

TRADE FACILITATION AND PAPERLESS TRADE IMPLEMENTATION IN CAREC COUNTRIES

Results of the UN Global Survey 2017



The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 member states and 9 associate members, ESCAP has emerged as a strong regional think-tank offering countries with sound analytical products that shed light on the evolving economic, social, and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which is reinforced and deepened by promoting regional cooperation and integration to advance response to shared vulnerabilities, connectivity, financial cooperation, and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building, and technical assistance to governments aims to support countries' sustainable and inclusive development ambitions.

The United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNExT) provides a networking and knowledge-sharing platform for policy makers, practitioners, and technical experts to bridge the implementation gaps between the countries with different levels of trade facilitation. Its mission is to establish an ongoing community of knowledge and practice to facilitate the implementation of single window and paperless trade and transport in the Asia-Pacific region. The UNNExT intends to enhance the capacity of its members to make informed decisions about policy issues at stake and to implement related international instruments and standards. It is operated jointly by the ESCAP and the United Nations Economic Commission for Europe (ECE).

The Central Asia Regional Economic Cooperation (CAREC) Program is a partnership of 11 countries—Afghanistan, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the People's Republic of China (PRC), Tajikistan, Turkmenistan, and Uzbekistan—and development partners working together to promote development through cooperation, leading to accelerated economic growth and poverty reduction. The program is a proactive facilitator of practical, results-based regional projects, and policy initiatives critical to sustainable economic growth and shared prosperity in Central Asia. Since its inception in 2001, CAREC has mobilized more than \$31.5 billion investments that have helped establish multimodal transportation networks, increased energy trade and security, facilitated free movement of people and freight, and laid the groundwork for economic corridor development.

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This report, along with the global survey report and an interactive online database, are available at <http://bit.ly/2h8SQbG>.

Abbreviations

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
ESCAP	–	Economic and Social Commission for Asia and the Pacific
PRC	–	People’s Republic of China
TFA	–	Trade Facilitation Agreement
UN	–	United Nations
WTO	–	World Trade Organization

Executive Summary

Reducing trade costs is essential for economies to effectively use trade as an engine of growth and sustainable development. Trade facilitation plays a pivotal role in reducing trade costs, on top of existing efforts to dismantle tariff and non-tariff barriers and enhance physical connectivity. In the *Asia-Pacific Trade and Investment Report 2017*, the United Nations (UN) Economic and Social Commission for Asia and the Pacific (ESCAP) found that moderate region-wide improvements in trade facilitation in Asia and the Pacific could lift gross domestic product (GDP) by 0.32% annually between 2015 and 2030, which is equivalent to nearly \$87 billion per year—14 times more than under the tariff liberalization scenario considered in the same study. In addition, if bigger and more ambitious steps are made in putting all the Asia-Pacific region's trade-related paperwork online, digital trade facilitation could slash the time it takes to export goods by up to 44%, cut the cost of doing so by up to 31%, and boost exports by as much as \$257 billion a year.¹

Trade facilitation and the digitalization of trade procedures have taken increasing importance as evidenced by the implementation of the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA). Regional and subregional initiatives to facilitate the electronic exchange of information along international supply chains have also grown in numbers, such as the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific (Framework Agreement).

This report presents an analysis of the results of the UN Global Survey on Trade Facilitation and Paperless Trade Implementation (Global Survey) for nine members of the Central Asia Regional Economic Cooperation (CAREC) Program.² Conducted between January and July 2017, the Global Survey provides information on the implementation of selected measures under the TFA and of innovative, technology-driven measures that enable trade using electronic rather than paper-based data and documentation - otherwise referred to as "paperless trade". The 2017 Global Survey also covers specific trade facilitation measures targeted for small and medium enterprises (SMEs), the agriculture sector, and women. The Asian Development Bank (ADB)-commissioned assessment conducted in 2017 provides examples and additional information on CAREC countries.³ The ADB assessment ascertained the extent to which CAREC countries were ready to implement the WTO TFA.

The report reveals that:

¹ The Asia-Pacific region mentioned in this report follows ESCAP definition, covering ESCAP members that participated in the Global Survey.

² CAREC members covered in the Global Survey are Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the People's Republic of China (PRC), Tajikistan, and Uzbekistan. The results of the Global Survey did not cover Georgia and Turkmenistan.

³ The assessment was conducted under ADB's regional technical assistance (TA) 8585: Aligning Customs Trade Facilitation Measures with Best Practices in Central Asia Regional Economic Cooperation, financed by the Japan Fund for Poverty Reduction. Follow-up work was undertaken under TA 9162 REG: Implementation of Trade Facilitation Initiatives in Central Asia Regional Economic Cooperation Program, co-financed by the Regional Cooperation and Integration Fund.

- CAREC's implementation rate of the measures stood at 49%, slightly below the Asia–Pacific average of 50%. Among CAREC members, Azerbaijan and the People's Republic of China (PRC) had the highest implementation rates, exceeding 70%.
- CAREC improved its implementation rate from 41% to 49% between the first and second Global Surveys conducted in 2015 and 2017.⁴
- CAREC members have well implemented trade facilitation measures related to Transparency, with the implementation level exceeding the Asia–Pacific average.
- CAREC countries have already implemented many of the WTO TFA–related measures, in particular Transparency measures. However, Cross-border paperless trade implementation remained low, suggesting much room for improvement.
- Implementation of “inclusive” trade facilitation measures to promote SMEs and agricultural trade remained below the Asia–Pacific average and CAREC may further promote such measures in the context of the 2030 Agenda for Sustainable Development.
- Achieving basic compliance with the WTO TFA by implementing only binding measures would result in only modest trade cost reductions of 11% (full implementation), while full implementation of all TFA measures would result in an 18% reduction.
- Paperless implementation of the TFA measures together with seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, close to 30% for CAREC as a whole.

Going forward, the CAREC members will continue efforts to facilitate trade and digitalize trade procedures. All members are encouraged to actively participate in the Framework Agreement to advance regional cross-border paperless trade through pilot projects, information sharing, and the coordinated adoption of international standards and implementation models. Among CAREC members, the PRC formally signed the Framework Agreement in 2017, while in 2018 Azerbaijan was the first country to accede to this UN treaty.

⁴ Comparison between implementation rates of 2015 and 2017 covers only nine economies that participated in both 2015 and 2017 Global Surveys.

1. Introduction

Reducing trade costs is essential for economies to effectively participate in regional and global value chains and continue to use trade as a main engine of growth and sustainable development. Much of the trade cost reductions achieved over the past decade have been through the 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, and cumbersome regulatory procedures and documentation. The United Nations (UN) Economic and Social Commission for Asia and the Pacific (ESCAP) found that moderate region-wide improvements in trade facilitation in Asia–Pacific could increase gross domestic product (GDP) by 0.32% annually between 2015 and 2030, which is equivalent to nearly \$87 billion per year—14 times more than under the tariff liberalization scenario considered in the same study. In addition, if bigger and more ambitious steps are made by putting all the region’s trade-related paperwork online (i.e., digital trade facilitation) the time it takes to export goods could be slashed by up to 44%, the costs of doing so cut by up to 31%, and exports boosted by as much as \$257 billion a year.⁵

Indeed, trade facilitation—the simplification and harmonization of import, export and transit procedures, including paperless trade—has taken on increasing importance, as evidenced by the entry into force of the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA) in February 2017 and adoption of a forward-looking Framework Agreement on Facilitation of Cross-Border Paperless Trade⁶ in Asia and the Pacific (Framework Agreement) in May 2016.⁷ This new UN treaty is open to all ESCAP members and has been formally signed by Armenia, Bangladesh, Cambodia, the People’s Republic of China (PRC), and Islamic Republic of Iran as of 30 September 2017, and Azerbaijan acceded to it in March 2018. (Box 1)

⁵ See <http://www.unescap.org/publications/APTIR2017>; and <http://www.unescap.org/publications/digital-trade-facilitation-asia-and-pacific-studies-trade-investment-and-innovation-87>.

⁶ Paperless trade refers to the use and exchange of electronic data and documents to support the trade transaction process. Cross-border paperless trade means trade in goods, including their import, export, transit, and related services, taking place on the basis of electronic communications, including exchange of trade-related data and documents in electronic form.

⁷ See <http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>.

Box 1: New UN Treaty on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific

Developed by a diverse group of more than 25 Asian and Pacific countries at very different stages of development over 4 years, the *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific* (Framework Agreement) was adopted at ESCAP in May 2016. It is designed as an inclusive and enabling platform that will benefit all participating countries regardless of where they stand in terms of trade facilitation implementation. The Framework Agreement is fully dedicated to the digitalization of trade processes and enabling the seamless electronic exchange and legal recognition of trade-related data and documents across borders, rather than only between stakeholders located in the same country. Full implementation of cross-border paperless trade will not only reduce transaction time and costs, but also increase regulatory compliance and enable the more direct engagement of small and medium-size enterprises in international trade and cross-border e-commerce.

Achieving cross-border paperless trade across the region is expected to be a long and difficult process, and it cannot be achieved without close collaboration between countries. The Framework Agreement is expected to support that process by providing a dedicated institutional framework for countries with proven political will to develop legal and technical solutions for cross-border paperless trade, through pilot projects and capacity building and technical assistance, based on existing international standards. The Framework Agreement aims to facilitate cross-border trade data exchange between member states and enable mutual recognition of electronic trade data and documents, but does not make electronic data exchange mandatory among all parties.

Some of the benefits for ESCAP member states who become parties to the Framework Agreement include:

- (i) Accelerated progress toward a paperless trade environment at the national level on the basis of the political will demonstrated during the accession process to the Framework Agreement;
- (ii) Opportunity to integrate emerging cross-border paperless trade considerations and best practices early in the development of national single window and other paperless trade systems to ensure they are interoperable and enabled for (future) cross-border data exchange, in particular through structured and regular sharing of lessons;
- (iii) Reduction in overall investment costs and maximization of return from investments in paperless trade systems, through concurrent development of national paperless trade systems and environment for cross-border trade data exchange;
- (iv) Ready access to potential counterpart countries interested to negotiate and achieve cross-border data exchange, avoiding or reducing needs for engaging in numerous and/or potentially incompatible bilateral initiatives;
- (v) Direct participation in the development of pragmatic solutions for the cross-border exchange of trade documents. For more advanced countries with relevant experience and existing practices, including many ASEAN economies, this will enable them to ensure that new regional systems and solutions will be harmonized and interoperable with what they have already achieved on a bilateral and/or subregional basis;
- (vi) Compliance with commitments the party may have made through in its bilateral and plurilateral trade agreements (regional trade agreements [RTAs]) to collaborate on exchanging electronic of data and documents (typically featured in “Paperless Trading” Articles in RTAs, or related provisions or agreements).

More details on the Framework Agreement, including a draft implementation road map, are available at:

<http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>.

[ASEAN = Association of Southeast Asian Nations, ESCAP = Economic and Social Commission for Asia and the Pacific.](#)

[Source: ESCAP.](#)

The UN initiated a Global Survey on Trade Facilitation and Paperless Trade Implementation in cooperation with other interested international organizations.⁸ The Global Survey aims 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. The instrument of the Global Survey was prepared according to the final list of commitments included in the TFA and the Framework Agreement. The survey covers 47 main trade facilitation measures categorized into seven main groups: (i) general trade facilitation measures, in turn classified into transparency, formalities, and institutional arrangement and cooperation; (ii) paperless trade; (iii) cross-border paperless trade; (iv) transit facilitation; (v) trade facilitation for small and medium enterprises (SMEs); (vi) trade facilitation for agricultural trade; and (vii) participation of women in trade facilitation. Measures featured in the TFA are essentially included under general trade facilitation and transit facilitation. However, most paperless trade and, in particular, cross-border paperless trade measures, are not specifically featured in the TFA, although their implementation in many cases would enhance implementation of the TFA including digital implementation.

This report presents the results of the 2017 Global Survey on Trade Facilitation and Paperless Trade Implementation for nine members of the Central Asia Regional Economic Cooperation (CAREC) Program.⁹ CAREC is a partnership of 11 countries, eight of which are members of the WTO: Afghanistan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the People's Republic of China (PRC), and Tajikistan; while Azerbaijan, Turkmenistan, and Uzbekistan are not. Together with the associated Country Notes, this report is a complement to the more elaborate Regional and Global Reports.¹⁰

In 2017, the Asian Development Bank (ADB) commissioned an assessment to ascertain the extent to which CAREC countries were ready to implement the TFA, i.e., by examining national laws, regulations, systems and procedures to determine whether and how these reflected each TFA provision (Box 2). The information from the ADB assessment is incorporated into this report to illustrate country experiences with respect to particular TFA provisions or measures.

⁸ The Global Survey has been developed in close collaboration with the Organisation for Economic Co-operation and Development (OECD), the International Trade Centre (ITC), and the United Nations Conference on Trade and Development (UNCTAD), as well as several subregional organizations, such as the Latin American and Caribbean Economic System (SELA) in Latin America, and the Oceania Customs Organisation (OCO) in the South Pacific.

⁹ Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the PRC, Tajikistan, and Uzbekistan.

¹⁰ More information is available in the global, regional, and subregional reports, as well as country notes at: <http://bit.ly/2h8SQbG>.

Box 2: ADB Assessment on CAREC Members' Readiness to Implement the Trade Facilitation Agreement

The Asian Development Bank's (ADB) assessment includes desk work and consultations with relevant government agencies undertaken by commissioned national consultants in Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, and Uzbekistan. Additional information was gathered from the Workshop on Capacity Building for Implementation of the World Trade Organization's Trade Facilitation Agreement (TFA) and subsequent Meeting on National Committees on Trade Facilitation jointly organized by ADB and the Korea Customs Service in June 2017. Countries reported on the status of their TFA implementation with participants from, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, the PRC, Tajikistan, Turkmenistan, and Uzbekistan. Both the national studies and workshop reports were guided by self-assessment questions from the World Customs Organization's Performance Indicators for the Agreement on Trade Facilitation.

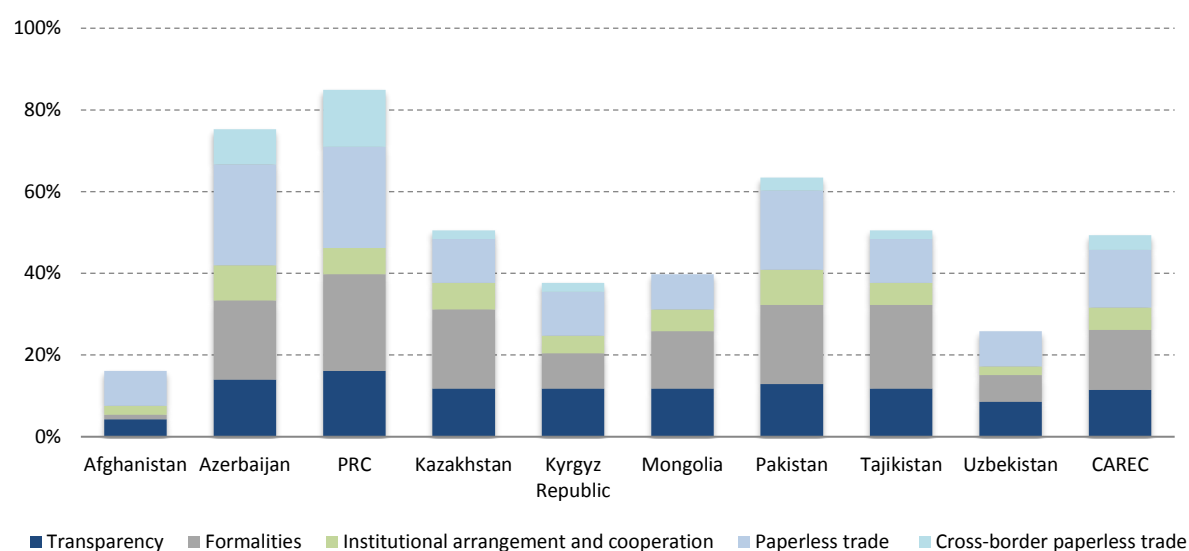
Source: ADB, based on <https://www.carecprogram.org/?event=workshop-trade-facilitation-reforms-wto-consolidated-agenda>.

The report is structured as follows: Chapter 2 presents and analyzes trade facilitation implementation in CAREC, benchmarked to the global average; Chapter 3 examines the detailed progress of implementation by sub-measure; Chapter 4 provides an assessment of the impact of trade facilitation on CAREC as a whole and on individual members; and, Chapter 5 concludes with policy suggestions.

2. Trade Facilitation Implementation in CAREC: An Overview

Figure 1 shows the overall implementation levels of nine CAREC members based on a common set of 31 trade facilitation and paperless trade measures included in the Global Survey.¹¹ The average CAREC implementation rate of the measures considered in 2017 stood at 49%. The PRC and Azerbaijan had the highest implementation rates, both with at least 75%; while Afghanistan and Uzbekistan had relatively lower level of implementation, at 16% and 26% respectively. Compared with the Asia–Pacific regional average of 50%, and global average rate of implementation of 60%, the majority of CAREC members need to accelerate efforts to implement the TFA and facilitate paperless trade to gain greater benefits from international trade.

Figure 1: Overall Implementation Rate of Trade Facilitation Measures, by Country, 2017



CAREC = Central Asia Regional Economic Cooperation, PRC = People's Republic of China.

Note: Georgia and Turkmenistan did not participate in the Global Survey, and are therefore not included in the CAREC average for all Global Survey figures and tables in this report.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

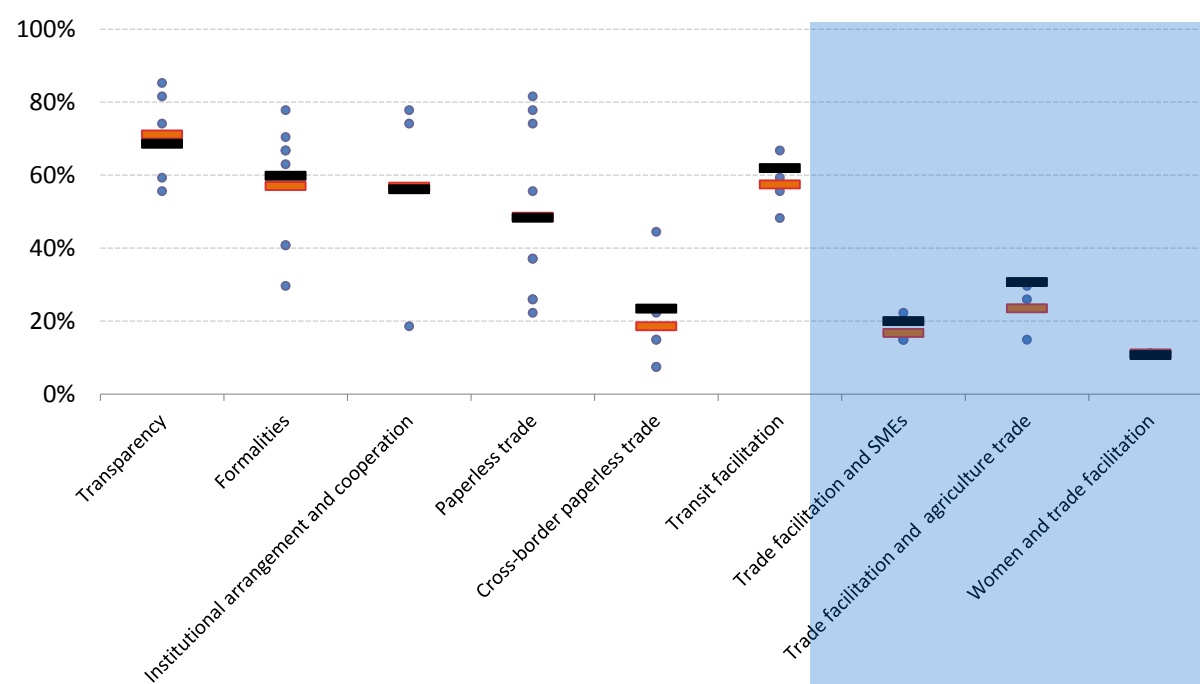
By group of measure (Figure 2), those related to Transparency registered the highest level of implementation for the CAREC members, followed by Formalities measures and Transit facilitation measures. For most measure groups except for Transparency, the average implementation level of CAREC members lags behind or is on a par with the Asia–Pacific. The measures that were substantially below the Asia–Pacific average are Cross-border paperless trade, and Trade facilitation and agriculture trade, suggesting significant room for improvement among CAREC members.

Within each group of trade facilitation measures, huge divergences were seen in Paperless trade, Institutional arrangement and cooperation, and Formalities. This means that the efforts to promote paperless trade by CAREC members were uneven across individual measures. To achieve sustainable

¹¹ The three groups of trade facilitation measures for SMEs, agriculture sector, and women (9 measures) are excluded for calculating the country scores. In addition, Transit measures (4 measures) and 3 measures (electronic submission of sea cargo manifests, alignment of work days and hours with neighboring countries at border crossings, alignment of formalities and procedures with neighboring countries at border crossings) are also excluded from this figure. The overall score of each country is simply a summation of the scores of implementation (3 = fully implemented, 2 = partially implemented, 1 = pilot stage of implementation, or 0 = not implemented) that it receives for each trade facilitation measure.

and inclusive growth, CAREC members need to strengthen their activities to keep measures on track under these categories.

Figure 2: Implementation Rate of Trade Facilitation Measures, by Group, 2017



CAREC = Central Asia Regional Economic Cooperation, SME = small and medium enterprise.

◆ Regional average implementation level of individual measures within each group

— Average CAREC implementation level

— Average Asia-Pacific implementation level

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Figure 2 is supplemented by Table 1, which provides information on the most and least implemented trade facilitation measures under different groups. Taking Transparency as an example, “Stakeholders’ consultation on new draft regulations” had the highest implementation level. All CAREC members have been implementing this measure at least at a pilot stage, and 44% of CAREC members have fully implemented this measure. On the other end of the spectrum, “Advance ruling (on tariff classification)” was the least implemented measure under Transparency, with only 22% of members fully implementing it.

Table 1: Most and Least Implemented Trade Facilitation Measures, 2017

Category	Most implemented (% of countries)			Least implemented (% of countries)		
	Measure	At least pilot stage implemented	Full implementation	Measure	At least pilot stage implemented	Full implementation
Transparency	Stakeholders' consultation on new draft regulations (prior to their finalization)	100	44	Advance ruling (on tariff classification)	77	22
Formalities	Risk management	100	44	Establishment and publication of average release times	44	0
Institutional arrangement and cooperation	National legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other.	100	33	Government agencies delegating controls to Customs authorities	22	11
Paperless trade	Internet connection available to Customs and other trade control agencies at border-crossings	100	44	Electronic application and issuance of preferential Certificate of Origin	33	11
Cross-border paperless trade	Laws and regulations for electronic transactions	66	0	Electronic exchange of SPS Certificate; Traders in your country apply for letters of credit electronically from banks or insurers without lodging paper-based documents	11	0
Transit facilitation	Transit facilitation agreement(s) with neighbouring country(ies)	100	0	Supporting pre-arrival processing for transit facilitation	66	11
Trade facilitation and SMEs	Government has developed trade facilitation measures that ensure easy and affordable access for SMEs to trade related information	33	0	Government has taken actions to make the single windows more easily accessible to SMEs (e.g., by providing technical consultation and training services to SMEs on registering and using the facility.)	22	0
Trade facilitation and agricultural trade	National standards and accreditation bodies are established for the purpose of compliance with SPS standards in your country.	33	22	Application, verification and issuance of SPS certificates is automated.	22	11
Women in trade facilitation	Government has introduced trade facilitation measures to benefit women involved in trade. The existing trade facilitation policy/strategy incorporates special consideration of women involved in trade.				22	0

SMEs = small and medium enterprises, SPS = sanitary and phytosanitary.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

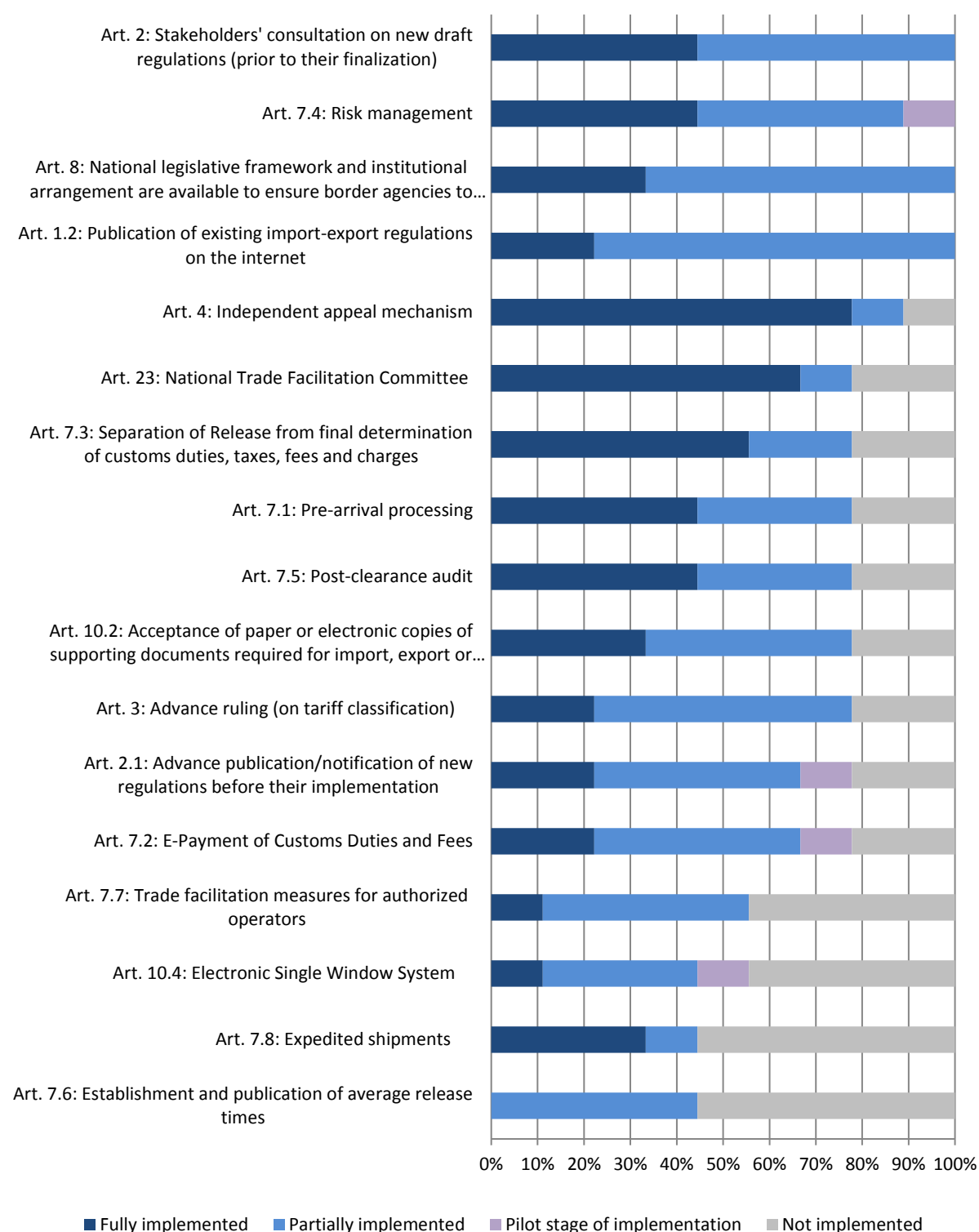
2.1 Implemented trade facilitation measures under the WTO Trade Facilitation Agreement

The WTO TFA seeks to expedite the movement, release, and clearance of goods across borders in order to create a significant boost for commerce and the multilateral trading system as a whole. The TFA sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. There are also measures concerning improvements in the availability and publication of information about cross-border procedures and practices, improved rights to appeal for traders, reduced fees and formalities connected with the import/export of goods, faster clearance procedures and enhanced conditions for the transit for goods. Once implemented, the TFA could at the global level, “slash trade costs by an average of 14.3 per cent, reduce time to import goods by 1.5 days and time to export goods by 2 days, increase the number of new products exported by as much as 20 per cent, and boost trade by up to 1 trillion dollars per year.”¹² In the joint ADB and ESCAP 2017 report, improved trade facilitation, particularly full implementation of the TFA can reduce Asia–Pacific’s trade costs by up to 9%.

Figure 3 shows the level of implementation of TFA-related articles by CAREC members. Taking the average implementation level, the most implemented measure in CAREC related to “Stakeholders' consultation on new draft regulations (prior to their finalization)” (Article 2), which has been implemented at a pilot stage at least by 100% of CAREC members, and fully implemented by 44%. The least implemented measure was “Establishment and publication of average release times” (Article 7.6), which has only been partially implemented by 44% of CAREC members. Although some measures registered high scores in terms of pilot implementation, the full implementation rate is rather low, such as “National legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other” (Article 8), and “Publication of existing import–export regulations on the internet” (Article 1.2).

¹² https://www.wto.org/english/news_e/news17_e/fac_31jan17_e.htm.

Figure 3: Implementation Level of Trade Facilitation Agreement Articles (Excluding transit measures), 2017

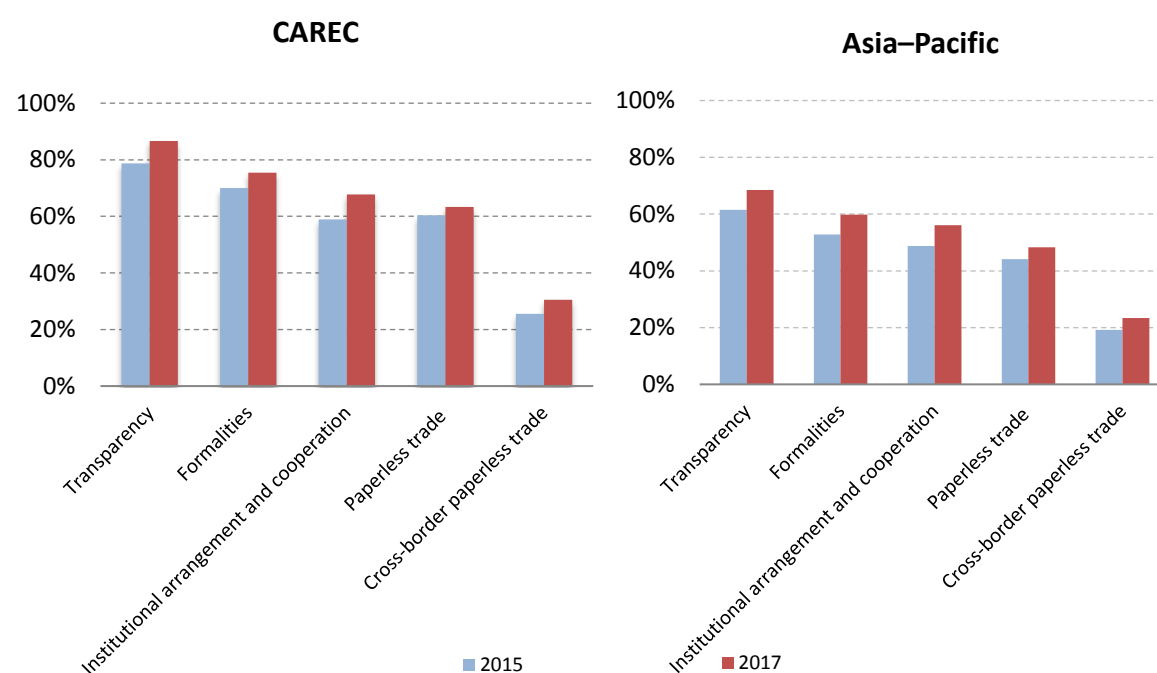


Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

2.2 Progress in implementation between 2015 and 2017

Comparing the progress of trade facilitation in 2015 and 2017 according to five major groups of surveyed measures, the CAREC members have made improvements across the board. Overall, CAREC's performance improved from 41% to 49%. In comparison, Asia-Pacific rate of trade facilitation implementation increased from 45% to 50%. During 2015–2017, CAREC members made good progress particularly in Transparency, Formalities, and Institutional arrangement and cooperation although the levels of implementation could still be improved (Figure 4).

Figure 4: Trade Facilitation Implementation Progress by Measure Group, 2015 and 2017



CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2015 and 2017.

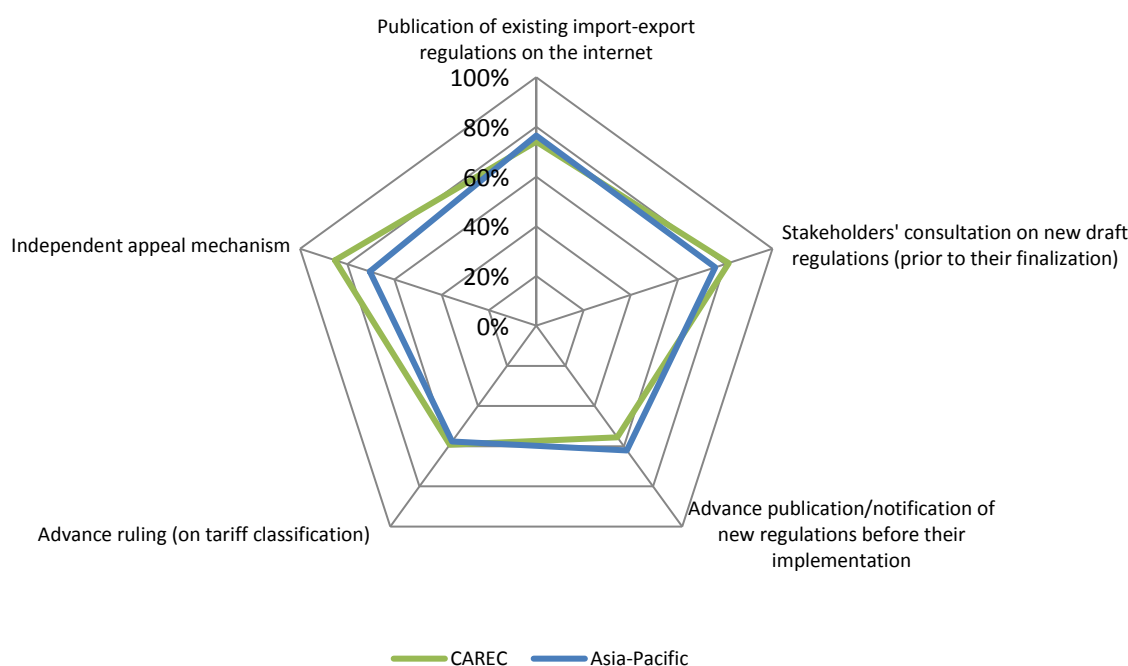
3. Implementation of Trade Facilitation Measures: A Closer Look

The General trade facilitation measures, and Paperless trade, Cross-border paperless trade, Transit facilitation are measures that are closely associated with trade cost and affect traders in all sectors. Therefore, they warrant further investigation. This chapter breaks down each measure group, and examines the implementation of different aspects in detail.

3.1 Transparency measures

Five trade facilitation measures included in the Global Survey are categorized as Transparency measures which are related to Articles 1–5 of the WTO TFA and General Agreement on Tariffs and Trade (GATT) Article X on Publication and Administration of Trade Regulations. Figure 5 shows that the average implementation level of all five Transparency measures by CAREC members were close to the Asia–Pacific average, except for “Independent appeal mechanism,” where CAREC members recorded a higher implementation level.

Figure 5: Implementation Rate of Transparency Measures, 2017

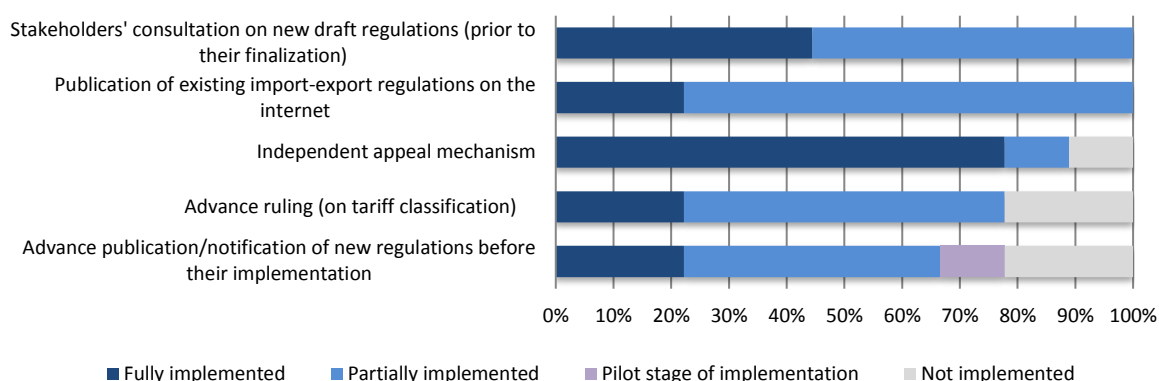


CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Taking the members as a whole, Figure 6 shows that “Independent appeal mechanism” has the highest percentage in terms of full implementation. “Stakeholders' consultation on new draft regulations (prior to their finalization)” and “Publication of existing import–export regulations in the internet” are the most implemented either fully or partially among the CAREC countries. In contrast, “Advance ruling (on tariff classification)” was the least implemented of the Transparency measures.

Figure 6: Implementation Level of Transparency Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Several CAREC countries provide for the publication of information through electronic means in their legislation. While government agencies maintain their respective websites, the extent of information and frequency of updating trade-related procedures varies across countries. Consultations in CAREC countries may be in the form of public discussions of draft laws or administrative decisions before their execution, the participation of experts and private entities in drafting or through a comment process. However, in some cases there is no regular mechanism for feedback or prior publication.

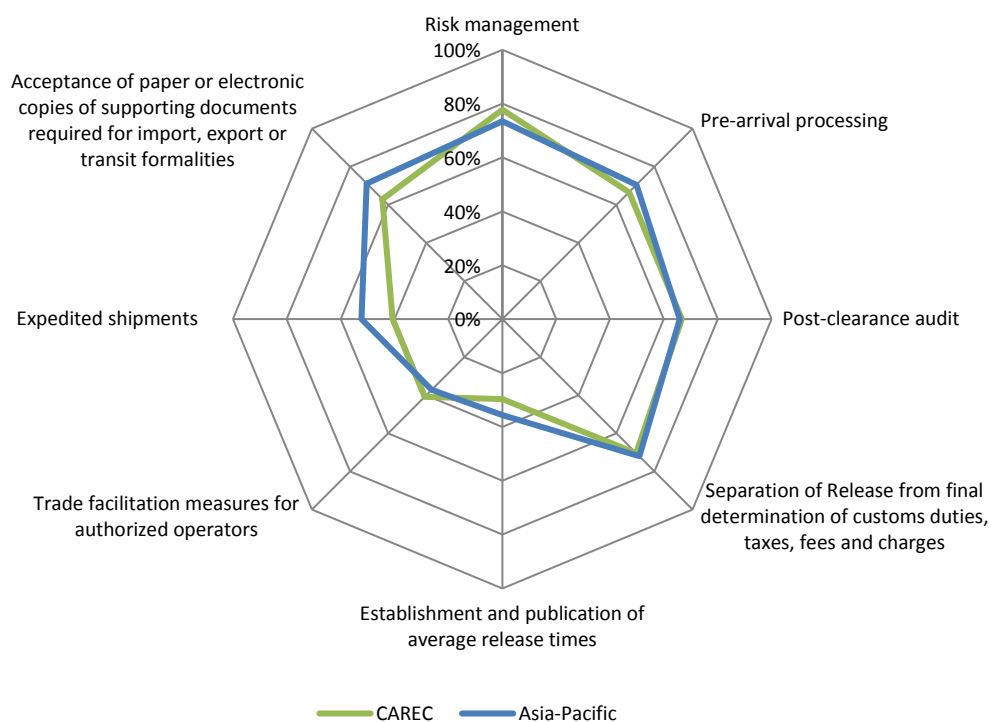
While CAREC countries in general have legal provisions and/or procedures for advance ruling on tariff classification, the degree or conditions of implementation varies extensively. For instance, Azerbaijan considers it a right of persons to request advance ruling. Kazakhstan provides a 3-year effective period, if it was not changed or withdrawn. In Tajikistan it is binding for 3 years on customs but not on traders and can be revoked or modified. Mongolia requires technically competent personnel to implement it. While Afghanistan introduced advance ruling as part of its accession to the WTO, procedures for its implementation have yet to be approved.

Procedures for the appeal or review of decisions and actions or inactions of customs authorities, are provided by law in all 11 CAREC countries. Some CAREC countries have a dedicated office or unit to handle issues regarding valuation and tariff classification, but improved capacity and guidelines or procedures may need to be developed. CAREC countries provide for judicial review against administrative decisions, while others allow appeal with the customs or higher authorities.

3.2 Formalities facilitation measures

Eight of the General trade facilitation measures included in the Global Survey are categorized as Formalities facilitation measures which relate to streamlining and/or expediting regulatory trade procedures. They are related to Articles 6–10 of the WTO TFA and GATT Article VIII on Fees and Formalities connected with Importation and Exportation. The average level of implementation of Formalities facilitation measures in the CAREC was around 57%, a little below the Asia–Pacific average of 60%. The two measures for which CAREC was slightly higher than Asia–Pacific average are (i) “Risk management” and (ii) “Trade facilitation measures for authorized operators” (Figure 7). However, implementation of measures relating to authorized operators for CAREC countries were mostly at pilot or partial implementation stage only.

Figure 7: Implementation Rate of Formalities Measures, 2017

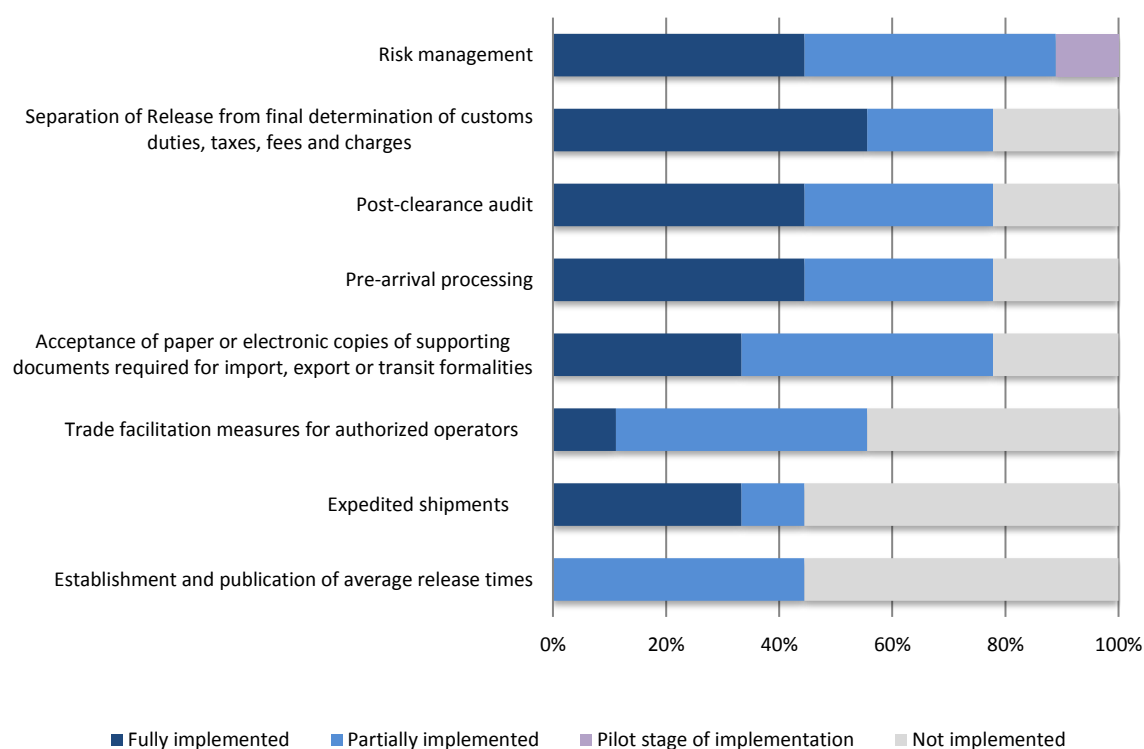


CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Most measures relating to Formalities have been fully or partially implemented in more than 40% of all CAREC members. “Risk management” was the most implemented measure, with all members implementing it, albeit some at a pilot stage. “Establishment and publication of average release times” was the least implemented measure and has been partially implemented in 40% of CAREC members (Figure 8).

Figure 8: Implementation Level of Formalities Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Risk management for customs control is utilized in all CAREC members and is legally stipulated in at least seven of them. However, some CAREC countries continue to face implementation challenges, particularly due to capacity constraints and the need to further streamline the flow of information particularly for low-risk shipments.

Some CAREC countries' legislation allows for the submission of the import declaration prior to the arrival of goods. In addition, the Kyrgyz Republic allows the use of transport or commercial documents as the preliminary declaration. In the case of Tajikistan, pre-arrival submission of cargo information is not mandatory although clearance can start at the moment of submission of the preliminary declaration.

Post-clearance audit systems are in place in 10 CAREC countries and specified in the customs law of at least seven of them. A number of CAREC members' laws allow the separation of release from final determination of customs duties, taxes, fees, and charges, as long as a guarantee covering the customs debt is first provided.

Several CAREC countries have estimated and published cargo release times over the years. Azerbaijan and Uzbekistan customs regularly estimate release time and make these publicly available. Mongolia customs has undertaken time release studies (TRS) four times since 2010. The World Bank Group has supported the conduct of TRS using World Customs Organization's (WCO) methodology in the Kyrgyz Republic, Pakistan, and Tajikistan. To assess the efficiency of cargo release, among others, ADB's

CAREC Corridor Performance Measurement and Monitoring Project collects and analyzes trade facilitation indicators in six CAREC corridors (Box 3).

Box 3: ADB's CAREC Corridor Performance Measurement and Monitoring Project

The CAREC Corridor Performance Measurement and Monitoring (CPMM) Project seeks to measure and monitor the time, cost, and speed of moving cargo along CAREC corridors. The economic corridors' performance is examined periodically to

- (i) ascertain current situation along the links and nodes of each CAREC corridor;
- (ii) identify bottlenecks;
- (iii) determine courses of action to address bottlenecks; and
- (iv) assess the impact of regional cooperation initiatives.

Implemented since 2009, CPMM collects and analyzes transport and border-crossing data on time and cost along the six CAREC corridors, namely:

- (i) CAREC 1: Europe–East Asia
- (ii) CAREC 2: Mediterranean–East Asia
- (iii) CAREC 3: Russian Federation–Middle East and South Asia
- (iv) CAREC 4: Russian Federation–East Asia
- (v) CAREC 5: East Asia–Middle East and South Asia
- (vi) CAREC 6: Europe–Middle East and South Asia

Analysis of the data help policy makers and practitioners better understand the underlying factors hindering CAREC corridor performance using four trade facilitation indicators (TFI): time to clear a border crossing point (TFI1), cost incurred at border-crossing clearance (TFI2), cost incurred to travel to a corridor (TFI3), and speed to travel along CAREC corridors (TFI4).

Based on the UNESCAP's time/cost–distance (TCD) methodology, CPMM has been refined and expanded to encompass more metrics. It defines a comprehensive list of possible stop activities (common reasons for delays at border posts) and seeks to quantify the time delays and costs of each of these activities. It also gauges the extent of unofficial payments at border and behind-the-border transactions. In addition, CPMM partners also provide data on non-CAREC corridors routes if these routes are frequently used.

A noteworthy aspect of CPMM is the involvement of key private sector transport and forwarding organizations in this sizable exercise. National associations representing carriers and freight forwarders have been engaged as CPMM partners to collect data, based on memoranda of understanding. These organizations train the drivers to collect field data, gather the completed drivers' forms and input them into TCD templates customized for CPMM. Each month, participating associations send in completed TCDs for data entry and aggregation.

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

Source: ADB, based on <https://www.adb.org/publications/carec-corridor-performance-measurement-and-monitoring-forward-looking-retrospective>. See also, the 2016 Annual CPMM Report accessible via: <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-and-monitoring-annual-report-2016>.

While trade facilitation measures for authorized operators are established in six countries, the legal bases have not been formalized in most countries. Notably, Azerbaijan customs law follows the WCO standards for authorized operators. Other countries are still developing their information system or have yet to align with international standards.

Procedures for expedited shipments are also available in CAREC countries. Afghanistan customs law provides exclusive treatment for postal cargo containing goods for commercial purposes and is simplifying air cargo clearance procedures. Kyrgyz Republic and Tajikistan customs law provide priority procedures for express freight.

While some CAREC countries' legislations allow the use of copies of original documents in paper and electronic form, the presentation of original copies is still required in practice by most. In Uzbekistan, the original is submitted only when necessary for confirming the origin of goods.

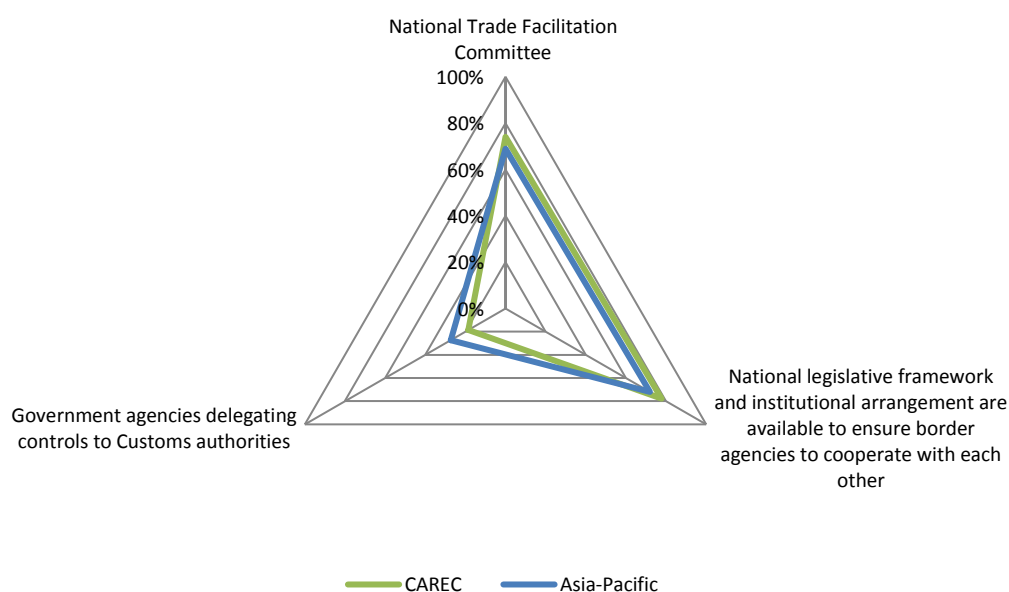
3.3 Institutional arrangement and cooperation measures

Three trade facilitation measures featured in the Global Survey are grouped under Institutional and cooperation measures. They are related to the long-standing recommendation that a national trade facilitation body and other measures be established to ensure coordination and cooperation among the various government agencies and other stakeholders involved in facilitating trade.¹³ All three measures are also specified in various articles of the WTO TFA.

Figure 9 shows that the average weighted implementation score of the three Institutional arrangement and cooperation measures in the CAREC region was around 57%, almost the same as the Asia–Pacific average of 56%. CAREC performed better in the measures on (i) “National legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other” and (ii) “National Trade Facilitation Committee,” respectively registering 78% and 74% compared with the 72% and 69% averages of Asia–Pacific.

¹³ See, for example, UN/CEFACT (United Nations Centre for Trade Facilitation and Electronic Business) Recommendation No. 4 on establishment of national trade facilitation bodies, first issued in 1974.

Figure 9: Implementation Rate of Institutional Arrangement and Cooperation Measures, 2017

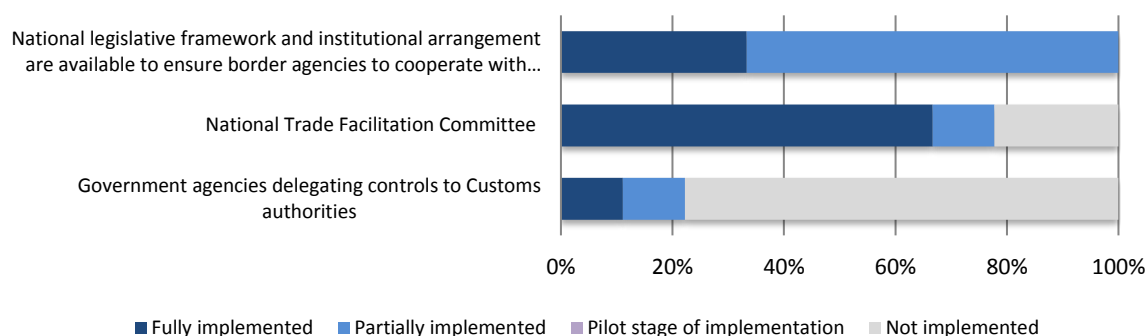


CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Figure 10 shows that “National legislative framework and institutional arrangements are available to ensure border agencies to cooperate with each other” has been fully or partially implemented by all CAREC members. Meanwhile, “Government agencies delegating controls to Customs authorities” was the least implemented measure in terms of institutional arrangements.

Figure 10: Implementation Level of Institutional Arrangement and Cooperation Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

CAREC countries are at varying stages of establishing their National Committees on Trade Facilitation (NCTFs) or similar interagency mechanisms in their respective countries. It is important to note that a number of these NCTFs include private sector representatives.

Coordination among national border agencies such as Customs, immigration, quarantine, inspection, standards, transport, or security, is required by law for some countries. Mongolia has a National Border Coordination Council to ensure agency coordination and approve rules and programs to develop ports. Uzbekistan organized border cooperation offices consisting of all services operating at

the border post to facilitate regular meetings. The absence of such formal coordination mechanism in some countries poses a major challenge for traders.

Meanwhile, cooperation with neighboring countries' border agencies is at a relatively early stage or limited in scope in most of CAREC. In some borders, working hours are not aligned between the two neighboring countries and could be closed for security reasons. Nevertheless, Tajikistan's customs code stipulates the alignment of business hours at border posts with those of their neighboring countries and has cooperative agreements, some of which seek to streamline customs procedures and transit rights. The Customs Code of the Eurasian Economic Union, of which Kazakhstan and the Kyrgyz Republic are part, stipulates mutual administrative assistance among members including on the exchange of information, mutual recognition of decisions, and customs control. CAREC countries are exploring ways to improve cooperation with neighboring countries such as through Joint Customs Control, an initiative that has been piloted between the PRC and Mongolia (Box 4).

Box 4: CAREC Joint Customs Control Project

Customs cooperation has been at the core of the trade facilitation component of the CAREC Program since its establishment in 2001. Among the priority areas of customs cooperation was joint customs control (JCC), defined as the coordinated conduct of border procedures by adjacent Customs administrations based on an agreement to synchronize operations and other aspects of border control which could be through document harmonization, mutual recognition of inspection results, and joint border operation.

In September 1993, Mongolia and the People's Republic of China (PRC) signed an Agreement on Customs Mutual Assistance and Cooperation to promote good relations, facilitate the flow of goods and passengers, and cooperate against Customs offenses. This provided the legal basis for a JCC pilot to address serious delays at the border-crossing points (BCPs) of Zamyn-Uud (Mongolia)–Erenhot/Erlian (PRC) and Gashuunsukhait (Mongolia)–Gantsmod/Ganqimaodao (PRC). A steering group composed of high-level officials from the Mongolia Customs General Administration (MCGA) and the General Administration of China Customs (GACC), and technical working groups composed of field office personnel, were established at the BCP level.

The first phase of document harmonization took the form of a unified cargo manifest (UCM), which standardized essential cargo information, taking 25 data elements from the MCGA Customs declaration and GACC cargo manifest. The UCM was introduced at Zamyn-Uud (Mongolia)–Erenhot/Erlian (PRC) in 2009 and at Gashuunsukhait–Gantsmod/Ganqimaodao in 2011, requiring all trucks to use it. A PRC–Mongolia JCC Operation Process was written to guide implementation and a specific printing system was devoted to producing a unified format.

The introduction of the UCM at the two BCPs eliminated the difficulties of translation and repetitive filling out. A feedback mechanism that verifies entries ensures the consistency of exchanged information, thereby cutting down processing time. MCGA reduced its procedures from 11 to 7 steps and as a result, average waiting time for trucks dropped. Both PRC and Mongolia customs administrations indicated improved consistency in the implementation of Customs control measures. The number of reported irregularities (e.g., false declarations, undervaluation, underweighting, forged documents) decreased and compliance was strengthened.

The JCC initiative also paved the way for intensified cooperation: GACC and MCGA established a regular meeting schedule to evaluate control operation data and communicate and solve problems as soon as possible. The two countries signed in 2010 a Protocol on Cooperation and Reciprocal Assistance in the Field of Customs, and, in June 2017, the Agreement to Improve Cooperation on Risk Management. Among the planned next steps of cooperation are expansion of UCM to other BCPs, data sharing and paperless clearance, and the mutual recognition of Customs control or inspection result. High-level support from GACC and MCGA has been critical. The phased approach has also been pragmatic and recognizes that the PRC and Mongolia are at different stages of modernization of procedures and facilities.

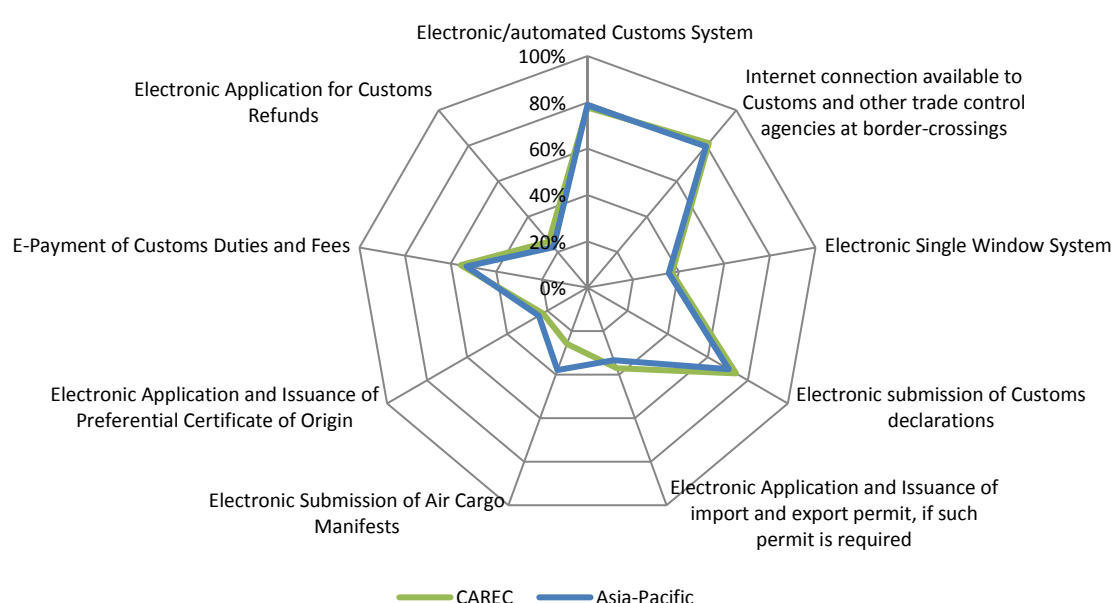
CAREC = Central Asia Regional Economic Cooperation.

Source: ADB, based on <https://www.carecprogram.org/uploads/2015-SOM-September-Reports-TRADE-FACILITATION.pdf>

3.4 Paperless trade measures

Nine of the trade facilitation measures included in the Global 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 TFA typically only encourages economies to work toward implementation of such measures, rather than imposes them as a requirement.¹⁴ For these measures, CAREC’s performance was generally high—with 6 out of the 9 measures exceeding the Asia–Pacific average (Figure 11).

Figure 11: Implementation Rate of Paperless Trade Measures, 2017



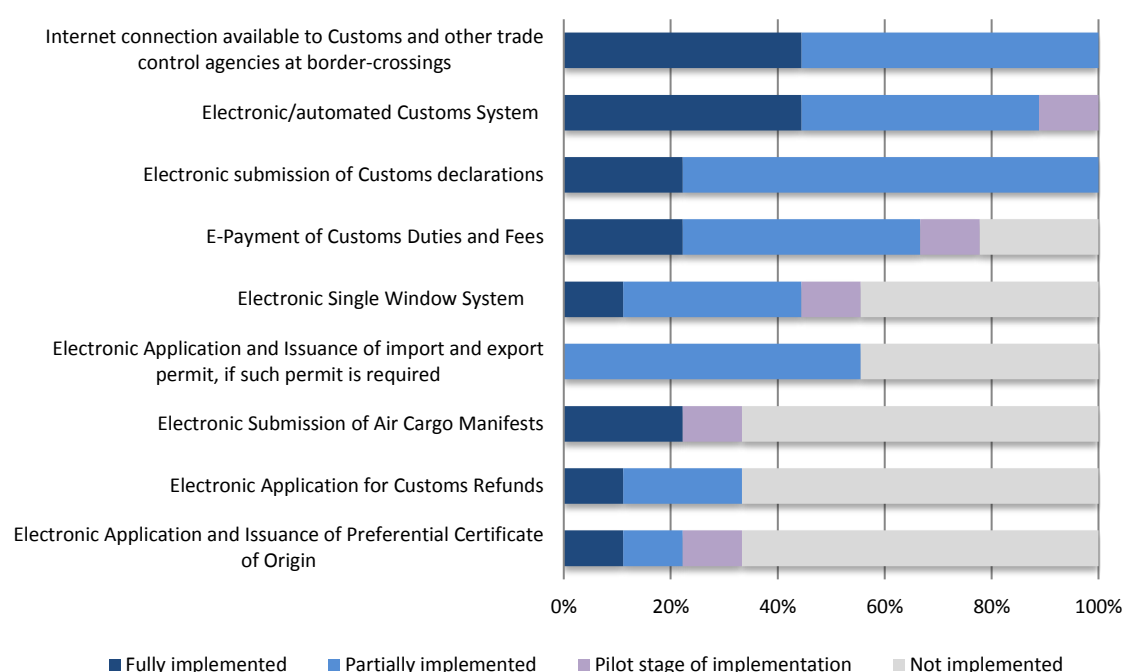
CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Figure 12 shows that some of the Paperless trade measures have been implemented both fully and partially. “Internet connection available to Customs and other trade control agencies at border-crossings” was the most implemented measure in CAREC, with either full or partial implementation in all CAREC countries. In terms of full and partial implementation, “Electronic application and issuance of preferential Certificate of Origin,” was the least implemented measure.

¹⁴ 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 12: Implementation Level of Paperless Trade Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

CAREC countries have automated customs information systems with varying functionalities aside from electronic declaration. Afghanistan, Georgia, Kazakhstan, and Turkmenistan use Automated System for Customs Data (ASYCUDA) software developed by UNCTAD. The rest developed their own systems—Azerbaijan’s Single Automated Management System (VAIS), Mongolia’s Customs Automated Information System (CAIS), Pakistan’s web-based one customs (WeBOC), and the Unified Automated Information System (UAIS) of the Kyrgyz Republic, Tajikistan, and Uzbekistan.

The single window concept is in varying stages of implementation. In Azerbaijan, a 2008 Presidential Decree stipulated its use and a single system was installed the following year. Uzbekistan’s customs code provides for the concept and in 2017 it established its unified customs single window information system. Pakistan is in the process of setting up its single window system within WeBOC.

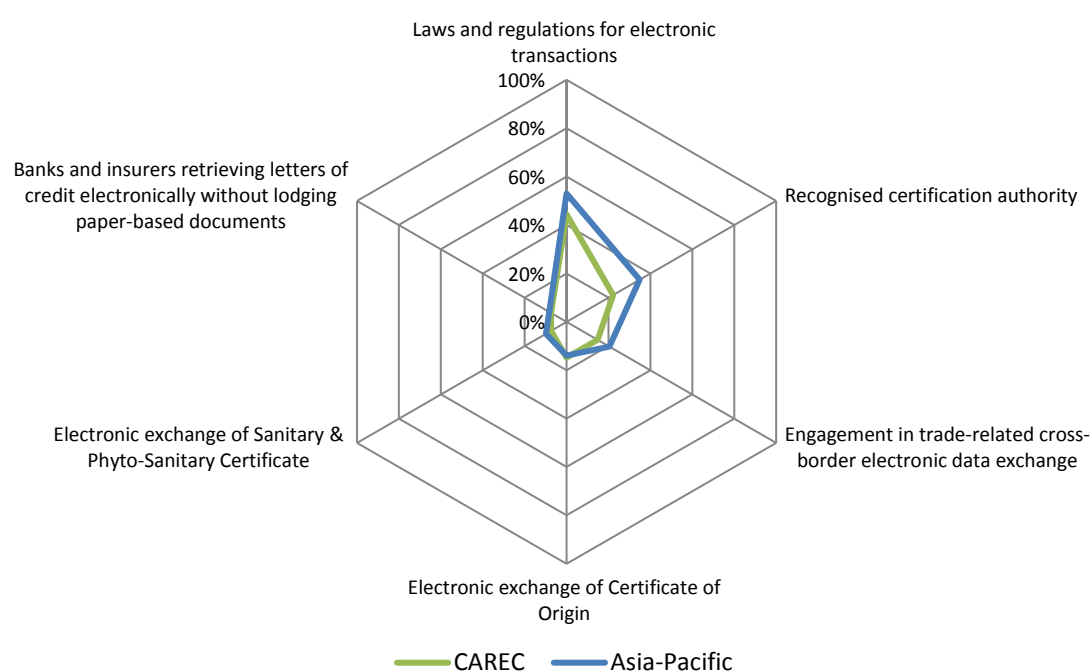
Electronic means of payment, such as by wire transfer, credit card, or debit accounts, is available in most countries. It was a key reform in Afghanistan, which introduced different payment options for wider reach, while the Kyrgyz Republic does not allow cash transactions for customs payments.

3.5 Cross-border paperless trade measures

Six of the trade facilitation measures included in the Global Survey are categorized as Cross-border paperless trade measures, as shown in Figure 13. Two measures—“Laws and regulations for electronic transactions” and “Recognized certification authority”—are basic building blocks toward 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 13, CAREC’s performance on implementing Cross-border paperless trade was lower compared with the Asia–Pacific average, although “Electronic exchange of Certificate of Origin” and “Electronic exchange of Sanitary and Phytosanitary Certificate” scores were slightly better.

Figure 13: Implementation Rate of Cross-Border Paperless Trade Measures, 2017

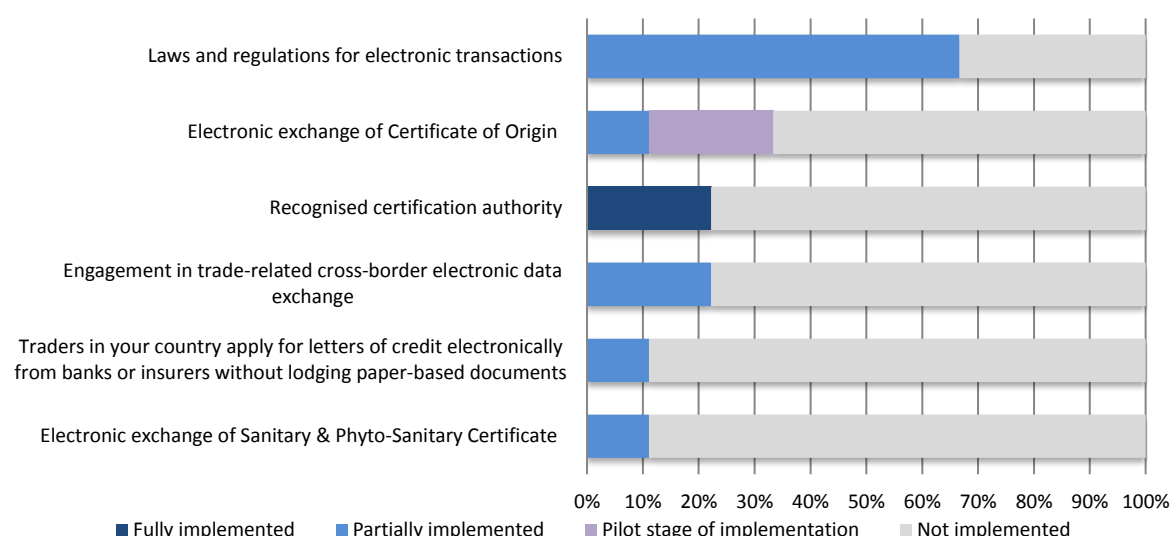


CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Figure 14 shows that “Laws and regulations for electronic transactions” had the highest level of implementation, with over 60% of members partially implementing it. The measures pertaining to “Electronic exchange of Sanitary and Phytosanitary Certificate” and “Traders’ electronic application for letters of credit without paper-based documents” have been least implemented by CAREC members.

Figure 14: Implementation Level of Cross-Border Paperless Trade Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

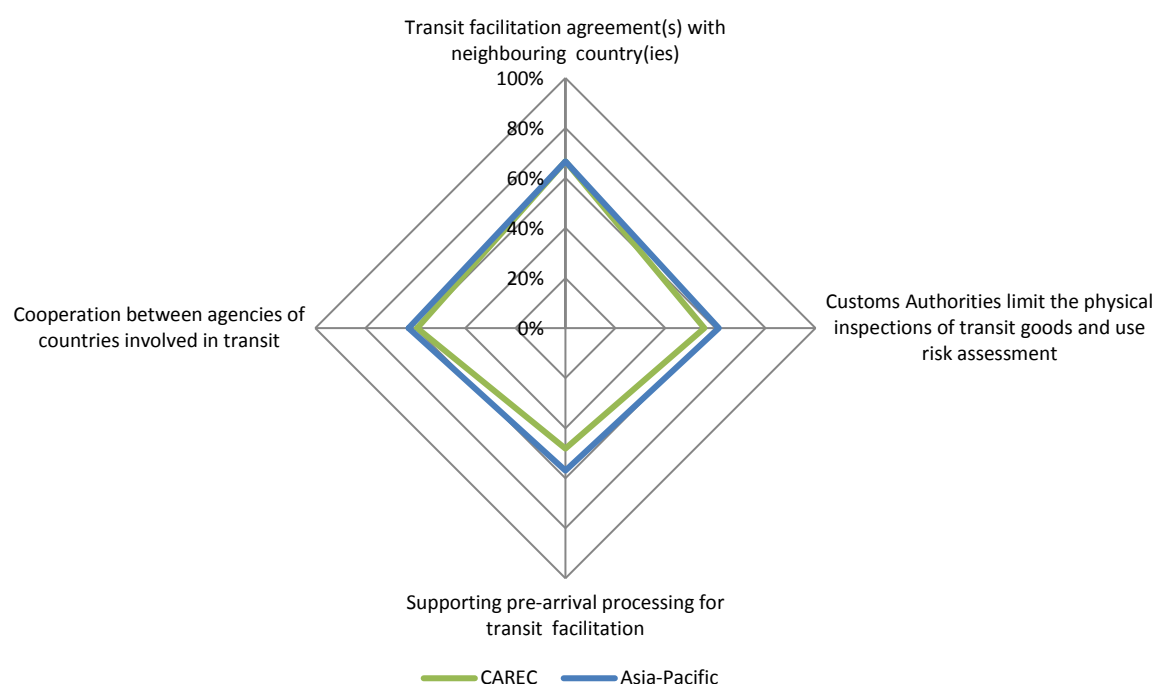
The majority of CAREC countries have legislative provisions on information sharing by customs (e.g., Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Turkmenistan, Uzbekistan), many of which are in the context of intergovernmental agreements. Afghanistan is negotiating transit agreements with its neighbors to open up routes and improve data exchange for such purpose.

3.6 Transit facilitation measures

Four trade facilitation measures included in the Global Survey relate specifically to transit facilitation and WTO TFA Article 11 on Freedom of Transit. The intent of these measures is to simplify, as much as possible, the formalities associated with traffic in transit, allowing goods to be seamlessly transported through one or more 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.

CAREC's implementation of Transit facilitation measures was relatively lower than the Asia-Pacific level, except for "Transit facilitation agreement(s) with neighboring country(ies)." Strengthening efforts to implement "Customs Authorities limit the physical inspections of transit goods and use risk assessment" and "Supporting pre-arrival processing for transit facilitation" could significantly improve overall performance of transit facilitation (Figure 15).

Figure 15: Implementation of Transit Measures, 2017

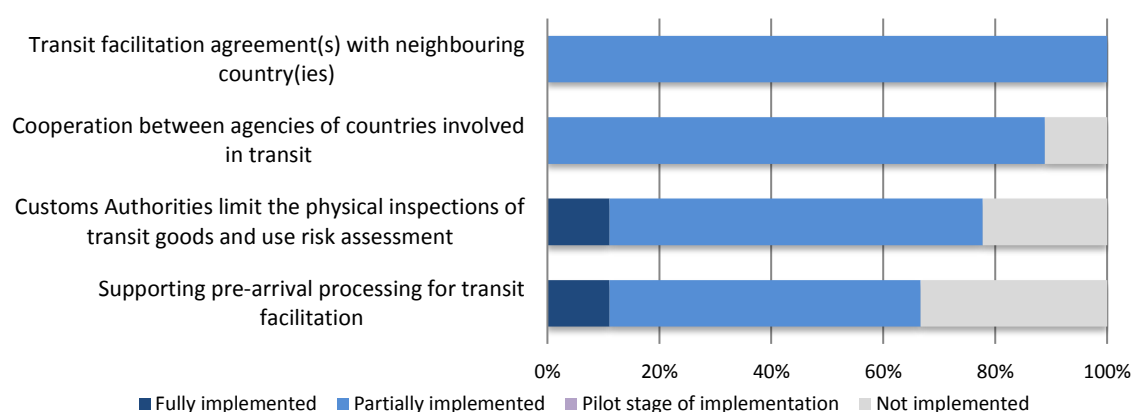


CAREC = Central Asia Regional Economic Cooperation.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Figure 16 shows that among the transit facilitation measures, “Transit facilitation agreement(s) with neighboring country (ies)” was the most implemented, although partially, by all CAREC members. In contrast, “Supporting pre-arrival processing for transit facilitation” has been fully implemented by only one member, making it the least implemented measure.

Figure 16: Implementation Level of Transit Facilitation Measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Most CAREC countries have established transit procedures, with legal provisions in some cases devoted to traffic in transit. Afghanistan is signatory to a number of transit agreements with its

neighbors. Kazakhstan, the, Kyrgyz Republic, Pakistan, and the PRC signed a Quadrilateral Traffic in Transit Agreement. Azerbaijan and Georgia are applying for observer status under the European Union's Convention on a Common Transit Procedure and use of New Computerized Transit System (NCTS). Azerbaijan, Georgia, and Kazakhstan have signified interest in piloting the CAREC Advanced Transit System (Box 5).

Advance filing of transit documents is not explicitly provided in Azerbaijan, Afghanistan, Pakistan, or Tajikistan. Afghanistan is considering the use of Transports Internationaux Routiers' electronic pre-declaration data as pre-arrival information. Kazakhstan law allows the pre-arrival filing of customs declaration, while Pakistan's WeBOC transit module is designed for advance filing and pre-arrival processing. Tajikistan legally provides for the electronic submission of transit declarations and advance submission is not possible in practice.

Box 5: CAREC Advanced Transit System and Information Common Exchange

An efficient regional transit regime is particularly important for the landlocked Central Asia Regional Economic Cooperation (CAREC) member countries because all their trade must transit through their neighbors' territories. A prototype for a CAREC Advanced Transit System (CATS) and Information Common Exchange (ICE) architecture has been developed that will provide a single electronic transit system incorporating a comprehensive, risk-based transit guarantee mechanism. The CATS aims to simplify transit procedures and enhance trade facilitation among CAREC countries. Its key provisions are in accordance with the World Trade Organization's Trade Facilitation Agreement (TFA) and recently published World Customs Organization's Transit Guidelines. Recognizing the important role an efficient customs transit regime has in their economic development efforts, Azerbaijan, Georgia, and Kazakhstan, agreed to participate in the pilot test of the CATS and ICE prototype through a Trilateral Agreement as contracting CAREC countries.

The pilot will demonstrate how CATS will help CAREC countries participate in the global value chains by:

- (i) providing an opportunity to eliminate the duplication of effort in complying with the requirements of interacting with several transit systems;
- (ii) streamlining and harmonizing transit documentation, creating a single electronic messaging system, and removing the manual processing of documentation;
- (iii) establishing a modern risk-based affordable guarantee mechanism that rewards compliant operators, e.g., Authorized Economic Operators;
- (iv) reducing customs processing time at the border; and
- (v) providing compatibility with other transit systems, e.g., New Computerized Transit System (NCTS) of the European Union.

Source: ADB, based on <https://www.carecprogram.org/?event=workshop-advanced-transit-system-jun-2017>.

4. Assessing the Impact of Trade Facilitation in CAREC Economies

To assess the potential impact of implementation of trade facilitation measures in the CAREC region, a trade cost model was used that incorporates the trade facilitation implementation rates based on the Global Survey data presented above. The model also includes other traditional trade cost factors such as natural geographic factors (distance, “landlockedness”, and contiguity); cultural and historical distance (e.g., common official language, former colonial relationships); and the presence of regional trade agreements and maritime connectivity. The model extends previous work by Arvis et al. (2016) and ADB/ESCAP (2017) by capturing the changes in trade costs resulting from each country’s own implementation of trade facilitation measures, and from the implementation of measures in partner countries.

The overall trade cost reductions that can be expected in the CAREC economies from implementation of three sets of trade facilitation measures are shown in Table 2. The first set of trade facilitation measures are limited to implementation of WTO TFA binding measures only.¹⁵ The second set of measures consists of binding and non-binding TFA measures included in the Global Survey. The final and most ambitious set is a TFA+ set of measures, including digital implementation of TFA measures and cross-border paperless trade. For each set of measures, average changes in trade cost achieved are calculated if all CAREC members at least partially implement all measures, or if they all fully implement all measures.

Two main findings emerge from this impact analysis. First, achieving basic compliance with WTO TFA by implementing only binding measures would result in only modest trade cost reductions. Full implementation of binding measures results in a decrease of trade cost of about 11%, while full implementation of all measures would result in an over 18% reduction. Second, the paperless implementation of the TFA measures together with the seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, close to 30% for CAREC as a whole.

¹⁵ The list of binding and non-binding WTO TFA measures is available in the Appendix of ADB and ESCAP (2017).

Table 2: Trade Cost Changes in CAREC Resulting from Implementation of Trade Facilitation and Paperless Trade (%)

Trade Costs Reduction from TFI Improvement: CAREC	WTO TFA (Binding)		WTO TFA (Binding + Non-binding)		WTO TFA+ (Binding + Non-binding + Other Paperless and Cross-border Paperless)	
	Partially implemented	Fully implemented	Partially implemented	Fully implemented	Partially implemented	Fully implemented
Model 1						
Overall TF	-5.66	-11.25	-9.37	-18.01	-19.77	-29.87
Model 2						
General TF	-5.31	-10.33	-7.45	-14.62	-8.62	-15.86
Paperless and cross-border paperless trade	0.00	0.00	-1.91	-3.22	-10.23	-14.11

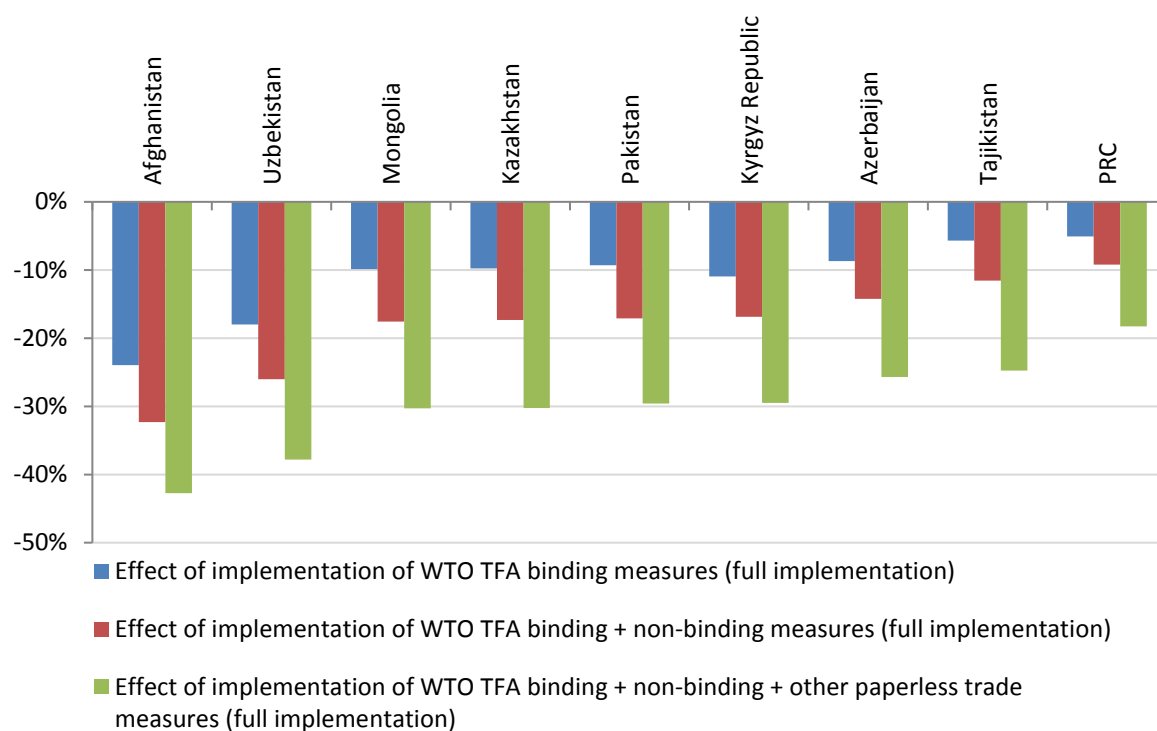
CAREC = Central Asia Regional Economic Cooperation, TF = trade facilitation, TFI = trade facilitation implementation, WTO TFA = World Trade Organization's Trade Facilitation Agreement.

Note: Overall Trade Facilitation covers all the measures included in the Global Survey, while General Trade Facilitation covers Transparency, Formalities, and Institutional arrangements and cooperation measures.

Source: Authors.

All the CAREC economies stand to make significant gains from accelerating trade facilitation implementation. As shown in Figure 17, the full implementation of the three different sets of trade facilitation measures in all economies would result in trade cost reduction for all economies. As expected, the trade cost reductions are much larger when cross-border paperless trade is achieved, with even world-leading trade facilitation economies such as the PRC seeing its trade costs reduced by nearly 18%. Achieving such trade cost reductions will require closer cooperation between economies in developing interoperable paperless trade systems, as envisaged in the Framework Agreement.

Figure 17: Impact of Trade Facilitation Implementation on Trade Costs of CAREC Economies (%)



CAREC = Central Asia Regional Economic Cooperation, PRC = People's Republic of China, WTO TFA = World Trade Organization's Trade Facilitation Agreement.

Note: Trade cost reductions from simultaneous improvement in general trade facilitation implementation in CAREC member economies.

Source: Authors.

5. Moving toward Seamless International Supply Chains

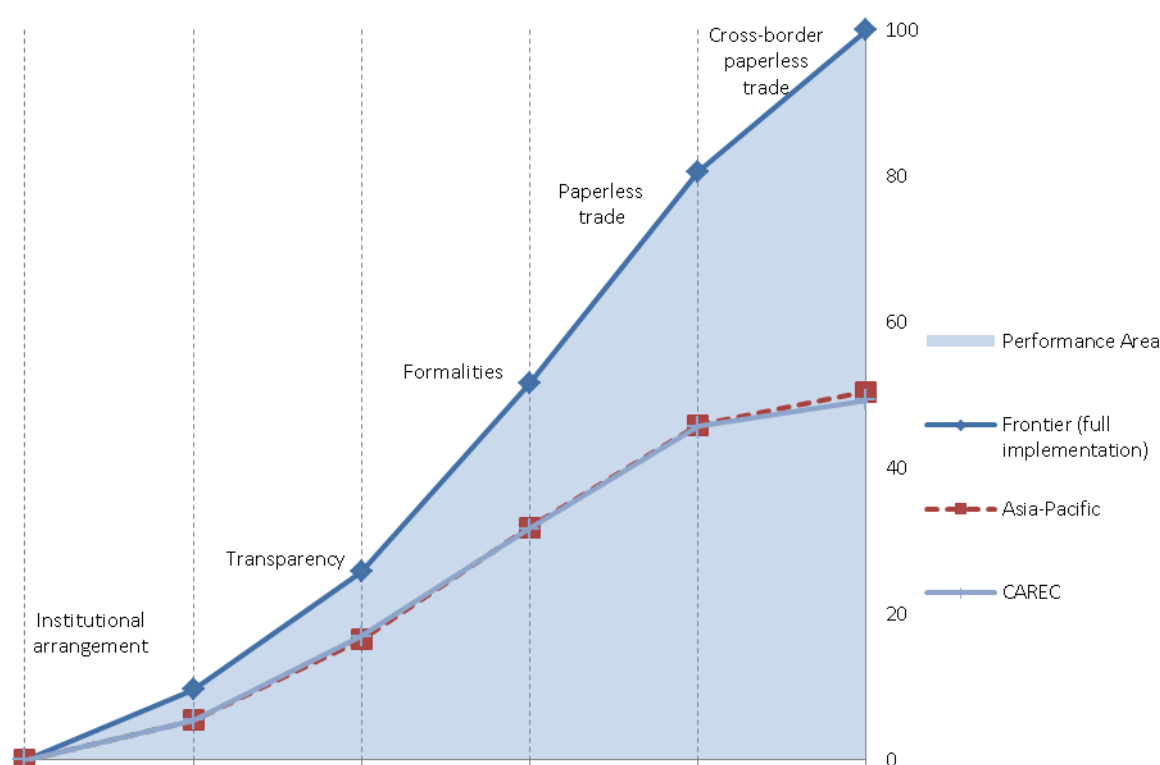
This report presents data on trade facilitation and paperless trade implementation of CAREC members. Based on a set of 31 trade facilitation measures included in the Global Survey, the average trade facilitation implementation in CAREC was 49% against the Asia–Pacific average of around 50 per cent, indicating that implementation of trade facilitation measures by CAREC members are roughly the same as the region's. However, in comparison with the global average implementation rate of 60%, CAREC members need to strengthen their trade facilitation efforts.

Implementation of Cross-border paperless trade systems remains mostly at the pilot stage with very low implementation levels, although work in other areas has already been done – a typical example is the implementation of various sub-measures by CAREC members under Transparency. Figure 18 shows implementation of trade facilitation to be a step-by step process, based on the six core groups of measures included in this Global Survey. It shows the cumulative implementation level of trade facilitation measures by CAREC members included in the Global Survey.

Trade facilitation begins with setting up the Institutional arrangement needed to prioritize and coordinate implementation of trade facilitation measures. The next step is to make the trade process more Transparent by sharing information on existing laws, regulations, and procedures as widely as possible, and consulting with stakeholders when developing new ones. Designing and implementing simpler and more efficient trade Formalities is the third step. The reengineered and streamlined processes may first be implemented based on paper documents, but can then be further improved through information and communication technology (ICT) and the development of Paperless trade systems. The ultimate step is to enable the electronic exchange of trade data and documents by traders and government and service providers within national (single window and other) systems to be used and reused to provide stakeholders in partner countries with the information they need to speed up the movement of goods and reduce the overall costs of trade.

Assessment shows that achieving basic compliance with WTO TFA by implementing only binding measures would result in only modest trade cost reductions, about 11%, while full implementation of all measures would result in an over 18% reduction. In addition, the paperless implementation of the TFA measures together with the seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, close to 30% for CAREC as a whole.

Figure 18: Moving Up the Trade Facilitation Ladder toward Seamless International Supply Chains



CAREC = Central Asia Regional Economic Cooperation.

Note: Figure shows cumulative trade facilitation implementation scores of CAREC for five groups of trade facilitation measures included in the Global Survey. Full implementation of all measures = 100.

Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.

Going forward, the CAREC members should continue their momentum in implementing WTO TFA, and gradually move toward digital trade facilitation to maintain their competitiveness. In this respect, the Framework Agreement will not only complement the TFA, but also provides a unique platform for CAREC members' realization of cross-border electronic exchange of trade-related data and documents. The PRC, together with several other Asian countries, already formally signed the Framework Agreement in 2017, while Azerbaijan is the first country in 2018 to accede to this UN treaty in March. Almost all the CAREC economies have been actively involved in the development of the treaty.

In the immediate term, participation in the Framework Agreement can support the development of national and subregional paperless trade systems and prepare them for interoperability with similar paperless trade systems being developed in other parts of the world. It may also help CAREC members promote their already existing paperless trade solutions to other regions. Accordingly, all CAREC economies are encouraged to become parties to the Framework Agreement to reap the benefits as early as possible.¹⁶

¹⁶ More information on the Framework Agreement is available at <http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>.

At their 17th meeting in September 2018, the heads and senior customs officials from 11 CAREC countries comprising the CAREC Customs Cooperation Committee recognized the evolving role of customs authorities. They have realigned their priority areas with the CAREC Integrated Trade Agenda 2030¹⁷ to better respond to developments in the trade landscape including the implementation of the WTO TFA. Special emphasis was given to innovation considering the rise of cross-border e-commerce and digital trade, use of block-chain technology, big data analysis, and the internet of things; to rapidly changing supply chain management; and to customs–business dialogue and partnership, by creating favorable conditions for their interaction, supporting inclusive and sustainable trade facilitation, and maintaining and developing open, transparent and predictable regulatory systems.

In the context of 2030 Agenda for Sustainable Development, CAREC countries are also encouraged to develop and introduce new measures so that trade facilitation systems can more directly benefit SMEs and the agriculture sector, as well as facilitate the participation of women in trade.

¹⁷ More information on the CAREC Integrated Trade Agenda 2030 is available at <https://www.carecprogram.org/>.

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