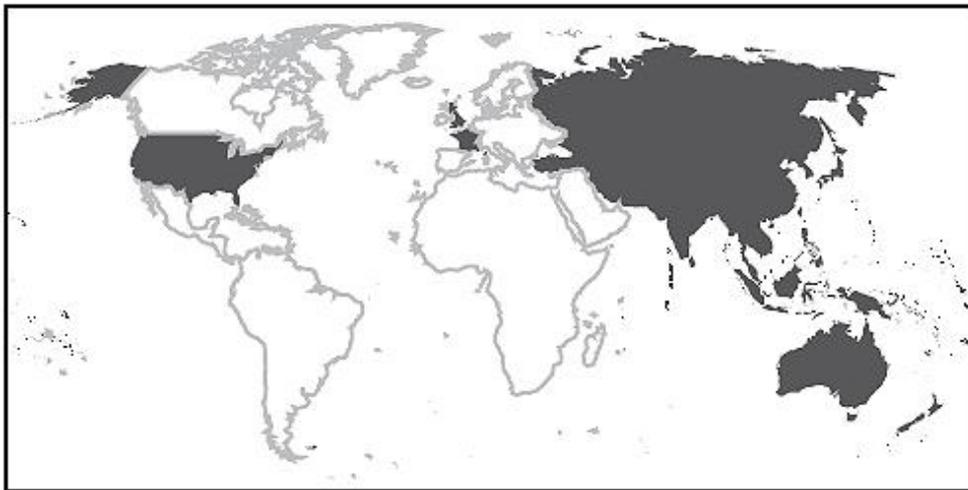


TRADE FACILITATION AND PAPERLESS TRADE IMPLEMENTATION IN APEC ECONOMIES

Results of the UN Global Survey 2017



The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53-member States and 9 associate members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed light on the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which it does by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments aims to support countries' sustainable and inclusive development ambitions.



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The report is available at: <https://unnex.unescap.org/content/global-survey-trade-facilitation-and-paperless-trade-implementation-2017>.

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Executive summary

Reducing trade costs is essential for economies to effectively use trade as an engine of growth and sustainable development. Trade facilitation plays a pivotal role in reducing trade costs, on top of existing efforts to dismantle tariff and non-tariff barriers and enhance physical connectivity. In the Asia-Pacific Trade and Investment Report 2017, the United Nations Economic and Social Commission for Asia and the Pacific found that moderate region-wide improvements in trade facilitation in Asia-Pacific could lift GDP by 0.32 per cent annually between 2015 and 2030, which is equivalent to nearly \$87 billion per year – 14 times more than under the tariff liberalization scenario considered in the same study. In addition, if bigger and more ambitious steps are made by putting all the Asia-Pacific region’s trade-related paperwork online (digital trade facilitation) could slash the time it takes to export goods by up to 44 per cent, cut the cost of doing so by up to 31 per cent, and boost exports by as much as \$257 billion a year.

Therefore, trade facilitation and the digitalization of trade procedures have taken increasing importance as evidenced by the WTO Trade Facilitation Agreement (TFA), as well as the growing number of regional and sub-regional initiatives for facilitating the electronic exchange of information along international supply chains, including more recent Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (FA-CPT).

Trade facilitation has been a longstanding item on the agenda of the Asia-Pacific Economic Cooperation (APEC). APEC defines trade facilitation in terms of reducing trade transaction costs, as stated in the Trade Facilitation Action Plan (TFAP) Initiative. APEC members have also fully supported the implementation of WTO TFA – with an implementation rate of 92.6 per cent based on notifications to the WTO. In addition, as single window is one of the key initiatives under APEC, member economies have started to explore the issue of its International Interoperability.

This report presents an analysis of the results of the United Nations Global Survey on Trade Facilitation and Paperless Trade Implementation for 18 APEC members.¹ The Survey, conducted between January and July 2017, provides information on the implementation of selected measures under the WTO TFA, as well as on the implementation of innovative, technology-driven measures aimed at enabling trade using electronic rather than paper-based data and documentation – otherwise referred to as “paperless trade”. The 2017 Survey also covers specific trade facilitation measures targeted at small and medium enterprises (SMEs), the agricultural sector and women. The report reveals that:

- APEC members’ aggregate implementation rate of the measures stood at 75 per cent, above the global average at 60 per cent. Among APEC members, Australia and Singapore had the highest implementation rate over 90 per cent.

¹ APEC members are Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russian Federation; Singapore; Taiwan Province of China; Thailand; the United States; and Viet Nam. The results of UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017 did not cover Hong Kong, China; Taiwan Province of China; and the United States.

- APEC members have made good progress. Implementation rate of APEC as a group improved from 69 per cent to 75 per cent between the first and second Global Surveys conducted in 2015 and 2017.
- APEC members have well implemented trade facilitation measures related to Transparency and Formalities, and to a less extent on Institutional arrangement and cooperation and Cross-border paperless trade.
- APEC members have already implemented many of the WTO TFA related measures, in particular Transparency measures. However, Cross-border paperless trade implementation remained low and there is still significant room for improvement.
- Implementation of “inclusive” trade facilitation measures to promote SME and women participation in trade remained low and APEC members may further promote such measures in the context of the 2030 Sustainable Development Agenda.
- Full implementation of binding measures by APEC members will result in a decrease of trade cost by about 6 per cent, while full implementation of all measures would result in an over 10 per cent reduction.
- Implementation of TFA measures together with enabling the seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, over 20 per cent for APEC as a whole.

Going forward, the APEC members shall continue efforts on trade facilitation and the digitalization of trade procedures. To do so, APEC members, who are also ESCAP members, are encouraged to actively participate in the Framework Agreement on Facilitation of Cross-Border Paperless Trade, to advance regional cross-border paperless trade through pilot projects, information sharing and coordinated adoption of international standards and implementation models.

This report for APEC economies may best be read in conjunction with the global and Asia-Pacific reports on the results of the UN Global survey on Trade Facilitation and Paperless Trade. These reports, together with an interactive online database, are available at: <http://bit.ly/2h8SQbG>

Acknowledgements

The report is part of this global survey effort, and it is collaboration between ESCAP and APEC Secretariat (Policy Support Unit). Yann Duval, Chief of Trade Policy and Facilitation Section (TPFS) in the Trade Investment and Innovation Division (TIID) of the ESCAP supervised the overall drafting. It was prepared by Yuhua Zhang, Economic Affairs Officer in TIID of ESCAP; Chorthip Utoktham, Consultant in TIID of ESCAP; Akhmad Bayhaqi, Senior Analyst of APEC Policy Support Unit; and Satvinderjit Kaur Singh, Researcher of APEC Policy Support Unit.

The second global survey was jointly conducted by five United Nations Regional Commissions for Africa (ECA), Europe (ECE), Asia and the Pacific (ESCAP), Latin America and the Caribbean (ECLAC) and Western Asia (ESCWA). The initiative was led and coordinated by ESCAP.

Support from the following organizations and individuals is gratefully acknowledged: Bismark Sitorus from UNCTAD, Mohammad Saeed from ITC; Evdokia Moise from OECD, Laisiana Tugaga from Oceania Customs Organization Secretariat (OCO), Dinara Sekerbaeva and Aleksei Bondarenko from Eurasian Economic Commission (EEC).

The United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNExT), a knowledge community supported by ESCAP and ECE, greatly facilitated data collection.² Comments and suggestions received from participants to the United Nations Regional Commission (UNRC) side event to the 6th Global Review on Aid for Trade (Geneva, 12 July 2017), where the preliminary findings from the global survey were presented, are gratefully acknowledged.³

² <http://unnex.t.unescap.org>

³ https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm

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1. Introduction

It is well understood that reducing trade costs is essential in enabling economies to effectively participate in regional and global value chains and continue to use trade as a main engine of growth and sustainable development. Recent studies suggest that much of the trade cost reductions achieved over the past decade have been through elimination or lowering of tariffs.⁴ Further trade cost reduction therefore, will have to come from tackling non-tariff sources of trade costs, such as inefficient transport and logistics infrastructure and services, but also cumbersome regulatory procedures and documentation. Indeed, trade facilitation – the simplification and harmonization of import, export and transit procedures, including paperless trade - the use and exchange of electronic data and documents to support the trade transaction process, has taken increasing importance, as evidenced by the entry into force of the WTO Trade Facilitation Agreement (TFA) in February 2017, and adoption at ESCAP in May 2016 of a forward looking Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.⁵ This new UN treaty opens to a majority of APEC members and has been already formally signed by Armenia, Bangladesh, Cambodia, China and Iran as of 30 September 2017 and acceded by Azerbaijan in March 2018.⁶

1.1 Trade facilitation in APEC Economies

Trade facilitation has been a longstanding item on APEC's agenda. APEC defines trade facilitation in terms of reducing trade transaction costs, as stated in the Trade Facilitation Action Plan (TFAP) Initiative: "Trade facilitation refers to the simplification and rationalization of customs and other administrative procedures that hinder, delay, or increase, the cost of moving goods across international borders. Or, to put it in another way, cutting red tape at the border for importers and exporters so that goods are delivered in the most efficient and cost effective manner".

The two TFAPs (TFAP I 2001-2006; TFAP II 2006-2010) were designed to allow economies to choose their own mix of policy choices by selecting specific actions from a menu with objectives in four specific areas: (1) Customs Procedures; (2) Standards and Conformance; (3) Business Mobility; and (4) Electronic Commerce. APEC TFAP I and II were implemented to reduce trade transaction costs and assessments showed that both initiatives yielded positive results, especially TFAP II cut trade costs by 5 per cent from 2007-2010, and resulted in a saving of US\$ 58.7 billion (APEC PSU 2011).

Following TFAPs, APEC members adopted the Supply-Chain Connectivity Framework Action Plan (SCFAP) 2010-2015, which focused on eight chokepoints that were considered important in establishing efficient and robust supply chain connectivity. The eight chokepoints covered issues such as: (i) Lack of transparency/awareness of the full scope of regulatory issues affecting logistics; (ii) Inefficient or inadequate transport infrastructure; (iii) Lack of capacity of local/regional logistics sub-providers; (iv) Inefficient clearance of goods at the border; (v) Burdensome procedures for customs documentation and other procedures; (vi) Under-

⁴ For example, see ESCAP (2011), Asia-Pacific Trade and Investment Report 2011, United Nations.

⁵ An overview of the Framework Agreement can be found in Box in section 2.3.

⁶ The UN treaty is open to 15 APEC members who are also ESCAP members, namely Australia; Brunei Darussalam; China; Indonesia; Japan; Republic of Korea; Malaysia; New Zealand; Papua New Guinea; Philippines; Russian Federation; Singapore; Thailand; the United States; and Viet Nam.

developed multi-modal transport capabilities; (vii) Variations in cross-border standards and regulations; and (viii) Lack of regional cross-border customs-transit arrangements.

The second phase of SCFAP covers the period 2017-2020 and contains five chokepoints: (i) Lack of coordinated border management and underdeveloped border clearance and procedures; (ii) Inadequate quality and lack of access to transportation infrastructure and services; (iii) Unreliable logistics services and high logistical costs; (iv) Limited regulatory cooperation and best practices; and (v) Under-developed policy and regulatory infrastructure for e-commerce.

Moreover, single window is one of the key initiatives in APEC on trade facilitation. In the 2008 APEC Joint Ministerial Statement, Ministers have instructed APEC officials to work towards the implementation of international single window across APEC region. Further discussion on single window development and interoperability is provided in section 2.3.

1.2 The United Nations Global Survey on Trade Facilitation and Paperless Trade Implementation

This report is a product of collaboration between the UN ESCAP and APEC Policy Support Unit. It presents the results of a Global Survey on Trade Facilitation and Paperless Trade Implementation for the 18 APEC economies who participated. The Global Survey is a new effort led by United Nations, in cooperation with other interested international organizations, to provide reliable and sufficiently detailed data on the implementation of trade facilitation in general, and single window and paperless trade in particular, at the global level. Together with the associated Country Notes, this report is a complement to the more elaborate ESCAP regional report and global report.⁷

The instrument of Global Survey on Trade Facilitation and Paperless Trade Implementation 2017 was prepared according to the final list of commitments included in the WTO Trade Facilitation Agreement (TFA) and the regional UN treaty on Cross-border Paperless Trade Facilitation in Asia and the Pacific.⁸ The survey covers 47 main trade facilitation measures which are categorized into seven main groups, namely General trade facilitation measures, Paperless trade, Cross-border paperless trade, Transit facilitation, Trade facilitation for SMEs, Trade facilitation for agricultural trade and Participation of women in trade facilitation. Measures featured in the WTO TFA are essentially included in the General trade facilitation and Transit facilitation. However, most paperless trade and, in particular, cross-border paperless trade measures, are not specifically featured in the WTO TFA, although their implementation in many cases would support the better and digital implementation of TFA.

The report is structured in the following way: chapter 2 presents and analyzes the trade facilitation implementation in APEC economies, benchmark to the global average; an specific example of APEC initiative on trade facilitation is also provided; chapter 3 examines the detailed progresses of implementation by sub-measure; chapter 4 assesses the impact of trade facilitation on the APEC region as a whole and on members individually; Chapter 5 concludes the reports with policy suggestions.

⁷ More information is available in the Global, Regional and Sub-regional Reports, as well as Country Notes at: <http://bit.ly/2h8SQbG>

⁸ <http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

2. Trade facilitation implementation in APEC economies: an overview

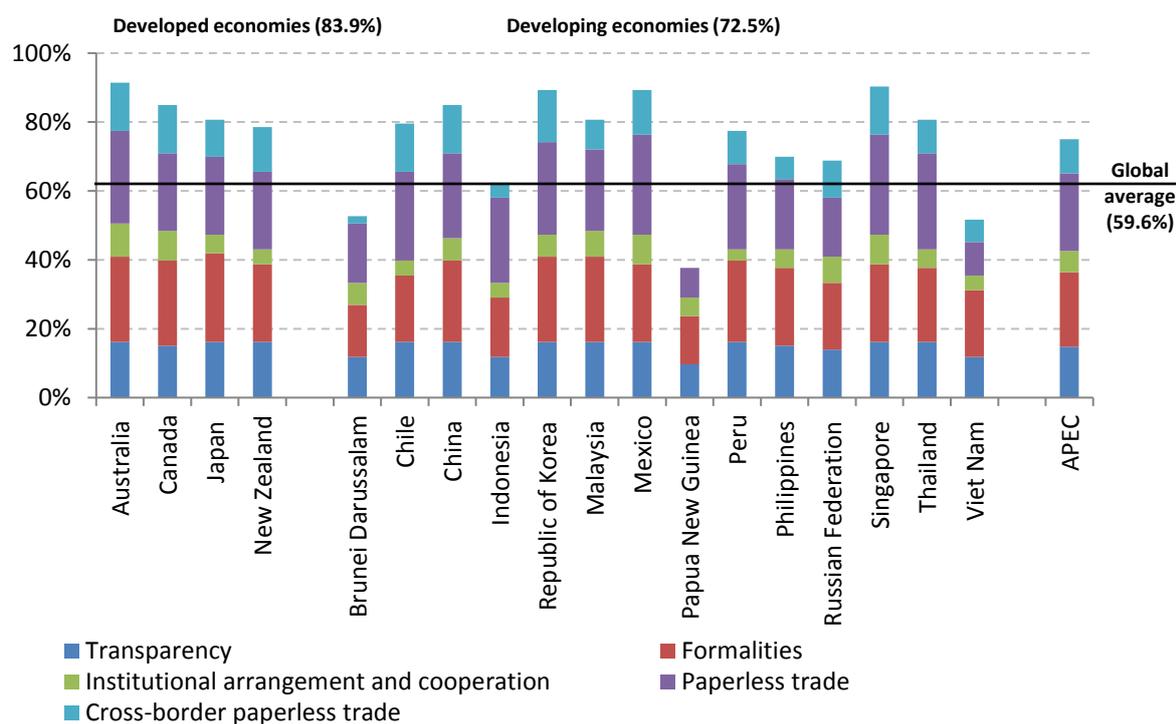
Trade facilitation is never a one-off process; it requires constant review, consultation, and improvement, so that import, export, and transit-related procedures can be streamlined and simplified, bureaucratic delays and red tapes can be reduced and removed, rules and regulations can be harmonized, and trade-related infrastructures can be modernized. It is important to track the progress of trade facilitation, so that experiences and lessons can be learned and shared internally and externally among various stakeholders.

2.1 Progress in implementation of trade facilitation measures by APEC members

Figure 1 shows the overall implementation levels of APEC economies based on a common set of 31 trade facilitation and paperless trade measures included in the survey.⁹ The regional average implementation rate of the measures considered in 2017 stood at 75 per cent, with developed economies registering 83.5 per cent and developing economies 72.5 per cent. Australia and Singapore had the highest implementation rate, exceeding 90 per cent; while Brunei Darussalam, Papua New Guinea and Viet Nam had relatively low level of implementation, at 52.7 per cent, 37.6 per cent, and 51.6 per cent respectively. Comparing with the global average rate of implementation of 59.6 per cent, these economies may gain greater benefits from international trade if they accelerate the efforts on implementation of the TFA and facilitation of paperless trade.

⁹ The three groups of trade facilitation measures for SMEs, agricultural sector and women (9 measures) are excluded for calculating the country scores. In addition, Transit measures (4 measures) and 3 measures (electronic submission of sea cargo manifests, alignment of work days and hours with neighbouring countries at border crossings, alignment of formalities and procedures with neighbouring countries at border crossings) are also excluded from this figure. The overall score of each country is simply a summation of the scores of implementation (3,2,1 or 0) it receives for each trade facilitation measure.

Figure 1 Overall implementation of trade facilitation measures, 2017



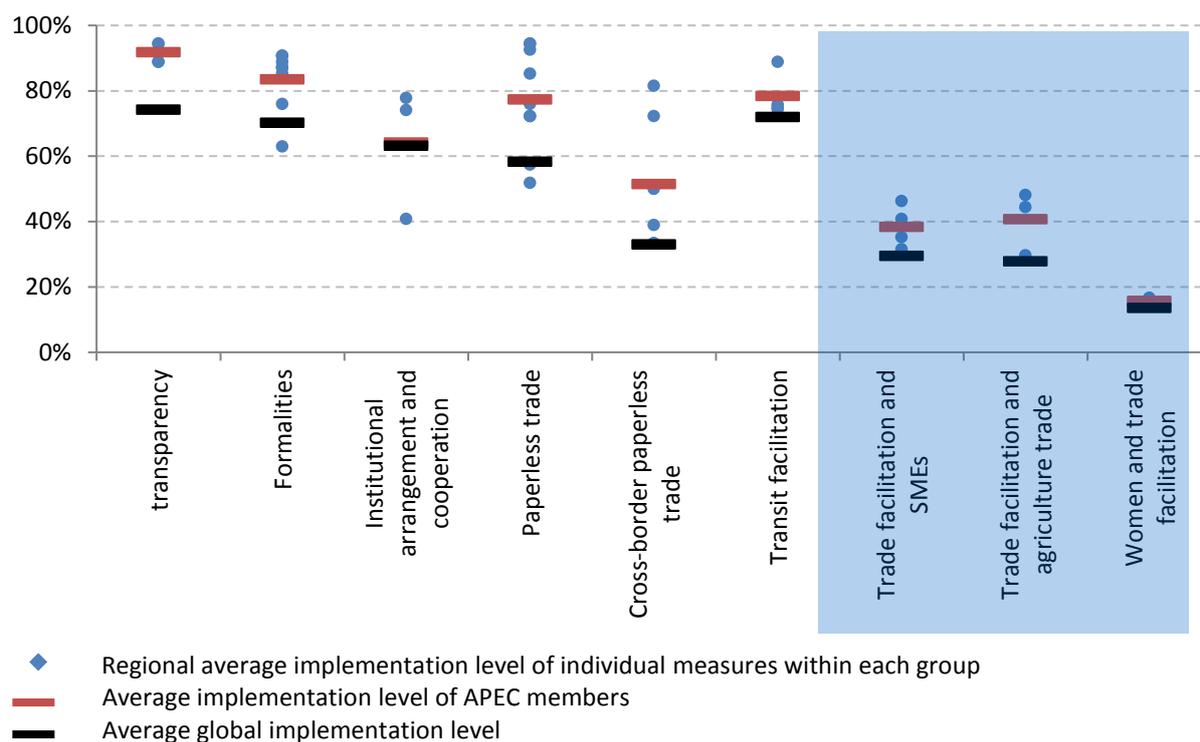
Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Note: Three APEC economies that did not participate in the UN Global Survey are Hong Kong, China; Taiwan Province of China, and the United States.

Examining the implementation by measure grouping (figure 2), APEC members have well implemented trade facilitation measures related to Transparency and Formalities, and to a less extent on Paperless trade and Transit facilitation measures. Challenges, however, remained for implementing Cross-border paperless trade and Institutional arrangement and cooperation, with implementation recording 51.5 per cent and 64.2 per cent.

In global context, APEC members outperformed the rest of the world, though on Institutional arrangement and cooperation and Women and trade facilitation, the differences with global average were quite trivial. In terms of making trade facilitation better serve SMEs, agricultural sector and women, implementation of these specific trade facilitation measures were 38.4 per cent, 40.7 per cent and 15.7 per cent, respectively, indicating significant room for improvement in these areas.

Figure 2 Implementation of different groups of trade facilitation measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Figure 2 is supplemented by Table 1, which provides information on the most and least implemented trade facilitation measures under different groups. Taking Transparency as an example, two measures in this group were with highest implementation level, namely *Independent appeal mechanism* and *Advance ruling (on tariff classification)*. 83.3 per cent of APEC members have fully implemented these two measures. On the other end of the spectrum, *Advance publication/notification of new regulations before their implementation* was the least implemented measure under Transparency, with 77.8 per cent of members fully implementing it.

Table 1 Most and least implemented TFA measures, 2017

Category	Most implemented (per cent of economies)		Least implemented (per cent of economies)	
	Measure	At least pilot stage implemented / Full implementation	Measure	At least pilot stage implemented / Full implementation
Transparency	Independent appeal mechanism Advance ruling (on tariff classification)	100.0 / 83.3	Advance publication/ notification of new regulations before their implementation	94.4 / 77.8
Formalities	Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities Risk management	100.0 / 72.2	Establishment and publication of average release times	83.3 / 27.8
Institutional arrangement and cooperation	National legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other	100.0 / 33.3	Government agencies delegating controls to Customs authorities	50.0 / 22.2
Paperless trade	Electronic submission of Customs declarations Electronic/automated Customs System	100.0 / 83.3	Electronic Application for Customs Refunds	61.1 / 33.3
Cross-border paperless trade	Laws and regulations for electronic transactions	94.4 / 55.6	Banks and insurers retrieving letters of credit electronically without lodging paper-based documents	44.4 / 16.7
Transit facilitation	Customs Authorities limit the physical inspections of transit goods and use risk assessment	66.7 / 44.4	Transit facilitation agreement(s) with neighbouring country(ies)	61.1 / 16.7
Trade facilitation and SMEs	Government has developed specific measures that enable SMEs to more easily benefit from the AEO scheme	55.6 / 38.9	Government has taken actions to make the single windows more easily accessible to SMEs	38.9 / 22.2
Trade facilitation and agricultural trade	Testing and laboratory facilities are equipped for compliance with sanitary and phytosanitary (SPS) standards in your country	55.6 / 44.4	Application, verification and issuance of SPS certificates is automated	38.9 / 16.7
Women in trade facilitation	Government has introduced trade facilitation measures to benefit women involved in trade	22.2 / 5.6	The existing trade facilitation policy/strategy incorporates special consideration of women involved in trade	22.2 / 11.1

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Despite the fact that some economies have not yet implemented certain measures, it is important to recognize that APEC members has been actively working on these lagging areas of trade facilitation. To give an example, in 2017, APEC ministers adopted the APEC Cross-border E-commerce Facilitation Framework, aiming to 1) create a favorable regulatory eco-system for e-commerce to promote predictability, transparency, security, fair competition and consistency; 2) promote development of facilitating greater participation of businesses in global commerce, in particular MSMEs; 3) enhance cooperation between public and private sectors, including on consumer protection; and 4) contribute to trade and investment facilitation in the region, supporting the achievement of the Bogor Goals and post 2020 vision.

In making trade more inclusive for the marginalized segments of society, APEC members has promoted the development of SMEs. As women tend to be more involved in SMEs than larger firms, greater opportunities for their participation, as well as internationalization of SMEs, would improve women's role in trade. In line with this aim, availability of SME training for women in APEC economies increased by an average of 3 percentage points in the 2 years between 2010 and 2012. With regard to improving women's opportunities for participation in trade in general, APEC members has made continuous efforts to improve access to finance and education, and provide better protection against discrimination and career advancement opportunities.¹⁰ The changes in these factors over the last few years can be seen in Table 2 below.

Table 2 Improvement in women's participation in economic activities

Factor	2010	2011	2012	2015	2016
Women's financial capacity/ literacy: Access to Finance index (scale 1-5)	3.4		3.5		
Educational attainment: closeness of women in achieving parity with men in literacy (scale of 0-100)	98.6				99.0
Laws allowing non-pregnant and non-nursing women to do the same job as men		Yes= 10/20		Yes= 13/21	
Laws penalising or preventing the dismissal of pregnant women		Yes= 19/20		Yes= 21/21	

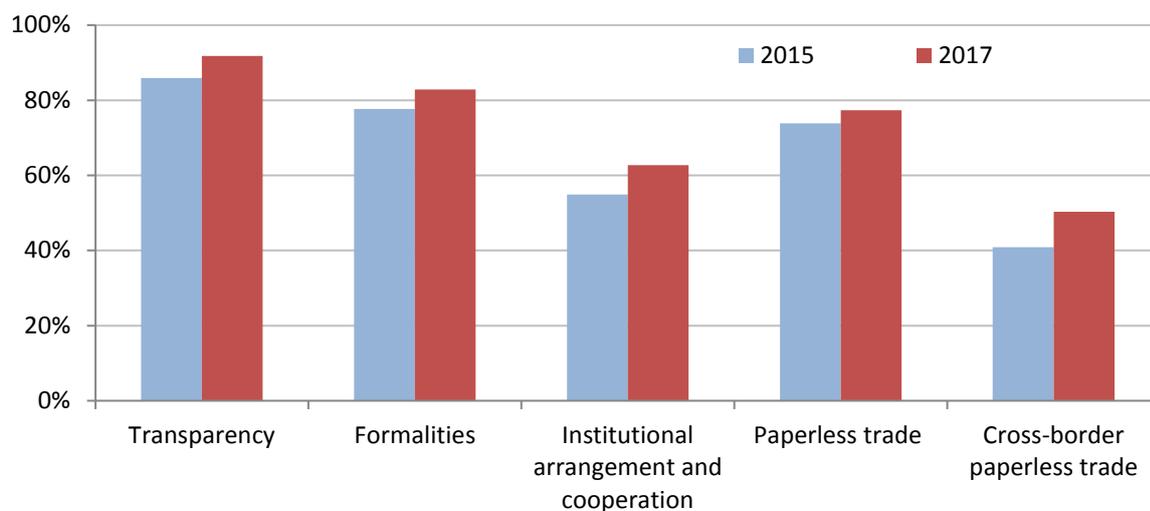
Source: The APEC Women and the Economy Dashboard 2017

Comparing the progress of trade facilitation in 2015 and 2017 according to five major groups of surveyed measures, the APEC aggregate has made improvements across board (figure 3). Though with a generally low implementation level, Cross-border paperless trade witnessed the largest progress – implementation raised from 40.8 per cent in 2015 to 50.3 per cent in 2017.¹¹ APEC as a whole has also improved Institutional arrangement and cooperation significantly, with an increase of 7.8 percentage point in implementation.

¹⁰ The APEC Policy Partnership of Women and the Economy (PPWE) conducts work to improve opportunities for women in the region. In doing so it prioritizes the following areas: i) access to capital and assets; ii) access to markets; iii) skills, capacity building and health; iv) leadership, voice and agency; and v) innovation and technology.

¹¹ Cross-border paperless trade means trade in goods, including their import, export, transit and related services, taking place on the basis of electronic communications, including exchange of trade-related data and documents in electronic form.

Figure 3 Progress of trade facilitation implementation by measure group, 2015 and 2017

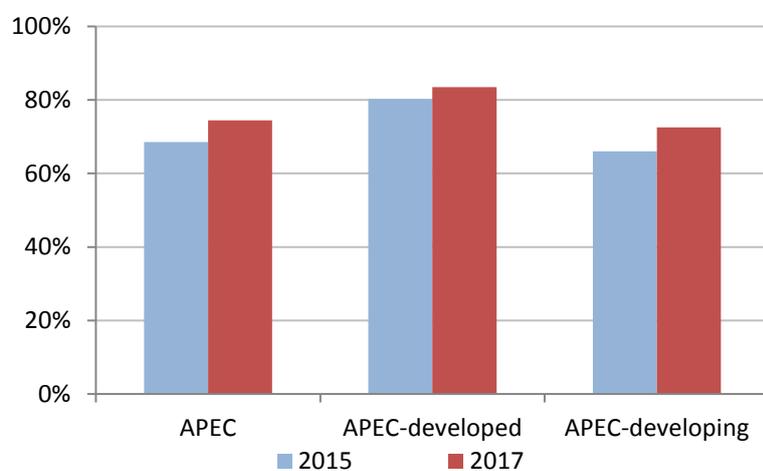


Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2015 and 2017.

Note: The data doesnot cover the three APEC economies that did not participate in the UN Global Survey. Canana did not participate in the 2015 Survey, and is not included in the regional average.

Looking at progresses made by developed and developing economies separately (figure 4), the developed members had a higher implementation level in both 2015 and 2017, while the developing members were catching up quickly.

Figure 4 Progress of trade facilitation implementation by grouping, 2015 and 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Note: The data doesnot cover the three APEC economies that did not participate in the UN Global Survey. Canana did not participate in the 2015 Survey, and is not included in the regional average..

2.2 Implemented trade facilitation measures under WTO TFA

The WTO TFA seeks to expedite the movement, release and clearance of goods across borders, so as to create a significant boost for commerce and the multilateral trading system as a whole. The TFA sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues, as well as measures concerning improvements in availability and publication of information about cross-border procedures and practices, improved appeal rights for traders, reduced fees and formalities connected with the import/export of goods, faster clearance procedures and enhanced conditions for freedom of transit for goods. Once implemented, the TFA could “slash trade costs by an average of 14.3 per cent, reduce time to import goods by 1.5 days and time to export goods by 2 days, increase the number of new products exported by as much as 20 per cent, and boost global trade by up to 1 trillion dollars per year”.¹²

On the flip side, implementation of TFA measures may involve significant costs. WTO (2015) noted the following range of costs for specific TFA instruments:

- Transparency and predictability: costs range between US\$ 12,000 to US\$ 3.6 million.
- Under release and clearance of goods, post-clearance audit control and risk assessment procedures: costs range from US\$ 20,000 to US\$ 11.9 million and from US\$ 54,000 to US\$ 8.9 million, respectively.
- Single window and customs automation systems: inception costs range from US\$ 100,000 to US\$ 27 million, and from US\$ 550,000 to US\$ 57 million, respectively.
- Integrated border management and one-stop border posts: costs range between US\$ 840,000 and US\$ 45.9 million; and between US\$ 609,000 and US\$ 16.3 million, respectively.

There are various ways to track the progress of implementation of the TFA, and one way is through the notification to the WTO itself. Aggregating notifications of TFA commitments, APEC members' aggregate implementation rate is 92.6 per cent.¹³ Based on WTO's classification (table 3), developed APEC economies, namely, Australia; Canada; Japan; New Zealand; and the United States plus one developing economy - Russia, have fully implemented the TFA. In addition to them, six developing APEC economies have notified all measures of TFA under category A, which means these provisions have been implemented by the time the TFA entered into force on 22 February 2017. Most of the remaining developing economies have notified a majority of their measures under category A, that is, more than half of them have notified at least 90 per cent of all their measures under category A. A majority of the remaining measures have been notified under category B, which provides additional time for implementation. Only two developing APEC economies have notified measures under category C, requiring capacity building to support implementation, however the percentage of measures notified under this category are less than 3 per cent. Furthermore, two other developing APEC economies still have measures that are not yet been notified.

¹² https://www.wto.org/english/news_e/news17_e/fac_31jan17_e.htm

¹³ The rate of implementation of commitments to date is composed of: (i) all developed Members commitments; (ii) Category A commitments by developing Members and LDCs that were due for implementation on 22/02/2017 and 22/02/2018 respectively; (iii) any Category B or C commitment of both developing and LDCs with current implementation dates.

Table 3 APEC members' notification of TFA commitments by 2018, per cent

Economy	Rate of implementation commitments	Category			
		A	B	C	Not yet notified
Australia	100				
Brunei Darussalam		91.6	8.4	0.0	
Canada	100				
Chile		100	0.0	0.0	
China		94.5	5.5	0.0	
Hong Kong, China		100	0.0	0.0	
Indonesia		88.7	11.3	0.0	
Japan	100				
Korea		100	0.0	0.0	
Malaysia		94.1	5.9	0.0	
Mexico		100	0.0	0.0	
New Zealand	100				
Papua New Guinea		21.4	0.0	0.0	78.6
Peru		87	10.1	2.9	
Philippines		93.3	5.0	1.7	
Russia Federation	100				
Singapore		100	0.0	0.0	
Taiwan Province of China		100	0.0	0.0	
Thailand		93.7	6.3	0.0	
United States	100				
Viet Nam		22.7	0.0	0.0	77.3

Source: WTO TFA database, available at <https://www.tfadatabase.org>, access 8 August 2018.

Table 4 lists the WTO TFA Articles that APEC economies have designated to Category B or C. Most articles being notified are related to implementing TFA commitments concerning notifications for enhanced controls or inspections and single window. Category C (requiring the acquisition of implementation capacity through the provision of assistance and support for capacity building) has been notified for (i) enhanced controls or inspection and test procedures; and (ii) single window. Article 7 on release and clearance of goods received the most notifications for Category B.

There are 36 measures and a total of 238 items within these TFA measures. The total number of notified items for both categories B and C are largest for advance rulings (19 items), trade facilitation measures for authorized operators (17 items), customs cooperation (49 items), freedom of transit (21 items) and expedited shipments (13 items). However when taking the number of notifiable items (for each measure) into account, it is noted that a number of economies have taken measures on notifications for enhanced controls or inspections (3 economies), single window (3 economies), test procedures (2 economies) and advance ruling (2 economies).

Moreover, new requirements have been introduced for most measures. For example, notifications for enhanced controls and inspections have a new requirement concerning the discipline guiding the conditions under which the notifications are made and maintained in the system and the consequent actions taken. As for single window, some of the new requirements are to encourage the establishment of a single window to which traders can submit all documents and receive all notifications necessary for trade, to facilitate “one-time submission” to ensure that the same data or documents will not be asked for again, and to use ICT whenever possible or practical.

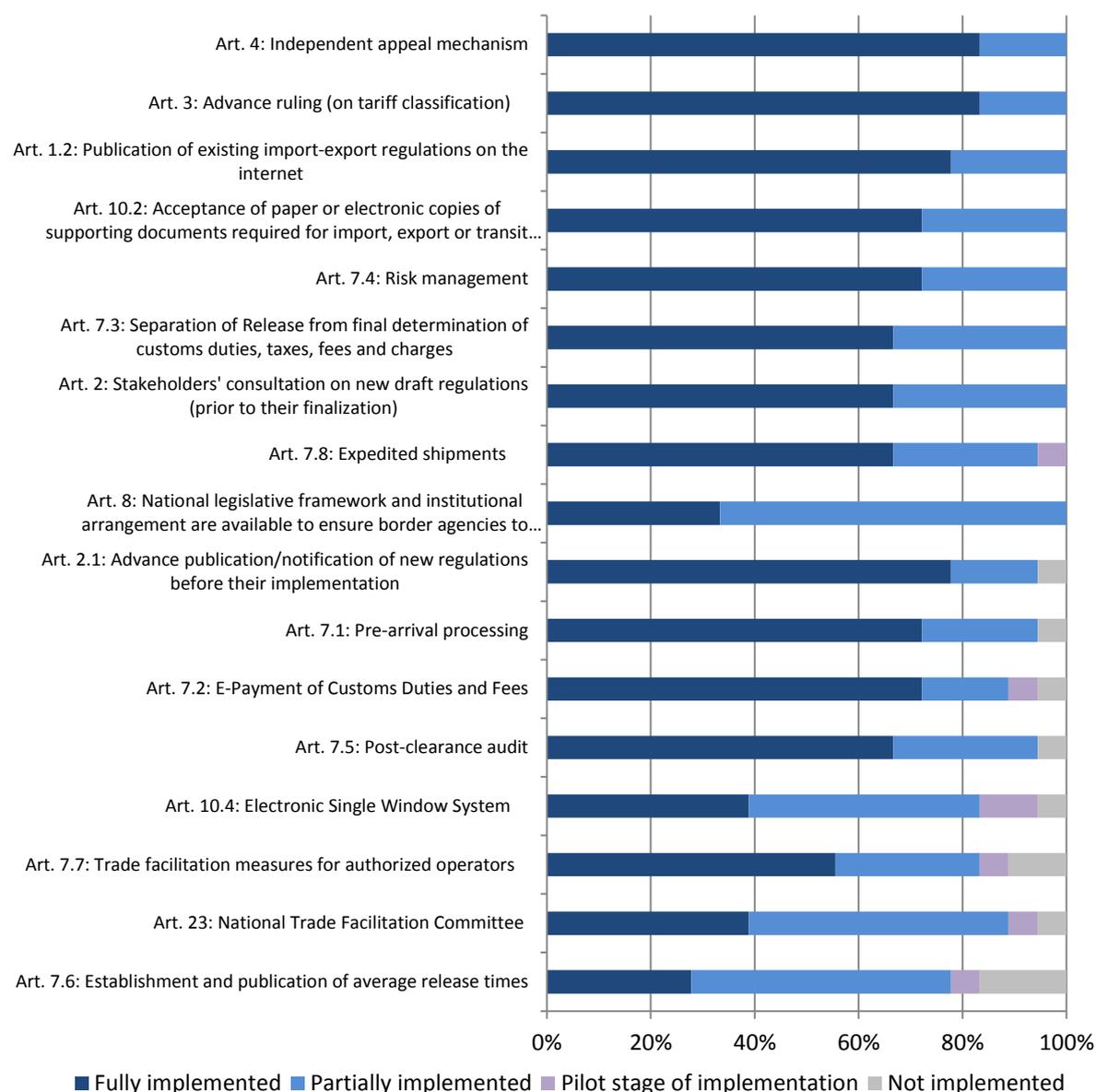
Table 4 Notifications under category B and C for TFA among APEC Economies

WTO TFA Measures	Notified as Category B (number of economies)	Notified as Category C (number of economies)	Number of notifiable items (for each measure)	Total number of notified items/notifiable items (Cat. B &C)
3 Advance rulings	2		19	38 / 38
4.4 Procedures for appeal or review	2		9	6 / 18
5.1 Notifications for enhanced controls or inspections	2	1	4	12 / 8
5.3 Test procedures (measures to enhance impartiality, non-discrimination and transparency)	1	1	3	6 / 6
6.3 Penalty disciplines (assessment of penalties for violations of the customs laws)	1		8	2 / 8
7.1 Pre-arrival processing	1		2	1 / 2
7.4 Risk management	1		4	4 / 4
7.6 Average release times	1		2	2 / 2
7.7 Trade Facilitation measures for Authorised Operators	1		17	17 / 17
7.8 Expedited shipments	1		13	13 / 13
8 Border agency cooperation	2		6	7 / 12
10.4 Single window	2	1	4	12 / 12
10.8 Rejected goods	1		2	2 / 2
11 Freedom of Transit	2		21	5 / 42
12 Customs cooperation	2		49	14 / 98

Source: WTO TFA database, available at <https://www.tfadatabase.org>, accessed 16 August 2018.

Using the results of UN Global Survey, Figure 5 shows the level of implementation of the WTO TFA related articles from a different perspective by APEC members. As also shown in Table 1, the most implemented measure on an aggregate level related to *Independent appeal mechanism* (Art. 4) and *Advance ruling* (on tariff classification) (Art.3), which have been partially implemented by 18 per cent APEC members, and fully implemented by the rest. The least implemented measure was *Establishment and publication of average release times* (Article 7.6), which has only been fully implemented by 29 per cent of APEC members. Although all economies were at least partially implementing *Cooperation between border agencies* (Art.8), only 33 per cent economies have fully implemented this measure. In addition, *Electronic Single Window System* and *National Trade Facilitation Committee* also registered low full implementation rates.

Figure 5 Level of implementation of WTO-TFA related measures (excluding transit measures), 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

The progresses assessed using two different means are not necessarily consistent with each other. This could be explained by the various data caveats in the notifications to the WTO. To notify, many provisions under TFA only require basic compliance.¹⁴ Therefore some economies may notify a high percentage of implementation, while the real implementation can be rather low. On the other hand, some economies may notify a lower level of implementation in the hope of getting capacity building and technical assistance; however, they could have a much higher implementation rate. In this respect, the UN Global Survey offers a more detailed and accurate assessment. By asking members

¹⁴ For example, the provision on single window states that 'members shall endeavor to establish or maintain a single window, ...'. As long as a member made some efforts on building a single window, that provision may be considered implemented and potentially notified in Category A. Many developed countries who ratified the TFA still do not have single window in place.

on their implementation status, full or partial implementation, or pilot stage, the Survey results reflect the actual level of implementation of trade facilitation measures under the TFA.

2.3 APEC initiatives on trade facilitation: single window

Single window has been one of the most well-known instruments of trade facilitation. The concept of single window has been evolved, from the more traditional single window, such as port single window, to a more comprehensive one, such as ‘national’ or ‘integrated’ or ‘intelligent’ single window. WCO (2011) explains the term ‘intelligent’ implies that the single window should not be just a data switch, a gateway to a set of facilities or just a unified access point through a web portal, but single window should also act as a platform that could enable and provide shared services such as computation of duties/taxes and coordinated risk management to users.

Costs for implementing trade facilitation instruments vary and could require significant investments. Establishment of single window and customs automation systems are being considered to be most costly, with inception costs ranging from US\$ 100,000 to 27 million, and US\$ 550,000 to 57 million, respectively (WTO 2015). However, the expected benefits of having a single window may be unprecedented. According to Doing Business 2018, introducing or improving customs electronic data interchanges and single windows may reduce time to trade by 742 hours (World Bank 2018).

Single window development

The APEC region hosts quite a number of single window systems, hence in the UN global survey, the full implementation rate was around 40 per cent, partial implementation rate around 40 per cent, and an additional 10 per cent of APEC economies with pilot single window .¹⁵ Some of the single windows in the APEC region are world-class. ESCAP has conducted case studies in 2018 to identify and showcase the best practices of single window development. The four featured cases are single windows of Hong Kong, China; Japan; Korea; and Singapore. The study looked at the evolution of each single window in terms of institutional arrangement, funding sources and services offered, as well as implementation issues and challenges, along with future development plans. Key features and characteristics of modern single window identified in the chapter include: single entry and submission of information; paperless environment; standardized documents and data; information sharing; centralized risk management; coordination of agencies and stakeholders; analytical capability; and electronic payment.

The study also proposed a number of key recommendations for single window implementation: (1) Actively engage private sector in optimizing operation of single windows and to make them sustainable, (2) Make use of regional institutional mechanisms and initiatives to build political will and technical and legal capacity for single window, (3) Consider how the single window will integrate B2B services into its original B2G design, (4) Enable single windows to exchange and process cross-border trade data and documents, (5) Cooperate in the development of legal and technical solutions for cross-border paperless data exchange , and (6) Plan for continuous improvement in the operation and delivery of services through single windows (ESCAP 2018).

A key feature of these world-class single windows is their future orientation, and all single windows have laid down specific plans for further improvement. Singapore has announced a National Trade

¹⁵ This calculation is based on the UN Global Survey results and does not include the three economies.

Platform that will support firms, particularly in the logistics and trade finance sectors, to improve supply chain visibility and efficiency. Hong Kong, China has also been working on a new generation single window to provide one-stop lodging of all B2G documents, and the new single window will possess technical capability to facilitate, if required in future, interfaces with B2B platforms operated by the private sector as well as connections with single windows of other economies. Since 2017, Korea has been devising a new plan to upgrade the national single window (i.e. the uTradeHub), adopting the concept of a platform with open innovation and cross-border e-commerce. A similar case for Japan, the Nippon Automated Cargo and Port Consolidated System (Japan's single window) has been consistently and continuously upgraded, with the sixth generation in implementation since October 2017.

Single window interoperability

Keeping abreast of the technology and policy developments, in May 2016, APEC Ministers Responsible for Trade “welcome(d) the Initiative on Single Window Systems’ International Interoperability which aims to foster the flow of goods, enhance supply chain security, reduce costs and provide quality and timely information on trade across borders.” “Interoperability” as defined by Recommendation N° 36 UN/CEFACT (2017), is the “ability of two or more systems or components to exchange and use information across borders without additional effort on the part of the user”.¹⁶ This is one of the various initiatives conducted by APEC members on trade facilitation.

A recent survey on single window interoperability in APEC economies noted four aspects that must necessarily be achieved to ensure successful interoperability: a) technical; b) information; c) processes; and d) legal. Technical, information and process interoperability can be achieved through the use of common terminology; procedures and technical standards, however, are challenged by semantic differences. In this regard, only one APEC economy, of the 14 that responded, reported complete compliance to international standards. The remaining has either reported conformance or consistency to international standards which does not entail complete accordance.

Legal interoperability requires relevant legal structures to be in place to facilitate international data exchange. More than half of the economies that responded to the survey reported developments in addressing legal issues pertinent to the following areas: identification, authentication and authorization procedures; ownership of data; accuracy and integrity of data; and data retention, archive and audit trails. However, limited development has been noted in addressing issues pertaining to competition law.

The survey recognizes the different paths each economy takes to attain interoperability and encourages the development of actions under three core areas:

1. The first is to ensure integration of security, piracy and risk management. There is a need for integration among economies to ensure implementation of the relevant laws and policies and harmonization of procedures.
2. Development of dynamic and effective policies is needed to ensure that economies can react to changes in markets and regulatory conditions as required.

¹⁶ Available at <https://www.unece.org/tradewelcome/un-centre-for-trade-facilitation-and-e-business-uncefact/outputs/cefactrecommendationsrec-index/list-of-trade-facilitation-recommendations-n-31-to-36.html> [accessed 17 August 2018].

3. Solutions that build trust through the use of latest technologies should be enabled. Technological solutions that ensure security are important to build trust among the users of the single window. A robust legal framework that is able to maintain cross-border interoperability of the single window s is necessary as well.

In addition to the survey, three case studies have been conducted to better understand the challenges and benefits of single window implementation and interoperability. The case studies on Australia, Indonesia and Peru draw out common lessons from their single window experiences despite being in differing stages of the implementation process. Indonesia and Peru have successfully implemented internationally interoperable single window systems as part of their regional pact commitments, that is, Association of Southeast Asian Nations (ASEAN) and Pacific Alliance respectively. The ASEAN Single Window Gateway is a centralized system that has a point to point feature which allows adjustments to the configurations based on the documents exchanged. On the other hand, the Pacific Alliance Single Window Systems' International Interoperability protocol uses a hybrid peer-to-peer model wherein each member economy uses its own interoperability platform to exchange information. Based on the different priorities of the regions, the single window systems focus on exchanging different documents. The ASEAN single window currently exchanges the Certificate of Origin which allows participating businesses to realize tariff benefits; while the Pacific Alliance exchanges phytosanitary certificates.

Each of the three economies in the case studies has acknowledged considerable (potential) benefits from the implementation and interoperability of their single window systems. In the case of Australia, these benefits have been identified in the numerous studies conducted to understand the best practices and scope for implementation within the economy. The ASEAN Single Window evaluation study is currently in progress but is expected to acknowledge the reduced risk of invalid Certificate of Origin document submissions which can be costly for the government and lower trade transaction costs due to electronic document submissions instead of hardcopy. Easier exchange of documentation will also improve efficiency through quicker customs clearance and lower dwelling time. For Indonesia, the National Single Window estimated logistical cost savings from using the Certificate of Origin to be about US\$ 15.2 million through lower document courier and container storage costs.

OECD and WTO (2017) have conducted a study to evaluate the impacts of the single window system in Peru. The study has noted a significant reduction of 30 per cent in time spent on procedures per year and US\$ 50 million reduction in costs borne on travel, paper and time. In line with this, Peru expects the number of days required to complete international trade procedures to drop by 2 days by 2021 from the 8.4 days in 2014. The studies conducted by the Australian government on the viability of the single window systems have also acknowledged the lower costs and time required to exchange information and process goods. In general, it has also noted the ability to better predict demand.

The case studies have identified several key challenges. Ensuring interoperability through harmonization of terminology, processes and technologies is the most pressing one. In spite of Indonesia and Peru being part of their regional single window systems, harmonization on all aspects has been difficult due to factors like different legal frameworks, regulations, trade processes and standards. In addition to the challenge of harmonization, Indonesia experienced a delay in the

implementation of live data exchange through the ASEAN Single Window due to coordination problems. In the case of Peru, OECD noted a lack of formalities to address data requirements and procedures among the local agencies and the partner economies. Hence, the lack of institutional arrangement and cooperation had been aptly identified in the UNESCAP 2017 survey.

In addition, all three economies have noted inadequate technological architecture as an ongoing or potential challenge to single window systems international interoperability. Australia considers this aspect as necessary to improve prior to the development of a single window system. Indonesia has acknowledged the tedious and time-consuming process of deploying regional servers when developing the ASEAN Single Window and Peru has identified the need for modernizing its IT structures and systems to better allow electronic data exchange.

While there is a general push for the development of single window systems due to the significant benefits, these case studies have also recognized the need for better coordination among agencies, harmonization to international standards and necessary improvements to Information Technology systems. All three economies have acknowledged plans to improve their current systems and facilitate interoperability. In this regard, the UN Framework Agreement on Facilitation of Cross-border Trade in Asia and the Pacific provides an excellent platform to facilitate international and regional cooperation towards single window interoperability (see Box).

Box: Overview of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific

Developed by a diverse group of more than 25 Asian and Pacific countries at very different stages of development over 4 years, the *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific* (FA-CPT) was adopted at ESCAP in May 2016. It is designed as an inclusive and enabling platform that will benefit all participating countries regardless of where they stand in terms of trade facilitation implementation. The Framework is fully dedicated to the digitalization of trade processes and enabling the seamless electronic exchange and legal recognition of trade-related data and documents across borders, rather than only between stakeholders located in the same country. Full implementation of cross-border paperless trade will not only reduce transaction time and costs but also increase regulatory compliance and enable the more direct engagement of small and medium-size enterprise (SMEs) in international trade and cross-border e-commerce.

Achieving cross-border paperless trade across the region is expected to be a long and difficult process; And it cannot be achieved without close collaboration between countries. The Framework Agreement is expected to support that process by providing a dedicated institutional framework for countries with proven political will to develop legal and technical solutions for cross-border paperless trade, including through pilot projects, capacity building and technical assistance, based on existing international standards. The FA-CPT aims to facilitate cross-border trade data exchange between member States and enable mutual recognition of electronic trade data and documents, but does not make electronic data exchange mandatory among all Parties.

Some of the benefits for ESCAP member states who become parties to the FA-CPT include:

- (a) Accelerated progress towards a paperless trade environment at the national level on the basis of the political will demonstrated during the accession process to the FA-CPT;
- (b) Opportunity to integrate emerging cross-border paperless trade considerations and best practices early in the development of national single window and other paperless trade systems to ensure they are

interoperable and enabled for (future) cross-border data exchange, in particular through structured and regular sharing of lessons;

(c) Reduction in overall investment costs and maximization of return from investments in paperless trade systems, through concurrent development of national paperless trade systems and environment for cross-border trade data exchange;

(d) Ready access to potential counterpart countries interested to negotiate and achieve cross-border data exchange, avoiding or reducing needs for engaging in numerous and/or potentially incompatible bilateral initiatives;

(e) Direct participation in the development of pragmatic solutions for the cross-border exchange of trade documents. For more advanced countries with relevant experience and existing practices, including many ASEAN economies, this will enable them to ensure that new regional systems and solutions will be harmonized and interoperable with what they have already achieved on a bilateral and/or subregional basis;

(f) Compliance with commitments the party may have made through its bilateral and plurilateral trade agreements (RTAs) to collaborate on exchanging electronic data and documents (typically featured in "Paperless Trading" Articles in RTAs, or related provisions or agreements).

More details on the Framework Agreement, including a draft implementation roadmap, are available at: <http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

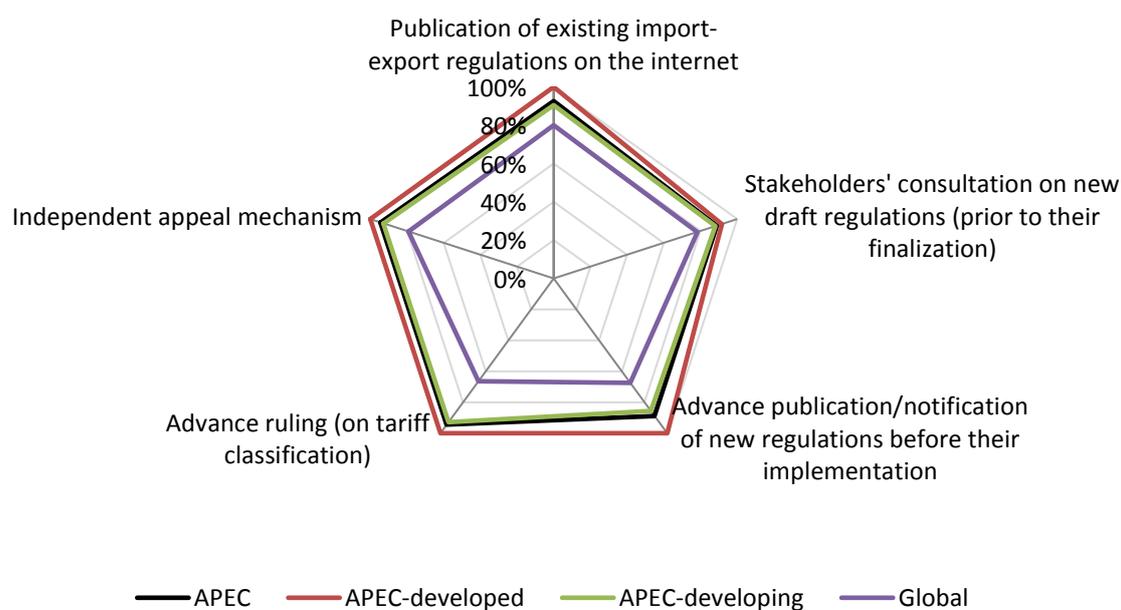
3. Implementation of trade facilitation measures: a closer look

The General trade facilitation measures, and Paperless trade, Cross-border paperless trade, Transit facilitation are measures that closely associated with trade cost, and affect traders in all sectors. Therefore, they warrant further investigation. This chapter breaks down each measure group, and examines the implementation in different aspects in detail.

3.1 Transparency measures

Five trade facilitation measures included in the survey are categorized as Transparency measures which are related to the Articles 1-5 of the WTO TFA and GATT Article X on Publication and Administration of Trade Regulations. Figure 6 shows the average level of implementation of all five Transparency measures by APEC members were well above the global average. Especially for developed APEC members, they have achieved close to full implementation of the Transparency measures.

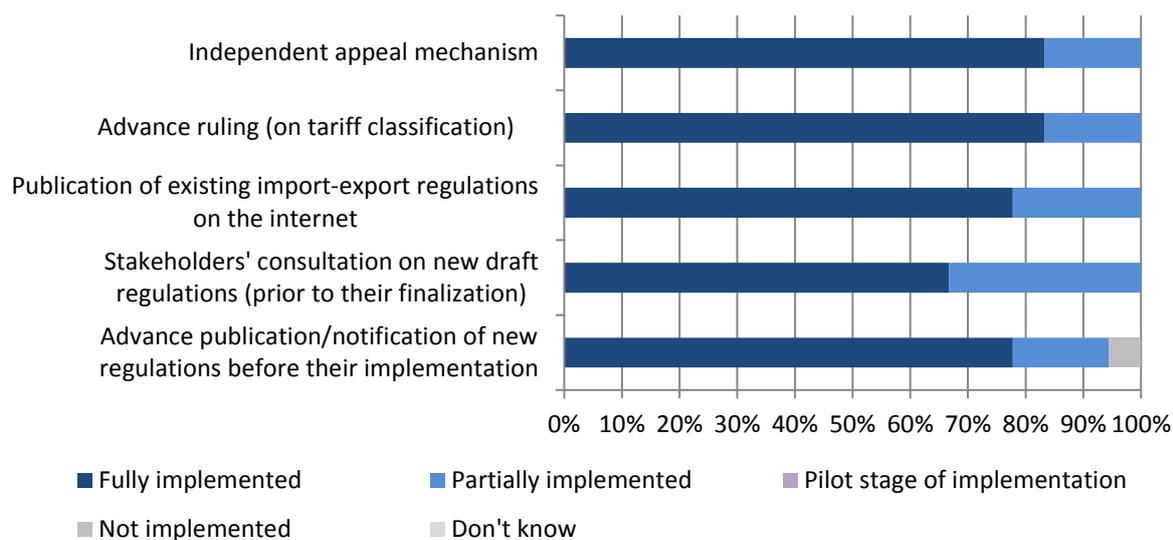
Figure 6 Implementation of Transparency measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Taking the region as a whole, figure 7 shows that all Transparency measures have been fully or partially implemented by APEC economies. *Independent appeal mechanism* was the most implemented measure and has been fully implemented by 83 per cent members. In contrast, *Stakeholders' consultation on new draft regulations (prior to their finalization)* was the least implemented of the Transparency measures, which has been fully implemented in 67 per cent of APEC members.

Figure 7 State of implementation of Transparency measures, 2017

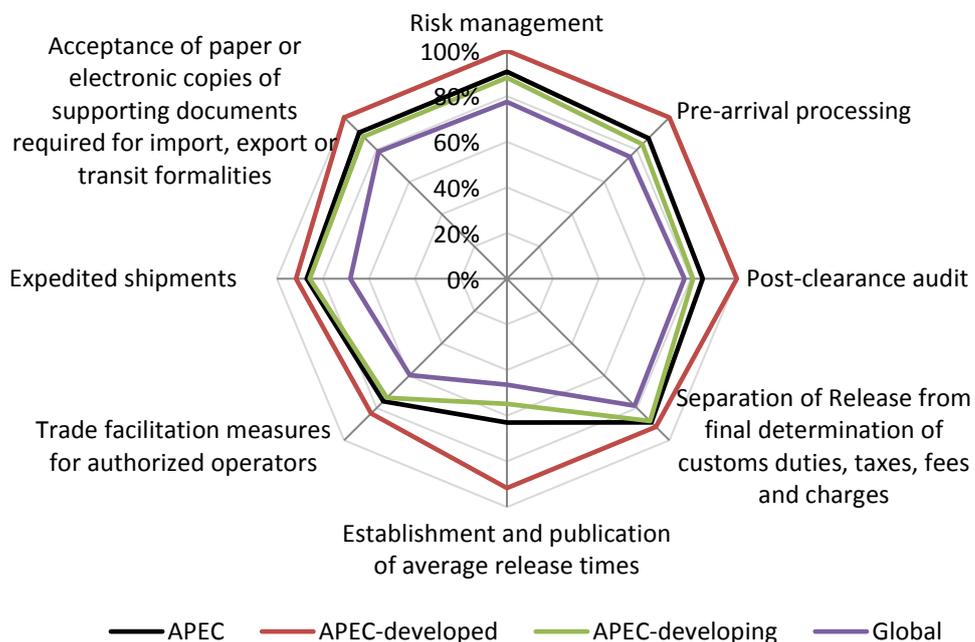


Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

3.2 Formalities facilitation measures

Eight of the general trade facilitation measures included in the survey are categorized as Formalities facilitation measures which relate to streamlining and/or expediting regulatory trade procedures. They are related to the Articles 6-10 of the WTO TFA and GATT Article VIII on Fees and Formalities connected with Importation and Exportation. The average level of implementation of most Formalities facilitation measures was around 84 per cent, outperforming the global average of 70 per cent. Among the measures, the developed APEC members registered a high level of implementation of *Establishment and publication of average release time*, which far exceeded the developing members and global average.

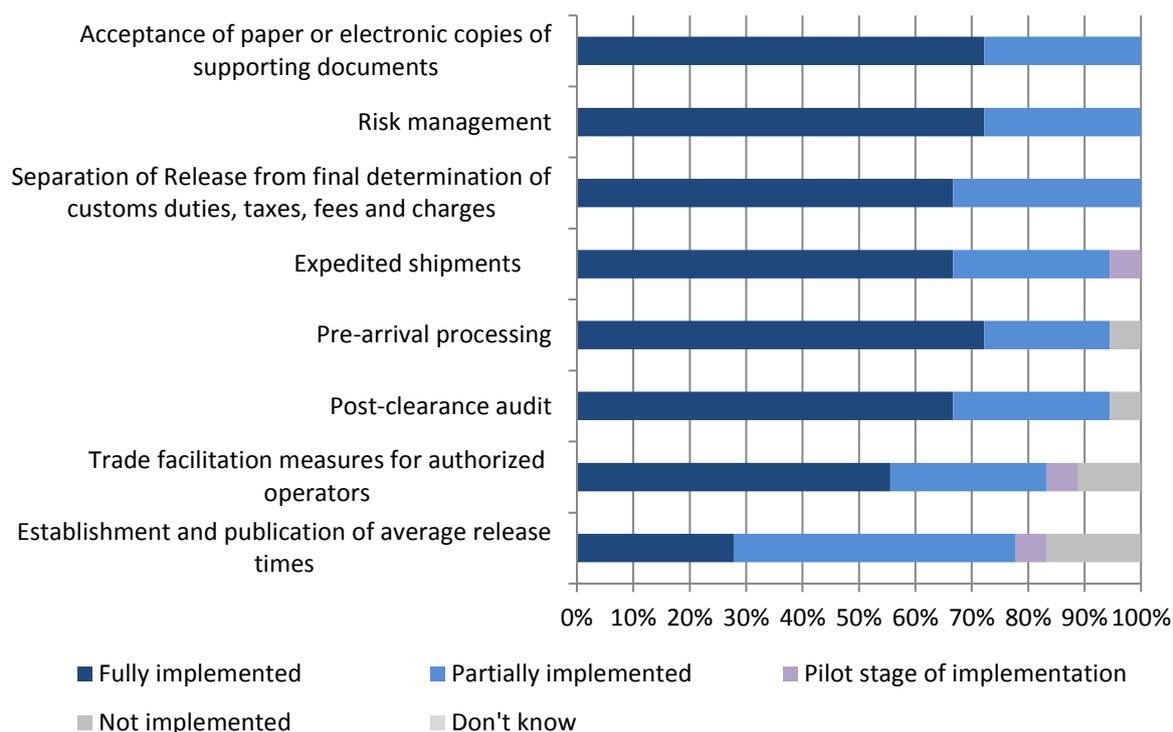
Figure 8 Implementation of Formalities measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Most Formalities measures have been fully or partial implemented in more than 55 per cent of all APEC economies. *Acceptance of paper or electronic copies of supporting documents and Risk management* were the most implemented measures. In contrast, despite the outstanding performance of APEC developed economies, *Establishment and publication of average release times* was the least implemented measure, as it has not yet been in full implementation in 73 per cent of APEC economies (figure 9).

Figure 9 State of implementation of Formalities measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

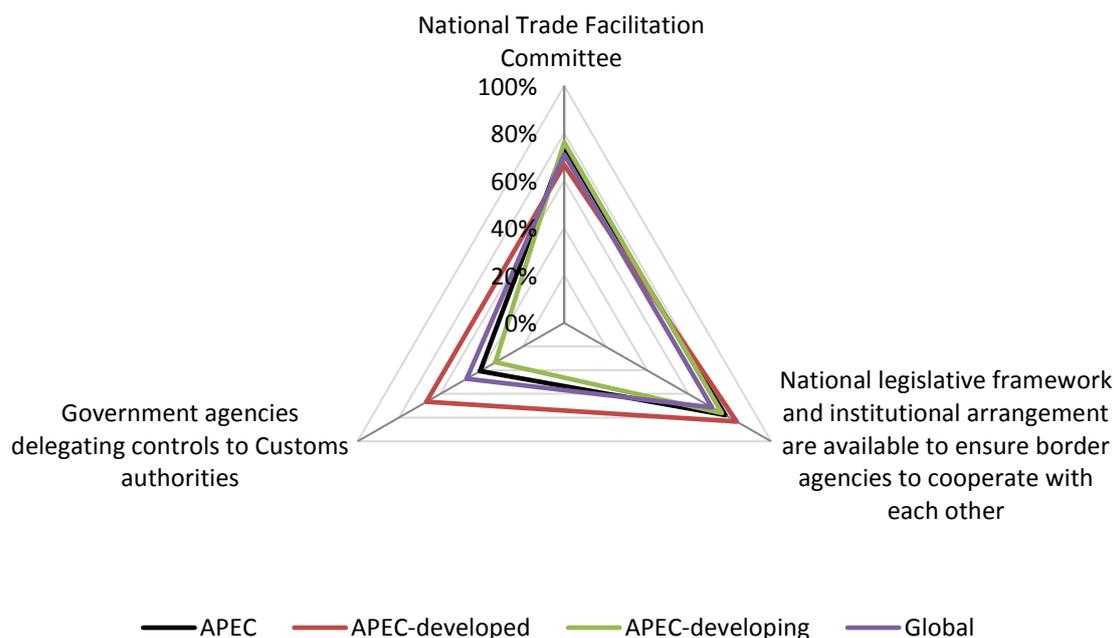
3.3 Institutional arrangement and cooperation measures

Three trade facilitation measures featured in the survey are grouped under Institutional and cooperation measures. They are related to the long-standing recommendation that a national trade facilitation body and other measures be implemented to ensure coordination and cooperation among the various government agencies and other stakeholders involved in facilitating trade.¹⁷ All three measures are also specified in various Articles of the WTO TFA.

Figure 10 shows that the average weighted implementation score of the three Institutional arrangement and cooperation measures for APEC members was around 64 per cent, slightly above the global average of 63 per cent. On *Government agencies delegating controls to Customs authorities*, the developed members performed well, with an implementation level of 67 per cent, but developing members lagged behind (at 33 per cent), registering an overall regional implementation level of 40 per cent, significantly lower than global average at 47 per cent.

¹⁷ See, for example, UN/CEFACT Recommendation No. 4 on establishment of national trade facilitation bodies, first issued in 1974.

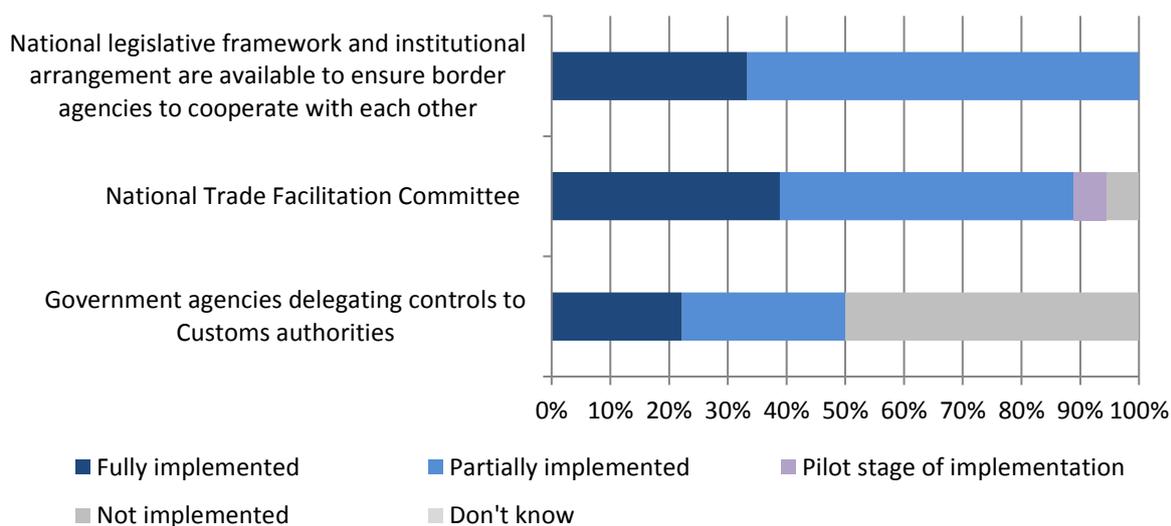
Figure 10 Implementation of Institutional arrangement and cooperation measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Figure 11 shows that *National legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other* has been at least partially implemented by all members. In contrast, 50 percent of APEC members have not implemented *Government agencies delegating controls to Customs authorities*, making it the least implemented measure in this group.

Figure 11 State of implementation of Institutional arrangement and cooperation measures, 2017



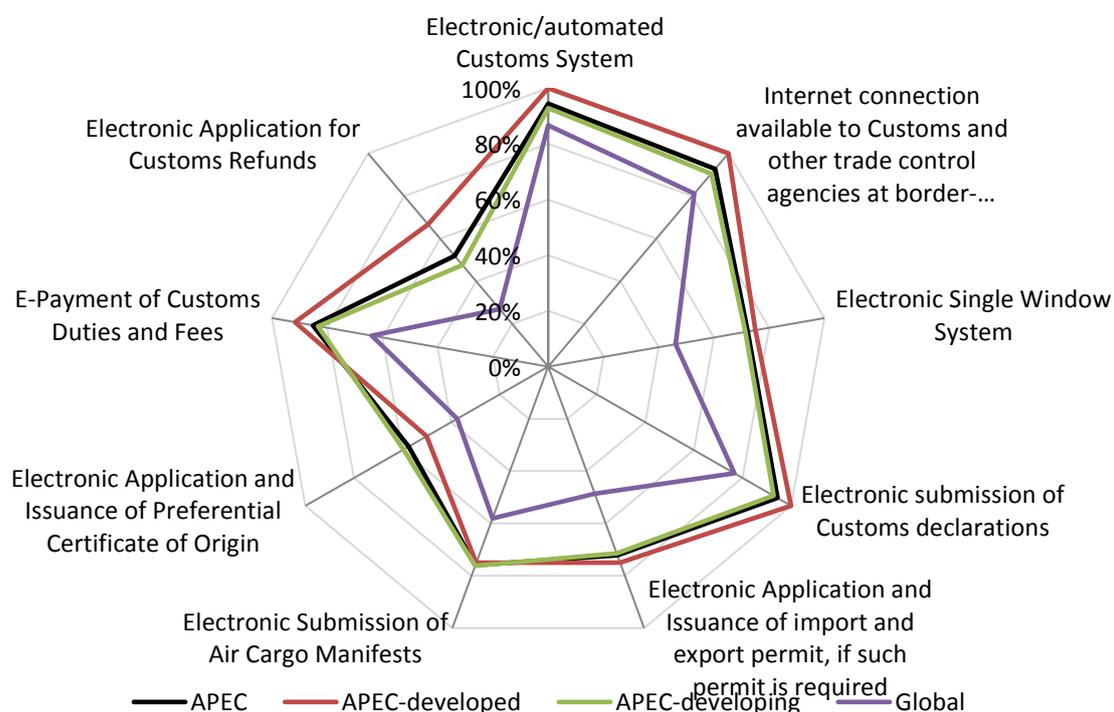
Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

3.4 Paperless trade measures

Nine of the trade facilitation measures included in the survey are categorized as Paperless trade measures. All these measures involve the use and application of modern information and communications technologies (ICT) to trade “formalities”, starting from the availability of internet connections at border-crossings and customs automation to full-fledged electronic single window facilities. Many of the measures featured here are closely related to those specified in the WTO TFA, although the new WTO agreement typically only encourages economies to work towards implementation of such measures, rather than make them a requirement.¹⁸

Among sub-measures, APEC members’ cumulative performance on *Electronic/automated Customs System*, *Internet connection available to Customs and other trade control agencies*, *Electronic submission of Customs declarations* were quite remarkable. And contrary to most cases, on *Electronic application and issuance of preferential certificate of origin* and *Electronic submission of Air Cargo Manifests*, the developing members achieved higher implementation levels than developed members (figure 12). The results are consistent with the various APEC initiatives on single window. Among APEC members, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, Singapore and Thailand have full functional single window in place. As most of them are developing economies, the results of APEC developing economies as a group outperformed developed economies on some aspects.

Figure 12 Implementation of Paperless trade measures, 2017

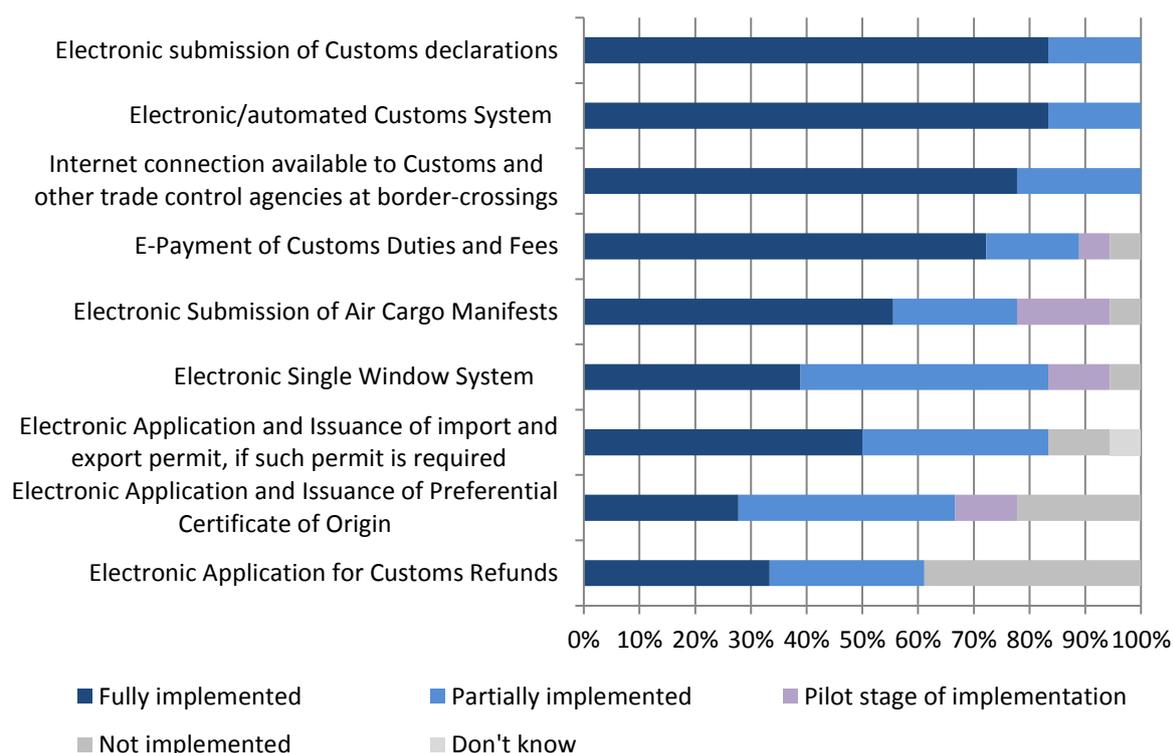


¹⁸ An example of this is the WTO TFA Article 10.3 on Single Window, which reads as follows: “Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point to the participating authorities or agencies... Members shall, to the extent possible and practicable, use information technology to support the single window.”

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Figure 13 shows that some of the Paperless trade measures have been implemented both fully and partially. *Electronic submission of Customs declarations* and *Electronic/automated Customs System* were the most implemented measure by APEC economies, with full implementation in 83 percent economies. In contrast, the least implemented measure was *Electronic application for Customs Refunds*, which has not been implemented in about 40 per cent of APEC members.

Figure 13 State of implementation of Paperless trade measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

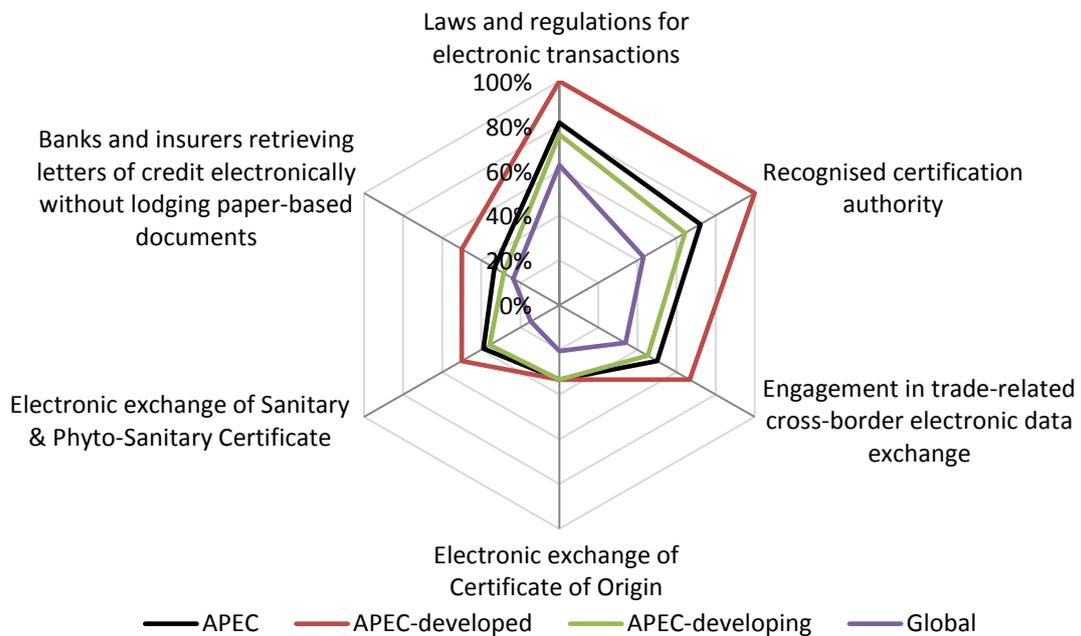
3.5 Cross-border paperless trade measures

Six of the trade facilitation measures included in the survey are categorized as Cross-border paperless trade measures, as shown in Figure 14. Two measures, *Laws and regulations for electronic transactions* and *Recognized certification authority*, are basic building blocks towards enabling the exchange and legal recognition of trade-related data and documents not only among stakeholders within a country, but ultimately also between stakeholders along the entire international supply chain. The other four measures relate to the implementation of systems enabling the actual exchange of trade-related data and documents across borders to remove the need for sending paper documents.

As shown in figure 14, APEC economies' performance on implementing Cross-border paperless trade turned out low, though it was still above the global average. For most sub-measures of Cross-border paperless trade, developed members outperformed developing members, except for *Electronic*

exchange of Certificate of Origin, where both developed and developing members recorded a low level of implementation at 33 per cent. Developed members have fully implemented *Laws and regulations for electronic transactions* and *Recognized certification authority*.

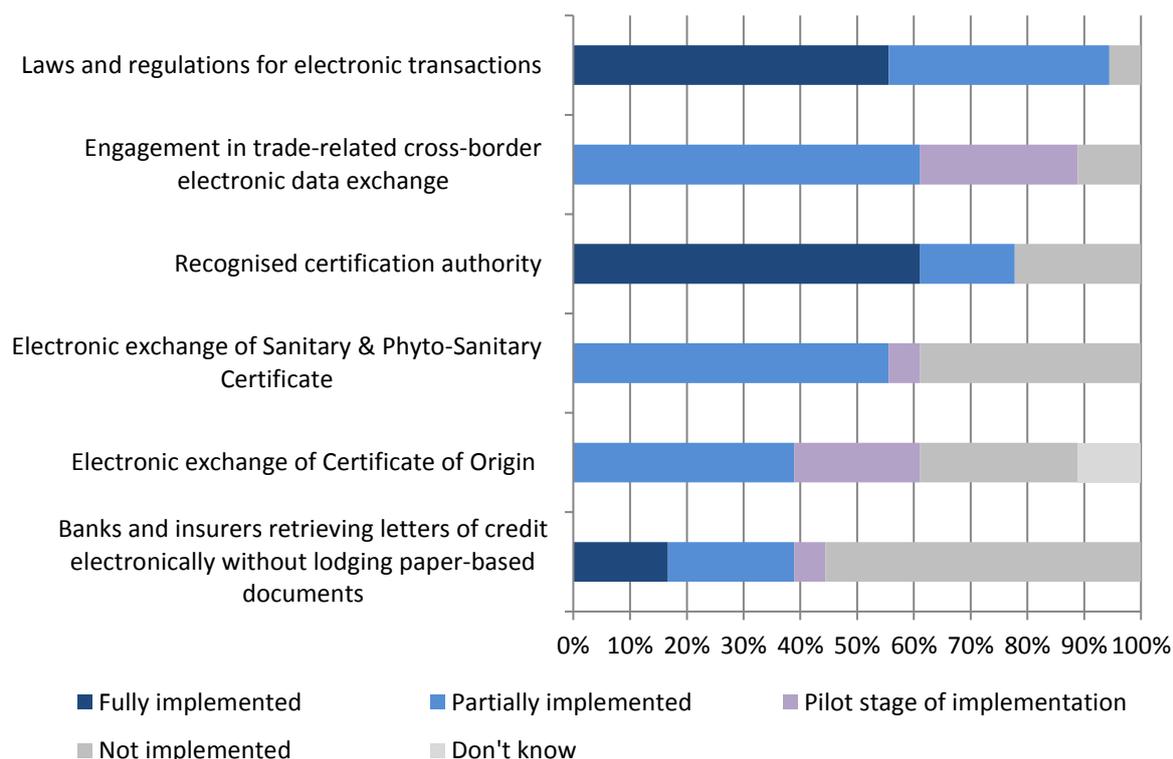
Figure 14 Implementation of Cross-border paperless trade measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Figure 15 shows that *Laws and regulations for electronic transactions* had the highest level of implementation, with over 95 per cent of members fully or partially implementing it. The least implemented measure was *Banks and insurers retrieving letters of credit electronically without lodging paper-based documents*, which hasn't been implemented by over half of APEC members.

Figure 15 State of implementation of Cross-border paperless trade measures, 2017



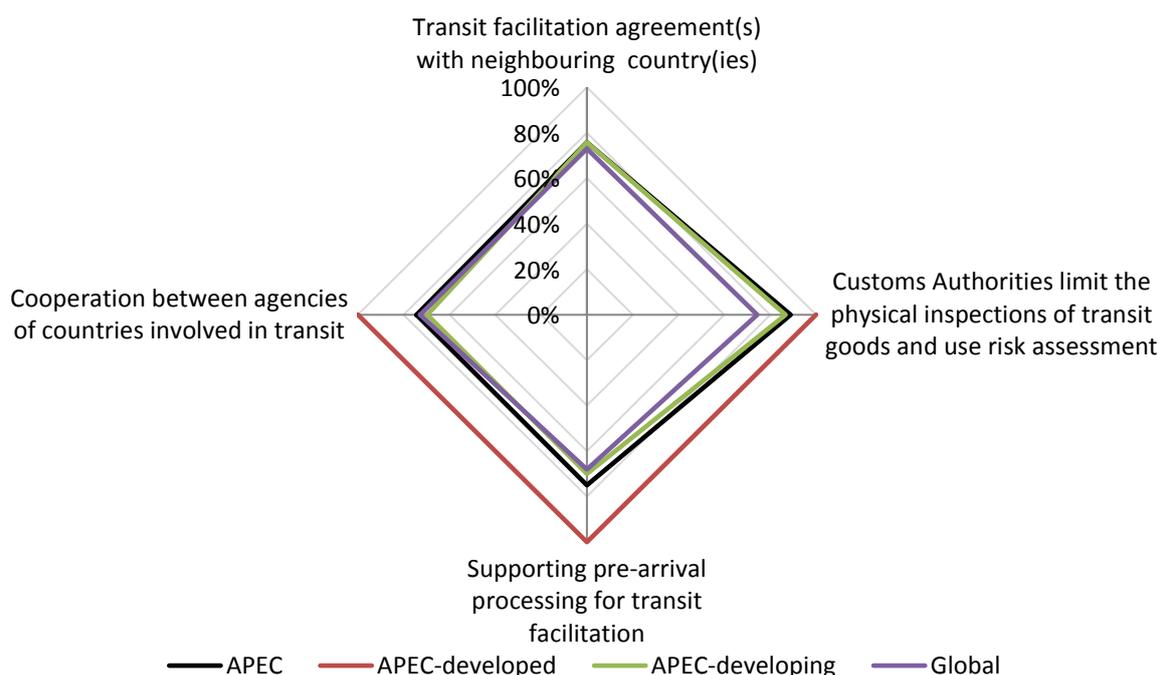
Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

3.6 Transit facilitation measures

Four trade facilitation measures included in the survey relate specifically to transit facilitation and WTO TFA Article 11 on *Freedom of Transit*. The intent of these measures is to simplify, as much as possible, the formalities associated with traffic in transit, allowing goods to be seamlessly transported through one or more transit countries. These measures are particularly important to landlocked developing countries, whose goods typically need to go through a neighboring country’s territory before reaching a sea port for onward transportation to their final destination.

As shown in Figure 16, APEC economies’ implementation of Transit facilitation measures was close to the global level. Notably, developed members have fully implemented three out of four Transit measures, except *Transit facilitation agreement(s) with neighbouring country(ies)*. Transit facilitation agreement does not apply for sea-locked economies, such as Australia, Japan and New Zealand, and no data is reported from Canada; therefore, for developed members, no score is shown.

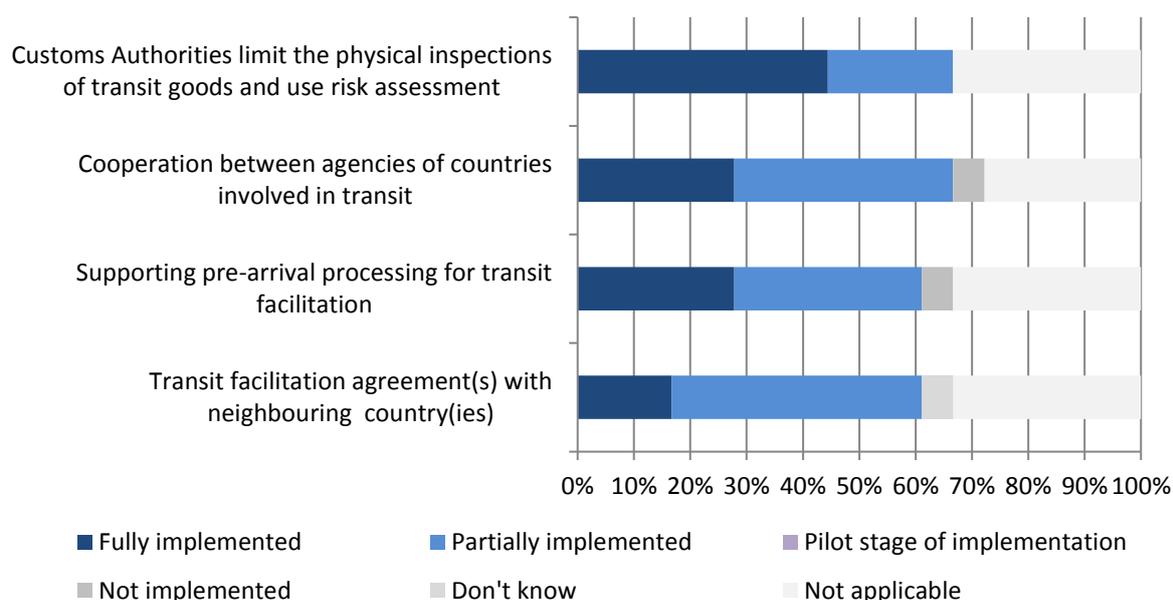
Figure 16 Implementation of Transit measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Figure 17 shows that *Customs Authorities limit the physical inspections of transit goods and use risk assessment* is the most implemented measures, having been at least partially implemented around 65 per cent of APEC members. In contrast, *Transit facilitation agreement(s) with neighbouring country(ies)* has been only fully implemented by 16 per cent of members, making it the least implemented measure in the region.

Figure 17 State of implementation of Transit facilitation measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

4. Assessing the impact of trade facilitation in APEC economies

In order to assess the potential impact of implementation of trade facilitation measures in APEC economies, estimation is conducted using a trade cost model, which incorporates the trade facilitation implementation rates based on the UN Survey data presented above. The model also includes other traditional trade cost factors such as natural geographic factors (distance, “landlockedness”, and contiguity), cultural and historical distance (e.g. common official language, former colonial relationships), and the presence of regional trade agreements and maritime connectivity. The model extends previous work by Arvis et al. (2016) and ADB/ESCAP (2017) by capturing the changes in trade costs resulting not only from each country’s own implementation of trade facilitation measures, but also those resulting from implementation of measures in partner countries.

The overall trade cost reductions that can be expected in the APEC region as a whole from implementation of three sets of trade facilitation measures are shown in table 2. The first set of trade facilitation measures are limited to implementation of WTO TFA binding measures only.¹⁹ The second set of measures includes all binding and non-binding WTO TFA measures included in the UN Survey. The final and most ambitious set is a WTO TFA+ set of measures, including digital implementation of TFA measures and cross-border paperless trade. For each set of measures, average changes in trade cost achieved if all APEC members at least partially implement all measures, or if they all fully implement all measures, are calculated.

Two main findings emerge from this impact analysis. First, achieving basic compliance with WTO TFA by implementing only binding measures would result in only modest trade cost reductions. Full implementation of binding measures results in a decrease of trade cost about 6 per cent, while full implementation of all measures would result in an over 10 per cent reduction. Second, the paperless implementation of the TFA measures together with enabling the seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, over 20 per cent for APEC as a whole.

Table 5 Changes in trade costs in APEC region resulting from implementation of trade facilitation and paperless trade

Trade costs reduction from TFI improvement: APEC	WTO TFA (binding)		WTO TFA (binding + non-binding)		WTO TFA+ (binding + non-binding + other paperless and cross-border paperless)	
	Partially implemented	Fully implemented	Partially implemented	Fully implemented	Partially implemented	Fully implemented
Model 1 Overall Trade Facilitation	-2.22	-5.99	-4.16	-10.53	-11.54	-20.47
Model 2 General Trade Facilitation	-2.25	-5.97	-3.45	-9.12	-4.44	-10.29
Paperless and cross-border paperless trade	0.00	0.00	-0.85	-1.62	-6.05	-9.37

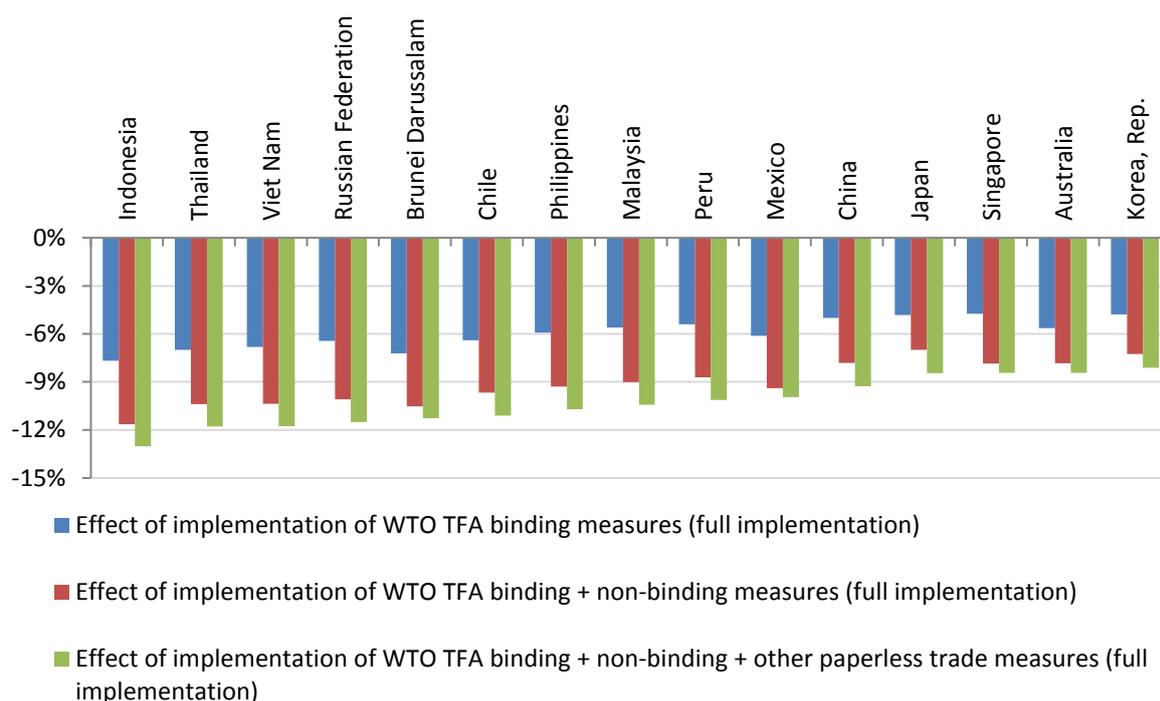
Source: United Nations, ESCAP (2017)

Note: Overall Trade Facilitation covers all the measures included in the UN Survey, while General Trade Facilitation cover measures under Transparency, Formalities, Institutional arrangements and cooperation.

¹⁹ The list of binding and non-binding WTO TFA measures is available in the Appendix of ADB/ESCAP (2017).

All the APEC economies stand to make significant gains from accelerating trade facilitation implementation. As shown in figure 18, the full implementation of the three different sets of trade facilitation measures in all economies would result in trade costs reduction for all economies. As expected, the trade costs reductions are much larger when cross-border paperless trade is achieved, with even world-leading trade facilitation economics such as Singapore seeing its trade costs reduced by nearly 8 per cent. Achieving such trade cost reductions will require closer cooperation between economies on developing interoperable paperless trade systems, as envisaged in the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

Figure 18 Impact of trade facilitation implementation on trade costs of APEC economies



Source: United Nations, ESCAP (2017).

Note: Trade cost reductions from simultaneous improvement in general TF implementation in APEC member economies.

5. Moving up the trade facilitation ladder

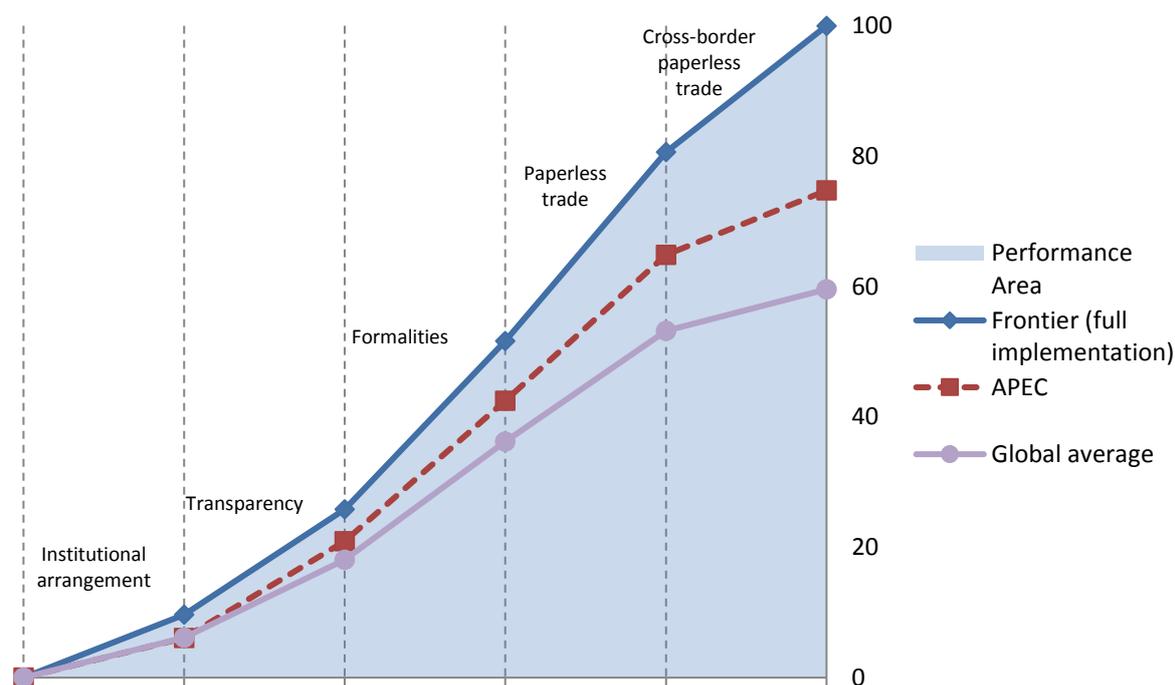
This paper presents data on trade facilitation and paperless trade implementation for the APEC economies. Based on a set of 31 trade facilitation measures included in the survey, the average trade facilitation implementation in APEC economies was 75 per cent, in comparison with the global average of around 60 per cent, indicating that APEC members have been leading the efforts in improving the implementation of trade facilitation measures.

APEC as a regional cooperation forum, continues to work on relevant trade facilitation issues and has shown strong support to its members in implementing the WTO TFA. With regard to the implementation of WTO TFA commitments, APEC's aggregate rate is 92.6 per cent based on notification by members. For Category B and C, a number of economies have taken measures on notifications for enhanced controls or inspections (3 economies), single window (3 economies), test procedures (2 economies) and advance ruling (2 economies). For single window implementation, APEC members have started to explore the issue of single window international interoperability.

Based on the survey results, although work in many areas has already been done, such as implementing Transparency measures and Formalities measures, implementation of Cross-border paperless trade systems remains mostly at a pilot stage with very low levels of implementation. This could be due to the fact that certain instruments to implement cross-border paperless trade (such as single window) require significant amount of investments. In practice, there is great synergy among different groups of measures. For example, improved transparency would facilitate development of cross-border paperless trade, and implementing cross-border paperless trade systems would in turn enhance transparency.

Figure 19 shows implementation of trade facilitation as a step-by-step process, based on the six core groups of measures included in this survey. It shows the cumulative implementation level of trade facilitation measures by APEC economies as a whole. Trade facilitation begins with the setting up of the Institutional arrangement needed to prioritize and coordinate implementation of trade facilitation measures. The next step is to make the trade process more Transparent by sharing information on existing laws, regulations and procedures as widely as possible and consulting with stakeholders when developing new ones. Designing and implementing simpler and more efficient trade Formalities is the third step. The re-engineered and streamlined processes may first be implemented based on paper documents, but can then be further improved through ICT and the development of Paperless trade systems. The ultimate step is to enable the electronic trade data and documents exchange by traders, government and service providers within national (single window and other) systems to be used and re-used to provide stakeholders in partner countries with the information they need to speed up the movement of goods and reduce the overall costs of trade.

Figure 19 Moving up the trade facilitation ladder



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017

Note: the figure shows cumulative trade facilitation implementation scores of APEC members for five groups of trade facilitation measures included in the survey. Full implementation of all measures = 100.

Going forward, APEC members shall continue their momentum in implementing WTO TFA, and gradually move towards single window international interoperability and digital trade facilitation to maintain their competitiveness. In this respect, the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific will not only complement the WTO TFA but also provides a unique platform for APEC member economies to realize cross-border electronic exchange of trade-related data and documents. Participation in the agreement can support development of national and subregional paperless trade systems and prepare them for interoperability with similar paperless trade systems being developed in other parts of the world. It may also help APEC members promote their already existing paperless trade solutions to other regions. Accordingly, APEC economies, who are also ESCAP members, are encouraged to become parties of the agreement to reap the benefits as early as possible.²⁰ China has signed the Framework Agreement in 2017.

In the context of 2030 Agenda for sustainable development, although APEC members have generally performed above the global average, especially on trade by SMEs and agriculture trade, the implementation remained low compared to core trade facilitation measures. In this regard, APEC economies are encouraged to develop and introduce new measures so that trade facilitation systems can more directly benefit SMEs and the agricultural sector, and facilitate the participation of women in trade.

²⁰ More information on the Framework Agreement is available at: <http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

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