Joint United Nations Regional Commissions
Trade Facilitation and Paperless Trade Implementation Survey 2015

Note on Asia-Pacific
Least Developed Countries

Prepared by

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Contents

1. Introduction .......................................................................................................................................... 1

2. Trade facilitation implementation in LDCs: Overview ................................................................. 2
   2.1 Most and least implemented trade facilitation measures...................................................... 3

3. Implementation of trade facilitation measures: A closer look ...................................................... 5
   3.1 “Transparency” measures .......................................................................................................... 5
   3.2 “Formalities” facilitation measures ............................................................................................ 6
   3.3 “Institutional arrangement and cooperation” measures ............................................................ 8
   3.4 “Paperless trade” measures ....................................................................................................... 9
   3.5 “Cross-border paperless trade” measures .................................................................................. 11
   3.6 “Transit facilitation” measures .................................................................................................. 12

4. Moving up the trade facilitation ladder towards seamless international supply chains ............. 14

Disclaimers:

This note is a complement to the more elaborate Regional (Asia-Pacific) Report. It should best be read in conjunction with it, as well as the associated Country Notes, which can be found at: http://unnext.unescap.org/UNTFSurvey2015.asp

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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. 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 successful conclusion of the negotiations on a WTO Trade Facilitation Agreement in December 2013, and the progress made at ESCAP on developing a complementary regional arrangement for the facilitation of cross-border paperless trade since 2012.

This note is part of a new global effort by all United Nations Regional Commissions (UNRCs), 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. It features the results of the 2015 UNRCs Joint Survey on Trade Facilitation and Paperless Trade implementation for Least Developed Countries (LDCs), covering Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao PDR, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu. This note is a complement to the more elaborate Regional (Asia-Pacific) Report. It should best be read in conjunction with it, as well as the associated Country Notes.

The survey was prepared taking into account the final list of provisions included in the WTO Trade Facilitation Agreement (TFA) as well as the content of the draft text of the regional UN treaty on cross-border paperless trade facilitation under negotiation at ESCAP. It covers 38 trade facilitation measures divided into four groups, namely, General trade facilitation measures, Paperless trade, Cross-border paperless trade and Transit facilitation. The General trade facilitation measures – as well as Transit facilitation measures – are essentially measures featured in the WTO TFA. In contrast, 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 implementation of many of the General trade facilitation measures. Survey results for Least Developed Countries are presented below.

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2 For example, see ESCAP (2011), Asia-Pacific Trade and Investment Report 2011, United Nations.
3 The survey has been conducted in close collaboration with OECD, ITC and UNCTAD, as well as several sub-regional organizations, such as SELA in Latin America, and OCO in the South Pacific.
4 More information is available in the regional, other sub-regional and national reports at: http://unnext.unescap.org/UNTFSurvey2015.asp
5 The survey questionnaire is available in full at: http://unnext.unescap.org/tfforum14-survey.asp
2. Trade facilitation implementation in LDCs: Overview

Figure 1 shows the overall implementation levels of 12 Least Developed Countries based on a common set of 31 trade facilitation and paperless trade measures included in the survey.\textsuperscript{6} The average implementation of this comprehensive set of trade facilitation measures stands at 29.1% in LDCs, which is below the Asia-Pacific regional average (46.5%).

![Figure 1: Overall implementation of trade facilitation measures in LDCs](image)

Interestingly, regional integration processes appear to have played a significant and positive role in trade facilitation implementation. Cambodia and Lao PDR, which are both LDCs in South-East Asia and part of ASEAN – where regional cooperation on trade facilitation has long been promoted – achieve higher average implementation rates than LDCs in other sub-regions. Meanwhile, Vanuatu also stands out as having the highest implementation rate among LDCs from Pacific Island Developing Economies.

\textsuperscript{6} Among 38 trade facilitation measures surveyed, three measures including 20. Electronic Submission of Sea Cargo Manifests, 33. Alignment of working days and hours with neighbouring countries at border crossings, and 34. Alignment of formalities and procedures with neighbouring countries at border crossings are excluded for calculating the overall score as they are not relevant to all countries surveyed. Similarly, four transit facilitation measures are also excluded. 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. The maximum possible (full) score of a country is 93 and the average score across all 44 countries is 43.3 (or 46.5% in percentage term).
Figure 2 presents an overview of the implementation of trade facilitation measures (measured by percentage) in Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS) in the Asia-Pacific region, as well as the average level of implementation of countries within each group. LDCs, LLDCs and SIDS are all Countries with Special Needs, and face particular challenges in the implementation of trade facilitation, especially paperless trade and cross-border paperless trade measures. This is reflected in the average implementation level of these countries, which varies between 25% and 35% and are all notably relatively lower than the regional Asia-Pacific average (46.5%). LDCs are in the middle between LLDCs and SIDS, with an average implementation rate of 29.1%.

**Figure 2: Trade facilitation implementation in Asia-Pacific Countries with Special Needs**

![Scatter plot showing trade facilitation implementation in Asia-Pacific countries](image)

- **Trade Facilitation Implementation of individual economies (%)**
- **Average Trade Facilitation Implementation of the group (%)**

*Source: ESCAP, UNRCs TF Survey 2015*

### 2.1 Most and least implemented trade facilitation measures

In Least Developed Countries, *Transparency, Formalities, Institutional arrangement and cooperation* and *Transit* are the most implemented, while *Paperless trade* and *Cross-border paperless trade* are the least implemented. Specific measures under each category are discussed in Table 2.
Figure 3: Implementation of different groups of trade facilitation measures: LDCs average

Notes: Blue dots show regional average implementation level of individual measures within each group.  
Average LDC implementation level by groups of measures.
Source: ESCAP, UNRCs TF Survey 2015

Table 1: Most and least implemented measures in LDCS  
(within each group of trade facilitation measures)

<table>
<thead>
<tr>
<th></th>
<th>Most implemented</th>
<th>Least implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transparency</strong></td>
<td>Stakeholder consultation on new draft regulations (prior to their finalization)</td>
<td>Advance ruling (on tariff classification)</td>
</tr>
</tbody>
</table>
| **Formalities**              | 1. Pre-arrival processing
2. Risk management                                                               | Trade facilitation measures for authorized operators                            |
| **Institutional arrangement and cooperation**                                   | Cooperation between agencies on the ground at the national level                  | Government agencies delegating controls to Customs authorities                   |
| **Paperless trade**          | Internet connection available to Customs and other trade control agencies at border-crossings | 1. Electronic Single Window System
2. Electronic Application and Issuance of Trade Licenses
3. Electronic Application and Issuance of Preferential Certificate of Origin |
| **Cross-border paperless trade** | Laws and regulations for electronic transactions                                  | 1. Engagement in trade-related cross-border electronic data exchange
2. Electronic exchange of Sanitary & Phyto-Sanitary Certificate
3. Banks and insurers retrieving letters of credit electronically
4. Recognised certification authority
5. Electronic exchange of Certificate of Origin |
3. Implementation of trade facilitation measures: A closer look

3.1 “Transparency” measures

Five trade facilitation measures included in the survey can be categorized as “Transparency” measures. They relate to Articles 1-5 of the WTO TFA and GATT Article X on Publication and Administration of Trade Regulations.

![Figure 4: Implementation of “transparency” measures: LDCs average](image)

Source: ESCAP, UNRCs TF Survey 2015

![Figure 5: State of implementation of “transparency” measures for trade facilitation in LDCs (in %)](image)

Source: ESCAP, UNRCs TF Survey 2015
Figure 4 shows that the average level of implementation of all five “transparency” measures in Least Developed Countries is almost 50%, which is lower than the Asia Pacific regional average. Similarly, Figure 5 shows that Stakeholder consultation on new draft regulations is the most implemented “transparency” measure in LDCs, having been at least partially implemented in all countries. Meanwhile, Advance ruling (on tariff classification) is the least implemented of the “transparency” measures, having been at least partially implemented in only around 25% of all countries.

### 3.2 “Formalities” facilitation measures

Eight of the general trade facilitation measures included in the survey are categorized as “formalities” facilitation measures, aimed at streamlining and/or expediting regulatory trade procedures. They relate to Articles 6-10 of the WTO TFA and GATT Article VIII on “Fees and Formalities connected with Importation and Exportation”.

Figure 6 shows that the average weighted implementation score of “formalities” facilitation measures in this sub-region is around 30%, which is lower than the Asia-Pacific regional average. The implementation rates of “formalities” measures in LDCs are presented in Figure 7. Pre-arrival processing is the most implemented measure, having been at least partially implemented in more than 70% of all countries. Risk management also shows good progress, having been at least partially implemented in almost 60% of all countries, and being in the pilot stage of implementation in two countries (Afghanistan and Bangladesh). The least implemented measure is Trade facilitation measures for authorized operators, which has only been partially implemented in less than 10% of all countries.
Figure 6: Implementation of trade “formalities” facilitation measures: LDCs

Figure 7: State of implementation of trade “formalities” facilitation measures in LDCs (in %)

Source: ESCAP, UNRCs TF Survey 2015
3.3 “Institutional arrangement and cooperation” measures

Three trade facilitation measures featured in the survey are grouped under “Institutional and cooperation” measures. These relate 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. All three measures are also specified in various Articles of the WTO TFA.

Figure 8: Implementation of “institutional arrangement and cooperation” measures: LDCs average

![Graph](image)

Source: ESCAP, UNRCs TF Survey 2015

Figure 9: State of implementation of “institutional arrangement and cooperation” measures for trade facilitation in LDCs (in %)

![Graph](image)

Source: ESCAP, UNRCs TF Survey 2015

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7 See, for example, UN/CEFACT Recommendation No. 4 on establishment of national trade facilitation bodies, first issued in 1974.
Figure 8 shows that the average weighted implementation score of the three “institutional arrangement and cooperation” measures in LDCs is around 49%, which is similar to the Asia-Pacific regional average.

Figure 9 shows that Cooperation between agencies on the ground at the national level has been at least partially implemented in 90% of all countries, and is in the pilot stage of implementation in one country (Tuvalu). In contrast, only 30% of the countries have implemented Government agencies delegating controls to Customs authorities, making it the least implemented measure of this group.

### 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.8

The average weighted implementation level of “paperless” measures in Least Developed Countries is around 20% (Figure 10), which is lower than the Asia-Pacific regional average. Figure 11 shows that Internet connection availability is the most implemented measure, having been at least partially implemented in more than 80% of all countries, and in the pilot stage of implementation in one country (Kiribati). Electronic Customs systems and Electronic submission of Customs declarations have also made good progress, having been at least partially implemented in around 70% of all countries. Electronic Customs systems is also in the pilot stage of implementation in one country (Myanmar). In contrast, Electronic application and issuance of preferential certificate of origin, Electronic application and issuance of trade licenses, and Electronic single window system have not been implemented by any country, making them the least implemented measures.

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8 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.”
Figure 10: Implementation of “paperless trade” measures: LDCs average

Source: ESCAP, UNRCs TF Survey 2015

Figure 11: State of implementation of “paperless trade” measures in LDCs (in %)

Source: ESCAP, UNRCs TF Survey 2015
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 12.

**Figure 12: Implementation of “cross-border paperless trade” measures: LDCs average**

![Graph showing the implementation of various measures in LDCs]

**Source:** ESCAP, UNRCs TF Survey 2015

**Figure 13: State of implementation of “cross-border paperless trade” measures in LDCs (in %)**

![Bar chart showing the state of implementation of various measures in LDCs]

**Source:** ESCAP, UNRCs TF Survey 2015
Two of the 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 12, the average weighted implementation of these measures in Least Developed Countries is 7%, which is lower than the Asia-Pacific regional average. Figure 13 shows that the most implemented measure is *Laws and regulations for electronic transactions*, which has been at least partially implemented in 50% of all countries. Meanwhile, *Electronic exchange of Certificate of Origin* and *Recognised certification authority* are both in the pilot stage of implementation in Vanuatu and Lao PDR, respectively. In contrast, the least implemented measures are *Electronic exchange of Sanitary & Phyto-Sanitary Certificate*; *Banks and insurers retrieving letters of credit electronically without lodging paper-based documents*; and *Engagement in trade-related cross-border electronic data exchange*, which have not been implemented in any country.

### 3.6 “Transit facilitation” measures

Three 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 reduce as much as possible all the formalities associated with traffic in transit, allowing goods from one country and destined to another country to be seamlessly transported through one or more other 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 14, the average weighted implementation level of “transit facilitation” measures in the sub-region is around 40% across all measures, which is lower than the Asia-Pacific regional average. Figure 15 shows that Cooperation between agencies of countries involved in transit and Customs Authorities limit the physical inspections of transit goods and use risk assessment are the most implemented measures, having been at least partially implemented in 60% of all countries. In contrast, Supporting pre-arrival processing for transit facilitation has been at least partially implemented in 40% of all countries, making it the least implemented measure in the sub-region.
4. Moving up the trade facilitation ladder towards seamless international supply chains

This note, which is best read in conjunction with the regional (Asia-Pacific) report as well as individual country notes,9 presented data on trade facilitation and paperless trade implementation for Least Developed Countries. Based on an ambitious package of more than 30 trade facilitation measures included in the survey, the average trade facilitation implementation in LDCs is found to be 29.1%, suggesting that there is much scope for improvement. The assessment confirms that while some countries in LDCs have been actively engaged in implementing measures to improve transparency, enhance inter-agency coordination and cooperation, and streamline fees and formalities associated with trade many still struggle with implementing even basic facilities for trade facilitation. In particular, electronic transactions for Customs procedures towards paperless trade, as well as recognition of electronic certificates in cross-border paperless trade transactions are areas that require more focus and improvement.

Implementation of the majority of trade facilitation systems remain at the pilot stage with very low levels of implementation, although some countries such as Lao PDR, Cambodia, and Vanuatu lead the rest in terms of overall initiatives. Some of the challenges mentioned by LDCs, such as lack of coordination between government agencies; lack of political will; lack of a clearly designated lead agency; lack of human and financial resources; and especially high transportation costs in landlocked areas of the group have possibly contributed to the slow implementation of some of these advanced trade facilitation measures.

Figure 16 shows implementation of trade facilitation as a step-by step process, based on the five core groups of measures included in this survey. It also shows the cumulative implementation level of trade facilitation measures in each LDC included in the survey, revealing wide disparities across countries. However, cross-border paperless trade facilitation is the least implemented of all groups of measures, and all countries have significant room to make progress in all areas of trade facilitation, starting with institutional arrangements and enhancing inter-agency cooperation.

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Figure 16: Moving up the trade facilitation ladder towards seamless international supply chains

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

Source: ESCAP, UNRCs TF Survey 2015