



Facilitating Cross Border Paperless Trade

Benefits of Cooperation for BBIN Countries

Joining Dots • Connecting People • Shared Prosperity

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As traditional trade barriers such as tariffs have fallen, trade costs associated with trade procedures and compliance to non-tariff measures need to be prioritised for similar reduction to enable effective participation in regional and global value chains. One of the ways to reduce such trade costs is to accelerate the implementation of digital trade facilitation measures, which could be supported by joining a UN treaty especially dedicated to this topic, for example, the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA).

This Briefing Paper examines the benefits which Bangladesh, Bhutan, India, Nepal (BBIN) as a subregional group will achieve after joining the CPTA. The paper finds that by joining the CPTA, BBIN countries will have enhanced opportunities for their trade integration and improve their competitiveness with reduced trade costs. When bundled together with the Trade Facilitation Agreement of the World Trade Organisation (WTO) and BBIN Motor Vehicles Act, it is evident that this CPTA will make the movement of goods from one BBIN member to another more seamless.

Vehicles would not have to stop for long at borders and comply with the lengthy physical documentation procedures. Rather, a cross-border paperless trade regime will reduce the time for goods spent at the borders and make it easier for officials to clear their passage. Hence, cross-border paperless trade could reduce not only trade costs, but also support resilient trade connectivity as well as reduce environmental burdens.

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Introduction

BBIN is a subregional cooperation initiative to improve economic cooperation and connectivity among the four South Asian countries and is expected to help them integrate more effectively with the global economy. The countries meet regularly to discuss areas of connectivity of power, transport, and infrastructure through fixed Joint Working Group sessions. Representatives explore avenues of cooperation and strengthen transit facilitation measures such as shared border stations on key routes and harmonised customs procedures. The priority of connectivity is further shared by access to road, rail, air and port infrastructure and ease of travel. The countries in South Asia face a digital divide among themselves. Thus, moving towards a harmonised framework for digital platforms could be an important tool for promoting these objectives.

These countries are already participating in several other plurilateral platforms, and are part of several overlapping regional initiatives like the Bay of Bengal Initiative for Multi-Sectoral Economic Cooperation (BIMSTEC), the South Asia Association for Regional Cooperation (SAARC), South Asia Subregional

Economic Cooperation (SASEC), etc. The broader objectives of these engagements are to promote regional cooperation for the better life of people and include *inter alia* areas of trade, transport, connectivity, energy, etc. They are also participating in regional trade agreements like SAFTA and APTA (both in force), BIMSTEC FTA (not yet implemented) and several bilateral agreements for better market access and integration.

Given that the BBIN countries share their border and given the importance of cross-border road transportation for closer regional economic cooperation and integration through enhanced regional connectivity, the countries signed a Motor Vehicles Agreement in 2015. This agreement allowed the vehicles of member countries to pass through their territories for inter-country transportation of passengers or cargo.

The MVA also lays down principles under which such transportation will be allowed. An inter-country movement of cargo will require documentation and compliance with various procedures, which will vary from one country to another during such transfer. Compliance with these documentations and



procedures can be too burdensome and can act as a deterrent against the implementation of MVA. Therefore, it was imperative to reiterate in the agreement that it conforms with the SASEC Trade Facilitation Strategic Framework. To reap the benefit of geographical proximity and the aims of BBIN, countries need to take various trade facilitation measures that supplement these initiatives.

Trade facilitation, as defined by WTO is, "The simplification and harmonisation of international trade procedures, where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade". Trade facilitation efforts can indeed decrease the costs and time taken in export and import processes. This is critical as such trade costs can be equivalent to a 134 per cent ad valorem tariff on a product in high-income countries and a 219 per cent tariff equivalent in developing countries, WTO (2015).

The reductions in time and costs are the difference between a country seamlessly linking up to an integrated global production chain or being left on the margins of world trade. Moreover, amid a global slowdown in trade, easing trade processes could provide a critical boost to international trade and the global economy.

The private sector or international business community, especially the MSME, is one of the major beneficiaries of trade facilitation measures, as the procedural burden and cost of trade decreases, which provides a good opportunity to become more competitive in global markets. The fragmentation at the core of global value chains requires goods to cross borders several times during the various stages of production and complying with various customs procedures and other border administration measures adds to the cost of doing business for companies located in many developing and least developed countries. Private sector representatives have increasingly expressed concern about

overbearing or unnecessary trade transaction costs and have called for greater transparency, efficiency and procedural uniformity in customs procedures.¹

In this regard, WTO and UNESCAP have formulated separate but complementary frameworks to ensure the smooth facilitation of trade. Trade Facilitation Agreement (TFA), concluded at the 2013 Bali Ministerial Conference and entered into force in 2017, contains provisions for expediting the movement, release and clearance of goods, including goods in transit. Estimates show that the full implementation of the WTO TFA could reduce trade costs by an average of 14.3 per cent and boost global trade by up to US\$1tn per year, with the biggest gains in the poorest countries, WTO (2015).

Complementing the TFA in accelerating the implementation of digital trade facilitation measures, UNESCAP adopted the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA) by the UNESCAP Resolution 72/4 dated May 24, 2016, which then was entered into force on February 20, 2021. The CPTA is dedicated to digitalising trade processes to enable the exchange and mutual recognition of trade-related data and documents in electronic form and facilitating interoperability among national and subregional single windows and/or other paperless trade systems. This, in turn, will contribute to making international trade transactions more efficient and transparent while improving regulatory compliance.

UNESCAP (2017) observed that moderate region-wide improvements in trade facilitation in the Asia Pacific could lift GDP by 0.32 per cent annually between 2015 and 2030, equivalent to nearly US\$87 bn per year – 14 times more under the tariff liberalisation scenario considered in the same study. This paper evaluates how the CPTA can help BBIN countries achieve faster integration among themselves.

1 Source: ITC, intracen.org/itc/trade-facilitation-programme/

UNESCAP CPTA and WTO Agreement on Trade Facilitation: Complementarities

The WTO TFA focuses on conventional trade facilitation measures such as publication and availability of information, advance ruling, fees and charges, release, and clearance of goods. It has a provision for a Single Window at national level, either paper-based or electronic, not targeted at cross-border paperless trade. The CPTA, with its focus on trade digitalisation, is complementary to the WTO Agreement on Trade Facilitation. ESCAP Resolution 70/6 specifically emphasises this and notes that the *“work of the interim steering group on cross-border paperless trade facilitation would not duplicate but complement the work being done in relation to the implementation of the World Trade Organisation Trade Facilitation Agreement”*.

Both the WTO TFA and the CPTA have provisions on a Single Window (adopted by Bangladesh and Nepal from the BBIN countries). The Single Window provision of the WTO TFA specifies that “Members shall, to the extent possible and practical, use information technology to support the single window”. Therefore, implementing the CPTA is expected to help ESCAP member States, including BBIN countries, meet the Single Window requirements of the WTO TFA.

The CPTA supports the full digital implementation of the WTO TFA. Participating in the CPTA can help meet the requirements of many provisions of the WTO TFA, *inter alia*, formalities connected with importation and exportation and transit (Article 10), release and clearance of goods (Art. 7), border agency cooperation (Art. 8), publication and availability of information (Art. 1), freedom of transit (Art. 11), Customs cooperation (Art. 12) and advance ruling (Art. 3).

The WTO TFA asks each member to schedule provisions in three categories, namely:

Category A: provisions that the member will implement by the time the Agreement enters into

force (or in the case of a least-developed country within one year after entry into force)

Category B: provisions that the member will implement after a transitional period following the entry into force of the Agreement

Category C: provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building

CPTA, on the other hand, does not categorise provisions as all members set their own pace of implementation based on existing capacity and the receipt of technical assistance and capacity building, as needed (i.e., all provisions are de facto in Category C). The largest reduction of trade costs comes through paperless and cross-border paperless trade measures. Most paperless trade measures are not specifically included in the WTO TFA, but can support the full implementation of WTO TFA as mentioned above. According to ADB & ESCAP (2019), there could be almost a 17 per cent of trade cost reduction with paperless trade measures, instead, when WTO TFA binding measures are implemented, they would only result in about 6 per cent trade cost reduction.

The TFA by WTO is the first WTO agreement in which members can determine their own implementation schedules. Progress in implementation is explicitly linked to technical and financial capacity. The micro, small and medium enterprises (MSMEs) face bigger challenges in terms of compliance to the administrative burdens for trade compared to the large enterprises. Hence MSMEs will benefit more from the implementation of the TFA. A Trade Facilitation Agreement Facility (TFAF) has been created to help ensure developing and least-developed countries obtain the assistance needed to reap the full benefits of the TFA. The Agreement may also help developing countries attract more FDI and increase customs revenues.

BBIN Members: Trade Costs and Efforts on Trade Facilitation

Despite having an overarching regional free trade agreement in the form of the South Asian Free Trade Agreement (SAFTA) signed in 2004 and various other bilateral and regional trade agreements forged since then, intra-regional trade among South Asian countries accounts for only about five percent of their total trade, ORF (2016). The four members of BBIN rank lower in terms of doing business across borders (Table 1).

The trade cost between BBIN members is also comparatively high despite that they share borders, due to which the real trade potential amongst them is still unexplored (Table 2). Estimates suggest that

while formal intra-SAARC trade is around \$28-30 billion per year, informal trade among these countries can be six times as high at some \$25 billion, ORF (2016).

Cross-border paperless trade has great potential to grow trade competitiveness and address new challenges associated with cross-border e-commerce and the rise of the digital economy. BBIN countries have made progress in implementing trade facilitation measures in the past two years. However, implementation in paperless trade and cross-border paperless trade remains low (except India). Significant opportunities exist for BBIN countries to reduce trade costs and improve competitiveness by accelerating their efforts to facilitate electronically and digitalised trade procedures. (Figure 1)

Table 1: Performance of the BBIN Countries on Trading across Border, 2019

Indicators	Bangladesh	Bhutan	India	Nepal
Rank out of 190 countries	168	89	63	94
Time to export: Border compliance (days)	7	0.5	3	2.5
Cost to export: Border compliance (US\$)	408	59	212	103
Time to export: Documentary compliance (days)	6	0.5	0.5	1.5
Cost to export: Documentary compliance (US\$)	225	50	58	110
Time to import: Border compliance (days)	9	0.5	2.5	0.5
Cost to import: Border compliance (US\$)	900	110	266	190
Time to import: Documentary compliance (days)	6	0.5	1	2
Cost to import: Documentary compliance (US\$)	370	50	100	80

Source: World Bank, 2019, available at Ease of Doing Business Index, accessed on May 22, 2021

Table 2: Trade cost among BBIN in 2012 (ad valorem equivalent in percentage)

Country	Bangladesh	Bhutan	India	Nepal
Bangladesh	-		122.54	610.17
Bhutan		-	211.07	678.40
India	122.54	211.07	-	141.12
Nepal	610.17	678.40	141.12	-

Source: ESCAP-World Bank Trade Cost Database, available at unescap.org, accessed on March 30, 2021

Figure 1: Moving towards cross-border paperless trade: Cumulative implementation score of core groups of trade facilitation measures in BBIN countries, 2021

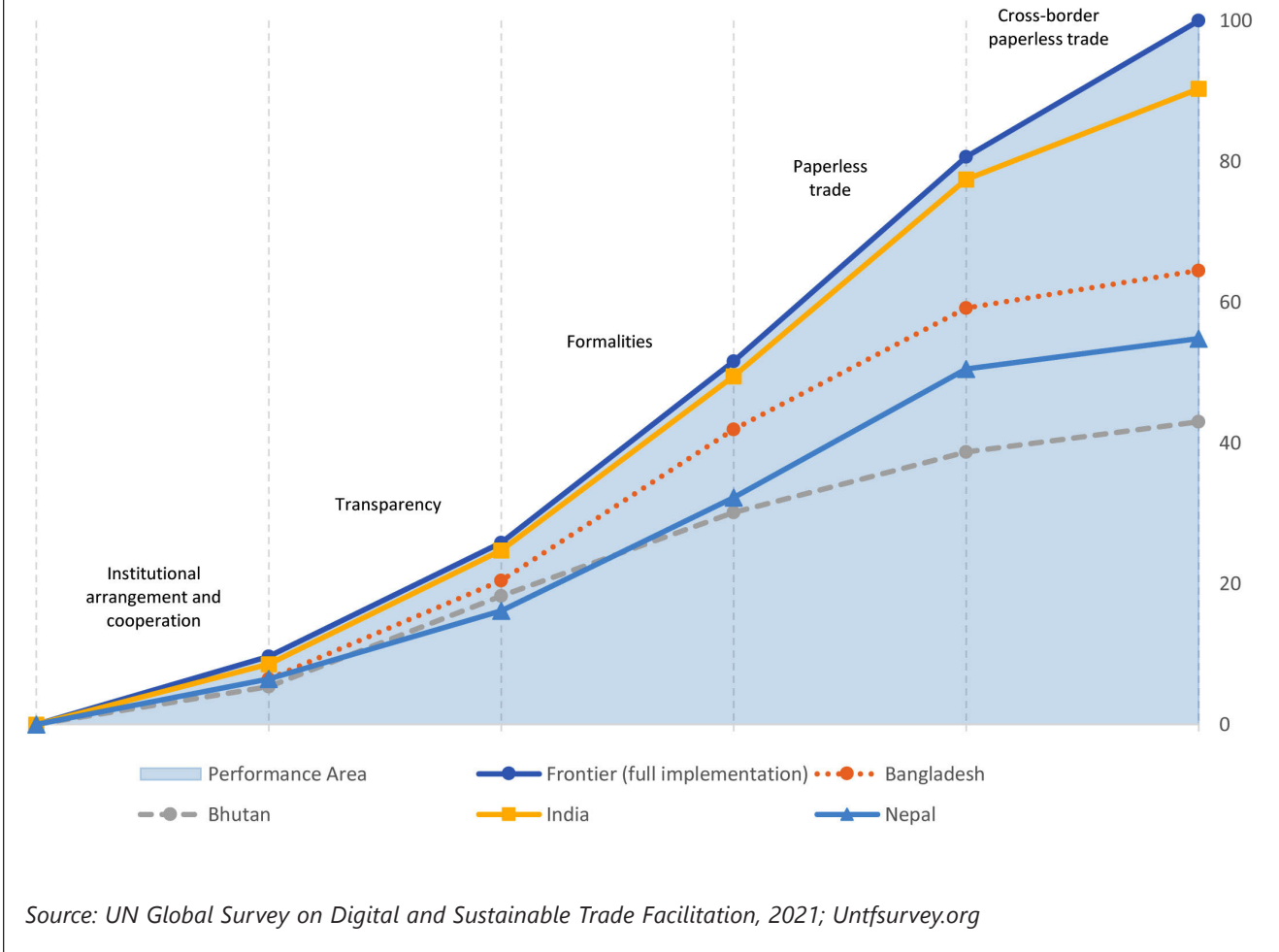


Table 3 highlights where the four countries currently stand in a few of the trade facilitation indicators.

While looking at the time and cost of export and import of the BBIN countries, it is pertinent to note that they vary significantly. This is because of many regulatory, trade and infrastructural impediments at land and seaports of the BBIN countries. The quality of trade infrastructure at land ports is sub-optimal. Many studies like CUTS (2015), CUTS (2016) and De (2011) have argued that cumbersome trade and regulatory procedures, inefficient customs clearance, trans-shipment of cargo and absence of electronic data interchange facilities contribute to the high cost and time of doing trade across borders in this sub-

region. Therefore, it is imperative to keep examining action plans and initiatives the BBIN countries take to move towards cross-border paperless trade. BBIN members, of course, have also taken several initiatives to address these issues.

Bangladesh: Readiness assessment for cross-border paperless conducted in Bangladesh, UNESCAP (2019), shows that technical readiness in Bangladesh for cross-border paperless trade is still at an early stage of development. However, there are strong commitments and concrete plans to move forward, including establishing a National Single Window (NSW). In the meantime, the e-customs system is used for electronic data interchange and

Table 3: Select indicators of Trade Facilitation in the BBIN Sub-Region
(Score on a scale from lowest to highest, from 1 to7)

Indicators		Bangladesh	Bhutan	India	Nepal
Quality of overall infrastructure		2.9	4.3	4.6	2.9
Quality of roads	Score	3.1	4.1	4.3	2.8
Quality of railroad infrastructure	Score	2.9	-	4.4	-
Quality of port infrastructure	Score	3.6	2.0	4.6	1.6
Quality of air transport infrastructure	Score	3.3	4.1	4.6	2.5
Prevalence of non-tariff barriers	Score	4.8	4.2	4.5	4.4
Trade tariff (%)	percentage	13.15	22.37	12.91	16.72
Transparency of government policymaking	Score	3.7	4.5	4.4	3.6

Source: The Global Competitiveness Report 2018, available at World Economic Forum, accessed on May 22, 2021

sharing. Customs aside, most other agencies are currently planning for electronic data/document exchange and submission. Bangladesh has not yet conducted any cross-border data exchange. However, e-customs and the planned NSW are designed to enable cross-border data exchange.

Suppose Bangladesh implements WTO TFA together with cross-border paperless trade measures. In that case, it could well achieve trade cost reductions of 33 percent, instead of only about 11 percent if it aims at basic compliance with the TFA, ESCAP (2017). Through paperless trade and seamless electronic exchange of trade data and documents, Bangladesh can enhance its competitiveness in the regional and global markets and improve the effectiveness of its participation in global value chains. In this respect, continuous and quality improvement shall be taken step by step by Bangladesh.

Bhutan: Bhutan has made progress in trade facilitation since 2012, but there remains significant untapped potential in implementing trade facilitation policy. Trade plays a critical role in the country's path to economic self-reliance and is expected to be a primary catalyst for future economic development.

The country's performance is slightly below the average of comparable income and regional groups. While its strongest indicator is the timeliness of goods meeting market destinations, the figure is lower than others. Binding constraints such as transparency on import and export procedures, digitalisation of trade procedures, and adequate border infrastructure have increased trade costs. To improve the competitiveness of Bhutanese exports and penetrate the premium market, the Department of Trade has embarked on an ambitious and innovative strategy of Brand Bhutan. The Economic Development Policy 2016 specifically identified developing "Brand Bhutan" in natural resources, tourism, culture, handicrafts, textiles and agro-products as an economic opportunity for Bhutan.

Given paperless trade facilitation, Ministry for Economic Affairs launched Single Window Company Registry System on May 14, 2020. The Single Window Registry System (SWRS) has been successfully tested and is now fully operational by merging four different application forms namely, name reservation, company incorporation, security clearance and online fee payment, into a single registry system.

India: India believes that trade facilitation is vital for developing countries, as they stand to gain the most from more efficient trade procedures. However, achieving it may be more challenging for these economies than for the developed world. But even modest reductions in the cost of trade transactions would positively impact trade for both the developed and the developing world. A National Committee on Trade Facilitation (NCTF) was accordingly set up to facilitate domestic coordination and implementation of the provisions under the Chairmanship of the Cabinet Secretary. The NCTF has played an important role in reducing the high cost of imports and exports to integrate our cross-border trade with the global value chains. Some of the landmark initiatives being –

- Establishment of a National Single Window system to route all import-related formalities viz. examination, sampling, clearance, etc., which involves a plethora of agencies, through a single online national portal
- Simplification of fees and charges for various clearance related activities at the borders
- Paperless filing of import/export documents through 'E-sanchit' project
- Publishing resource information viz. procedures for import/export, laws & regulations etc., online for ease of access and information.

A new National Trade Facilitation Action Plan for 2020-2023 has been prepared. The vision is to take up additional reforms to bolster trade facilitation efforts and transform the cross-border clearance eco-system through efficient, transparent, risk-based, coordinated, digital, seamless and technology-driven procedures supported by state-of-the-art seaports, airports, and land border crossings, rail, road and other logistics infrastructure. It aims to reduce cargo release time, enable a paperless regulatory

environment, and improve investment climate through better infrastructure.

Nepal: Readiness assessment for cross-border paperless trade conducted in Nepal, UNESCAP (2020), shows that technical readiness in Nepal for cross-border paperless trade is basic and has been concentrated on the e-Customs system by the Department of Customs. However, on January 26, 2021, Nepal launched its first National Single Window (NSW), an integrated paperless trade system, with a strong commitment to support two major trade-related agencies. At the cross-border level, there is only very limited data and document exchanges with few trading partners. It must therefore be extended to the whole economy. The Trade Export Promotion Centre has implemented e-applications for the Registered Exporters Systems (REX) from the European Commission. Paperless customs declarations are also in operation for international transit with the Port of Kolkata, Haldia and Visakhapatnam in India on a pilot basis.

The Framework Agreement will assist Nepal in developing its national capacity, designing a long-term plan, engaging in pilot exchange of selected data and documents, and keeping abreast of emerging legal standards and solutions in cross-border paperless trade. If Nepal implements WTO TFA together with cross-border paperless trade measures, it could achieve trade cost reductions of up to 32 per cent, instead of only about 11 per cent if it aims at basic compliance with the TFA, ESCAP (2017).

This would amount to additional trade transaction cost savings over US\$144mn per year. Through paperless trade and seamless electronic exchange of trade data and documents, Nepal can enhance its competitiveness in the regional and global markets and improve the effectiveness of its participation in global value chains.

Way Forward

To promote intra-regional and inter-regional trade, promoting cross-border road transportation is essential and thus, efforts for reducing or eliminating existing trade costs, including the costs associated with documentation preparation, processing and exchanges, must be taken. The cross-border tariffs on most traded products are covered under the FTAs and hence for regional integration and reduction in trade costs, these will be important.

Given the importance of regional integration, the CPTA could be an important tool. It is designed as an inclusive instrument accessible to countries at all levels of development and to expand their capacity to engage in cross-border paperless trade by collaborating with countries in the region.

The trade digitalisation, along with simplification and harmonisation of international trade procedures will not only help these countries to harness international trade for sustainable development, but will also allow private sector to reap benefits. Indeed, moving from paper to electronic data and information exchange is expected to make international trade easier, more transparent, more efficient and, hence, more inclusive and less taxing on the environment.

However, to achieve this, appropriate policies of governments will have to be formulated and cooperation amongst the BBIN members would be essential. Trade cost reductions expected from full implementation of cross-border paperless trade are estimated at 10-30 per cent of existing transaction costs, depending on the current state of paperless trade development in the participating countries.²

In addition, the Framework Agreement is expected to give ready access to potential counterpart countries for negotiating on cross-border data exchange, thus avoiding numerous bilateral approaches and reducing the work involved in the preparation of bilateral or subregional arrangements. Improved

levels of compliance by traders to regulatory requirements in international trade is also expected to be seen.

Also, at the outset of the COVID-19 pandemic, further and continued acceleration and/or implementation of cross-border paperless trade is essential for achieving resilient trade connectivity, UNESCAP (2021a). It could also contribute to reducing environmental burdens, UNESCAP (2021b).

In this regard, the CPTA, focusing on trade digitalisation, would assume a more important role to support countries in reducing trade costs and facilitating regional supply chain resilience. This will also help the private sector reinvigorate its supply chains, especially in the present context of COVID-19. Given the high risks associated with the transmission of the virus, a paperless regime will meet twin objectives: reduce the procedural burdens and make the system more transparent; and control the spread of pandemic through further waves.

Given the differing nature of development that the BBIN countries are, and the fact that except India the other three countries are soon graduation from LDC status, a dedicated, tailor-made capacity building programmes need to be provided to their policy makers as well as private sector. Implementing various digital platform-based data-interchange, the technical skills of Customs officials, regulators and other stakeholders will be required. Governments will also need to bring in certain IT and IT-related services' regulations to implement these policies, which will require policy advisory services.

It would also be important to harmonise the export-import procedures and adopt a standard set of documents for international trade. For this, a regulatory audit of all the countries will be required to identify the differences in various procedures and documentation. Based on these findings, necessary regulatory changes will be required to be brought by the countries.

² <https://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

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