



Learning Materials on **Trade Facilitation**

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The learning materials were developed for capacity building activities to strengthen subregional connectivity in East and North-East Asia through effective economic corridor management. ESCAP East and North-East Asia Office worked with Mr. Alvin C K Mah (United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific, UNNExT) in developing the learning materials.

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Objectives and Content

The overall objective of the training is to provide a thorough introduction to the concept of trade facilitation from the perspective of a transit country. It aims to provide a strong understanding of the concept of trade facilitation and its economic benefits to both cross-border trade and transit trade. Based on the report “Readiness Assessment for Cross-Border Paperless Trade: MONGOLIA”,¹ published by UNESCAP in 2019, Mongolia is no stranger to trade facilitation. Based on that assessment, this training will not dwell extensively on the fundamental aspects of trade facilitation but on areas and initiatives recommended by international organizations in areas trade facilitation for e-commerce and the importance of women in trade facilitation.

The training aims to give a thorough understanding on the main elements of trade facilitation in today’s global and regional perspective:

- 1) United Nations (UN), World Customs Organization (WCO) and World Trade Organization (WTO) recommendations of modernized and simplified trade facilitation.
 - a) A refresher to what has been understood and learnt before.
 - b) The application of trade facilitation measures to WTO’s agreement/ recommendation
- 2) A review of the gaps and challenges as outlined in the UNESCAP’s Readiness Assessment for Mongolia’s Paperless and Cross Border Paperless Trade.
 - a) This was conducted in 2018/2019, capturing the situation then and action plans agreed upon by the trade facilitation related agencies
- 3) Trade Facilitation in Times of Crisis and Epidemic (A Report by UNESCAP)
 - a) This was conducted virtually in July 2020 and it reports on the measures taken by member countries (inclusive of Russia and China)
 - b) It also outlines some good practices undertaken by member countries.
- 4) Explore new trade facilitation measure to strengthen economic pillars affected by the epidemic
 - a) Impact to the cost of Mongolia’s exports due to preventive measures undertaken by transportation entities.

¹ <https://www.unescap.org/resources/readiness-assessment-cross-border-paperless-trade-mongolia>

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- b) Reduction in tourist arrivals – loss of business in all aspects of tourism trade. Particularly in domestic produce.
 - c) Facilitate expansion of e-commerce as means of getting Mongolia products (especially micro SME and SMEs) to the world.
- 5) The importance of trade facilitation for women and gender equality
- a) Population of 3.245 million in 2020 <https://countrymeters.info/en/Mongolia>
 - b) Estimated gender ratio is 49.4% male and 50.6% female. As reported during the International Women's Day 2019, a research by the University of Barcelona states that 30-40% of SMEs globally are owned by women.
 - c) Numerous countries are implementing trade facilitation measures to enhance and unlock the potential women's participation in cross border trade.



Learning Outcomes

In this training, plans should be discussed and international good practices explored where enhanced trade facilitation measures can improve trade, spur the economy and create job opportunities.

After completing this training module and having consulted the reference readings, you will be able to:

- Understand the concept of trade facilitation for cross-border trade and trade facilitation for transit
 - Understand trade facilitation measures undertaken by cross-border trade and transit partner economies in view of the COVID-19 epidemic
 - Explore new potentials in economic benefits through trade facilitation.
 - Explore the unlocking of women's potential in trade facilitation
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Recommended Reading and References

TRADE FACILITATION



UN Global Survey on Digital and Sustainable Trade Facilitation

<https://untfsurvey.org/report>



UNECE Trade Facilitation Implementation Guide

<http://tfig.unece.org/>



WTO Trade Facilitation Agreement

<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/940.pdf&Open=True>

TRADE FACILITATION – NTM / TBT



WTO Agreement on Technical Barriers to Trade

https://www.wto.org/english/docs_e/legal_e/17-tbt.pdf



UNCTAD International Classification of Non-tariff Measures - 2019 version

https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf



The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement)

https://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm



FAO The Codex Alimentarius, or "Food Code" is a collection of standards, guidelines and codes of practice

<http://www.fao.org/fao-who-codexalimentarius/en/>

TRADE FACILITATION = TRANSIT



WCO Transit Handbook

To Establish Effective Transit Schemes for LLDCs

<http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/transit/transit-handbook.pdf?db=web>



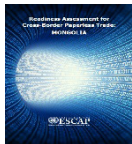
ASEAN CUSTOMS TRANSIT SYSTEM (ACTS)

Customs Transit within ASEAN Member States

An Introduction for Customs Authorities

<https://acts.asean.org/publications/introduction-acts-customs-authorities>

UNESCAP'S READINESS ASSESSMENT FOR MONGOLIA'S PAPERLESS AND CROSS BORDER PAPERLESS TRADE



UNESCAP Readiness Assessment for Cross-Border Paperless Trade: MONGOLIA

<https://www.unescap.org/resources/readiness-assessment-cross-border-paperless-trade-mongolia>

UNESCAP TRADE FACILITATION IN TIMES OF CRISIS AND EPIDEMIC



Trade Facilitation in Times of Pandemic – East and North East Asia

<https://www.unescap.org/resources/trade-facilitation-times-pandemic-practices-east-and-north-east-asia>

TRADE FACILITATION MEASURES FOR E-COMMERCE



WCO Framework of Standards on cross-border e-commerce

<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/ecommerce.aspx>

THE IMPORTANCE OF TRADE FACILITATION FOR WOMEN AND GENDER EQUALITY



IWD 2019: Why is trade facilitation important for women and gender equality?

<https://www.tradefacilitation.org/insights/international-womens-day/>



ICIRER INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS

- Trade Facilitation Measures to Enhance Participation of Women in Cross-border Trade in

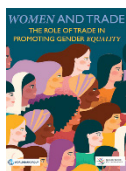
BBIN (Bangladesh, Bhutan, India and Nepal)

https://icrier.org/pdf/Cross-border_Trade_in_BBIN-Jan-2018.pdf



OECD Trade and Gender – exploring a reciprocal relationship

https://www.oecd.org/dac/gender-development/GIZ_Trade%20and%20Gender_Exploring%20a%20reciprocal%20relationship.pdf



WTO / World Bank - Women and Trade: The role of trade in promoting gender equality

https://www.wto.org/english/res_e/booksp_e/women_trade_pub2807_e.pdf

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1 Trade Facilitation

1.1 Trade Facilitation in the context of importation or exportation

Trade procedures, particularly international trade procedures, are 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. Such procedures are primarily for the purpose of collecting taxes and duties, citizen health and food safety; compliance to international standards for non-food goods; and security. Trade policies differs from procedures and is commonly known as trade rules and agreement between two trading countries.

As Trade procedures are undertaken by various government agencies for its different focus areas, other than the Customs Administration agency, numerous other government agencies, and in some cases even non-governments agencies e.g. Chambers of Commerce, are involved in a particular importation or exportation. We commonly refer to these agencies as stakeholders. The world of trade procedures is very complex as each stakeholder will have their internal procedures that must be complied to and this (in terms of bureaucracy or red tape) adds on to the already complex world of trade procedures.

In terms of trade, such complexities may result in delayed movement of goods and increased cost. This is not healthy for the traders as it is deemed high cost of trade and will negatively impact a country's economy.

The World Trade Organization (WTO) recognizes the fact that bureaucratic delays and “red tape” pose a burden for moving goods across borders for traders. As defined by WTO, trade facilitation involves the simplification, modernization and harmonization of export and import processed and as such, it has therefore emerged as an important issue for the world trading system.

WTO members concluded negotiations at the 2013 Bali Ministerial Conference on the landmark Trade Facilitation Agreement (TFA), which entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.²

In this Agreement, modern technologies are encouraged to be implemented to expedite trade procedures. This is not only at the Customs authorities level but amongst other stakeholders when enforcing trade procedures. In WTO's context, trade facilitation measures can be utilized to reduce non-tariff measures (NTM) and technical barriers to trade (TBT). Barriers to trade are either tariff-based, or non-tariff based. As we can witness in today's global economy, we have seen one country imposing high tariff rates on another country's goods and services for the possible reason of domestic protectionism. These cases are normally resolved through negotiations at the trade policy makers' level. NTM and TBTs are more complicated to be resolved as justifications are needed from the scientific point of view rather than the perceived tariff argument.

United Nations Conference on Trade and Development (UNCTAD) defines this as a major challenge for trade.

Non-tariff measures (NTMs) are policy measures other than tariffs that can potentially have an economic effect on international trade in goods. They are increasingly shaping trade, influencing who trades what and how much. For exporters, importers and policymakers, NTMs represent a major challenge. Though many NTMs aim primarily at protecting public health or the environment, they also substantially affect trade through information, compliance and procedural costs.

Understanding the uses and implications of NTMs is essential for the formulation of effective development strategies to meet the Sustainable Development Goals. The NTM Hub serves as a gateway to that end, providing information on classification, data, research and analysis and policy support. Increasing transparency and understanding of NTMs can build capacity of policymakers, trade negotiators and researchers to strike the delicate balance between the reduction of trade costs and the preservation of public objectives.³

² https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

³ <https://unctad.org/topic/trade-analysis/non-tariff-measures>

The Technical Barriers to Trade (TBT) Agreement aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade. At the same time, it recognises WTO members' right to implement measures to achieve legitimate policy objectives, such as the protection of human health and safety, or protection of the environment. The TBT Agreement strongly encourages members to base their measures on international standards as a means to facilitate trade. Through its transparency provisions, it also aims to create a predictable trading environment.⁴

1.2 Trade Facilitation in the context for reducing NTM / TBT challenges

Let us use the “WTO Agreement on Sanitary and Phytosanitary Measures” as a possible consideration where trade facilitation measure may be a valuable tool to avoid any negative repercussions or alleged unjustifiable TBT.

Extracted from the WTO Agreement

Problem: How do you ensure that your country's consumers are being supplied with food that is safe to eat — “safe” by the standards you consider appropriate? And at the same time, how can you ensure that strict health and safety regulations are not being used as an excuse for protecting domestic producers?

The Answer: It allows countries to set their own standards. But it also says regulations must be based on science. They should be applied only to the extent necessary to protect human, animal or plant life or health. And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

Member countries are encouraged to use international standards, guidelines and recommendations where they exist. However, members may use measures which result in higher standards if there is scientific justification. They can also set higher standards based on appropriate assessment of risks so long as the approach is consistent, not arbitrary.

The agreement still allows countries to use different standards and different methods of inspecting products.⁵

⁴ https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm

⁵ https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

Majority of the recommendations involves utilization of international standards and recommendations from e.g. UN Food and Agriculture Organization (FAO), International Plant Protection Convention (IPPC), *Office International Des Epizooties (OIE)*, *Codex Alimentarius* (FAO & World Health Organization) etc. This involves scientific measures and recommendations. Trade facilitation has no direct role in this. However, two areas are mentioned in the WTO recommendation would be (i) risk management (ii) mutual recognition agreement.

The challenge between all various stakeholders for trade procedures would be the coordination of information and in most developing and developed countries, the establishment of an electronic single window is priority for modernizing and simplifying trade facilitation. This would enable an efficient coordination of information amongst all stakeholders. The biggest benefactor of coordinated information would be the risk management system. Customs administrations around the world are implementing risk management systems in the modernization of their own respective customs system. The risk management system has the capability of reducing inspection times and even the need for inspection through the method of “advance approval”. However, it would mean that the assessment of products, even the scientific assessments from other stakeholders would have to lie at the hands of customs administration unless such stakeholders have their own risk management systems.

However, risk management systems are complex and expensive in nature. Hence, not all stakeholders may have the budget to acquire their own system. In a carefully planned out trade facilitation program, such resources can be shared with the other agencies. From the UN Readiness Assessment, the Mongolia Customs has modernized their internal systems, including risk management. Whereas the largest non-customs inspection agency, General Agency for Specialized Inspection (GASI) does not have an automated risk management system. However, GASI was one of the first in the region to implement their own risk analysis for the purpose of reducing the need of inspections. It is also reported that GASI will collaborate with Mongolian Customs to share the automated system.

The full benefits have yet to be realized as the other stakeholders are not automated. An inclusive trade facilitation program will allow such stakeholders to benefit as well as maximise resources.

Example of shared resources between two major government agencies in People's Republic of China (PRC)

March 2018, China's State Council announced a government reorganization aimed at improving efficiency and customer service in many parts of the Chinese government. The reorganization merged most of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) into the General Administration of Customs of the People's Republic of China (GACC). This merger includes the integration of all former China Inspection and Quarantine (CIQ) offices located at Chinese ports into GACC's existing import/export inspection structure. In early September 2018, the State Council published the "Regulations on the Allocation of Functions, Internal Bodies and Staffing of the General Administration of Customs," which outline GACC's organization and functions. The document also describes GACC's responsibilities when interacting with other Chinese ministries. This report contains a summary of the regulations and an unofficial translation of the document.⁶

1.3 Trade Facilitation in the context of transit

In the training, the focus shall be on Mongolia being the transit country between PRC and the Russian Federation. From a geographical point of view, the transit infrastructure in terms of road and rail through Mongolia would be most viable in consideration of the flat terrain between the border crossings at Altanbulag / Sukhbaatar in the north (bordering Russian Federation) and Zamyn-Uud in the south (bordering PRC).

Reforms and modernization would be required at the border check points at these two areas to expedite the crossings. It was reported that the current procedures involve documentary checks and attachment of security seals. Further enhancements can be considered, including advance information exchange between customs systems of the countries and the utilization of track and trace devices to improve security measures.

Under the envisaged trilateral agreement, a trilateral transport company is planned to be established, of which goods on transit need not be unloaded or reloaded on to the local country's transport entities. The unloading-reloading results to extra time and additional costs, example of which is currently happening at the border crossing towns of Birgunj (Nepal) and Raxaul (India) whereas goods for and from Nepal by sea utilizes the Port of Kolkata in India.

It is challenge to identity economic benefits in terms of taxes and duties from the implementation

⁶ <https://www.fas.usda.gov/data/china-general-administration-customs-reorganization>

of a transit program. Since the goods entering Mongolia are not for the Mongolian market, there is no imposition of taxes or duties aside from the possibility of some administrative charges. Even the customs transit guarantee is refunded or transferred upon the goods (in totality) exits to the other border.

- It is worthwhile reading an earlier report by UNCTAD entitled “Challenges and Opportunities for Further Improving the Transit Systems and Economic Development of Landlocked and Transit Developing Countries”⁷. Trade Facilitation measures for transit may be small but it does involve a certain degree of investment in terms of process reengineering and possibly in the automation of certain control systems. The bigger challenge would be the infrastructure in terms of roads and rail. Example would be the fact that Mongolia utilizes the Russian gauge for rail whereas China utilizes the standard gauge. Recognizing the fact that transporting transit cargo between Russia and China is an important source of revenue for the Mongolia’s railway system, standardization would be economically beneficial. The economic benefits need to outweigh the investments in the long term. There is also a possibility that such investment may come in terms of grants or loans from either or both the economic giants.
- Individually, investments by customs or other inspection agencies may not reach its “return of investment”. The benefits comes holistically in the form of increasing the source of revenue of Mongolian railways, lowering cost of transportation for import and export goods to and from the neighbouring countries and maximising the transit agreement with Russian Federation and PRC for Mongolian good exports to these two countries’ neighbours other than Mongolia. Example – Darkhan exports a lot of frozen meat products to Iran, via Russian Federation, possibly crossing multiple countries in the process.
- The trilateral transport company may also a valuable boost to the Mongolian transportation industry as it is reported that Mongolia does not own any refrigerated trucks, hence having to depend on such trucks from Russian Federation or PRC.
- One good example of effective trade facilitation measures for transit would be Singapore. Her trade facilitation measures are always a prime example for many to follow. Singapore customs has a reputation of clearing electronic declarations within seconds. Singapore has invested tremendously

⁷ https://unctad.org/system/files/official-document/ldc20038_en.pdf

into modernizing their entire trade facilitation measures. How does Singapore customs reach their “return of investment” through collection of duties? It is almost impossible. Let us look at the facts:

- Singapore is a free port
 - » Approximately 1% of goods imported into Singapore for local consumption is dutiable.
 - › Intoxicating liquors, including spirits, wine, beer, ale, stout and porter. ...
 - › Tobacco products, including cigarettes and cigars. ...
 - › Motor vehicles, including motorised bicycles.
 - › Motor fuel, including motor spirits, diesel products and compressed natural gas (CNG)
- Singapore is also an entrepot. (Defined by Cambridge English dictionary: a port where goods for import or export can be stored without paying import duties)
 - » Malaysia is deemed Singapore’s top 3 trading partners. However, a large amount of good “exported” by Malaysia into Singapore is not for local consumption but for transshipment. Transshipment is literally the equivalent of transit where the former is normally sea-based whereas the latter is normally by rail or road.

What are the economic benefits to Singapore for being a transshipment hub? The benefits are terms of services rendered to ocean carriers for docking, fuel, supplies and repairs.

Mongolia can consider these alternate economic benefits from being a transit country to replace the conventional economic benefits through collection of taxes and duties by Mongolia customs. Such considerations may then justify the investments need to enhance trade facilitation measures for transit.

One article worthwhile reading would be “Assessing the economic benefits of transit trade: The case of Tanzania”⁸ published by the International Growth Center, an organization majority funded by the UK Foreign, Commonwealth and Development Office.

Another article of possible high interest would be the ASEAN Customs Transit System (ACTS).⁹

⁸ <https://www.theigc.org/project/assessing-economic-benefits-transit-trade-case-tanzania/>

⁹ <https://acts.asean.org/acts>

The functionality - ASEAN Customs Transit System (ACTS) is a computerised Customs transit management system available to operators who move goods across borders without paying the required duties and taxes otherwise due when the goods enter (or leave) the country thus requiring only one (final) Customs formality. It offers an administratively simple and cost advantageous procedure to carry goods across Customs territories outside the normal import and export Customs regimes.

The ACTS facilitates trade by allowing traders to transport their goods freely between the participating countries. This means that a truck can travel from its point of loading (Departure) to its destination in a different country with fewer obstacles and delays. There is no need for a different Customs declaration at each border, and no need to transfer the goods to a different truck in each country. The duties and taxes at risk are covered by a single guarantee for all the countries involved in the transit operation. All the related information is transmitted through the network from the office of departure to the transit offices and the office of destination. To facilitate the movement of goods the Transport Authorities of AMS have agreed to license 500 qualifying vehicles to operate across borders. However, for the implementation of the pilot stage, participating AMS have agreed to issue up to 100 licences for the live run phase. The implementation of the ACTS will be coordinated by the Customs Authorities and the Land Transport authorities of participating AMS.

2 A review of the gaps and challenges as outlined in the UNESCAP's Readiness Assessment for Mongolia's Paperless and Cross Border Paperless Trade

2.1 Overview of the Assessment Report

This report provides an assessment of Mongolia's readiness for cross-border paperless trade conducted in 2018/2019, i.e., the conduct of international trade on the basis of electronic data and documents. Recommendations on both technical and legal aspects of cross-border paperless trade are then provided, followed by an initial action plan for Mongolia to move forward.

The assessment looks into readiness from two aspects – paperless trade (i.e. the electronic trade procedures conducted within Mongolia for the purpose of importation and exportation) and cross-border paperless trade (i.e. the electronic information exchanged with trading partners).

Only Mongolian Customs, with the most advance paperless trade system, is currently capable of paperless trade through its implementation of Customs Automated Information System (CAIS) and Customs External Portal System (CEPS) and has initiated some cross-border data exchanges with Russian Federation and PRC. None of the other primary stakeholders involved in the issuance of a permit, permission or certificate are ready for the paperless environment, let alone cross-border paperless trade.

GASI, which accounts for almost 80% of import and export documentary compliance, currently has not automated their business processes at all. It was reported that there are future plans to move forward towards paperless trade systems. GASI intends to implement their Inspection Management System (IMS), with e-applications, e-scheduling, e-approvals and risk management system, with a targeted deadline of 2021. It was already identified that the current manual system is impeding government's efforts to upgrade its border inspections. Thirteen Other Government Agencies (OGAs) are still entirely paper-based. During discussions, it was reported that Mongolia customs will work closely with GASI to "share" the risk management systems which has already been implemented for Mongolia customs.

To date, Mongolia does not have a single window system. It was reported that the next version of CAIS and CEPS, which is supported by the ADB-funded project called Regional Improvement of Border

Services (RIBS), is expected to introduce the preliminary single window component, estimated to be ready by 2020, and further to be expanded among several agencies by 2022. This will enable OGAs to provide approval information to CAIS electronically. However, there was no indication whether will these OGAs be modernized and automated as well or merely typing the approval information into a OGA module and submitting to CAIS via the preliminary single window.

2.2 Gap Analysis and Recommendations (Technical)

Institutional and Governance

Mongolia should put in place a political commitment for paperless trade and cross-border paperless trade facilitation by joining the UNESCAP Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific as soon as possible. Among different ways to secure a political commitment, becoming a party to an intergovernmental agreement can establish political commitment at the highest level and help a country to take necessary actions for creating paperless trade environment - as exemplified in the case of the Association of Southeast Asian Nations (ASEAN) Single Window Agreement. It may be worthwhile to know that PRC has already obtain domestic legislative approval and will be acceding to the agreement soon. Mongolia may wish to expedite its own process to accede as this will then be another platform for discussions and initiatives with a neighbouring trading partner.

The Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific ("Framework Agreement") was adopted as a UN treaty, deposited with the Secretary General of the United Nations in New York in 2016. A large number of countries, including Mongolia, participated in the development and negotiation of the Agreement. It is designed as an inclusive and enabling platform that will benefit all participating economies regardless of where they stand in terms of trade facilitation or Single Window/paperless trade implementation

Mongolia should create a mechanism for coordinating stakeholders involved in paperless trade and cross-border paperless trade, including by designating a lead agency. To avoid duplication of efforts and ensure sustainability, it is recommended to take advantage of existing institutional mechanisms as much as possible, rather than creating a new body. Preference may therefore be given to using the National Trade and Transport Facilitation Committee (NTTFC) - which is tasked to support WTO TFA implementation, or a relevant working group under it.

Level of automation

Mongolia should make relevant regulatory agencies ICT-enabled as soon as possible to empower them to participate in paperless trade. This should include a budgetary allocation as it was reported by several OGAs that there is no indication of a budget for ICT enablement and related processes. While the Mongolian customs is fully ICT-enabled, other government agencies involved in trade are still paper-based in processing their regulatory procedures. Though automation of Customs procedures greatly facilitate trade, businesses cannot optimize their operations, if they have to go through manual processes in completing other trade-related regulatory requirements.

Mongolia should expedite the creation of a Single Window environment by implementing a Single Window system. While it is valuable to have all trade-related regulatory procedures automated, it would still be burdensome for businesses if they have to go through different channels in order to meet different regulatory requirements. Creating a single channel for businesses to meet all the regulatory requirements can greatly enhance their efficiency.

Information and communication technology (ICT) infrastructure

Mongolia should establish a strategic plan and guidelines on business continuity of ICT systems (including for paperless trade systems), such as disaster recovery plan, to ensure service continuity and sustainability of such systems. This is essential to ensure that paperless systems can safely substitute, rather than duplicate, paper-based systems. Mongolian customs had reported that there are standard operating procedures (SOPS) in place for CAIS and CEPS. Though it may be deemed premature since all other major stakeholders are still not ICT-enabled, current global events has taught us that disaster recovery plans are not limited to service continuity and sustainability of system due to natural disasters e.g. earthquakes, floods etc but also disasters like COVID-19 epidemic. Even the established SOPS of Mongolian customs needs to be revisited as these microscopic threats, not to the systems itself but to the personnel operating such systems.

Business process re-engineering

Mongolia should carry out business process re-engineering (BPR) in implementing or upgrading ICT systems of trade-related regulatory agencies. This way, business and operational procedures can be optimized, rather than just focusing on the simple automation of existing processes. BPR should best be conducted in conjunction with the development of the Single Window system and by all agencies expected to connect to it.

Data harmonization and standardization

Mongolia should carry out data harmonization in implementing or upgrading ICT systems of trade-related regulatory agencies, creating a national data model based on available international standards – such as the WCO Data Model. This would greatly facilitate interoperability between Mongolia's paperless trade systems as well the exchange of electronic data more easily with systems of other countries. The WCO Data Model is not limited to usage by customs administrations. OGAs is recommended to adopt similar model to that of customs administration to ensure standardization is attained not only for paperless trade (domestic) information exchange but for cross border paperless trade information exchange as well.

Capacity building

Mongolia should build awareness and capacity on paperless trade and cross-border paperless trade of all parties involved in import, export and transit processes, especially so when Mongolia is embarking on a trilateral transit agreement with Russian Federation and PRC. Mongolia may seek support from the United Nations and other international development agencies, in a coordinated manner to avoid duplicated support in planning and delivering capacity building activities.

Paperless Transit

Mongolia should introduce paperless transit, including declaration and guarantee, in cooperation with neighbouring countries and by joining international transit regimes as relevant and needed. Current transit cargo is subjected to physical document checks and cash guarantees at border control points. This can be time consuming and may increase risk when handling cash.

Cross Border Mutual Recognition

Mongolia should proactively participate in joint inspection and sharing of results electronically among its relevant regulatory agencies, as well as with trading partner countries. For sharing and mutual recognition of conformance results with trading partner countries, joining the UNESCAP Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (Framework Agreement) of which Article 8 Cross-border mutual recognition of trade-related data and documents in electronic form) would help Mongolia to initiate and operationalize solutions with its trading partners in the region.

Such mutual recognition initiatives are not just related to trade data but also may include recognition of scientific data from laboratories of exporting countries. It was reported that Mongolia had previously initiated mutual recognition activities with the Russian Federation and PRC for selected commodities, inclusive life stock products.

Authorized Economic Operators

Mongolia should introduce Authorized Economic Operator (AEO) programme and conclude mutual recognition agreement of AEOs with its main trading partner countries. AEOs may be subjected to less paper-based requirements. Mutual recognition of AEOs may also provide a useful basis for furthering cross-border paperless trade.

2.3 Gaps and Recommendations (Legal)

Legal frameworks are crucial components for trade procedures. It acts to legitimize any trade activities and action in the court of law. The legal framework becomes more complicated and extensive when trade facilitation is modernized with usage of latest technologies. Traditional or conventional legal frameworks centres around physical documents or manual actions e.g. company stamp and manual signatures. With the advent of paperless documents, which are electronic by nature, and electronic authentication like digital signatures and public keys, the authenticity of such actions need not rely on traditional or conventional methods of which is dependent on physically based actions.

That is why countries embarking into the paperless world need to revamp its legal frameworks or introduce new laws e.g. electronic transactions act, e-commerce act. This serves to legitimise such actions to be legal in the court of law.

Trade facilitation measures normally require simplification and harmonization procedures and possible removal of certain documents. The need for such documents may be indicated in the respective stakeholders' statute, act or decree. As such, this needs to be revamped when certain trade facilitation measures are to be implemented. Even the introduction of electronic single window needs to be cover by a legislative framework.

Such frameworks within Mongolia will become more complicated when going to international trade or cross-border paperless trade where the action or activities could be outside of Mongolia's legal boundaries,

and hence, will have to depend on international legal conventions of which Mongolia needs to be a signatory to enjoy such legal protection. In return, such international legal conventions could be adopted for Mongolia's own domestic use.

In the assessment report for legal readiness, several observations were noted and recommendations made to ensure Mongolia complies with international standards. One such recommendation was that Mongolia should accede to the UNCITRAL Convention on the Use of Electronic Communications in International Contracts. UNCITRAL (United Nations Commission on International Trade Law) is a subsidiary body of the UN General Assembly responsible for helping to facilitate international trade and investment. On 15 May 2020, the Parliament of Mongolia has passed legislation to accede to the UN Convention on the Use of Electronic Communications in International Contracts (ECC).

However, there still several areas observed in Mongolia's legal frameworks that need to be addressed.

Electronics transactions and signatures law

Mongolia should modernize and simplify its statutes governing electronic documents and signatures. Specifically, Mongolia should:

- Consider revising the E-Signature Law to increase its technological neutrality, since more flexibility is needed for signatures especially in non-official contexts and more clarity is needed on the implications of secure signatures.
- Consider enacting an e-commerce law to address how identification, authorization and authentication are carried out in an electronic environment.
- Consider explicitly establishing requirements for functional equivalence between paper-based documents and electronic communications; or, in the alternative.
- Consider making laws fully recognize electronic communications as directly meeting requirements for documents, writing, signature, etc.¹⁰

Paperless trade and single window laws

Mongolia should provide a legal basis for establishing and operating a Single Window for cross-

¹⁰ The Parliament of Mongolia has passed legislation to accede to the UN Convention on the Use of Electronic Communications in International Contracts (ECC).

border trade and for creating a paperless trade environment. Such a legal basis can be provided by revision of existing laws or by enacting new laws. The essence of this set of laws is to authorize and frame the electronic exchange of information among all public-sector and private-sector participants in trade.

Mongolia should expedite the adoption of laws on information security, cybercrime and privacy, as well as laws and regulations establishing requirements of accuracy and integrity of data submitted and processed for paperless trade. It may be that existing laws of general application will serve these purposes, but that examination needs to be undertaken and any gaps filled. These areas are deemed important as in paperless trade situation, information enters the “internet” world and unless properly protected by law, it can be expose to criminal intent by others.

Cross-border aspects

As mentioned earlier, Mongolia should accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific as soon as possible. The Framework Agreement will help Mongolia in arranging mutual recognition of electronic messages and information transmitted across borders, as the parties settles on the appropriate rules and standards for this purpose.

Mongolia’s acceding to the UNCITRAL Convention on the Use of Electronic Communications in International Contracts is a welcome development. By acceding to the Convention, Mongolia gets a shortcut to internationally recognized and sound electronic transaction laws applicable to domestic and international transactions. Being a party to this Convention will help Mongolia make the deals that paperless trade facilitation will then help execute. (The Russian Federation, one of Mongolia’s principal trading partners, is already a party). The Convention also helps interpret other international conventions to which Mongolia is a party consistently with its principles. What is to be done now is to utilize the benefits of acceding to this convention and strengthen Mongolia’s legal framework in cross border aspects.

Mongolia should study the many conventions to which it is a party and that allow paperless documentation, to ensure that its agencies and traders are aware of the opportunities they are given by these instruments. These other conventions include:

- Convention on the International Sale of Goods: An Advisory Council on this convention published the opinion as early as 2003 that it allowed electronic contracts including signatures. The Convention may prevail over domestic law for international sales, in or out of Mongolia, involving

other contracting states.

- Convention on the Harmonization on the Frontier Controls of Goods (along with the United Nations Layout Key): this convention has great potential to support mutual recognition of cross-border documents because of the standardization of formats.
- Ground transportation conventions that provide for harmonized documentation, now often expressly with electronic alternatives: CMR Convention on road transport, TIR Convention on road transport, Istanbul Convention on transit carnets, Asian Rail Transport convention.

Mongolia should proactively consider how to incorporate relevant international legal standards, regulations and guidelines into its legal frameworks. In doing so, it should take the opportunity to share the knowledge on the benefits of such standards throughout the public sector, so agencies across government recognize opportunities to go electronic (a special co-ordination effort may be useful for internal legal advisors so they give consistent informed advice on such questions). Some international legal standards/regulations/guidelines that Mongolia has not yet expressly incorporated, but could be beneficial include:

- UN/CEFACT Recommendation 33 on the establishment of a Single Window.¹¹
- UN/CEFACT Recommendation 35 on the legal status of a Single Window.¹²
- UN/CEFACT Recommendation 36 on interoperability of cross-border systems.¹³
- UNNEt Legal Guide for Single Windows and Paperless Trade¹⁴

All legal reference materials mentioned are international recommendations and global standards.

2.4 Mongolia action plan for cross-border paperless trade

This section features an initial national action plan, based on the “Individual action plan” template developed by the Working Groups of the Interim Intergovernmental Steering Group on Cross-border Paperless Trade Facilitation. The plan features indicative actions that could be undertaken by Mongolia to implement the technical and legal recommendations presented. The action plan includes priority level, timeline, capacity building needs and potential key agencies related to each indicative action, based on

¹¹ https://www.unece.org/fileadmin/DAM/cefact/recommendations/rec33/rec33_trd352e.pdf

¹² https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E_Rec35.pdf

¹³ http://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-431E_Rec36.pdf

¹⁴ <http://tfig.unece.org/contents/unnext-legal-guide-paperless-trade.htm>

discussions held during the national consultation workshop on facilitating cross-border paperless trade held on 2 May 2019 in Ulaanbaatar, Mongolia, as well as the knowledge acquired and the experience of the expert team. Indicative actions as well as other information included in this initial action plan may be further elaborated upon – e.g., activities may be further broken down into sub-activities and tasks; and type of capacity building needs may be specified – and incorporated into other relevant national development plans (e.g. national trade facilitation action plan, e-commerce development strategy, or e-government plan).

Since the development of this action plan, it is crucial to keep this plan updated and adjusted where necessary. This provides stakeholders an overall picture of the status of implementation based on the recommendations provided.

Part 1: Technical Aspect

Priority level: High, Medium, Low

Institutional and governance bodies				
Indicative action	Priority level	Timeline	Capacity building needs	Potential key agencies
1. Accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific	High	Fall 2019	Yes	MFA, Customs, and NTFC
2. Create a mechanism for coordinating stakeholders involved in (cross-border) paperless trade	High	2019	Yes	NTFC (one of 3 WGs -SW WG or another WG)
2.1. Designating a lead agency	High	2019	-	MFA and Customs
Automation				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
3. Identify the ICT infrastructure that will be suitable to the implementation of electronic data exchange in paperless environment and enable the relevant government agencies				
3.1. GASI	High	2020 - 2021	Yes	GASI
3.2. MASM	High	2020	Yes	MASM and all the key agencies mentioned
3.3. CITA	High	By End of 2019	Yes	CITA, Customs, GASI, MASM
3.4. MNCCI (eC/O)	High	2020	Yes	MNCCI and Customs
3.5 Border Control Agency	High	2020	Yes	

3.6. Railway authority of Mongolia	High	2021	Yes	Ministry of Road and Transport Development
4. Expedite the creation of a Single Window environment	High	2022	Yes	CITA, Customs, GASI and other relevant ministries and agencies
4.1. Identify all relevant ICT infrastructure that should be connected to create interoperability and make the Single Window easier to use	High	2021	Yes	CITA, Customs, GASI and other relevant ministries and agencies
ICT Infrastructure				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
5. Establish a sustainability plan and guidelines on business continuity of ICT systems	High	2021	Yes	CITA
Business process re-engineering				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
6. Carry out business process re-engineering (BPR) in implementing or upgrading ICT systems of trade-related regulatory agencies	Med.	Continuous	Yes	NTTFC
Data harmonization				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
7. Carry out data harmonization in implementing or upgrading ICT systems of trade-related regulatory agencies	Med.	Continuous	Yes	NTTFC
Awareness and capacity building				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
8. Build awareness and capacity on (cross-border) paperless trade of all parties involved in import, export and transit processes.	High	ASAP	Yes	NTTFC
8.1. Awareness raising				
8.2. Capacity building				
Other matters				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
9. Develop a strategic plan to secure budget for implementing ICT systems of trade-related regulatory agencies	High	2021	-	MOF and NTTFC
National status towards cross-border data exchange				

Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
10. Make automation systems of relevant regulatory agencies enabled for both domestic and cross-border paperless trade at the same time	High	Continuous	Yes	NTTFC and relevant agencies
11. Participate in regional, sub-regional and bi-lateral initiatives on cross-border paperless trade	High	Continuous	Yes	Same as above
12. Introduce a paperless transit, including for declaration and guarantee, in cooperation with neighbouring countries and by joining international transit regimes	High	2021	Yes (need to specify needs)	NTTFC, MRTD and Customs, MFA
13. Participate in joint inspection and sharing (recognition) of results electronically among its relevant regulatory agencies	High	2022	Yes	All relevant agencies
13.1. Participate in joint inspection and sharing (recognition) of results electronically with trading partner countries	High	2023	Yes	All relevant agencies and partner country agencies
14. Introduce Authorized Economic Operator (AEO) programme and conclude mutual recognition agreement with main trading partner countries	High	2022	Yes	MCGA and all the law enforcement agencies

Part 2: Legal Aspect

Priority level: High, Medium, Low

Electronic transactions				
Indicative action	Priority level	Timeline	Capacity building needs	Potential key agencies
1. Modernize and simplify its statutes governing electronic documents and signatures				
1.1. Review the Law on Electronic Signature for technology neutrality	Med.	2021	Yes	CITA and Ministry of Justice
1.2 Consider enacting an e-commerce law to incorporate provisions addressing how identification, verification, authorization, and authentication be carried out in an electronic environment	Med.	2023	Yes	CITA and Ministry of Justice
1.3. Explicitly establish requirements for functional equivalence of the paper-based documents and electronic documents	High	2021	Yes	CITA and Ministry of Justice
1.4. Make laws fully recognize electronic communications as directly meeting requirements for documents, writing, signature, etc.	Low			

2. Establish a legal basis for the preservation of stored information in electronic form, and guidelines for ensuring the integrity and security of this stored information in electronic form	High	2022	Yes	General authority for archive and Ministry of Justice
3. Explicitly make electronic evidence appropriately admissible in judicial and administrative/regulatory proceedings, and also consider making the same rules apply to electronic evidence generated, stored or collected abroad.	High	2024	Yes	CITA and Ministry of Justice and General authority for archive
Paperless trade and Single Window laws				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
4. Provide a legal basis (revision of existing laws or by enacting new laws) for establishing and operating a Single Window for cross-border trade and for creating a paperless trade environment	High	2021	Yes	MFA, Customs and other related authority
5. Expedite the adoption of laws on information security, cybercrime and privacy, as well as laws/regulations establishing requirements of accuracy and integrity of data submitted and processed for paperless trade	High	2022	No	CITA and National Intelligence Agency
Cross-border aspects				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
6. Accede to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific as soon as possible	High	Fall of 2019	Yes	MFA, Customs, and NTFC
7. Accede to the UNCITRAL Convention on the Use of Electronic Communications in International Contracts	High	2021	Yes	CITA, Ministry of Justice and MFA
8. Study the many conventions to which it is a party and that allow paperless documentation, to ensure that its agencies and traders are aware of the opportunities they are given by these instruments				
8.1. Convention on the International Sale of Goods	High	2019	No	Customs and MFA
8.2. Convention on the Harmonization on the Frontier Controls of Goods (along with the United Nations Layout Key)	Med.	2019	No	Customs and MFA
8.3. Ground transportation conventions	Med.	2019	No	MRTD
8.3.1. CMR Convention on road transport	Med.	2019	No	MRTD

8.3.2. TIR Convention on road transport	Med.	2019	No	MRTD
8.3.3. Istanbul Convention on transit carnets	Med.	2019	No	MRTD
8.3.4. Asian Rail Transport convention	Med.	2019	No	MRTD
8.4. Others				
9. Continue to be willing to make bilateral or regional agreements as well as join those promoted by global bodies, as required	Med.	Continuous	Yes	related line ministries and agencies and MFA
10. Proactively consider how to incorporate relevant international legal standards/regulations/guidelines into its legal frameworks	High	Continuous	Yes	related line ministries and agencies
Other considerations				
Indicative action	Priority level	Timeline	Capacity building needs	Potential Key agencies
11. Clearly establish the criteria for liability of parties involved in cross-border paperless trade and for the liability of intermediaries in relation to the information and data passing through their systems	Med.	2024	Yes	Ministry of Justice
12. Clearly set out how choice of forum and choice of law issues relevant for paperless trade facilitation are determined in its laws	Med.	2024	No	Ministry of Justice and MFA
13. Establish laws defining who owns the data in a cross-border paperless trade system and how the data can be used	Med.	2024	Yes	Agencies involved
14. Ensure that its laws allow electronic payments for all purposes and among all participants in international trade transactions	Med.	2024	No	Agencies involved and Central bank
15. Build awareness and capacity on legal issues of (cross-border) paperless trade of its stakeholders, especially those who are involved in handling legal aspects	High	Continuous	Yes	Agencies involved
16. Build a national policy framework for the implementation of the Framework Agreement that will address the legal issues/barriers and is aligned to the relevant international instruments and standards	High		Yes	Agencies involved, to be spearheaded by NTTFC

3 Trade Facilitation in times of crisis and epidemic

Trade facilitation is critical in the current crisis to ensure the swift movement of essential medical, food and IT supplies. Implementing reforms in the WTO Trade Facilitation Agreement can help. In particular, governments can do three things:

- First, they can ensure that all formalities are transparent and accessible to all traders, especially Micro, Small and Medium-sized Enterprises (MSME/SME).
- Second, they can expedite standard formalities to leave room for necessary additional COVID-19 related controls.
- Third, they can digitise all possible processes as much as their infrastructure allows to speed up processing and reduce the need for physical contact between border agencies and traders.

Trade facilitation is particularly important for the MSMEs hit hardest by the crisis. Reforms to automate and streamline border procedures, simplify fees and foster inclusion of MSMEs in consultation processes matter most.

In the midst of this global crisis, international co-operation in trade facilitation will remain important to keep trade flowing. Continued aid for trade will be particularly important to assist developing countries to implement trade facilitation measures needed in the crisis.

Countries around the world are implementing measures to address this crisis and epidemic. In a recent event conducted virtually by UNESCAP in July 2020 reports on the measures taken by member countries (including Russia and China). It also outlines some good practises undertaken by member countries.

3.1 Trade facilitation in times of pandemic: East and North-East Asia

In this section, we will explore and understand measures taken by some countries in East and North-East Asia in response to the challenges caused by the pandemic.¹⁵

¹⁵ Based on the working paper: <https://artnet.unescap.org/publications/working-papers/trade-facilitation-times-pandemic-practices-east-and-north-east-asia>

3.1.1 Institutional arrangements and inter-agency cooperation

Trade facilitation measures comprises of several stakeholders. In time of pandemic, additional stakeholders are included, especially in the areas of health and safety. For example, in Japan, trade facilitation measures in time of pandemic are part of the national cooperation framework, and in this case, for Covid-19. Globally, most countries emphasize numerous trade facilitation measures on the actual trade procedures and attempt to minimize human intervention (e.g. scanning of containers instead of physically inspected by inspectors) but may neglect the human aspects (e.g. the drivers of container trucks). Cooperation with the respective health agencies for swabbing and testing are necessary.

An illustration of Japan's institutional arrangement is as follows:



3.1.2 Simplification of Customs Procedures and Expedited Clearance

Among the measures taken by PRC, Korea and Japan are:

- 24/7 emergency clearance to provide speedy clearance for essential products.
- Relief supplies can be released upon registration and before full completion to minimize clearance time.
- Reduce and combine physical inspections based on risk management.
- Expeditious clearance through special green lanes and exclusive services through designated offices.

-
- Expanding mutual recognition of Authorized Economic Operators (AEO) for priority at Customs clearance and simplified procedures.

3.1.3 Case studies on trade facilitation measures in time of pandemic: Selected countries in focus

PRC

- A comprehensive network linking multiple agencies, led by the Ministry of Transport, was put in place to address barriers along the logistics chain and help businesses resume operations.
- Regarding cross-border transport, green lanes are provided 24/7 to ensure that essential supplies are delivered without delay. At the domestic level, a toll-free policy was applied to all toll roads, including bridges and tunnels. This was implemented across the country to facilitate smooth transportation and the resumption of work. For vehicles transporting emergency relief supplies and essential personnel including health professionals, a “no-stop and no-check” policy was put in place.
- The Ministry of Transport has developed guidelines on the prevention and control of COVID-19 for passenger stations and vehicles in areas at various risk levels and has also put forward an implementation plan to further lower the cost of logistics.
- Conducted trans-shipment at the borders to guarantee cross-border transport during special periods
- Coordination with “Belt and Road” countries to facilitate multi-modal transport operations and customs transit to ensure that both domestic and cross-border trade from different places can be consolidated.
- Cross-border passengers are required to declare their state of health and travel history upon arrival; this includes drivers of transportation vehicles.
- Has since relied extensively on its e-platforms for international trade, namely the Single Window. Previous, paper document had been required for verification. During the pandemic, its electronic copy (photo, scanned copy, etc.) can be accepted by customs provided the paper documents are re-submitted latter upon approval. For instance, exporters applying for a tax rebate can submit their applications with digital documents via the single window; this reduces the need to face-to-face intervention.
- The fast-growing e-commerce sector has become the new highlight of PRC’s cross-border trade in recent years. With strict virus-containing measures being implemented, cross-border trade and

investment has fallen significantly and trade in traditional sectors has been hit particularly hard by the pandemic.

- To boost trade and investment after COVID-19, PRC is planning to build 46 new integrated pilot zones for cross-border e-commerce to help revive the pandemic-hit cross-border trade. Customs has also introduced a special digital surveillance code scheme for business-to-business (B2B) cross-border e-commerce with simplified declaration and expedited clearance.
- Various policies to facilitate businesses have been rolled out including administrative and fiscal support for the resumption of business, tax deductions, the relaxation of social insurance obligations and subsidies.
- The State Taxation Administration (STA) extended the period for declaring tax in February and the Customs General Administration has temporarily extended the deadline for tax payments. A wide range of services including medical services, catering, accommodation, public transport, delivery services have received VAT exemptions. Enterprises producing key supplies and materials can receive a one-time full deduction on their corporate income tax on payments for facilities. Public transport, accommodation and courier delivery services are also eligible for value-added tax exemptions for income generated in transporting emergency supplies.
- The China State Council published Proposals on Implementation of Supporting sale of Export Oriented Products on Domestic Market. The goal was to leverage the huge potential in domestic markets to cushion the impact of COVID-related trade restrictions on firms exposed to international markets.
- Customs and other authorities have set up a series of online services, including meetings and workshops, to guide traders on the relevant customs express clearance procedures, minimize declaration errors and avoid procedural noncompliance.
- The Government has also provided online legal assistance to traders involved in regulatory compliance and commercial disputes caused by a cancellation of orders, delays in delivery and refunds requested.
- The Government also provides legal consulting services to companies involved in COVID-related trade disputes. The China Council for the Promotion of International Trade (CCPIT) has issued force majeure certificates to local companies impacted by COVID-19, which serve as useful documents for companies seeking to rely on force majeure
- In the context of the COVID-19 pandemic, SMEs are exceptionally exposed to the economic consequences of containment measures. The Chinese Government has made SME support one of

its priorities in the battle against the ongoing economic damage caused by COVID-19.

- In accelerating the transformation of digital trade finance during the COVID19 crisis, banks and other financial institutions increasingly provide digital solutions for trade finance which help increase the availability of financing to small businesses.

Korea

- Korean Government assembled a Central Disaster and Safety Countermeasures Headquarters (CDSCH), headed by the Prime Minister, to bolster the multi-level and multi-agency Government-wide response to COVID-19.
- In line with the coordinated Government actions and in conjunction with public health authorities, the Korea Customs Service (KCS) is making an all-out effort to stop the spread of COVID-19 while minimizing the damage to customs operations and administration.
- Tariff concessions and tax relief measures have been created, including:
 - » The tariff on imported protective face masks and surgical masks has been reduced from 10% (MFN rate) down to 0
 - » Tariffs on melt blown fabric, the core materials for masks have been reduced from 8% to zero
 - » Tax relief measures such as extending the date for payment of duties, allowing the payment of duties in instalments, and duty drawback on the same day of application have also been adopted.
 - » Special tax benefits have also been provided to companies facing difficulties and
 - » disruption with their supply chain as well as businesses located in Special Disaster Zones (SDZs) in Daegu and Gyeongbuk. Measures include extending the tax payment deadline by up to a year, permitting payment in instalments and expedited refunds on the day of application.
 - » The KCS has also postponed customs duty investigations, payment reminders and forced collections for major industries affected by the pandemic. In particular, the KCS has applies customs duty concessions to core 25 automobile parts to compensate for shortages of Chinese parts for SMEs caused by the COVID-19 crisis.
 - » The authority has also allowed the deferred payment of customs duties; importers are allowed to make payments within one year of their declaration date, which is a significant extension from the 15-day limit prior to the pandemic
 - » In order to ensure a fast supply of essential products like masks, medical devices and sanitary products for both inbound and outbound cargo, the KCS has operated a 24/7 clearance system

and extended tax filing deadlines for these goods and their associated raw materials at several customs offices.

- » The KCS and the Ministry of Food and Drug Safety (MFDS) also work together to provide full support for trading companies on relevant clearance procedures. With the importing of protective face masks for commercial purposes, the KCS has advised the MFDS to grant the import permit as quickly as possible.
- » The KCS also works closely with the Ministry of the Environment to strengthen customs controls on wildlife trade (species suspected of carrying COVID-19)
- » KCS also collaborates with quarantine authorities to protect employees at duty-free shops, import/export warehouses, and airports/seaports in order to prevent secondary infections.
- » KCS has reduced the number of customs investigations, foreign exchange inspections and origin verifications during the pandemic. During this time, it has been difficult for exporting firms to submit the relevant documents when international mailing and delivery services have been suspended due to the cancellation of flights and limited transportation. KCS released the “Emergency Guidelines for Origin Verification in Response to COVID-19” regarding simplified procedures for FTA claims to help companies that face difficulties in obtaining certificates of origin from various countries.
- » KCS is striving to expand mutual recognition of the AEO system, which is designed to simplify customs clearance processes and provide other cost-saving benefits for certified companies in certain countries.
- » The KCS has to address delays at airports and seaports by allowing cargo of essential raw materials to be transported directly to manufacturing plants without having to enter the terminal upon arrival.
- » The Korean Government has also taken measures to support the shipping industry by lowering port fees and increasing the proportion of bonds for shipping companies.
- » The Electronic Customs Clearance System (UNI-PASS, was the world’s first 100% electronic clearance portal system and customs single window for automating export/import customs, tax collections, investigations, audits and any other related administrative processes. During the COVID-19 outbreak, the KCS prepared the “UNI-PASS Emergency Response Manual” to prevent disruption due to the absence of system administrators and the closure of offices.
- » All customs-related documents can be submitted online through the KCS’s UNI-PASS. However, paperless trade is more than the electronic submission of documents, and the Korean

Government is exploring the possibility of expanding paperless trade to other trade-related areas. Free Trade Agreement-origin documents for applying for conventional tariff benefits, that previously had to be submitted in original form, can now be submitted electronically.

- » The COVID-19 crisis has not only hit exports but also markedly weakened domestic demand. Emergency economic council meetings were convened to explore measures to reinvigorate domestic demand. The Government pledged to pay an emergency disaster fund to promote consumption in the private sector. The support measures include fiscal injections, tax cuts and low-interest loans to small businesses.
- » A financial package worth has been prepared to support SMEs and the self-employed who are facing difficulties during the pandemic. The financial support package includes: the deferment of interest repayments and an extension on the maturity of loans to help SMEs with liquidity issues, and ultra-low interest rate loans to ease the financial burden of SMEs.
- » The National Tax Service (NTS) has extended the tax payment deadline for SMEs. The Government is also considering further reducing the tax burden on SMEs affected by the pandemic. For instance, SMEs will receive a deduction or reimbursement if they report financial losses incurred during the first half of the year.
- » Export-related agencies (Korean SMEs and start-ups, the KBIZ Korea Federation of SMEs, and the Korea International Trade Association) in Korea work closely to support SMEs in expanding their sales abroad.
- » The Republic of Korea's export credit agencies are boosting loans and guarantees to exporters and importers in need of capital amid the pandemic-induced economic crisis, notably by accelerating loan programmes for SMEs. Initial operating funds, preferential loans and financial resources have been provided for impacted firms to diversify their import sources
- » The Republic of Korea's trade facilitation practices during the COVID-19 are built upon its transparency in trade regulations and its already successful digitization of customs. The existing full-fledged digitized customs system has created the conditions for the smooth cross-border trade of essential supplies despite strict border restrictions. This also encourages customs in other countries to go down the road of digital modernisation.

Mongolia

- » Following the WHO's announcement of the international public health emergency, Mongolia immediately activated its inter-agency State Emergency Commission in support of the Ministry of Health as a lead agency in the response against the coronavirus outbreak.

- » A comprehensive set of fiscal measure has been proposed by the cabinet to protect vulnerable households and businesses and to support the economy, which include:
 - › tax exemptions on several imported food and medical items.
 - › increasing child allowances and unemployment benefits.
 - › exemptions of tax and social security contributions until the end of September.
 - › an increase in credit guarantees to SMEs and soft loans from the development bank to cashmere producers.
- » Mongolia has successfully prevented the spread of infection within its borders by implementing social distancing and strict restrictions on travel. The most important thing now for Mongolia is to mitigate the economic impact of COVID-19. Mongolia has been working actively with the international society and has obtained loans and funds from regional and international institutions. The focus at this stage should be shifted to promoting trade and sustaining business in the post-pandemic era.

3.2 Best practices in trade facilitation in response to pandemic: North and Central Asia¹⁶

3.2.1 Summary of measures

- The foremost actions taken by the eight states in the region were measures to protect public health.
- All of the countries have restricted mass gatherings, closed cafes and malls. Some states introduced restrictions to the operation of mass transit systems and free movement, especially that of the elderly. Majority of businesses had to switch to working remotely and large scale anti epidemic measures were carried out.
- Many states in the region have introduced a state of emergency or quarantine regime.
- All countries have introduced restrictions on crossing their state borders while at the same time maintaining freight traffic subject to special regulations.
- Every state in the region has created an outreach portal to inform the public of the rules and recommended conduct during the pandemic, (e.g. Russia's "Single window COVID 19" portal).

3.2.2 Institutional arrangements and inter-agency cooperation

- All eight countries have established governing bodies to coordinate, develop and exercise pandemic response measure, which comprised the heads of ministries and government agencies, included customs authorities, ministries (committees) of transport, ministries of trade.
- However, not all countries have managed to deploy user-friendly information portals where the public could be easily informed of measures taken by coordination bodies, which is a significant restriction for business and population

3.2.3 Simplification of customs procedures and expedited clearance

- Removing customs duties for medical supplies, foodstuff and other essential products.
- Reducing the VAT rate or removing VAT for import of certain goods, mostly medical supplies.
- Introducing regulations to facilitate the import of goods necessary to prevent and mitigate the impact of the COVID-19, mainly this would include the facilitation of customs procedures and expedited clearance for certain goods.
- Some countries temporarily restricted or banned the export of some products and commodities for periods of one to two months. This mostly related to foodstuffs.
- Most states notified the WTO Secretariat of introduced regulations and measures.
- EAEU member states have simplified the issuance procedure for “type A” certificates of origin. An electronic version of this certificate may be used for customs declaration purposes for a period of six months.

3.2.4 Transport, logistics and transit facilitation

- To avoid introducing the virus from other countries, all states have put in place special regulations at road checkpoints which generally involve the following:
 - » A limited number of checkpoints are used for cargo transportation (each country compiled a list of checkpoints and coordinated it with neighbouring states).
 - » At the first stage, foreign drivers were replaced with local ones or a tractor was replaced (in special zones), and then only a foreign trailer or semi-trailer followed the territory of the country. Later, if the driver has a negative test for coronavirus, the driver is allowed to continue transportation, while stops along the way (refuelling, rest, etc.) are allowed only in designated areas. Drivers generally wait up to two days for test results. Only in Azerbaijan there are free rest and food zones for drivers.

- EAEU countries established “green corridors” (introducing uniform sanitary requirements, routes, stop and rest area locations, etc.) for the import of vitally important goods. Perhaps, this experience may somehow be adapted to all the countries in the region.
- Procedures at railway checkpoints were not substantially amended, for reason of which, countries with a developed railway network to switched cargo transportation from road to rail. Countries with less developed railroad systems were faced with extremely intricate situations including for their supplies of vitally important goods.
- Kazakhstan, Kyrgyzstan and Russia have temporarily lifted certain fees and fines arising during rail transport of cargo.
- Kazakhstan and Russia have enabled online processing of cargo transported by rail which reduces human contact and saves time.
- Azerbaijan has allowed the use of railway consignment for rail-sea combined transport.
- Uzbekistan Railways has extended its 30% discount on the transportation of all cargo through Uzbekistan to the South of the Kyrgyz Republic and in the opposite direction until the end of the year 2020

3.2.5 Digital trade facilitation measures

- The degree of progress in the implementation of trade facilitation and paperless trade measures in the reviewed countries also varies (refer to UN Global Survey on Digital and Sustainable Trade Facilitation 2019 in Annex I).
- Some countries in the region either have no electronic government service platform (Kyrgyzstan, Tajikistan, Turkmenistan) or e-government website needs improvement (Armenia). Several states have either not yet implemented electronic declaration of goods or an Electronic Single Window System or these systems need significant improvement.
- The countries have been able to promptly automate access to certain government services (mainly applying for social benefits). Various websites have also been used to enable business to apply for economic aid.
- Uzbekistan Railways has developed a software for processing and providing preliminary electronic information to customs authorities for goods transported by rail.
- Kazakhstan has been able to rapidly automate the issuance of permits for Kazakhstani carriers to move across the territory of a foreign state (in accordance with international agreements currently in effect and ratified by Kazakhstan).

-
- Armenia has created a mobile app enabling to submit tax reports and pay taxes online. According to the latest information, a similar mobile app has also been launched in Kazakhstan for some banks.
 - Owing to the launch of a government system for tracking of freight transport using GLONASS based electronic navigation seals, Russia was able to allow the transit of sanctioned goods by road and rail which was not a possibility before. Kazakhstan is also launching such a system.
 - Uzbekistan has taken a number of government decisions aimed at digitizing the field of customs.

3.2.6 Recommendations and Conclusion

- Data on pandemic response measures taken by NCA region countries featured in the study shows all countries (except Turkmenistan which denies any cases of the infection) taking holistic measures which are in line with the five pillars of the UN framework for the immediate socio economic response to COVID 19
- Countries ranked high on the Global Survey on Digital and Sustainable Trade Facilitation managed to swiftly implement new electronic services, which reduces the amount of human contact, making infection less likely while at the same time simplifying the procedure of receiving said services.
- Restrictions that the states were obliged to put in place to counter the introduction and spread of the virus have mostly impacted cargo transportation, especially road. International trade may not be contemplated separately from issues of logistics. For this reason, it appears appropriate to include measures of digitizing international freight, e CMR, e TIR, e SMGS and similar documents into the Global Survey on Digital and Sustainable Trade Facilitation.
- According to business, up to date relevant information on the new regulations and requirements put in place by a given country are often extremely difficult to find. This substantially constrains international trade and logistics. For this reason, countries which have not yet established a National Trade Facilitation Committee need to hasten this process as well as elaborate how these bodies may be leveraged to streamline intercountry exchange of data on recent changes to the fields of trade and logistics.

4 New trade facilitation measures to strengthen economic pillars affected by the epidemic

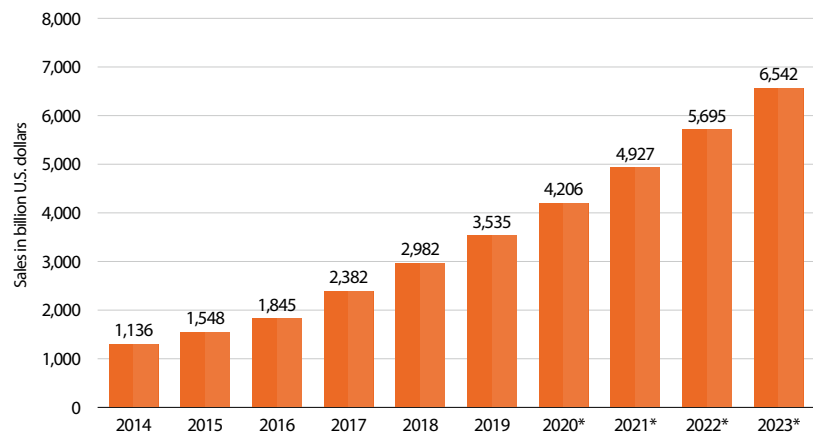
4.1 e-Commerce – The alternative to “Brick and Mortar Retail Business”

Consideration of this initiative should have been conducted at an earlier stage. The current epidemic crisis has affected many businesses, especially MSMEs and SMEs (e.g. those involved tourism related businesses).

MSMEs and SMEs would need new outreach avenues to the potential customers. The popular choice would be e-commerce, otherwise also known as business to consumer (B2C) business. Why e-commerce? Statista, a global statistics company, projects e-commerce globally will reach USD6.5 trillion in 2023 whereas current projection is USD4.2 trillion¹⁷. Retail e-commerce has experienced high percentage of sales increase during the epidemic period.

Retail e-commerce sales worldwide from 2014 to 2023

(in billion U.S dollars)



Source: Statista.com

¹⁷ <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/#:~:text=In%202019%2C%20retail%20e%2Dcommerce,most%20popular%20online%20activities%20worldwide.>

For example, in the recent “Singles Day” annual sale, CNN Business reports¹⁸ that Alibaba the annual sales broke records again, raking in 498.2 billion yuan (roughly USD\$75 billion), an increase of 26% from the year before.

Mongolian MSMEs and SMEs will likely look at e-commerce as an alternative to their traditional market outreach, with such growing and lucrative potential.

From the perspective of international trade, such sales volumes require enhanced facilitation. Hence, World Customs Organization (WCO) has introduced several guidelines as trade facilitation measures for cross border e-commerce.¹⁹ In order to avoid confusion, it is deemed cross-border e-commerce to differentiate it from conventional trade. The characteristics of e-commerce goods differs from conventional trade goods or cargo. E-commerce consignments are many in nature, low in value and requires speedy clearance as compared to goods or cargo in conventional trade.

Another challenge to customs administration when following WCO guidelines would be the recommended implementation of “De Minimis Value” which means the price threshold below which fewer or no taxes are charged on cross border inbound e-commerce shipments. Ultimately, customs administrations do not collect much or any taxes for cross-border inbound e-commerce shipments. Conventionally, cross-border outbound e-commerce shipments do not attract any duty.

Hence, the implementation of such guidelines tends to benefit the international sellers and domestic buyers. However, from the perspective of fiscal revenue generation, in order to overcome of the challenge of revenue loss due to “De Minimis Value”, the WCO recommends that there be a holistic approach to identify alternate revenue streams for a country.

4.2 Alternate revenue

The implementation of trade facilitation measures to facilitate the growth of Mongolian e-retailers will greatly benefit the MSMEs and SMEs in terms of higher profits through e-commerce sales. Combined with the assistance from Mongolian MSME or SME agencies (e.g. the Small and Medium Enterprise Development Fund), the e-retail market will flourish and thus strengthening a potential economic growth driver for

¹⁸ <https://edition.cnn.com/2020/11/10/tech/singles-day-2020-alibaba-intl-hnk/index.html>

¹⁹ http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-framework-of-standards-on-crossborder-ecommerce_en.pdf?db=web

Mongolia. Higher profits are envisaged to translate to higher corporate tax collections, acting as alternate fiscal revenue source for Mongolia.

Several challenges need to be resolved i.e. the cost of doing e-commerce, particularly in complying to export procedures, even with simplified trade facilitation measures for cross-border outbound shipment. Conventionally, an exporter will utilize the services of a freight forwarder for export trade procedures. For e-commerce exports being small, many and low in value, the utilization of services of a freight forwarder will not be economically viable. Also, there is a challenge of transportation. E-commerce consignments are normally shipped out by air courier due to the need of delivery speed and will pose also not to be economically viable for a e-retailer.

4.3 e-Marketplace

The common solution practiced by MSMEs and SMEs would be utilizing e-Marketplace. The e-Marketplace promotes the e-retailers' products and once an order has been placed, the e-retailer is responsible for packing the product and sent to the e-Marketplace and the rest of the process is now under the responsibility of the e-Marketplace. Though a small fee may be imposed onto the e-retailer, it would relatively be most cost efficient then handling it by e-retailer on their own.

Global e-marketplaces (e.g. Alibaba and Amazon.com) have their presence but the extent of their services in the local markets are unknown. Local e-marketplaces are also available (e.g. unegui.mn) and similarly, information on the extent of their services offered is limited.

Through the implementation of a favourable trade facilitation environment for e-commerce, global e-marketplaces may be attracted to establish a presence in Mongolia. And for those already having a presence in Mongolia, they may be attracted to expand their operations. Similarly, such favourable environment may also convince local e-marketplaces to expand their business and possibly even attract new local players in this industry.

5 The importance of trade facilitation for women and gender equality

“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.”²⁰

This opening paragraph was extracted from presentation made during International Women’s Day (IWD) 2019. There have been some many reports, articles and studies conducted along the same lines. Many of these talk about similar issues and challenges as well as the importance of trade facilitation for women.

Challenges include discriminatory treatment in trade measures, particularly at border crossing points. The question would then arise, why particularly at border crossing points?

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). 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. This gender composition is also relevant to the opening paragraph.

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

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 would strengthen the SME industry, as a whole.

²⁰ <https://www.tradefacilitation.org/insights/international-womens-day/>

The presenter at the IWD further stressed on the importance of trade facilitation for women.

“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. This is where trade facilitation comes in.

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.”



Learning Materials on Trade Facilitation