STUDY ON
REGIONAL ARRANGEMENTS FOR
FACILITATION OF CROSS-BORDER
PAPERLESS TRADE
IN ASIA AND THE PACIFIC

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Acknowledgements

Disclaimer

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[1] See http://www.unescap.org/commission/68/documents/English/2012-Resolutions-E68_24E.pdf

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CHAPTER 1: NEED FOR REGIONAL ARRANGEMENTS ON PAPERLESS TRADE IN THE ASIA PACIFIC

INTRODUCTION

This Report is the outcome of a study undertaken as part of implementing ESCAP Resolution 68/3 *Enabling paperless trade and the cross-border recognition of electronic data and documents for inclusive and sustainable intraregional trade facilitation* under the title of the "Regional Arrangements for facilitation of cross-border paperless trade in Asia and the Pacific." In view of tasks mandated in the ESCAP Resolution 68/3, the Study was conducted with the objectives of 1) reviewing existing practices of paperless trade in different countries/regions as well as on-going discussions in the relevant multilateral bodies, 2) deriving potential options of regional arrangements through in-depth analysis, and 3) recommending one most practical option of regional arrangements in the context of Asia and the Pacific Region with its contents and features.

The first chapter seeks to examine the necessity for regional arrangements in the context of Asia and the Pacific Region. In the second chapter, a detailed review is undertaken of the existing practices in regard to paperless trade in different countries/ regions and discussions in the relevant multilateral bodies. The second chapter also describes potential options of regional arrangements and proposes a practical option in the regional context on the basis of analysis on existing practices and discussions of paperless trade. The third chapter proposes a detailed regional arrangement outlining its contents and features. The fourth chapter concludes the Study with a proposal on an institutional mechanism for proper maintenance and expansion of such a regional arrangement. The annex 2 provides a draft text to operationalize the proposed regional arrangement..

SCOPE AND METHODOLOGY

This Report deals with facilitation of cross-border trade, i.e. trade taking place across the border of one country with another or across a customs territory. It is not concerned with

trading activities taking place within a country. It also deals with transit trade where there is movement of goods across a country as in the case of landlocked countries.

Cross-border trade not only entails exchange of documents and information across the border, but also within the country. For example, prior to clearance of goods at the border, such exchange of information and documents takes place between the importer and the customs authorities as well as with other regulating authorities. Exchange of information and documents also takes place between customs and the port/ airport authorities. Therefore, facilitation of cross-border trade also has linkages with exchange of information and documents that takes place between the domestic agencies of the exporting/importing country.

The term 'paperless trade' does not appear to have a standard definition. For the purpose of this paper, a workable definition of paperless trade is adopted as follows:

'Trade taking place on the basis of dematerialized commercial and regulatory documents instead of paper documents'.

Since paperless trade envisages exchange of data and trade documents electronically, sometimes terms like 'e-trade' or 'electronic trade' are sought to be used synonymously with the term 'paperless trade'. However, electronic trading or e-trading is more aptly applied to a method of trading, such as trading of securities, stocks, bonds, foreign exchanges etc. on an electronic trading platform. On the other hand, the term 'paperless trade' includes trade in goods which are physically traded but without exchange of paper documents. For the purpose of this report, we use the term 'paperless trade' throughout instead of the term 'e-trade'.

This Report draws extensively upon previous work/study reports prepared under the aegis of UNESCAP, UNECE, WCO, WTO and other international organizations as well as different country reports. The sources have been referred to in the text wherever possible and also listed in the end. We have also drawn upon our interactions with trade, as well as government officials dealing with customs, trade issues and ports. We have also drawn upon our own field experience.

A draft of this Report was also presented to the participating experts and national delegates at the Expert Review Meeting on Regional Arrangements for Facilitation of Cross-border Paperless Trade, held back-to-back with the Asia-Pacific Trade Facilitation Forum (APTFF) 2012 in Colombo, Sri Lanka on 1 November 2012. Valuable comments offered in the course of extensive discussions in the meeting and further written comments offered subsequently by some of the experts and national delegates have added value to this Report.

During the APTFF 2012 in Colombo, Sri Lanka, discussions were also held with technical experts dealing with Single Window implementation and electronic exchange of trade-related data and documents, who have validated the findings of the Report and the recommendations made therein.

NEED FOR FACILITATING PAPERLESS TRADE AND TRANSIT

Before examining the need for Regional Arrangements, it is worthwhile to briefly look at the need for paperless trade *per se*. The UNECE Document titled "A Roadmap towards Paperless Trade" (Document No. Trade/RCR/371) points out that billions of paper documents are used in international trade by traders and administrations. This is happening despite phenomenal advances in Information and Communication Technology (ICT). The arguments supporting changeover from paper documents to paperless trade are now well known. These are documented in various publications such as the UNECE Paper on Paperless trade referred to above and in the Country Briefs on the Single Window prepared by United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT) which are discussed in greater detail in Chapter 2. The main arguments are briefly summarized below: -

(i) The cost involved in international trade can be reduced significantly saving billions of dollars.

(ii) There will be increased revenue for both private sector and the Governments.

(iii) Security, transparency and efficiency in supply chains would increase.

(iv) Electronic information will be easier to process and more reliable.

(v)   Delays in border clearance would be reduced.

(vi) Changeover to paperless trade will be invariably accompanied by reengineering of existing complicated procedures resulting in simplification, greater transparency and accountability contributing to the cause of good governance.

(vii)   Reduction in cost and simplification of procedure will help small and medium enterprises to become more competitive as savings from paperless trade are found to be highest for smaller shipments and perishable goods.

(viii)   Electronic information is more amenable to automatic risk analysis which will help in preventing fraud and non-compliance giving rise to more revenue.

(ix) It will help in modernizing administrations and result in better utilization of available manpower.

(x) Trade will benefit from reduction in repeated data entry, reduction in errors and delays.

(xi) It will allow private enterprises to develop and use automatic tracking systems to enable secure and timely delivery of goods.

(xii)   Paperless trade can significantly cut down bureaucratic delays and accompanied corruption.

(xiii)   Landlocked countries would specially benefit by paperless trade as electronic information can be received and processed in advance before arrival of the goods at the border enabling faster clearance.

(xiv) Very often Administrations are forced to make use of incomplete and unauthenticated data while imposing WTO mandated trade remedy measures such as antidumping duties, etc. In a paperless trading environment there will be complete and transparent capture of reliable trade data, enabling Administrations to take informed decisions.

The usual arguments against changeover from paper documents to paperless trade relate to initial costs involved, reluctance of traders to incur additional costs unless they see the benefit, resource constraints in respect of developing countries as well as small traders. These can, however, be overcome by: -

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demonstrating the distinct advantages of a paperless system to all stake-holders;
the national Governments taking the initiative and bearing the initial costs particularly for the small traders; and
providing international financial and technical assistance to developing countries lacking in resources.

It is also important to plan and manage a smooth and phased transition to a new system so that it gains wider acceptance.

CHALLENGES IN FURTHERING CROSS-BORDER PAPERLESS TRADE

While most countries recognize the advantages ICT presents and the benefits a paperless trading environment offers in improving competitiveness of exporters, several countries in the Asia-Pacific region face significant challenges in moving towards paperless trade. The reasons are manifold: -

(a) Computerization carried out by different countries use different systems and interoperability of various systems can be a challenge.

(b) Different types of information and documents are required by different countries and working out a system for a comprehensive exchange of data and document between different countries is a very challenging task.

(c) Advantages of cross-border paperless trade may not be very obvious to traders and hence they may not push their governments to implement systems for cross-border paperless trade, particularly in situations where application of ICT is inadequate in the national context.

(d) Inadequate national effort to apply ICT in matters relating to customs and port