

*Trade and Transport Facilitation Audit in South Asia
Kathmandu, Nepal, 1 October 2013*

Trade Costs and Facilitating Trade: An Asia-Pacific Perspective

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- I** Introduction
- II** Trade costs in Asia-Pacific and key policy drivers
- III** What have Asian countries done to facilitate trade?
- IV** Way forward in Asia-Pacific and Lessons learned

*Discussion of methodology for calculating trade costs is available at
Duval, Y. and C. Utoktham (2011), *Intraregional Trade Costs in Asia: A Primer*,
Asia-Pacific Development Journal, 18(2), pp. 1-23.*



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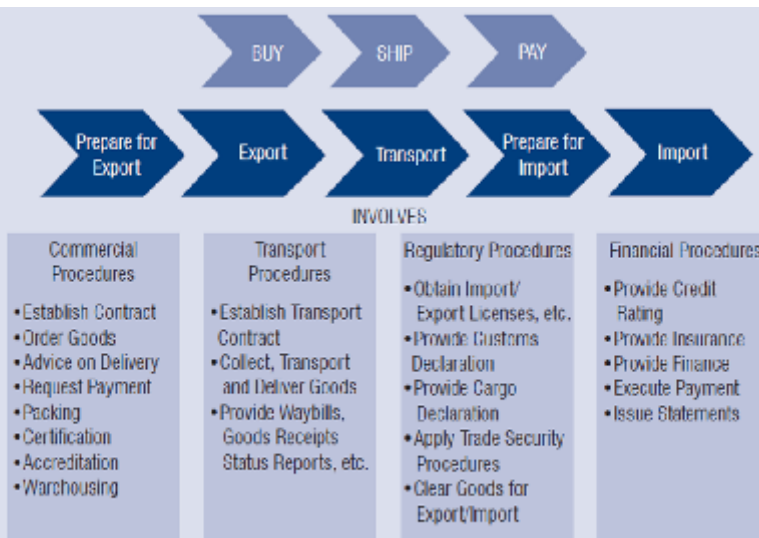
Trade Facilitation (TF)? - Definition



- “the simplification and harmonization of international trade procedures”
- **“increasing the cost effectiveness of international trade transactions”**



Trade Facilitation? → Definition



Source: United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). 2008.

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ESCAP-WB Trade Cost: Definition

- Our measure of **ad valorem trade costs**:

$$\tau_{ij} = \tau_{ji} = \left(\frac{t_{ij}t_{ji}}{t_{ii}t_{jj}} \right)^{\frac{1}{2}} - 1 = \left(\frac{X_{ii}X_{jj}}{X_{ij}X_{ji}} \right)^{\frac{1}{2(\sigma-1)}} - 1$$

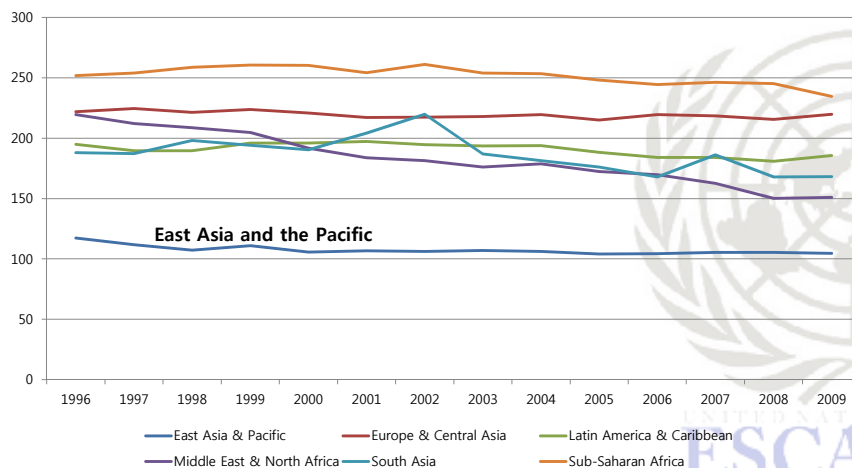
Where

- **τ_{ij} denotes geometric average trade costs between country i and country j**
 - t_{ij} denotes international trade costs from country i to country j
 - t_{ji} denotes international trade costs from country j to country i
 - t_{ii} denotes intranational trade costs of country i
 - t_{jj} denotes intranational trade costs of country j
 - **X_{ij} denotes international trade flows from country i to country j**
 - **X_{ji} denotes international trade flows from country j to country i**
 - **X_{ii} denotes intranational trade of country i**
 - **X_{jj} denotes intranational trade of country j**
 - **σ denotes intra-sectoral elasticity of substitution (which is set = 8)**

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International trade costs in developing regions*

Asia-Pacific region as a whole doing relatively well...



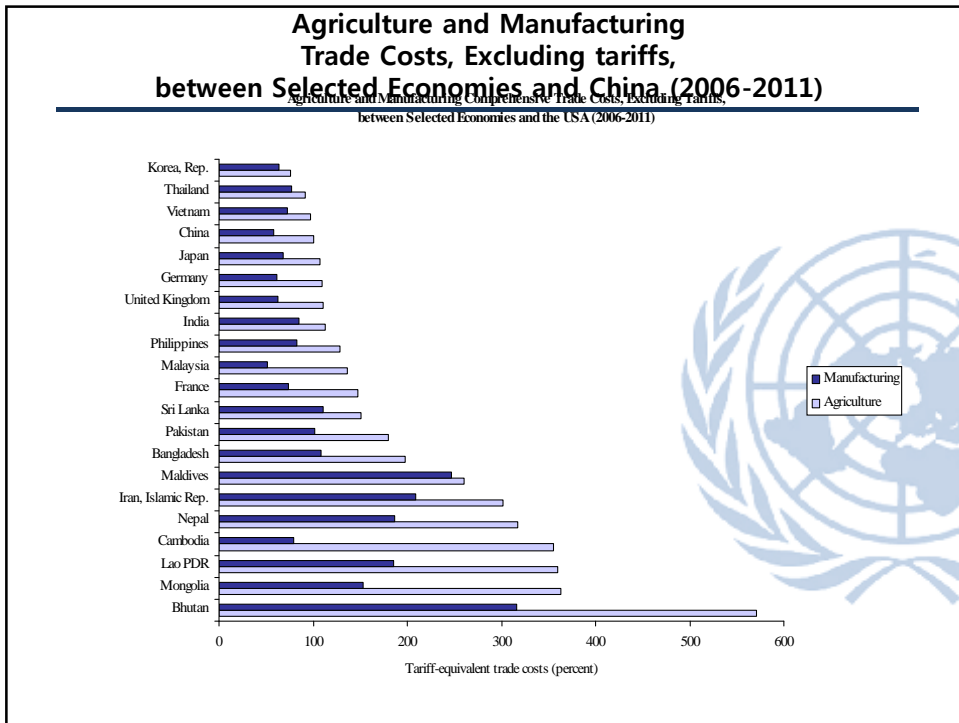
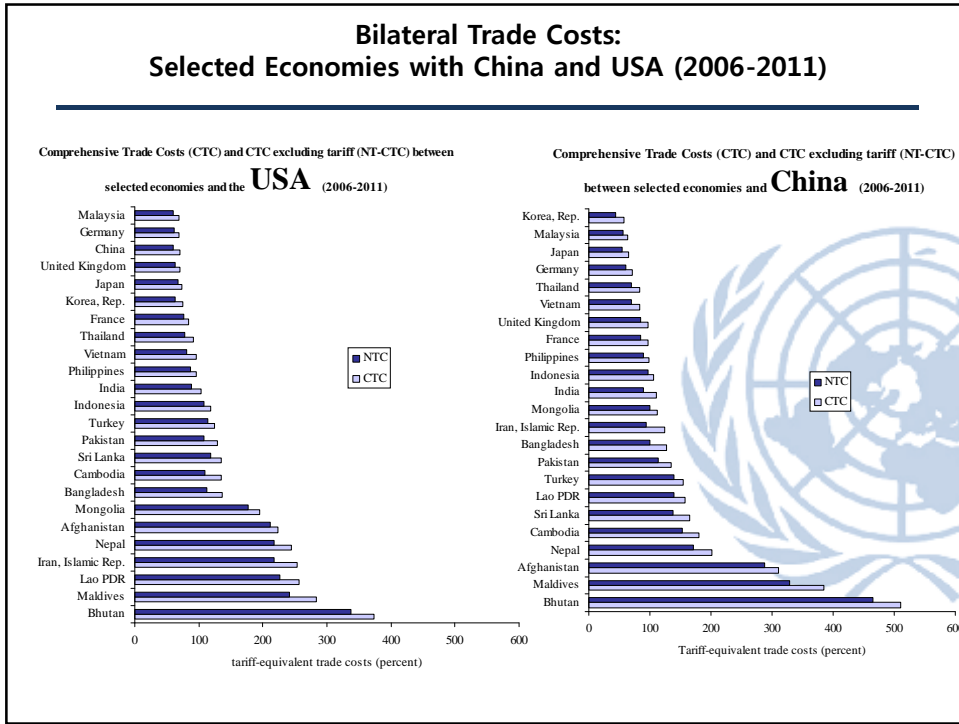
*based on ESCAP-World Bank International Trade Cost Database
<http://data.worldbank.org/data-catalog/trade-costs-dataset>

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Intra- and Inter-regional trade costs of Asia and the Pacific subregions*

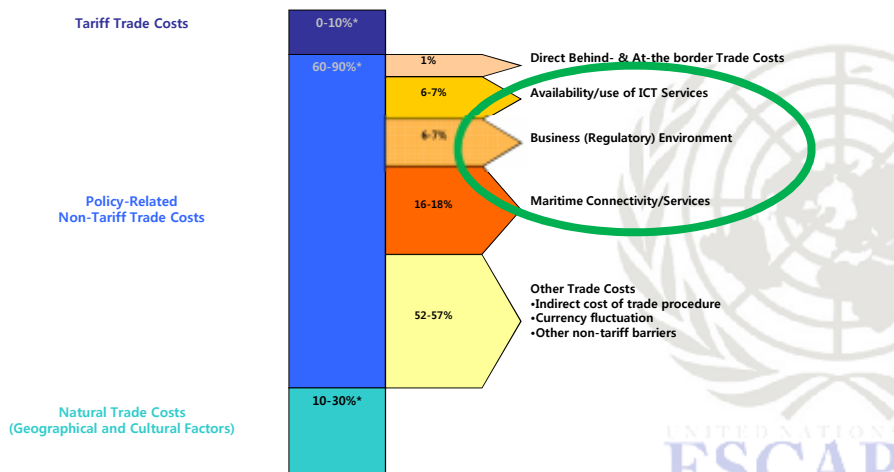
Region	ASEAN-4	East Asia-3	North and Central Asia	SAARC-4	AUS-NZL	EU-3	USA
ASEAN-4	75 (3.08%)	78 (7.71%)	381 (7.94%)	126 (0.74%)	86 (-11.54%)	110 (6.58%)	84 (12.36%)
East Asia-3	78 (7.71%)	52 (-8.46%)	221 (-12.09%)	125 (1.85%)	80 (-14.21%)	86 (-5.59%)	63 (-1.36%)
North and Central Asia	381 (7.94%)	220 (-12.09%)	141 (0.47%)	260 (-13.15%)	296 (-14.39%)	166 (-4.86%)	191 (3.46%)
South Asia (SAARC-4)	126 (-11.54%)	125 (-14.21%)	261 (-14.39%)	105 (-0.65%)	127 (-8.08%)	115 (5.96%)	108 (8.26%)
South Asia (Bangladesh, India, Pakistan and Sri Lanka)	127 (-11.54%)	102 (-14.21%)	270 (-14.39%)	127 (-8.08%)	102 (-8.08%)	102 (5.96%)	90 (-4.67%)
European Union (EU-3)	110 (6.58%)	86 (-5.59%)	166 (-4.86%)	115 (5.96%)	102 (-5.90%)	46 (-0.38%)	67 (1.07%)
USA	84 (12.36%)	63 (-1.36%)	191 (3.46%)	108 (8.26%)	89 (-4.67%)	67 (1.07%)	

*Based on ESCAP-World Bank trade cost database, excluding tariff costs.
 Percentage changes in trade cost between 2001-2004 and 2007-2010 are in parentheses.



Key factors in lowering trade costs – Asia-Pacific Perspective

Contribution of natural barriers, behind-the border facilitation and trade-related practice to trade costs

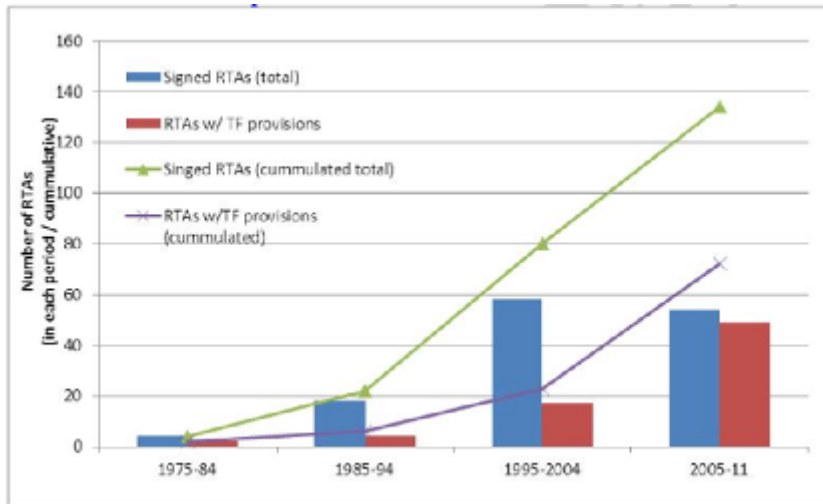


* Illustrative based on casual observation of the data only. Natural trade costs for landlocked countries may be outside the range shown for natural trade costs.

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Bilateral/regional trade agreements with trade facilitation provisions involving Asia-Pacific countries

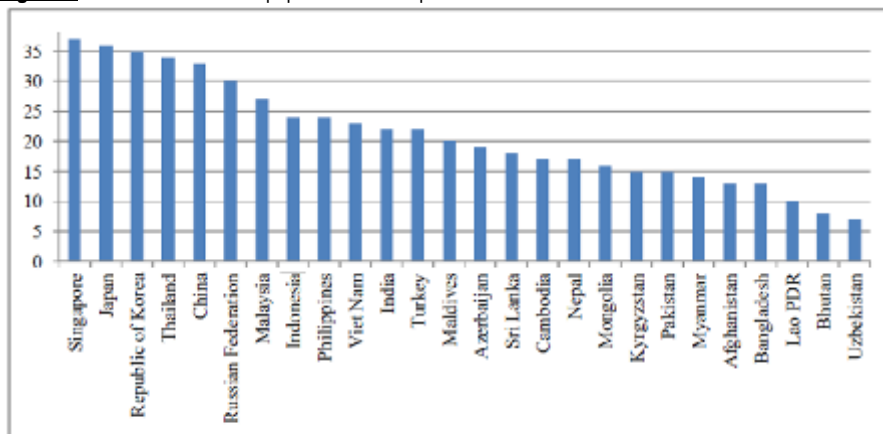


Source: Duval (2011)

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Trade facilitation & paperless trade implementation in Asia – APTFF Survey 2012

Figure 1. Trade Facilitation and paperless trade implementation scores of selected Asian countries



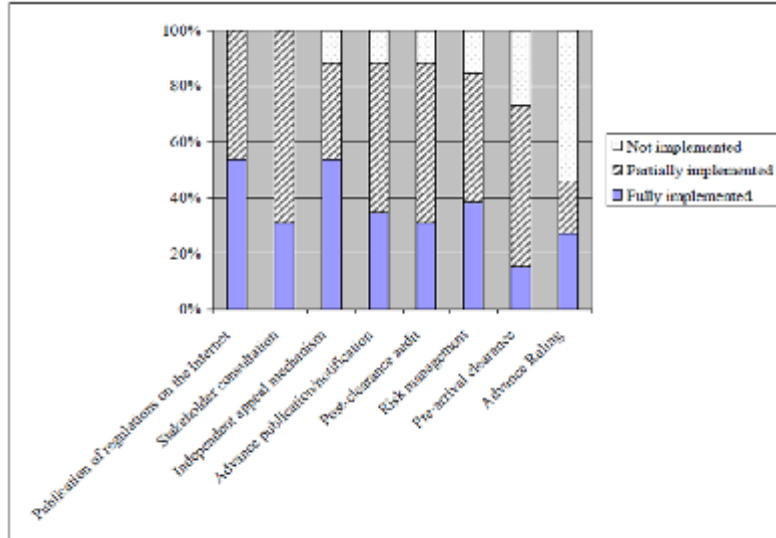
Note: a large score means advanced level of implementation.

Source: calculated based on the APTFF 2012 survey data.

Surveys were completed by participants to the Asia Pacific Trade Facilitation Forum (APTFF) 2012 involved in trade facilitation in their own countries, as well as other selected experts. Following consistency checks and collection of additional and complementary data by ESCAP after the Forum, a dataset of trade facilitation implementation in 26 Asian countries was finalized for the year 2012. The Survey questionnaire and the data set are available at: <http://www.unescap.org/tid/projects/tfforum12-survey.asp>

Trade facilitation & paperless trade implementation in Asia – APTFF Survey 2012

Implementation of WTO-related trade facilitation measures by Asian countries



Source: APTFF 2012 survey

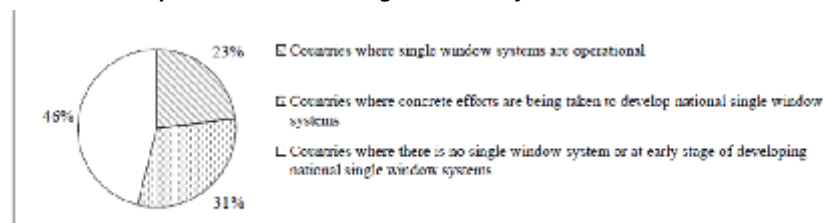
Trade facilitation & paperless trade implementation in Asia – APTFF Survey 2012

Availability of electronic/automated customs systems in Asian countries



Source: APTFF 2012 survey

Development of National Single Window system in Asian countries



Source: APTFF 2012 survey

Lessons learned from Asian experience

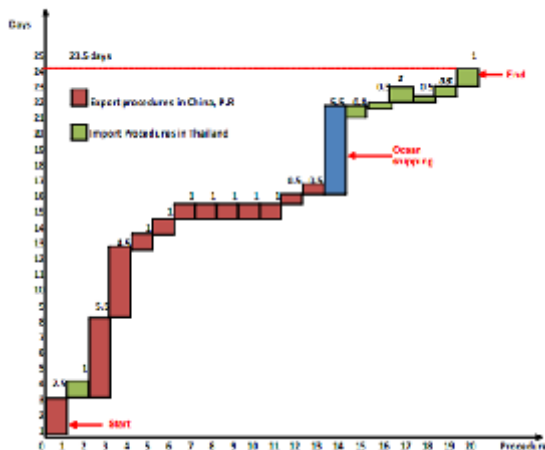
- Trade facilitation begins at home
 - Strong political will a must
- Institutionalize trade facilitation / assign a lead agency
 - Regular stakeholder consultations
 - **Consult and systematically involve the private sector**
- Set long-term targets
 - National/regional paperless trade
- Apply information and communication technologies (ICT)
 - Don't forget the legal framework
- Take a holistic approach to trade facilitation in order to identify bottlenecks along the entire supply/transaction chain
 - Services and behind the border measures often key to efficiency
 - Measure progress & update strategy accordingly

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Business Process Analysis (BPA) for Trade Facilitation

Sr. No	Process	Days
1	Buy	2.50
2	Obtain permission for raw material's 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

For more information, visit the *United Nations Network of Experts for Paperless Trade in Asia and The Pacific*

www.unescap.org/unnext/

The screenshot shows the UNNEXT website homepage. At the top, there are logos for UNNEXT, ESCAP, and UNECE. Below the logos is a navigation menu with items like 'Home', 'About UNNEXT', 'Contact Us', 'Privacy Policy', 'Terms of Use', and 'Site Map'. The main content area features a large image of a port with a crane and a table of data. Below this is a section titled 'Recent and upcoming events:' with a list of events. A red dashed box highlights the 'Menu' section on the right side of the page.

Menu

- What is UNNEXT?
- UNNEXT Governance
- Events and Activities
- UNNEXT Policy Work
- UNNEXT Tools
- UNNEXT Database
- Privacy Policy
- Contact Us

Recent and upcoming events:

- ESCAP/ECO-Asia Trade and Logistics Forum on Paperless Trade and Single Window, 30-25 May 2012, Hanoi, Viet Nam and the Republic of Viet Nam
- UNNEXT/ADB Country Workshop on Building on Single Window Initiatives, 28-29 April 2012, Bishkek, Republic of Kyrgyzstan
- UNNEXT Workshop on Business Process Automation for Single Window Implementation, 8-10 February 2012, Vientiane, Lao PDR
- UNNEXT Workshop on Single Window Design and Implementation, 14-15 November 2011, Davao, Philippines
- Global Trade Facilitation Conference 2011, 12-13 December 2011, Geneva, Switzerland
- UNNEXT Workshop on Single Window Implementation: Mongolia, 20-21 October 2011, Ulaanbaatar, Mongolia

Local Offices


- UNNEXT/ECO-Asia Trade Facilitation and Customs Business Development
- Asia-Pacific Partnership and Initiative Network on Trade (APNIT)
- International Commerce Centre (ICC)

ANNEX




How to Access Trade Cost Data

<http://www.unescap.org/tid/artnet/trade-costs.asp>



ARTNET

Asia-Pacific Research
and Training Network on Trade



AN INITIATIVE OF
UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

This is a UNESCO/ESCAP/ARTNET initiative.

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ESCAP-World Bank Trade Cost Database


(Global version issued December 2012)

The ESCAP Trade and Investment Division, in support to the ARTNET research programme on trade facilitation, initiated development of a bilateral trade cost database in 2010 in an effort to increase understanding of the cost of trading between countries in Asia and the Pacific and beyond. The trade cost measure, based on WTY (2012), is a comprehensive all-inclusive measure based on micro-theory and estimated using micro-economic data, providing an alternative measure of trade facilitator performance. Following release of a first version of the database in July using trade and GDP data, [1] an improved and updated version 2.0 was released in December 2012, based on gross output data and providing additional trade cost estimates for about 100 countries [2].


In late 2011, United Nations ESCAP and the World Bank (WB) joined forces to develop a common standard methodology for calculating comprehensive international trade costs and provide the research and policy community with a global reference. The resulting ESCAP-World Bank Trade Cost Database covers 178 countries and is available below, as well as in the WB website [3].

- [ESCAP-World Bank Trade Cost Database \(Final 1st\)](#)
- [ESCAP-World Bank Trade Cost Database \(2005-2010\) \(Excel\)](#)
- [Metadata](#)
- [User Guide](#)

Note: Older versions of the databases are available upon request to the authors.



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to the Asia-Pacific Region



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