

Trade Facilitation Implementation in Asia-Pacific 2015: Moving Towards Paperless Trade

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Highlights

ESCAP recently released the results of the United Nations Regional Commissions (UNRC) Global Trade Facilitation (TF) and Paperless Trade Implementation Survey 2015 for 44 economies and 5 sub-regions across the Asia-Pacific. The survey provides data on the implementation of 38 TF measures, including but not limited to those featured in the WTO Trade Facilitation Agreement (WTO TFA). The analysis of the implementation data collected reveals the following:¹

- The level of implementation of the ambitious set of TF measures considered in the UNRC Survey reaches almost 50%,² indicating that the region has been actively engaged in implementing TF initiatives. Nearly 40% of the Asia-Pacific economies are now implementing advanced national paperless trade systems such as electronic single windows. However, cross-border paperless trade systems implementation remains mostly at the pilot stage, including in ASEAN.
- Implementation remains very heterogeneous, with Australia, Republic of Korea and Singapore achieving scores in excess of 85%, while other economies barely achieve 15% implementation. TF implementation levels are lowest in Pacific Islands, with levels in North and Central Asia and South Asia also below 50%. While East Asia and South-East Asia are performing well above the Asia-Pacific average, all sub-regions still have significant room to make progress in all areas of trade facilitation, starting with institutional arrangements and further enhancing inter-agency cooperation.
- In relation to the WTO TFA, which now provides the baseline set of TF measures to be implemented, more than half of all 44 Asia-Pacific economies³ have at least partially implemented 80% of TFA-related measures included in the Survey. Specific areas that need the most work are *Trade facilitation measures for authorized operators*, *Establishment and publication of average release times*, and *Electronic Single Window System*, which all have implementation rates of less than 50%.
- While implementation of the WTO TFA is well on its way in Asia-Pacific, full implementation of the agreement in developing countries of the region could still lower overall trade costs by 16% to 17% on average. However, many developing countries, particularly those who have already reached implementation levels of 55% in the UNRC Survey, may need to focus on adopting paperless and cross-border paperless trade facilitation measures beyond the basic requirements of the WTO TFA in order to significantly reduce trade costs.

¹ Full regional report, as well as country notes are available at: unnex.unescap.org/UNTFSurvey2015.asp

² For reference, full implementation of the WTO TFA would bring an economy to implementation levels of 54.8%.

³ Of these, 33 are WTO members; 5 are observers and 6 are not members (Kiribati, Micronesia, Nauru, Palau, Tuvalu, and Timor-Leste). Thus, the majority are WTO members, with the exception of a few Pacific islands and Timor-Leste.

Background

It is well understood that reducing trade costs is essential in enabling economies to effectively participate in global value chains and use trade as a main engine of growth and sustainable development. More importantly, recent studies suggest that much of the trade cost reductions achieved over the past decade have been through the elimination or lowering of tariffs, implying that further trade cost reduction will have to come from other sources of trade cost.⁴ These include not only inefficient transport and logistics infrastructure & services, but also cumbersome regulatory procedures and documentation. Indeed, trade facilitation (the simplification and harmonization of import, export and transit procedures) – including paperless trade (the use and exchange of electronic data and documents to support the trade transaction process) – has enjoyed increasing importance as evidenced by the successful conclusion of the negotiations on a WTO Trade Facilitation Agreement (WTO TFA) in December 2013, and the progress made at ESCAP on developing a complementary regional arrangement for the facilitation of cross-border paperless trade since 2012.

In September 2014, a pioneering global survey to collect data and information on trade facilitation (TF) and paperless trade implementation was initiated as a new effort by all United Nations Regional Commissions (UNRCs), in cooperation with other interested international organizations,⁵ to provide reliable and sufficiently detailed data on the implementation of trade facilitation in general - and single window and paperless trade in particular at the global level.

The survey was prepared taking into account the final list of provisions included in the WTO TFA as well as the content of the draft text of the regional UN treaty on cross-border paperless trade facilitation under negotiation at ESCAP. It covers 38 trade facilitation measures divided into four groups, namely, *General trade facilitation measures*, *Paperless trade*, *Cross-border paperless trade* and *Transit facilitation* (see Table 1). The *General trade facilitation measures* – as well as *Transit facilitation* measures – are essentially measures featured in the WTO TFA. In contrast, most paperless trade and, in particular, cross-border paperless trade measures, are not specifically featured in the WTO TFA, although their implementation in many cases would support the better implementation of many of the *General trade facilitation measures*.

The data collection methodology followed a three-step approach: 1) Data submission by TF experts from governments, private sector and/or academia in member states; 2) Data verification by the ESCAP secretariat through desk research, data sharing and direct interviews with survey partners; and 3) Data validation by national governments to review the datasets and provide additional information. To ensure comparability of implementation levels across economies, only those measures applicable to all countries where included in the regional analysis, bringing down the total number of measures to 31 (from 38).⁶

⁴ For example, see ESCAP (2011), Asia-Pacific Trade and Investment Report 2011, United Nations.

⁵ The survey has been conducted in close collaboration with OECD, ITC and UNCTAD, as well as several sub-regional organizations, such as OCO in the South Pacific.

⁶ Two of the measures classified under Institutional arrangement and cooperation (No. 33, 34), one measure under Paperless trade (No. 20), and one measure under Transit facilitation (No. 35) are excluded as not applicable to all countries (e.g., Pacific Islands). Similarly, four transit facilitation measures are also excluded. The overall score of each country is simply a summation of the scores of implementation (3,2,1 or 0) it receives for each trade facilitation measure. The maximum possible (full) score of an economy is 93 and the average score across all 44 economies is 43.3 (or 46.5% in percentage term).

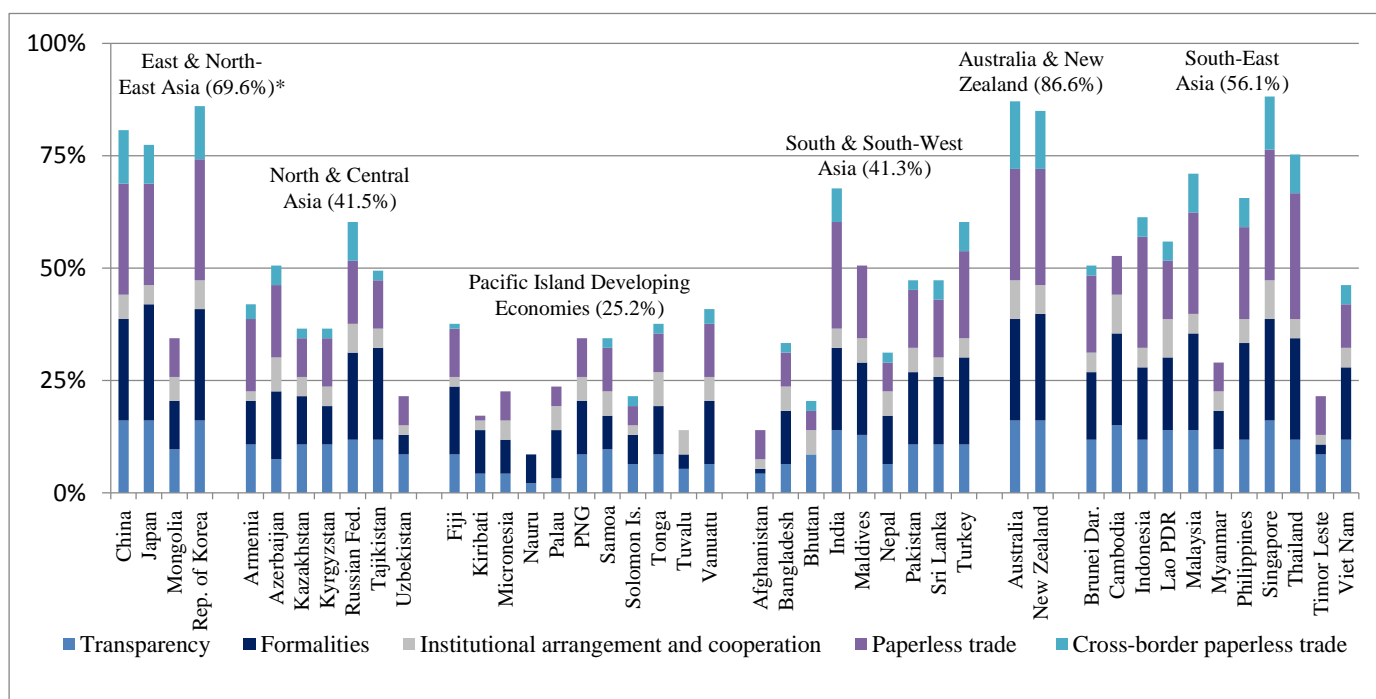
Table 1: List of trade facilitation and paperless trade measures included in the survey

		Trade facilitation measure (and question No.) in the questionnaire
General TF measures	Transparency	2. Publication of existing import-export regulations on the Internet 3. Stakeholder consultation on new draft regulations (prior to their finalization) 4. Advance publication/notification of new regulation before their implementation (e.g., 30 days prior) 5. Advance ruling (on tariff classification) 9. Independent appeal mechanism (for traders to appeal Customs and other relevant trade control agencies' rulings)
	Formalities	6. Risk management (as a basis for deciding whether a shipment will be or not physically inspected) 7. Pre-arrival processing 8. Post-clearance audit 10. Separation of Release from final determination of customs duties, taxes, fees and charges 11. Establishment and publication of average release times 12. Trade facilitation measures for authorized operators 13. Expedited shipments 14. Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities.
	Institutional arrangement and cooperation	1. Establishment of a national trade facilitation committee or similar body 31. Cooperation between agencies on the ground at the national level 32. Government agencies delegating controls to Customs authorities 33. Alignment of working days and hours with neighbouring countries at border crossings, and 34. Alignment of formalities and procedures with neighbouring countries at border crossings
	Paperless trade	15. Electronic/automated Customs System established (e.g., ASYCUDA) 16. Internet connection available to Customs and other trade control agencies at border-crossings 17. Electronic Single Window System 18. Electronic submission of Customs declarations 19. Electronic Application and Issuance of Trade Licenses 20. Electronic Submission of Sea Cargo Manifests 21. Electronic Submission of Air Cargo Manifests 22. Electronic Application and Issuance of Preferential Certificate of Origin 23. E-Payment of Customs Duties and Fees 24. Electronic Application for Customs Refunds
	Cross-border paperless trade	25. Laws and regulations for electronic transactions are in place (e.g. e-commerce law, e-transaction law) 26. Recognized certification authority issuing digital certificates to traders to conduct electronic transactions 27. Engagement of the country in trade-related cross-border electronic data exchange with other countries 28. Certificate of Origin electronically exchanged between your country and other countries 29. Sanitary & Phyto-Sanitary Certificate electronically exchanged between your country and other countries 30. Banks and insurers in your country retrieving letters of credit electronically without lodging paper-based documents
	Transit facilitation	35. Transit facilitation agreement(s) with neighbouring country(ies) 36. Customs Authorities limit the physical inspections of transit goods and use risk assessment 37. Supporting pre-arrival processing for transit facilitation 38. Cooperation between agencies of countries involved in transit

Findings: TF implementation in Asia-Pacific

Figure 1 shows the TF implementation levels of 44 Asia-Pacific economies, with an overall regional average implementation score of 46.5%. Implementation is very heterogeneous, with Australia, Republic of Korea and Singapore achieving scores in excess of 85%, while other countries barely achieve 15%.

Figure 1: Overall implementation of trade facilitation measures in 44 Asia-Pacific economies

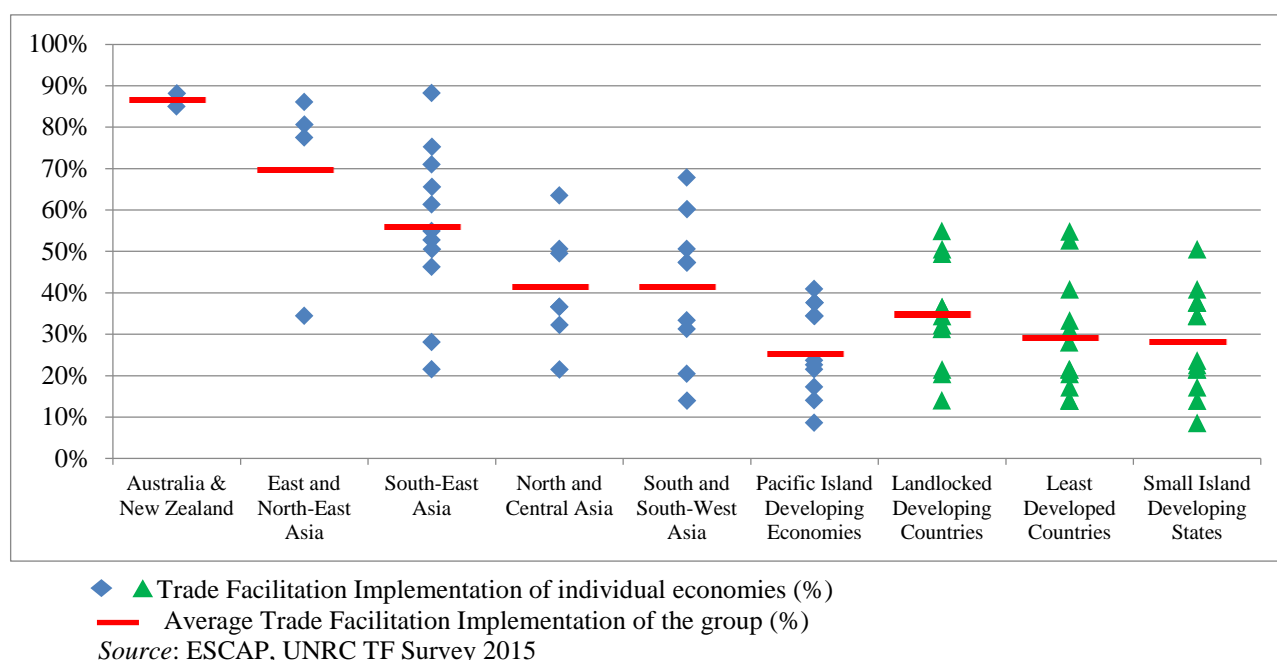


*Sub-regional average implementation rate

Source: ESCAP, UNRC TF Survey 2015

More advanced or larger economies typically have achieved higher levels of trade facilitation than smaller or less developed countries such as LDCs or small Pacific countries. However, this is not always the case. For example, while Cambodia and Lao PDR are both LDCs, they achieve high scores. Similarly, Maldives achieves a relatively high score although it is a Small Island Developing State (SIDS) that only recently graduated from the LDC group in 2011. Likewise, while high income economies have systematically achieved high levels of implementation, implementation levels in low income economies differ dramatically from one country to another, ranging from less than 15% to over 60%.

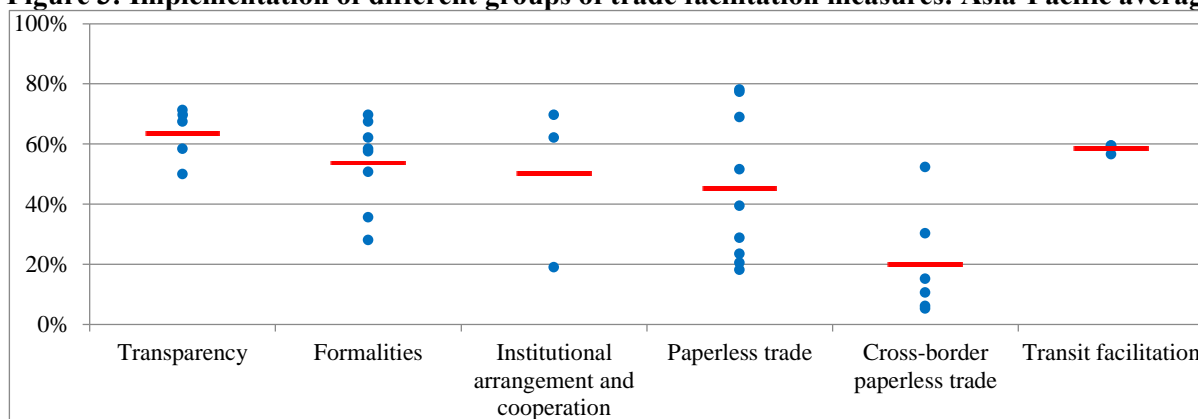
Figure 2 presents TF implementation (in percentage) in the sub-regions (indicated by the blue diamonds) and the groups of economies with special needs, namely, LLDCs, LDCs and SIDS (green triangles), as well as the average level of implementation of each group of economies (red bars). Aside from Australia and New Zealand, the highest average level is obtained by East and North-East Asia (ENEA) at 70%, followed by South-East Asia (SEA), North and Central Asia (NCA) and South and South-West Asia (SSWA). Pacific Developing Economies average implementation lags far behind other sub-regions at only 25%.

Figure 2: TF implementation in Asia-Pacific sub-regions and countries with special needs

TF implementation also varies widely within each sub-region. Differences are widest in South-East Asia, but this is essentially due to Myanmar and Timor-Leste, two countries that have only recently been able to actively engage in international trade. In fact, regional integration processes appear to have played a significant and positive role in TF implementation, with several LDCs in ASEAN – where regional cooperation on trade facilitation has long been promoted – achieving higher implementation rates than LDCs in other sub-regions. Differences are smallest within Pacific developing economies, which might arguably be explained by the fact that these small and generally isolated economies all face very similar implementation constraints.

Countries with special needs in the Asia-Pacific region face particular challenges in TF implementation, especially for paperless trade and cross-border paperless trade measures. This is reflected in the average implementation levels of these countries, which varies between 25% and 35% depending on the group of countries considered (Figure 2). Interestingly, LLDCs as a group appear to have achieved higher TF implementation levels on average than LDCs or SIDS. This is welcome news given the particular importance of trade facilitation for these economies and the strong support of development partners in supporting implementation of trade and transport facilitation in LLDCs, including in the context of the Vienna Programme of Action (VPoA).

All countries are engaged in the implementation of various measures aimed at enhancing the transparency of trade procedures, as well as in reducing the formalities associated with them. While implementation levels vary greatly across countries for all categories of trade facilitation measures, differences in overall scores across countries are exacerbated by wide differences among countries in the level of implementation of paperless trade measures, and in particular cross-border paperless trade. Indeed, while all but two economies in the region have taken steps towards implementation of paperless trade, nearly a quarter of the countries have not implemented – even at the pilot stage – any measure related to cross-border paperless trade, i.e., the exchange and legal recognition of electronic trade data and documents across borders with trade partners.

Figure 3: Implementation of different groups of trade facilitation measures: Asia-Pacific average

Note: Blue dots show regional average implementation level of individual measures within each group.

— Average regional implementation level by groups of measures.

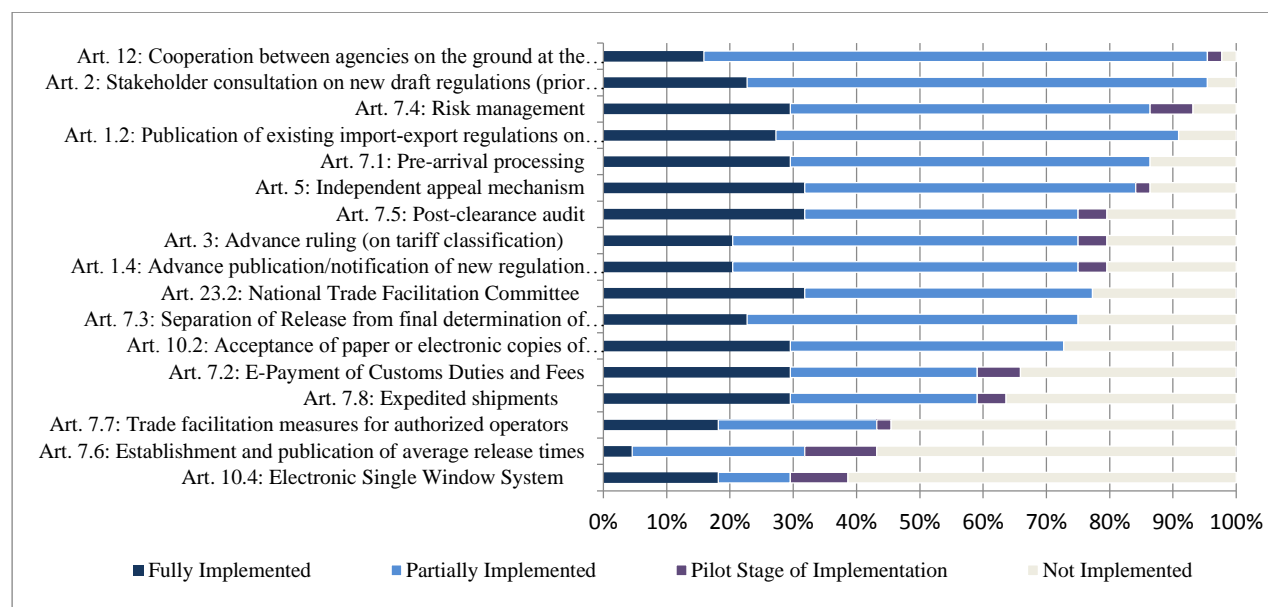
Source: ESCAP, UNRCs TF Survey 2015

Figure 3 shows that overall, “transparency” measures, including measures such as *Stakeholder consultation on new draft regulations prior to implementation*; or *Publication of existing import-export regulations on the internet*, have been the best implemented (regional average implementation higher than 60%, followed by “transit facilitation” measures (57%). Measures aimed at reducing or speeding up “formalities”, in particular implementation of *Risk management* and *Pre-arrival processing of documents*, have also been given serious attention in many economies of the region, with the regional average implementation rate exceeding 50% in that category. Regional average implementation also reaches 50% for measures related to “institutional arrangements and inter-agency cooperation”, in particular as many countries are working on the *Establishment of national trade facilitation committees*.

Likewise, the regional average level of implementation of “paperless trade” measures also stands close to 50%. However, implementation varies greatly depending on the individual measures considered. For example, while *Internet connections available to Customs and other trade control agencies at border-crossings* and *Electronic/automated Customs System* are partially or fully implemented in nearly all countries, facilities enabling the *Electronic application and Issuance of Preferential Certificate of Origin* have yet to be considered for implementation in many economies. Similarly, while many economies have developed legal frameworks to enable paperless trade, implementation of “cross-border paperless trade” has yet to begin in many developing countries.

WTO TFA implementation

In December 2013, negotiations for the World Trade Organization Trade Facilitation Agreement (WTO TFA) concluded in Bali, Indonesia, with the Agreement containing provisions for expediting the movement, release and clearance of goods, including goods in transit. Full implementation of the WTO TFA, which is arguably now the baseline set of TF measures to be implemented, would bring an economy to implementation levels of 54.8% within the context of this survey. Figure 4 shows that 17 (of 31) TF measures included in the survey directly relate to the WTO TFA, including 15 *General TF measures*, along with *Electronic Single Window* and *E-Payment of Customs Duties and Fees*.

Figure 4: Implementation of WTO TFA-related measures in Asia-Pacific: 2015 (% of countries)

Source: ESCAP, UNRC TF Survey 2015

Among these measures, 14 of 17 measures (more than 80%) have been at least partially implemented in more than half of all 44 Asia-Pacific countries surveyed, indicating that WTO TFA implementation in the region is already significantly underway. This is reinforced by ESCAP's previous analysis of WTO TFA Category A notifications in the region,⁷ which indicates that on average, 15 Asia-Pacific economies that have already submitted their Category A notifications to the WTO have fully notified nearly 70% of all substantive provisions in the WTO TFA, indicating that they have either fully implemented – or have full intention to implement within a short time frame – these measures.

The four measures most implemented (fully, partially, or on a pilot basis) in Asia-Pacific countries are *Cooperation between agencies*, *Stakeholder consultation on new draft regulations*, *Risk management*, and *Publication of existing import-export regulations*, with implementation on-going in 90% of the Asia-Pacific countries. Importantly, however, these four measures appear to be at different stages of implementation, with *Cooperation between agencies* in particular being among the least “fully implemented” WTO TFA measures considered in the Survey.

In contrast, the three least implemented measures are *Trade facilitation measures for authorized operators*, *Establishment and publication of average release times*, and *Electronic Single Window System*, which all have been initiated in less than 50% of the economies. *E-payment of Customs Duties* and *Expedited Shipments* have also been partially or fully implemented in only 60% of the Asia-Pacific economies.

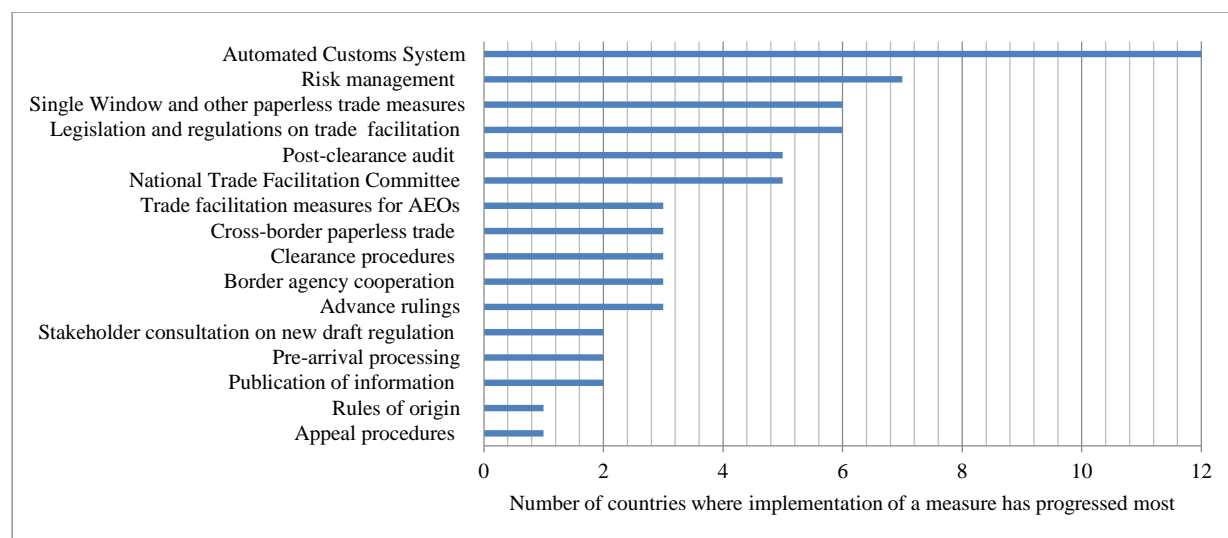
Focus and challenges of TF implementation

Anecdotal evidence on achievements and challenges faced in TF implementation over the past 12 months was collected during the Survey (Figure 5). It suggests that many countries across the Asia-Pacific region put the most emphasis over the past year on improving their (existing) *Automated*

⁷ Namely, the list of substantive provisions they have either already implemented or are committed to implement by the time the TFA enters into force. See full article here: <http://www.unescap.org/sites/default/files/Trade%20Insights%20-%20Issue%20No.%202007-%20TFA%20Notifications%20-%20FINAL.pdf>

customs systems and related *Risk management* systems. Many also worked on implementing *Single Window* and other paperless trade measures, as well as in adopting *New legislation and regulations* for trade facilitation (e.g., adoption of new or amended Customs laws). Finally, implementation of *Post-clearance audit*, a measure very much complementary to that of risk management, and establishment of *National Trade Facilitation Committees*, a measure required in the WTO TFA finalized in December 2013, also received particular attention over recent months across the Asia-Pacific region.

Figure 5: Focus of trade facilitation measures implementation in Asia-Pacific since 2013/2014



Source: ESCAP, UNRC TF Survey 2015

Experts from 30 countries identified three key challenges faced by their countries in the implementation of trade facilitation measures. *Lack of coordination between government agencies* and *Limited human resource capacity* were put forward as the most serious challenges faced for the implementation of trade facilitation measures in 21 of 30 countries. *Lack of political will*, *No clearly designated lead agency* and *Financial constraints* were also each mentioned in at least 16 countries. Interestingly, while all five challenges seem to be equally important in LDCs, *Limited human resource capacity* seems to be relatively more important than other challenges in SIDS. In LLDCs, *Lack of coordination between government agencies* seems to be relatively less important than other challenges such as *Financial constraints* or *Lack of political will* to facilitate trade. In contrast, in other developing countries, *Lack of coordination between government agencies* is clearly flagged as the main challenge for making further progress on implementation of trade facilitation.

Conclusions and way forward

Based on an ambitious package of more than 30 trade facilitation measures included in the UNRC Survey 2015, regional average trade facilitation implementation is found to be nearing 50%, suggesting that significant room remains for progress in many Asia-Pacific economies.

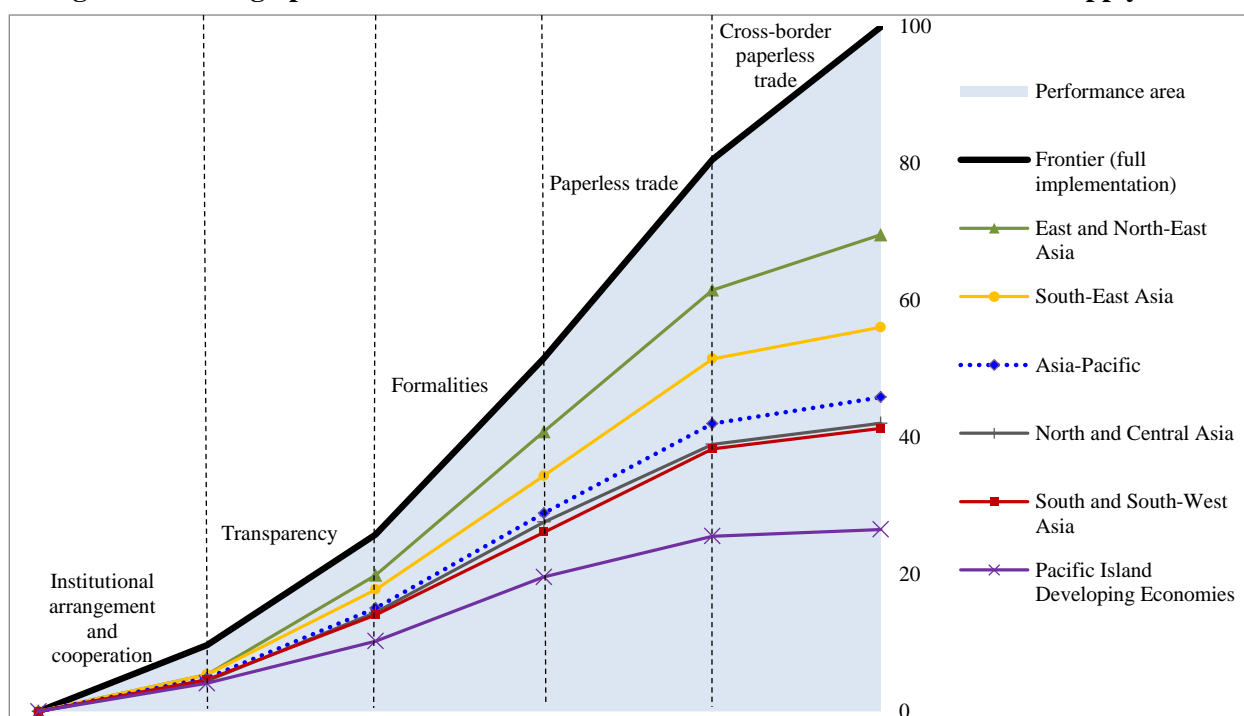
A large majority of countries in the region have been actively engaged in implementing measures to improve transparency, enhance inter-agency coordination and cooperation, and streamline fees and formalities associated with trade. Likewise, nearly 40% of all economies in the region are now also engaged in the implementation of more advanced national multi-agency paperless systems such as national electronic single windows.

However, implementation of cross-border paperless trade systems remains mostly at the pilot stage. This is certainly not surprising given that, on one hand, many less advanced countries in the region are at an early stage of development of national paperless systems and that, on the other hand, more

advanced countries have paperless systems in place that are not fully interoperable with each other. In that regard, given the large potential benefits associated with the implementation of these “next generation” trade facilitation measures, it is in the interest of countries from all groups to work together and develop the legal and technical protocols needed for the seamless exchange of regulatory & commercial data and documents along the international supply chain. Some work has already been done bilaterally as well as in several Asian sub-regions (e.g., the ASEAN Single Window). This work can be further leveraged at the regional level through adoption and implementation of the intergovernmental agreement for the facilitation of cross-border paperless trade currently under negotiation at ESCAP.⁸

Figure 6 shows implementation of trade facilitation as a step-by-step process, based on the groups of measures included in this survey. Trade facilitation begins with the setting up of the *Institutional arrangement* needed to prioritize and coordinate implementation of TF measures. The next step is to make the trade processes more *Transparent* by sharing information on existing laws, regulations and procedures as widely as possible and consulting with stakeholders when developing new ones. Designing and implementing simpler and more efficient trade *Formalities* is next. The re-engineered and streamlined processes may first be implemented based on paper documents, but can then be further improved through ICT and the development of *Paperless trade* systems. The ultimate step is to enable the electronic trade data and documents exchange by traders, government and service providers within national (single window and other) systems to be used and re-used to provide stakeholders in partner countries with the information they need to speed up the movement of goods and reduce the overall costs of trade.

Figure 6: Moving up the trade facilitation ladder towards seamless international supply chains⁹



Source: ESCAP, UNRC TF Survey 2015

The regional and sub-regional cumulative TF implementation levels shown in Figure 6 reveal that, while East and South-East Asia are performing well above the Asia-Pacific average and cross-border paperless trade facilitation is the least implemented of all groups of measures, all sub-regions still have

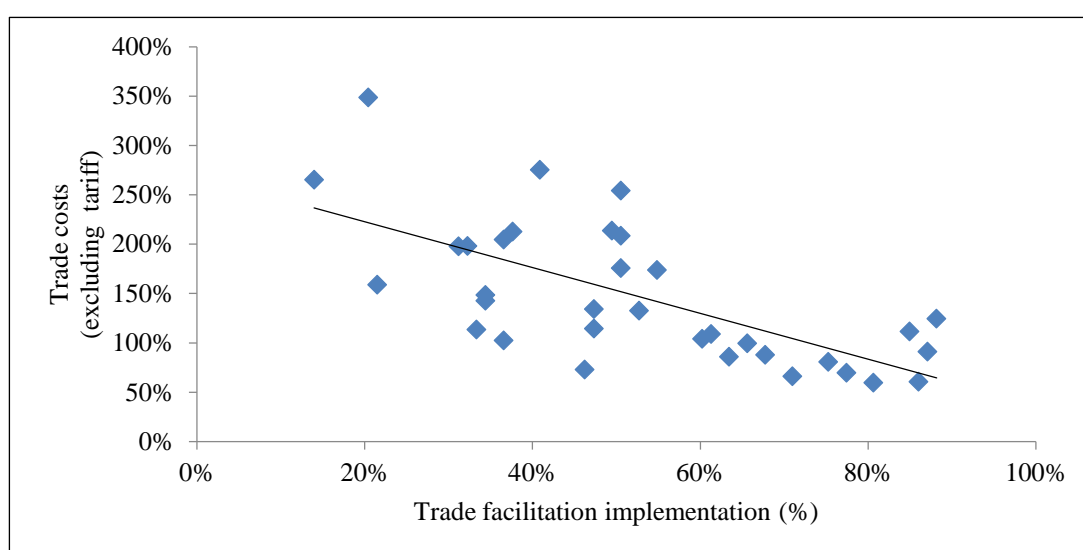
⁸Full implementation of cross-border paperless trade is expected to generate USD 257 billion of additional export potential annually for the Asia-Pacific region alone.

⁹This step-by-step process is inspired from and generally consistent with the UN/CEFACT step-by-step approach to trade facilitation towards a single window environment. The figure shows cumulative trade facilitation implementation scores of Asia-Pacific sub-regions for five groups of trade facilitation measures included in the survey. Full implementation of all measures equal 100.

significant room to make progress in all areas of trade facilitation, starting with institutional arrangements and further enhancing inter-agency cooperation.

In that context, the strong relationship between Asia-Pacific countries' international trade costs and their level of trade facilitation implementation (Figure 7) highlights both the potential benefits and importance of further pursuing TF implementation. Based on this relationship, full implementation of the WTO TFA in 44 Asia-Pacific economies considered in the Survey could reduce overall trade costs by 16% to 17% on average in Asia-Pacific developing economies. The cost reductions associated with WTOTFA implementation will naturally be greatest and most significant in those countries that are lagging behind in implementation. However, for the many Asia-Pacific developing countries that have already made substantial progress in trade facilitation, focus on the implementation of paperless and cross-border paperless trade measures beyond the basic requirements of the WTO TFA will be needed in order to significantly reduce trade costs and maintain trade competitiveness at the national and regional levels.

Figure 7: Trade facilitation implementation and trade costs of Asia-Pacific economies¹⁰



Source: ESCAP-World Bank International Trade Cost Database and ESCAP, UNRC TF Survey 2015

¹⁰Countries' trade costs are based on average comprehensive bilateral trade costs with Germany, China and the USA (2008-13) and expressed as ad valorem equivalents (%).

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