ADB’s Trade Facilitation Support to ASEAN/BIMP-EAGA

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Outline

1. Trade Facilitation (TF)
2. History of ADB’s Support re TF
3. Time Release Study (TRS) as a Method
4. Bottlenecks & Diagnosis
5. Country/Regional Cooperation
6. Way Forward
1. Trade Facilitation (TF)
Trade Facilitation (TF): Reducing Trade Transaction Costs

Commercial Procedures
- Establish Contract
- Order Goods
- Advice on Delivery
- Request Payment
- Packing
- Certification
- Accreditation
- Warehousing

Transport Procedures
- Establish Transport Contract
- Collect, Transport and Deliver Goods
- Provide Waybills, Goods Receipts, Status Reports, etc.

Regulatory Procedures
- Obtain Import/Export Licenses, etc.
- Provide Customs Declaration
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods for Export/Import

Financial Procedures
- Provide Credit Rating
- Provide Insurance
- Provide Finance
- Execute Payment
- Issue Statements

Typical Problems

- Excessive documentation requirements
- Inefficient border-crossing procedures
- Transport and transit impediments
- Lack of transparency and predictability
- Lack of cooperation and coordination
- Lack of automated processes and scarce use of information technology
- High administrative costs
Estimated Benefits

Cost reduction potential of almost 10% of trade cost.

Up to two-thirds of the total gains to be obtained by developing countries.
OECD TD/TC/WP(2003)31/FINAL

Reduction of total trade costs of 14.5% for low income, 15% for lower-middle income, and 13.2% for upper-middle income countries
2. History of ADB’s support re TF
DPs Coordination for TF

✓ ADB
✓ Japan’s Customs and Tariff Bureau, Ministry of Finance (JCTB)
✓ Japan International Cooperation Agency (JICA)
✓ WCO
✓ Others: IMF, UNESCAP, WB, …
Collaboration and Coordination for a Common Goal

WCO
Expertise
- Technical Assistance, e.g., TRS, RM (AEO & PCA), IT/NSW w/t JFPR

JCTB
Policy Implementation
- Collaboration Coordination
- Common Goal

JICA
Grant for IT System Experts in Customs Authorities
- Research Projects in GMS, etc.

Explore Concrete Outcome for TF in ASEAN
3. Time Release Study (TRS) as a Method
TTFMM Integrated Methodology: “BPA+”/“TRS+”

<table>
<thead>
<tr>
<th>Trade-related procedures before cargo movement</th>
<th>Cargo origin</th>
<th>Border crossing point</th>
<th>Border crossing point</th>
<th>Cargo destination</th>
<th>Trade-related procedures after cargo arrival</th>
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<tbody>
<tr>
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<td>TRS</td>
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<td><strong>TCD - CPMM</strong></td>
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**BPA of Trade Procedures**

- **Business Process Analysis (BPA):** Diagnosis of TF bottlenecks along entire supply chain.
- **Time-Cost Distance Method (TCD) & Time Release Study (TRS):** Improve/verify BPA time and cost estimates.
ASEAN Economic Ministers set target of 10% reduction of trade transaction cost in ASEAN by 2020.

ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC): Designated body to handle TF in ASEAN, tasked to find a way on how to reduce the trade transaction cost.

Proxies: ATF-JCC with the support of Economic Research Institute for ASEAN and East Asia (ERIA) constructed a methodology, namely ASEAN Seamless Trade Facilitation Indicators (ASTFI). Upon discussion amongst ASEAN Member States during the Workshop on ASTFI and the 10th Meeting of ATF-JCC held in January 2018, TRS.
TRS: Scope

Parties involved:

- Shipping company
- Shipping agent
- Port Authority, etc.

- Importer, Customs broker
- Container Yard
- OGAs, etc.

- Customs, Bank, Customs broker

- Port Authority
- Container Yard
- Warehouse, Forwarder, etc.

- Arrival of cargo
- Unloading /storage
- Submission of Declaration
- Custom Release Permission
- Removal of Cargo
4. Bottlenecks & Diagnosis
Major Findings from Countries’ TRS (Bottlenecks)

- Manual processes even when IT system exists
- Administrative inefficiencies
- High rate of physical and documentary inspection
- Delays in payment of duties and taxes
Major Findings from Countries’ TRS (Bottlenecks)

< OGAs (Other Government Agencies) >

- Interventions before declaration
- Lack of inspection/testing facilities
- Delays in issues of licenses and permits
- Underdevelopment of national single window (NSW)
- No coordinated border management
Major Findings from Countries’ TRS (Bottlenecks)

- Delays after goods’ arrival until declaration submitted
- Lack of technical skills of Customs brokers
- Correct documents not submitted on a timely basis
- Delays after issuing release note until cargoes’ leaving
- Unavailability of funds to pay duties and taxes

< Private Sector: e.g., Customs broker >
Diagnosis

✓ Review the legislation to ensure compliance with the latest international standards.
✓ Provide strategies to enhance Customs IT systems and NSW.
✓ Check current operations against international standards and reengineer where appropriate.
✓ Design an intelligence and compliance management strategy to align the risk management processes.
✓ Review and improve current and outdated processes and procedures at checkpoints.
Diagnosis: NSW (with OGAs, etc.)

- Benefits: Quick Response (1-3 sec), Economical Total Development Cost, User Friendly Services like Immediate Release upon Arrival, Less Cost Import/Export and Port Procedures

NACCS: Nippon Automated Cargo and Port Consolidated System
Diagnosis: Risk Management

- **Risk management**, to ensure intervention in only high risk cargo, which enables reconciling trade facilitation and trade security

  ⇒ IT selectivity function helps to decide an appropriate level of Customs intervention, based on risk profile/risk criteria

- Improved transparency of Customs clearance and other procedures

  - Faster and smoother customs clearance and logistics
  - Contributes to economic growth by expanding trade
Risk Management: Cargo Targeting Approach

- Customs Intelligence Database System (CIS)
- Nippon Automated Cargo and Port-consolidated System (NACCS)
- Selectivity criteria
  - Low
    - Immediate permit
  - Middle
    - Documentary examination
  - High
    - Physical inspection
Risk Management: GtoB Partnership Approach

Authorized Economic Operators (AEO)

AEO is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administrations as complying with WCO or equivalent supply chain security standards.

AEO includes;
- manufacturer
- importer
- exporter
- brokers carrier
- intermediary
- port, airport
- terminal operator
- integrated operator
- warehouse
- distributor
- freight forwarder
Best Practice Applicable Measures (At a Glance)

Before Arrival

Arrival

Warehousing

Declaration

Release

Adv. Ruling

Pre-arrival declaration

Single Window

Coordinated Border Management (OGAs)

AEO

NII

Release before duty/tax

E-payment

Risk Management
Comprehensive Approach:
WTO Trade Facilitation Agreement (TFA)

Section I
The TFA contains 12 Articles with approximately 40 “technical measures” (Articles 1 - 12)

Section II
Special provisions for developing and least-developed country Members (Articles 13 – 22)

Section III
Final provisions and institutional arrangements (Articles 23 – 24).
Section I
TFA contains 12 Articles with approximately 40 “technical measures”.

Article 1
Publication & Availability of Information

Article 2
Comment and Consultations

Article 3
Advance Rulings

Article 4
Procedures for Appeal or Review

Article 5
Measures to Enhance Impartiality, Non-Discrimination & Transparency

Article 6
Disciplines on Fees and Charges

Article 7
Release and Clearance of Goods

Article 8
Border Agency Cooperation

Article 9
Movement under Customs Control

Article 10
Import, Export & Transit Formalities

Article 11
Freedom of transit

Article 12
Customs Cooperation
< Special & Differential Treatment for Developing Countries>

**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.
Bottom 5 measures with lowest implementation rate

Based on implementation commitments by all WTO Members

Art. 7.6 – Average release times
Art. 3 – Advance rulings
Art. 5.3 – Test procedures
Art. 7.7 – Authorized operators
Art. 10.4 – Single window

Rate of implementation commitments today
Rate of implementation commitments requiring additional time
Rate of implementation commitments requiring additional time and assistance
Rate of implementation commitments yet to be designated

(Source: WTO)
5. Country/Regional Cooperation
<table>
<thead>
<tr>
<th>Country</th>
<th>Services/Programs</th>
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<tbody>
<tr>
<td>Cambodia</td>
<td>TRS, Risk Management, NSW, Cargo Tracking, WCO-RKC</td>
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<tr>
<td>Lao PDR</td>
<td>TRS, Cross-border TRS with VIE &amp; THA, Risk Management, ACTS</td>
</tr>
<tr>
<td>Myanmar</td>
<td>TRS, AEO, IT system, Customs broker’s training, Human Resource Management, Customs Training School, WTO-TFA/WCO-RKC</td>
</tr>
<tr>
<td>Philippines</td>
<td>TRS, AEO</td>
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Sub-regional Initiatives

Multilaterals
- World Trade Organization
- World Customs Organization
- IRU, UNECE, UNESCAP, etc.

Regional Initiatives
- ATIGA, AFAFGIT, AFAFIST, etc.
- ACTS, Single Window

Sub-regional Initiatives
- GMS TTF-Action Plan
- ACTS pilots, CBTA, CBM, SSI, etc.

Bilaterals and tripartites
- National laws and regulations
Measures for Trade in Goods under AEC Blueprint 2025

Accelerate and Deepen the Implementation of Trade Facilitation Measures

➢ Complete measures initiated under the AEC Blueprint 2015
➢ Fully roll-out the **NSW in all ASEAN Member States**, and widen the scope of the ASEAN Single Window project
➢ Cooperate on the effective operationalization of the National and ASEAN Trade Repositories
➢ Streamline and simplify administrative regulatory regimes, documentary requirements, as well as import and export procedures, including **Customs procedures**
➢ Deepen regional implementation of trade-facilitative ASEAN initiatives such as **AEO and Self-Certification**
➢ Strengthen **public-private sector partnership**
➢ Minimize trade protection and compliance costs in dealing with **Non-Tariff Measures (NTMs)**.
➢ Work towards facilitative standards and conformance (**harmonization**).
TF Support to ASEAN (Sub-regional Level)

- ASEAN sub-regions are implementing various transport and trade facilitation (TTF) measures
  - **GMS** Transport and Trade Facilitation
  - **BIMP-EAGA** CIQS Action Plan
  - **IMT-GT** CIQ work at early stage

- Increasing alignment with ASEAN Trade Facilitation initiatives (ATIGA, AFAGIT, ACA, etc.)
## TF Support to ASEAN (Regional/Sub-regional Level)

<table>
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<th>ASEAN</th>
<th>BIMP-EAGA</th>
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<tr>
<td>• Overall TRS support specifically for CLMV</td>
<td>• TRS: Workshop on TRS Implementation in BIMP-EAGA</td>
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<td>• Regional TRS workshop across ASEAN</td>
<td>• AEO: Workshop on AEO in BIMP-EAGA</td>
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<td>• Aligning the World Bank doing business studies</td>
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6. Way Forward
Further Enhancing TF across ASEAN by ADB

- Capacity Buildings: TAs
- IT/Logistics Environment: Loans
Thank you.