

Trade Facilitation in Asia and the Pacific: Comparative Analysis of BPA Cases in the Region

by

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UNITED NATIONS
ESCAP

Economic and Social Commission for Asia and the Pacific

Overview of presentation

- **Trade facilitation/trade cost performance in Asia-Pacific**
 - **ESCAP's Regional Trade Cost Database**
- **Regional Business Process Analysis of Import/Export Procedures**
 - **Findings and Recommendations**

Trade Facilitation (TF) in Asia and the Pacific

- Significant progress made in reducing time of import/export since 2005,
 - but developed economies also improved during that period
- On average, it still takes 30 days to move goods from factory to deck-of-ship at the nearest seaport
 - South Asia: 30 days
 - South-East Asia: 20 days
 - Developed economies: 10 days

(data source: Doing Business Report 2012)

On measuring trade facilitation performance...

- Much progress has been made in developing trade facilitation/costs indicators
- However, there are limitations, including:
 - Little or no information on bilateral/regional/south-south trade costs
 - Very large variations in trade efficiency across products and trade routes not captured
- ESCAP is therefore:
 - Developing a database of bilateral and intraregional trade costs [macro]
 - Building capacity in **Business Process Analysis** of import and export processes [micro]

ESCAP's Intraregional Trade Cost Database

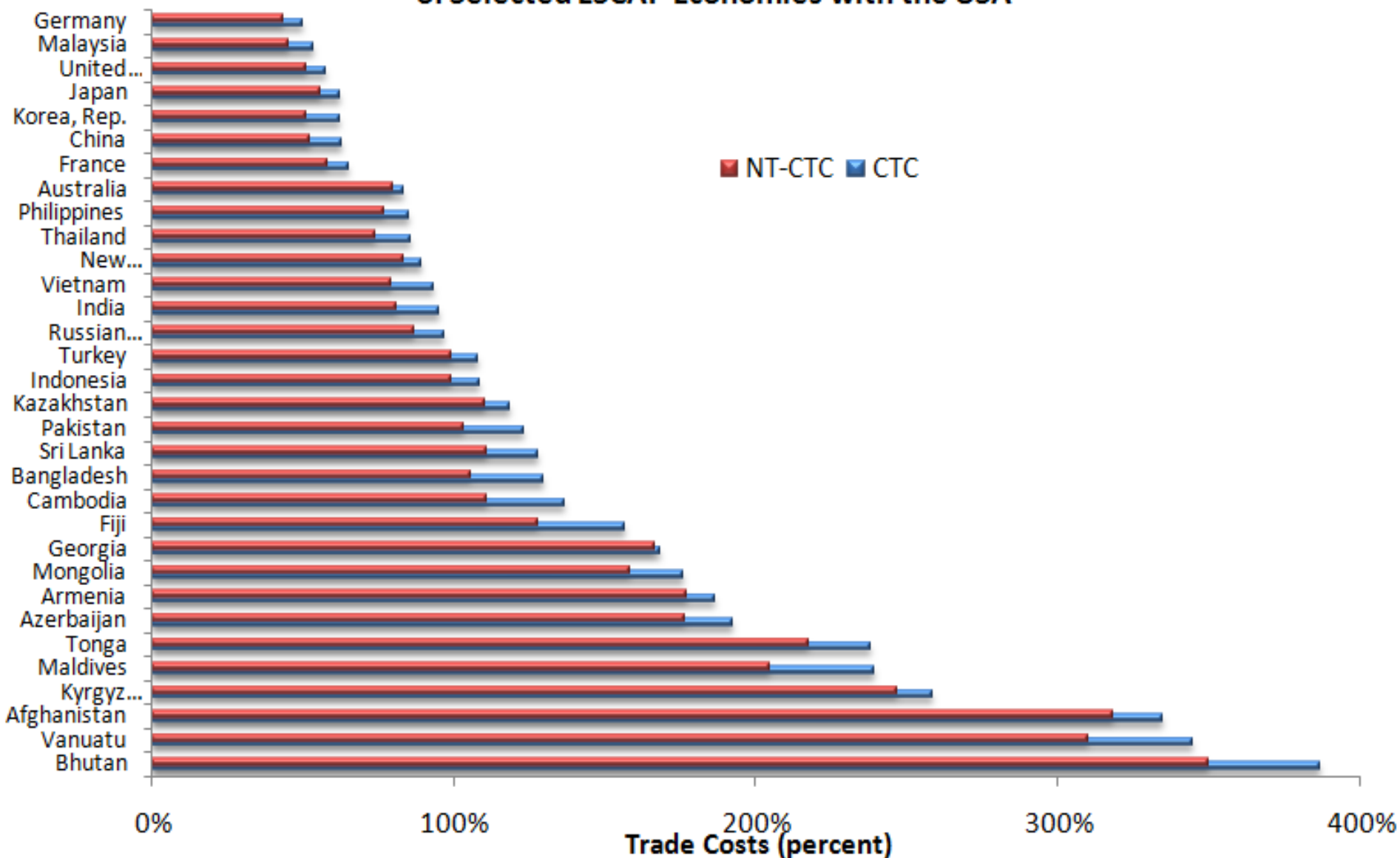
- Based on the comprehensive trade costs measure proposed by Jacks, Meissner and Novy (2009)
 - Measure derived from the gravity equation, i.e., ratio based essentially on bilateral trade data and Gross Output data → “objective” measure of costs
- Captures all *additional costs involved in trading goods bilaterally relative to those involved in trading goods domestically*. It includes
 - International shipping and logistics costs
 - Tariff and non-tariff costs, including indirect and direct costs associated with trade procedures and regulations
 - Costs from differences in language, culture, currencies...

ESCAP's Intraregional Trade Cost Database

(version 2, December 2011)

- Bilateral Comprehensive Trade Costs (CTC)
 - Between 107 countries
 - From 1994 to 2009 (2010 for some countries)
 - 2 sectors: Agricultural CTC & Manufacturing CTC
 - CTC excluding tariffs (NT-CTC) also calculated
- Available at:
- www.unescap.org/tid/artnet/trade-costs.asp

Comprehensive Trade Costs (CTC) and CTC excluding tariff costs of trade (NT-CTC) of Selected ESCAP Economies with the USA



Non-tariff intra and extra regional trade costs in Asia and the Pacific (2007/2009)*

Region	ASEAN-4	East Asia-3	North & Central Asia	SAARC-4	AUS-NZL	EU-3	USA
ASEAN-4	79% (-9.5%)	73% (-5.9%)	291% (-14.2%)	134% (2.1%)	90% (-12.3%)	97% (-4.9%)	77% (3.0%)
East Asia-3	73% (-5.9%)	47% (-21.1%)	187% (-32.7%)	119% (-2.8%)	78% (-15.7%)	70% (-19.0%)	53% (-13.5%)
North & Central Asia	291% (-14.2%)	187% (-32.7%)	149% (-20.5%)	270% (-22.4%)	270% (-22.2%)	149% (-26.0%)	165% (5.0%)
SAARC-4	134% (2.1%)	119% (-2.8%)	270% (-22.4%)	113% (5.0%)	130% (-2.7%)	101% (-3.2%)	99% (5.9%)
AUS-NZL	90% (-12.3%)	78% (-15.7%)	270% (-22.2%)	130% (-2.7%)	45% (-23.5%)	89% (-17.0%)	82% (-11.1%)
EU3	97% (-4.9%)	70% (-19.0%)	149% (-26.0%)	101% (-3.2%)	89% (-17.0%)	32% (-32.6%)	51% (-18.2%)
USA	77% (3.0%)	53% (-13.5%)	165% (-17.3%)	99% (5.9%)	82% (-11.1%)	51% (-18.2%)	

Source: ESCAP Trade Cost Database (version 2).

*values in parenthesis show change since 2001/3 (in %)

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Source: ESCAP Trade Cost Database (version 2).

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Non-Tariff Comprehensive Trade Costs of Selected Economies with India (2007/2009, % ad valorem)



Bilateral Non-Tariff Comprehensive Trade Costs (Manufacturing, 2007-9)

	period	IND	BGD	PAK	LKA	THA	CHN	DEU	USA
India	2007-2009		89%	116%	76%	90%	86%	70%	74%
(IND)			(6%)	(-24%)	(9%)	(-4%)	(-8%)	(-17%)	(-5%)
Bangladesh	2007-2009	89%		142%	127%	130%	133%	101%	104%
(BGD)		(6%)		(-9%)	(11%)	(33%)	(6%)	(7%)	(12%)
Pakistan	2007-2009	116%	142%		127%	118%	105%	94%	94%
(PAK)		(-24%)	(-9%)		(14%)	(-2%)	(-7%)	(-15%)	(-10%)
Sri Lanka	2007-2009	76%	127%	127%		114%	140%	98%	103%
(LKA)		(9%)	(11%)	(14%)		(9%)	(-1%)	(2%)	(23%)
Thailand	2007-2009	90%	130%	118%	114%		66%	79%	72%
(THA)		(-4%)	(33%)	(-2%)	(9%)		(-14%)	(-13%)	(-3%)
China	2007-2009	86%	133%	105%	140%	66%		49%	51%
(CHN)		(-8%)	(6%)	(-7%)	(-1%)	(-14%)		(-28%)	(-15%)
Germany	2007-2009	70%	101%	94%	98%	79%	49%		46%
(DEU)		(-17%)	(7%)	(-15%)	(2%)	(-13%)	(-28%)		(-19%)
United States	2007-2009	74%	104%	94%	103%	72%	51%	46%	
(USA)		(-5%)	(12%)	(-10%)	(23%)	(-3%)	(-15%)	(-19%)	

Source: ESCAP Trade Cost Database (version 2)

Note: Change vis-à-vis 2001-2003 in bracket

Alright, international trade costs are high... But what can be done about it?

→ Need for micro-level analysis to find out procedural bottlenecks (and address them), i.e., **BPA studies**

ARTNeT* Regional Study of Import and Export Processes

Table 2. Country and product coverage of the study

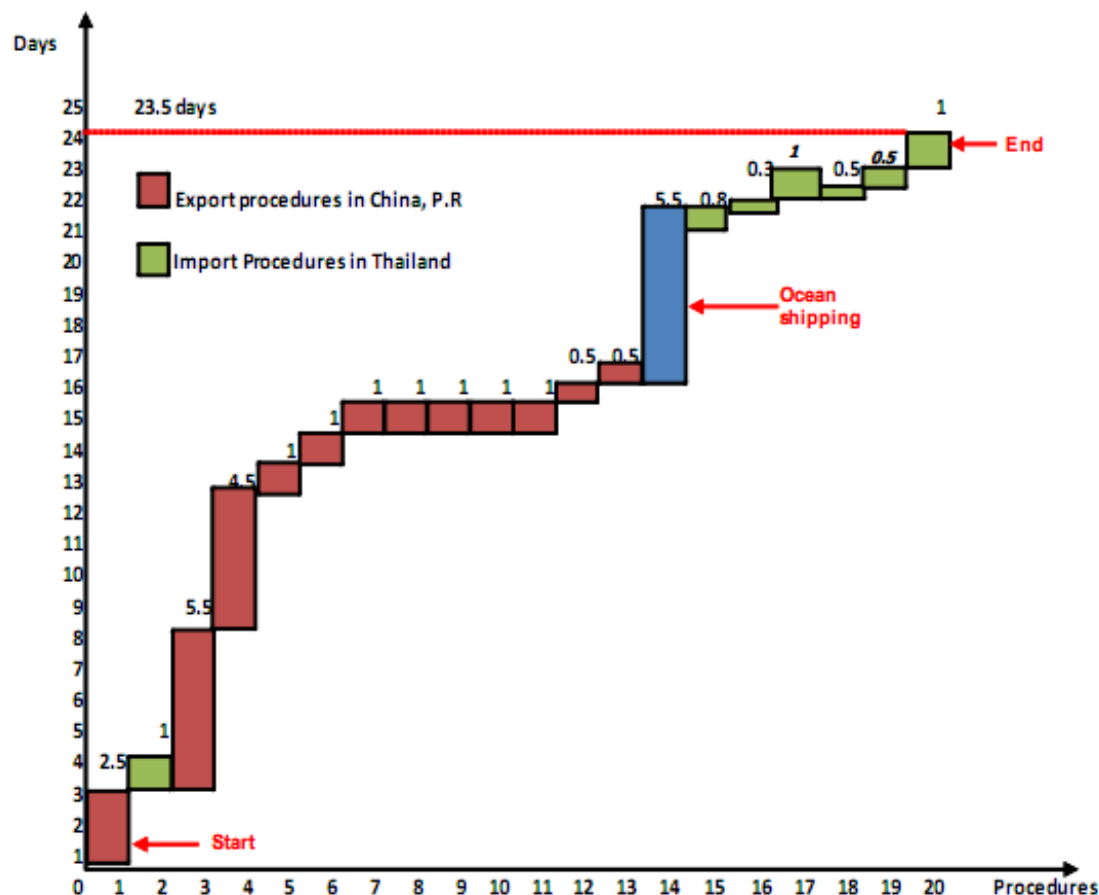
Import Processes	Export Processes							
		Bangladesh	China	India	Japan	Nepal	Sri Lanka	Thailand
	Bangladesh			Cotton Yarn				Sugar
	China				Fabrics*, Auto parts	Vegetable ghee (fuel)*		
	India	Garments*				Vegetable ghee*, Fabrics*	Rubber tyres	Auto parts*
	Japan	Shrimp*	Garments				Tea	
	Nepal			Textile & clothing*				
	Sri Lanka			Fabrics**	Used cars			
	Thailand		Electronics					

Notes: * indicates import processes excluded from analysis; ** indicates export processes excluded from analysis.



Sr. No	Process	Days
1	Buy	2.50
2	Obtain permission for raw materials release	1.00
3	Obtain export permit	5.50
4	Arrange transport	4.50
5	Arrange inspection	1.00
6	Prepare customs declaration	1.00
7	Collect empty containers from yard	1.00
8	Stuff a container	1.00
9	Transfer to port of departure	1.00
10	Clear goods through customs	1.00
11	Handle containers and stow on vessel	1.00
12	Obtain cargo insurance	0.50
13	Prepare documents for payment	0.50
14	Ocean shipping	5.50
15	Request for vessel berthing	0.75
16	Unload goods from vessel	0.25
17	Declare goods to Customs	1.00
18	Arrange goods for inspection	0.50
19	Inspect and release goods	0.50
20	Pay	1.00
	Total	23.50

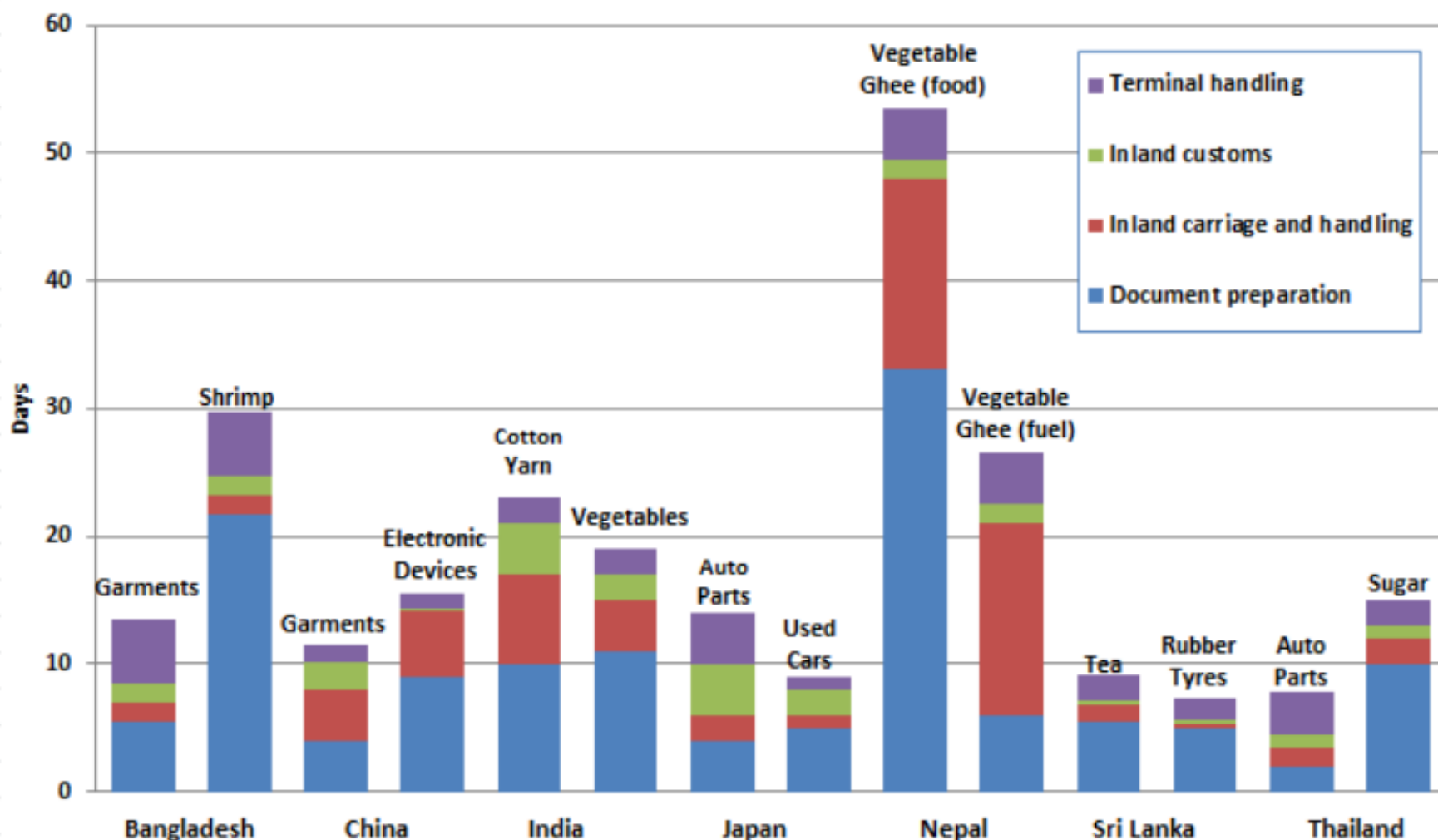
Trade in Electronics from CHINA to THAILAND



Source: ARTNeT Working Papers 88 and 103.

Number of parties: 11 on export side; 12 on import side
Number of documents: 17 on export side; 44 on import side

Figure 9. Export time for selected products and countries in Asia (adjusted)*



Notes: *Adjusted to the DBD approach, i.e., time for moving goods from factory to deck of sea vessel. See Annex 5 for details on the method of adjustment.

Source: Authors' calculations based on ARTNeT Working Papers.



Some findings from the BPA studies

- Document preparation takes most time, followed by transport/handling issues
- “Basic” trade facilitation measures not always in place
- Procedures between private parties are a very big part of the overall trade process
- Different countries require different documents and information for a same export product
 - Harmonization of procedures and documentary requirements crucial
- Importance of port logistics confirmed
- ...
- Large variations in time and cost across products (or product usage), transport routes, destination, firm size,...

Note: The ARTNeT study was exploratory in nature. Data collected needs to be carefully validated (e.g., through multi-stakeholder meetings).

Policy Recommendations (1)

- *Full and inclusive representation of the private sector in trade facilitation initiatives is essential.*
- *Implementation of basic trade facilitation measures should be consistently enforced and re-enforced nation-wide.*
- *Paperless trade, including development of national and regional single windows, needs to be prioritized for trade facilitation.*
- *Physical inspections should be minimized whenever possible, in particular through adoption of risk management techniques by all organizations involved in the trade process.*

Policy Recommendations (2)

- *National trade facilitation performance monitoring mechanisms are needed to identify the real and most important barriers to trade efficiency.*
- *Healthy competition among transport, logistics and other trade-related service providers should be encouraged*
- *Reviewing payment systems and their efficiency may reveal new opportunities for improving trade facilitation performance.*
- *Industry-specific trade facilitation programmes should be considered, in particular for agricultural products.*
- *Harmonization of documentary requirements across countries should be actively pursued.*
- *Bilateral and regional free trade agreements should systematically address trade facilitation issues.*

Concluding Remarks / Way Forward

- A lot of room for improvements in trade facilitation
- Region is home to worst and best TF performers: much can be gained from regional exchange of knowledge and experiences
- Strong political will as key to making progress on TF issues
- Where to start? Comprehensive and detailed understanding of (existing) trade procedures and processes

For more information

www.unescap.org/unnext/

UNNEXT
United Nations Network of Experts for
Paperless Trade in Asia and the Pacific

UNITED NATIONS
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Recent and upcoming events:

- ESCAP-ECO Joint Trade Facilitation Forum on Paperless Trade and Single Window, 24-25 May 2012, Kish Island, Islamic Republic of Iran
- ESCAP-ADB Capacity Building Workshop on Single Window Implementation, 23-26 April 2012, Seoul, Republic of Korea
- UNNEXT Workshop on Business Process Analysis for Single Window Implementation, 8-10 February 2012, Vientiane, Lao PDR
- UNNEXT Workshop on Single Window Project Planning and Implementation, 14-15 December 2011, Geneva, Switzerland
- Global Trade Facilitation Conference 2011, 12-13 December 2011, Geneva, Switzerland
- UNNEXT Capacity Building Workshop on Electronic Message Development for Single Window Environment in Mongolia, 30 November - 2 December 2011, Ulaanbaatar, Mongolia

[Previous Announcements]

UNNEXT Policy Brief



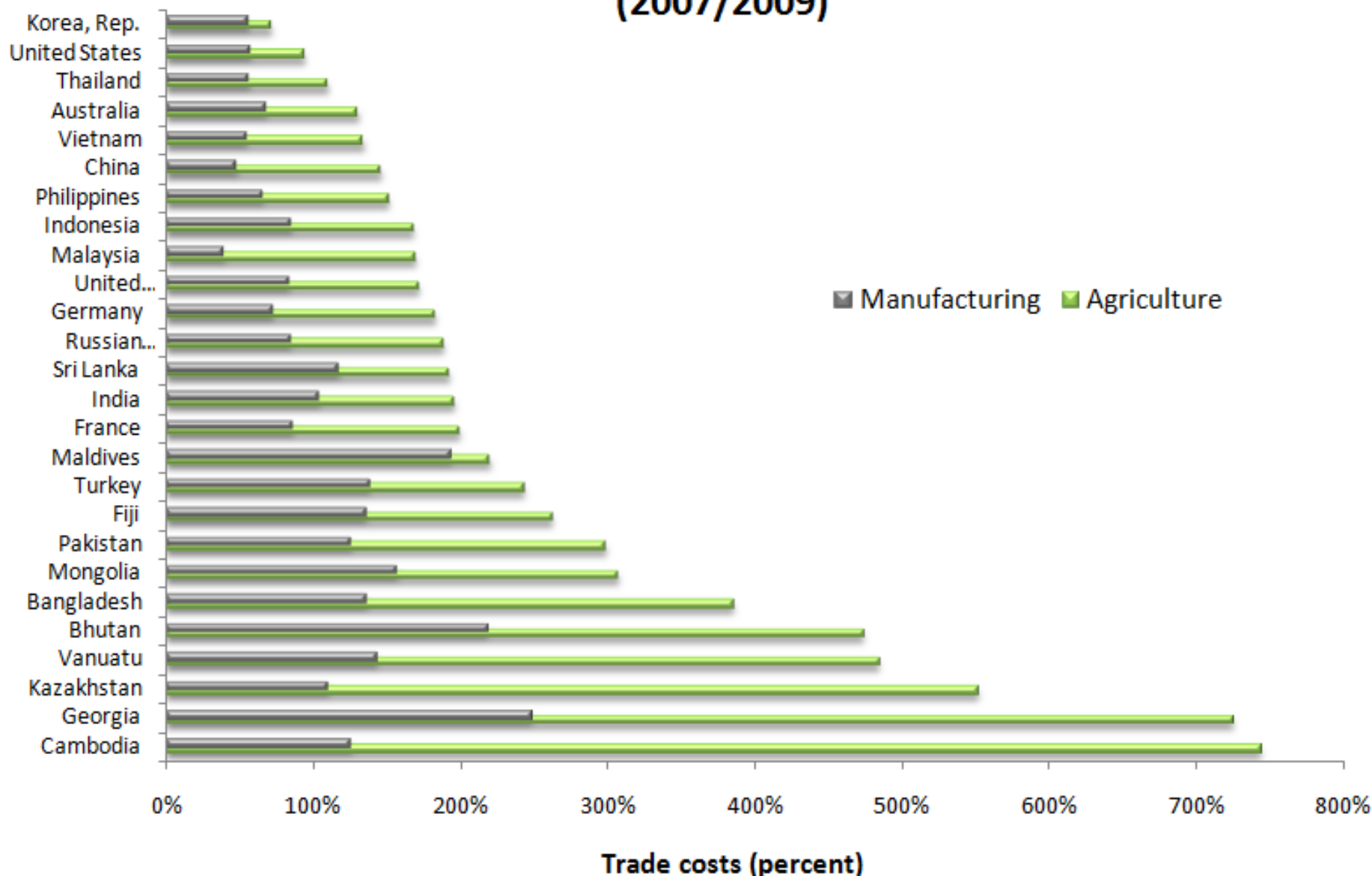
Useful Links:

- United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT)
- Asia-Pacific Research and Training Network on trade (ARTNet)
- Pan-Asian E-Commerce (PAA.net)

Thank You (duvaly@un.org)

Annex

Non-Tariff Comprehensive Trade Costs of Selected ESCAP Economies with Japan (2007/2009)



What explains variations in trade costs across countries?*

Tariff costs

0-10%

10%

10%

25%

1%

50+ %

Availability/use of ICT services

Quality of Business environment

Liner Shipping Connectivity (port and maritime services efficiency)

Direct cost of trade procedures

Other factors, including:

- Indirect cost of trade procedures
- Currency / exchange rate
- Non-tariff Measures (SPS, TBT)

Policy-related Non-Tariff trade costs

60-90%

Natural trade costs (geographic and cultural distance between countries)

10-30%

Lessons learned from past TF projects

- Institutional mechanism for TTF important, but no “one size fits all”
 - → Strengthen existing mechanism rather than develop new ones
- Important to chose the right lead agency
 - Customs vs. Transport ministry vs. Trade ministry
- Existing business associations may not be representative of the whole range of private stakeholders
 - → Support development of more relevant and inclusive business associations
- Customs typically have higher capacity than other government agencies (OGAs)
 - → Focus more on OGAs when feasible

Lessons learned from past TF projects

- Best to address Transport & Trade Facilitation (TTF) in an integrated manner...
 - → Corridor and SEZ approach may be more realistic in some cases than national TF initiatives
- prefer pragmatic step-by-step and flexible approach,
 - rather than spend a lot of resources on supporting, e.g., negotiation of a comprehensive TTF agreement which may then never be implemented
- Import/export time, costs and their predictability are affected by a wide range of factors
 - Bottlenecks may not be where we think they are...
 - → **Build strong trade process analysis and performance monitoring into TTF initiatives**
 - always keeping the end-result in mind (i.e., making international trade more efficient)

Other recommendations

- → use/build upon existing frameworks, tools, and standards
 - → take the time to develop partnerships with existing players
- → Directly encourage/support participation of officials and project managers in regional and global TTF networks and events
 - → tap into existing regional and international TTF knowledge networks when supporting capacity building (e.g., UNNExT, GFPTT...)
- → National TF programmes should be linked to subregional/regional programmes whenever possible
- → **More sharing of information between development partners needed**