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

*Sub-Regional Notes –
East and North-East Asia¹*

Prepared by



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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://unnex.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.² 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 organizations³, 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 the East and North-East Asian (ENEA) sub-region, covering China, Japan, Mongolia, and Republic of Korea. **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.**⁴

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*.⁵ 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 the East and North-East Asian sub-region are presented below.

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:

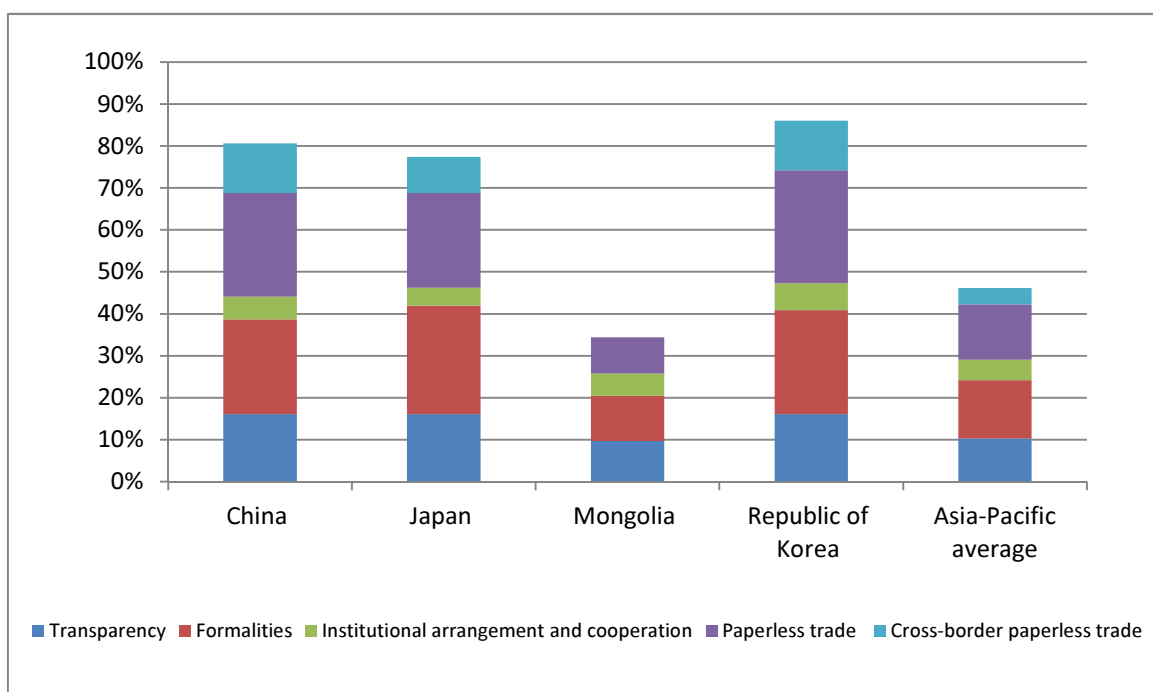
<http://unnex.unescap.org/UNTFSurvey2015.asp>

⁵ The survey questionnaire is available in full at: <http://unnex.unescap.org/tfforum14-survey.asp>

2. Trade facilitation implementation in East and North-East Asia: Overview

Figure 1 shows the overall implementation levels of four (4) East and North-East Asian countries based on a common set of 31 trade facilitation and paperless trade measures included in the survey⁶. The sub-regional average implementation of this comprehensive set of trade facilitation measures stands at 69.6%, exceeding the regional average (46.5%). China, Japan and Republic of Korea notably have implementation scores higher than 75%.

Figure 1: Overall implementation of trade facilitation measures in East and North-East Asian countries

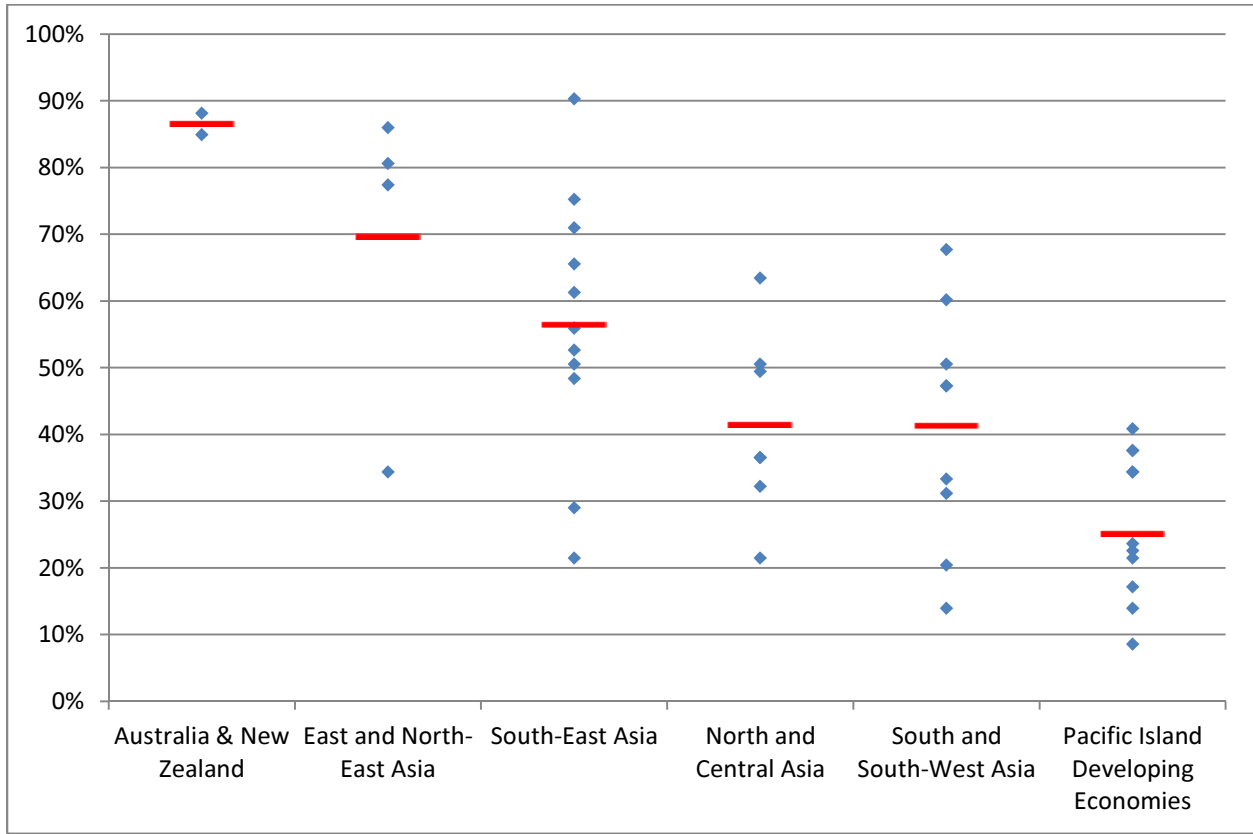


Source: ESCAP, UNRCs TF Survey 2015

Figure 2 presents an overview of the implementation of trade facilitation measures (measured by percentage) in the different Asia-Pacific sub-regions as well as the average level of implementation of countries within each group. ENEA has the second highest average level of implementation (69.6%) after Australia and New-Zealand.

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: Trade facilitation implementation in Asia-Pacific sub-regions



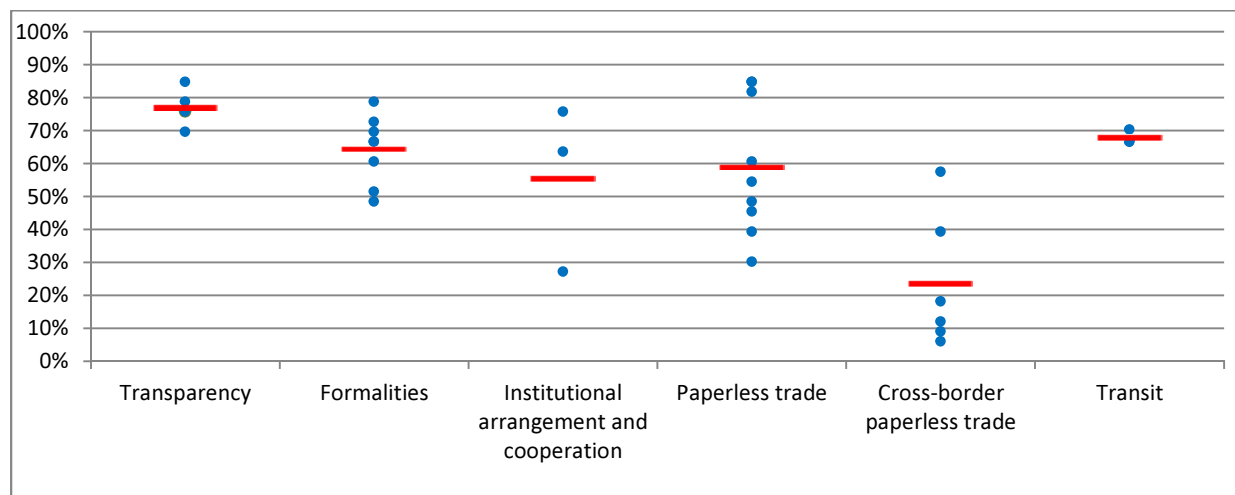
◆ Trade Facilitation Implementation of individual economies (%)
 — Average Trade Facilitation Implementation of the group (%)

Source: ESCAP, UNRCs TF Survey 2015

2.1 Most and least implemented trade facilitation measures

In East and North-East Asia, most trade facilitation measures including *Transparency*, *Formalities*, *Institutional arrangement and cooperation*, *Paperless trade*, and *Transit* are all relatively well implemented except for *Cross-border paperless trade*, which lags behind the rest. Specific measures under each category are discussed in Table 2.

Figure 3: Implementation of different groups of trade facilitation measures: East and North-East Asian average



Notes: Blue dots show regional average implementation level of individual measures within each group.
 — Average sub-regional implementation level by groups of measures.

Source: ESCAP, UNRCs TF Survey 2015

Table 1: Most and least implemented measures in East and North-East Asia (within each group of trade facilitation measures)

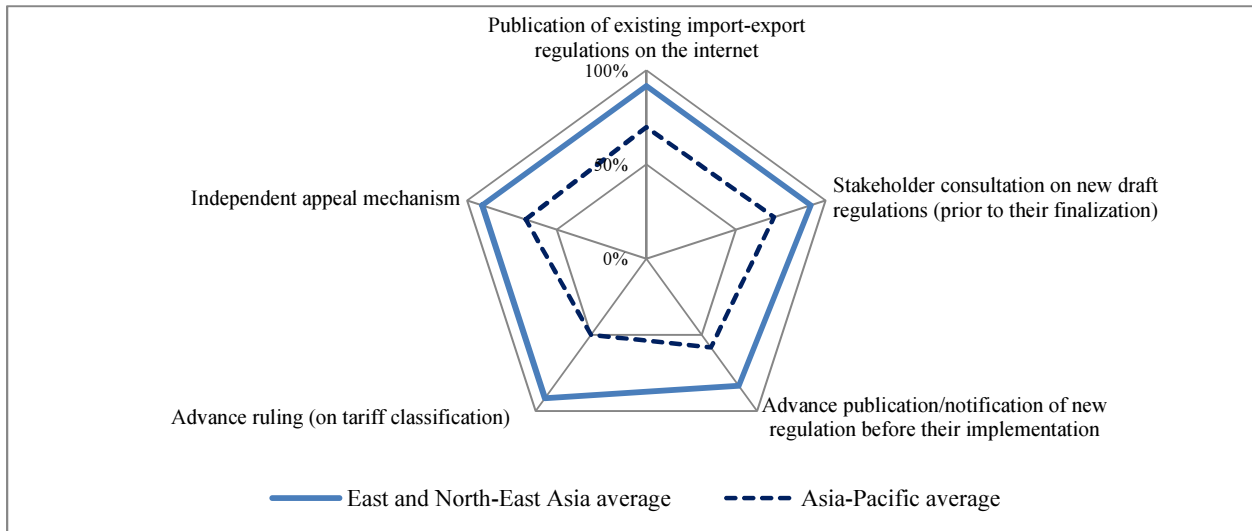
	Most implemented	Least implemented
Transparency	<ol style="list-style-type: none"> 1. Publication of existing import-export regulations on the internet 2. Stakeholder consultation on new draft regulations (prior to their finalization) 3. Advance ruling (on tariff classification) 4. Independent appeal mechanism 	Advance publication/notification of new regulation before their implementation
Formalities	<ol style="list-style-type: none"> 1. Risk management 2. Pre-arrival processing 3. Post-clearance audit 	Acceptance of paper or electronic copies of supporting documents required for import, export or transit
Institutional arrangement and cooperation	<ol style="list-style-type: none"> 1. National Trade Facilitation Committee 2. 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	<ol style="list-style-type: none"> 1. Electronic Application and Issuance of Preferential Certificate of Origin 2. Electronic Application for Customs Refunds
Cross-border paperless trade	Recognised certification authority	<ol style="list-style-type: none"> 1. Electronic exchange of Sanitary & Phyto-Sanitary Certificate 2. Banks and insurers retrieving letters of credit electronically

3. Implementation of trade facilitation measures: A closer look

3.1 “Transparency” measures

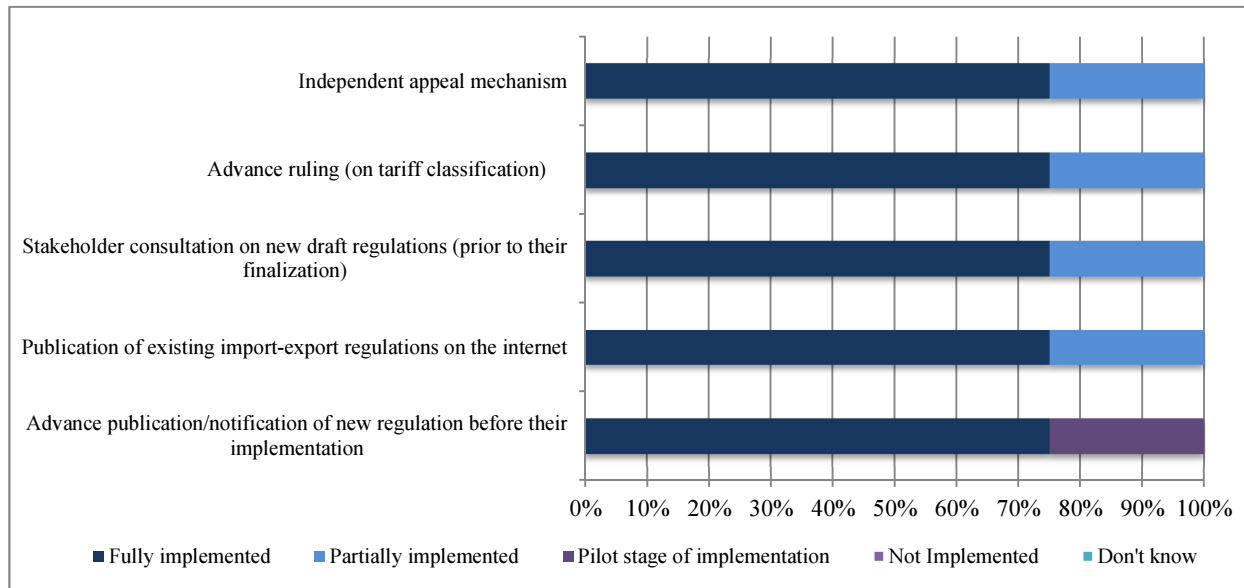
Five trade facilitation measures included in the survey can be categorized as “Transparency” measures. They relate to Articles 1-5 of the WTO TFA and GATT Article X on Publication and Administration of Trade Regulations.

Figure 4: Implementation of “transparency” measures: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

Figure 5: State of implementation of “transparency” measures for trade facilitation in East and North-East Asia (in %)



Source: ESCAP, UNRCs TF Survey 2015

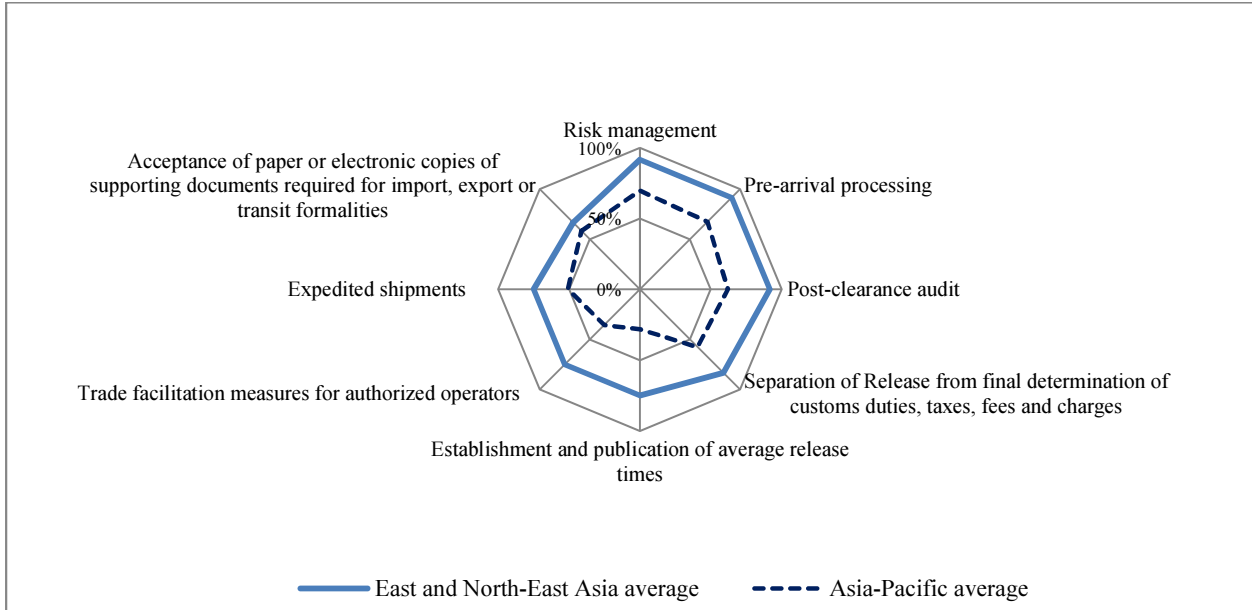
Figure 4 shows the average weighted implementation score of all five “transparency” measures across the East and North-East Asian sub-region is 90%, which is well in excess of the Asia-Pacific regional average, and is indeed considered the benchmark for all other sub-regions. Figure 5 shows that all “transparency” measures have been fully implemented in China, Japan and the Republic of Korea (75% of all countries). They are also partially implemented in Mongolia, except for *Advance publication/notification of new regulation before their implementation*, which is still in the pilot stage of implementation in the country.

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”.

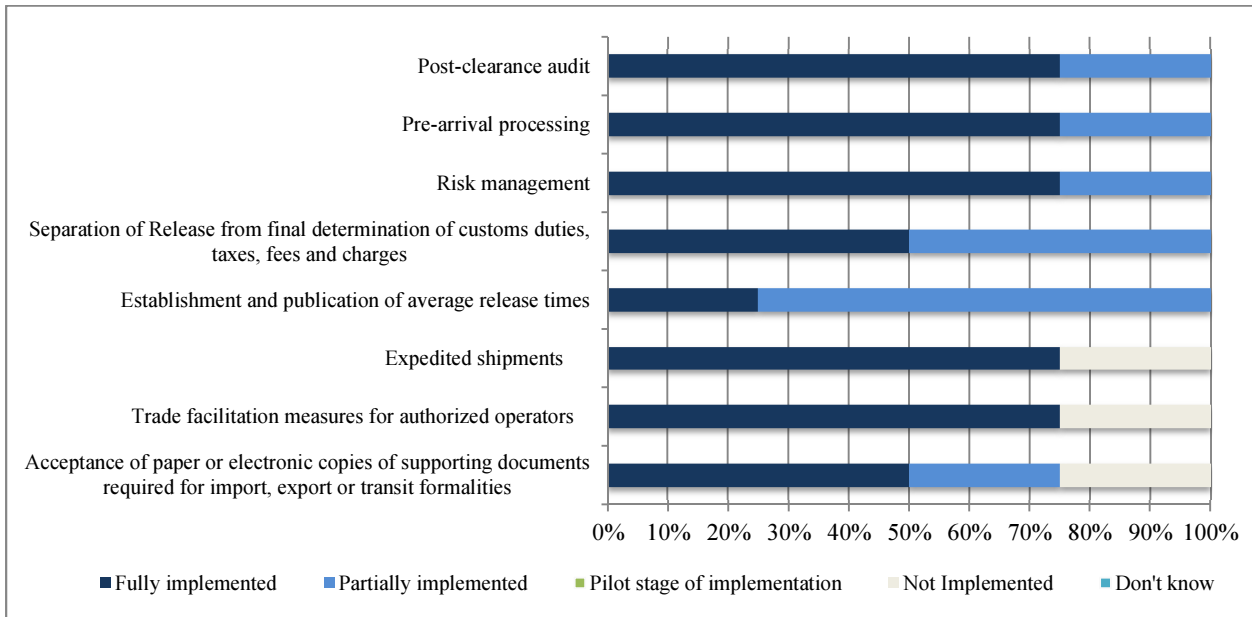
Figure 6 shows that the average weighted implementation score of “formalities” facilitation measures in this sub-region is around 80%, which is well in excess of the Asia-Pacific regional average. The implementation rates of “formalities” measures in the sub-region are presented in Figure 7. *Risk management*, *Pre-arrival processing* and *Post-clearance audit* are the most implemented measures in the sub-region; they have been fully implemented in more than 70% of all countries, and are at least partially implemented in the remaining 30%. The least implemented measure is *Acceptance of paper or electronic copies of supporting documents required for import, export or transit*, which has been at least partially implemented in around 70% of all countries.

Figure 6: Implementation of trade “formalities” facilitation measures: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

Figure 7: State of implementation of trade “formalities” facilitation measures in East and North-East Asia (in %)

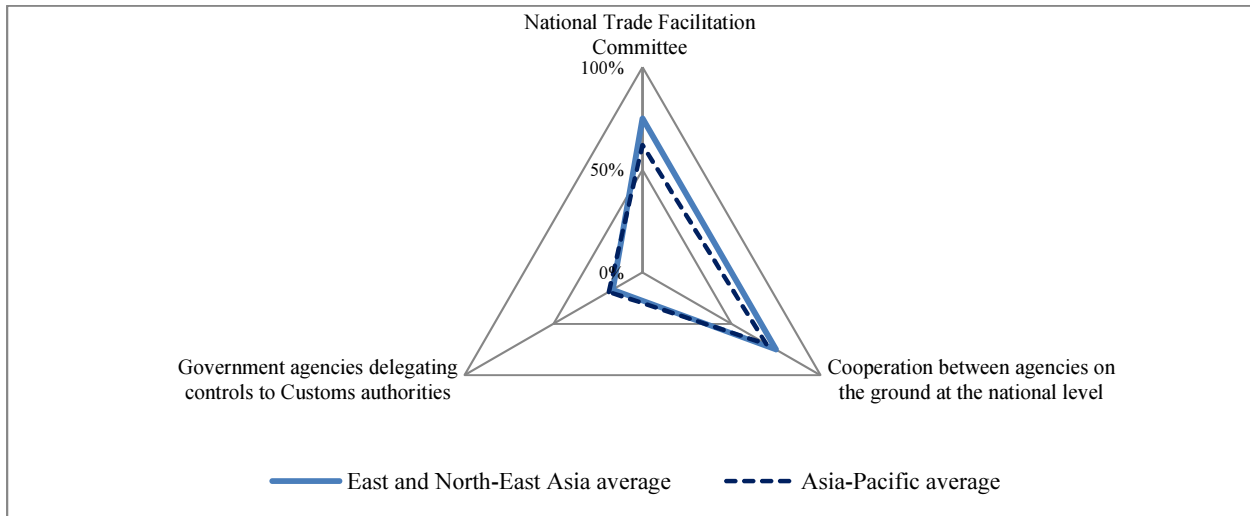


Source: ESCAP, UNRCs TF Survey 2015

3.3 “Institutional arrangement and cooperation” measures

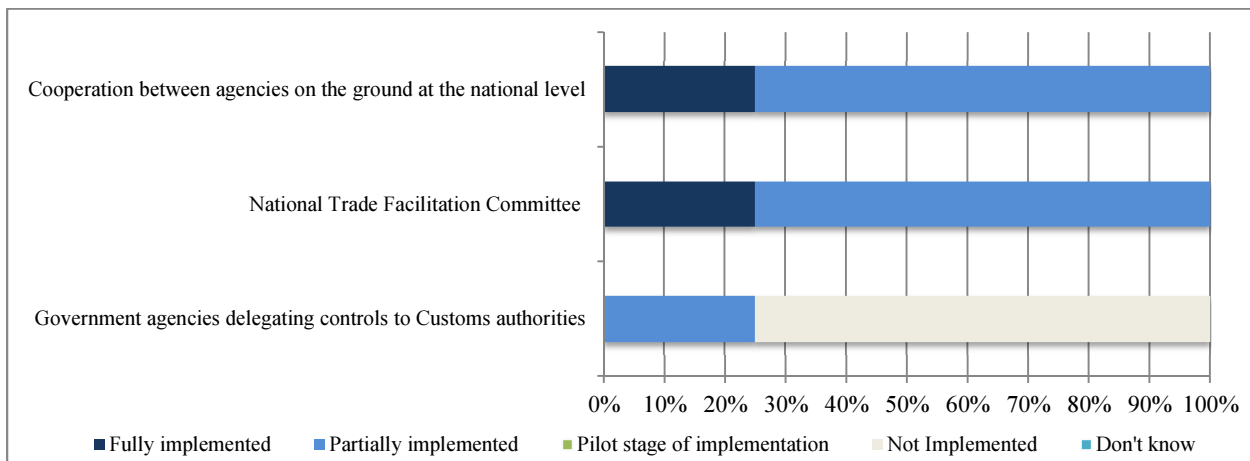
Three trade facilitation measures featured in the survey are grouped under “Institutional and cooperation” measures. These relate to the long-standing recommendation that a national trade facilitation body and other measures be implemented to ensure coordination and cooperation among the various government agencies and other stakeholders involved in facilitating trade.⁷ All three measures are also specified in various Articles of the WTO TFA.

Figure 8: Implementation of “institutional arrangement and cooperation” measures: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

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



Source: ESCAP, UNRCs TF Survey 2015

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 East and North-East Asia is around 56%, which is similar to the situation at the Asia-Pacific regional level.

Figure 9 shows that *Cooperation between agencies on the ground at the national level* and *National trade facilitation committees* are the most implemented measures, having both been at least partially implemented in all countries. In contrast, less than 30% of the countries have partially implemented *Government agencies delegating controls to Customs authorities*, making it the least implemented measure of this group.

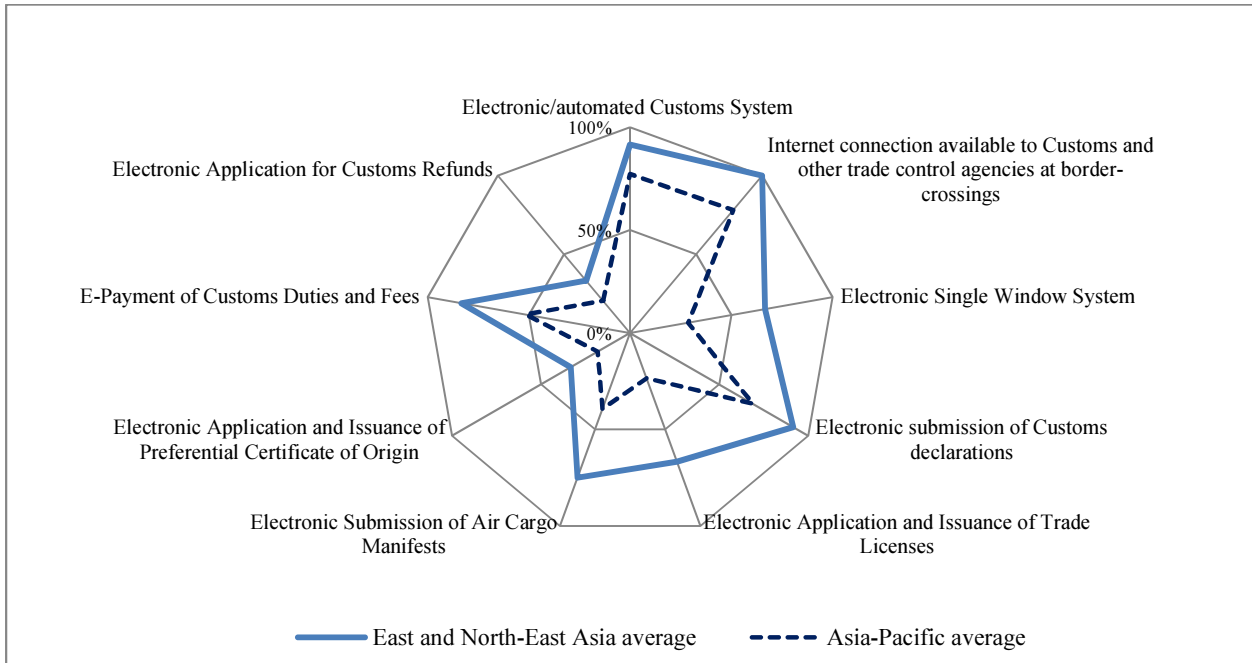
3.4 “Paperless trade” measures

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 East and North-East Asia is around 70% (Figure 10), which is well in excess of the Asia-Pacific regional average. Figure 11 shows that *Internet connection available to Customs and other trade control agencies at border-crossings* is the most implemented measure, and has been fully implemented in all countries in the sub-region. In contrast, the least implemented measures are *Electronic application for customs refunds* and *Electronic application and issuance of preferential certificate of origin*, having been partially implemented in only 50% of countries in East and North-East Asia.

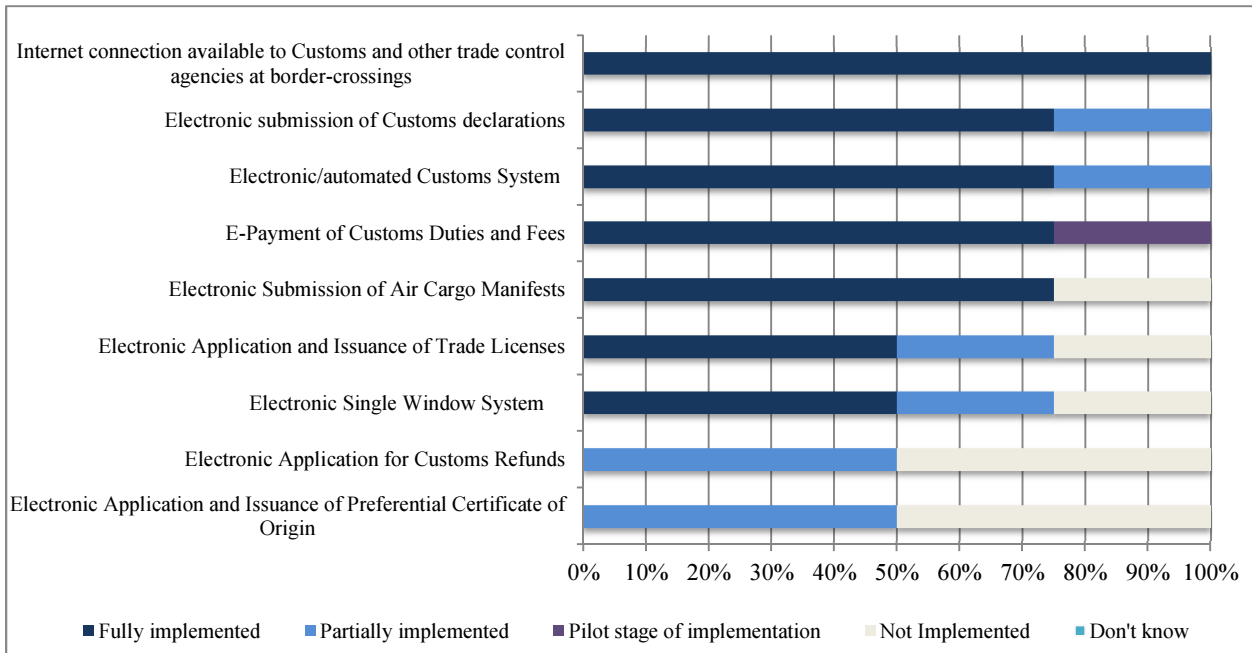
⁸ An example of this is the WTO TFA Article 10.3 on Single Window, which reads as follows: “Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point 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: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

Figure 11: State of implementation of “paperless trade” measures in East and North-East Asia (in %)

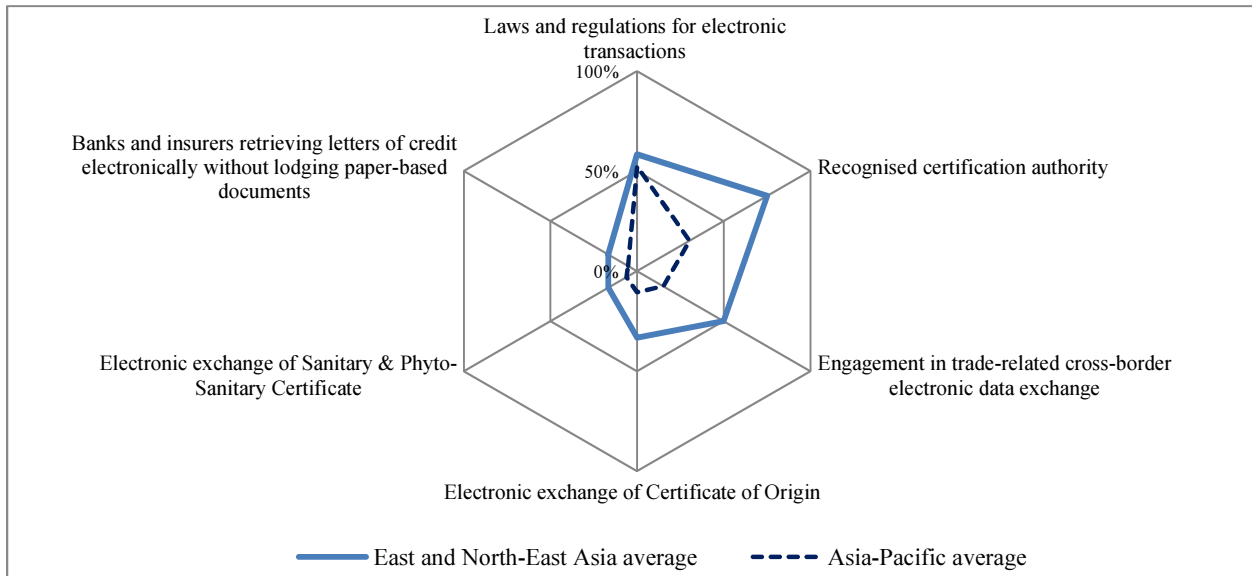


Source: ESCAP, UNRCs TF Survey 2015

3.5 “Cross-border paperless trade” measures

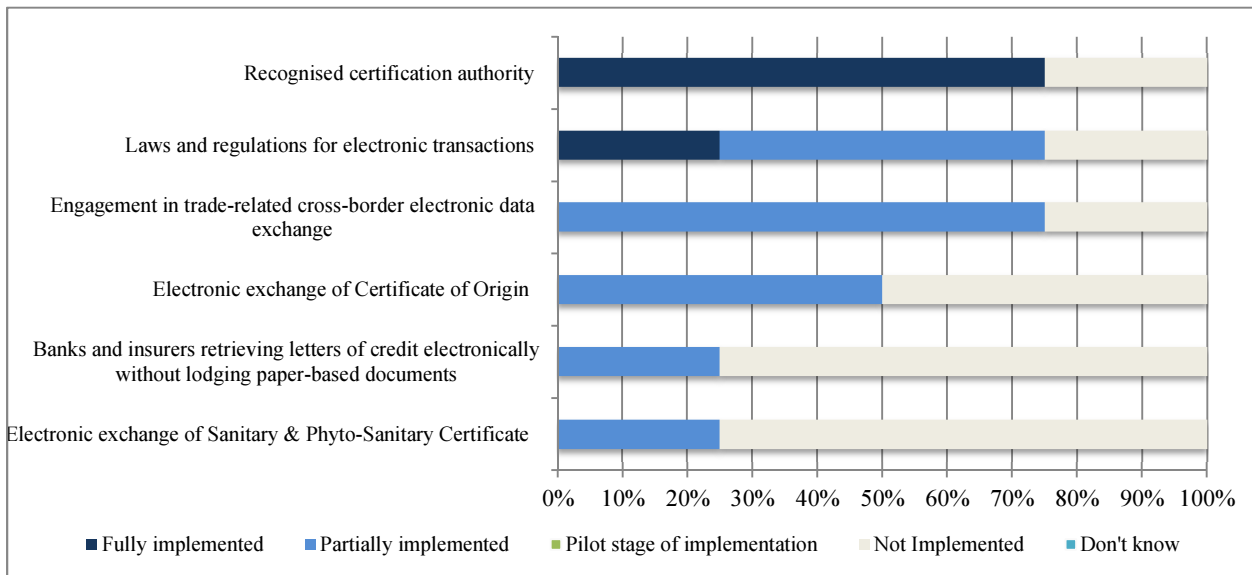
Six of the trade facilitation measures included in the survey are categorized as “cross-border paperless trade” measures, as shown in Figure 12.

Figure 12: Implementation of “cross-border paperless trade” measures: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

Figure 13: State of implementation of “cross-border paperless trade” measures in East and North-East Asia (in %)



Source: ESCAP, UNRCs TF Survey 2015

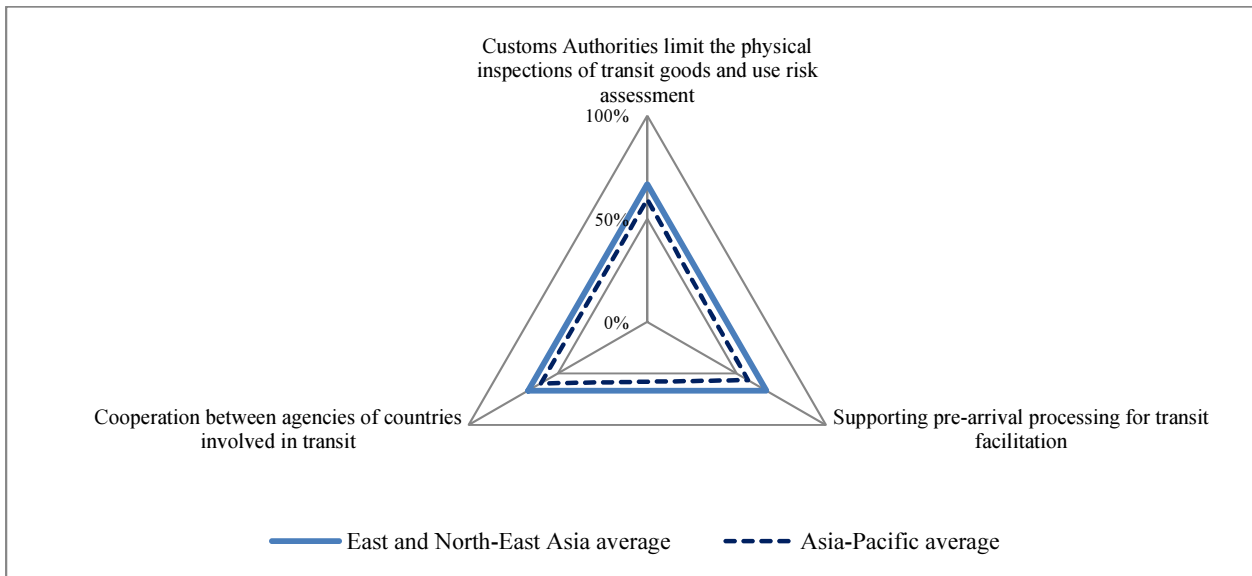
Two of the measures, *Laws and regulations for electronic transactions* and *Recognized certification authority*, are basic building blocks towards enabling the exchange and legal recognition of trade-related data and documents not only among stakeholders within a country, but ultimately also between 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 implementation of these measures in East and North-East Asia is much better than the Asia-Pacific regional average, with an average weighted implementation level of 42%. Figure 13 shows that the most implemented measure is *Recognized certification authority*, which has been fully implemented in more than 70% of countries. The least implemented measures are *Banks and insurers retrieving letters of credit electronically without lodging paper-based documents* and *Electronic exchange of Sanitary & Phyto-Sanitary Certificate*, which have both been only partially implemented in less than 30% of all countries.

3.6 “Transit facilitation” measures

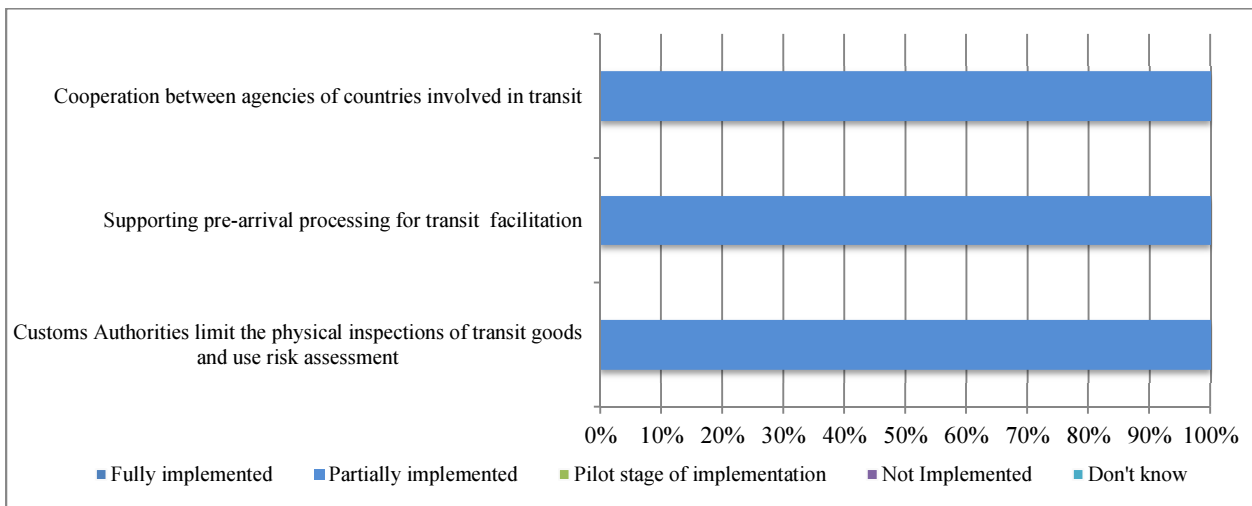
Three trade facilitation measures included in the survey relate specifically to transit facilitation and WTO TFA Article 11 on *Freedom of Transit*. The intent of these measures is to reduce as much as possible all the formalities associated with traffic in transit, allowing goods from one country and 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.

Figure 14: Implementation of “transit facilitation” measures: East and North-East Asian average



Source: ESCAP, UNRCs TF Survey 2015

Figure 15: State of implementation of “transit facilitation” measures in East and North-East Asia (in %)



Source: ESCAP, UNRCs TF Survey 2015

As shown in Figure 14, the average weighted implementation level of “transit facilitation” measures in the sub-region exceeds 65% across all measures, which is slightly higher than the Asia-Pacific regional average. Figure 15 shows that all three transit measures are at least partially implemented in countries in East and North-East Asia.

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

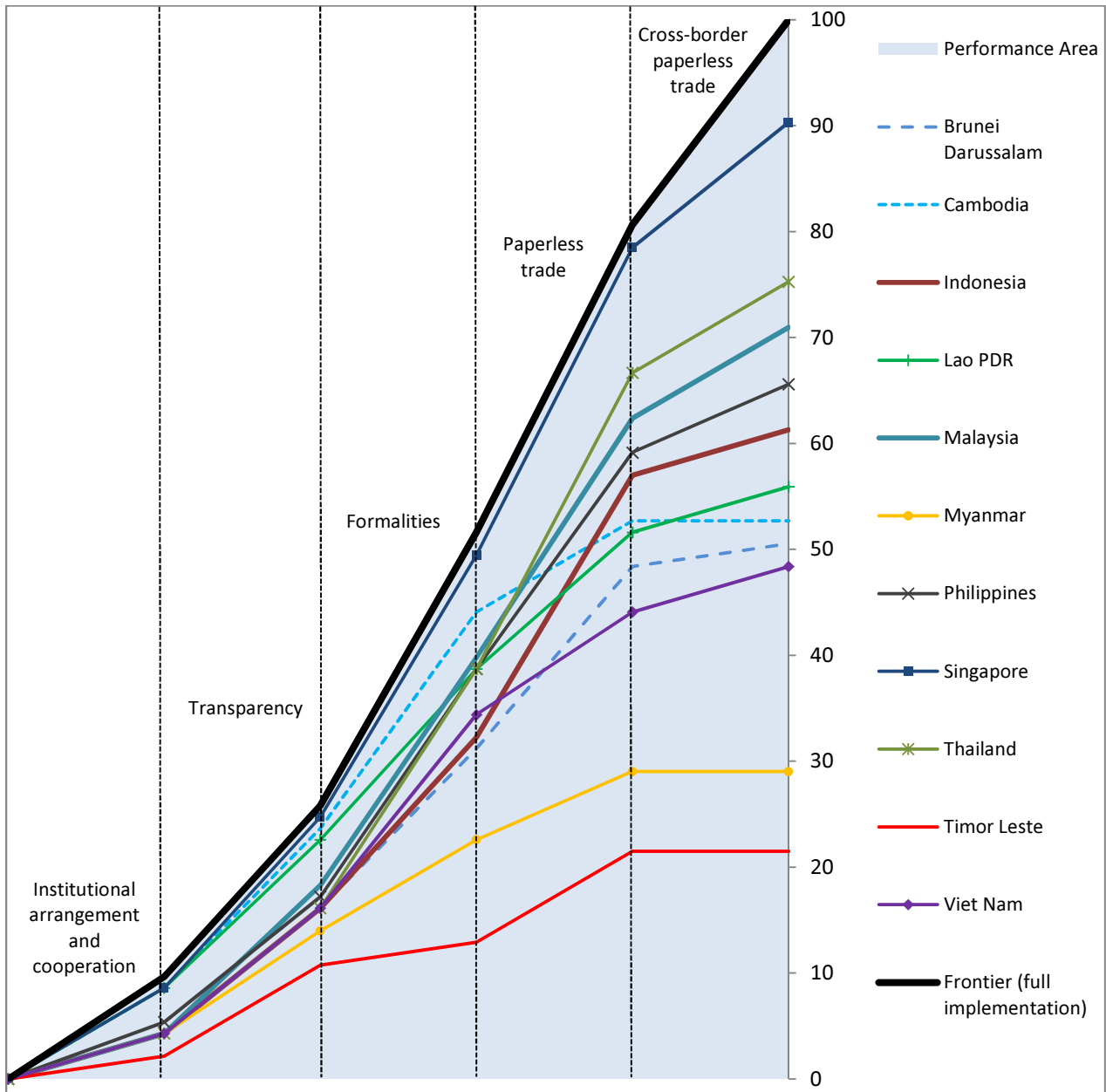
This note, which is best read in conjunction with the regional (Asia-Pacific) report as well as individual country notes,⁹ presented data on trade facilitation and paperless trade implementation for East and North-East Asia. Based on an ambitious package of more than 30 trade facilitation measures included in the survey, the average trade facilitation implementation in ENEA is found to be 69.6%, suggesting that significant progress has been made in the sub-region. The assessment confirms that a large majority of countries in ENEA have been actively engaged in implementing measures to improve transparency, enhance inter-agency coordination and cooperation, and streamline fees and formalities associated with trade. 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.

East and North-East Asia has among the highest rates of Implementation of trade facilitation systems in the Asia-Pacific region, serving as a benchmark for other sub-regions. However, the sub-region should not rest on its laurels. Some of the challenges mentioned by countries, such as lack of coordination between government agencies, and the lack of international standards for the format of electronic documents, continue to hinder fuller implementation of more advanced trade facilitation measures among its countries. Likewise, Mongolia significantly lags behind the rest of its neighbours, citing additional challenges such as financial constraints; the lack of political will; and the lack of a clearly designated lead agency in the implementation of its trade facilitation initiatives.

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 ENEA country 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.

⁹ Available at: <http://unnex.unescap.org/UNTFsurvey2015.asp>

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



Note: the figure shows cumulative trade facilitation implementation scores of East and North-East Asia for five groups of trade facilitation measures included in the survey. Full implementation of all measures = 100.

Source: ESCAP, UNRCs TF Survey 2015