

## ■ PART III

# Guide to Implementation— Moving Forward

**P**arts I and II have described in detail the overall context, principles, and international conventions for trade facilitation, and the experiences of economies in Asia and the Pacific. Part III aims to provide the practical steps in developing and implementing an effective trade facilitation program. Chapter 1 highlights a number of principles, applicable to both national and (sub) regional levels, that may help expedite implementation and improve the effectiveness of trade facilitation reforms. It also introduces a framework for a step-by-step implementation of trade facilitation, providing a basis for the rest of Part III. Chapter 2 emphasizes the importance of assessing trade facilitation needs and priorities, and establishing its institutional structure. Chapter 3 discusses the important steps and measures involved in improving some of the key areas of trade facilitation at the national and (sub)regional levels.

Steps that may be taken to facilitate trade in key export markets are introduced in Chapter 4, followed by steps for optimizing trade facilitation technical assistance and capacity building in Chapter 5. Chapter 6 provides an overview of the various organizations that support developing countries in the area of trade facilitation. Chapter 7 highlights the need for continuous monitoring and assessment of the trade facilitation reform efforts at the national and (sub)regional levels.



## ■ CHAPTER 1

# Implementation Principles and Framework for Action

## National Trade Facilitation Programs

**T**rade facilitation begins at the national level, and requires sustained and coordinated effort of public and private stakeholders in identifying and implementing concrete measures that will result in more efficient import- and export-related processes and procedures. The following core principles in the implementation of trade facilitation measures are identified based on the national experiences of a growing number of countries implementing trade facilitation programs and strategies:

- (i) *High-level political commitment.* Most trade facilitation measures require close cooperation among stakeholders, in particular, public agencies with potentially conflicting responsibilities and objectives. As a result, a clear commitment to trade facilitation at the highest possible political level is, generally, necessary to achieve results.
- (ii) *Public and private consultation and partnership.* Trade facilitation measures aim to make it easier and cheaper for enterprises to engage in trade. It is, therefore, essential that they be consulted and (whenever possible) engaged in identifying trade facilitation issues and solutions. Given that trade facilitation reforms require a cultural shift from a trade control to a trade facilitation mindset, including the building of trust between public and private sector stakeholders, institutionalization of public– private sector collaboration is recommended.
- (iii) *Early identification of legislative requirements.* Implementation of trade facilitation measures often requires new or revised legislation. As these legislative changes typically take the longest time, they should be identified and acted upon as early as possible.
- (iv) *Identification of financial requirements and funds availability.* This should be assessed at an early stage to ensure that an envisaged trade facilitation measure and its implementation plan are realistic and practical. Public–private partnership funding options, including support from donors, should be systematically considered for resource-intensive measures.

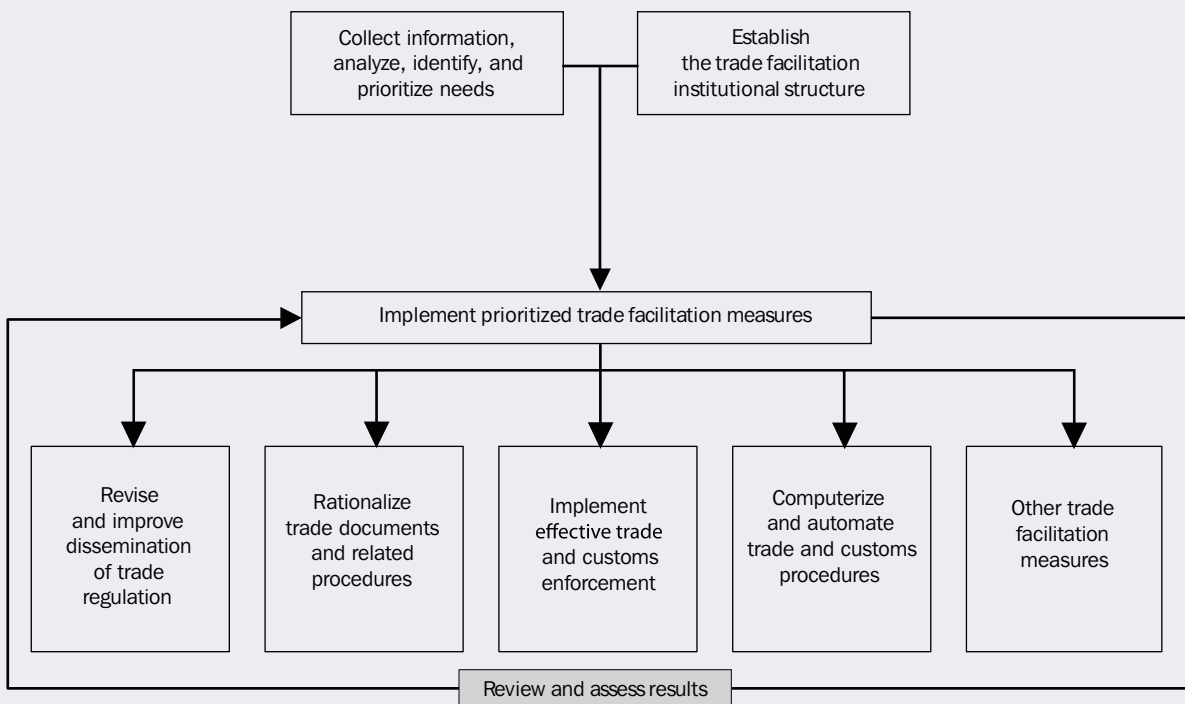
- (v) *Integrated approach.* Trade facilitation measures are closely interrelated despite often being described as stand-alone elements in recommendations or negotiations. The effectiveness of a given measure will, typically, depend on whether other measures have also been implemented. A systemic and integrated approach is therefore recommended, starting with a comprehensive analysis of trade facilitation bottlenecks, including those related to transport regulations and infrastructure.
- (vi) *Pilot and phased implementation.* Trade facilitation involves developing better procedures in areas considered crucial to national security, government revenue, and private sector development. It is, therefore, important that proposed changes be pilot-tested and implemented in phases to ensure no unintended adverse impact or system breakdown occurs. Conducting changes on an experimental basis, followed by a thorough evaluation of the resulting costs and benefits, are essential.
- (vii) *Transparency.* Sufficient information and time should be provided for affected stakeholders to learn and adapt to the new procedures as part of the trade facilitation program.
- (viii) *Built-in training and technical support.* Since trade facilitation implementation involves changes in both mindset and technology, capacity building programs should accompany procedural changes and target both the government and the private sector. Resources saved through the implementation of more efficient trade control procedures should be used to provide technical support and information services to the trading community.
- (ix) *Performance and progress monitoring.* Regular evaluation of the impact of trade facilitation measures by both government and the private sector should not be overlooked, as this will determine if the targeted results are achieved and provide justification for implementation of more ambitious measures over time.

The development of an effective national trade facilitation program or strategy should be designed in consideration of detailed inputs from the major stakeholders. They are the industry players who engage in import and export, various government agencies that promote and regulate trade, and trade-related services providers such as freight forwarders and banks. Figure 3.1, based on the Economic and Social Commission for Asia and the Pacific (ESCAP) *Trade Facilitation Framework*—a step-by-step guide to trade facilitation developed by a group of experts from Asia and the Pacific in 2004—suggests that the initial review of the trade facilitation situation may form the basis for establishing a trade facilitation institutional structure. The initial review is an opportunity to bring together and raise the awareness of major stakeholders, making it easier to establish a representative body that will drive the national trade facilitation initiatives.

The content and features of the national trade facilitation program will depend on the problems and priorities identified during the initial assessment of the status of trade facilitation. However, as illustrated in Figure 3.1 such a program will generally cover the following key areas:

- (i) *Trade and customs laws and regulations.* Trade-related laws and regulations provide a foundation for trade facilitation measures and the establishment of a transparent environment and fair playing field where traders and government agencies can operate efficiently. While trade regulations and procedures are

Figure 3.1: Step-by-Step Trade Facilitation: A Framework for Action



Source: ESCAP, 2004.

complex and they tend to change over time, it is important that detailed and up-to-date information on regulations be effectively conveyed to concerned parties.

- (ii) *Trade documentation and related procedures.* Trade documents are essential to the conduct and monitoring of trade. The rationalization of these documents and the flow of information are at the core of trade facilitation.
- (iii) *Trade and customs control and enforcement.* Trade and customs control and enforcement are necessary to prevent, for example, loss of government revenue, health risks, and security threats. Facilitating trade, in this context, will involve the development of an effective risk management system that will enable early identification and targeting of high-risk shipments for control so that non-risk shipments can be cleared more quickly.
- (iv) *Computerization and automation.* The application of information and communication technology (ICT) and development of paperless trade systems can fundamentally change the delivery of trade-related services, enabling real-time information sharing among agencies, electronic submission of documents and payments, and automated processing and clearance.

Since the overarching goal of trade facilitation is to increase the efficiency of trade, measures aimed at improving the trade-related infrastructure, services, and business regulatory environment should also be considered when setting priorities and

should be a part of an overall trade facilitation strategy. The sequencing of reforms in each area should be based on the situation of each country. For instance, some countries may already have adequate trade and customs laws and may, therefore, focus on the rationalization of documentation or the application of ICT. Others may need significant legal reforms and improvement in information dissemination mechanisms. Regardless, the various trade facilitation-related reforms should be coordinated and integrated into a comprehensive and coherent reform effort. For instance, synergies between transport facilitation initiatives, which typically focus on facilitating movement of goods along specific routes and corridors, and trade facilitation initiatives, which tend to be broader but more horizontal in nature (e.g., improvement of customs clearance procedures at the national level) are fully tapped (Part II, Chapter 4, Joint Transport and Trade Facilitation Strategy: The Case of CAREC Economies).

## Trade Facilitation in (Sub)Regions

### (Sub)regional Trade Facilitation: A Pragmatic Approach

While negotiation of far-reaching bilateral or multilateral agreements is useful, a pragmatic approach to trade facilitation at the (sub)regional level may be adopted to resolve simple issues and reap early gains. This is particularly important for trade facilitation, where a large number of stakeholders, including provincial authorities and communities at the border, are likely to be involved in implementation. Moreover, trade facilitation should be taken as a cycle whereby certain reforms can create benefits for both traders and governments, consequently producing incentives and more resources for further reforms. Allocating limited resources on a legal and far-reaching agreement may not only delay the implementation of cross-border trade facilitation but also create difficulties in the implementation if it is not flexible enough to account for the need and requirements of the relevant stakeholders.<sup>124</sup> This is especially true when a partner's institutional framework of trade facilitation is weak or nonexistent. Thus, starting with focused and targeted measures at the (sub)regional level at specific border crossings or on trade routes can be seen as a stepping stone to more comprehensive cross-border collaboration initiatives.

In this context, cross-border cooperation on trade facilitation can be considered, especially among geographically proximate or neighboring countries. Recently, (sub)-regional approaches to trade facilitation have become increasingly common in Asia because of their unique features:<sup>125</sup>

- (i) *Bottom-up and functional approach.* One way to facilitate trade is through a formal or top-down approach, which emanates from formal arrangements among countries such as free trade agreements, customs unions, common market frameworks, and trade facilitation frameworks. By contrast, (sub) regional trade facilitation is implemented through specific projects and activities without a formal arrangement. This can be observed in growth triangles; transport, logistics, and economic corridors; and integrated border management. This functional or bottom-up approach makes (sub)regional trade facilitation very focused, tangible, and pragmatic.

<sup>124</sup> As such, trading partners may examine the possibility of pilot-testing certain cross-border trade facilitation arrangements as part of the drafting and negotiation process of legal trade facilitation agreement.

<sup>125</sup> Thant et al. 1998.

- (ii) *Focus on implementation and compliance.* Trade facilitation measures applied within a (sub)region do not always entail comprehensive trade policy reforms because these reforms often take considerable time and resources, and must be addressed at the national level. Instead, the focus is usually on improving implementation and compliance with existing regulations.
- (iii) *Pilot test.* (Sub)regional trade facilitation programs allow countries to pilot-test their commitments before implementation in broader regional trade facilitation frameworks. For instance, many measures of the Association of Southeast Asian Nations (ASEAN) Single Window and ASEAN Agreement for Goods in Transit are being experimented in the Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA) and the Indonesia-Malaysia-Thailand Growth Triangle.
- (iv) *Selective and targeted activities.* (Sub)-regional trade facilitation measures are not applied across the board but are often very selective and targeted at specified activities. Countries can choose to focus on simplifying customs procedures at the border rather than implementing a full-fledged automated customs single window program, which in many cases is not feasible in remote border provinces due to unstable sources of power and lack of reliable information technology facilities.
- (v) *Alignment of subnational trade facilitation with national and (sub)regional policies.* As many (sub)regional trade facilitation activities are implemented at the subnational level or among border provinces, subnational trade and transport initiatives can be aligned with national and (sub)regional policies and development objectives. In many cases, the integration of trade facilitation at three levels—subnational, national, and (sub)regional—has changed the geoeconomic conditions of many underdeveloped border provinces of participating countries by transforming these provinces into trade, logistics, and economic centers of the (sub)region.
- (vi) *Trade facilitation in strategic areas.* (Sub)regional trade facilitation through various measures, such as the establishment of special economic zones (SEZs) or regional transport and logistics corridors, will improve international supply chain management and production networks through the reduction of transaction costs, enhanced trade security, increased productivity, simplified documentation, harmonized customs procedures, and improved logistics services.

## Principles of trade facilitation in (sub)regions

In general, the principles of trade facilitation in (sub)regions are similar to those at the national level. In addition, (sub)regional trade facilitation programs should be consistent with international conventions and standards set out in various international agreements for trade facilitation such as the World Customs Organization (WCO) Revised Kyoto Convention and Harmonized System Convention, among others. As some countries in a (sub)region may not be signatories to international agreements on trade facilitation, it is, therefore, important to ensure that (sub)regional trade facilitation programs will form building blocks—rather than stumbling blocks—to greater trade facilitation efforts at the global level. Also, (sub)regional trade facilitation programs should have effective communication channels for exchange between (sub)regional trade facilitation programs and broader regional trade

facilitation programs, especially if there are experimental activities at the (sub) regional level. This is the case of the Greater Mekong Subregion (GMS) and BIMP-EAGA, whose members (with few exceptions) are signatories to the ASEAN trade facilitation framework.

## Types of (sub)regional trade facilitation

(Sub)regional trade facilitation broadly follows the same framework for action as outlined in Figure 3.1. However, the types and sequencing of (sub)regional trade facilitation vary greatly across (sub)regions. The remainder of this chapter describes some of the most common approaches of (sub)regional trade facilitation, which were briefly discussed in Part II.

### Regional Transport Corridors

A typical cross-border trade facilitation project may focus on a major trade route or transport corridor, identified and selected for improvement by the national trade facilitation bodies (NTFBs) of countries along that corridor. This approach is receiving a growing level of attention, particularly with the surge of cross-border trade and the need for more efficient time and costs of trade flows. Most often, transport corridors are located at the economic centers with substantial flow of traffic and goods.

The advantage of focusing on one or a few transport corridors (and corresponding border crossings) is that all countries can allocate the limited resources on trade facilitation cooperation in a particular route, potentially yielding fast and substantial trade facilitation improvements, which can be replicated in other routes and corridors. This corridor approach can also make it easier to attract financial resources to develop the needed road, rail, and/or border crossing infrastructure.

Transport corridors have two main categories:

*Formal corridors* expand the planning and investment framework of public and private players along them. In many occasions, a form of governance, or at least a forum, has been set in place. A good example is the GMS economic corridors with a formal cross-border transport agreement (CBTA) and various formal annexes and protocols signed by GMS countries (See Part II, Chapter 4, Experience of Asia and the Pacific, Transport and Economic Corridors: The Case of the Greater Mekong Subregion.)

*Functional corridors* represent an existing structure of the flow of goods and traffic along the corridor infrastructure. A good example is the Central Asia Regional Economic Cooperation (CAREC) economic corridors (Figure 3.2).

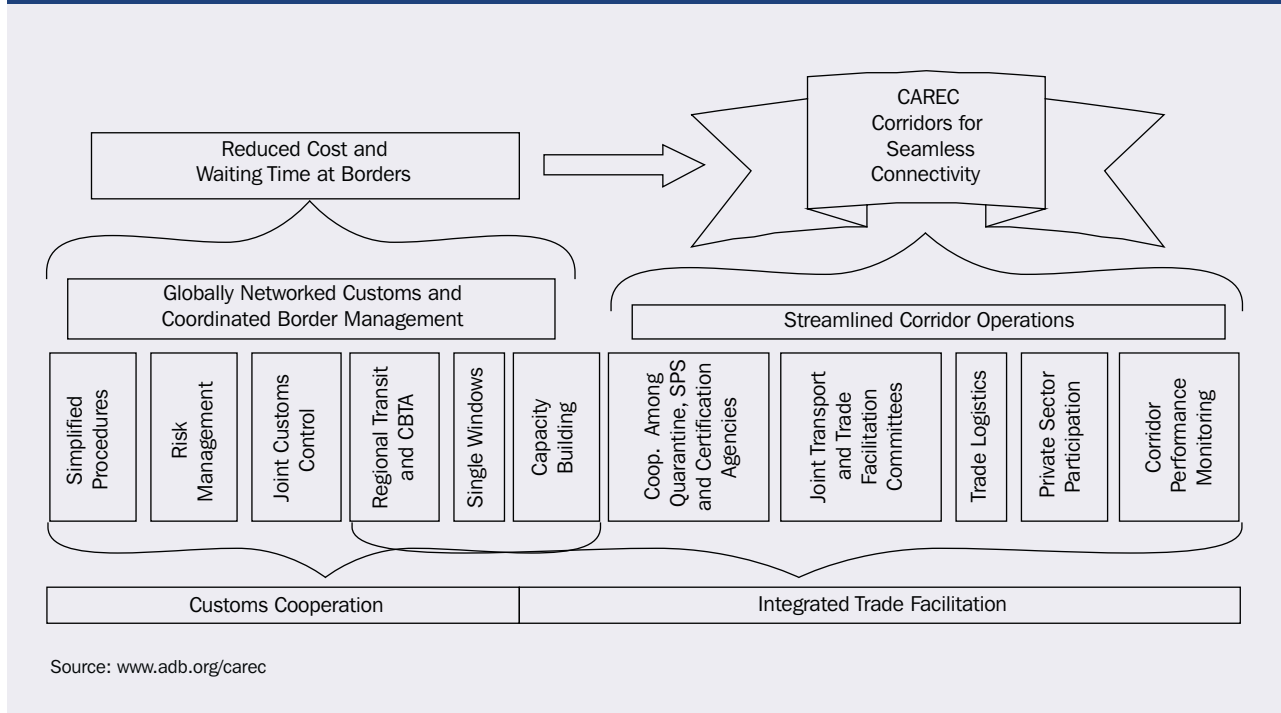
Transport corridors usually combine formal and functional characteristics. Transport corridors are observable throughout the entire spectrum of geographic levels: national, regional, and international (e.g., maritime and air gateways).<sup>126</sup>

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<sup>126</sup> Rodrigue, J.P. and Slack, B. 2009.



Figure 3.2: Central Asia Regional Economic Cooperation Trade Facilitation Program



Among others, regional transport corridors can be identified based on the following criteria:<sup>127</sup>

- (i) current traffic volume;
- (ii) prospects for economic and traffic growth;
- (iii) ability to increase connectivity between regional economic and population centers;
- (iv) prospects of mitigating delays and other hindrances; and
- (v) economic and financial sustainability of infrastructure, management, and technology improvements.

Suggested elements of a framework of action of regional transport corridors for trade facilitation can include the following:

- (i) establishment of single-stop/single window customs inspection;
- (ii) facilitation of cross-border movement of persons (i.e., visas for persons engaged in transport operations);

<sup>127</sup> ADB. 2009a.

- (iii) establishment of transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection;
- (iv) simplification of requirements for cross-border traffic;
- (v) exchange of commercial traffic rights; and
- (vi) harmonization of standards, including those for rail, road, and bridge design; road signs; and signals.

A transport corridor can evolve into a logistic corridor, an integrated trade facilitation corridor, and finally an economic corridor. The economic corridor approach is expected to extend the benefits of improved transport links to remote, landlocked, or sealoaked countries or locations within a country. An economic corridor is not simply a connection between point A and point B. The movement of people and goods can originate and end at any intermediate point between points A and B. The impact of an economic corridor also goes beyond the main route or “line.” It extends to the areas that can be accessed, or areas whose access to major economic centers could be improved, through the connection between points A and B.

In reality, there is no clear-cut sequencing of the evolution of a trade corridor into an economic corridor. Each type of regional corridor can be stand-alone and has its own framework for trade facilitation with different elements. To facilitate trade, characteristics of different types of regional corridor can be adopted or combined, depending on the specific environments of a country or locality. Box 3.1 summarizes the key elements of each type of regional corridor and their suggested framework for action.

### **Regional Integrated Border Management**

Regional integrated border management (RIBM) refers to a cooperation among countries that aligns and integrates common border formalities. The important management function is coordination of policies between adjoining countries, whose trade can be facilitated through the adoption of international agreements such as the WCO Revised Kyoto Convention on Customs Procedures and the Harmonized System of Commodity Coding for Goods Classification and International Convention on the Harmonized Frontier Control of Goods (Geneva Convention).<sup>128</sup>

In establishing RIBM, the following factors can be considered:

- (i) Neighboring countries (or neighboring provinces across borders). This is often the central element in establishing RIBM due to the importance of transportation and communications.
- (ii) Trade, investment, and traffic flows among border countries. The establishment of RIBM should be market-led rather than a top-down policy product of countries with common borders. Without significant trade and investment flows, RIBM will be less effective and a waste of resources.

<sup>128</sup> Global Facilitation Partnership Transport and Trade. 2005.

### Box 3.1: Types of (Sub)regional Corridors and Suggested Framework

Type of Corridor	Suggested Framework for Action
Transport corridor	<p>Cross-border transport agreement covering</p> <ul style="list-style-type: none"> <li>(i) single-stop/single-window customs inspection;</li> <li>(ii) cross-border movement of persons (i.e., visas for persons engaged in transport operations);</li> <li>(iii) transit traffic regimes;</li> <li>(iv) exchange of commercial traffic rights; and</li> <li>(v) harmonization of standards</li> </ul>
Logistics corridor	<p>Agreements on logistics services.<sup>a</sup></p> <ul style="list-style-type: none"> <li>(i) core freight logistics services,</li> <li>(ii) related freight logistics services, and</li> <li>(iii) non-core freight logistics services.</li> </ul>
Integrated trade facilitation corridor	<p>Agreements on</p> <ul style="list-style-type: none"> <li>(i) customs harmonization,</li> <li>(ii) inspection and quarantine (sanitary and phytosanitary [SPS] measures),</li> <li>(iii) risk management,</li> <li>(iv) post-clearance audit, and</li> <li>(v) mobility of business people.</li> </ul>
Economic corridor	<p>Strategy or action plan that covers the following:<sup>b</sup></p> <ul style="list-style-type: none"> <li>(i) integrated infrastructure (multimodal transport, cross border container transport, upgrading rail and road systems, constructing missing links, rural electrification along border, regional power planning, regional power trade, building regional power grid, etc.);</li> <li>(ii) trade and transport facilitation (standard trade valuation system, third party logistics, cross-border movements, standardization of trade documents, import facilitation, single-stop customs inspections, exchange of traffic rights, multi-entry visa arrangements, etc.);</li> <li>(iii) investment (joint industrial investment promotion program, establishment of logistics centers, creation of border economic zones, etc.);</li> <li>(iv) tourism (joint tourism marketing, tourism promotion with selected themes and routes such as Buddhism and/or Muslim pilgrimage tourism, overland tours, sustainable tourism, etc.); and</li> <li>(v) private sector development (industrial parks, border trade promotion and outreach events, supply chain management of selected products, and role of private sector in power trade, telecommunication, and tourism).</li> </ul>

<sup>a</sup> United Nations Conference for Trade and Development (UNCTAD). 2005.

<sup>b</sup> ADB. 2009a.

The suggested framework for implementation for RIBM includes the following:

- (i) A single point of data submission. Submitting information to all agencies separately at the ports of entry slows border crossing and increases port of entry traffic congestion. Greater efficiency can be realized by collecting information at a single location by a single agency, which can then share that information with all relevant bodies,
- (ii) Pre-arrival clearance programs. Offering pre-arrival clearance screening to goods or people can minimize heavy traffic and lines at the ports of entry,
- (iii) Enhancement of the ability to manage traffic at ports of entry. In many border points, there are large fluctuations of flows of goods and people, depending on the season and day of the week. These fluctuations may create congestion. A dynamic response in terms of staffing, equipment, and facilities to process traffic in a flexible manner is essential.<sup>129</sup>

A simplified case of RIBM is the customs–immigration–quarantine–security (CIQS) model of BIMP-EAGA (Box 3.2).

## Special Economic Zones

In a narrow definition, the Special Economic Zone (SEZ) can be defined as a specific geographic region with economic laws that are more liberal than a country's typical economic laws. SEZs play an important role in facilitating trade. Many SEZs have characteristics of export processing zones (EPZs) or free trade zones and provide special incentives to investors, including tax exemption or reduction.<sup>130</sup>

An SEZ is considered, essentially, as a designated customs area within a domestic economy for the purposes of trade operations, duties, and tariffs. Therefore, goods supplied to the SEZ from the domestic tariff area are treated as exports, and goods brought from the SEZ to the domestic tariff area are treated as imports.<sup>131</sup>

In a broader definition by ADB, an SEZ can be part of growth triangles, which spread over well-defined, geographically proximate areas, usually covering three or more countries, where differences in factor endowments are exploited to promote external trade and investment.<sup>132</sup> Historically, developing and transition countries with more liberal trade facilitation regimes are those with more SEZs. Asia and the Pacific has 991 SEZs—the largest number. The Americas come second with 540 SEZs, followed by Central and Eastern Europe and Central Asia with 443 SEZs.<sup>133</sup>

Crucial factors that need to be considered when establishing an SEZ include the following:<sup>134</sup>

- (i) *Economic complementarities*. Economic complementarities are derived from the countries' different stages of economic development or from differences in factor

<sup>129</sup> Global Facilitation Partnership Explanatory Notes. 2005.

<sup>130</sup> Ishida, M. 2009.

<sup>131</sup> Dogra, R. 2006.

<sup>132</sup> Thant, M. et al. 1998.

<sup>133</sup> Foreign Investment Advisory Service (FIAS). 2006.

<sup>134</sup> Thant, M. et al. 1998.

### Box 3.2: Trade Facilitation and Coordinated Border Management: Key Outcomes in BIMP-EAGA's Customs, Immigration, Quarantine and Security (CIQS) Action Plan (2011-2013)

At their 6<sup>th</sup> annual meeting in May 2011, the BIMP-EAGA CIQS Task Force endorsed an action plan for 2011-2013 covering all CIQS sectors to deepen their cooperation and capacity enhancement. The Action Plan was developed following diagnosis against applicable international standard benchmarks and intensive consultations with government agencies and private sector. Major outcomes in each sector are as follows:

- **Customs**
  1. Regular dissemination of comprehensive information and training programs for trade community about Customs rules, regulations and procedures
  2. Development/Enhancement of a cargo risk management system at the entry point level
  3. Development and implementation of a trader-based post-clearance audit (PCA) system
  4. Development and implementation of an Authorized Economic Operators (AEO) scheme
- **Immigration**
  1. Capacity building for frontline immigration personnel:
    - (a) International Standards for Travel Documents
    - (b) Passenger Assessment & Imposter Recognition (Risk Profiling)
    - (c) Forgery & Counterfeiting Detection
    - (d) Human Trafficking Prevention
  2. Arrangements to minimize passport endorsements for travellers on the Entikong-Kuching-Bandar Seri Begawan-Kota Kinabalu routes (multiple border crossings).
- **Health Quarantine**
  1. Strengthening capacity for surveillance and emergency response for Public Health Emergencies of International Concern (PHEIC)
  2. Strengthening cross-border cooperation and information exchange
- **Animal Quarantine**
  1. Development and implementation of a local risk management system
  2. Development and implementation of local contingency plan for animal disease outbreak
- **Plant Quarantine**
  1. Development and implementation of a local plant risk management system
  2. Simplification, Rationalization and Harmonization of Plant Quarantine Procedures
- **Fisheries Quarantine**
  1. Development and implementation of a local risk management system
  2. Development and implementation of local contingency plan for fisheries disease outbreak
- **Port And Ship Security**
  1. Formulation and implementation of a harmonized security code for Non-Convention Vessels (NCV) or Non-Convention Sized Ships (NCSS) in facilitating trade in BIMP-EAGA
  2. Formulation and implementation of a simplified security assessment checklist and simplified Port Facility Security Plan (PFSP) for secondary ports (non-ISPS-compliant ports)
  3. Port security capacity enhancement for local port security officials to strengthen ISPS compliance.

These outcomes are to be monitored and evaluated by indicators obtained from Time Release Studies (TRS), Trader's Perception Survey and other relevant quantitative and qualitative measures by relevant agencies and private sector in the subregion.

endowments. For example, the Southern PRC and the Johor– Singapore–Riau growth triangle both have well-developed, urbanized areas and less-developed, low-income areas.

- (ii) *Political commitment.* At the regional level, political commitment should be assured by the countries involved at the very start of the establishment of the SEZ. This political commitment is important to ensure effective policy coordination in managing transnational SEZs.
- (iii) *Infrastructure development.* In the first stage of development, construction of infrastructure takes place under the concepts of “Five Opens” (water supply, power supply, roads, navigation lines, and telecommunications have to be opened) and “one leveling” (land should be prepared to allow for construction of buildings).
- (iv) *Part of international production network and value chain.* There will not be any SEZ if a country or a certain location within the country is not part of—or has the potential to become part of—an international production network or value chain. Thus, before creating an SEZ, it is important to map out the international production network and value chains in the region and identify if a country or part of the country can be integrated in these networks.
- (v) *Conducive economic laws and attractive economic incentives.* By definition, an SEZ is a geographic region with economic laws that are more liberal than a country’s typical economic laws. In the long run, countries may phase out their preferential treatments in SEZs. However, in the short and medium term, differential treatments in SEZ are still relevant to facilitate trade.

The main policy issues to be addressed when establishing an SEZ, and associated international standards, are provided in Table 3.1.

**Table 3.1: Policy Framework for Special Economic Zones**

Policy Issues	International Standards
Concept of extraterritoriality	Outside domestic customs territory Eligible for national certificates of origin Eligible to participate in national trade agreements/arrangements
Eligibility for benefits	No minimum export requirements Manufacturers and services Foreign and local firms Private developers of zones
Private zone development	Clearly defined in legislation, specific zone designation criteria Eligible for full benefits Competition from government-run zones on a level playing field
Sales to the domestic market	Liberalized (no restrictions) Provided on a blanket basis rather than case by case Treated as import into domestic market, subject to payment of import duties and taxes
Purchases from domestic market	Treated as exports from domestic market, enterprises eligible for indirect exporter benefits
Labor policies	Full consistency with labor standards of the International Labour Organization (ILO) specialized dispute settlement mechanism

Source: FIAS. 2009.

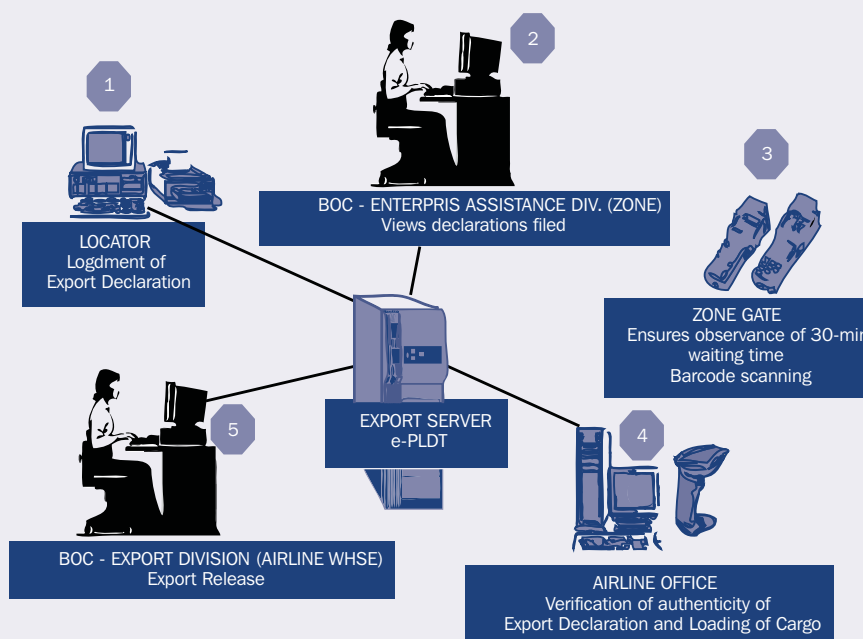
### Box 3.3: Implementing Trade Facilitation in Special Economic Zones— the Philippine Experience

During the 1990s, the Philippines adopted several outward-oriented reforms including the enactment of the Special Economic Zone Act to promote trade and investment activities in the country. Such reforms attracted a substantial amount of foreign direct investments in manufacturing, increased export activities, and linked the Philippines to global and regional production networks. By 2009, more than 1,500 registered enterprises were located in around 118 information technology centers and 64 manufacturing economic zones nationwide. Companies operating in economic zones or so-called export processing zones (EPZs) enjoy both fiscal and non-fiscal incentives such as income tax holidays, duty-free imports, and simplified import and export procedures. To provide fast, transparent, and cost-effective movement of goods brought into and taken out of the country through the economic zones, government agencies—primarily the Bureau of Customs and the Philippine Economic Zone Authority—introduced the following:

**Automated import cargo transfer system (AICTS).** Major components of the system include (i) surety bond—to serve as security for payment of taxes and duties due on import shipments eliminating the need for police transshipment services; (ii) ASYCUDA transit system—which processes and transmits information on import cargo clearing, transfer, and other related customs–Philippine Economic Zone Authority transactions; (iii) electronic broadcasting—which provides EPZ enterprises with information including status on all import cargoes attributed to them at the Bureau of Customs; and (iv) electronic import permit system—which integrates the issuance procedures of import permits in EPZs.

**Electronic import permit system (e-IPS).** To simplify the procedures and accelerate approval cycle time of the process for import shipment of EPZs, e-IPS enables EPZ locators and information technology-enabled enterprises to file applications, pay processing fees electronically, and print system-generated import permits. The implementation of e-IPS is made through value-added solution providers.

**Automated export documentation system (AEDS).** Initiated in the 1990s and implemented during the passing of the Philippine E-commerce Act of 2000, the AEDS introduced the use of a single administrative document in lieu of the existing export declarations, export tallies, boat notes, and other documents. In addition, AEDS feature electronic filing and processing of electronic documents, a system-generated barcode that will establish the authenticity of the printed document, and risk management through selective inspection at the port of loading. Compared with manual processing, AEDS has reduced clearing time by 83% and lowered the cost of business (e.g., Philippine Economic Zone Authority and customs overtime charges and filing fees) by 78%.



Source: PEZA. 2009; E-Konek Pilipinas. 2009.





## ■ CHAPTER 2

# Assessing Trade Facilitation Needs and Priorities

An initial assessment of the trade facilitation situation needs to be conducted as the basis for the development of a trade facilitation program or action plan. The assessment may best be conducted by an independent team of trade facilitation experts or analysts under the supervision of a small task force of public and private organizations involved in regulating and/or conducting trade.

The initial assessment should be as comprehensive as possible and aimed at gathering detailed information on the needs and priorities of all major stakeholders in trade facilitation, typically through a series of national surveys, interviews, and consultations. However, as a first step of and in preparation for the detailed assessment—in particular the scope and focus of the data collection instruments—it may be useful to review some of the trade facilitation–related indicators available in global databases and publications.

## Review of Globally Available Trade Facilitation Indicators

While it is important to acknowledge the limitations of the trade facilitation indicators included in global databases and benchmarking studies<sup>135</sup> these indicators can provide a general understanding of the trade facilitation ranking of a particular country among its peers. A review of available indicators can help determine the prospective scope of a national trade facilitation program and related needs assessment efforts. Finally, and most importantly, they can provide justification for a strong and high-level commitment to a trade facilitation initiative and the establishment of an initial public–private trade facilitation task force to identify detailed needs and priorities.

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<sup>135</sup> Most of the available indicators are based on global perception surveys of a relatively limited number of companies (e.g., *Global Competitiveness Report* and *World Competitiveness Yearbook*) or on information provided by a few freight forwarders for a standard shipment (e.g., *Doing Business* database). In addition, they provide only a broad overview of the trade facilitation situation and are not detailed enough to provide an accurate picture of the needs and priorities of the major stakeholders.

A growing number of indicators that allow for the benchmarking of a country in a number of trade facilitation–related areas have been developed in recent years. The main sources include:

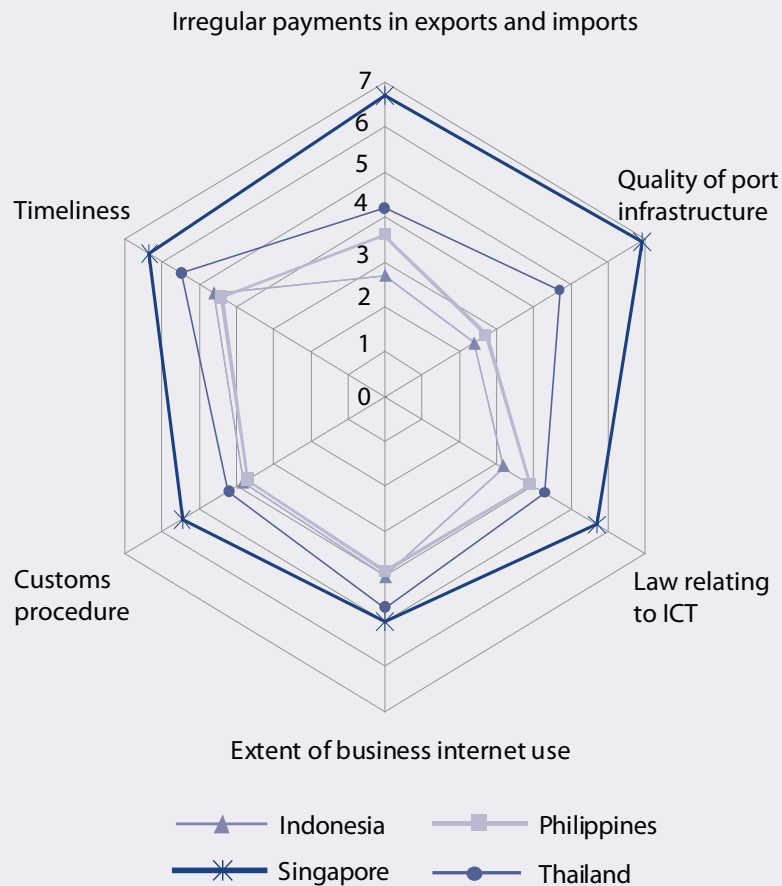
- (i) *Doing Business* (World Bank, [www .doingbusiness.org](http://www.doingbusiness.org)) provides measures of business regulations and their enforcement across 181 countries in 11 areas from start to closing of business. One area specifically focuses on trading across borders and provides information on the average number of documents, time, and cost associated with import or export of a standard container. Data from 2004 onward are available.
- (ii) *Global Competitiveness Report* and the *Global Enabling Trade Report* (World Economic Forum, [www .weforum.org](http://www.weforum.org)) contain comprehensive assessments of 134 countries with over 100 indicators in 12 pillars including detailed country-level perception data on various aspects of trade facilitation. Data from 2001 onward are available.
- (iii) *Logistics Performance Index* (World Bank, [www.worldbank.org/lpi/](http://www.worldbank.org/lpi/)), together with its underlying indicators, provides a data set to measure country performance in seven logistics performance areas: (i) efficiency of the clearance process by customs and other border agencies, (ii) quality of transport and information technology infrastructure for logistics, (iii) ease and affordability of arranging international shipments, (iv) competence of local logistics industry, (v) ability to track and trace international shipments, (vi) domestic logistics costs, and (vii) timeliness of shipments in reaching their destinations. National logistics performance can be benchmarked against 150 countries. Only data for 2006 are available.
- (iv) *Worldwide Governance Indicators* (World Bank, [www.worldbank .org/wbi/governance](http://www.worldbank .org/wbi/governance)), based on six dimensions of governance, reports aggregate and individual governance indicators for 212 countries and territories over the period 1996–2007. Four of these dimensions—government effectiveness, regulatory quality, rule of law, and control of corruption—are related to trade facilitation.
- (v) *World Competitiveness Yearbook* (International Institute for Management Development, Switzerland, [www.imd.ch](http://www.imd.ch)) measures 59 countries using 4 factors that contain 22 subfactors and 331 criteria. The factors are (i) economic performance, (ii) government efficiency, (iii) business efficiency, and (iv) infrastructure. It ranks and analyzes the ability of nations to create and maintain an environment in which enterprises can compete internationally. Data from 1989 onward are available.
- (vi) *ESCAP Trade Cost Database* (<http://www.unescap.org/tid/artnet/trade-costs.asp>) provides bilateral Comprehensive Trade Costs (CTC) between 107 economies since 1994, including agricultural CTC, manufacturing CTC, and CTC excluding tariff costs. CTC account for all additional costs involved in trading goods bilaterally relative to those involved in trading goods domestically, such as international shipping and logistics costs, tariff and non-tariff costs, and costs from differences in language, culture and currencies.

### Box 3.4: How to Use Global Trade Facilitation Indicators: Illustration and Limitations

In this example, indicators from two sources—the Global Competitiveness Report (GCR) and the World Bank Logistics Performance Index (LPI)—were assembled in a radar chart to assess and compare the performance of five Asian countries in various areas deemed to affect trade facilitation and efficiency.<sup>a</sup>

Higher scores indicate higher performance, and Singapore is used as the benchmark. The chart suggests that Indonesia may need to focus particularly on reducing irregular payments, as its performance in this area seems to lag significantly compared with the other three Southeast Asian countries considered. The Philippines may need particular attention to port infrastructure as its performance in this area appears worse than the other indicators. While Thailand is doing better than both the Philippines and Indonesia on all six dimensions, reduction of corruption, improvement of port infrastructure quality, and adoption of a more comprehensive information and communication technology (ICT) legislation seem to require continuous attention.

Irregular payments in exports and imports



<sup>a</sup> The names and definitions of the six indicators used in this example are as follows: (i) irregular payments in exports and imports (GCR)—based on business sector responses to the question, “In your industry, how commonly would you estimate that firms make undocumented extra payments or bribes connected with import and export permits?”; (ii) quality of port infrastructure (GCR)—responses to “Are port facilities and inland waterways in your country underdeveloped, or as developed as the world’s best?”; (iii) law relating to ICT (GCR)—responses to “Are laws relating to the use of information technology (electronic commerce, digital signatures, consumer protection) nonexistent or well-developed and enforced?”; (iv) extent of business internet use (GCR)—responses to “In your country, do companies use the internet extensively for buying/selling goods and services and for interacting with customers?”; (v) customs procedure (LPI)—based on freight forwarder assessment of efficiency of clearance process by customs and other border agencies; (vi) timeliness (LPI)—based on freight forwarder assessment of timeliness of shipment in reaching destination.

An example of how some of these indicators may be used is provided in Box 3.4. Checking the definition of the indicators used and the underlying data is highly recommended, as names of indicators can sometimes be misleading. For instance, in the *Doing Business* database, “time for exports” refers to the time involved in preparing documentation for and moving a container from its domestic location onto a ship at the port of departure (i.e., it does not include any international shipping time component).

## Beyond Global Benchmarking Studies: Identifying Needs and Priorities

### At the national level

A number of existing trade facilitation assessment tools may be considered and adopted by the assessment team to identify needs and priorities of stakeholders. For instance, the *Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation* (World Bank 2010) provides questions targeted at the following groups involved in trade facilitation: agents, forwarders, customs brokers, multimodal transport operators, exporters, importers, carriers, ports, airports, border crossing points, commercial banks, exchange control authorities, customs, pre-shipment inspection agencies, chambers of commerce, departments of trade and/or industry, and other departments. The methodology proposed in the UNNExT Business Process Analysis Guide for the Simplification of Trade Procedures (ESCAP, 2010) may also be used.

While the identification of needs and priorities should involve data gathering from all the aforementioned groups, the following information should also be obtained:

- (i) characteristics and needs of the business,
- (ii) the process used in executing a trade-related transaction,
- (iii) the amount of documentation involved in each trade transaction,
- (iv) the time and cost spent by the agents in meeting regulatory and documentation requirements, and
- (v) difficulties faced in dealing with the respective trade and customs authorities.

Surveys may be followed by focus group discussions with industry groups and associations to confirm the information from the surveys, and to explain any discrepancies in perception among the various stakeholders. Presentation and discussion of the results of the survey of private sector agents with public (regulatory) agencies should also be organized to elicit the constraints faced by these agencies.

A number of other data collection tools have been developed more recently in the context of negotiations at the World Trade Organization (WTO). While narrower in focus given the currently limited scope of the negotiations, these self-assessment tools are useful in developing a baseline against which progress can be assessed:

- **WCO Self-Assessment Check List.** The World Customs Organization (WCO) developed a questionnaire based on its Customs Capacity Building Diagnostic Framework. The questionnaire, developed in 2005, is designed to be used as a self-assessment tool on customs by WTO members.<sup>136</sup> A shorter version of this instrument was also developed by the WTO secretariat.<sup>137</sup>
- **WTO Negotiations on Trade Facilitation Self-Assessment Guide.** The World Bank, in cooperation with the WTO secretariat and others, developed a more detailed self-assessment tool in 2008 (Box 3.5).

### At the (sub)regional level

There are several ways in which trade facilitation can be assessed at the (sub)regional level. Consultations with the private sector and the use of international assessment guides, such as the WCO Time Release Study, are important to identify bottlenecks in clearance procedures and provide benchmark figures for improvement. Two main methods have been used to assess (sub)regional trade facilitation, namely, the comprehensive regional trade facilitation framework of ASEAN and the mapping exercise of the customs–immigration–quarantine–security (CIQS) model of BIMP-EAGA.

## Trade Facilitation Assessment Framework

A trade facilitation assessment framework is important for (sub)regional programs to evaluate the status of trade facilitation. Such an assessment framework can be in the form of a simple survey or study, or a more comprehensive assessment on the state of play of (sub)regional trade facilitation. The process of developing a regional trade facilitation framework may include, among others:<sup>138</sup>

- (i) developing a set of trade facilitation assessment tools,
- (ii) testing the framework through pilot projects in two member countries,
- (iii) capturing baseline data for countries participating in the pilot project,
- (iv) developing implementation guidelines of the trade facilitation framework,
- (v) capacity building for member countries to apply the framework, and
- (vi) publication.

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<sup>136</sup> WTO. 2005.

<sup>137</sup> This instrument was successfully used by a number of policy research institutions in Asia to assess trade facilitation needs and priorities; results are available in ESCAP (2006).

<sup>138</sup> ASEAN–US Technical Assistance and Training Facility, Phase II. 2009.

### Box 3.5: World Trade Organization Trade Facilitation Self-Assessments of Selected Economies in Asia and the Pacific

The self-assessment guide issued in 2008 allows for a more precise identification of technical assistance and capacity building needs in relation to most of the trade facilitation measures being discussed as part of the negotiations. A model agenda, stakeholder invitation letters, and other templates and guidelines for organizing a self-assessment trade facilitation workshop are provided in the World Trade Organization (WTO) Trade Facilitation Technical Assistance and Capacity Building.<sup>a</sup> A brief overview of self-assessments in two Asian economies follows.

#### Viet Nam, March 2008

During the initial self-assessment workshop, 76 trade facilitation measures among those under negotiations at the WTO (TN/TF/W/143/Rev.1) were considered. The overall compliance of Viet Nam with the measures as of March 2008 is summarized as follows: already compliant, 28%; partially compliant, 56%; and not compliant, 12%. A small number of measures were found not to be applicable (4%). The national team for self-assessment, composed of seven government agencies (Customs [team coordinator], Ministry of Finance, Ministry of Industry and Trade, Ministry of Foreign Affairs, Ministry of Justice, Ministry of Transportation, and Ministry of Health), the Viet Nam Chamber of Commerce and Industry, and a few enterprises, planned to continue to monitor the progress in implementation of various trade facilitation measures relevant to the WTO negotiations, as well as to facilitate information exchange between Geneva-based negotiators and capital-based regulators. Measures related to automation, or single window, risk management, post-clearance audit, and express consignments were found to be most challenging.

#### Taipei, China, April 2008

The self-assessment task force included a balanced number of public and private sector representatives. The public sector representatives were the Council for Economic Planning and Development; Ministry of Transportation and Communications; Council for Agriculture (Quarantine); Department of Health (Food Safety); Ministry of Finance (Customs, Treasury); and Ministry of Economic Affairs (Trade, Standards, Negotiating Office). The private sector was represented by the Association of Importers and Exporters, Customs Brokers Association, Airfreight Forwarders Association, Trade-Van Information Services Co.; and the International Cooperation and Development Fund. The task force found that Taipei, China was fully or partially compliant with all applicable measures among the 44 considered during the self-assessment. It also showed that the following horizontal initiatives or measures needed further work: (i) centralized legislation database, (ii) single government gazette, (iii) de minimis threshold for imports, and (iv) relief of petty duties. Apart from the continuous effort to adopt international standards and establish an electronic single window, the following information technology applications needed to be further developed: (i) container tracking system, (ii) transaction-status tracing system, (iii) web-based declaration and payment system, and (iv) mobile clearance and enforcement system.

Note: The WTO and other Annex D organizations are providing on-request assistance in conducting these assessments.

<sup>a</sup> [www.wto.org/english/tratop\\_e/tradfa\\_e/ta\\_capac\\_build\\_negoti\\_e.htm](http://www.wto.org/english/tratop_e/tradfa_e/ta_capac_build_negoti_e.htm)

Source: WTO Delegate Presentation on Results of Completed Needs Assessments. 2008.

Specific steps in developing a (sub)regional trade facilitation assessment framework are as follows:<sup>139</sup>

Step 1: Develop a draft assessment framework.

- Assess current trade facilitation regimes/measures.
- Compare the regimes/measures against international best practices and identification of other measures that need to be adopted.
- Describe the strengths and weaknesses of trade facilitation regime at both regional and national levels to enable prioritization.

<sup>139</sup> These steps were drawn from the development of the ASEAN Trade Facilitation Assessment Framework supported by United States Agency for International Development (USAID) within the ASEAN-US Technical Assistance and Training Facility, Phase II. ADB participated in a consultative meeting in July 2008 in Ha Long Bay, Viet Nam.

### Box 3.6: Association of Southeast Asian Nations Trade Facilitation Indicators

#### For Authorities

- Reduced number of trade officers involved in processing trade documents, hence allowing better deployment of resources
- Same number of enforcement officers but higher trade and cargo volume
- Rate of trade compliance
- Simplified, reduced number of steps and days in issuance of certificates of origin
- Simplified, reduced number of steps and days in issuance of licenses including sanitary and phytosanitary (SPS)
- Faster goods clearance for exports and imports
- Increased use of national and ASEAN single window in facilitating trade
- Macro indicators
- Increase in the level of trade
- Increase in number of mutual recognition agreements and their rate of utilization among ASEAN member states

#### For the Private Sector

- Reduced cost of processing trade and customs documentation
- Reduced time taken to get trade documents approved.
- Reduced number of staff needed to process and handle trade documentation and customs
- Faster cargo clearance
- Enterprises able to reduce stock inventory
- Reduced number of re-tests and re-certifications (duplication of conformity assessment) by regulators

Source: ASEAN secretariat. [www.aseansec.org](http://www.aseansec.org).

- Identify trade facilitation indicators for progress monitoring (see Box 3.6 for a sample of selected indicators)

Step 2: Conduct a consultative meeting.

- Involve relevant officials and representatives of the private sector to review the draft trade facilitation assessment framework.

Step 3: Pilot-test the trade facilitation assessment framework.

- Select countries for pilot testing.
- Use the draft framework to conduct a thorough survey in the participating countries to collect data and make field assessments of the implementation of existing trade facilitation measures.

Step 4: Finalize the trade facilitation framework.

- Conduct a consultative meeting to assess the outcome of the pilot projects and collect feedback from key stakeholders.
- Fine-tune the assessment framework.

Step 5: Develop guidelines and provide training to implement the assessment framework.

- Develop guidelines for training and implementation for officials.
- Translate the guidelines into relevant languages.
- Conduct training programs.
- Publish guidelines.

## Trade Facilitation Mapping and Gap Analysis Exercise

Mapping of rules, regulations, and procedures (RRPs) is an effective way to assess the existing environment at border crossing-points or along corridors. ADB and ESCAP have recently undertaken such mapping along key South Asia Subregional Economic Cooperation corridors on the basis of the UNNExT BPA Guide.<sup>140</sup> Mapping is also a major activity under ADB's technical assistance for CIQS harmonization. The CIQS mapping aims to consolidate the existing CIQS RRs in BIMP-EAGA's priority entry points. This will serve as the basis for identifying gaps and differences in the member countries' procedures and documents; facilitating formulation of solutions to address them and build consensus among member countries on the required regulatory and procedural reforms to streamline; and simplifying and harmonizing CIQS operations in accordance with international conventions, protocols, and best practices.

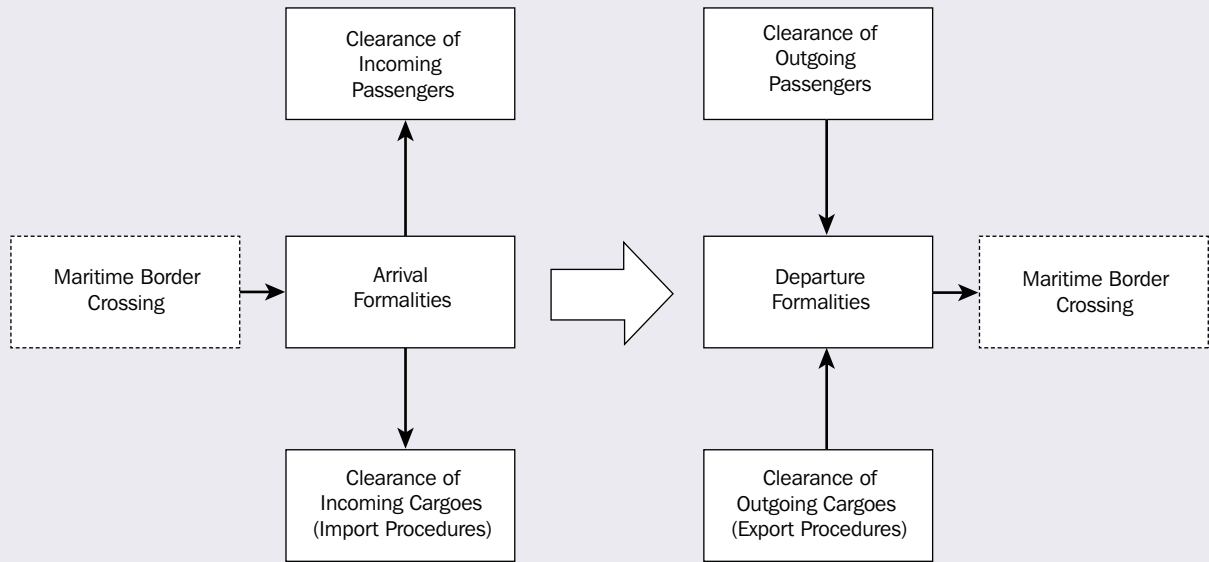
The mapping exercise looks into the RRP implemented by each country's CIQS authorities in the various stages of CIQS work, including enforcement of maritime programs and policies to promote security, safety, and stability in each country's territorial waters; formalities applicable to ship and vehicle arrival and departure at ports and land border checkpoints; and procedures and regulations pertaining to the clearance of incoming and outgoing passengers and cargoes. The discovery process relies on interviews with local CIQS officials and actual observation of activities in the priority ports and land border checkpoints. These are supplemented by a desk review of each country's CIQS RRs (Figure 3.3).

Moreover, to achieve more streamlined RRP among countries while moving toward agreed international standards (and therefore bridging any national gaps), a set of common benchmarks derived from such standards are compiled, against which the mapping results from each checkpoint are assessed to identify any existing discrepancies or gaps. Practical measures to improve compliance or close the gaps will then be identified and prioritized with resource assessment to formulate an action plan for trade facilitation. By doing so, the plan will be able to cater to specific circumstances in each local checkpoint while having a clear common direction toward international standards (Figure 3.4).

<sup>140</sup> [http://www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

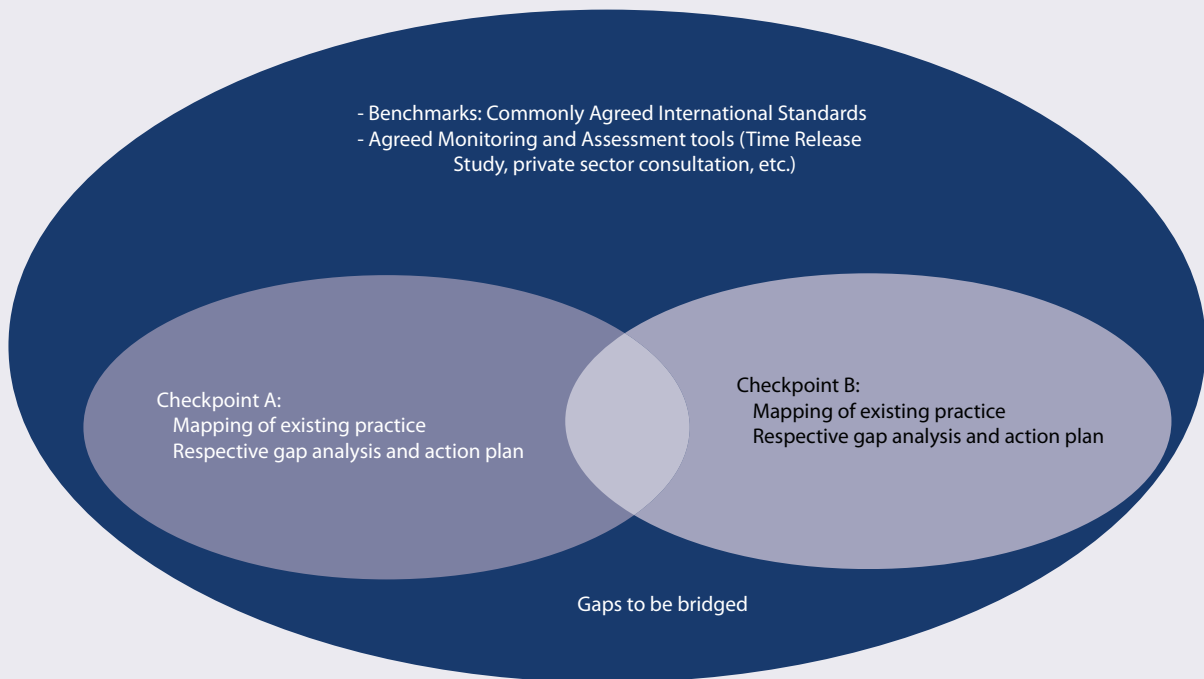


**Figure 3.3: Framework of the Customs–Immigration–Quarantine–Security Mapping Exercise**



Source: ADB.

**Figure 3.4: Customs–Immigration–Quarantine–Security Gap Analysis Model**



Source: Author's figure.



## ■ CHAPTER 3

# Establishing the Trade Facilitation Institutional Structure

Governments hold the key to trade facilitation. They establish trade and customs laws; determine policies on trade, banking, and logistics infrastructure and services; and ultimately set the trade documentation and control procedures. At the same time, however, the government machinery is made up of a patchwork of institutions with different objectives and concerns. The ministries of finance have to attain a fiscal target in terms of import duties collected. The ministries of industries are concerned about the proliferation of cheap imports that could undermine domestic industrial developments. The customs authorities are concerned about informal trade and entry of illegal or restricted goods.

Effective collaboration and coordination among government agencies and private sector players is at the core of trade facilitation. As such, governments need to develop an appropriate institutional framework where the various stakeholders can integrate their efforts to achieve common objectives, in particular, improving the effective movement of goods and related documents and payments in and out of the country to enhance national trade competitiveness.

Following the Trade Facilitation Framework of the Economic and Social Commission for Asia and the Pacific (ESCAP), establishing such infrastructure would involve (i) designation of a lead agency for trade facilitation, (ii) establishment of a national trade facilitation body (NTFB) with balanced public–private representation.<sup>141</sup>

Establishment of an institutional structure for trade facilitation at the (sub)regional level may also be considered.

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<sup>141</sup> See also ESCAP (2011), Guidelines on Establishing and Strengthening National Coordination Mechanisms for Trade and Transport Facilitation in the ESCAP Region. Available at: <http://www.unescap.org/tid/publication/ttf-guide.pdf>

## Facilitate Intergovernmental Agency Collaboration: Designating A Lead Trade Facilitation Agency

While public agencies involved in trade have different objectives, they have to coordinate their actions before any public–private collaboration. This may be done by appointing a lead ministry or agency to handle trade facilitation matters or to act as a national focal point.

The customs authority, the ministry in charge of trade, or another relevant line ministry (transport or planning ministry) may be appointed as the lead agency. The legislative system usually vests responsibilities on trade policy to a particular ministry (e.g., ministry of trade, commerce, or economy). As trade facilitation is part of a comprehensive trade development strategy and might be viewed as a trade policy instrument to reduce regulatory and administrative barriers to trade, the role of lead agency may be undertaken by such a ministry. In many countries, (e.g., Cambodia, the PRC, India, the Kyrgyz Republic, Malaysia, Nepal, and Viet Nam), these ministries are also in charge of the trade facilitation negotiations in the World Trade Organization (WTO).

In some countries, it is the customs authority that leads individual trade facilitation initiatives (e.g., the implementation of a single window in Azerbaijan and in Association of Southeast Asian Nations (ASEAN) countries). Customs authorities are vested with the responsibility to protect the integrity of the country's border and oversee the flow of legitimate trade, while facilitating trade flows. As such, customs may be the most appropriate agency to lead trade facilitation programs focused on border-crossing and customs procedures.

The following are the factors to consider when choosing the lead agency:

- (i) the envisaged focus and scope of the trade facilitation efforts;
- (ii) the commitment of the agency to trade facilitation and competitiveness;
- (iii) the capacity (intrinsic authority and experience) of the agency to coordinate and communicate with the other agencies involved, as well as the private sector; and
- (iv) the capacity of the agency to mobilize the necessary level of political support, and dedicate adequate and sustainable financial and human resources to trade facilitation.

Regardless of the agency selected, intragovernment cooperation will succeed only if it becomes a priority of the political leadership. As such, the lead agency may report on trade facilitation matters directly to the Prime Minister's office. Box 3.7 illustrates a trade facilitation institutional structure that involves intragovernment cooperation and support from the Prime Minister's Office.

## Box 3.7: Development of Domestic and International Border Management Institutions in the Pacific

### Domestic Institutional Framework

In Timor-Leste, the Joint Ministerial Commission (JMC) is led by the Ministry of Foreign Affairs (MOFA) to work with the Indonesian counter-parts in developing common protocols and agreements. The JMC, with support from the Ministry of Security, have so far coordinated border demarcation and security issues with Indonesia. JMC consists five working groups: (i) Border Issues, (ii) Judicial Issues, (iii) Education, culture and sports, (iv) Trade, investment and finance, and (v) Transport, communication and public works. Under the Working Group (WG) on border issues, the Joint Border Committee (JBC) and the Border Liaison Committee (BLC) coordinate border issues with Indonesia through the JMC. In May 2009, the Installation Commission was created under the Prime Minister's Office of Timor-Leste to establish a Border Operations and Coordination Council (BOCC).<sup>a</sup> BOCC has both coordination and management functions for border services, border development and border management. It envisions to create an integrated border management and border service, including single-window border service. BOCC is expected to take on further facilitation roles for economic corridors activities such as cross-border transport and trade that will make the border areas as zones of peace and prosperity by connecting people, and improving the economic well-being of the people living in the border regions.

In *Papua New Guinea*, the Border Development Authority (BDA), Ministry of Commerce and Industries (MCI), Commission on Customs, Department of Immigration, and Provincial Administration of the relevant border provinces are currently responsible for improving cross-border linkages, especially with Indonesia. BDA was established in November 2008 to address the needs of six border provinces with Indonesia, particularly to develop infrastructure and facilitate foreign and local investment. BDA also supports the Ministry of Foreign Affairs on bilateral border management issues with Indonesia. BDA is expected to facilitate integrated border management services (IBS) and promote economic corridors in cooperation with the relevant agencies, following the approval of the Ten Year Development Master Plan (TYDMP) 2010–2020.

ADB, through a forthcoming Regional Technical Assistance by the Pacific Department, will support these institutional developments in Timor-Leste and PNG by enhancing institutional capacity for border management and border services; strengthening cross-border trade and tourism links; and strengthening capacity for developing and implementing cross-border transport connectivity.

### International Institutional Framework

Bilateral discussions with Indonesia, on border management and cross-border trade, tourism and transport linkages are currently held at three levels: (i) Joint Ministerial Commission (JMC) chaired by the Minister of Home Affairs of Indonesia, the Minister of Foreign Affairs (MOFA) in PNG and Timor-Leste; (ii) border liaison meetings (chaired by Governors of border provinces in each country); and (iii) border official meetings at the technical and working level with representatives of concerned agencies.

<sup>a</sup> A draft decree law on the establishment of the BOCC is awaiting approval of the Council of Ministers.

Source: Pacific Department, ADB.

## Foster Public–Private Cooperation: Establishing A National Trade Facilitation Body

After designating a lead agency for trade facilitation the next step is to establish a national trade facilitation body (institutional structure) that will bring together all the diverse parties with interest in trade facilitation and provide an effective and coherent mechanism for identifying problems and developing solutions. The NTFB should be established by the lead agency to cover the following four items.

## Terms of Reference of the National Trade Facilitation Body

Governments should establish the NTFB to:

- (i) identify issues affecting the cost and efficiency of their country's international trade,
- (ii) develop measures to reduce the cost and improve the efficiency of international trade,
- (iii) assist in the implementation of the measures,
- (iv) provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation,
- (v) ensure consistency of adopted measures with national policies and international obligations, and
- (vi) participate in international efforts to improve trade facilitation and efficiency.

Some activities undertaken by the United Kingdom Trade Facilitation Body, Simplifying International Trade (SITPRO), one of the oldest and most respected NTFBs, are highlighted in Box 3.8. Model terms of reference and other document templates useful in establishing an NTFB are featured in the United Nations Conference on Trade and Development (UNCTAD) *Guidelines to Recommendations No. 4* issued in 2000. Choosing a name for the body that does not make a particular stakeholder unnecessarily more prominent than another is recommended. This is the reason many of the over 50 trade facilitation bodies in developed and developing countries do not include trade or transport in their names but often used PRO for procedures (e.g., SITPRO in the United Kingdom).

## Composition of the National Trade Facilitation Body

The NTFB should have a balanced membership from both public and private sectors and should be representative of the stakeholders involved in trade facilitation. A non-exhaustive list of organizations that should be considered for inclusion in the NTFB is provided in Table 3.2, categorized under three main trade stakeholder groups.

One important challenge is the inadequate representation of stakeholders in existing institutions. For example, the views of small and medium-sized services providers and traders may not be adequately represented in existing associations. Since one objective of trade facilitation is to make trade more inclusive, supporting the participation of small- and medium-sized enterprises (SMEs), associations, or special representatives may be important.

## Structure and Function of the National Trade Facilitation Body

To be effective, the NTFB needs to be correctly positioned within the chain of authority. It will be important for the NTFB to be provided with high-level political support, particularly at the early stages of trade facilitation when many control agencies may not see trade facilitation as a priority. Some suggest that it should

### Box 3.8: National Trade and Transport Facilitation Committee of Pakistan

The Government of Pakistan decided to constitute a standing committee named National Trade and Transport Facilitation Committee (NTTFC) under the chairmanship of Additional Secretary, Commerce. The NTTFC was established under Resolution No.1(8)/94, International Trade Organization/United Nations Conference on Trade and Development (ITO/UNCTAD) on 14 July 1998.

NTTFC is a facilitating body established to simplify the documents and procedures related to international trade of Pakistan, and harmonize these with international practices.

**The main tasks of the NTTFC are to:**

- coordinate efforts of concerned organizations in the field of facilitation of international trade and transport;
- collect and disseminate information on international trade and transport formalities, procedures, documentation, and related matters;
- pursue the simplification and alignment of trade and transport documents on the basis of the United Nations Layout Key, including documents designed for use in computer and other automated systems; and
- promote the adoption of standard trade and transport terminology and international codes for trade and transport information.

To achieve these tasks and to promote Pakistan's international trade in keeping with prevailing international standards and practices, its ministry of commerce has initiated a trade and transport facilitation project with technical assistance from UNCTAD and funding from the World Bank.

The NTTFC Secretariat is responsible for executing the work of NTTFC and plays the coordinating role between the UNCTAD and the stakeholders to achieve the objectives of the project.

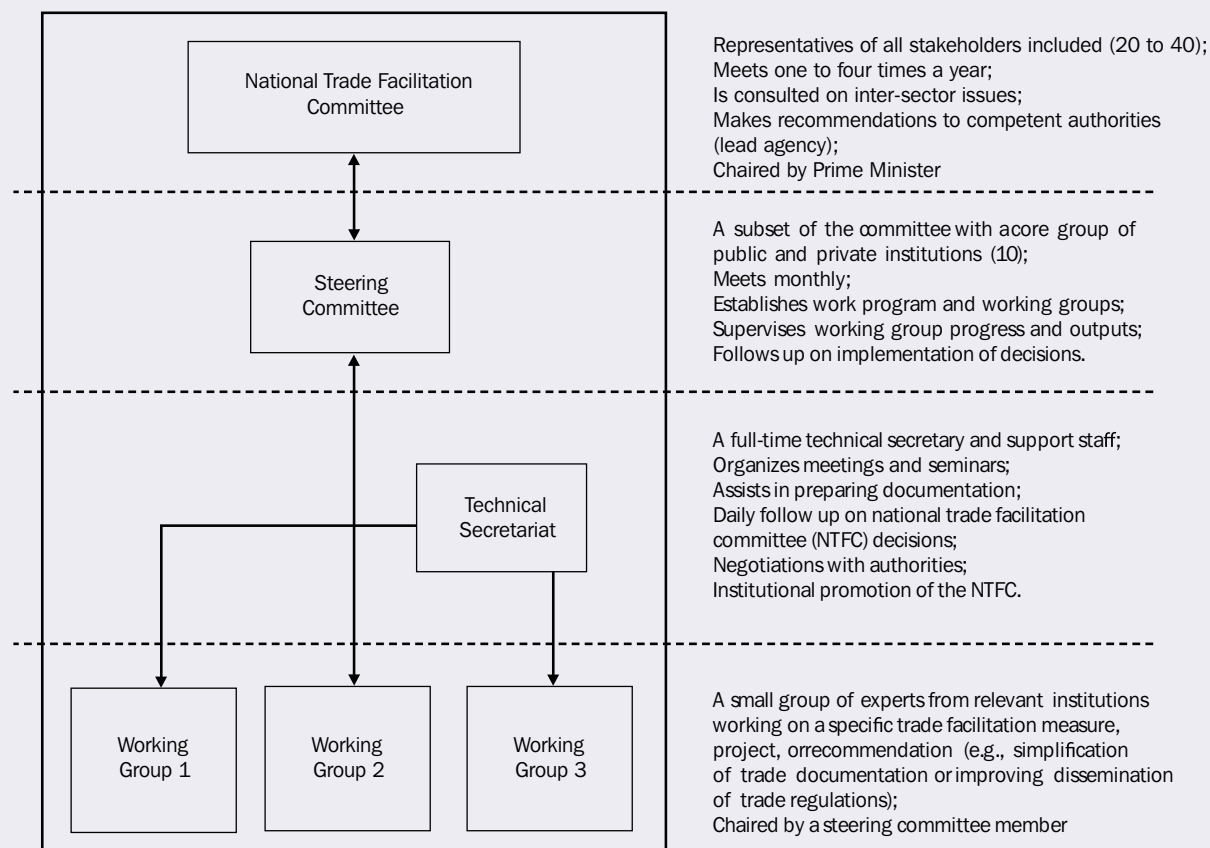
The NTTFC meets, as and when required, to review progress on project and make decisions regarding its objectives. To provide necessary guidelines to the NTTFC secretariat and the UNCTAD project team, working groups on various subjects are formed. These working groups represent the concerned stakeholders, and help in identifying the issues involved and developing a consensus on how these may be solved.

Source: NTTFC. 2001.

**Table 3.2: Achieving a Balanced Public–Private Membership in a National Trade Facilitation Body**

Government Agency	Service Provider	Trader
Ministry of Trade	National associations of carriers and freight forwarders	Chambers of commerce
Ministry of Finance/ Customs		Manufacturer associations
Ministry of Works	National associations of banking institutions	Other associations of service users (exporters, importers, etc.)
Ministry of Communications	National associations of insurance companies	
Ministry of Transport		
Other line ministries and agencies with export/import clearance authority		

Figure 3.5: Overview of a National Trade Facilitation Body



Source: NTFFC. 2006.

be chaired by the Prime Minister or by the head of the government-designated lead agency to facilitate implementation of recommendations. Others suggest that adopting a co-chair system, where one chair is a high-level government official and the other is from the private sector, can be a way to increase ownership of the NTFB by a wider range of stakeholders.

Another challenge is ensuring that the NTFB will fulfill its terms of reference in developing concrete trade facilitation solutions. UNCTAD's experience<sup>142</sup> suggests that organizing productive plenary meetings with all stakeholders is challenging and that a three-tiered structure consists of the following can be adopted:

- a national trade facilitation committee
- a steering committee, and
- working groups.

<sup>142</sup> UNCTAD. 2006; 2005; UNECE. 2000.



### Box 3.9: The Republic of Korea's National e-Trade Committee

To pursue its expanded trade facilitation initiative, the Republic of Korea established the National e-Trade Committee. The composition of the Committee is as follows:

**Chairman: Prime Minister**

**Members**

Ministers from:

Ministry of Finance and Economy

Ministry of Justice

Ministry of Government Administration and Home Affairs

Ministry of Culture and Tourism

Ministry of Commerce, Industry and Energy Ministry of Information and Communications Ministry of Construction and Transportation Ministry of Maritime Affairs

Ministry of Planning and Budget

Office of the Prime Minister

Minister for Trade (Ministry of Foreign Affairs and Trade)

Commissioner of the Korean Customs Service

From the private sector, the head of the following organizations:

Federation of Korean Industries

Korea Chamber of Commerce and Industry

Korea International Trade Association (KITA)

Korean Federation of Small and Medium Business

Korea Trade and Investment Promotion Agency

The Committee, which included both civilian and public officials at the highest levels, provided a clear idea of which elements needed to be included in the e-trade network relatively quickly. Under the leadership of the Committee, KITA established the Korea Paperless Trade Center and the Korea e-Trade Facilitation Center in 2005. In the e-Trade Facilitation Center, six working groups were organized, dealing with platform, law, finance, logistics, marketing, and global cooperation. These working groups were able to work out the details of the e-trade network, which eventually became the UtradeHub.

Source: Yang, J. 2009.

Such a structure is illustrated in Figure 3.5. While all stakeholders could be represented in the national trade facilitation committee and meet once a year, the steering committee should have a more limited membership of individuals with decision-making power and who can devote themselves to trade facilitation issues and guide the working groups. The steering committee could meet every 3 months to review the progress of the working groups, set up new ones, and approve working group outputs for implementation by the relevant agencies.

The composition and structure of the NTFB will ultimately depend on the national context. For example, in the Republic of Korea, where trade facilitation has long been a top priority, the National e-Trade Committee was formed in 2003 to facilitate the development of an advanced electronic trade facilitation system.<sup>143</sup> The composition of this committee and information on its operation are provided in Box 3.9.

<sup>143</sup> An electronic single window linking all relevant government agencies, service providers, and users and allowing them to exchange required information, clearances, and payments online.

## **National Trade Facilitation Body Secretariat and Technical Team**

The NTFB should have a knowledgeable technical team and secretariat. To increase stakeholder ownership and avoid government bureaucracy, the secretariat may be housed in a representative private sector organization willing to champion trade facilitation.

At least in the initial stages, the government should provide financial support to the secretariat. Facilitating team participation in trainings and events organized by regional and/or global bodies will ensure the team remains updated and motivated. The development of formal and informal linkages between the NTFB and regional or global trade bodies and networks should generally be supported, as this will allow the NTFB to facilitate trade processes beyond its own borders for the benefit of its national stakeholders.

## **Institutional Structure for Trade Facilitation at the (Sub)Regional Level**

While international cooperation on trade facilitation may often take place initially in the form of horizontal cooperation among agencies with the same responsibilities or functions (e.g., customs cooperation), international cooperation on the basis of a specific cross-border trade facilitation project involving multiple agencies in each country may be encouraged. This may enhance interagency cooperation at the national level and reinforce the role and position of the lead agency and the NTFB for trade facilitation.

Institutional structure for trade facilitation at the (sub)regional level varies depending on the type of trade facilitation measures. Box 3.10 gives two examples of institutional structures for trade facilitation in the Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA) and ASEAN.

### Box 3.10: Regional Institutional Structures for Trade Facilitation

Function	Membership	Frequency of Meetings
<b>A. BIMP-EAGA's Customs, Immigration, Quarantine, and Security Task Force</b>		
<ul style="list-style-type: none"> <li>– Monitor implementation progress</li> <li>– Identify common impediments to trade facilitation and required collective solutions</li> <li>– Establish common standards for customs, immigration, quarantine, and security (CIQS)</li> <li>– Facilitate the participation of private sector</li> <li>– Mobilize resources</li> <li>– Monitor, coordinate, and report regularly to relevant (sub)regional bodies</li> </ul>	<ul style="list-style-type: none"> <li>– Representatives of National CIQS, of which one will be a lead agency for in-country coordination</li> <li>– National and/or local border management officials, e.g., CIQS as appropriate (bottom-up participation)</li> <li>– Sector representatives</li> <li>– Private sector representatives</li> </ul>	<ul style="list-style-type: none"> <li>– One or two meetings a year by the host country</li> <li>– Meetings can also be held if required to respond to emerging issues</li> </ul>
<b>B. ASEAN Trade Facilitation Joint Consultative Committee</b>		
<ul style="list-style-type: none"> <li>– Monitor implementation progress</li> <li>– Undertake annual review on implementation and effectiveness of ASEAN trade facilitation measures</li> <li>– Invite and seek assistance of other relevant ASEAN bodies as and when required</li> <li>– Prepare and submit proposed policy strategies, action plans</li> <li>– Develop ASEAN trade facilitation indicators</li> </ul>	<ul style="list-style-type: none"> <li>– Representatives of national trade facilitation committees and/or focal point of trade facilitation of each member state</li> <li>– Senior officials in charge of trade, customs, transport, standards, and conformance and sanitary and phytosanitary (SPS) measures</li> <li>– Representatives from the private sector such as freight forwarders associations, ship owners associations, port operators, customs brokers, transport operators, and other private sector associations involved in cross-border trade</li> </ul>	<ul style="list-style-type: none"> <li>– Once a year</li> <li>– Special meeting is held whenever deemed necessary by consensus of the members or upon directive by ASEAN senior economic officials</li> </ul>

ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area.  
Source: ADB.



## ■ CHAPTER 4

# Implementing Prioritized Trade Facilitation Measures

This chapter provides an overview of some actions and steps involved in addressing the six core areas of trade facilitation.

## Revise and Improve Dissemination of Trade and Customs Laws and Regulations

All legislation or regulations that have a bearing on trade should be identified, providing a comprehensive view of the trade, legal, and regulatory frameworks. This initial survey will help determine the key laws and regulations affecting trade facilitation and their respective linkages and overlaps. The following reviews may then be conducted:

- (i) *Review the import–export laws to determine clarity, relevance, and conformity with international obligations.* The review should focus particularly on whether the key laws and regulations affecting trade facilitation have been clearly spelled out and addressed (e.g., the applicable import and export activities and the entities eligible to conduct them, the duties and obligations of the declarant lodging a trade declaration, the power and authority of the trade officers, the penalties for noncompliance matters, and the right of appeal of the declarant. Careful attention should also be attached to the secondary or subsidiary legislation indirectly related to trade, (e.g., laws and regulations governing trade finance, foreign exchange controls, transport operators, distribution rights, logistics players, and health and environmental concerns) and the scope for authorities to enact them.
- (ii) *Review the Customs Act to assess conformity with international conventions and recommendations.* Similarly, the customs act will have to be reviewed to ensure its clarity and conformity to the relevant conventions, particularly the Revised Kyoto Convention (General Annex) and the World Trade Organization (WTO) customs valuation agreement. The Act should ensure that import and export duties and valuation procedures are properly highlighted, establish national codes according to the Harmonized Commodity Description and Coding System (HS Code), and list clearly the penalties for noncompliance with customs laws. Importantly, the customs law should specify the role and powers (duties and obligations) of customs officers.

- (iii) *Review bilateral, regional, and multilateral agreements on trade, transport, and transit to determine whether existing legislation has incorporated relevant elements.* Multilateral obligations related to trade facilitation should be considered during the legislative review. Other than the Customs Valuation Agreement, the WTO agreements on import licensing, rules of origin, technical barriers to trade (TBT), and sanitary and phytosanitary (SPS) measures can be considered when revising the legislation. Bilateral and regional trade, transport, and/or transit agreements with neighboring countries should also be reviewed, as some may have implications for trade and customs laws, especially in terms of customs duties, rules of origin, and documentation requirements.<sup>144</sup> This is an increasingly important issue as countries enter into an increasing number of trade agreements with trade facilitation provisions.
- (iv) *Consolidate all trade-related regulations into a manageable number of acts and sets of regulations.* Following the aforementioned reviews of trade-related legislation, the authorities should identify legal overlaps and hence combine and restructure various rules and regulations into key legislation that would be the cornerstone of the country's trade-related legal structure. Actions should be taken to reduce the number of trade and customs laws through the enactment of enabling legislation or decrees with subsidiary regulations. Agencies in charge should assess the relevance of the legislation and repeal outdated or irrelevant provisions. In addition, legislation requiring frequent reviews should contain provisions enabling the authorities to enact rules without lengthy legislative processes.
- (v) *Seek feedback and views on revised legislations and regulations before implementation.* The lead agency, together with the national trade facilitation body (NTFB), should gather feedback from the related industry associations on the practicality of proposed revised regulations. Before introducing new regulations, the business community is informed through various channels (notices, official and online publications, seminars, and workshops) well in advance of implementation.
- (vi) *Assess traders' regulatory information and training needs.* Trade and customs regulations need to be regularly updated to accommodate changes in the domestic and international trade environment. For instance, when a preferential trade agreement is signed with one or more partner countries, certain new regulations and procedures need to be in place for the issuance of the certificates of origin that will allow traders to take advantage of the negotiated preferential tariffs. To enable compliance and realization of benefits from regulations, it is essential to inform traders of existing and new trade regulations. An initial assessment of the information and training needs of traders, as well as relevant government agencies, with regard to the understanding of the latest trade regulations should be conducted. This also includes an evaluation of the effectiveness of existing delivery modes of information, which the lead and related agencies should use as a basis for developing effective mechanisms to disseminate all available and updated trade and customs information to the business community. This could be in the form of notifications, booklets, and websites. Depending on the results of the assessment, the following actions may also be considered:

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<sup>144</sup> For example, the Association of Southeast Asian Nations (ASEAN) members are required to issue a document called Form D Certificate of Origin for goods entitled to tariff preference under the ASEAN Free Trade Agreement.

- Develop a centralized repository and dissemination system of trade regulations: As many agencies are involved to varying degrees in issuing trade regulations, a centralized system has to be developed so that the trading community can be informed timely regarding the changes in the regulatory requirements of any relevant agency. The customs authority generally takes the lead in establishing such a system but collaborative arrangements with chambers of commerce and industry can also be established to aid information dissemination and organization of training workshops.
- Establish enquiry points for trade regulation information: In addition to publishing regulations through a centralized system, the authorities can move one step forward and provide enquiry points for traders to approach when they seek information and clarification.

Useful references:

Part II, Chapter 1 of this reference book

Revised Kyoto Convention

Global Facilitation Partnership for Transportation and Trade (GFPTT .org)<sup>145</sup>

WTO and General Agreement on Tariff and Trade (GATT) Articles 8 (fees and formalities) and 10 (publication and administration of trade regulations), and related proposals submitted to the WTO Negotiating Group on Trade Facilitation (TN/TF/W/43/).

## Rationalize Trade Documents and Related Procedures

Trade documentation and customs procedures are important components of the trade facilitation system as they help identify the import and export items in terms of description, value, and ownership for both trade and control purposes. They also allow for the tracking of cargo so that importers and exporters know where their shipments are and when these will arrive at their final destination. However, while trade documents are an integral and necessary part of international trade, efforts should be made to simplify and rationalize them so that they do not become an obstacle to international trade. The following steps may be taken to rationalize trade documents:

- (i) *Classify all tradable products and identify all agencies involved in trade controls.* Traded products attract various levels of controls by different agencies. Tradable products may be classified as (i) dutiable controlled goods, (ii) dutiable non-controlled goods, (iii) non-dutiable controlled goods, and (iv) non-dutiable non-controlled goods. Classifying the goods under these categories, and further refining the classification and control agencies involved for manufactured products, sensitive security-related products, and agricultural and commodity products, will help in getting an accurate picture of the various agencies involved in trade control for different categories of goods.

<sup>145</sup> The www.GFPTT.org website, a joint initiative of the United Nations and other agencies involved in trade facilitation, provides a gateway to extensive and up-to-date trade facilitation-related information and recommendations.

- (ii) *Evaluate current procedures.* Review all existing formalities and processes involved in the clearing of goods. Such review would include all procedures and documentation involved in issuing (i) inward declarations/outward declarations, (ii) import and export licenses, certificates of origin, and other documents required by the Ministry of Commerce, the customs authority, and other controlling agencies for the clearance of goods under their respective purviews. The assessment should include a study of how industry players such as freight forwarders, air cargo carriers, and shipping agencies handle their documentation processes, leading to conclusions on how simplification of the procedures and documentation could best be implemented.<sup>146</sup>
- (iii) *Streamline trade document processing.* For each of the trade documentation processes—mainly inward declarations/outward declarations, application for import and export licenses, and application for preferential certificates of origin—the lead agency should:
- Determine the minimum information requirements;
  - Reduce the number of steps involved from the submission of the declaration or application to the receipt of the approved declaration, license, or certificate;
  - Reduce or eliminate the need for supporting documents to be submitted; and
  - Establish clear coordinating and routing mechanisms between the key receiving authority (e.g., customs) and other customs/controlling agencies (CAs) (e.g., agri-food and veterinary authorities, police authority, and other relevant authorities) when more than one CA is involved in the issuance of a document (typical in the case for ID of sensitive goods).
- (iv) *Align and simplify documents used in international trade.* Existing trade-related documents used by the Ministry of Commerce, the customs authority, other CAs, and industry players (such as shipping companies, air cargo agents, and freight forwarders) should be collected and analyzed. The documents should be aligned according to the United Nations Layout Key for Trade Documents, specifying all required data elements and fields in the aligned documents using international standards (e.g., the WCO Data Model).<sup>147</sup> The documents to be aligned include:
- Goods declaration and permit forms,
  - Certificates of origin,
  - Import and export licenses,
  - Customs declaration forms,

<sup>146</sup> This may best be done using the UNNExT Business Process Analysis Guide for the Simplification of Trade Procedures, available at: [http://www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp).

<sup>147</sup> Documents alignment and data harmonization may best be conducted on the basis of the UNNExT Guide for the Design of Aligned Trade Forms for Paperless Trade, and the UNNExT Data Harmonization and Modelling Guide for Single Window Environment, respectively. Both guides are available at: <http://www.unescap.org/unnext/tools/>.



- Certificates of inspection (used by other CAs or for specific products),
- Certificates of quality, and
- Health and phytosanitary certificates.

The lead agency should also take steps to encourage the industry players to align their documents with international standards and models. Following the alignment (standardization) of trade-related documents, the authorities will be able to easily determine which documents contain the same information and can be eliminated or combined, thereby reducing the overall number of documents.

- (v) *Introduce and gradually implement revised procedures and documents.* Before implementing new procedures and documents, there will be a need to inform all concerned government agencies and train the relevant government officers on the new procedures and documents. In addition, the authorities should also inform and educate the business community through seminars, information booklets, and other appropriate means. Phased implementation of new procedures and documentation is recommended, starting with non-dutiable non-controlled goods, followed by non-dutiable controlled goods, dutiable non-controlled goods, and lastly dutiable goods. Such an approach will provide an opportunity to review and fine-tune processes in consultation with all agencies involved before full implementation (Part II, Chapter 2).

Useful References:

UNNExT Business Process Analysis Guide to Simplify Trade Procedures, available at <http://www.unescap.org/tid/publication/tipub2558.pdf>

UNNExT Guide for the Design of Aligned Trade Forms for Paperless Trade, available at <http://www.unescap.org/tid/unnext/tools/atf-design.asp>

UNNExT Data Harmonization and Modeling Guide for Single Window Environment, available at <http://www.unescap.org/publications/detail.asp?id=1489>

## Implement Effective Trade and Customs Enforcement

Trade control is important for a country to prevent trade in prohibited and harmful goods such as drugs, unlicensed arms, fake pharmaceuticals, endangered animal species, and pirated products. In addition, authorities need to ensure that the correct customs and import duties are collected to avoid loss of government revenue. The challenge is, therefore, to facilitate trade while at the same time ensuring compliance with trade and customs regulations.

The key to solving this challenge is to put in place a risk management system to facilitate low-risk (i.e., low risk of noncompliance) trade while focusing attention and controls on trade at a higher risk of violating regulations. Advance release and duty payment systems can also be effective in facilitating trade when complemented with a post-clearance audit mechanism. The following steps may be taken to accomplish this goal:

(i) *Develop an efficient trade statistics collection system.* For risk management to work, a trade monitoring system is required. It, in turn, requires accurate trade statistics. Trade statistics are important as they show the trade patterns and flows of the country. Therefore, there has to be a reliable system to accurately collect and compile trade statistics. This may include the following steps:

- Develop the required database structure for trade statistics;
- Develop a computer system to capture the required data elements;
- Train officers processing inward declarations and outward declarations in using computers to process the data and audit raw statistics before formatting into final output format; and
- Establish a mechanism for dissemination of trade statistics to the relevant officers for use in customs management.

It is worth noting that once the inward declaration and outward declaration forms are aligned, they would display the required data element (value, volume, destination or origin, mode of transport, etc.) in a proper format and hence make data entry easier and more standardized.

(ii) *Establish channels of trade intelligence.* Besides trade statistics, the lead agency and the customs authority will also require additional trade intelligence from other sources, both locally and internationally. Trade intelligence consists of specific information pertaining to the characteristics of industries and various enterprises. Both domestic and foreign sources of information should be utilized and authorities can, therefore, consider the following:

- Establish an interagency committee comprising relevant government agencies to share intelligence on trade and customs-related issues. It will be the basis of industry and company data for the risk management system. However, given the sensitive nature of this interagency committee, it should not operate within the NTFB.
- Develop mutual administrative assistance with customs authorities in other countries aimed at exchanging customs-related intelligence, especially pre-arrival information of inbound goods. Early intelligence will assist in combating trade offenses.
- Develop collaboration with industry players such as freight forwarders, multimodal operators, air cargo carriers, and shipping representatives within the NTFB to ensure and increase trade compliance. Authorities can work with these industry associations to assist them in developing self-policing initiatives among their members. Such an approach would encourage traders to develop their own internal compliance systems to ensure proper documentation and customs payment. Incentives for traders to comply could include faster facilitation of cargo consignments, typically as part of an authorized trader or economic operator scheme (Box 3.11).

(iii) *Identify and assess areas of risk.* Once data sources are secured, the available data need to be examined to identify risk areas and develop a risk management system using the following steps:

### Box 3.11: Public–Private Partnership for Trade Facilitation and Security: Authorized Economic Operator Scheme and World Customs Organization Standards to Secure and Facilitate Trade

An Authorized Economic Operator (AEO) is defined in the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Trade (WCO SAFE) as a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration in compliance with WCO or equivalent supply chain security standards. AEOs include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, warehouses, and distributors.

Several countries in Asia and the Pacific have implemented AEO programs (e.g., Japan, the Republic of Korea, New Zealand, and Singapore), with the objective of enhancing the security of the supply chain. AEO programs typically require provision of advance cargo information and the use of risk management mechanisms. Participation of the private sector in these programs is generally voluntary and based on a partnership between businesses and customs to ensure compliance with the agreed standards. AEOs, as trusted operators, typically benefit from faster customs clearance (“green lane”).

National customs authorities developing AEO schemes should consider complying with the WCO SAFE as this is expected to facilitate the mutual recognition of schemes among customs administrations, ultimately resulting in cross-border trade facilitation. This involves (i) meeting standards on advance cargo information requirements set in the WCO framework; (ii) being bound to use a risk management approach and agreeing to (upon request of the receiving country and using comparable risk targeting methodology) perform an outbound inspection of high-risk containers and cargo using non-intrusive customs inspection equipment such as x-ray machines and radiation detectors; and (iii) offering benefits to business that meet minimal supply chain standards and best practices.

Under the mutual recognition agreement between New Zealand and the United States (US) in 2007, traders under the New Zealand Customs Service Secure Exports Scheme can enjoy border clearance privileges if their partner in the US is a member of the Customs–Trade Partnership Against Terrorism.

Although AEO programs necessitate initial investment by both customs administrations and businesses to succeed, they are “win-win” solutions. Compliant private businesses will benefit from faster processing of goods by customs, translating into time and cost savings, while customs will benefit from greater compliance and a secure flow of legitimate cargo.

Source: WCO. 2007.

- Establish compliance needs and measures. The authorities need to determine the issues on which they wish to focus their limited resources. For example, priority may be given to documentary issues (e.g., proper tariff classification and valuation by traders); procedural issues (e.g., proper declarations and transit operations); and/or revenue issues (e.g., accurate payment and collection of duties). Available data should be used to understand the noncompliance risks in key areas and their impacts, such as in industries of strategic importance to the country and those related to important trade policy measures (such as import quotas, preferential import duties, and rules of origin) or issues (antidumping). Compliance measures and indicators should then be established based on the issues and areas deemed most important.
- Develop risk profiling and targeting. Subsequent to identifying the types of risk, the authorities will be able to develop appropriate risk indicators such as certain transport routes, categories of traders, and types of product declared. These risk indicators are the basis of various risk profiles that will help the authorities to target enforcement on specific cargo movements.

- (iv) *Encourage advance submission of documents.* Submission of trade and customs documents prior to arrival and departure should be encouraged. This will enable the authorities to preselect cargo consignments for inspection and clear others before arrival using established risk profiles. Advance submission of information on cargo is today seen as an essential measure to ensure international supply-chain security. An increasing number of developed countries are requiring that detailed information be submitted in advance of arrival.

In line with the advance submission of documents (and to encourage early submission), customs can also initiate a system where traders can pay duties in advance. In addition to establishing the procedure and document requirements for advance payment of duties and designating customs offices responsible for collection, developing such a system typically involves the development of an automatic debit payment system with selected commercial banks where traders have accounts for cashless transactions. This could be done under the NTFB in a working group on advance payment championed by customs in cooperation with representatives of the financial services sector.

- (v) *Conduct physical inspections based on assessed risks of shipments.* Assuming all the aforementioned steps have been implemented, authorities should be in a position to determine which shipments are most likely to be noncompliant based on established risk profiles, thereby reducing the need to conduct a large number of physical inspections. Following preselection of cargo for inspection based on information available from risk profiling, authorities may decide to simply conduct a summary inspection by checking marks, codes, and numbers to determine compliance, or to conduct detailed physical inspections by opening up cargo for verification. Random detailed inspections may also be conducted from time to time to verify the accuracy of the risk profiling system.
- (vi) *Implement a systematic post-clearance audit program.* Periodic proactive inspections and visits to traders, manufacturers, and freight forwarders, among others, should be institutionalized as part of the risk management process. The purposes of such visits are to verify the compliance of specific transactions and shipments based on archived documentation, review the trader's system to assess its ability to comply, determine that preferential certificates of origin issued to manufacturers are in accordance with the respective rules of origin regulations but also to acquire information and a better understanding of the operations of major importers and exporters.

The results of the post-clearance audits will be incorporated in the intelligence database and will be useful in updating risk profiles to make the overall risk management system more effective. A legal provision to institutionalize post-clearance audits should be enforced.

- (vii) *Provide training to traders and enforcement officers through a phased implementation.* Implementation of a new system of trade and customs controls such as the one described above involves careful planning and preparation. In particular, enforcement officers will have to be trained in risk management techniques and in the conduct of post-clearance audits and factory inspections. Traders will also have to be trained, particularly on how to establish and maintain their internal compliance systems and how to avoid "honest mistakes" in filling-in trade documents or in following procedures, as these mistakes can

reduce the effectiveness of the risk management system. Phased implementation of risk management and audit-based trade control systems can be considered, starting with a few strategic industries before expanding to all trade.

Useful references:

Part II, Chapter 2.

WCO SAFE Framework

WCO and ADB *Risk Management Guide* 2005.

ADB. 2006. *Risk Management: Catalyst of Customs Reforms and Modernization*.

Customs in the 21<sup>st</sup> Century, WCO (Box 3.12)

### Box 3.12: Customs in the 21st Century—Ensuring Goods Move Smoothly Across Safe Borders

The global trade landscape is rapidly evolving, and that means customs must change as well. The world has seen substantial increases in trade volumes and growing complexities as a result of deepening globalization and robust economic growth in emerging economies—particularly developing Asia. New business models and requirements—such as just-in-time deliveries, low inventory retention, and multi-modal transport—have increasingly demanded speedy customs clearance and end-to-end logistics management. Furthermore, since the 9/11 attacks and with organized crime on the rise, mounting security threats have increased concern over trade in dangerous or prohibited goods which affect public health and the environment, money laundering and revenue fraud.

Confronting these challenges, leaders of customs administrations globally recognized the need to develop a new, more effective strategy to meet the often conflicting and increasing demands of globalized trade. In 2008, the World Customs Organization (WCO)—the voice of the international customs community—adopted the *Customs in the 21st Century: Enhancing Growth and Development through Trade Facilitation and Border Security (C21)*—a strategic vision for all future customs operations. C21 is a platform for strategic thinking in the global customs community and the greater international trade environment.

The C21 strategy defines 10 building blocks for enhancing customs operations globally:

- networking customs globally through a systemized approach to information exchange to promote e-customs and mutual recognition of customs controls and Authorized Economic Operator (AEO) programs;
- coordinating border management to strengthen cooperation among all relevant border authorities;
- improving operational and organizational risk management through intelligence-driven risk management;
- promoting customs-trade partnerships that benefit all parties;
- modernizing working methods from transaction-based controls to systems-based and post-clearance controls, and from paper-based to electronic-based controls (including the Revised Kyoto Convention);
- employing new technology to aid in risk management, intelligence, and non-intrusive detection;
- introducing appropriate legislation to strengthen enforcement, provide advance information, and share information domestically and internationally;
- moving toward a knowledge-based and customer-orientated model to build a culture of professional service;
- boosting training for an effective and efficient outcomes process using measurements, political will, people, and partnerships; and finally
- fostering integrity in customs procedures—an often publically maligned yet essential conduct for trade.

## Computerize and Automate Trade Documents and Procedures

As trade flows and the need for faster clearance of goods increase, the application of information and communication technology (ICT) to trade documents and procedures becomes essential to trade facilitation. However, the success in computerizing and automating trade procedures depends on the government's own ICT development. If there is no effort to enhance and improve ICT infrastructure nationwide, then computerization and automation of trade documents and procedures may not be readily achievable. The following are actions that may be considered in applying ICT to trade documents and procedures:

- (i) *Agree on a blueprint of the electronic single window facility.* The lead agency should be given a clear mandate to develop and implement a single window facility, as development of such a system is a complex and relatively resource-intensive task compared with other trade facilitation measures. The NTFB should be fully involved in supporting the development of the single window. Starting with the system's scope and envisaged electronic facilities, it should provide one-time electronic submission of information to multiple agencies, online and/or automated clearance by the agencies linked to the system, electronic payment of duties, etc. The final blueprint of the system should be endorsed by the national trade facilitation committee to be funded by the government (Box 3.13).
- (ii) *Develop enabling legislation for the single window.* To provide the legal basis for the new system, new regulations that will empower the government agencies to set up the system for use by both the public and private sectors have to be in place. Such regulations may include the obligation of the declarant to provide complete and accurate electronic submission of data, and defining penalties for those who abuse or violate the system (e.g., falsify a declaration, steal data, or simply cause mischief). The regulations should also endorse the confidentiality of the data collected in the system, authorizing only the government-designated lead agency to use such data for the purpose of combating noncompliance.

To ensure that the system makes trade more efficient, e-commerce, e-signature, and other ICT laws will be needed. With the laws in place, electronic documents and signatures are recognized as legal documents equivalent to the paper documents used before the single window was available. Legal issues should be addressed at an early stage, as passing and implementing new laws often take more time than developing the electronic systems, which are increasingly being developed using off-the-shelf software.

- (iii) *Design a single administrative document.* One of the key features of many single windows is an electronic single administrative document. Most, if not all, trade and customs documents should be aligned according to the UN Layout Key to facilitate the development of such a single administrative document, which will incorporate into one single form all the information required by many agencies involved in trade control. After a successful agreement has been reached on the single administrative document content, an electronic version will be developed following international ICT and trade document standards so that it can be completed and submitted electronically.

### Box 3.13: Success Factors in Single Window Development and Paperless Trade

The following factors are key to the success of single window and paperless trade initiatives, according to Korea International Trade Association (KITA) Paperless Trading Center, the organization responsible for the implementation of paperless trade in the Republic of Korea:

- appropriate legal framework;
- strong leadership by the government;
- public–private cooperation, which covers not only B2B but B2G, G2G;
- enough budget;
- IT infrastructure (network, hardware, and software);
- adopting international standards and trends;
- user-friendly system (easy, simple and intuitive interface);
- adopting state-of-the-art technology, such as business process management and trusted platform of reinforced security technology, and supporting industry supply chain management (SCM) with global visibility and radio frequency identification (RFID); and
- phased implementation.

Source: KITA Korea Paperless Trading Center. 2007.

## Automate Internal Processes of Agencies

Once electronic submission of documents has been enabled and streamlined, consideration should be given to automating the processing of relevant information contained in the electronic single administrative document by each relevant agency. Each agency will conduct its own study to determine the extent to which document processing may be automated.

- (i) *Select an appropriate contractor to develop the system.* The lead agency will oversee the development of the system and select an appropriate contractor in a transparent manner using the criteria set in consultation with the national trade facilitation body. The role of the contractor may involve (i) installation of requisite hardware and software according to system requirements and development of interfaces linking traders to the lead agency, as well as linking the lead agency to other controlling agencies responsible for processing the information in the single administrative document (SAD); (ii) development of criteria for automated processing of inward declarations/outward declarations to meet requirements of each agency; and (iii) design of a built-in risk management tool based on the information processed within the system (Box 3.13).
- (ii) *Develop an electronic payment system for customs duties.* Payment of customs duties is a process closely linked to the submission and processing of documents. Therefore, efforts should be made to provide an electronic payment system that allows customs duties to be paid at the same time traders use single window



for goods declaration. Development of such a system will involve establishing a central clearinghouse with the central bank to facilitate payments between traders' banks and the customs authorities bank; setting up an electronic payment system module within the single window to link payment instructions and notifications to respective banks; and developing rules and policies relating to electronic payments.

- (iii) *Provide a comprehensive training and technical support program.* Implementation of electronic trade facilitation such as the ones mentioned above will have an important impact on the personnel in regulatory agencies as well as on the way traders conduct business. Comprehensive training programs need to be developed to train the staff of both public and private sectors on how to operate and adapt to the new systems efficiently. Such courses should be conducted regularly prior to adopting the system. Ready technical support in the form of a help desk and technical support teams must also be set up to provide immediate assistance when a user encounters problems in understanding or operating the system.

Useful References:

Part II, Chapter 2

UNECE Recommendation 33 on Establishing a Single Window

UNNExT Capacity Building Guide on Legal Issues for Electronic Single Windows. Available at: <http://www.unescap.org/unnext/tools/>

UNNExT Single Window planning and Implementation Guide. Available at: <http://www.unescap.org/unnext/tools/>

## **Tackle Other Behind-The-Border Issues Affecting Trade**

The trade facilitation measures discussed in the previous section form the core of a national trade facilitation strategy, focusing essentially on making trade and customs laws, regulations, documents, and procedures simpler and more efficient. However, the ultimate objective of a national trade facilitation strategy is to make the entire trade transaction process more efficient. This may involve going beyond import–export procedures and communication with trade control agencies and into, for example, domestic business regulations that affect operations of importers and exporters, as well as facilitating information exchange not only between business and government but between all actors in the supply chain, including logistics and financial services providers. Making international trade transactions more efficient may also involve going beyond the issues of procedures, regulations, and information exchange to address trade-related infrastructure issues such as transport and/or border-crossing infrastructure.

The national trade facilitation committee and steering committees may ultimately be best placed to recommend which measures should receive priority, keeping in mind that trade facilitation measures involving infrastructure upgrades may be particularly resource-intensive. Some of the areas in which the NTFB could play a



role in developing recommendations for trade facilitation are briefly discussed in the following sections.

- (i) *Trade Finance*. Trade involves flows of goods, documents, and finance. These flows are highly interdependent and facilitating one without facilitating the others will create inefficiencies. In this context, it is important that the NTFB looks at regulations and procedures that will affect firms' access to trade finance, i.e., export and import financing and related risk management instruments (such as export insurance). This was well understood by SITPRO, the UK trade facilitation body, whose early achievements include the development of two checklists aimed at improving the management of letters of credit,<sup>148</sup> a key trade finance instrument issued by banks that can considerably reduce the risks associated with an international transaction. More recently, the Republic of Korea launched an electronic service as part of its e-trade initiative allowing traders to apply—and banks to confirm—letters of credit through a standardized national online interface. This service was found to be a very popular e-trade service for small and medium-sized enterprises (SMEs).<sup>149</sup>

In many developing countries, availability of trade finance and related services remains limited because of a generally underdeveloped financial sector and the reluctance of commercial banks to provide these services—particularly to SMEs—without some form of government guarantees. Reviewing the national trade finance infrastructure (i.e., the institutions, laws, regulations and other systems related to (i) provision of capital to firms that are engaging in international trade transactions, (ii) provision of support services to manage the risk involved in these transactions, and (iii) provision of international payment mechanisms) may therefore be considered to identify relevant gaps in this area. Further information on trade finance infrastructure development, including a step-by-step approach to conducting a diagnosis of the financial sector for trade finance is available, in the Economic and Social Commission for Asia and the Pacific (ESCAP) and the International Trade Centre (2005).

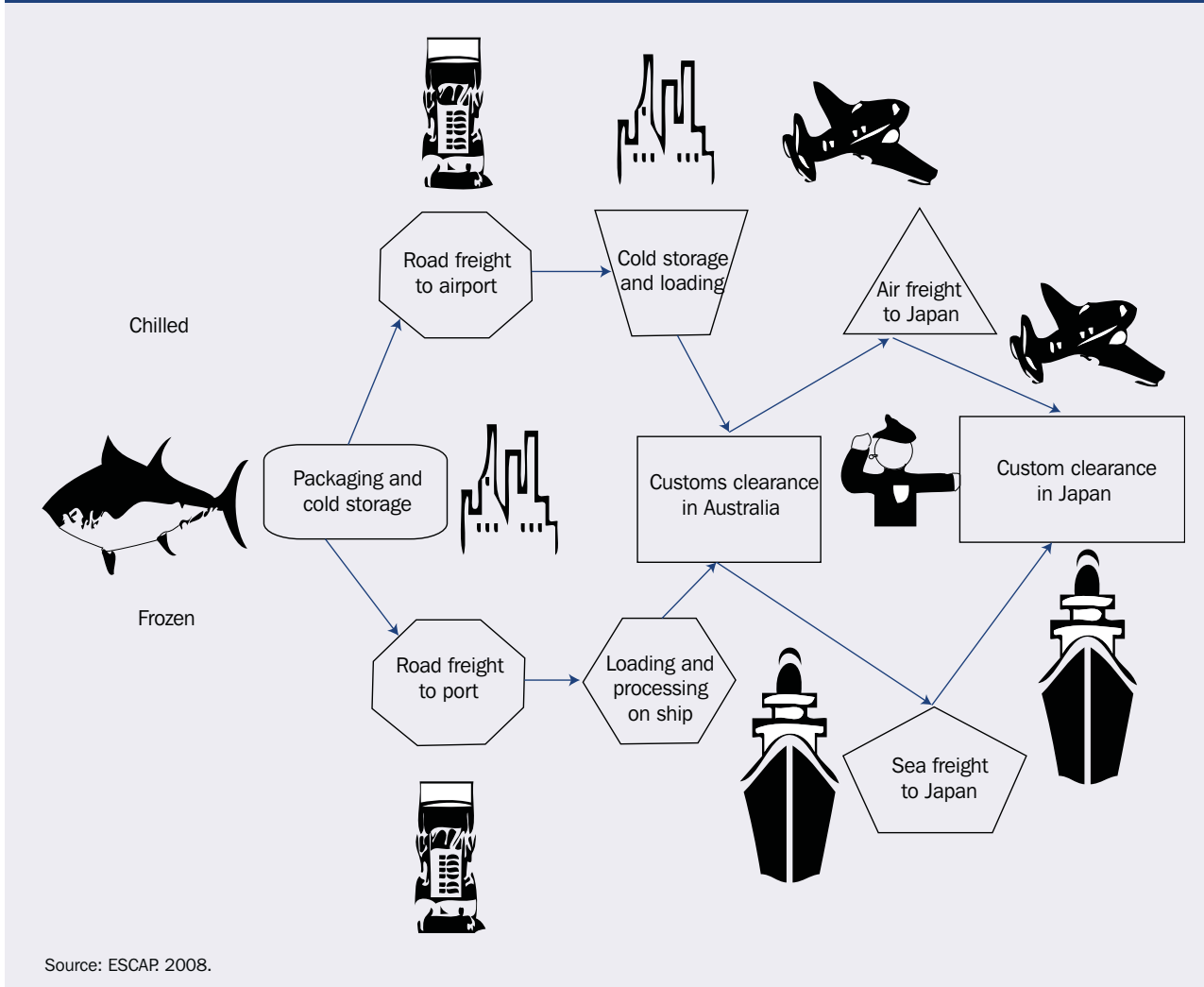
ADB's Trade Finance Facilitation Program (TFFP) is the first region-wide program to help banks in developing member countries (DMCs) provide trade finance products to importers and exporters. Recently, ADB has expanded this program to \$1 billion, which could generate up to \$15 billion in much-needed trade support by the end of 2013. The TFFP helps Asian countries maintain, reestablish, and enhance trade finance lines. The TFFP provides guarantees to confirming banks and revolving credit to issuing banks located in DMCs; enhances banks' abilities to offer importers and exporters access to financial services; and works in partnership with the private sector to provide capacity, liquidity, and stability to the trade finance system.

The TFFP has two main products: credit guarantees and revolving credit. Currently, 72 international banks and 60 DMC banks are participating in the program. ADB expects the number of participating DMC banks to rise to 100 by the end of 2009. More information is available at the ADB Trade Finance Facilitation Program website, [www.adb.org/Tradefinance/default.asp](http://www.adb.org/Tradefinance/default.asp).

<sup>148</sup> The lists were first produced in 1982.

<sup>149</sup> Yang, J. 2009.

Figure 3.6 : Export of Chilled and Frozen Tuna from Australia to Japan



- (ii) *Logistics Services.* Trade facilitation involves facilitating all the processes involved in moving a product from its origin to its final destination. Processes involving border agencies and compliance with trade regulations are therefore only some of the processes and procedures that should be addressed by a trade facilitation committee, even if the scope is restricted only to behind-the-border processes on which the government may have most influence. A national government may indeed have little influence on trade-related processes occurring in other countries, except for those countries with which it has entered into a trade facilitation agreement.

As illustrated in Figure 3.6, logistics services, including transport services, storage, and warehousing services, are likely to have a great influence on whether trade is conducted efficiently. Limiting the work of the NTFB strictly to trade documents and trade control procedures may therefore be inefficient, as

trade facilitation bottlenecks may sometimes lie elsewhere along the logistics chain.<sup>150</sup>

As a starting point, the NTFB may initiate studies on the efficiency of the supply chains of products, as well as organize consultations with traders (service users) to determine whether they are satisfied with the availability and quality of logistics services available in the country. The World Bank's logistics performance indicators may be used to benchmark the country against its peers and to stimulate open discussion on the issue. Logistics service companies should then be consulted if existing industry regulations affect their ability to address logistics issues faced by traders. The government agency responsible for regulating the industry should then work together with the logistics industry in developing regulations and procedures that will enable the industry to enhance trade efficiency.

In the case of Central Asia Regional Economic Cooperation (CAREC) countries, improving the efficiency of the CAREC transport corridors will allow these landlocked countries to take full advantage of being transit countries between the surging and dynamic economies of the East and West. Substantial challenges must be surmounted and logistics measures should be improved to make CAREC countries' transport and trade sectors more efficient and cost-competitive.<sup>151</sup>

- (iii) *Business Facilitation.* Traders' cost of doing business is not only affected by border procedures but also by numerous regulations and procedures involved in doing business behind the border. In some cases, exporters and importers may believe it is more urgent to improve business regulations and procedures rather than trade-specific procedures. This is either because their governments have already streamlined trade procedures significantly, are at the advanced stage of trade facilitation (as in the cases of the Republic of Korea and Singapore<sup>152</sup>), or because the domestic business regulations do not provide an environment conducive to developing the productive capacity traders need to compete internationally.<sup>153</sup>

If behind-the-border business regulations are found to be particularly problematic, it is important that the lead trade facilitation agency be housed within a ministry whose functions are not limited to border issues (e.g., within a ministry of commerce and industry as opposed to within customs). Consultations may be organized with relevant public and private sector organizations to establish specifically which business regulations require the most urgent attention. The *Doing Business* report,<sup>154</sup> which provides a simple framework as well as indicators in 10 different areas of business regulations (including starting a business, ease of access to credit, investment regulations, etc.) can be used as a starting point for the discussions. One or more working groups, in collaboration with the agencies responsible for these regulations, may then be established to develop appropriate recommendations.

<sup>150</sup> Although still focusing specifically on trade documents, SITPRO recognizes the need to look at the whole supply chain. See, for example, SITPRO. 2008.

<sup>151</sup> ADB. 2009b.

<sup>152</sup> Singapore transformed its Trade Development Board, which spearheaded the development of TradeNet (the Singapore e-trade system) into an agency called International Enterprise (known as IE Singapore), possibly in recognition of the need to facilitate enterprise development and their internationalization as opposed to just trade.

<sup>153</sup> An increasing number of studies point to behind-the-border regulations as an important factor affecting trade. See, for example, Duval. Forthcoming.

<sup>154</sup> World Bank. *Doing Business* 2010. 2009.

### Box 3.14: Trade Facilitation Needs Assessment in Bangladesh

Bangladesh held a World Trade Organization trade facilitation self-assessment workshop in July 2008, during which 48 trade facilitation measures were considered in detail. A number of priority measures were identified during the self-assessment including establishment of enquiry points or information centers, development of a valuation database and facilities to eliminate the pre-shipment inspection system, and use of information technology for import and export clearance at all customs stations.

Interestingly, the need for physical facilities such as weighbridges, scales, container scanners, warehouses, office facilities, and testing laboratories was emphasized as a result of lack of funds. Infrastructure and lack of human resources were identified as important barriers to trade facilitation. Five of nine identified technical assistance needs were related to physical infrastructure development.

Source: WTO Delegate Presentation on Results of Completed Needs Assessments.

- (iv) *Trade-Related Infrastructure.* In some countries, the basic infrastructure necessary for trade to flourish may not be in place. The infrastructure available for regulatory agencies to conduct controls will affect trade facilitation and the effectiveness of some of the trade facilitation measures discussed earlier. For example, reducing customs clearance time may involve investment in office and ICT facilities to integrate control agencies and facilitate information sharing. Facilitating trade in products requiring SPS controls will also need sufficient availability of testing laboratories and equipment near ports and border crossings. Finally, transport infrastructure may sometimes be a key bottleneck. Port efficiency has, for example, been highlighted as an important trade facilitation factor and its improvement often involves major investment in port infrastructure. The importance of infrastructure for trade facilitation has been highlighted in 1990s. Trade facilitation is a core aspect of infrastructure lending operations undertaken by ADB and other development partners (See the discussion on GMS and CAREC in Part II). More recently, it was emphasized in Bangladesh during a self-assessment of trade facilitation needs conducted in the context of the WTO negotiations (Box 3.14).

The NTFB may initially restrict its recommendations to infrastructure issues considered essential to the rationalization of trade regulations and procedures. Working groups can be established to identify the minimum infrastructure standards that should be achieved at border crossings, and at ports of arrival and departure. In addition, important trade routes may be targeted and analyzed in several Asian countries since the detail to determine the nature of bottlenecks along them and conduct cost–benefit analyses of removing these bottlenecks.<sup>155</sup>

Should domestic transport or other infrastructure (e.g., energy) be identified as factors significantly affecting trade transaction costs and trade efficiency, the NTFB can recommend that the government take action in this area. However, given the potentially large financial requirements of such infrastructure projects and the impact they will have on the trade efficiency, on other areas (e.g., environment, safety, etc.), and the economy at large, institutional frameworks other than the one specifically established for trade facilitation will have to be considered when developing detailed recommendations for implementation.

<sup>155</sup> See, for example, WebTAG ([www.dft.gov.uk/webtag/](http://www.dft.gov.uk/webtag/)) for an up-to-date presentation of transport analysis methods.

Activities related to ADB's Aid for Trade carry forward the groundwork that has been laid in the region on trade reform, infrastructure development, capacity building, and trade facilitation. Particularly, an Asian Development Bank Institute study (2009) makes the case that Asia and the Pacific needs to invest about \$750 billion per year in infrastructure during the period 2010–2020 (\$290 billion in specific regional infrastructure projects and a total of \$8 trillion in national infrastructure). In this light, ADB is expected to continue its interventions, particularly in increased lending for trade-related infrastructure.<sup>156</sup>

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<sup>156</sup> See ADB. 2007. ADB and Asian Development Bank Institute. 2009.



## ■ CHAPTER 5

# Trade Facilitation Beyond the Border

**T**rade regulations and procedures of countries do affect the overall efficiency of international trade. Coordination and harmonization of trade and customs procedures across countries is, therefore, an important aspect of trade facilitation. The following initial steps may be considered by governments in facilitating trade beyond their borders.

## Engage Trade Partners

### Sign Relevant International Trade Facilitation Conventions

Full consideration should be given to signing and implementing relevant trade facilitation-related conventions such as the World Customs Organization (WCO) Revised Kyoto Convention, Harmonized System (HS) Convention and the Transports Internationaux Routiers (TIR), and other transport and transit conventions.<sup>157</sup> Becoming party to these conventions can help deepen cross-border collaboration as basic trade procedures and systems become more harmonized following the implementation. In addition, members of a convention or agreement are better positioned to influence its future amendments and revisions, as well as to benefit from capacity building opportunities associated with it. For example, the future World Trade Organization (WTO) agreement on trade facilitation, under negotiation since August 2004, clearly ties trade facilitation commitments by developing countries to the provision of capacity building and technical assistance. The national trade facilitation body (NTFB) can play an important role in reviewing existing conventions that can be adopted.

### Assessment of Barriers in Foreign Markets

It is important to assess technical and procedural barriers faced by traders in neighboring and major foreign markets. The assessment of trade facilitation needs and priorities of traders beyond the border is an essential first step, as this will provide information on the existing trade facilitation-related barriers and their nature. It is likely that the barriers faced will vary across sectors and industries, as

<sup>157</sup> ESCAP recommends that all countries in Asia and the Pacific adopt 10 transport or transit agreements.

well as across foreign markets, making assessments relatively complicated and time consuming. Therefore, the NTFB can select only a few neighboring and/or major foreign markets for investigation and focus on priority sectors and industries.

As many countries regularly change their regulations and procedures, results from a one-time assessment may rapidly become obsolete. One way to address this issue is to establish a channel where traders or their representatives can submit complaints and report unnecessary barriers in exporting goods to foreign markets on a regular basis, such as through an online form or a hotline. Combining structured assessments and ad hoc feedback from the trading community, the NTFB will be in a position to decide which markets and sectors face the most trade facilitation challenges.

### **Development of Specific Strategy in Each Market**

It is critical to develop a specific action plan and strategy to address trade facilitation barriers identified in each market. For each neighboring or major foreign markets where significant barriers have been identified, a working group may be established at the national level under the NTFB. The working group will develop and evaluate alternative courses of action that can be taken to address the barriers identified in the foreign market assigned to it. It will first need to confirm the existence of specific trade facilitation impediments on the foreign partners' side and evaluate their significance and potential impact. It can then review existing trade-related agreements involving foreign partners, as some of them may already include relevant rules and provisions.<sup>158</sup> If this is the case, a simple but specific request for the foreign partner to harmonize its procedures with the relevant agreement or convention may suffice.

If the problem identified concerns only one agency in the foreign country (e.g., customs), informal or semiformal channels may be explored to resolve the issue quickly, if necessary, with technical assistance of the relevant international body (e.g., the World Customs Organization). Creation of a joint working group to facilitate the exchange of information and develop joint solutions to emerging issues may also be considered as a way to deepen cooperation and ensure quick resolution of future trade facilitation issues.

If a broader formal agreement with one or more trade partners is seen as the best way forward, the working group will need to decide on the scope of the agreement and prepare a well-defined negotiating position. Although plurilateral and multilateral agreements on trade facilitation should always be preferred over bilateral trade agreements (as the proliferation of bilateral agreements increases the number of applicable rules and the possibility of conflict between rules of agreements with overlapping memberships), negotiation of bilateral or (sub)regional agreements may sometimes be warranted, particularly if a number of parties to the agreements have not adopted or endorsed all the relevant international trade, transit, transport, or customs conventions.

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<sup>158</sup> These agreements may include bilateral, regional, or multilateral trade or transit agreements.



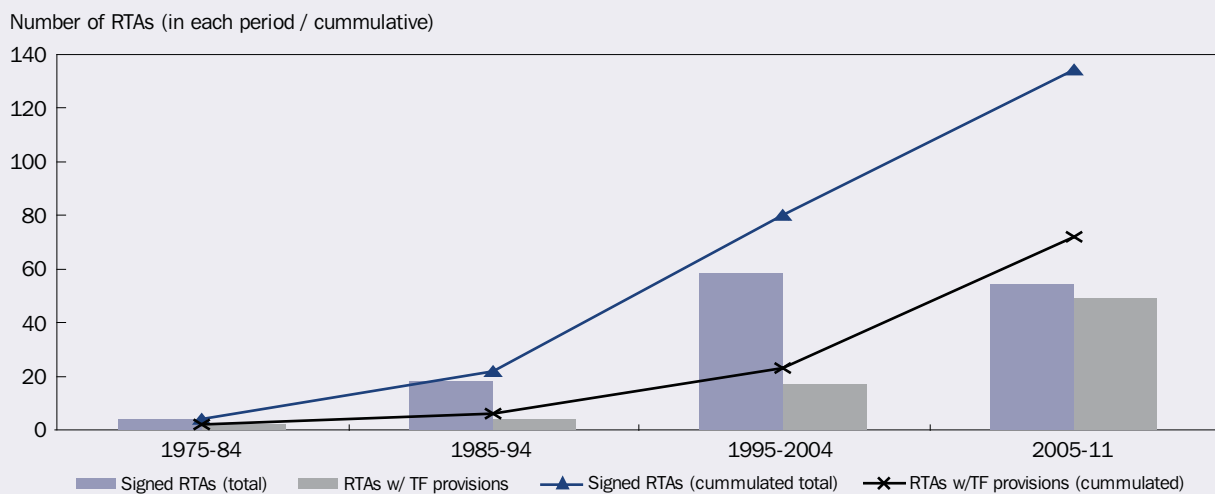
## Negotiate Trade Facilitation–Related Agreements

Trade facilitation–related agreements refer to agreements that include provisions and measures to facilitate trade. This includes transit and/or transport agreements, as well as preferential or free trade agreements (PTAs/FTAs).<sup>159</sup> Negotiation of an agreement is often a time-consuming process, requiring extensive planning and consultations at the national level and among parties to the agreement.<sup>160</sup> As such, this option should be considered mainly with key trade partners or as part of broad regional trade and economic cooperation and integration initiatives, such as the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement and ASEAN Economic Community.<sup>161</sup> It is optimal to ensure that trade facilitation provisions in PTAs/FTAs are comprehensive and compatible with WTO principles such as non-discrimination.

### Coherence Across Agreements

The established trade facilitation body (i.e., the NTFB) should be given an important role. It should review various negotiating positions and convey to negotiators. Creating different institutional structures for trade facilitation negotiations taking place at various levels (bilateral or multilateral) or among different trading partners should be avoided, as this is likely to result in inefficiencies and, most importantly, incoherence between negotiated agreements. This is an important issue, given the growing number of PTAs/FTAs that include trade facilitation provisions (Figure 3.7). Box 3.15 highlights good practice trade facilitation provisions in FTAs.

**Figure 3.7: Number of Bilateral/Regional Trade Agreements with Trade Facilitation Provisions in Asia and the Pacific**



<sup>159</sup> FTAs and PTAs are used interchangeably.

<sup>160</sup> ADB's publication, *How to Design, Negotiate and Implement a Free Trade Agreement in Asia* contains best practices in designing and negotiating trade agreements.

<sup>161</sup> In general, while any opportunity to negotiate on trade facilitation should be welcomed as part of fostering cross-border cooperation on this issue, trade facilitation provisions in a PTA should be seen as an incentive to facilitate trade, not only with parties to that agreement but with all trading partners on a nondiscriminatory basis.

## Box 3.15: Sample Features of Trade Facilitation Provisions

### Trans-Pacific Strategic Economic Partnership Agreement

**Self-certification.** Self-certification for the claiming of preferential tariffs in origin certification is adopted in the agreement without the need for a formal certificate of origin. Furthermore, the requirement of a declaration of origin is waived if the value of the consignment is below \$1,000.

**Advanced ruling.** Each member country, through its customs administration, shall provide in writing advance rulings with respect to tariff classification and origin of goods and whether a good qualifies for entry free of customs duty.

**Mutual recognition arrangement for goods.** The sanitary and phytosanitary measures (SPS) serve to facilitate trade by enhancing cooperation among the regulatory agencies on issues such as standards and technical regulations. Member countries have agreed to set out the details of agreed procedures, including the determination of equivalence, audit and verification procedures, import checks, and certification.

**Paperless trading.** The customs administrations shall provide an electronic environment that supports business transactions between trading communities.

**Express consignments.** Each member shall ensure efficient clearance of all shipments while maintaining appropriate control and customs selection. If the party's existing system does not ensure efficient clearance, it should adopt procedures to expedite express consignments to (i) provide for pre-arrival processing of information related to express consignments; (ii) permit the submission of a single document covering all goods contained in a shipment transported by the express shipment company, electronically if possible; and (iii) minimize, to the extent possible, the documentation required for the release of express consignments.

### Korea-India Comprehensive Economic Partnership Agreement

**Release of goods.** Each party shall adopt or maintain simplified customs procedures for the efficient release of goods to facilitate trade between the parties. A system under which goods in need of emergency can go through the customs procedures for 24 hours a day including holidays shall be adopted.

**Automation.** Each party shall endeavor to use information technology that expedites procedures on the release of goods; make electronic systems accessible to customs users; and use international standards, including the development of a set of common data elements and processes in accordance with World Customs Organization (WCO) Customs Data Model and related WCO recommendations and guidelines.

**Risk management.** Each party shall adopt or maintain electronic or automated risk management systems for risk analysis and targeting that enable customs authority to focus inspection activities on high-risk goods, and simplify the clearance and movement of low-risk goods.

**Transparency.** Customs laws, regulations, and general administrative procedures shall be published (including on the internet) in advance, giving interested persons the opportunity to comment prior to their adoption.

**Review and appeal.** Each party shall provide an easy access to the administrative and judicial review or appeal of the customs authority.

**Advance rulings.** The agreement expedites the issuance of written advance rulings, prior to the importation of a good into its territory, to an importer in its territory, or an exporter or a producer in the territory of the other party.

**Customs cooperation.** International best practices for trade facilitation, which may include the adoption of advanced customs procedures, shall be adopted.

Note: Chile, Brunei Darussalam, New Zealand, and Singapore are the current members of the Trans-Pacific Strategic Economic Partnership Agreement. Australia, Peru, the United States, and Viet Nam have announced their intention to join or are currently negotiating to join the agreement. Source: ADB Free Trade Agreement (FTA) database ([www.aric.adb.org](http://www.aric.adb.org)); International Enterprise Singapore ([www.fta.gov.sg](http://www.fta.gov.sg)); and Department of Commerce, India ([www.commerce.nic.in](http://www.commerce.nic.in)).

## Inclusion of Trade Facilitation Provisions in PTAs/FTAs

Aside from facilitating trade beyond the border, it can also provide a justification and incentive to accelerate sometimes politically sensitive trade facilitation reforms at the national level. It may also lead to trade facilitation support from some of the signatories to the agreement. As such, the remainder of this section focuses mainly on trade facilitation negotiations as part of FTAs, although the general principles discussed are applicable to all trade facilitation related agreements.

The trade facilitation working group (ideally, a working group under the NTFB) that develops trade facilitation provisions and advises the negotiating team on trade facilitation matters can adopt the following guidelines:

- Prioritize measures that address the trade facilitation impediments identified during the initial assessment of technical and procedural barriers faced by traders in the foreign countries covered by the agreement.
- Propose and agree to measures expected to be in compliance with existing and future multilateral agreements. Unlike tariff provisions in FTAs, trade facilitation commitments in these agreements should be set out to benefit both members and non-members to the agreement, as making preferential commitments can complicate rather than simplify trade procedures.<sup>162</sup> For example, a provision to publish online the trade regulations and customs clearance procedures may not specify, or imply, that these information should be inaccessible to non-members (Box 3.16).
- Include concrete measures based on international recommendations and standards. The text for each measure or provision may refer directly to the appropriate international instruments.
- Keep rules of origin (ROOs) as simple and transparent as possible. ROOs are an intrinsic part of every FTA and determine which products will enjoy reduced bilateral tariffs and which will not. Complex ROO can deter traders from applying for preferential tariffs and place additional burden on customs. Improving ROO administration is also critical.
- Support provisions on customs cooperation, technical assistance, and capacity building, particularly if developed countries are parties to the agreements.
- Consider the inclusion of trade facilitation measures found to be lacking at the national level, taking into account the priority accorded to them by domestic stakeholders, and their cost of implementation (Table 3.3).

A number of trade facilitation measures consistent with the ongoing WTO negotiations on trade facilitation, and which may be considered for inclusion in a PTA, are in Table 3.3. Model measures for trade facilitation in RTAs/FTAs developed by Asia-Pacific Economic Cooperation (APEC) can also provide useful guidance to trade facilitation negotiators.

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<sup>162</sup> A good example of this is rules of origins in PTAs.

### Box 3.16: Limiting Discriminatory Effects of Trade Facilitation Measures at Regional Level

While multilateral institutions such as the World Customs Organization (WCO) and the World Trade Organization (WTO) focus on the establishment of international standards and principles of trade facilitation, concrete trade facilitation measures are often implemented through regional and bilateral initiatives. In line with overarching principles of trade facilitation, it is important that procedures aimed at streamlining trade procedures at the regional level be non-discriminatory whenever possible. A dominant view on the regional efforts to facilitate trade is that they are essentially non-discriminatory, unless members adopt specific regional standards (Maur and Shepherd 2011). However, even if the ultimate objective of trade facilitation appears to be multilateral and non-discriminatory, there are some measures that give preferential trade facilitation treatment to a limited number of countries (Hamanaka et al 2010). Particular attention to this is necessary for FTAs since they inherently intend to give preferential treatment to members. As reflected in the number of recent agreements featuring separate Trade Facilitation and/or Transparency chapters (or their equivalent), trade facilitation provisions and principles are seen to have wider application aside from Customs procedures. Most agreements covering trade facilitation readily commit to increasing transparency such as committing to an obligation to publish laws and regulations affecting trade. The importance of using international standards is also recognized in most of those agreements. Other trade facilitation measures that seem to be increasingly common include Automation/Use of ICT, Risk management, Advance ruling and single window (Duval, 2011).

Preferential trade facilitation measures stipulated in agreements could lead to two types of discrimination: (i) exclusive treatment and (ii) differentiated treatment. First, if an FTA gives preferential trade facilitation treatment to partners only, then the effective treatment between FTA members and non-members differs. For example, beneficiary of regional conformity assessment initiatives can be limited. In fact, specific conformity assessment provisions can be territorial in nature and hence exclusive to FTA members. Such provisions include the national treatment in conformity assessment bodies as in the case of the US–Australia FTA, which stipulates “Each Party shall accredit, approve, license, or otherwise recognise conformity assessment bodies in the territory of the other Party on terms no less favourable than those it accords to conformity assessment bodies in its territory”. Second, differentiated trade facilitation measures happen when a country applies different preferential treatment across partners. For example, when express shipment is covered by FTAs, the prescribed level of speed is applicable to goods traded between members only and, is, thus discriminatory against non-members. In addition, this agreement can be discriminatory to different trade partners if certain requirements imposed on some partners are stringent while such requirements are less stringent on other partners. For example, the time requirement of US–Singapore FTA is six hours for imports but four hours for US–Korea FTA. Given the resources of US customs, administering different time requirements across FTAs in terms of express shipment is manageable. However, for less developed countries, it is more efficient to adhere to a single expedited amount of time to avoid maintaining several lanes—regular lanes, express lanes, super-express lanes, which would entail additional administrative costs.

Discriminatory effects of trade facilitation measures in FTAs may best be addressed *de jure*, i.e., by extending application of the measures to non-members. In fact, some trade facilitation agreements include provisions applicable to non-members. The case of the ASEAN Mutual Recognition Agreement on Electrical and Electronic Equipment (EEE) provides an extremely liberal approach. Under this agreement, conformity assessment conducted outside ASEAN is acceptable (unlike in other FTAs such as the US–Australia FTA). It says “Test Reports and/or Certificates of Conformity issued by Conformity Assessment Bodies located outside ASEAN ... may be accepted provided that ...”. Another way to overcome discriminatory effects is to provide the same treatment to all countries on the *de facto* basis, maintaining the legal preferential treatment in the agreement. This is a practical and useful solution to overcome both exclusive and differential treatments. *De facto* application to non-members is feasible since it is costly to develop two separate sets of customs procedures – 1 for members and another set for non-members to be applied. Further, the extension of preferential trade facilitation treatment to non-members can be achieved with some time lag for proper phasing and sequencing. This is especially true in the case of developing countries that initiated trade facilitation reforms through regional negotiations with a limited initial scope as a pilot project. When the main concern is limited to differentiated treatment, one effective “legal tool” to solve the problem is the introduction of automatic MFN status (so-called “non-party MFN”). With this provision, FTA partners under different FTAs are treated equally.

**Table 3.3: Proposed Trade Facilitation Model Measures: An Overview**

Trade Facilitation Principle	Trade Facilitation Model Measure <sup>a</sup>	Cost <sup>b</sup>	Priority <sup>c</sup>	GATT Article Concerned
Transparency	1. Publish trade regulations (internet publication)	low (medium-high if translation required)	1	Art. X
	2. Ensure dissemination of information relevant to trade (internet publication and notification to WTO secretariat)	low	1	Art. X
	3. Provide advance rulings in customs matters (tariff classification and customs valuation)	medium	2	Art. X
	4. Establish a mechanism to review decisions (right of appeal)	high	2	Art. X
	5. Apply trade regulations consistently and in a nondiscriminatory manner, and guarantee due process (code of conduct, right of appeal)	medium	2	Art. X
Simplification	6. Minimize/reduce fees and charges in connection with import or export	medium	1	Art. VIII
	7. Establish a “single window” or one-time submission procedure	medium-high	2	Art. VIII
	8. Implement pre-arrival examination	medium	1	Art. VIII
	9. Implement post-clearance audit	medium	2	Art. VIII
	10. Apply risk management techniques (authorized economic operators [AEOs], green lane)	low	1	Art. VIII
	11. Eliminate pre-shipment inspection and use customs brokers	low	1	Art. VIII
	12. Simplify and reduce customs procedures and documentary requirements	medium	2	Art. VIII
13. Simplify procedures for goods in transit, nondiscrimination	medium	1	Art. V	
Harmonization	14. Harmonize customs procedures, documents, and customs valuation methods	medium	1	Art. VIII
	15. Adopt international standards	low-medium	3	Art. VIII
	16. Use harmonized tariff classification	low	1	Art. VIII
	17. Align national standards with or adopt international standards	medium-high	2	Art. VIII
	18. Recognize standards of other countries	medium	3	Art. VIII
19. Recognize certification and testing facilities of other countries or international organizations	medium	3	Art. VIII	
Cooperation	20. Pre-consult new and amended rules	low	3	Art. X, Art. XXII
	21. Ensure cooperation and effective exchange of information between customs authorities	medium	2	Art. X
	22. Improve relationships between customs authorities and trading community	medium	3	-
	23. Improve mobility of businesspeople	medium-high	2	-

*Continued on next page*

Table 3.3 continued

Trade Facilitation Principle	Trade Facilitation Model Measure <sup>a</sup>	Cost <sup>b</sup>	Priority <sup>c</sup>	GATT Article Concerned
Use of modern technology	24. Use automation and automated systems for customs cargo processing	high	1	Art. VIII
	25. Use electronic communication systems	high	1	Art. VIII
Technical assistance and capacity building	26. Provide technical assistance to least developed countries	medium	1 <sup>d</sup>	
	27. Establish international training programs	medium	2	
	28. Build capacity within least developed countries	low	1	

Note: All statements regarding cost, priorities, and expected WTO outcomes are for illustrative purposes only as the cost and priorities will vary from country to country. It will be the responsibility of the NTFB working group to provide cost estimates and prioritize measures for negotiations.

<sup>a</sup> For Trade Facilitation Model Measures in detail, see ESCAP's, Trade facilitation beyond the multilateral trade negotiations: Regional practices, customs valuation and other emerging issues – A study by the Asia-Pacific Research and Training Network on Trade. 2007.

<sup>b</sup> Estimated cost for implementation assuming there is no pre-existing measure of that kind (scale: low-medium-high); see also cost estimates in Duval (2006) and Moise (2004).

<sup>c</sup> Suggested priority based on cost/effect considerations (scale: 1 to 3, 1 being the highest priority); see also priority of TF measures in Duval. 2006.

<sup>d</sup> Developing countries should request the necessary technical assistance and capacity building as early as possible.

Source: Modified from ESCA P. 2008.

## ■ CHAPTER 6

# International Assistance for Trade Facilitation

A relatively large number of international institutions offer a variety of trade facilitation assistance, ranging from seminars or workshops on selected aspects of trade facilitation to comprehensive multi-year regional projects.<sup>163</sup> A substantial amount of lending is also provided by many international and regional institutions to support trade facilitation. Indeed, lending for trade facilitation is one of the fastest-growing themes in development finance. This chapter first outlines steps in optimizing trade facilitation lending support and technical assistance (LS/TA) for institutional strengthening and capacity building. It highlights the need for countries and regions to be proactive in identifying their trade facilitation needs and to rationalize the provision of trade facilitation-related services in order to realize benefits. This is particularly important in small least developed countries and less-developed regions, where absorption capacity is very limited and institutional capacity is constrained. As such, LS/TA for institutional strengthening and capacity building may then be requested. The second part of the chapter succinctly describes the role and activities of the major trade facilitation service providers in the region.

## Optimize Trade Facilitation Assistance: Lending and Technical Assistance

- (i) *Identify trade facilitation needs.* Identification of technical assistance and capacity building needs typically follow the identification of trade facilitation needs and priorities, earlier discussed in Part III, Chapter 2. Indeed, once the trade facilitation body and/or its relevant working groups at the national and (sub)regional levels have identified the priority trade facilitation measures to be implemented, they need to assess which of the measures may be implemented using existing technical, financial, and human resources, and which require LS/TA. Such assessment is useful in itself, as it justifies reprioritization of measures, starting with those that may be implemented using existing resources. This will increase the likelihood that early gains from trade facilitation reforms are achieved, which is often essential to sustaining high-level political commitments.

<sup>163</sup> Many bilateral aid agencies also provide LS/TA for trade facilitation.

As discussed earlier, assessment of trade facilitation and related needs and priorities is essential, but is sometimes a relatively complex step given the number of stakeholders involved and their diverse interests. Deciding which measures are likely to involve LS/TA also requires an excellent knowledge of the measures, as well as the existing capacity and resources of the country where measures are to be implemented. Therefore, it may be best to rely on a neutral third party (e.g., a local research or academic institution familiar with trade policy and facilitation matters), possibly supported by one or more experts from international LS/TA organizations familiar with that country or region.

At the national and regional levels, it is important to assess trade facilitation needs to forge a close partnership between the government and the private sector, which includes service providers and traders, through policy forums or dialogues.

It is also important to focus not only on capacity building for officials, but also on the strengthening of their institutions. In many instances, the task of institutional strengthening in trade facilitation for both national and regional institutions is challenging. Improved individual capacity will be more effective if the institutional setting is changed. Thus, the LS/TA need assessment for institutional strengthening should always be considered.

- (ii) *Prepare national lending support and technical assistance plan.* Once the trade facilitation needs have been identified in each priority area, an overall LS/TA plan for institutional strengthening and capacity building may be developed, ideally, by the secretariat of the national trade facilitation body (NTFB), in cooperation with the relevant working groups and regional bodies. Preliminary consultations may also be done with experts from LS/TA organizations at this stage, in particular to develop cost estimates of the various components of the LS/TA plan. The preparation of such a detailed LS/TA plan by the NTFB will ensure that it reflects the actual needs of the country and that it is not unduly influenced by foreign donors or organizations, whose interests may differ from the interests of the country in consideration.

The plan may include a suggested timeline for the delivery of various components, particularly when these components are related to commitments made as part of multilateral or plurilateral trade agreements. Integrating the trade facilitation plan into an overall national trade capacity building plan (e.g., encompassing trade promotion, negotiations, and infrastructure) or an economic development plan may be considered, as this may facilitate its endorsement by both the highest government authorities and eventual donors and international organizations. This will also reduce the possibility of overlaps in LS/TA plans developed by various trade-related committees.

- (iii) *Prepare a regional lending support and technical assistance plan.* Regional secretariats such as the Association of Southeast Asian Nations (ASEAN), South Asian Association for Regional Cooperation, Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA), and Pacific Plan secretariats, or regional institutions serving as de facto secretariats, such as ADB for Central Asia Regional Economic Cooperation (CAREC) and Greater Mekong Subregion (GMS), are actively supporting regional trade facilitation bodies—for example, by providing support for various senior official and ministerial meetings on trade facilitation. These secretariats have helped



member countries in developing regional LS/TA plans for trade facilitation for many years. The following are important steps in preparing a regional LS/TA plan, among others:

- **Regional LS/TA priorities and diagnostics.** LS/TA diagnostic reviews and consultations are important in assessing the state of trade facilitation in a (sub)region, the priorities of developing member countries (DMCs) in trade facilitation, and their capacity to implement and monitor the trade facilitation activities. It is therefore important to conduct consultations among the participating countries, individually or where appropriate, through a trade facilitation regional forum or meeting with participation by various stakeholders (such as the service providers, traders, and regulators).
- **Pre-LS/TA analysis and assessment.** The following are suggested in the preparation of a regional LS/TA:
  - analysis of regional and global trade trends;
  - review of the broader trade facilitation cooperation in the region;
  - financing and technical assistance assessment; and
  - country self-assessment of the trade facilitation performance.
- **Taking stock of regional LS/TA.** The main purpose of the stocktaking is to review the status of LS/TA in the region, which covers, among others:
  - Progress of the existing LS/ TA;
  - Rationale for preparing a new LS/TA;
  - Status of analytical studies or assessments on the state of trade facilitation in the region;
  - Main trade facilitation activities of international organizations;
  - Proposed process of stakeholder participation in preparing the regional LS/ TA plan; and
  - Resources needed to prepare the LS/TA plan and time-bound milestones.
- **Consultations with the participating governments.** Regional LS/ TA consultation has to be carried out at every stage—design, preparation, implementation, monitoring, and evaluation—to ensure ownership of the LS/TA plan. To increase DMC ownership of the Regional LS/TA, extensive policy dialogue and consultation at the regional level, either directly with the DMC or through existing regional trade facilitation mechanisms (e.g., working groups, committees, secretariats, and meetings) should be conducted.
- **Alignment between regional LS/TA and the country LS/TA.** The regional LS/TA planning and programming can either be separate processes or integrated with the country LS/TA planning exercise. Ideally, the regional LS/TA and the country LS/TA should be synchronized to ensure the alignment of the two processes.
- **Partnerships with international organizations providing LS/ TA.** It is important for the regional LS/TA to identify other international organizations working in the same (sub)region. Coordinating with other international organizations would help maximize synergy and avoid duplication. Joint activities, including cofinancing opportunities, if any, should be clearly identified in the regional LS/TA plan.

- (iv) *Disseminate plan to donors and international organizations and seek specific commitments.* With a well-prepared plan and a good understanding of needs and priorities on hand, the NTFB will be well-positioned to seek and obtain the LS/TA it needs. The next step is making the approved plan available to the donor and international community, seeking from each LS/TA provider specific information on which part of the plan they could implement and their proposed timeline.

The NTFB may consider convening a meeting between the donors and LS/TA providers to discuss the plan and its feasibility. If effective channels of communication between donors and LS/TA providers already exist,<sup>164</sup> they should be utilized to the extent possible. In addition, being a member of trade facilitation–related organizations such as the World Customs Organization (WCO), the International Maritime Organization (IMO), or the World Trade Organization (WTO) may greatly facilitate access to assistance.<sup>165</sup>

Most international organizations, especially those that are substantially involved in providing LS and/or TA, have long-established financial programming and planning processes and strategies for LS/TA (for details, see this chapter’s section on Trade Facilitation–Related Organizations). For example, LS/TA activities are included in both ADB’s country partnership strategy for each country and its regional cooperation strategy. The preparation processes of these strategies involve intensive consultations on LS/TA needs assessment at the country and regional levels, in a bottom-up and participatory manner. It is therefore critical for countries and regions to understand and synchronize their trade facilitation work with the LS/TA business process cycle of the international organizations to maximize the LS/TA for trade facilitation.

- (v) *Maintain a national and regional database of trade facilitation LS/TA projects and activities.* As commitments for implementation of activities and measures are made, it is important that they are accurately recorded and made publicly available in a timely manner once approved. This will increase the effectiveness and impact of LS/TA for trade facilitation in the country, as it ensures that trade facilitation projects build on, rather than duplicate, each other. This database should be maintained by the NTFB secretariat or the lead agency, either as a stand-alone tool or (preferably) as part of an existing LS/TA monitoring system with a larger scope.

Such a database can also be modified to monitor the implementation of various projects and the reliability of LS/TA service providers and donors over time.

The steps outlined earlier generally assume the existence of a strong NTFB and secretariat. If such an institution does not yet exist in the country, the very first LS/TA request may therefore be to provide support for establishing such an institution.<sup>166</sup>

<sup>164</sup> For example, established as part of the Enhanced Integration Framework, the United Nations Development Assistance Frameworks (UNDAF) and ADB’s country partnership strategies and regional cooperation strategies and programs (RCSP).

<sup>165</sup> In particular, the trade facilitation agreement currently under negotiations at the WTO explicitly ties trade facilitation commitments.

<sup>166</sup> Large trade facilitation projects often require governments to establish such institutional mechanisms, such as a national trade and transport facilitation committee, as a first step before implementation can take place.

International organizations providing LS/TA often have well-maintained databases for LS/TA support, either through their public websites or annual reports. However, it is highly desirable to strengthen inter-institutional collaboration to have an integrated database that can be shared by the participating countries.

## International/Regional Organizations to Support Trade Facilitation

Trade facilitation can involve various levels of action. Most trade facilitation measures require national actions, while some are best implemented as regional or bilateral initiatives. The implementation of international conventions, standards, and best practices ensures that similar trade facilitation measures applied by different countries and regions have a common internationally agreed basis. International organizations, in particular, play an important role in ensuring the competitiveness of the trading environment through cooperative activities. The following section presents a brief overview of the international organizations involved in supporting different aspects of trade facilitation: (i) standard setting agencies, (ii) lending and technical assistance agencies, (iii) technical assistance agencies, and (iv) others. These headings are not mutually exclusive.

### Standard Setting Organizations

*World Trade Organization (WTO)*. The WTO is the only global organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The WTO's founding and guiding principles remain the guarantee of nondiscriminatory treatment among members (most favored nation principle) and a commitment to transparency. The WTO has established a dispute settlement mechanism to secure the implementation of agreed rules. The WTO's procedure underscores the rule of law, and makes the international trading system more secure and predictable.

The WTO has several provisions and agreements that are related to enhancing trade efficiency (Table 3.4). Although these articles and agreements are presently in force, a number of WTO members considered their implementation and enforcement inadequate due to, among others factors, their lack of clarity and commitment in terms of cooperation and coordination among WTO members. Although trade facilitation was included in the WTO negotiating agenda at the First Ministerial Conference of the WTO in Singapore in December 1996, members formally agreed to commence negotiations only on 1 August 2004, after several years of exploratory and analytical work.

Following the general council's decision, the focus of trade facilitation negotiations was narrowed down mainly to clarifying and improving relevant aspects of Articles 5, 8, and 10 of the GATT 1994 with a view to further expedite the movement, release, and clearance of goods, including goods in transit, as well as to enhance technical assistance and support for capacity building in this area. The negotiations also aim to improve effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The modalities also state that the results of the negotiations shall take fully into account the principle of special

**Table 3.4: World Trade Organization Provisions and Agreements Related to Trade Facilitation**

Article/Agreement	Subject
GATT 1994, Article V	Traffic in transit (see Part II Chapter 5).
GATT 1994, Article VII	Valuation of imports for assessment of duties or other charges (not including internal taxes). This assessment should be based on the “actual value of the imported merchandise, or of like merchandise.”
GATT 1994, Article VIII	Disciplines for fees and formalities connected with import and export (see Part II, Chapter 2).
GATT 1994, Article IX	Marking requirements. It requires most favored nation treatment and emphasizes that the difficulties and inconvenience to the commerce and industry of exporting countries in adopting and enforcing laws relating to marks of origin should be minimized.
GATT 1994, Article X	Requiring prompt publication of all laws, regulations, judicial decisions, and administrative rulings affecting imports and exports (see Part II, Chapter 1).
Agreement on Implementation of Article VII of GATT 1994	Establishes rules for valuing imports for the assessment of ad valorem customs duties and provides for the establishment of an adequate legal and judicial framework to ensure importers’ right of appeal.
Agreement on Rules of Origin	Harmonization of non-preferential rules of origin, and ensuring that such rules do not themselves create unnecessary obstacles to trade.
Agreement on Import Licensing Procedures	Some procedural aspects of Article VIII, recognizing that import licensing procedures can have acceptable uses, but also that their inappropriate use may impede the flow of international trade.
Agreement on Preshipment Inspection	Reduces any barriers to trade that could result from the use of private agents to conduct quantity, quality, and price inspection of imports.
TBT Agreement	Rules related to technical regulations and standards, and conformity (see Part II, Chapter 3).
SPS Agreement	Rules related to application of sanitary and phytosanitary measures (see Part II, Chapter 3).
GATS and annexed schedules	Liberalization in a number of service industries that are vital for the facilitation of trade, such as transport, financing, and telecommunications (see Part II, Chapter 4).
Agreement on Trade-Related Aspects of Intellectual Property Rights	Enforcement of intellectual property rights and special requirements related to border measures.

Source: World Trade Organization (G/L/244) 1998.

and differential treatment for developing and least-developed countries. The extent and the timing of entering into commitments are linked to the implementation capacities of developing and least-developed countries.<sup>167</sup>

*World Customs Organization (WCO)*. The WCO has played a pivotal role in establishing standards and best practices for customs administration. The WCO has spearheaded attempts to harmonize and standardize customs operations through a number of international instruments and tools. The most important instrument in terms of trade facilitation is the International Convention on the Simplification and Harmonization of Customs Procedures (known as the Revised Kyoto Convention).

<sup>167</sup> See Annex D of the Decision, also called “July Package,” for details. Additional information on the negotiations, including a compilation of proposed trade facilitation measures, is available at: [www.wto.org/english/tratop\\_e/tradfa\\_e/tradfa\\_negoti\\_docs\\_e.htm](http://www.wto.org/english/tratop_e/tradfa_e/tradfa_negoti_docs_e.htm)

The Revised Kyoto Convention aims to maintain the balance between a smoother movement of legitimate cargo across the borders and ensuring trade security. It provides a comprehensive set of uniform principles for effective and predictable customs procedures, controls and enforcement.

Other WCO instruments and tools pertaining to the simplification and harmonization of customs procedures are interrelated. These include the WCO data model, the SAFE Framework of Standards to secure and facilitate global trade, the temporary admission (ATA) for imports system, the harmonized commodity description and coding system, unique consignment reference (UCR), a risk management guide, immediate release guidelines, and the Time Release Study methodology. These WCO instruments are further detailed in Chapters 2 and 3 of Part II. The WCO has been actively participating in support of the WTO negotiations on trade facilitation and in providing related technical assistance and capacity building support. Examples of WCO and WTO collaboration include the WTO Agreement on Customs Valuation and the WTO Agreement on Rules of Origin.

*United Nations Economic Commission for Europe (UNECE)*. The UNECE has a long history of developing and maintaining international conventions, standards, and tools for transport and trade facilitation, and providing capacity building support to implement them. In terms of trade facilitation, the work by UNECE and WCO is mutually complementary: the instruments developed by UNECE address a variety of at-the-border and behind-the-border measures, while the WCO's focus is on customs measures. Some WCO instruments explicitly refer to instruments developed by UNECE (and UN/CEFACT) and vice-versa; for example, the Revised Kyoto Convention (Standard 3.11, Chapter 3) recommends that the paper format of the goods declaration form conforms to the United Nations Layout Key.

In the transport area, UNECE promotes the harmonization and improvement of transport-related standards, and the simplification and harmonization of border-crossing procedures, through multilateral and regional transport conventions. In particular, two UNECE conventions provide practical solutions for addressing treatment of goods in transit—the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (known as the TIR Convention) and the International Convention on the Harmonization of Frontier Controls of Goods (known as the Harmonization Convention). These conventions represent UNECE's principal multilateral instruments for facilitating border-crossing procedures. They apply to all modes of transport. Both conventions have been operating successfully for many years within and beyond the UNECE region, including some countries in Asia and the Pacific.

The need to simplify and harmonize is particularly evident in the preparation and submission of the extensive range of information and documents required by regulatory agencies. Ensuring the efficient flow of trade information between parties involved in international trade is therefore as important as providing the efficient movement of goods from buyer to seller. Together with the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), UNECE has been developing and maintaining global standards, recommendations, and tools for the simplification and harmonization of international trade procedures and associated information flows (documents and data). These include e-business for individual transactions and for the entire international supply chain (including behind-the-border measures). Key standards and recommendations developed by UNECE–UN/CEFACT include the United Nations Layout Key (UNLK; ISO 6642); the United Nations Electronic Data Interchange for Administration, Commerce and Transport

(UN/EDIFACT—the only global standard for Electronic Data Interchange); and the *United Nations Trade Data Elements Directory* (ISO 7372). A reference for simplifying, harmonizing, and rationalizing trade procedures and practices is provided in the *Compendium of Trade Facilitation Recommendations*.

The *International Maritime Organization (IMO)* is a specialized UN agency that oversees the world maritime industry. Given that 90% of world trade by volume is transported by sea, it is important that port and shipping services become efficient. To date, 102 countries, accounting for 60% of the port states of the world, are parties to IMO conventions. The IMO has developed a comprehensive regulatory framework for shipping. Foremost among the conventions and protocols adopted to facilitate port and shipping activities is the Convention on Facilitation of International Marine Traffic (IMO-FAL). The IMO-FAL provides the highest practicable degree of standards to facilitate maritime transport by simplifying and minimizing formalities, documentary requirements, and procedures related to arrival, stay, and departure of ships at ports. With IMO-FAL, the number of declarations has been reduced to eight, six of which have been standardized by the IMO. The 2001 IMO *Compendium on Facilitation and Electronic Business* was amended to ensure alignment with UN/CEFACT, ISO, and WCO maritime standards.

The *International Air Transport Association (IATA)* and *International Civil Aviation Organization (ICAO)* work together to improve air transport services. The transport association is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure, and economical air services. The ICAO is a UN agency in charge of the development of principles and techniques of international air navigation as incorporated in its Convention on International Civil Aviation.<sup>168</sup> The ICAO has maintained an active interest in the development of trade in services, and in particular the facilitation of border-crossing procedures for international civil aviation. Both agencies have initiated the development of standards, practices, and procedures that facilitate passenger and cargo traffic. Examples include (i) the Multilateral Interline Traffic Agreements, which are the basis for the airlines' interline network by which airlines accept other airlines' tickets and airway bills on a reciprocal basis; (ii) the development of unit load devices to allow rapid, economical cargo handling; and (iii) standardized machine-readable passports. ICAO has also coordinated regional air navigation and support for airports and operational aids in countries that could not afford such services.

## Lending and Technical Assistance Organizations

*Asian Development Bank (ADB)*. ADB is a development finance institution that has been involved in facilitating trade-led growth in Asia and the Pacific since 1966. Operating through regional programs and country-specific projects under *Strategy 2020*, adopted in 2008, regional cooperation and integration will continue to be a major strategic priority of ADB. ADB provides financial, policy dialogue, knowledge, and capacity building assistance to DMCs. Trade-related infrastructure, trade finance, and trade facilitation are key functional areas of ADB operations in the region.

- (i) *Financial support for hard and soft cross-border infrastructure*. ADB's support for trade facilitation covers significant lending and non-lending operations. The key lending activities involves provision for regional trade and transport-

<sup>168</sup> Also known as the Chicago Convention, now in its 9th edition. [www.icao.int/icaoenet/dcs/7300.html](http://www.icao.int/icaoenet/dcs/7300.html)



related infrastructure programs; national trade and transport-related infrastructure programs with a significant cross-border trade facilitation dimension; and harmonization of regulations, procedures, and standards for trade facilitation, including evaluation and monitoring of trade facilitation programs. Implementing these programs entails substantial technical assistance to DMCs with the required soft infrastructure for trade facilitation. In addition, ADB's Trade Finance Facilitation Program (TFFP), which started in 2004, provides finance and guarantees through and in conjunction with international and developing member country banks to support trade transactions in developing nations.

- (ii) *Regional policy dialogues for trade facilitation.* ADB plays a major role in the regional trade facilitation policy dialogues, particularly in the Greater Mekong Subregion, the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), BIMP-EAGA, and the Central Asia Regional Economic Cooperation (CAREC). This involves the coordination of various regional policy forums on trade facilitation, including meetings of senior officials and summit-level meetings (such as the CAREC Ministerial Conference on Central Asia Regional Economic Cooperation and BIMP-EAGA, IMT-GT, and GMS ministerial meetings and summits).
- (iii) *Capacity building of DMCs in trade facilitation.* ADB organizes institutional and training activities for DMCs. These are training and seminars on the simplification of customs procedures, single window, transit development, trade logistics development, risk management, joint customs control, and rules of origin. These programs are coordinated through the regional training centers such as the CAREC Institute for Central Asia, the Phnom Penh Plan, and the ADB Institute.
- (iv) *Knowledge on trade facilitation.* ADB provides knowledge products that are operationally focused in trade-related infrastructure, logistics, and trade facilitation. These include research on transport and integrated facilitation corridors, costs, and benefits of trade facilitation, customs modernization, and rules of origin in free trade agreements, among others.

*World Bank.* The World Bank attaches great importance to trade facilitation. It has an existing portfolio of 80 projects under implementation totaling \$4.6 billion. The World Bank's largest and rapidly increasing trade-related work is in the area of trade facilitation and competitiveness. Trade-related issues such as customs reforms, elimination of domestic monopolies in tradable goods, services reforms, and, in rare instances, trade liberalization, are part of the budget support lending.

Among a number of trade facilitation LS/TA activities, the World Bank's trade and transport facilitation audits seek to improve diagnosis and corrective trade activities by providing guidelines for carrying out the preliminary audit, reviewing the analysis, and preparing appropriate remedial action. They establish a diagnosis, as comprehensive as possible, of procedural or operational constraints to external trade and international transportation services. Fed from public and private sector assessments, these baseline diagnostics are carried out primarily in least-developed countries on a self-standing basis or as a contribution to a wider diagnostic.

Other relevant World Bank LS/TA activities in this area include (i) the Trade Facilitation Negotiation Support Program to assist developing countries and least-developed countries to play a more active role in the WTO trade facilitation negotiations, providing real-time analysis and practical advice to negotiators

in Geneva and capitals; and (ii) the International Finance Corporation's Foreign Investment Advisory Service, which includes advisory services on import/export policies and procedures (customs), as well as on investment promotion strategies and tools.<sup>169</sup>

## Technical Assistance and Capacity Building Organizations

*United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)*, the regional branch of the United Nations for Asia and the Pacific, has a longstanding technical assistance and capacity building program for trade facilitation. Its main emphasis is on the simplification, harmonization, and standardization of trade procedures and related documentary requirements in international trade, and builds on the norms and recommendations developed under the auspices of UNECE and UN/CEFACT. The primary focus is on least-developed and landlocked countries, as well as economies in transition of the UNESCAP region.<sup>170</sup>

UNESCAP provides advisory services and organizes national and regional workshops and knowledge-sharing activities on trade facilitation, often in collaboration with other organizations of the region or the UN system. While the capacity building events and activities organized in this area are very diverse, they have included activities to support establishment of national trade facilitation institutions; promote and facilitate the establishment and operation of national single windows for export and import clearance; identify the needs and priorities of the countries in the region in the context of the WTO negotiations on trade facilitation; and facilitate trade finance, particularly in economies in transition. UNESCAP, in cooperation with UNECE and the United Nations Conference for Trade and Development, launched support to the United Nations Network of Experts for Paperless Trade in Asia and the Pacific.<sup>171</sup>

*United Nations Conference for Trade and Development (UNCTAD)*. In the areas of transport and trade facilitation, UNCTAD aims to develop ad hoc and long-term institutional and individual capacity to implement trade and transport facilitation actions, including in port and shipping management. Human resource development is carried out through transport and trade facilitation workshops at national and regional levels, as well as through ad hoc participation and support to trade logistics-related courses provided by academic or partner international organizations. For example, the Port Training Program for middle managers on modern port management, jointly developed with Train For Trade, includes an eight-module course leading to a Port Management Certificate. It provides middle managers with a full understanding of modern port management. A distance learning version of the Port Management course is also available.<sup>172</sup>

UNCTAD also offers the Automated System for Customs Data (ASYCUDA) program. The main objective of the program is the modernization of customs, using information technology to speed up and simplify the clearance process of goods. The system manages the whole clearance process, from (and prior to) the arrival of the goods up to their warehousing and ultimate release after payment of duties

<sup>169</sup> For more information, see [www.worldbank.org/tradefacilitation](http://www.worldbank.org/tradefacilitation) and [www.ifc.org/fias](http://www.ifc.org/fias)

<sup>170</sup> Most countries east of Turkey and west of Australia are members of UNESCAP. See [www.unescap.org](http://www.unescap.org) for details.

<sup>171</sup> See [www.unescap.org/unnext/](http://www.unescap.org/unnext/) for details.

<sup>172</sup> For more information see [learn.unctad.org/](http://learn.unctad.org/)



and taxes. Project implementation includes a comprehensive training package that allows for the full transfer of ASYCUDA know-how and skills to national staff, thus ensuring the program can be sustained by the national administrations.<sup>173</sup>

*International Trade Centre (ITC UNCTAD/ WTO)*. ITC aims to provide technical assistance to strengthen exporters' competitiveness. As such, it takes a holistic view of the entire value chain, from procurement through production to logistics and final distribution. ITC's technical assistance includes training and advisory services on procurement, production (including product quality, packaging, and traceability to meet specific requirements in some export markets), as well as logistics and distribution optimization.

ITC also provides trade facilitation capacity building in the context of regional trade integration projects. Logistical obstacles within and across borders are addressed from the perspective of the business sector as follows: (i) strengthening the capacity of national or regional organizations to develop and implement regional supply chain and logistics; (ii) empowering these organizations to consolidate supplies from small-scale producers and ensure their participation in the supply chain; and, (iii) facilitating consultations with the public and private sectors on planning and coordinating supply chain policy systems, with a view to an enabling environment and institutional framework for SME participation.<sup>174</sup>

*United Nations Industrial Development Organization (UNIDO)*. To address the complex factors underlying successful industrial exports effectively, UNIDO has adopted a holistic approach to trade capacity building structured around three elements: developing competitive manufacturing capability; developing and promoting conformity with market requirements; and enhancing connectivity to markets.<sup>175</sup> Trade capacity building services are grouped in three clusters: competitiveness analysis and trade-related policies; quality management and enterprise upgrading; and standards, metrology, testing, and conformity.

The different services and tools can be used individually or (more often) as packages. UNIDO's technical assistance helps build national and regional export potential by focusing on (i) strengthening national capacity to undertake analysis of competitive potential at product and sub-sector levels; (ii) assisting developing countries to establish the quality and conformity assessment infrastructure required to increase exports; (iii) working in productive sectors with high export potential to upgrade product and production quality and comply with standards and regulations so that enterprises can export successfully; (iv) troubleshooting in cases where export products encounter technical barriers; and (v) advising on technical solutions to the problem.<sup>176</sup>

<sup>173</sup> For more information see [www.asycuda.org/](http://www.asycuda.org/) or contact the Asia and Pacific regional ASYCUDA office ([renaud@asycuda.org](mailto:renaud@asycuda.org)).

<sup>174</sup> For more information: [www.intracen.org/menus/countries.htm](http://www.intracen.org/menus/countries.htm)

<sup>175</sup> While UNIDO does not report technical assistance and capacity building activities under the "trade facilitation" category in its Inter-Agency Resource Guide on Trade Capacity Building (2008), its activities falls within the scope of this handbook since it includes a chapter on product standards and conformance, a key thrust of the UNIDO technical assistance program.

<sup>176</sup> Other UNIDO services, such as the promotion of investment and technology management, road mapping and foresight, cleaner production, cluster development, and export consortia complement these key trade-related technical cooperation activities. See [www.unido.org](http://www.unido.org) for details.

*Fédération Internationale des Associations de Transitaires et Assimiliés (FIATA)*. Also known as the International Federation of Freight Forwarders Associations, FIATA is a nongovernment organization that represents, promotes, and protects the interests of the freight forwarding industry. Members come from 150 countries all over the world. FIATA has consultative status with UNCTAD, United Nations Economic and Social Council (ECOSOC), and United Nations Commission on International Trade Law (UNCITRAL), and is recognized as a partner in transport matters by many government and international organizations such as the WCO, WTO, and others. The organization has worked hard in supporting WTO progress on trade facilitation to eliminate all barriers that hinder automated communication within the trade chain. FIATA also seeks to establish a National Freight Forwarders Association to support the local freight forwarders industry, especially in landlocked countries.

*International Chamber of Commerce (ICC)* comprises thousands of companies from 130 countries around the world. It is the world's global business organization, active in promoting open trade and market economy through the use of technology that is beneficial to business. Its main objectives center on serving world business by promoting trade and investment, opening markets for goods and services, and promoting the free flow of capital. ICC has been a strong advocate of the multilateral trading system. It has contributed and supported key areas of trade facilitation in customs modernization and simplification of procedures, and has provided business inputs and policy proposals on transport, e-commerce, investment, and services to the UN, WTO, and other intergovernment bodies. The ICC's International Court of Arbitration is the most trusted system of commercial arbitration in the world, having received more than 14,500 cases since its founding in 1923, and the court's membership has grown to cover 86 countries. One of the most significant contributions of ICC to trade facilitation is its Uniform Customs and Practices for Commercial Credit and related standards for exchange of trade finance and payment information.

## Regional Initiatives

*Association of Southeast Asian Nations (ASEAN)*. The ASEAN has taken a particularly proactive role in trade facilitation since 1993, when its members agreed to establish an ASEAN Free Trade Area. Since then, the ASEAN Customs Agreement (1997), the ASEAN Framework Agreement on the Facilitation of Goods in Transit (1998), the ASEAN Framework Agreement on Multimodal Transport (2005), and the implementation of the ASEAN Framework Agreement on Mutual Recognition Agreements have all further contributed to facilitating intraregional trade. As part of the strategy for ASEAN customs integration (2002), efforts have been made to implement the ASEAN Harmonized Tariff Nomenclature to standardize information parameters for customs release and clearance, and to establish the ASEAN customs declaration document, ASEAN cargo processing model, and ASEAN single window. The recent ASEAN Single Window Agreement (2005) is the most significant and far-reaching ASEAN commitment relating to trade facilitation. The decision by ASEAN economic ministers to include logistics in the priority integration sector is another milestone commitment related to trade facilitation. Regional cooperation in transport, infrastructure, standards and conformance, and information and communication technology (ICT) (e-ASEAN) also impacts on trade facilitation. While these initiatives have contributed to narrowing the range of trade costs among ASEAN members, differences in trade efficiency in the individual ASEAN countries remain wide.

*Asia-Pacific Economic Cooperation (APEC)*. The APEC forum was created in 1989 to promote open trade and economic integration. Its membership includes countries from the western Pacific, as well as from Asia and the Pacific islands.<sup>177</sup> APEC has played a significant role in promoting trade facilitation. The APEC ministers of trade endorsed a set of nonbinding principles for trade facilitation in 2001, and committed to reduce their trade costs by 5% over 5 years. In an effort to reach that goal, each APEC member prepared a trade facilitation action plan (TFAP) and reported their progress annually. By 2004, 1,300 items had been selected in individual countries' TFAPs, mainly in the subcategory of customs procedures; more than half of these had been completed and a further quarter of the measures were in progress.<sup>178</sup> A follow-up initiative aimed at reducing trade costs by another 5% (TFAP II) was launched in 2008. Although the extent to which these initiatives have led to trade facilitation remains unclear, the voluntary but systematic and collaborative approach to trade facilitation developed by APEC provides a potentially useful model for strengthening regional cooperation in this area, including by providing an inventory of trade facilitation measures and by highlighting examples of best practice.<sup>179</sup>

Many other organizations are involved in trade facilitation technical assistance and capacity building. For example, the WTO, in collaboration with the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), UNCTAD, World Bank, the WCO, and others, provides technical assistance to conduct national self-assessments of individual trade facilitation needs and priorities of its developing member countries.<sup>180</sup> The International Maritime Organization also provides technical assistance to developing countries to build their capacity to simplify procedures connected with the import and export of goods by sea, in line with the measures and recommended practices contained in the Facilitation of International Maritime Traffic (FAL) Convention.

At the regional level, LS/TA activities also take place under APEC (where high-income members typically provide resources for these activities to lower-income members) or ASEAN (through which developed countries have increasingly channelled their support to ASEAN members in recent years).

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<sup>177</sup> See [www.apec.org](http://www.apec.org) for details.

<sup>178</sup> Based on the Overall Quantitative Assessment in *APEC's Trade Facilitation Action Plan: A Mid-Term Assessment* (APEC Publication Number APEC#204-CT-01.12). The author of this report advises "great caution" in interpreting such data because "the quality and effectiveness of these initiatives is not clear" from the national reports.

<sup>179</sup> The principles espoused in APEC documents on trade facilitation (transparency, efficiency, simplification, nondiscrimination, procedural fairness, cooperation, and capacity building) are similar to the principles of a WTO trade facilitation regime.

<sup>180</sup> For more information see [www.wto.org/english/tratop\\_e/tradfa\\_e/tf\\_assess\\_proposal\\_e.doc](http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e/tf_assess_proposal_e.doc)



## ■ CHAPTER 7

# Assessing Progress and Results

The lead agency and national trade facilitation body (NTFB) will monitor and assess the trade facilitation situation regularly to determine whether the stakeholders have benefited from the solutions and trade facilitation measures put in place.

For the private sector, the gains may be measured in terms of reduction in time and costs and improvement of predictability, such as faster turnover time for goods, lower costs, and customer satisfaction. This can result in enhanced trade competitiveness, leading to repeat orders and a higher volume of trade. Some indicators that could be used in assessing the impact on private sector include:

- (i) Cost of processing trade and customs documentation,
- (ii) Time taken to get trade documents approved,
- (iii) Number of staff needed to process and handle trade documentation and customs,
- (iv) Cargo clearance time, and
- (v) Amount of stock enterprises have to carry.

For the government, benefits would include better trade compliance, correct revenue yields, and effective deployment of resources. Relevant indicators include:

- (i) Number of trade officers involved in processing trade documents,
- (ii) Number of enforcement officers as a ratio of trade and cargo volume,
- (iii) Rate of traders' compliance with the documentation requirements,
- (iv) Accuracy in classification of trade data,
- (v) Accurate information in documents,

- (vi) Compliance with rules of origin, and
- (vii) Correct payment of duties.

The global trade facilitation benchmark indicators discussed in Chapter 2 can also be monitored to see how the country is progressing relative to its peers.

While the aforementioned indicators are useful to determine whether trade facilitation efforts have been successful overall, it is recommended to develop specific indicators for every major trade facilitation measure or solution. These performance indicators should be developed by the specialized working groups under the NTFB as an integral part of their efforts to solve a particular issue (e.g., advance payment systems or information dissemination), and performance should be measured prior to the implementation of the solution to provide a baseline. The early formulation and measurement of key performance indicators (KPI) were identified as the reasons behind the success of the trade and transport facilitation program in Southeast Europe (Box 3.17).

The lead agency, together with NTFB, should review the solutions constantly in the light of changing circumstances to determine whether the respective measurable indicators have been met. This process would involve regular and frequent dialogue and feedback from the various industry agents and related parties in determining the quality of service. This will provide further benefits to the business community in the conduct of international trade, as it will enable early detection of emerging issues and the design (or redesign) of enhanced solutions to solve them.

This guide has highlighted the importance of establishing a strong institutional interagency and public–private mechanism for trade facilitation as a basis for effective trade facilitation both behind and beyond the border. Various steps, actions, and models have been proposed to establish this mechanism and to tackle specific trade facilitation issues, including negotiation of trade facilitation–related agreements and management of trade facilitation technical assistance. While the principles underlying the recommendations are generally applicable (e.g., the need for public–private partnership on trade facilitation), it is important to recognize that the relevance and practicality (applicability) of the various steps may differ from country to country.

Many developing countries in Asia and the Pacific have already taken steps to facilitate trade, and some of the actions and institutions discussed in the guide may have been partially taken and/or established. Duplication of initiatives and institutions should be avoided as this is contrary to some of the fundamental principles of trade facilitation (i.e., simplification and transparency). Users of this guide should therefore fully consider the existing status of trade facilitation, trade-related institutions, and reform programs in their respective countries as they strive to further reinforce and refine their national trade development strategy.

At the regional level, the monitoring mechanism for trade facilitation work should adhere to the following principles:

- (i) *Use of Existing Regional Institutions.* The trade facilitation monitoring and evaluation system should be simple, cost-effective, and appropriate in the regional context. Collaboration among existing regional institutions is important to ensure effective monitoring of the implementation. Weak institutional and capacity factors are often binding constraints on the design,

### Box 3.17: Monitoring Progress: Experience from the Trade and Transport Facilitation in Southeast Europe Program

The Trade and Transport Facilitation in Southeast Europe Program (TTFSE) aimed to foster trade by promoting more efficient and less costly trade flows across the countries in Southeast Europe and providing European Union-compatible customs standards. It sought to reduce nontariff costs to trade and transport, reduce smuggling and corruption at border crossings, and strengthen and modernize customs administrations and other border control agencies. The participants in the program included Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Romania, and the State Union of Serbia and Montenegro. The TTFSE consisted of the following project components: customs services procedures reform, trade facilitation development, support for integrated customs information systems, improvement of roads and border crossing facilities, and program and project implementation.

While the project-based program, which was a collaborative effort among the national governments in the region, the World Bank, and the United States and the European Union, has ended, the implementation of this trade facilitation initiative between 2000 and 2005 was particularly well documented and included the production of a trade facilitation manual and other useful documents. Of particular interest are the mechanisms instituted for monitoring the implementation and impact of the project. These mechanisms were instituted at an early stage, starting with the establishment of the following key performance indicators (KPI) monitored throughout the project:

- **KPI at Pilot Inland Terminals**
  - import clearance time (min)
  - physical examination (%)
  - trucks cleared in less than 15 mins.(%)
  - irregularities/number of examinations (%)
- **KPI at Pilot Border Crossings**
  - truck examination (%)
  - irregularities/number of examinations (%)
  - average border exit time (min)
  - average border entry time (min)
  - surveyed occurrence of corruption (%)
- **KPI of Customs Efficiency—ratios based on**
  - total number of customs staff
  - annual number of declarations
  - total customs collection (\$ million)
  - total customs salaries (\$ million)
  - total customs cost (\$ million)

In addition, annual user surveys were conducted to supplement KPI measurements. The surveys revealed that progress has been made in harmonizing procedures across border crossings. But the survey also revealed that the users perceived the long delays to be a bigger issue, suggesting that trade facilitation activities would have to be adjusted accordingly. The surveys were administered to 15 to 30 firms (covering logistics service providers and traders) using a questionnaire covering six dimensions: customs law, communication, procedures, personnel and integrity, logistics, and work methods. The complete user survey instruments and results are available in the Annex of the TTFSE (Trade and Transport Facilitation in Southeast Europe Program) Interim Report (available at [www.seerecon.org/ttfse/TTFSE-InterimReportI-Annexes.pdf](http://www.seerecon.org/ttfse/TTFSE-InterimReportI-Annexes.pdf)).

delivery, and monitoring of intended results for trade facilitation activities. Capacity development efforts are crucial to trade facilitation work and must be suitable for and commensurate with the planning, monitoring, and evaluation capacity of a specific region. This underscores the importance of assessing the capacity of DMC governments or existing regional institutions to manage trade facilitation activities and determining how to strengthen their monitoring and evaluation systems.

- (ii) *Implementation and Monitoring of Regional Trade Facilitation Work.* Governments in the region can jointly develop a detailed regional implementation and monitoring action plan to effectively monitor the trade facilitation results framework. Annual monitoring through peer review (e.g., regular regional forums) is highly desirable to support the regional trade facilitation monitoring mechanism. A regional forum that includes government regulators, service providers, and traders is recommended in this respect.

Among others, the following key indicators can be considered in monitoring trade facilitation work at the regional level:

- Harmonization of laws and regulations;
- Simplification of commercial formalities, procedures and documents; and
- Standardization of means such as modal infrastructure (including interfaces), vehicles (including unit loads and handling equipment), and information technology, among others.



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