

Estimating the Benefits of Cross-Border Paperless Trade

Cross-border paperless trade has the potential to reduce trade costs and boost trade across the Asia-Pacific region. It is defined as “*trade taking place on the basis of electronic communications, including exchange of trade-related data and documents in electronic form between relevant stakeholders across borders*”.¹ The implementation of cross-border paperless trade has emerged as a key regional policy issue in the trade facilitation agenda, as evidenced by ESCAP Resolution 68/3 adopted in 2012². ESCAP therefore set out to estimate the possible economic benefits – export gains and cost savings – of implementing cross-border paperless trade reforms by comparing the impact of possible reform scenarios (i.e. partial or full implementation) to the existing status quo.

The research revealed that partial implementation of cross-border paperless trade measures was associated with an increase in export of \$36bn annually. For full region-wide implementation of cross-border paperless trade, the export gain would be in the order of \$257bn annually. The time required to export would fall by 24% to 44%, and the direct costs would fall by 17% to 31%, depending on the reform scenario considered. Furthermore, the total direct cost savings across all trade in the Asia-Pacific region would be approximately \$1bn annually for partial reform, and \$7bn annually for full implementation.

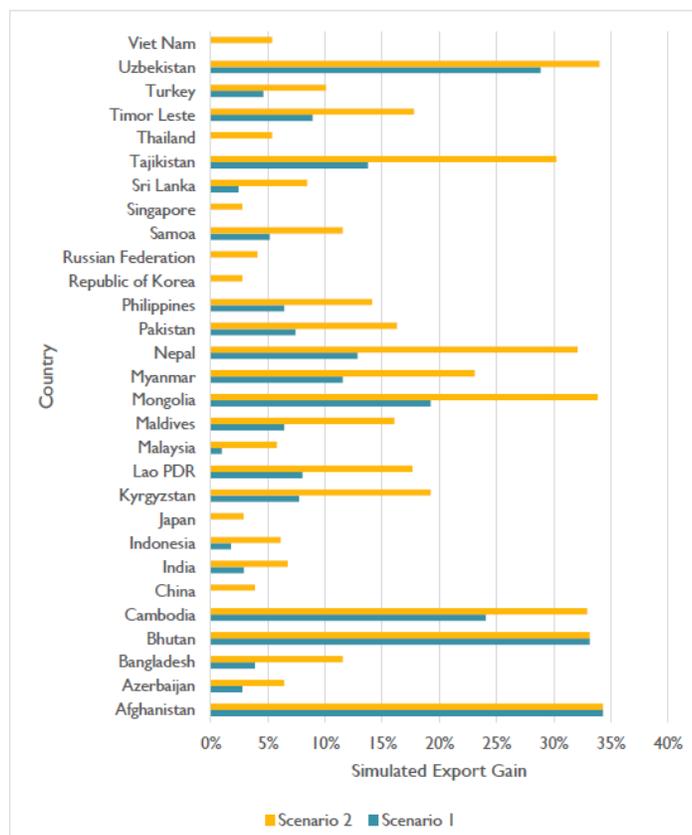
These estimates are likely to be on the lower end of the range of potential economic gains because they are based on implementation of cross-border measures only. The model is also based on unilateral reform by each country and does not take into account the dynamic gains for trading partners when reform is implemented multilaterally. In reality, paperless trade is typically implemented on a broader basis and would likely be associated with an increased level of export gains and cost savings.

A key policy recommendation from this analysis is that cross-border paperless trade reform measures have as much potential to reduce trade costs and increase intra-regional and extra-regional trade as more traditional trade facilitation measures. Furthermore, it is apparent that the benefits from comprehensive trade facilitation reform have not yet been reaped. Even the strong performers in trade facilitation have areas in which improvements can be made. Countries which are weaker performers need to make more fundamental reform and progress in a wide range of areas in order to catch up with the rest of the region, and improve their trade integration. For these countries it is important to first implement general paperless initiatives, such as customs automation, and an electronic Single Window. It is necessary that these systems are fully in place before the cross-border aspect can be effectively dealt with. However, it is possible, and indeed beneficial, for countries to build paperless trading systems with the view of later cross-border expansion. By getting involved in regional cooperation on cross-border paperless trade at an early stage, countries which require more fundamental reform at present can avoid having to re-engineer processes at a later point, and thereby enjoy considerable overall implementation cost savings.

¹ <http://www.unescap.org/resources/estimating-benefits-cross-border-paperless-trade>

² <http://www.unescap.org/sites/default/files/ESCAP-Resolution-68-3.pdf>

Cross-border paperless trade: Export gains from partial (scenario 1) and full (scenario 2) Implementation



Source: ESCAP (2014)

As the recent WTO Trade Facilitation Agreement makes clear, the costs of implementing trade facilitation can sometimes be significant. This is also the case for implementation of cross-border paperless trade. In this regard, Aid for Trade and capacity building to support reform processes have an integral part to play. For policymakers it is important to match the reformist will with adequate human, technical, and financial resources. The intergovernmental agreement on cross-border paperless trade facilitation currently under negotiation at ESCAP would certainly help in this regard.³

Sources:

ESCAP (2014) Estimating the Benefits of Cross-Border Paperless Trade, Bangkok⁴

For other notes on Reducing Trade Costs in Asia and the Pacific see: <http://www.unescap.org/resources/notes-reducing-trade-costs-asia-and-pacific>

This note, based on in-house research and analysis, is a contribution by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to The Fifth Global Review of Aid for Trade (July 2015) organized at the WTO on the theme of "Reducing Trade Costs for Inclusive, Sustainable Growth". For more information on ESCAP's work on reducing trade costs and trade facilitation, please visit: <http://www.unescap.org/our-work/trade-investment/trade-facilitation>

³ <http://communities.unescap.org/cross-border-paperless-trade-facilitation>

⁴ <http://www.unescap.org/resources/estimating-benefits-cross-border-paperless-trade>