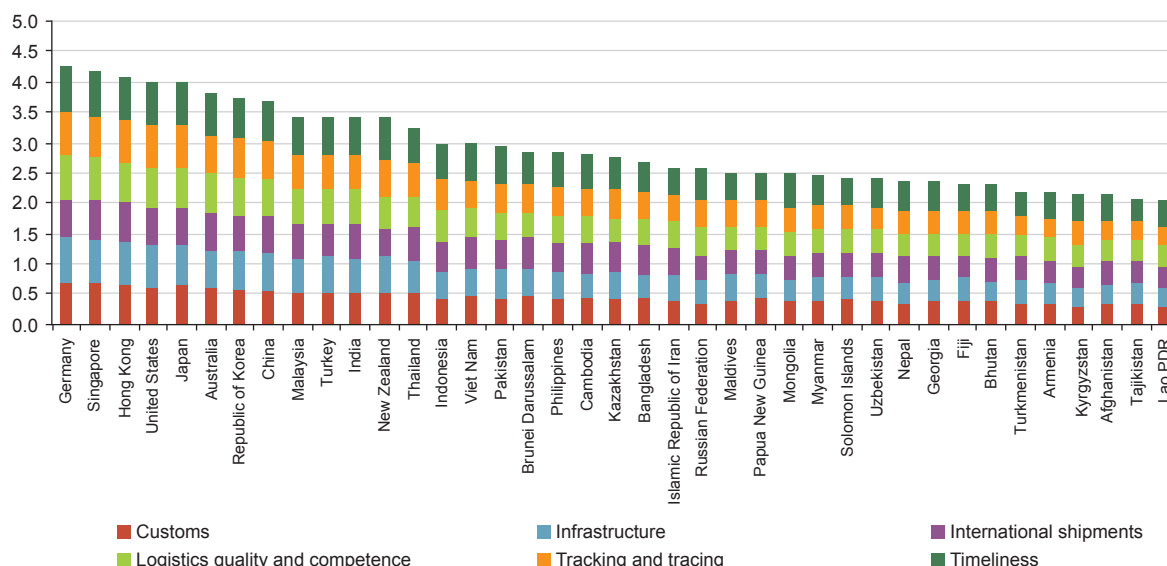
goods from the landlocked countries can adversely affect trade logistics in those countries.

A new methodology for the Trading Across Borders (TAB) of the World Bank Doing Business Indicators was introduced for the 2016 indicators. While this makes comparisons across time more problematic, the new methodology seeks to reflect the actual directions and volumes of international trade and differing regulatory burdens faced by traders (World Bank, 2016b).⁹ The indicator looks at three components of the procedures required for importing and exporting, i.e. documentary compliance, border compliance and domestic transport.⁹

The time and costs of domestic transport are measured under the new methodology; however, they do not count towards the overall TAB rankings. Hence, it can be seen that landlocked countries fare much better under the new TAB methodology. In fact, in terms of overall TAB rankings (table 4.2), the top two performers in the Asia-Pacific region are landlocked Bhutan and Armenia, as they both have relatively lower times for importing and exporting, and cost of trade. The lowest ranking countries are in South and South-West Asia, i.e. Afghanistan, Bangladesh and Pakistan.

Figure 4.5 presents the subregional averages of time and cost to trade in terms of border and documentary compliance. The leading performers in the Asia-Pacific

Figure 4.4 Performance across six dimensions of trade logistics, 2016



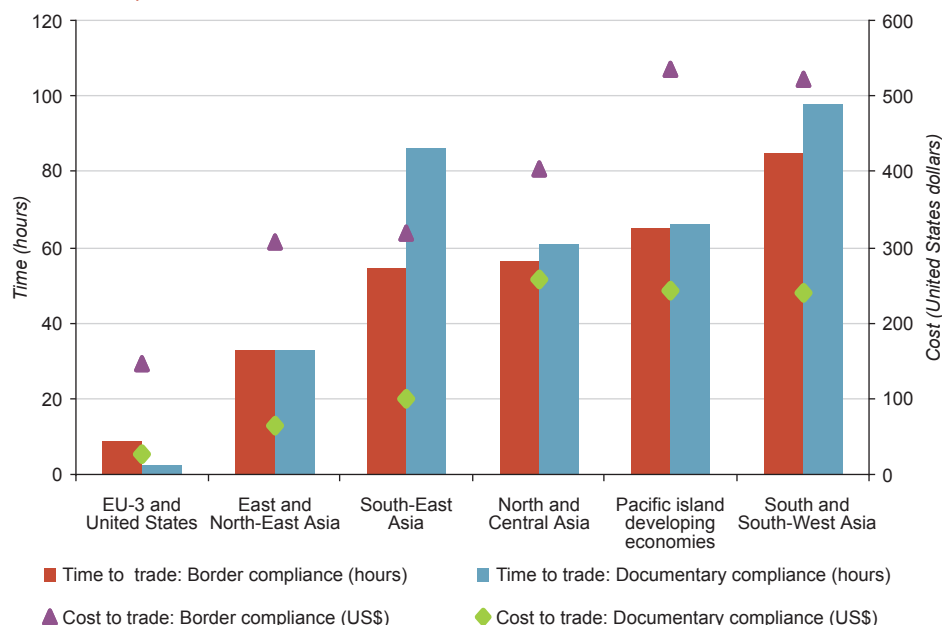
Sources: World Bank Logistics Performance Index (accessed July 2016).

Table 4.2 Performance rankings according to LPI, TAB and LSCI, 2016

Economy	LPI rank 2016	TAB rank 2016	LSCI rank 2016	Economy	LPI rank 2016	TAB rank 2016	LSCI rank 2016
Germany	1	35	8	Bangladesh	87	172	113
Singapore	5	41	3	Islamic Republic of Iran	96	167	88 ^a
Hong Kong, China	9	47	6	Russian Federation	99	170	49
United States	10	34	7	Maldives	104	137	138
Japan	12	52	18	Papua New Guinea	105	163	139
Australia	19	89	76	Mongolia	108	74	1 ^a
Republic of Korea	24	31	4	Myanmar	113	140	142
China	27	96	1	Solomon Islands	116	141	140
Malaysia	32	49	5	Uzbekistan	118	159	49 ^a
Turkey	34	62	36	Nepal	124	60	43 ^a
India	35	133	43	Georgia	130	78	154
New Zealand	37	55	92	Bhutan	135	21	43 ^a
Thailand	45	56	46	Fiji	136	73	131
Indonesia	63	105	86	Armenia	141	29	36 ^a
Viet Nam	64	99	25	Kyrgyzstan	146	83	49 ^a
Pakistan	68	169	63	Afghanistan	150	174	63 ^a
Philippines	71	95	101	Lao People's Democratic Republic	152	108	46 ^a
Cambodia	73	98	155	Tajikistan	153	132	63 ^a
Kazakhstan	77	122	49 ^a	Guam	N/A	47	133
Azerbaijan	87	94	36 ^a	Sri Lanka	N/A	90	24

Note: LPI rankings are based on the World Bank Logistics Performance Index Report 2016; TAB rankings are based on the World Bank Doing Business Report 2016; and UNCTAD LSCI rankings are based on data in 2016.

^a The LSCI ranking of each landlocked country is based on the ranking of its main transit country.

Figure 4.5 Border and trade documentary compliance, by Asia-Pacific subregion, compared with EU-3 and the United States, 2016


Sources: Calculation based on World Bank Doing Business Report 2016 (accessed July 2016).

Note: EU-3 and the United States – France, Germany, United Kingdom and United States; East and North-East Asia – China, Hong Kong, China, Japan, Republic of Korea and Mongolia; South-East Asia – Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Viet Nam; North and Central Asia – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan and Uzbekistan; Pacific island developing economies – Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Papua New Guinea, Samoa and Solomon Islands; South and South-West Asia – Afghanistan, Bangladesh, Bhutan, India, Islamic Republic of Iran, Maldives, Nepal, Pakistan, Sri Lanka and Turkey.

region are still in East and North-East Asia with trading time associated with border and documentary compliance of 33 hours, and average cost of trade associated with border and documentary compliance of \$309 and \$66, respectively. While border and documentary compliance costs in South-East Asia are only slightly higher than those of North-East Asia, compliance times are much higher. In particular, documentary compliance times in South-East Asia are found to exceed those in North and Central Asia as well as the PIDEs.

The subregion with the highest average time and cost associated with border and documentary compliance is South and South-West Asia, with trading time associated with border and documentary compliance of 85 hours and 98 hours, respectively, and an average cost of trade associated with border and documentary compliance of \$523 and \$242, respectively. Nevertheless, within the South and South-West Asia, there is enormous variation. For Bhutan (the best subregional and the Asia-Pacific region performer), which enjoys a very open border policy with India, the trading time associated with border and documentary compliance is two hours for both measures, while the average cost of trade associated with border and documentary compliance is \$84 and \$50, respectively. For Afghanistan (the lowest ranking subregional and the Asia-Pacific region performer), the time associated with border and documentary compliance is 72 hours and 290 hours, respectively, while the average cost associated with border and documentary compliance is \$681 and \$622, respectively.

C. PROGRESS IN MULTILATERAL AND REGIONAL COOPERATION FOR TRADE FACILITATION

Cooperation at the regional and multilateral levels is required in order to effectively facilitate trade and reduce trade costs, given the cross-border nature of global production networks and value chains. In recent years a number of significant international, regional and bilateral initiatives have been put in place to enhance cooperation in trade facilitation and paperless trade. Almost all regional trade agreements (RTAs) negotiated since 2010 by economies in the region include trade facilitation provisions. Moreover, the WTO Trade Facilitation Agreement (TFA), which was finalized at the Ministerial Conference in December 2013 as part the “Bali Package”, is now in the process of ratification by WTO members.¹⁰ At the regional level, the seventy-second Commission session of ESCAP

adopted the Framework Agreement of the Facilitation of Cross-border Paperless Trade in Asia and the Pacific, highlighting the fact that cooperation on progressive trade facilitation measures is an increasing priority in the Asia-Pacific region in the era of digital economy.

1. WTO Trade Facilitation Agreement

“The WTO Trade Facilitation Agreement provides a unique policy instrument for Governments to accelerate ongoing trade facilitation reforms.”

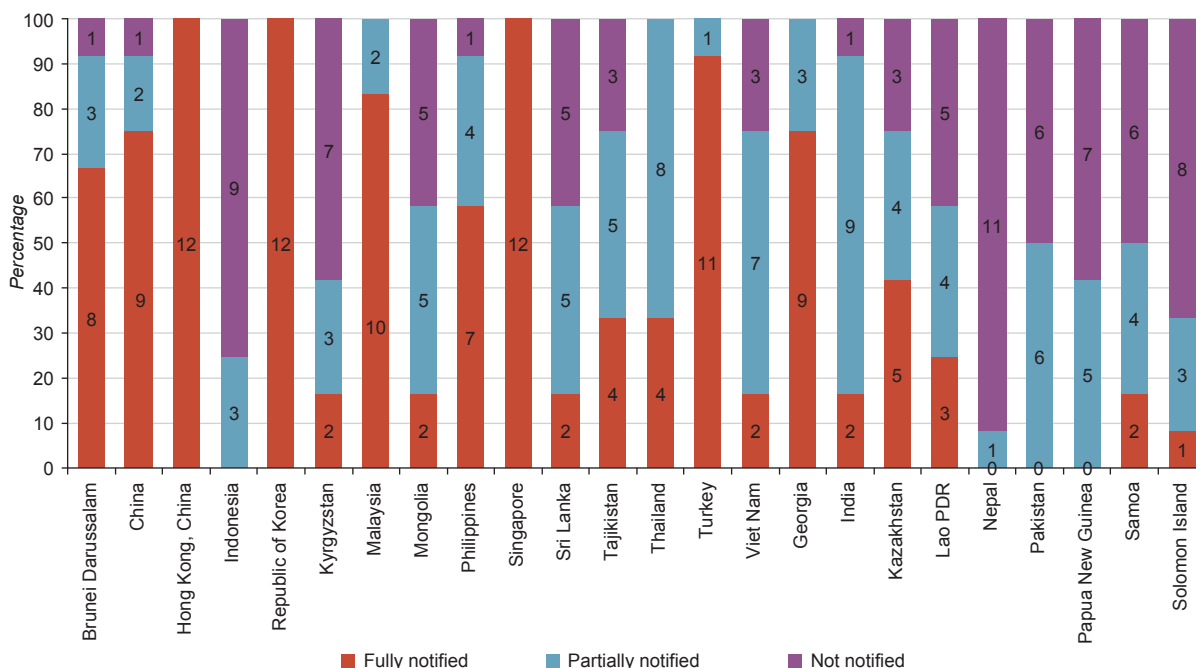
The objective of the WTO Trade Facilitation Agreement (TFA) is to facilitate the movement, clearance and release of goods through more efficient customs and border procedures. The TFA will enter into force once two thirds of the WTO members have completed their domestic ratification processes (or 110 members, given the current WTO membership). As of 10 November 2016, 96 WTO members – of which 26 are ESCAP regional member States and associate members – had ratified the TFA.¹¹ As members prepare for the implementation of the TFA, 24 developing economies in the Asia-Pacific region have already submitted notifications of relevant provisions of the TFA under Category A (figure 4.6).

Category A notifications indicate the provisions that the WTO members intend to have implemented by the time the TFA enters into force (or within a year of entry into force in the case of least developed countries). An analysis of these notifications also provides some indication of the level of trade facilitation implementation and policy priorities among the members. On average, the 24 Asia-Pacific economies have fully notified nearly 60% of all substantive provisions in the TFA. This sample includes six landlocked developing countries and four least developed countries; the results indicate that most developing countries have already made good progress in implementing many of the measures included in the TFA.

“Most developing countries in the Asia-Pacific region have already made good progress in implementing the WTO Trade Facilitation Agreement.”

The Asia-Pacific region is home both to the most and the least efficient economies in terms of trade facilitation. In fact, the only three economies, among all WTO members, to have fully notified all 12 articles of the TFA under Category A, are: the Republic of Korea; Singapore and Hong Kong, China. These

Figure 4.6 Category A notifications of 24 Asia-Pacific economies (article level)



Sources: Updated from Duval and Bayona (2015).

economies are also recognized global leaders in trade facilitation. Figure 4.6 also shows that landlocked developing countries (Kazakhstan, Kyrgyzstan, the Lao People’s Democratic Republic, Mongolia, Nepal and Tajikistan) have fully notified a lower percentage of the TFA than other economies (Duval and Bayona, 2015). The ability to implement trade facilitation measures is closely related to different aspects of human and institutional development, as may be captured by income, the human development index, internet access, or the corruption perception index (UNCTAD, 2016).

The TFA provides a unique and valuable tool and policy instrument for Governments in developing countries to revitalize or accelerate ongoing trade facilitation reforms aimed at reducing trade costs and enabling greater participation in global value chains (GVCs). Furthermore, the TFA can provide greater impetus for economies to adopt increasingly advanced trade facilitation reform, such as paperless trade initiatives.

Implementation both of the binding and non-binding TFA measures is expected to result in a 5% reduction in trade costs, on average, under a partial implementation scenario, and an 11% reduction under the more ambitious full implementation scenario (ESCAP, 2015c). In contrast, implementation of the

binding TFA measures alone results, at best, in a 6.8% decrease in trade costs on average in the Asia-Pacific region. Under a WTO TFA+ scenario, where paperless trade measures not included in the TFA are also implemented, the average trade cost reduction across countries increases to more than 13%.

“Implementation of both the binding and non-binding WTO Trade Facilitation Agreement measures is expected to cut trade costs by 11%.”

Both the partial and the full implementation scenarios suggest that TFA measures, which will have the highest impact, on average, on trade costs are those related to “formalities”, both in the case of binding and non-binding measures. However, analysis of the Category A notifications suggests that the provisions related to “formalities” and the “release and clearance of goods” (TFA Articles 10 and 7), including Single Window implementation, are those which will require more time and technical assistance for implementation in the Asia-Pacific region (Duval and Bayona, 2015). Beyond the TFA measures, the WTO+ scenario analysis suggests that the largest reduction of trade costs is achieved through partial or full implementation of paperless trade measures not specified in that Agreement (table 4.3).

Table 4.3

Changes in international trade costs of the Asia-Pacific region as a result of WTO TFA implementation

(Percentage)

	WTO TFA (Binding only)		WTO TFA (Binding + non-binding)		WTO TFA+ (Binding + non-binding + other paperless trade)	
	Partially implemented	Fully implemented	Partially implemented	Fully implemented	Partially implemented	Fully implemented
Model 1						
Overall TF	-3.15	-6.77	-5.38	-11.11	-6.71	-13.16
Model 3						
Transparency	-0.79	-1.67	-1.13	-3.09	-1.13	-3.09
Formalities	-2.25	-3.17	-2.66	-3.95	-2.66	-3.95
Institution	-0.10	-0.35	-0.10	-0.35	-0.10	-0.35
Paperless trade	-	-	-1.45	-2.34	-2.91	-4.83

Source: ESCAP (2015a).

2. The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific

“The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific is inclusive and designed to enable least developed and landlocked developing countries to participate.”

The recently adopted Framework Agreement is a regional United Nations treaty wholly dedicated to facilitation of paperless trade, and in particular the electronic exchange of trade-related data and documents between Governments, and between businesses and Governments, across borders. It opened for signature by ESCAP member States on 1 October 2016 at the United Nations Headquarters in New York and will enter into force 90 days after five United Nations Member States have ratified it (see box 4.1 for more details).¹²

The new regional agreement is complementary to the TFA, which focuses on more conventional trade facilitation measures. For example, while the TFA includes a provision on developing a Single Window at the national level, either paper-based or electronic, it does not address the issue of interoperability of Single Windows or cross-border paperless trade. Taking part in the implementation of the Framework Agreement is therefore expected to enable ESCAP members to more fully implement the Single Window provision of the TFA given that “[WTO] members shall, to the extent possible and practical, use information technology to support the single window”.¹³

More broadly, the implementation of progressive and innovative cross-border paperless trade measures under, or related to, the Framework Agreement can be expected to bring about significant benefits in terms of new export potential and reduced trade transactions costs (box 4.1). However, taking into account the very different readiness levels of Asia-Pacific countries in trade facilitation, capacity-building and technical assistance will need to be provided to less-advanced ESCAP member States, as highlighted in the Framework Agreement itself.

“Adoption of new generation trade facilitation measures will be essential to competition in the digital economy.”

D. CONCLUSION

While economies in Asia and the Pacific continue to make improvements in trade facilitation, gaps among subregional economies remain. The heterogeneity in trade facilitation performance and trade cost reduction is a hindrance to full regional integration and efficient value chains. Given these disparities in development levels, access to legal and technical assistance as well as capacity-building may be required by countries with special needs in order implement more advanced trade facilitation and paperless trade measures.

In this regard the significant progress in multilateral and regional levels on trade facilitation – i.e. the WTO TFA and the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific – is encouraging, as these developments benefit both the trade facilitation high performers as well

**Box
4.1****Innovation in trade facilitation and economic integration: ESCAP member States conclude an intergovernmental agreement on cross-border paperless trade facilitation**

The Global Survey on Trade Facilitation and Paperless Trade Implementation, which was conducted in 2015 by the United Nations Regional Commissions in collaboration with other international partners, confirmed that developed and developing countries are increasingly using technological innovations to facilitate the exchange of information between traders and regulatory authorities domestically, investing in Single Window and other paperless trade systems. However, the lack of appropriate legal and technical frameworks enabling the recognition of electronic data and documents across borders by public and private stakeholders located in different countries along the international supply chain often means that international transactions cannot be completed without time and resource-intensive paper documents. Since 2012, ESCAP member States have been working together on developing cross-border paperless trade solutions, and are now negotiating a cutting-edge intergovernmental agreement dedicated to this issue.

Implementation of cross-border paperless trade measures can potentially increase Asia-Pacific exports annually by \$36 billion up to \$257 billion. In tandem, the time required to export would fall between 24% and 44%, and the direct costs between 17% and 31%, depending on the reform scenario considered. Furthermore, the total direct cost savings across all trade in the Asia-Pacific region would be approximately \$1 billion annually for partial reform, and \$7 billion annually for full implementation.

Given the large potential benefits associated with the implementation of these “next generation” trade facilitation measures, it is in the interest of countries to work together and develop the legal and technical protocols needed for the seamless exchange of regulatory and commercial data and documents along the international supply chain. Some work has already been done bilaterally as well as in several Asian subregions (e.g. the ASEAN Single Window). The implementation of the intergovernmental Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, adopted by the ESCAP Commission in May 2016, is expected to build upon as well as support existing initiatives, providing a “digital” complement to the WTO Agreement on Trade Facilitation. The ESCAP Framework Agreement will provide ESCAP member States who ratify the regional treaty with:

- (a) A common set of general principles, based on which paperless trade systems could be implemented;
- (b) A dedicated intergovernmental platform to exchange best practices, and request/offer capacity-building and technical assistance;
- (c) The opportunity to multilaterally develop, adopt and implement more specific and detailed technical and/or legal protocols needed to achieve safe and secure cross-border paperless trade (e.g. the exchange and legal recognition of e-Certificates of Origin or other relevant documents).

More information about the Framework Agreement is available from:
www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific

as economies that are lagging behind by providing platforms for technology transfer, capacity-building and harmonization of international standards and tools.

Looking to the future, although regional or multilateral cooperation on trade facilitation will become increasingly important in harmonizing and simplifying trade processes and accelerating reform, policymakers will still need to work hard on enabling interagency and public-private sector cooperation domestically. This includes developing the consultation and monitoring systems necessary for identifying key bottlenecks and prioritizing trade facilitation reform accordingly.¹⁴

Endnotes

- ¹ Updated information on ratification of the WTO TFA is available from www.tfafacility.org. Data on trade facilitation implementation levels in Asia-Pacific (and globally) are available from the UNRCs Trade Facilitation and Paperless Trade Implementation Survey website, <http://unnex.unescap.org/UNTFSurvey2015.asp>; See also Duval and Bayona (2015).
- ² This is done using bilateral aggregate trade cost data from the ESCAP-World Bank Database, presented in Arvis and others (2016).
- ³ See figure 4.2 of the *Asia-Pacific Trade and Investment Report 2015* (ESCAP, 2015b).
- ⁴ The LPI, which seeks to assess the “logistics friendliness” of countries, is compiled based on a global survey of logistics operators – including global freight forwarders

and express carriers – of the country in which they operate in and with which they trade. The qualitative assessments of the logistics operators are supplemented with quantitative data on performance of key aspects of the logistics chain in that country. More information available at <http://lpi.worldbank.org/about>.

⁵ Trading Across Borders (TAB) is the component of the World Bank's Doing Business Indicator that records the time and cost (excluding tariffs) associated with exporting and importing goods by looking at three sets of procedures: documentary compliance; border compliance; and domestic transport. More information on TAB is available from www.doingbusiness.org/data/exploretopics/trading-across-borders.

⁶ LSCI comprises five components: fleet deployment – number of ships; container carrying-capacity; number of companies that deploy their container ships from a country's ports; number of liner services; and maximum vessel size.

⁷ The "customs" component can be considered as the performance of the "soft" infrastructure' i.e. the efficiency of border management agencies and procedures, while the "infrastructure" component captures the "hard infrastructure" requirements for trade in goods. For developing countries in particular, progress needs to be made on both of these fronts (World Bank, 2016b).

⁸ More information about the new methodology is available from www.doingbusiness.org/methodology/trading-across-borders.

⁹ Documentary compliance refers to the compliance associated with documentary requirements of all government agencies of the origin, destination and transit economies. This includes obtaining, preparing, processing presenting and submitting documents. Border compliance refers to the compliance associated with regulations or inspections that are mandatory in order for a shipment to cross a border. Such compliance extends to obtaining, preparing and submitting documents during port or border handling, customs clearance and inspection procedures. Domestic transport performance can be determined by a number of factors, including geography, road capacity, infrastructure and proximity to border. More details are available at World Bank (2016b).

¹⁰ The WTO TFA is the centrepiece of this package, thus making it the world's first truly global multilateral trade agreement concluded since the creation of WTO. The full list of countries that ratified the agreement is available from www.tfafacility.org/ratifications.

¹¹ Thirty-six ESCAP member States and two associate members are also WTO members; of those, 12 members

have not yet ratified (as of 10 November 2016) the WTO TFA, i.e. Armenia, Fiji, Indonesia, Kyrgyzstan, Maldives, Mongolia, Nepal, Papua New Guinea, Solomon Islands, Tajikistan, Tonga and Vanuatu.

¹² The finalized text of the Framework Agreement on the Facilitation of Cross-border Paperless Trade is available from www.un.org/ga/search/view_doc.asp?symbol=E/ESCAP/RES/72/4&Lang=E.

¹³ Article 10.4.4 of the WTO Agreement on Trade Facilitation, https://www.wto.org/english/thewto_e/minist_e/mc9_e/desci36_e.htm

¹⁴ This may be done by applying the Business Process Analysis methodology developed by the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (2015). Available from <https://unnex.unescap.org/>.

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