

Strengthening Subregional Connectivity in East and North-East Asia through Effective Economic Corridor Management Training-Workshop Series: Workshop 2

Lecture: 3 Trade Facilitation

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Topics of Discussion

1. Trade Facilitation
 - Importation and Exportation
 - Reducing NTM / TBT challenges
 - Transit
2. A review - UNESCAP's Readiness Assessment for Mongolia's Paperless and Cross Border Paperless Trade.
3. Trade Facilitation in Times of Crisis and Epidemic
 - East And North East Asia
 - North And Central Asia



Topics of Discussion

4. Explore new trade facilitation measures to strengthen economic pillars affected by the epidemic
 - e-Commerce – The Alternative To “Brick and Mortar Retail Business”
 - Alternate Revenue
 - e-Marketplace
5. The importance of trade facilitation for women and gender equality



Trade Facilitation



Trade Facilitation

- Trade Policies
 - Trade policy refers to the regulations and agreements that control imports and exports to foreign countries. Also referred to as “Trade Rules”
- Trade Procedures
 - A set of procedures, policies and controls imposed by the government through various government agencies for the purpose of importation or exportation of goods and services into or from a country.



Trade Facilitation

- Trade Facilitation Objectives
 - Expediting the movement, release and clearance of goods, including goods in transit.
 - Simplification, modernization and harmonization of export and import processes
 - Measures for effective cooperation between customs and other appropriate authorities on trade facilitation
 - Modern technologies are encouraged to be implemented to expedite trade procedure



Trade Facilitation

- World Trade Organization – Trade Facilitation Agreement



E-Systems

Formalities relating to importation and exportation including establishing a single window and minimizing document requirements.



Customs

Advance Ruling, Simplified procedures for clearance, Minimizing document requirements , Single Window



Border Cooperation

Cooperation amongst border agencies – harmonization of information and joint inspections. Shared resources.



Border Infrastructure

Expeditious Clearance, Technology assisted inspections



Trade Facilitation

- World Trade Organization – Trade Facilitation Agreement



**Risk Based
Inspections**

Expeditious clearance and processing through pre-arrival information, risk management and special treatment



Capacity Building

Capacity Building & Training



Testing Facilities

Modernization



NTM / TBT Challenges

- **Definition**
- Non-tariff measures / barriers
 - *“The official definition of NTMs is broad: NTMs are policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both. Non-tariff barriers to trade are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs”* – United Nations Conference on Trade and Development (UNCTAD)



NTM / TBT Challenges

- **Definition**
- Technical Barriers to Trade
 - *“The Technical Barriers to Trade (TBT) are technical regulations, standards, and conformity assessment procedures are deemed discriminatory and creates unnecessary obstacles to trade.”* – World Trade Organization (WTO)



WTO SPS Agreement

- **Sanitary and Phytosanitary (SPS) Agreement**
- What are SPS Measures ?
 - “The Sanitary and Phytosanitary (SPS) Measures implemented aims to protect human, animal or plant life or health from pests and diseases that may be brought in by imported agricultural products.”



WTO SPS Agreement

- The rights of every country – To ensure that your country's consumers are being supplied with food that is safe to eat.
- The challenge :-
 - Definition of “safe”
 - Protection or Protectionism
 - How can you ensure that strict health and safety regulations are not being used as an excuse for protecting domestic producers?



WTO SPS Agreement

- The SPS agreement indicates
 - Regulations are based on science
 - Utilize international standards and recommendation
 - UN Food and Agriculture Organization (FAO);
 - International Plant Protection Convention (IPPC);
 - Office International Des Epizooties (OIE);
 - Codex Alimentarius (FAO & World Health Organization)
 - Pest Management and Residual Analysis (PRA) - FAO



WTO SPS Agreement

- The SPS agreement also indicate
 - Utilization of risk management tools
 - Mutual Recognition Agreements for laboratory certifications.



Transit - Customs

- Customs transit is defined by Specific Annex E of the Revised Kyoto Convention (RKC) as the Customs procedure under which goods are transported under Customs control (and without imposing Customs duties) from one Customs office to another.
- For the purpose of this discussion, it is international transit where goods move from the Customs control of one country to another without imposing Customs duties

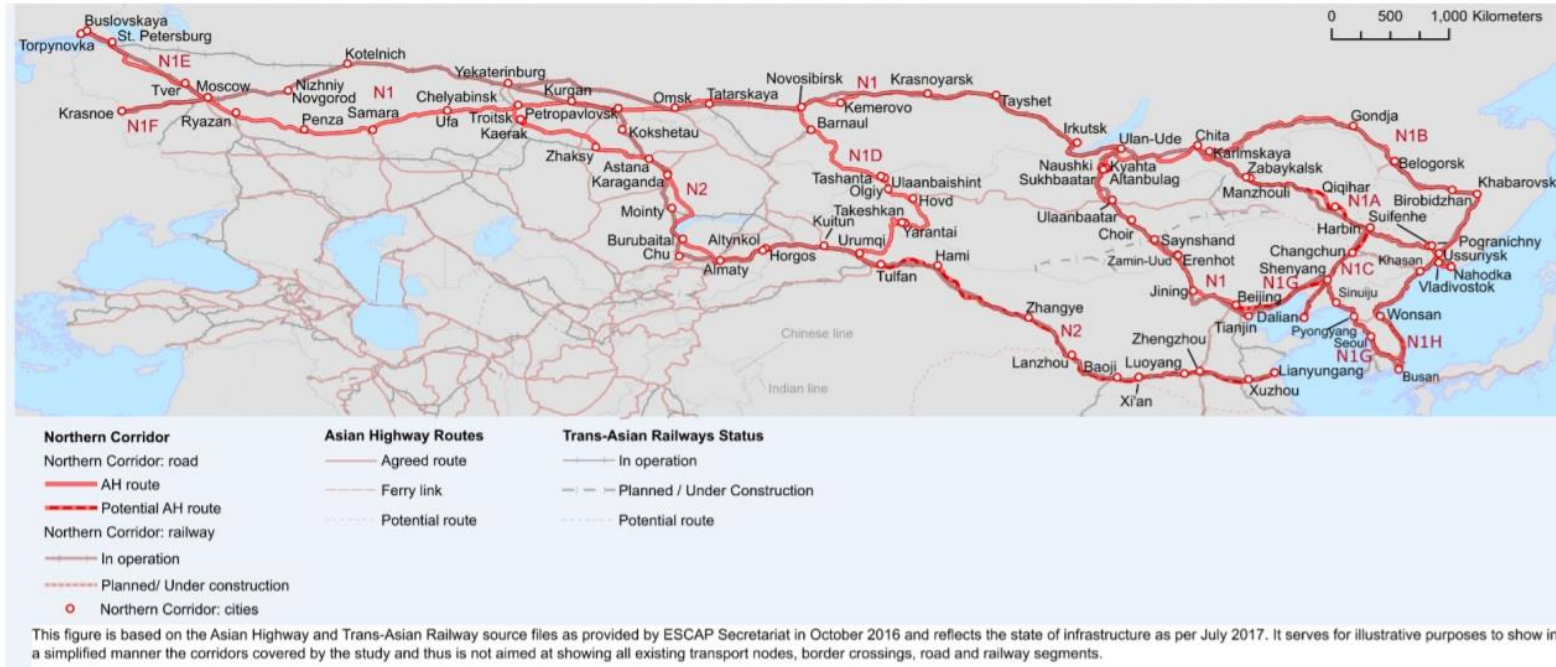


Transit - Customs

- The scenario involves the movement of good by rail from People's Republic of China (PRC) to Russian Federation, and vice-versa through Mongolia without discharging of goods in Mongolia.
- Part of Asian Highway initiative which is tied into the Eurasian Northern Corridor



Transit - Customs



Eurasian Northern Transport Corridor

Transit - Customs

- Fundamental Understanding of Transit
 - No duties are imposed
 - Possible administrative charges
 - No inspection – documentary scrutinization only
 - Collection of guarantees upon entry and refunded upon exit.
 - Sealing of wagons with security tags
 - Possible track and trace tags



Transit - Customs

- Challenges
 - Revenue generation
 - Infrastructure – rail gauges
 - Support services for rail
 - Support services for road transport
 - Identifying business opportunities and other opportunities



Transit - Customs

- Potential Opportunities
 - Creation / Modernization of local rail and road transportation services / entities
 - Maximize transit arrangements for Mongolia – to beyond PRC and Russian Federation for Mongolian products

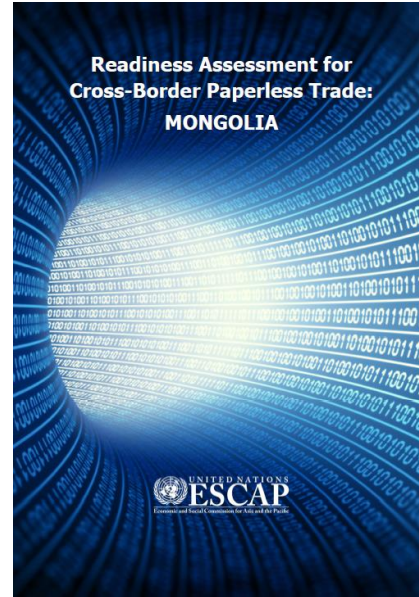


Transit - Customs

- Potential Opportunities
 - Creation / Modernization of local rail and road transportation services
 - Possible Infrastructure improvement – rail gauges
 - Support services for rail – repairs etc
 - Support services for road transport
 - Gasoline stations
 - Rest stops



Readiness Assessment for Mongolia's Paperless and Cross Border PaperlessTrade



Readiness Assessment

- Gap Analysis - Technical
 - Institutional and Governance – NTTFC, Lead Agency etc
 - Level of automation – CAIS, CEPS, GASI Inspection Management Systems, Risk Management etc
 - Information and communication technology (ICT) infrastructure – Standard Operating Procedures, Disaster Recovery Plans etc
 - Business process re-engineering – Simplification
 - Data harmonization and standardization – WCO Data Model etc



Readiness Assessment

- Gap Analysis - Technical (2)
 - Capacity building – Knowledge, resource, skillsets etc
 - Paperless Transit – International transit regimes, regional agreements etc
 - Cross Border Mutual Recognition – Trade documents, scientific documents etc
 - Authorized Economic Operators



Readiness Assessment

- Gap Analysis – Legal
 - Electronics transactions and signatures law
 - Paperless trade and single window laws
 - Cross-border aspects



Action Plans

- Institutional and governance
 - Accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific
 - Create a mechanism for coordinating stakeholders involved in (cross-border) paperless trade
 - Designating a lead agency
- Automation
 - GASI
 - MASM
 - CITA



Action Plans 2

- Automation (2)
 - MNCCI (eC/O)
 - Border Control Agency
 - Railway authority of Mongolia
 - Expedite the creation of a Single Window environment
 - Identify all relevant ICT infrastructure that should be connected to create interoperability and make the Single Window easier to use



Action Plans 3

- ICT Infrastructure
 - Establish a sustainability plan and guidelines on business continuity of ICT systems
- Business process re-engineering
 - Carry out business process re-engineering (BPR) in implementing or upgrading ICT systems of trade-related regulatory agencies
- Data harmonization
 - Carry out data harmonization in implementing or upgrading ICT systems of trade-related regulatory agencies



Action Plans 4

- Awareness and capacity building
 - Build awareness and capacity on (cross-border) paperless trade of all parties involved in import, export and transit processes.
- Budget
 - Develop a strategic plan to secure budget for implementing ICT systems of trade-related regulatory agencies



Action Plans – National

- Make automation systems of relevant regulatory agencies enabled for both domestic and cross-border paperless trade at the same time
- Participate in regional, sub-regional and bi-lateral initiatives on cross-border paperless trade
- Introduce a paperless transit, including for declaration and guarantee, in cooperation with neighbouring countries and by joining international transit regimes



Action Plans – National (2)

- Participate in joint inspection and sharing (recognition) of results electronically among its relevant regulatory agencies
- Introduce Authorized Economic Operator (AEO) programme and conclude mutual recognition agreement with main trading partner countries



Trade Facilitation in Times of Crisis and Epidemic



Working Papers – E&NE Asia

Grouping of TF Measures



**Institutional Arrangements
and
Inter-Agency Cooperation**



**Simplification of Customs Procedures
and
Expedited Clearance**



**Transport, Logistics
and Transit**



Digital Trade Facilitation



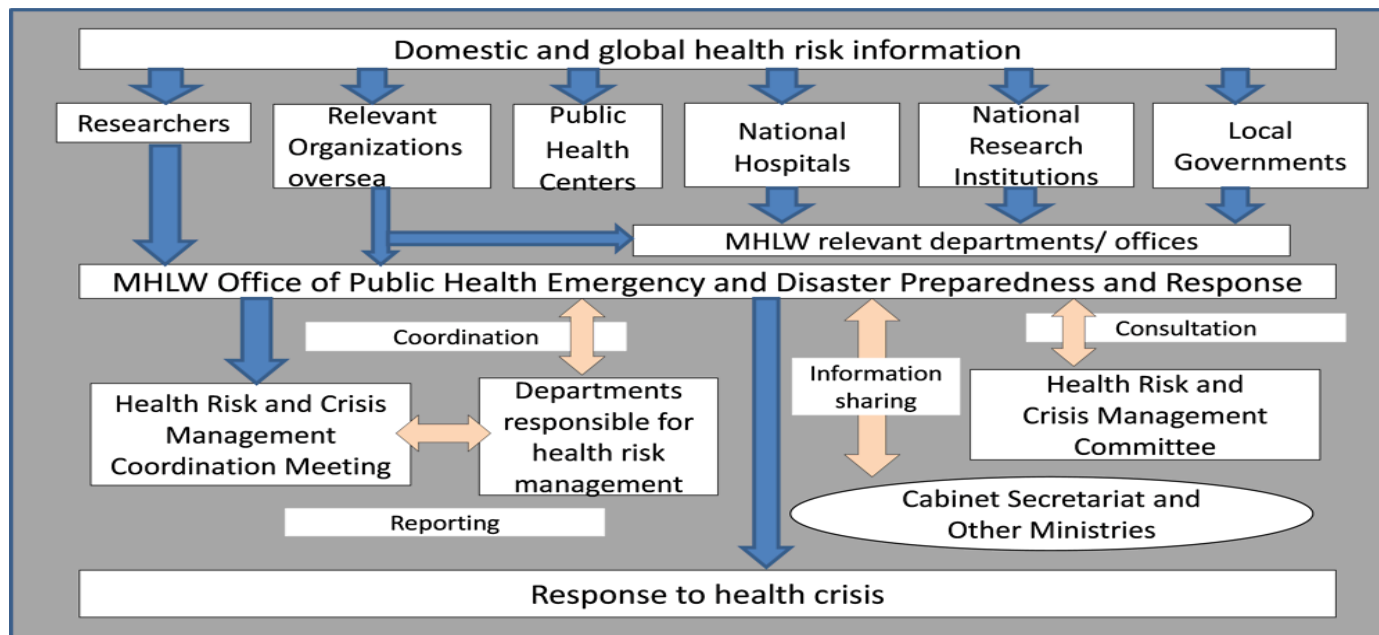
**Business Facilitation
and Supporting SMEs**



Trade Finance Facilitation



Institutional Arrangements & Inter-Agency Cooperation



Institutional Arrangements & Inter-Agency Cooperation



Simplification & Expedition

Simplification of Customs Procedures and Expedited Clearance



Duties and Taxes

Concession of duties and tax

Reduced Tariff

🇰🇷 : PPE from 10% (MFN rate) to 0
Melt-blown fabric from 8% to 0

TAX Relief

🇰🇷 : special tax benefit to companies facing difficulties and businesses located in special disaster zones

Deferred Payment

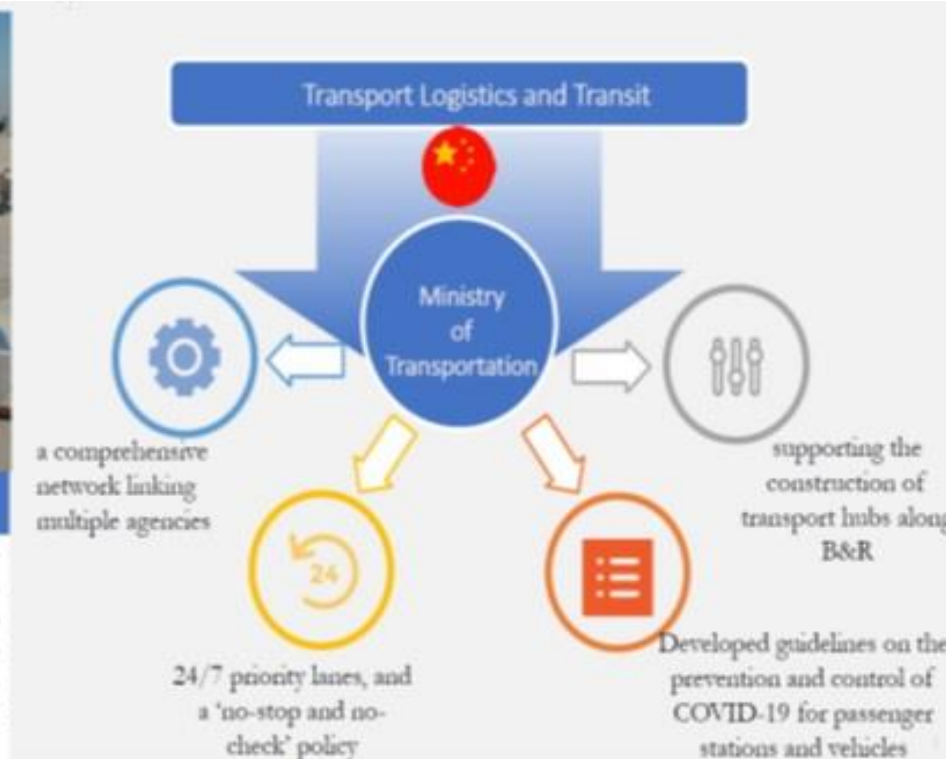
🇰🇷 : Importers are allowed to make payments within one year of their declaration date (extension from 15-day rule prior to the pandemic)

Increase Tax Rebate Rate

🇨🇳 : An increased tax rebate rate has been applied to 1,464 products - companies exporting the listed goods can enjoy higher tax rebates.



Transport, Logistics & Transit

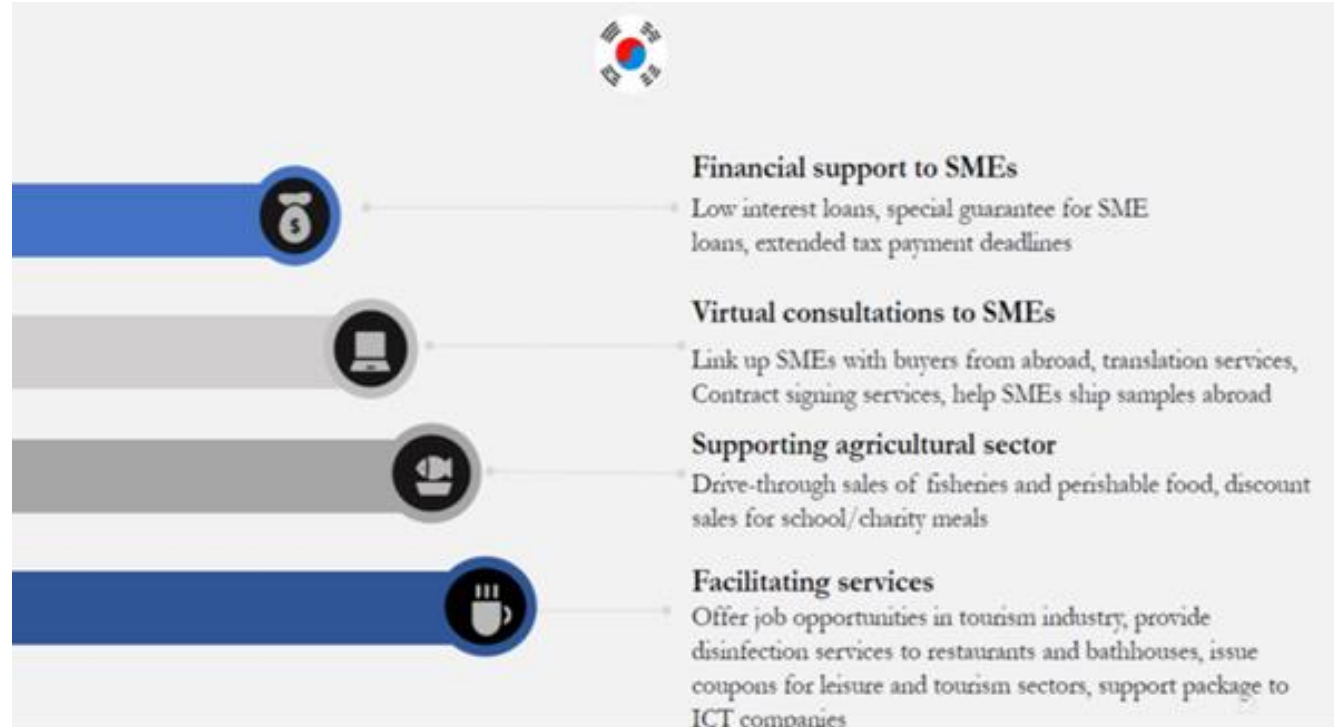


Digital Trade Facilitation

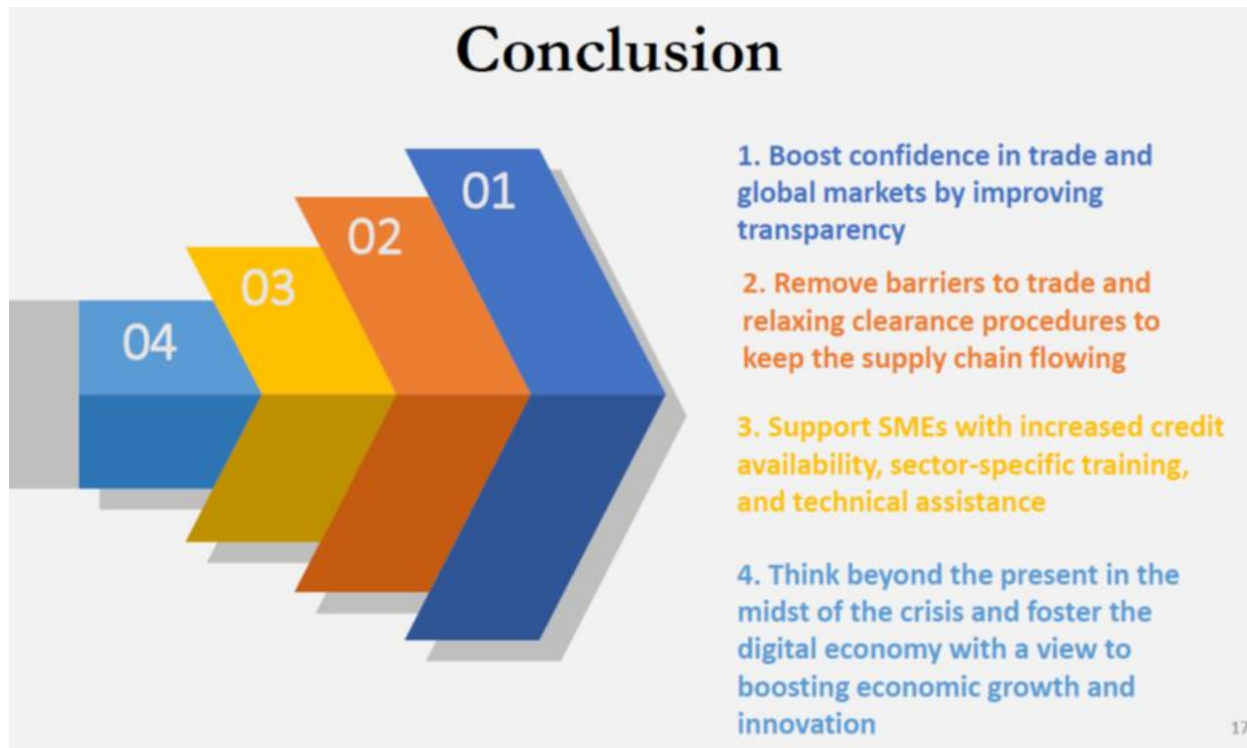


**Utilization of Single Window and Trade Portal
PRC, Korea and Japan**

Business & SME



Objectives

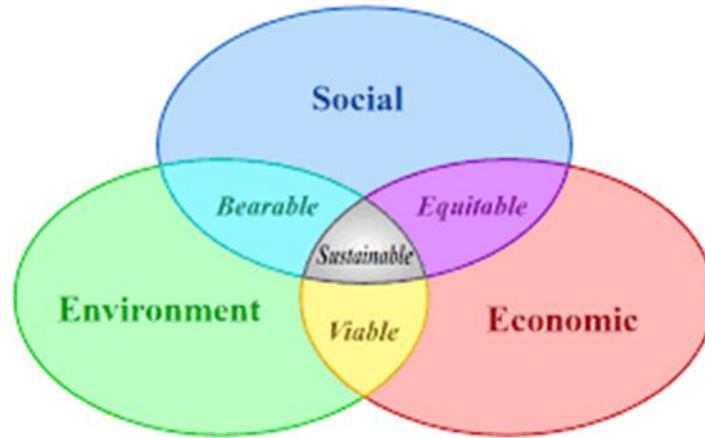


Strengthen economic pillars affected by the epidemic



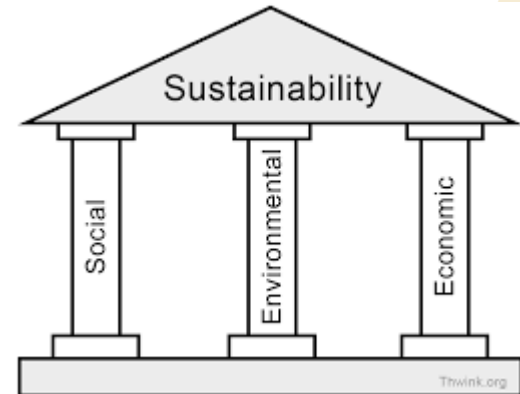
Sustainability

- The three principles of sustainability
 - Environment
 - Social
 - Economy



Sustainability

- All 3 pillars carries its own importance in ensuring sustainability
- The importance of these pillars can be illustrated as per below.
- For the purpose of today's discussion, we shall focus on the economic pillar.



Fundamentals

- Top 5 Exports (<http://www.worldstopexports.com/mongolias-top-10-exports/>)
 - Mineral fuels including oil: US\$3.2 billion (43.4% of total exports)
 - Ores, slag, ash: \$2.7 billion (36.5%)
 - Gems, precious metals: \$726.2 million (9.8%)
 - Wool: \$196.6 million (2.7%)
 - Copper: \$119.3 million (1.6%)
- World's 2nd largest exporter/producer of cashmere wool



Current Situation

- Travel restrictions – down in tourism market
 - Tourist shopping reduction for Mongolia's prized product – cashmere wool related products.
- Domestic shopping (physically present) reduced – social distancing / unnecessary travel
- Large producers of cashmere wool – maybe slightly affected. Still dependent in bulk buying from international buyers.
- Micro SME / SME – depending on tourism sales may be impacted.

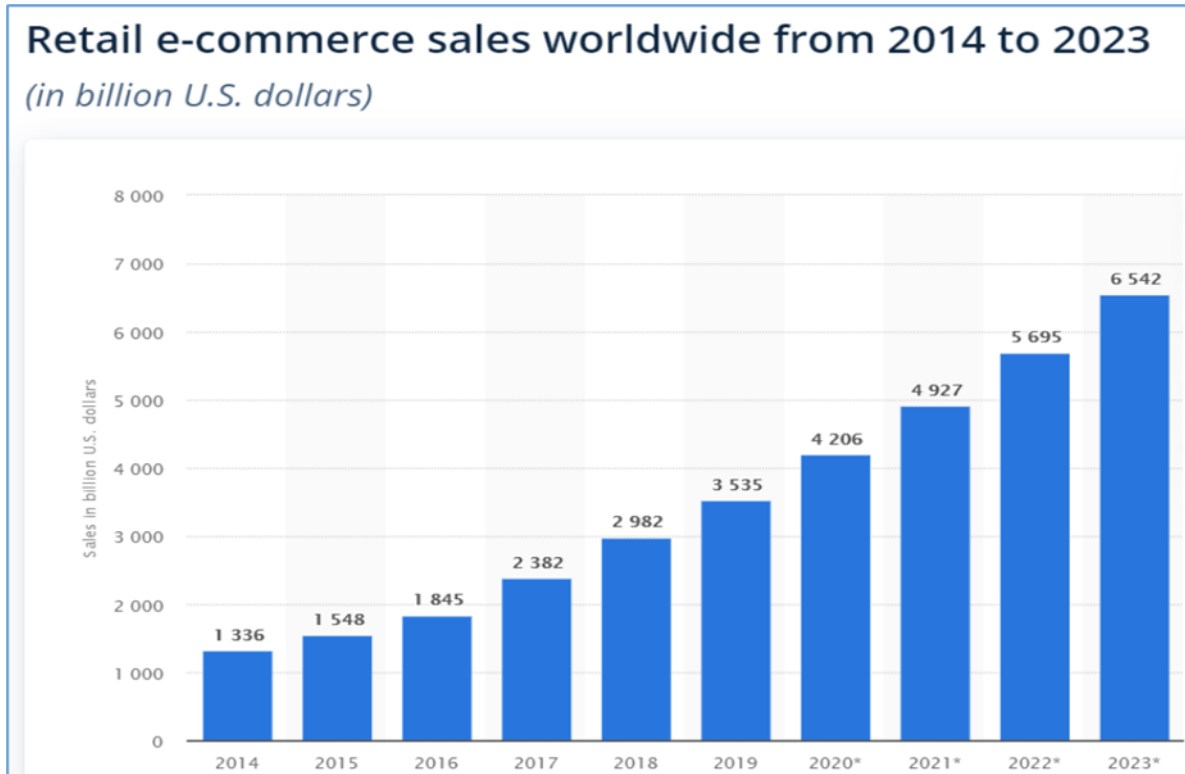


MSME / SME

- Important contributor to Mongolia's economy
- Limited market outreach – international
- Similar situation globally – seeking alternative outreach.
- Exponential growth in e-commerce
- Statista, a global statistics company, projects e-commerce globally will reach USD6.5 trillion in 2023 whereas current projection is USD4.2 trillion .
- Retail e-commerce has experienced high percentage of sales increase during the epidemic period.



E-Commerce Projections



TF for e-Commerce

- Trade Facilitation for e-Commerce
 - International Recommendation – focusing on international e-commerce imports (Air Freight)
 - “*De Minimis Value*”
 - Expeditious clearance for imports.
 - Risk Management guided advance clearance – Advance manifest for inbound consignments.
 - Most trade facilitation measures benefit local buyers and international sellers.



Challenges – Domestic Sellers

- Lack IT capability – outreach
- Lack of experience in handling trade procedures.
 - High cost – engaging third party clearance.
- Cost of transportation – air freight / couriers – expensive.
- Viable alternative – usage of e-marketplaces
 - Fulfillment services

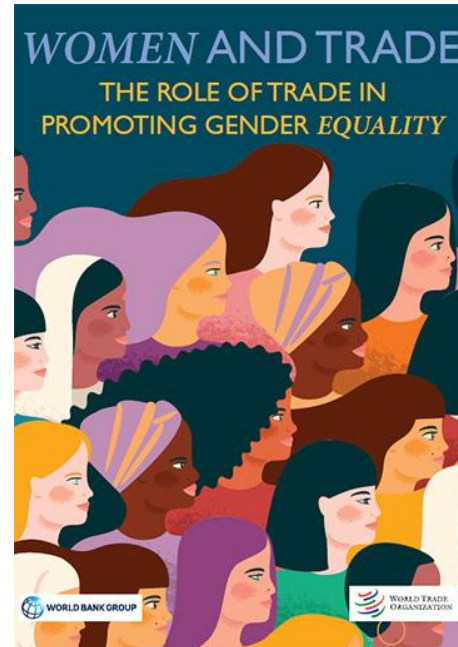


Benefits

- Strengthen MSME / SME
- Improve contribution to Government through taxes – alternate revenue
- Attractive trade facilitation measures – improve services by local e-marketplaces
- Attracts global e-marketplaces to be established in Mongolia



The importance of trade facilitation for women and gender equality



Realization



SMEs suffer more from admin burdens than large companies and their exports are more sensitive to border delays. Empowering SMEs through trade facilitation has a positive impact on women as close to 40% of the world's SMEs are women-owned.

(Source: World Trade Organization)



International Women's Day 2019

“Many women currently stand on the side-lines of the global economy. Women already make a huge contribution to global prosperity and exclusion of women prevents the world from reaping the full benefits of global trade. According to the University of Barcelona if all women are excluded from the labour force income per capita is reduced by almost 40%. It is estimated that between 30% and 40% of small and medium sized enterprises (SMEs) worldwide are owned by women, although figures vary considerably across regions. Yet only 20% of exporting firms are led by women”

- Monity Odera, a publisher in Kenya

International Women's Day 2019

“However, we do know that women often face higher levels of discrimination and longer waiting times at borders than men and are therefore more likely to avoid official border crossings. In addition, trade policies and procedures are not effectively communicated or fully understood by small traders who are mostly women. Trade facilitation is all about simplifying and streamlining the processes we use to move goods across borders. In many cases, this means introducing automation and digital processes which can mean traders have to travel less and spend less time at the border – cutting the potential for gender-based discrimination.”

– Monity Odera, a publisher in Kenya

Demographics

- Population of 3.245 million in 2020 <https://countrymeters.info/en/Mongolia>
- Estimated gender ratio is 49.4% male and 50.6% female



Common Challenges

- Challenges include discriminatory treatment in trade measures, particularly at border crossing points.
- However, there is no recorded nor known cases of discriminatory treatment by Mongolian border control authorities. Perhaps this is due to the gender composition of Mongolia.



The Situation in Mongolia

- To many countries, border trade or commonly known as petty trade is a huge market and mainly conducted by women.
- The situation is similar in Mongolia where heavy border trade is conducted (e.g. between Zamyn-Uud on the Mongolia side and the town of Erlian on PRC's side)



**Border Crossing Point
at Zamyn-Uud**

The Importance of Women in TF

- With this ratio and the results of the study by University of Barcelona, a high percentage of SMEs in Mongolia could be owned by women entrepreneurs. Their consultative and inclusive participation into Mongolia trade facilitation policies and measures.
- Such importance is also reflected in WTO and World Bank publications



Баярлалаа
THANK YOU



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