Trade Costs and Facilitating Trade: An Asia-Pacific Perspective

Tengfei Wang
Economic Affairs Officer, Trade Facilitation Unit, Trade and Investment Division
United Nations Economic and Social Commission for Asia and the Pacific

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

Introduction
What have Asian countries done to facilitate trade?

Table of Contents

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

Trade Facilitation (TF)? - Definition

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

Trade Facilitation? → Definition

Table of Contents

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

ESCAP-WB Trade Cost: Definition

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

\[ \tau_{ij} = \tau_{ji} = \left( \frac{t_{ij} + t_{ji}}{2} \right)^{1/2} - 1 = \left( \frac{X_{ij} X_{ji}}{X_{ij} X_{ji}} \right)^{1/2}\left(\sigma - 1\right) \]

Where

- \( \tau_{ij} \) 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
- \( \sigma \) denotes intra-sectoral elasticity of substitution (which is set = 8)
International trade costs in developing regions*

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

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

*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.
Bilateral Trade Costs: Selected Economies with China and USA (2006-2011)

Comprehensive Trade Costs (CTC) and CTC excluding tariff (NT-CTC) between selected economies and the USA (2006-2011)

Comprehensive Trade Costs (CTC) and CTC excluding tariff (NT-CTC) between selected economies and China (2006-2011)

Agriculture and Manufacturing Trade Costs, Excluding tariffs, between Selected Economies and China (2006-2011)
Key factors in lowering trade costs – Asia-Pacific Perspective

Table of Contents

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

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

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

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

Availability of electronic/automated customs systems in Asian countries

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

---

### Business Process Analysis (BPA) for Trade Facilitation

**Trade in Electronics from CHINA to THAILAND**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Process</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tally</td>
<td>2.50</td>
</tr>
<tr>
<td>2</td>
<td>Obtain pre-approval for raw materials release</td>
<td>1.00</td>
</tr>
<tr>
<td>3</td>
<td>Obtain export permit</td>
<td>6.50</td>
</tr>
<tr>
<td>4</td>
<td>Arrange transport</td>
<td>4.50</td>
</tr>
<tr>
<td>5</td>
<td>Arrange inspection</td>
<td>1.00</td>
</tr>
<tr>
<td>6</td>
<td>Prepare customs declaration</td>
<td>1.00</td>
</tr>
<tr>
<td>7</td>
<td>Collect empty containers from port</td>
<td>1.00</td>
</tr>
<tr>
<td>8</td>
<td>Stuff a container</td>
<td>1.00</td>
</tr>
<tr>
<td>9</td>
<td>Transfer to port of departure</td>
<td>1.00</td>
</tr>
<tr>
<td>10</td>
<td>Clear goods through customs</td>
<td>1.00</td>
</tr>
<tr>
<td>11</td>
<td>Handle containers and clear on vessel</td>
<td>1.00</td>
</tr>
<tr>
<td>12</td>
<td>Obtain insurance</td>
<td>0.50</td>
</tr>
<tr>
<td>13</td>
<td>Prepare documents for payment</td>
<td>0.50</td>
</tr>
<tr>
<td>14</td>
<td>Ocean shipping</td>
<td>5.50</td>
</tr>
<tr>
<td>15</td>
<td>Request for vessel berthing</td>
<td>0.75</td>
</tr>
<tr>
<td>16</td>
<td>Unload goods from vessel</td>
<td>0.25</td>
</tr>
<tr>
<td>17</td>
<td>Declare goods to Customs</td>
<td>1.00</td>
</tr>
<tr>
<td>18</td>
<td>Arrange goods for inspection</td>
<td>0.50</td>
</tr>
<tr>
<td>19</td>
<td>Impact and release goods</td>
<td>0.50</td>
</tr>
<tr>
<td>20</td>
<td>Pay</td>
<td>1.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>23.80</td>
</tr>
</tbody>
</table>

---

Source: ARI/INT 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

ANNEX
How to Access Trade Cost Data

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