Results and implications of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2021 for Asia and the Pacific

Note by the secretariat

Summary

The latest results of the United Nations Global Survey on Digital and Sustainable Trade Facilitation for Asia and the Pacific, conducted in 2021, show progress in the implementation of general and digital trade facilitation measures in all surveyed countries. However, trade facilitation implementation levels vary greatly by subregion and type of measure. The most progress was noted for the implementation of cross-border paperless trade. Still, implementation remains low due to difficulties in achieving consensus among stakeholders throughout the value chain and across countries on technical and legal issues. Full implementation of digital trade facilitation is estimated to reduce trade costs in the region by 13 per cent, on average. In this regard, the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific serves as an inclusive and flexible intergovernmental platform for States members of the Economic and Social Commission for Asia and the Pacific (ESCAP) to accelerate implementation of these measures.


The Interim Intergovernmental Steering Group on Cross-border Paperless Trade Facilitation may wish to consider the issues covered in the present document and provide guidance on the implementation challenges and gaps identified, including the role of ESCAP.
I. Introduction

1. Reducing trade costs is essential to enable economies to effectively participate in regional and global value chains and continue using trade as an important engine of growth and sustainable development. The international supply chain disruptions caused by the coronavirus disease (COVID-19) pandemic and the recent surge in shipping costs have put additional pressure on importers and exporters in Asia and the Pacific.

2. The Economic and Social Commission for Asia and the Pacific (ESCAP) and the other four regional commissions have conducted global surveys on the implementation of a wide range of trade facilitation measures since 2015. The latest survey, the fourth United Nations Global Survey on Digital and Sustainable Trade Facilitation, was conducted during the first half of 2021. It covered 58 trade facilitation measures classified into four groups: general trade facilitation, digital trade facilitation, sustainable trade facilitation and other trade facilitation. Measures under the subgroup “trade facilitation in times of crisis” are included for the first time in the context of the ongoing COVID-19 pandemic. The measures consist of those specified in the World Trade Organization (WTO) Agreement on Trade Facilitation as well as other complementary measures, including digital and sustainable measures. The complete list of measures as well as data for the 46 ESCAP members covered in the survey are available online at http://untfsurvey.org.

II. Trade facilitation implementation in Asia and the Pacific: overview

3. The regional implementation rate increased by 6 percentage points since the previous survey, which was conducted in 2019, reaching 65 per cent in 2021. The increased implementation rate suggests that member States generally accelerated their implementation efforts over the last two years, despite the COVID-19 pandemic and supply chain disruptions. However, a varying state of implementation is still noticeable in the Asia and Pacific region, as shown in figure I.
Trade facilitation implementation levels vary greatly across subregions. Apart from Australia and New Zealand, East and North-East Asia have the highest average level of implementation at 82.5 per cent, followed by North and Central Asia (71.4 per cent) and South and South-West Asia (63.1 per cent). Pacific small island developing States lag far behind other subregions. At the country level, Australia, China, India, Japan, New Zealand, the Republic of Korea and Singapore achieve implementation rates of more than 90 per cent.

South and South-West Asia recorded the most progress, recording an increase of more than 10 percentage points since 2019. Substantial progress is also observed in North and Central Asia as well as the Pacific small island developing States, despite the significant challenges and trade disruptions due to the COVID-19 pandemic.

Trade facilitation implementation levels also vary by group and subgroup of measures. The region’s implementation of measures related to the WTO Agreement on Trade Facilitation is relatively high, at 68 to 80 per cent. Implementation of national paperless trade measures is also relatively high, with the COVID-19 pandemic accelerating digital transformation and underscoring the importance of paperless trade. Many member States continue to develop digitally enabled transactions and border procedures and initiate the
development of electronic single window facilities. The most progress among all subgroups has been observed in measures relating to cross-border paperless trade, in which the implementation rate has risen by 7.4 percentage points. Still, implementation of cross-border paperless trade remains low at 39 per cent, due to the lack of national and intergovernmental legal frameworks to support cross-border paperless trade and the limited capacity to establish paperless systems in many developing economies.

7. There are many challenges to the measures in the sustainable trade facilitation group; few countries consider the specific trade facilitation needs of small and medium-sized enterprises and women in business. Sustainable trade facilitation can facilitate inclusive and sustainable development if trade facilitation strategies are designed in a more holistic and inclusive manner. In addition, digital solutions can be an effective means to increase sustainable development, by lowering barriers, particularly for those sectors and groups with special needs. Data from the survey also illustrate the high positive correlation between digital and sustainable dimensions of trade facilitation.

8. Trade finance facilitation measures are the least implemented, and a significant portion of data are either absent or incomplete, suggesting that the traditional trade facilitation actors are not familiar with trade finance. The lack of data and low implementation rate indicate a significant gap and the need for trade finance practices to be integrated into the rest of trade facilitation activities, including bridging trade finance to single window systems.

9. Measures in the subgroup “trade facilitation in times of crisis” are included for the first time in the survey in the context of the ongoing COVID-19 pandemic, with an implementation rate at 55.7 per cent. Member States responded quickly to ensure swift and smooth movement of goods, at least for those deemed essential. However, many countries still lack long-term trade facilitation plans to enhance preparedness for future crises.

III. A closer look at the implementation of paperless trade measures

10. Recognizing the importance of essential information and communications technology infrastructure and services to enable paperless trade, nearly all member States (96 per cent) have made electronic/automated customs systems fully or partially available. More than 90 per cent of the member States surveyed have implemented measures related to ensuring an internet connection to trade control agencies at border crossings and the electronic submission of customs declarations, at least on a partial basis.

11. Electronic single window systems have been implemented fully, partially or on a pilot basis in 34 countries, or nearly 74 per cent of all the Asia-Pacific countries surveyed. However, some relatively simpler measures, such as measures related to the electronic application and issuance of import and export permits, the electronic submission of air cargo manifests, the electronic application and issuance of preferential certificates of origin and the electronic application for customs refunds, have lower implementation rates. This could partly be explained because single window systems in most countries are developed and led by customs authorities. Customs authorities in essentially all the countries surveyed have been actively developing automated systems to speed up customs clearance while also improving customs control through risk management. On the other hand, information and documents issued by other trade-related agencies are not as equipped with electronic systems, automated or connected with single window systems.
12. The implementation of cross-border paperless trade measures remains low. More than 70 per cent of the member States surveyed have at least partially developed the legal and regulatory frameworks needed to support electronic transactions. Still, these frameworks are mostly incomplete and may not readily support the legal recognition of electronic data or documents received from stakeholders in other countries. Measures related to the certification authority needed to issue traders with recognized electronic signature certificates to conduct electronic transactions are yet to be readily established/recognized by half of the countries in the region, even on a pilot basis.

13. The electronic exchange of trade-related documents, such as customs declarations, certificates of origin, and sanitary and phytosanitary certificates, typically continues to be conducted on a limited or pilot basis with a few specific trade partners. The limitation is due to the lack of institutional and legal frameworks to support cross-border paperless trade and the limited capacity to establish paperless systems in many developing economies. One exception is the Association of Southeast Asian Nations (ASEAN) region. All member countries have joined the ASEAN Single Window Live Operation, enabling the exchange of the electronic version of ASEAN Trade in Goods Agreement (ATIGA) Form D through the ASEAN Single Window system.

IV. Implications and way forward

14. An analysis of the impact of the implementation of trade facilitation and paperless trade measures on trade costs in Asia and the Pacific, conducted by ESCAP in collaboration with the Asian Development Bank (ADB) and based on the survey and the most recent data from the ESCAP-World Bank Trade Cost Database, shows that full implementation of the binding measures of the WTO Agreement on Trade Facilitation would result in a decrease in trade costs of 4.1 per cent while full implementation of all the measures in the Agreement would result in a 6.6 per cent reduction. In contrast, implementation of digital trade facilitation measures would result in much more significant trade cost reductions than average, at 13.4 per cent for Asia and the Pacific as a whole.

15. Each economy in the Asia-Pacific region also stands to make gains from accelerating trade facilitation implementation. However, the extent of these potential gains varies widely, given the substantial differences in the existing state of implementation of trade facilitation and levels of trade costs. As shown in figure II, trade costs would be reduced for all economies in each of the three implementation scenarios, namely (a) implementation of binding measures of the WTO Agreement on Trade Facilitation, (b) implementation of binding and non-binding measures of the Agreement and (c) implementation of binding and non-binding measures of the Agreement as well as other paperless trade measures. However, the reductions would be much more significant if cross-border paperless trade were achieved. Capturing these reductions will require closer cooperation between economies on developing interoperable paperless trade systems as envisaged in the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

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16. The COVID-19 pandemic has exposed many weaknesses of the trading system. Restrictive measures imposed during the crisis undermined confidence and posed threats to the rules-based trading system. Results of the newly incorporated measures related to the trade facilitation in times of crisis show that countries are not sufficiently prepared at the national or regional level, despite immediate policy responses to expedite the movement of essential goods. There is still room to enhance regional coordination and improve long-term mechanisms for future emergencies. Improving regional connectivity through coordinated trade facilitation actions is imperative at this pivotal time. Continued and sustained efforts should be made to enhance cooperation further, make trade information transparent, strengthen the capacity of countries to contribute to recovery and prepare to safeguard against future crises adequately. Implementation of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific could focus on removing legal, technical, institutional and capacity-building constraints to make these facilitation measures more permanent.

Figure II
Impact of full implementation of trade facilitation measures on trade costs in Asia-Pacific economies
(Percentage)

Source: ESCAP, “Digital and sustainable trade facilitation in Asia and the Pacific 2021”.

Abbreviation: WTO AFT, World Trade Organization Agreement on Trade Facilitation.
V. Issues for consideration by the Steering Group

17. The Interim Intergovernmental Steering Group on Cross-border Paperless Trade Facilitation may wish to deliberate on the status of cross-border paperless trade implementation in the region and the recommendations in the present document, particularly regarding the roles of ESCAP. In addition, it may wish to discuss how Asia-Pacific countries, with the support of ESCAP, may work together on the following actions:

   (a) To accelerate progress in implementing cross-border paperless trade;

   (b) To work together and develop the legal and technical protocols needed for the seamless exchange of regulatory and commercial data and documents along the international supply chain;

   (c) To discuss ways to accelerate and promote accession to and ratification of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific by as many Governments as possible, as it serves as a regional platform to accelerate progress in this area.

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