



Asia-Pacific
Economic Cooperation

Trade Facilitation in APEC: Progress and Impact

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Trade Facilitation in APEC

APEC defines “trade facilitation” in a broad sense; as stated in the Trade Facilitation Action Plan (TFAP) initiative: “Trade facilitation refers to the simplification and rationalisation of customs and other administrative procedures that hinder, delay, or increase, the cost of moving goods across international borders. Or, to put it simply, it refers to the process of cutting red tape at the border for importers and exporters so that goods are delivered in the most efficient and cost effective manner”². The two TFAPs (TFAP I 2001-2006; TFAP II 2007-2010) focused on four specific areas: (1) Customs Procedures; (2) Standards and Conformance; (3) Business Mobility; and (4) Electronic Commerce. The ultimate goal of the TFAPs was to reduce trade transaction costs, and assessments showed that both initiatives yielded positive results. For instance, TFAP II cut trade costs by 5 percent between 2007 and 2010, and resulted in savings of USD 58.7 billion (APEC PSU, 2012).

Following the TFAPs, APEC pursued the Supply Chain Connectivity Framework Action Plan (SCFAP) which is now at its second phase, 2017-2020. SCFAP II aims to address five chokepoints: (1) Lack of coordinated border management and under-developed border clearance and procedures; (2) Inadequate quality and lack of access to transportation infrastructure and services; (3) Unreliable logistics services and high logistical costs; (4) Limited regulatory cooperation and best practices; and (5) Under-developed policy and regulatory infrastructure for e-commerce.

Given that trade and investment liberalisation is a key pillar of APEC’s agenda, significant related work has been conducted over the past two decades. This policy brief reviews the progress of APEC member economies in trade facilitation by analysing their rate of implementation of the WTO Trade Facilitation Agreement, labelled as “the biggest

reform of global trade this century”³, and also showcases key initiatives APEC has in place to facilitate smooth and secure trade, specifically the Single Window and Authorised Economic Operator.

Introduction to WTO Trade Facilitation Agreement

Under the WTO, the Trade Facilitation Agreement (TFA) aims to facilitate a smoother flow of goods and services across borders through greater transparency and broader opportunities for global value chain participation and reduced corruption. The Agreement entered into force on 22 February 2017 after the 110th instrument of acceptance was deposited. To date, 136 WTO members have ratified the Agreement.

It was in the mid-90s that the WTO first began to engage in trade facilitation, with its prime motivation being the vast amount of bureaucracy in trading internationally especially for small and medium enterprises (SMEs). According to the World Trade Report 2015, trade costs in low-income economies were equivalent to a 219 percent ad valorem tariff, which was 85 percentage points higher than for high-income economies. Reductions in trade costs were expected to increase exports and GDP drastically. In the interest of these benefits, formal negotiations for the TFA began in 2004⁴. After a span of 10 years, in 2014, the Protocol of Amendment to insert the TFA into the WTO framework was adopted by members. Upon full implementation, OECD estimates a 12.5 to 17.5 percent reduction in global trade costs (OECD, 2015). Similarly, WTO expects trade cost reductions to average at about 14.3 percent⁵ with particularly large impacts on the least-developed economies. According to OECD (2015), the area that would contribute most towards lowering trade costs is in formalities. Simplification of trade documents, and streamlining and automation of border processes are expected to save costs in the order of 2.8 to 4.2

¹ This policy brief is an updated and abridged version of an ESCAP (2018) report, Trade Facilitation and Paperless Trade Implementation in APEC Economies, available at:

<https://www.unescap.org/resources/trade-facilitation-and-paperless-trade-implementation-apec-economies>

² Source:

https://www.apec.org/Groups/~/_/media/Files/Groups/CTI/07_2ndTFAP_fnl.ashx

³ Source: <https://www.straitstimes.com/business/wto-ratifies-first-multilateral-trade-deal>

⁴ Source:

https://www.wto.org/english/tratop_e/tradfa_e/tradfa_introduction_e.htm

⁵ Ibid

percent (OECD, 2015). The reduced red tape is also expected to lower average time to import by 47 percent and time to export by 91 percent⁶. These drastic time and cost reductions will make it cheaper for existing traders to operate and also encourage new firms to trade. As a result, world GDP will grow by 0.5 percent per annum between 2015 and 2030⁷ with particularly large positive impacts on the developing economies.

Implementation of Trade Facilitation Agreement

A unique aspect of the TFA is that developing and least-developed members are allowed to choose their own implementation schedules and will be provided technical and financial assistance for capacity building if needed. Developed members that have committed to implementing the TFA when it enters into force, will have to ensure its full implementation by 22 February 2017. All other members have been provided with three categories to allocate their measures to. These are described below:

- **Category A:** Developing members will implement the measure by 22/02/2017, that is, the day of enforcement, and least-developed members will do the same a year later, on 22/02/2018.
- **Category B:** Members will require additional time to implement the measure.
- **Category C:** Members will require additional time and capacity building support to implement the measure.

Of the 114 WTO members that have notified categories for their measures, all 114 have notified some measures under category A, 73 members have notified under category B and 63 of them have notified some measures under category C⁸. This means that more than half of the members that have made notifications require additional time or capacity building support in order to implement some of the measures.

The majority of the members that require support are either developing or least-developed members, since developed WTO members have a 100 percent implementation rate while developing economies have a rate of 60.6 percent and least-developed members have an implementation rate of only 22.8 percent⁹. Notwithstanding, the overall rate of implementation of commitments by all WTO members have been strong with only 18.2 percent

measures not being committed to any particular category as of November 2018. At this juncture, the breakdown is: 60.5 percent of measures committed to category A, 8.9 percent to category B, and 12.3 percent of measures notified under category C¹⁰.

In the implementation of the WTO TFA, the average performance of APEC economies has been remarkably better than the average of all WTO members. As of December 2018, APEC economies had an implementation rate of 96.3 percent¹¹. The five developed APEC economies — Australia; Canada; Japan; New Zealand; and the United States — and Russia have fully implemented all the TFA commitments. The six developing APEC economies comprising Chile; Hong Kong, China; Korea; Mexico; Singapore; and Chinese Taipei have notified all their measures under category A. Five of the remaining nine economies have notified at least 90 percent of all their measures under category A. For the remaining measures, most require additional implementation time and have been notified under category B. Only three APEC economies have notified measures under category C, out of which two have less than 3 percent of their economy's total measures notified under this category (Table 1). The measures requiring assistance for most economies are related to test procedures and single window, with technical assistance ranging from ICT, infrastructure and equipment to human resource and training. Only one APEC economy has not notified all of its measures.

Table 2 shows the number of APEC economies that have notified specific TFA articles under category B or C. The measure most APEC economies require additional time for, categorised under either category B or C, is article 7 of the TFA — release and clearance of goods. Specific to category B, the challenging articles of the TFA are: notifications for enhanced controls or inspections, transit, and customs cooperation, each with three economies requiring additional time. As for category C, the two areas most economies need capacity building assistance in are test procedures and single window.

⁶ Ibid

⁷ Ibid

⁸ Source: <http://www.tfacility.org/notifications>

⁹ Source: <https://www.tfdatabase.org/implementation/commitments-by-grouping>. Last accessed on 8 January 2019.

¹⁰ Source: <https://www.tfdatabase.org/>

¹¹ Calculations done using economy specific data from: <https://www.tfdatabase.org/members>

Table 1. Notification of TFA commitments among APEC economies

Economy	Rate of implementation commitments	Category			
		A	B	C	Not yet notified
Australia	100%				
Brunei Darussalam		91.6%	8.4%	0.0%	
Canada	100%				
Chile		100%	0.0%	0.0%	
China		94.5%	5.5%	0.0%	
Hong Kong, China		100%	0.0%	0.0%	
Indonesia		88.7%	11.3%	0.0%	
Japan	100%				
Korea		100%	0.0%	0.0%	
Malaysia		94.1%	5.9%	0.0%	
Mexico		100%	0.0%	0.0%	
New Zealand	100%				
Papua New Guinea		21.4%	0.0%	0.0%	78.6%
Peru		87%	10.1%	2.9%	
The Philippines		93.3%	5.0%	1.7%	
Russia	100%				
Singapore		100%	0.0%	0.0%	
Chinese Taipei		100%	0.0%	0.0%	
Thailand		93.7%	6.3%	0.0%	
United States	100%				
Viet Nam		26.5%	48.7%	24.8%	

Source: Trade Facilitation Agreement Database. Retrieved from: <https://www.tfadatabase.org/members>.

Table 2. TFA Articles developing APEC economies have notified under category B or C

WTO TFA Article	Notified as Category B	Notified as Category C
1.1 Publication	1	
1.2 Information available through internet		1
3 Advance rulings	2	1
4.4 Procedures for appeal or review	2	
5.1 Notifications for enhanced controls or inspections	3	1
5.2 Detention	1	
5.3 Test procedures	1	2
6.3 Penalty disciplines	2	
7.1 Pre-arrival processing	1	1
7.2 Electronic payment	1	
7.3 Separation of release from final determination of customs	1	
7.4 Risk management	1	1
7.5 Post-customs clearance inspection	1	
7.6 Average release times	2	
7.7 Authorised Operators	2	
7.8 Expedited shipments	1	
7.9 Perishable goods	1	
8 Border agency cooperation	2	1
10.3 Use of international standards	1	
10.4 Single window	2	2
10.8 Rejected goods	2	
10.9 Temporary admission of goods and inward and outward processing		1
11 Transit	3	1
12 Customs cooperation	3	

Source: Trade Facilitation Agreement Database. Retrieved from: <https://www.tfadatabase.org/members>.

UN Global Survey on Trade Facilitation and Paperless Trade Implementation

In its effort to track the implementation of trade facilitation and paperless trade measures globally, the United Nations ESCAP implemented the “UN Global Survey on Trade Facilitation and Paperless Trade Implementation”¹². The survey covers 47 main trade facilitation measures which are categorised into seven groups, namely: General trade facilitation measures, Paperless trade, Cross-border paperless trade, Transit facilitation, Trade facilitation for SMEs, Trade facilitation for agricultural trade, and Participation of women in trade facilitation. Measures featured in the WTO TFA are essentially included in the general trade facilitation and transit facilitation groups. Despite that most paperless trade, in particular cross-border paperless trade measures, are not being specifically featured in the WTO TFA, the digital implementation of TFA measures is expected to result in the largest trade cost reductions across several APEC economies (see Figure 2). Digital trade facilitation hence offers a great opportunity to further reduce trade costs and increase trade volume. By digitising through paperless trade and seamless electronic exchange of trade data and documents, economies can enhance their competitiveness and participation in global value chains.

Figure 1 shows the overall implementation levels of APEC economies based on a common set of 31 trade facilitation and paperless trade measures included in the survey¹³. The regional average implementation rate of the measures considered in 2017 stood at 75 percent, with developed economies registering an 83.5 percent implementation and developing economies at 72.5 percent. Australia and Singapore had the highest implementation rate, exceeding 90 percent while Brunei Darussalam; Papua New Guinea; and Viet Nam had relatively low levels of implementation at 52.7 percent, 37.6 percent, and 51.6 percent, respectively. Given that the latter economies are below the global average rate of implementation of 59.6 percent, they could stand to benefit greatly from international trade if they accelerate their efforts towards implementing the TFA and facilitating paperless trade.

¹² More information is available at:

<https://unnex.unescap.org/content/un-global-survey-trade-facilitation-and-paperless-trade-implementation-2017>

¹³ 31 of the 47 trade facilitation and paperless trade measures are included in the survey. The measures not included are: all measures under four of the seven groups, namely, measures for SMEs (4 measures), agricultural trade (3 measures), women (2 measures) and transit facilitation (4 measures), and 3 measures from the remaining 3 groups relating to electronic submission of

In order to assess the potential impact of implementation of trade facilitation measures in the APEC region, estimation is conducted using a trade cost model, which incorporates the trade facilitation implementation rates based on the UN Survey data presented above. The model also includes other traditional trade cost factors such as natural geographic factors (e.g. 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 not only from each economy’s own implementation of trade facilitation measures, but also those resulting from implementation of measures in partner economies.

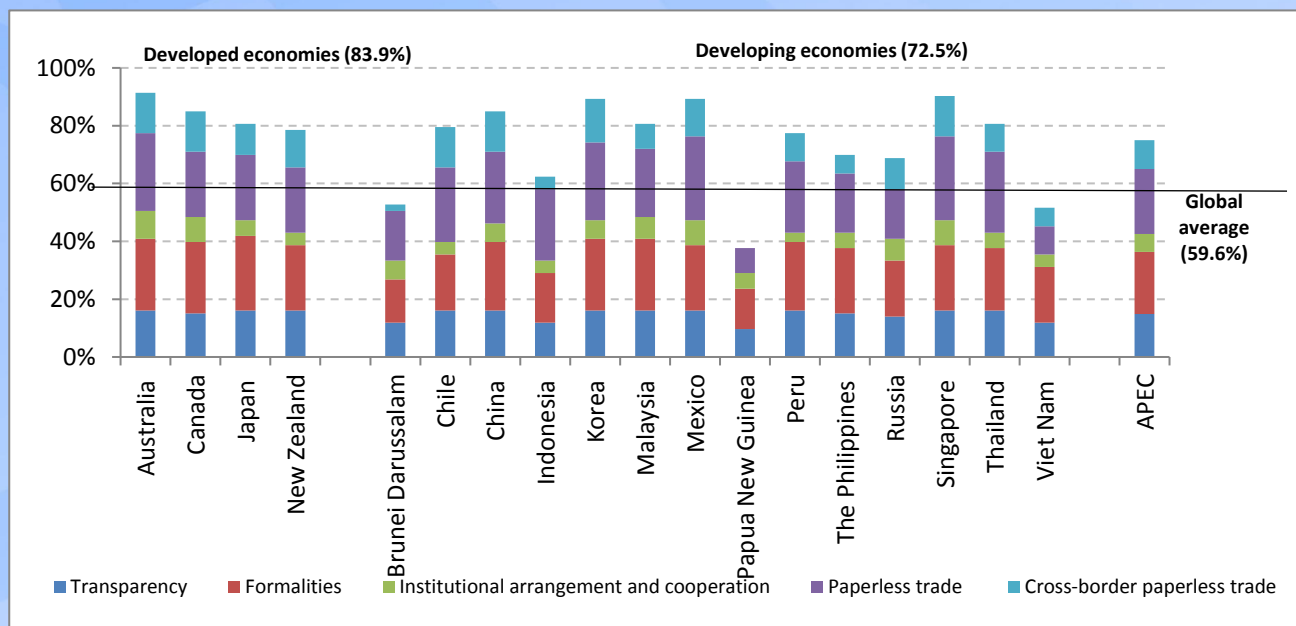
The trade cost reductions that can be expected in APEC economies from the implementation of trade facilitation measures are shown in Figure 2. Three scenarios are depicted. The first scenario is limited to the implementation of WTO TFA binding measures only¹⁴, wherein trade cost reductions ranging between 5 percent and 8 percent are noted. The second scenario includes all binding and non-binding WTO TFA measures included in the UN Survey. The final and most ambitious scenario is a WTO TFA+ set of measures, including digital implementation of TFA measures and cross-border paperless trade. This wider implementation of the TFA could increase the impact on trade cost reductions to between 8 percent and 13 percent.

Two main findings emerge from this impact analysis. First, achieving basic compliance with the WTO TFA by implementing only binding measures would result in modest trade cost reductions. Full implementation of binding measures would result in a decrease in trade cost of about 6 percent on average, while full implementation of all measures would result in a more than 10 percent reduction. Second, the paperless implementation of the TFA measures together with enabling the seamless electronic exchange of trade data and documents across borders would result in much larger trade costs reductions, over 20 percent for APEC as a whole.

sea cargo manifests, alignment of work days and hours with neighbouring economies at border crossings, and alignment of formalities and procedures with neighbouring economies at border crossings. The overall score of each economy is simply a summation of the scores of implementation (3, 2, 1 or 0) it receives for each trade facilitation measure.

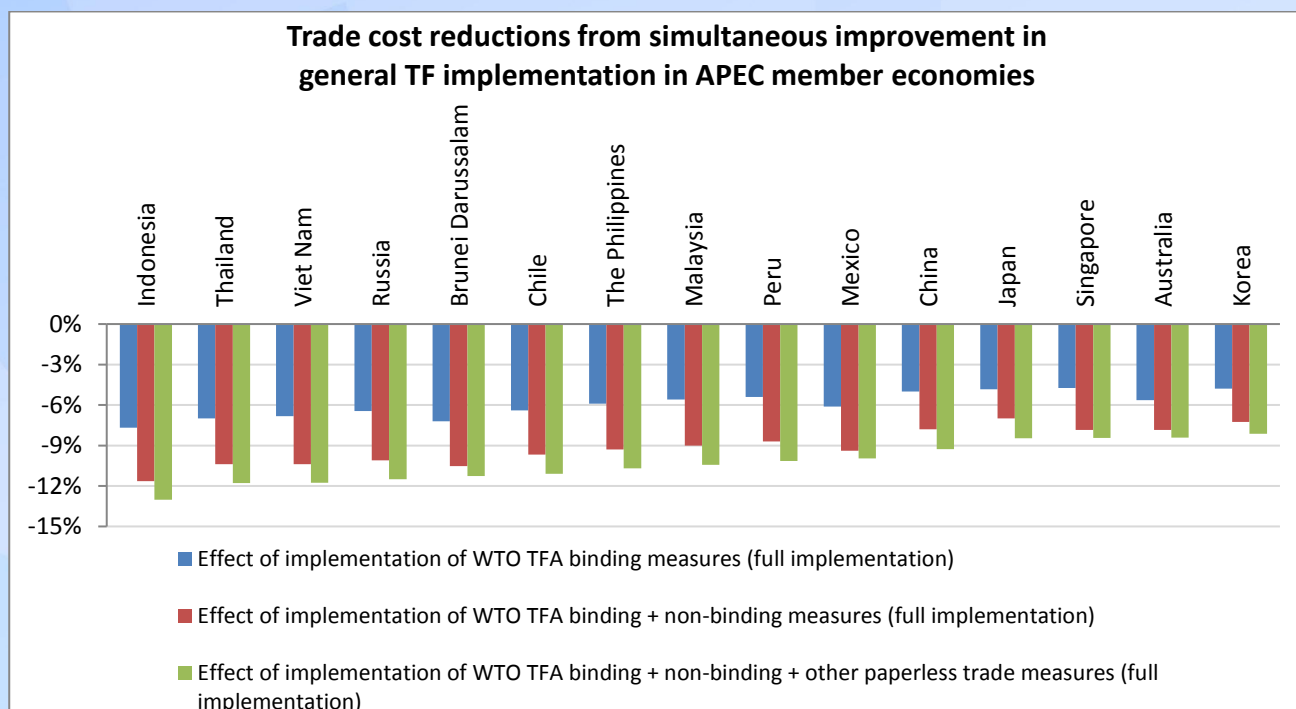
¹⁴ The list of binding and non-binding WTO TFA measures is available in the Appendix of ADB/ESCAP (2017).

Figure 1. Overall implementation of trade facilitation measures, 2017



Source: ESCAP, based on UN Global Survey on Trade Facilitation and Paperless Trade Implementation 2017.
 Note: Three APEC economies did not participate in the UN Global Survey.

Figure 2. Impact of trade facilitation implementation on trade costs of APEC economies



Source: ESCAP (2017).
 Note: Trade cost reductions from simultaneous improvement in general trade facilitation (TF) implementation in APEC member economies. Three APEC economies did not participate in the UN Global Survey. 2017 trade cost data were not available for three other APEC economies.

APEC Initiatives on Trade Facilitation: Single Window and Authorised Economic Operator

From APEC's experience in implementing trade facilitation activities, two notable initiatives will be further discussed, namely the Single Window (SW) and Authorised Economic Operator (AEO).

APEC has consistently drawn on these two initiatives to reduce trade costs and to make trade faster, cheaper and safer, which represent the core values of trade facilitation. The SW focuses more on reducing trade costs while the AEO has an added emphasis on ensuring safe and secure trade.

Single Window

The Single Window (SW) has been one of the most well-known instruments of trade facilitation. The concept of SW has evolved from the more traditional SW, such as port SW, to a more comprehensive one, such as 'national' or 'integrated' or 'intelligent' SW. According to the World Customs Organisation (WCO, 2011), the term 'intelligent' implies that the SW should not be just a data switch, a gateway to a set of facilities or just a unified access point through a web portal, but it should also act as a platform that could enable and provide shared services such as computation of duties/taxes and coordinated risk management to users.

The APEC region hosts some of the world-class SWs, and ESCAP has conducted case studies in 2018 to identify and showcase the best practices of SW development. The four featured cases are the SWs of Hong Kong, China; Japan; Korea; and Singapore. The study looked at the evolution of each SW in terms of institutional arrangement, funding sources and services offered, as well as implementation issues and challenges, along with future development plans. Key features and characteristics of modern SW identified in the case studies include: single entry and submission of information; paperless environment; standardised documents and data; information sharing; centralised risk management; coordination of agencies and stakeholders; analytical capability; and electronic payment.

Another key feature of these world-class SWs is their future orientation — all of them have laid down specific plans for further improvement. Singapore has announced a National Trade Platform that will support firms, particularly in the logistics and trade finance sectors, to improve supply chain visibility and efficiency. Hong Kong, China has been working on a new generation SW to provide one-stop lodging for all Business-to-Government (B2G) documents, and plans to acquire technical

capability to facilitate, if required in future, interfaces with Business-to-Business (B2B) platforms operated by the private sector as well as connections with SWs of other economies. Since 2017, Korea has been devising a new plan to upgrade their national SW, the uTradeHub, adopting the concept of a platform with open innovation and cross-border e-commerce. Similarly, Japan's SW, the Nippon Automated Cargo and Port Consolidated System, has been consistently and continuously upgraded, with the sixth generation in implementation since October 2017.

Keeping abreast of technological and policy developments, APEC Ministers Responsible for Trade in 2016 "welcome(d) the Initiative on Single Window Systems' International Interoperability which aims to foster the flow of goods, enhance supply chain security, reduce costs and provide quality and timely information on trade across borders". Interoperability as defined by Recommendation N° 36 UN/CEFACT (2017)¹⁵ is the "ability of two or more systems or components to exchange and use information across borders without additional effort on the part of the user".

A recent APEC PSU report (2018) on SW interoperability in APEC economies highlighted four aspects of interoperability that must be achieved to ensure successful implementation, namely: technical, information, processes, and legal. Technical, information and process interoperability can be achieved through the use of common terminology, procedures and technical standards. Legal interoperability requires relevant legal structures to be in place to facilitate international data exchange. More than half of the economies that responded to a survey on SW interoperability in 2017 reported developments in addressing legal issues pertinent to the following areas: identification, authentication and authorisation procedures; ownership of data; accuracy and integrity of data; and data retention, archive and audit trails.

The report recognised the different paths taken by each economy to attain interoperability, and encouraged the development of actions under these three core areas:

1. Integration of security, piracy and risk management among the economies to ensure implementation of relevant laws and policies and harmonisation of procedures.
2. Development of dynamic and effective policies to ensure the economies can react to changes in markets and regulatory conditions as required.

¹⁵ Available at: <https://www.unece.org/tradewelcome/un-centre-for-trade-facilitation-and-e-business->

[uncefact/outputs/cefactrecommendationsrec-index/list-of-trade-facilitation-recommendations-n-31-to-36.html](https://www.unece.org/tradewelcome/un-centre-for-trade-facilitation-and-e-business-).

3. Technological solutions that ensure security to build trust among the users of the SW. A robust legal framework that is able to maintain cross-border interoperability of the SWs is necessary as well.

The report also identified several key challenges. Ensuring interoperability through the harmonisation of terminology, processes and technologies is the most pressing one. Harmonisation has been difficult due to factors like different legal frameworks, regulations, trade processes and standards. In addition to this challenge, Indonesia acknowledged that coordination problems have caused delays in the implementation of live data exchange through the ASEAN SW. In the case of Peru, OECD noted a lack of formalities to address data requirements and procedures among the local agencies and partner economies.

Inadequate technological architecture is also an ongoing challenge to Single Window Systems' International Interoperability. Australia, for example, considered it necessary to improve this aspect prior to the development of a SW system. Indonesia acknowledged the tedious and time-consuming process of deploying regional servers when developing the ASEAN SW, and Peru identified the need for modernising its IT structures and systems to better allow electronic data exchange.

Authorised Economic Operator

In 2011, APEC adopted the Consolidated Counter-Terrorism and Secure Trade Strategy which focuses on strengthening the regional supply chains, travel systems, financial systems, and critical infrastructure. The Strategy recognises the critical role customs officials can play in securing the supply chains, among others by implementing the APEC Framework for Secure Trade, specifically by fostering development of the Authorised Economic Operator (AEO) programs in member economies and establishing common AEO guidelines and standards. As defined by the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), the 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 administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders"¹⁶.

¹⁶ World Customs Organization, SAFE Framework of Standards to Secure and Facilitate Global Trade, June 2018, <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and->

The WTO also portrayed the importance and scope of AEO in the TFA. Article 7 of the WTO TFA mentions that economies shall provide additional trade facilitation benefits related to import, export, or transit formalities and procedures to operators who meet specified criteria. These specified criteria to qualify as an authorised operator shall be related to compliance, or the risk of non-compliance, with requirements specified in a member's laws, regulations or procedures.

The AEO was further emphasised in 2014 when APEC adopted the Customs 3M Strategic Framework (Mutual Recognition of Control, Mutual Assistance of Enforcement, and Mutual Sharing of Information)¹⁷. The 3M Framework covers the areas of trade facilitation, SW, AEO, among others, with the following objectives:

- **Implementation of WTO TFA:** (i) to update each other on the work done for the implementation of the TFA and share experience in this regard; and (ii) to prepare for the review of the operation and implementation of the TFA and to explore the possibility of implementing non-binding or best endeavour provisions of the TFA.
- **SW:** (i) to continue providing capacity building and technical support for member economies to establish and improve their individual SW with the least delay possible; and (ii) to realise interoperability of SW systems amongst APEC economies.
- **AEO:** (i) to continue carrying out capacity building for the member economies that have not established the AEO program and further advancing the formulation of the minimum standards for AEO enterprises, including SMEs; and (ii) to continue the capacity building programs, promote AEO mutual recognition between economies, and work out the benefit list of the AEO Mutual Recognition Agreement (MRA) to further facilitate trade in the Asia-Pacific region.

In terms of application, a 2016 APEC PSU report found 17 APEC member economies with operational AEO programs in varying stages of development and 36 MRAs concluded by APEC members. The report also highlighted the state of AEO development across APEC economies under seven main themes as follows:

[tools/tools/safe-package/safe-framework-of-standards.pdf?la=en](https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/2014/2014_amm/annex)

¹⁷ Source: https://www.apec.org/Meeting-Papers/Annual-Ministerial-Meetings/2014/2014_amm/annex

1. Scope of AEO Programs: A variety of sectors were represented in the various AEO programs in APEC economies. Around 88.2 percent of programs were open to importers and exporters. More than 64 percent of the programs included customs brokers, 58.8 percent included warehouse operators, and 52.9 percent included manufacturers. All other operator types identified (logistics operators, terminal operators, and other operators) were represented in less than half of the surveyed AEO programs. Only 41.2 percent of programs had multiple classes in the program with multiple tiers of benefits and associated security/compliance standards. A variety of sectors were also represented in the AEO programs, including manufacturing, trade (retail/wholesale), agriculture and services.
2. Application, Verification and Authorisation Requirements: Most AEO application processes were similar across economies, requiring the same types of documents. However, timeframes diverged greatly, between 1 to 6 months. All AEO programs in APEC were required to undergo an onsite validation and verification audit. Only 35.3 percent of programs however, conducted a risk check on applicants with other ministries or databases beyond the customs authority.
3. Security and Compliance Requirements: There were generally high levels of convergence in security and compliance requirements where APEC AEO programs have adhered to the SAFE Framework closely. Almost all programs required site, goods and document security, but only 58.8 percent of programs required a recovery plan.
4. Post-authorisation, Audit / Revalidation, Suspension and Revocation Policies: Some member economies required the AEOs to reapply, while other economies based their revalidations on identified changes in the businesses' operations, paired with ongoing monitoring. All AEO programs had regular revalidation and auditing mechanisms. Around 52.9 percent of programs required the AEOs to conduct an internal audit. Most programs had mechanisms to suspend an AEO status if administrative orders were ignored, but only 58.8 percent had an appeal process.
5. Customs Organisational Structure for AEO Programs and their Major Roles: There was wide variation in the organisational level of customs authority in charge of the AEO program: some customs authorities preferred to centralise while others devolved AEO authority to regional and field offices. Only 23.5 percent of AEO programs created a dedicated Customs Technical Specialty Position for AEO program administration.
6. Partnership Initiatives between Customs and Private Sector: Since AEO programs are voluntary, strong partnerships between customs and the private sector are important. There were some forms of consultation with the private sector: 64.7 percent of customs authorities consulted with the private sector stakeholders during the AEO program design stage, while 88.2 percent did so during the AEO program implementation. Strong consultation with the private sector is needed to understand the kind of benefits that will drive firms to pursue an AEO status.
7. Accessibility of Information on Customs' Website about the AEO Program: Websites are important sources of centralised information. Almost all websites had explanatory information and listed the requirements and benefits of an AEO status. However, about half did not have a section on frequently asked questions and/or did not allow online applications.

Large firms have more incentives to attain an AEO status since SMEs may view the investments involved in upgrading their security system to meet AEO requirements as costly and less beneficial. A recent development on the inclusion of SMEs in AEO programs in APEC was the endorsement of the Boracay Action Agenda (2015) which includes an emphasis to widen the base of the AEO and trusted trader programs to include SMEs in order for them to contribute to security, integrity and resilience in supply chains.

Some notable good practices in facilitating SMEs' inclusion into the AEO status are provided below (APEC PSU, 2016):

1. Australia engages SMEs during the design phase to listen to their specific concerns and forms a formal consultative working group with SMEs to design the "outcome-based approach" used in the security standards. This approach specifies the required security outcome, and the operators describe how those standards are being met in their individual circumstances. The approach was designed to foster SMEs' participation in maintaining a secure supply chain.
2. Korea offers expedited AEO authorisation examinations to SMEs through multiple procedural preferential provisions, including a 'priority audit'. To facilitate SMEs' access to the program, support for consulting fees is given to firms that show a lack of personnel and financial resources. Larger firms also sign Memorandums of Understanding with their SME partners to support their AEO authorisation process.

3. Since many of its businesses are SMEs, New Zealand recognises every business is unique and security arrangements for cargo are therefore different for each. New Zealand follows an outcome-based approach by asking the exporters to demonstrate how they intend to comply with the minimum standards and by working with them to achieve mutually acceptable criteria.
4. Singapore's AEO criteria are not prescriptive and assessment is based on the security risks involved. The emphasis is on outcomes when engaging with SMEs.

Conclusion and Way Forward

Trade facilitation will continue to be an important agenda for APEC in the coming years. With the WTO TFA in effect since 22 February 2017, the momentum to increase the rate of implementation among APEC member economies is evident. Developed APEC members which in general already have favourable regulatory and economic environment could share their successful experiences with other APEC members, particularly regarding the required regulatory reform and best practices.

The impact of adopting the TFA measures varied across APEC members, ranging from 5 percent to 8 percent reduction in trade costs (for TFA binding measures). Wider implementation of the TFA, including the non-binding and paperless trade measures could increase the impact to 8 percent to 13 percent. Developing economies are expected to benefit more from the implementation of these TFA measures.

The SW facility has been used as one of the important trade facilitation instruments. As a facility for traders to submit their regulatory formalities or documentation to customs and other border agencies, SW plays an important role in ensuring that unnecessary duplications are minimised and delays are avoided, thus reducing costs and risks for the firms. The SW facility could be further upgraded or expanded to include financial payment functions and to improve supply chain visibility across borders.

On the security aspect of trade, the AEO has been implemented by APEC economies to ensure safe and secure trade across supply chains. There are operational AEO programs in varying stages of development in around 17 APEC member economies and 36 MRAs have been concluded by APEC members. This will further strengthen global trade in terms of security, integrity and resilience in

supply chains. Participation of SMEs under the AEO scheme could bring significant benefits not only to SMEs but also their respective business partners. An outcome-based approach could facilitate SMEs' inclusion under the AEO scheme without compromising the applicable security standards.

Moving forward, APEC economies should continue their momentum in implementing the WTO TFA, and at the same time gradually move towards cross-border paperless and/or digital trade facilitation to maintain their competitiveness. International frameworks such as the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific could complement the WTO TFA and provide a unique platform for APEC member economies to realise cross-border electronic exchange of trade-related data and documents. Participation in the agreement can support the development of domestic and sub-regional 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 APEC members promote their existing paperless trade solutions to other regions. Accordingly, APEC economies that are also ESCAP members, could become parties of the agreement and reap the benefits as early as possible.¹⁸

¹⁸ More information on the Framework Agreement is available at:

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

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