



**Asia-Pacific
Economic Cooperation**

Trade Facilitation and Inclusive Growth

-Research of the APEC Policy Support Unit

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Presented by

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Advancing Free Trade for Asia-Pacific Prosperity

Five Core Areas of PSU Research



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1. Trade & Investment Liberalization and Facilitation

- APEC's Achievements in Trade Facilitation 2007-2010 – Final Assessment of TFAP II

2. Structural Reform

3. Connectivity including Supply Chain Connectivity and Global Supply Chains

- The 2013 Interim Assessment for Supply Chain Connectivity Framework Action Plan
- SME participation in GVC
- Economic Impact of Submarine Cable Disruptions

4. Economic and Financial Analysis

5. Sustainable Economic Development

1. APEC's Achievements in Trade Facilitation 2007-2010



Background

- Following the conclusion of APEC's Second Trade Facilitation Action Plan (TFAP II) whose objective was the reduction of trade transaction costs by 5% between 2007 and 2010, the APEC PSU conducted an Assessment

Definition of trade transaction costs

Includes

+ time costs

+ the costs of the port and inland transportation links in the international logistics chain

APEC's Achievements in Trade Facilitation 2007-2010



Two-tiered approach

- An aggregate measurement of total trade transaction costs
- Evaluation of four priority areas - Customs Procedures, Standards and Conformance, Business Mobility, and Electronic Commerce

Methodology for aggregate measurement

- For each APEC economy, the monetary costs and the time costs involving a single container of merchandise trade were estimated separately.
- These two estimates were summed to arrive at an estimate of the total trade transaction costs of a single container for the economy in question.
- The estimation process then used these results to calculate the annual trade transaction costs incurred for all merchandise trade in each economy.
- Used data from *WB and IFC, Trading Across Borders*

APEC's Achievements in Trade Facilitation 2007-2010



Transaction costs (USD billion)

Result		2006 (before)	2010 (after)	% change
Export	Time spent	524	492	-6
	Fees and charges	61	66	6.9
Import	Time spent	532	498	-6.3
	Fees and charges	70	72	3
Total	Time spent	1055	990	-6.2
	Fees and charges	131	138	4.8

- There has been a 5% reduction in total trade transaction costs across the APEC region over the period of TFAP II, which resulted in total savings of USD 58.7 billion.

APEC's Achievements in Trade Facilitation 2007-2010



Customs Procedures

- > 8.1% decline in the monetary value of the time taken in customs clearance and technical control between 2006 and 2010
- > The number of Approved Economic Operators (AEOs) in APEC increased by 26% between 2007 and 2009
- > Most APEC economies had either 100% electronic lodgement or increased the proportion of merchandise trade-related documentation lodged electronically between 2007 and 2009

Business Mobility

- > 38% reduction in business travel transaction costs, translating to total savings of USD 3.7 million within one year
- > 91% of ABTC holders rated their overall level of satisfaction with the scheme

Electronic Commerce

- > Progressing towards developing a consistent approach to information privacy protection across the region and towards assisting member economies to build capacity in domestic legislation
- > Completed the guidelines, directories and templates to create the framework for the implementation of a Cross-Border Privacy Rules system

Standards and Conformance

- > The number of economies reporting alignment with IEC standards rose from 12 in 2006 to 16 in 2010
- > The degree of alignment to a set of 168 IEC standards reported by APEC members rose to between 91% and 100% alignment in 2010 from a range of 55% to 100% in 2006

APEC's Achievements in Trade Facilitation 2007-2010



Limitations due to unavailable data and assumptions

- The Trading across Borders data have limitations as noted by some APEC economies but the data is the most comprehensive and comparable indicators of transactions costs that are publicly available.
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Key weakness of aggregate measurement

- The report did not address the issue as to how much TFAP II has contributed to the outcome of 5 percent goal (**typical problem of attribution**).

SCI / SCFAP goal

- a quantitative target of improving the performance of time, cost and uncertainty of supply chain performance by 10% by 2015.

SCFAP measurement Framework: three- track assessment

- Internal indicators – track the degree to which actions are implemented
- External indicators – track the effects of those actions on measurable supply chain processes and outcomes
- Self-assessment survey – economies to detail actions taken and estimate the impact of SCFAP actions

2. Interim Assessment for Supply Chain Connectivity Framework Action Plan (2013)



Overall objective: reducing trading time, cost & uncertainty by 10% in 2015

Clusters	Action Plan		Chokepoints
Building infrastructure & capacity	Infrastructure	2	Inefficient or inadequate transport infrastructure; lack of cross border physical linkages (e.g. roads, bridges).
	Logistics capacity	3	Lack of capacity of local / regional logistics sub-providers
	Connectivity	6	Underdeveloped multi-modal transport capabilities; inefficient air, land, and multimodal connectivity
Streamlining procedures	Clearance	4	Inefficient clearance of goods at the border; lack of coordination among border agencies, especially relating to clearance of regulated goods 'at the border'
	Documentation	5	Burdensome procedures for customs documentation and other procedures (including for preferential trade).
Strengthening rules & institutions	Transparency	1	Lack of transparency/ awareness of full scope of regulatory issues of affecting logistics; lack of awareness and coordination among government agencies on policies affecting logistics sector; absence of single contact point or champion agency on logistics matters.
	Regulations & standards	7	Variations in cross-border standards and regulations for movements of goods, services and business travelers.
	Transit	8	Lack of regional cross-boarder customs-transit arrangements

Findings: External Indicators

(1)

Overall Level Assessment	Direction of improvement	Baseline (2009)	Pro-rata benchmark (2011)	Actual (2011)
LPI Overall Index (score)	↗	3.38	3.49	3.39
ETI Overall Index (score)	↗	4.64	4.79	4.70

Building Infrastructure and Capacity	Direction of improvement	Baseline (2009)	Pro-rata benchmark (2011)	Actual (2011)
ETI Transport Infrastructure Pillar	↗	4.88	5.04	4.92
ETI Transport Services Pillar	↗	4.58	4.74	4.54
ETI ICT Pillar	↗	4.27	4.42	4.75
LPI Infrastructure Index	↗	3.29	3.40	3.35
LPI Logistics Competence Index	↗	3.30	3.41	3.33
LPI % Shipments Meeting Quality Criteria	↗	80.35	83.02	83.52

The 2013 Interim Assessment for Supply Chain Connectivity Framework Action Plan



Findings

1. External indicators assessment

Summary

Cluster	Green	Amber	Red
1. Building Infrastructure & Capacity	2	1	3
2. Streamlining Procedures	6	1	9
3. Strengthening Rules & Institutions	0	0	2
Overall goal	0	1	1
Total	8	3	15

The 2013 Interim Assessment for Supply Chain Connectivity Framework Action Plan



2. Internal indicators assessment

- The results reveal that within three years of SCFAP implementation (2010 to 2012), 77% of actions have been completed. This reflects good progress in terms of project completion and implementation.

3. Self-assessment survey result

- Knowledge sharing or measures in addressing the knowledge gap is the most notable benefit of SCFAP
- SCFAP functions as a platform for economies to communicate with industries and to engage SMEs
- SCFAP helps improve awareness and understanding of new technologies

3. SME's Participation in Global Production Chains



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Background

- SME's Participation in Global Production Chains is one of the Next Generation Trade and Investment Issues of APEC.
- PSU was tasked to prepare an Issues Paper to review available studies relating to SME's participation in global production chains and to identify areas where APEC can add value.

Current Situation (1)

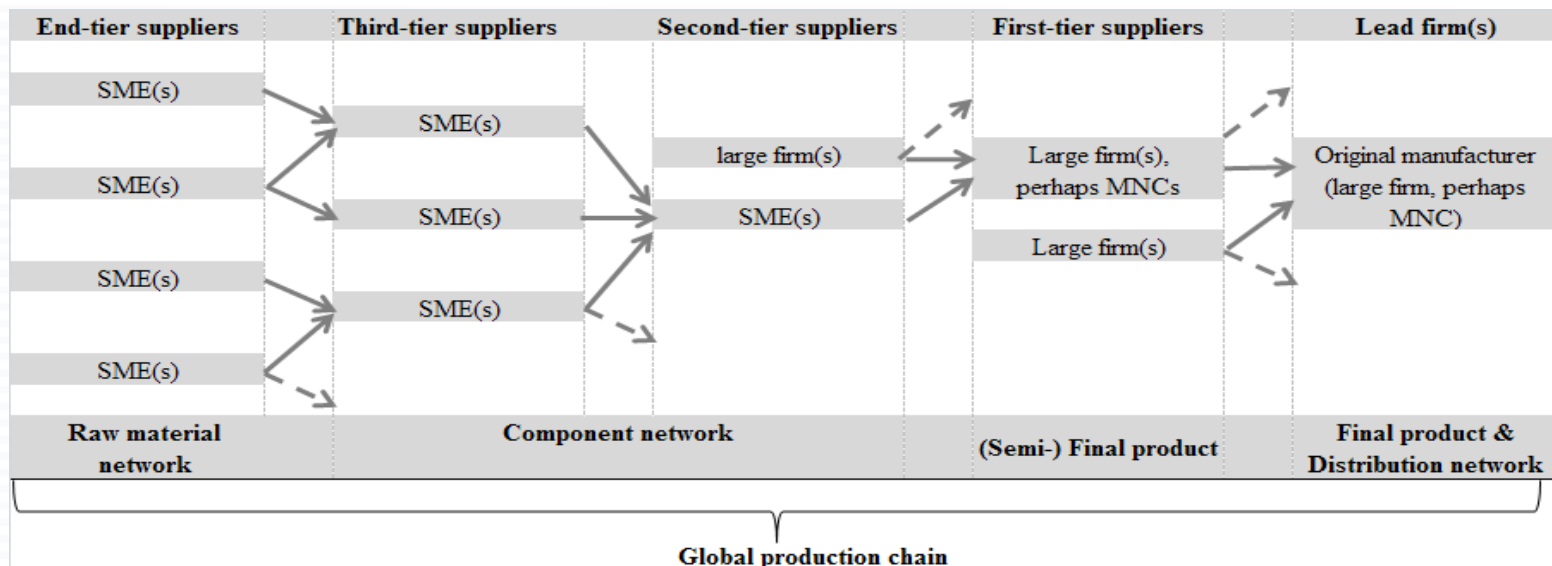


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❖ The level of SMEs' participation in the GPCs is generally low.

	All Countries	Malaysia	Thailand	Philippines	Indonesia	Viet Nam
Number of firms in PN	2203	646	619	352	206	380
PN firms as % of all firms	37.3	59.7	59.3	26.9	14.5	36.4
SMEs in PN as % of all SMEs	22	46.2	29.6	20.1	6.3	21.4
Large firms in PN as % of all large firms	72.1	82.4	91.1	51.1	52	64.6

❖ SMEs are seen as second- or third-tier suppliers in GPCs.

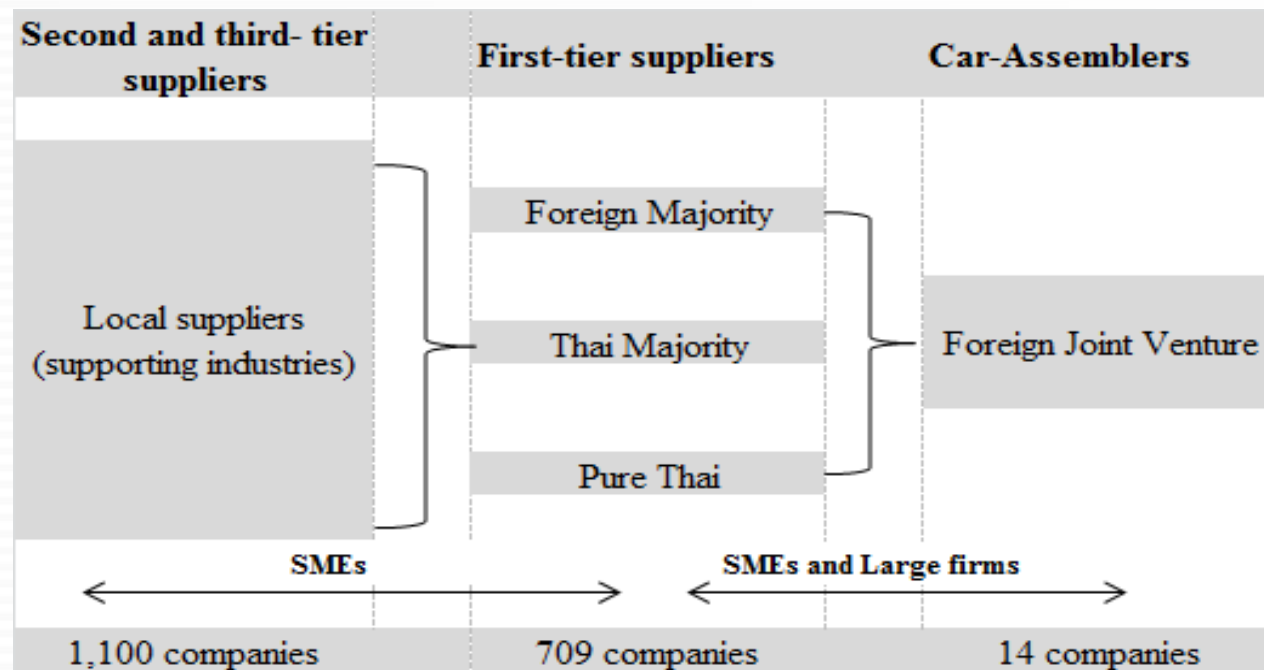


Current Situation (2)



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- ❖ A small but significant number of SMEs upgrade and become high-tier SMEs or even large firms.

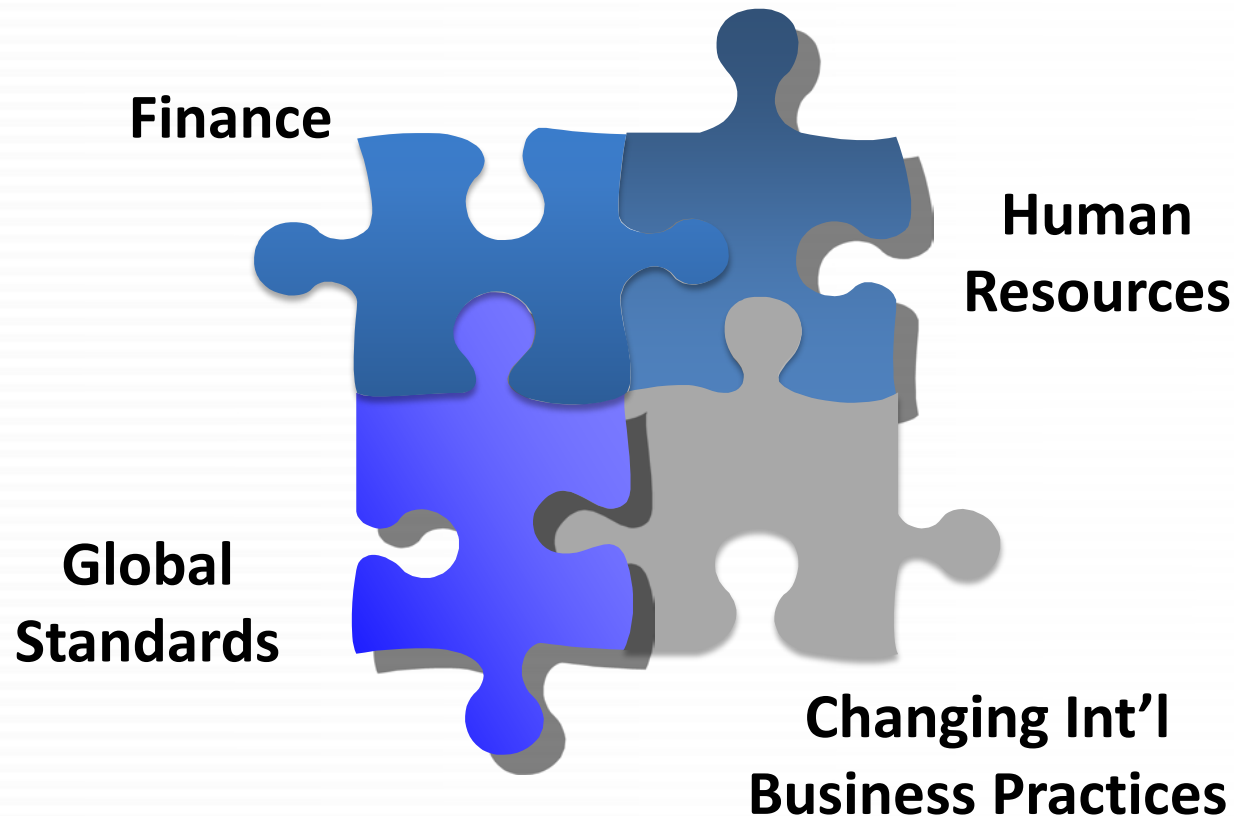


- ❖ SMEs account for a small share of overall value added in GPCs.

Barriers to participation



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- ❖ Barriers to SME participation in GPCs are inter-locked which aggravates the negative effects.

Addressing obstacles to participation



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| - Creating an enabling environment |
| - Addressing SME financing barriers |
| - Supporting SMEs' upgrading along GPCs |
| - Preparing SMEs for changing environment |
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- ❖ Policies that strengthen the capacity of SMEs in a broad manner, will increase the chances for SMEs to become players in GPCs; but they by and large also suffer from several common weaknesses, such as **multiplicity of objectives, lack of coordination among different agencies, and weak follow-up or evaluation.**

4. Economic Impact of Submarine Cable Disruptions

- Varies depending on the size of economy and network effects
e.g. a fault in all landing points in Australia would entail direct costs for cable repair of US\$2.2 million and indirect economic cost of US\$3.2 billion due to the loss of international internet traffic
- Korea – indirect cost US\$1.2 billion
- Canada – zero because there is alternative overland connectivity
- **Implication on disaster preparedness**

Future Research: Next Generation Trade and Investment Issues related to Trade Facilitation



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- Resilience of GVCs
- SMEs and GVCs
- Chokepoints, details
- Sectoral studies of GVCs (electronics- done; other sectors may also be carried out)
- Services in GVCs