DISCUSSION PAPER

MTI Global Practice

No. 4

September 2018

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# Trade Facilitation Challenges and Reform Priorities for Maximizing the Impact of the Belt and Road Initiative

WORLD BANK GROUP

MTI DISCUSSION PAPER NO. 4


## Abstract

This study examines the relevance of trade facilitation reforms in maximizing the economic impact of infrastructure connectivity investments through the Belt and Road Initiative (BRI). It provides an overview of trade facilitation performance in BRI economies, with a focus on those countries involved in six key land corridors. This overview is based on three categories of data: international indicators for trade facilitation performance, notably Doing Business, the Logistics Performance Index, the Enabling Trade Index, and the OECD Trade Facilitation Indicators; publicly-available literature and analysis on the BRI corridors; and analysis conducted through World Bank projects involving BRI economies. A key finding is that, in a global context, trade facilitation along the BRI corridors is weak, with performance for most corridors below global averages according to most indicators. There is also wide variation in performance between countries along each corridor, providing a significant barrier to the efficient utilization of the corridors for predictable, timely cross-border transportation of goods. Based on the review of corridor performance, the study recommends priority trade facilitation reforms for the BRI economies, as well as recommendations on the implementation of these reforms, based on international experience.



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*JEL Classification: F13, F55*

*Keywords: Trade, Trade Policy, Trade Facilitation, Belt and Road Initiative*

## Abbreviations

| | |
|---|---|
| **BCIMEC** | Bangladesh-China-India-Myanmar Economic Corridor |
| **BRI** | Belt and Road Initiative; formerly known as 'One Belt, One Road' |
| **CICPEC** | China-Indochina Peninsula Economic Corridor |
| **CPEC** | China Pakistan Economic Corridor |
| **CO** | Certificate of Origin |
| **DB** | Doing Business report of the World Bank Group |
| **EDI** | Electronic data Interchange |
| **EU** | European Union |
| **FDI** | Foreign Direct Investment |
| **FEU** | Forty Foot Equivalent |
| **FIATA** | Federation international des Associations de Transitaires et Assimiles (International Federation of Freight Forwarders Associations) |
| **GDP** | Gross Domestic Product |
| **HQ** | Headquarters |
| **ICD** | Inland Container Depot |
| **ICT** | Information and Communication technology |
| **IRU** | World Road Transport Organisation (formerly known as International Road Transport Union) |
| **Kg** | Kilogram |
| **L/C** | Letter of Credit |
| **LDC** | Least Developed Countries |
| **LCL** | Less than Container load |

| | |
|---|---|
| **LPI** | Logistics Performance Indicators of the World Bank |
| **NGO** | Non-Governmental Organization |
| **OECD** | Organization for Economic Co-operation and Development |
| **OIE** | World Organization for Animal Health |
| **PRC** | People's Republic of China |
| **SEZ** | Special Economic Zone |
| **SME** | Small-to-Medium size enterprise |
| **SMTQ** | Standards, Metrology, Testing and Quality |
| **SPS** | Sanitary and Phyto-Sanitary standards |
| **TBT** | Technical Barriers to Trade |
| **TIR** | Transports Internationaux Routiers, customs transit and guarantee system |
| **TEU** | Twenty Foot Equivalent Unit |
| **TFA** | Trade Facilitation Agreement of the World Trade Organization |
| **TTFA** | Trade and Transport Facilitation Assessment |
| **UNCTAD** | United Nations Conference on Trade and Development |
| **US** | United States |
| **VTIP** | Vietnam Trade Information Portal |
| **WCO** | World Customs Organization |
| **WEBOC** | Web-based One Customs System |
| **WEF** | World Economic Forum |
| **WTO** | World Trade Organization |

## Executive Summary

Trade facilitation reforms will be of central importance for maximizing the economic impact of the BRI. The costs generated by inefficient trade processes and procedures make up a significant share of overall trade costs globally, with an estimated impact greater than tariffs, underlining the need to address trade facilitation weaknesses in parallel with the BRI physical infrastructure investments.

A review of corridor performance indicates that, in general, trade facilitation performance is below average along BRI corridors. According to indicators such as the Logistics Performance Index, Doing Business (Trading Across Borders), and Enabling Trade Index, only the New Eurasian corridor performs above global average in all the key indicators, including time to clear the border and fulfill documentary requirements for import/export, and LPI (Customs and border management) scores. Average time to comply with regulatory requirements for export and import for each corridor is higher than the global average on all other corridors, except for time to export for the China-Pakistan corridor, which is slightly below the global average. The average time is furthest from the global average for the Bangladesh-China-India-Myanmar corridor. Of the three trade facilitation performance benchmarks presented (LPI, DB and ETI), the average rank for each corridor places only two corridors in the top 50% globally (the New Eurasian and Indochina corridors). The Bangladesh-China-India-Myanmar corridor average rankings are in the top 50% globally in only one of the three indices. The China-Mongolia-Russia, China-Pakistan and China-Central Asia-West Asia corridors average ranking is in the bottom 50% globally in all three indices, as discussed in Section 2.

The review of corridor performance indicators highlights that there is wide variation in times to export and trade facilitation performance along the BRI corridors. Addressing this is especially important given supply chain connectivity is significantly affected by variations in performance. Except for the New Eurasian corridor, the time required to fulfill regulatory requirements for import are higher than for export. Although this is common globally, for the BRI the difference between import and export times is larger than average, especially for the China-Pakistan, and China-Central Asia-West Asia corridors.

The World Trade Organization Trade Facilitation Agreement (WTO-TFA) is a key benchmark for reform as it represents a multilaterally-agreed set of sound trade facilitation practices. The WTO-TFA builds on a significant body of international instruments and procedures developed at the World Customs Organization (WCO), UN Regional Commissions, and regional bodies including APEC and ASEAN. For those BRI economies that have notified the WTO of their plans for implementation, there is a greater-than average level of ambition in what provisions will be implemented immediately without countries requiring more time or technical assistance

(Category A provisions). However, of the 71 BRI economies covered in this report, 13 are not WTO Members and 4 BRI WTO members have not yet ratified the TFA[1].

Complementing the review of indicators of trade facilitation performance, analysis of the individual situation of each corridor highlights a combination of unique factors, and shared challenges. This paper discussed the challenges faced along each corridor, as well as in selected countries on each corridor. Table 13 identifies priority trade facilitation issues for each of the six corridors. The review of the trade facilitation environment on each BRI corridor suggests that there are six common themes that should be prioritized in improving trade facilitation performance:

- Greater coordination is needed between agencies, with the private sector, and between BRI economies along corridors is needed to implement key trade facilitation reforms. National Trade Facilitation Committees should play a central role, and they should take on BRI-related trade facilitation reforms, in the context of other efforts such as WTO-TFA implementation.
- Regulatory transparency needs to be improved. Trade Information Portals have been implemented in a number of BRI economies and their use is expected to grow Members come into compliance with their WTO obligations. As well as being beneficial in itself, reform to improve transparency is a stepping stone for other, more ambitious trade facilitation reform, including the implementation of national and regional Single Window systems.
- Risk-based approaches to border management are needed, especially in agencies other than Customs. Information on trade transactions needs to be shared between governments along specific corridors, in order to facilitate legitimate shipments. Information-sharing can also support risk profiling so that resources can be directed more effectively.
- Implementation of modern ICT systems can play a substantial role in supporting trade facilitation reform, but needs to be designed and deployed to support reengineered and streamlined practices and rather than simply the automation of existing procedures.
- Significant additional trade transaction costs and procedural inefficiencies are generated by non-Customs agencies. Greater information sharing between agencies involved in standards-related approvals is needed, both within and between governments. Beyond information sharing, greater impact would also be achieved through the mutual recognition of standards and conformity assessment, paving the way for eventual mutual recognition of standards.
- Effective transit regimes need to be implemented for each BRI corridor.

Identifying the challenges faced by BRI economies in facilitating trade along the key corridors is a necessary first step – but early attention needs to be given to how reforms will be designed and

[1] Data compiled in May 2018. There is no official list of BRI corridors or countries. This full list of 71 economies has been compiled based on World Bank analysis and various public sources.

implemented to most effectively tackle them. This paper makes four recommendations for addressing the trade facilitation challenges faced by BRI economies:

- Undertake corridor-by-corridor diagnostics of trade facilitation constraints, given the limited evidence base that exists at present for identifying the key trade facilitation constraints along each corridor. These should focus on the five themes identified above, as well as any other relevant issues identified for each corridor.
- Develop reform action plans for each corridor, based on improved trade facilitation outcomes. These action plans would identify the most effective sequencing of reforms, and also include monitoring frameworks to track progress in reform implementation. The action plans would need to reflect an appropriate balance of reforms implemented regionally, recognizing that ultimately most of the burden for implementation will need to be managed at the country level.
- Develop appropriate coordination mechanisms and associated institutions to support active collaboration among BRI economies to encourage the exchange of data, operational information and best practices; build regulatory consistency; address trade facilitation-related problems; and so on.
- Draw on international standards and accepted good practice principles for trade facilitation wherever possible.

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# Trade Facilitation Challenges and Reform Priorities for Maximizing the Impact of the Belt and Road Initiative

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## Introduction

Trade facilitation reform will be critical to achieving the objectives of the Belt and Road Initiative (BRI). Although much attention has been paid to the impact of infrastructure investments through the BRI, reforms to streamline the flow of goods across borders will be essential.

This paper outlines why trade facilitation reform matters for the BRI; what some of the key challenges are for improving trade facilitation along the BRI corridors; and how BRI economies can collectively and individually implement reforms to address these challenges.

Section 1 provides context on the importance of trade facilitation within the BRI, and why trade facilitation is an essential complement to investments in physical infrastructure connectivity. It briefly recaps evidence on the economic impact of trade facilitation reforms, and surveys best practices in trade facilitation. It also explains the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), as a multilaterally-agreed benchmark for best practice, and its relevance for the BRI.

Section 2 draws on a variety of international indicators – notably Doing Business, the Logistics Performance Index, the Enabling Trade Index, and Trade Facilitation Indicators, to provide an overview of trade facilitation performance on the specific BRI corridors. In addition to comparing overall performance on the corridors with each other and with global averages, the section analyses each corridor in detail, identifying weak spots and potential bottlenecks. The discussion on each corridor also considers notifications made by WTO Members of their implementation plans for the WTO-TFA. It also draws on relevant World Bank project experience with selected BRI economies.

Drawing on international best practices in trade facilitation reform and the review of corridor performance in the preceding sections, Section 3 identifies some of the key areas of trade facilitation reform needed to address constraints on the BRI corridors. It also discusses lessons learned from World Bank and other international experience in implementing these reforms. This includes issues like the sequencing of reforms, and the identification of reforms for implementation

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The paper was finalized under the guidance of Caroline Freund (Director, International Trade and Regional Integration, World Bank) and draws on various inputs from World Bank staff, including Michael Ferrantino, Elcin Koten, Sjamsu Rahardja, Charles Kunaka, Violane Konar-Leacy, Michele Ruta, and Chunlin Zhang. The paper benefited from review comments by Erich Kieck and Ankur Huria. The authors also benefited from discussions and papers circulated for a May 9 internal World Bank workshop on the BRI. The study benefited from a mission to China coordinated with the Ministry of Finance and Ministry of Commerce, whose assistance was greatly appreciated. The study was financed through the China-World Bank Partnership Facility, through a project led by Chunlin Zhang.

collectively rather than at a national level. It also discusses the benefits of following international best practices and standards developed for trade facilitation, compared with the less effective and potentially riskier approach of developing corridor- or BRI-specific trade facilitation standards.

## Section 1: Why trade facilitation reforms matter for achieving the objectives of the BRI

This section outlines the importance of trade facilitation for achieving the connectivity and trade objectives of the BRI. It sets out the global context for why trade facilitation matters for an initiative such as the BRI, as a basis for the analysis in the subsequent sections. The section also sets out why the WTO TFA is an important benchmark for reforms required to improve trade facilitation performance.

### Trade Facilitation and its relevance for connectivity initiatives

Connectivity initiatives like the BRI can only realize their full potential when economically-sound investments in infrastructure are combined with investments in trade facilitation reforms that lower transaction costs and improve transparency and reliability. As successive editions of the World Bank Logistics Performance Index have emphasized, trade supply chains are only as strong as their weakest links and the benefits from investments in one area may not be fully realized unless complementary investments are made to overcome constraints and bottlenecks in another.

At the global level, despite significant investments by many countries in major infrastructure connectivity projects, border clearance procedures continue to be amongst the most problematic links in the global trade supply chain. Outdated and overly bureaucratic procedures imposed by Customs and other border management agencies are now seen as posing a greater barrier to trade than high tariffs. As outlined below, several estimates of the impact of full implementation of the WTO TFA foresee a greater impact on trade costs than reducing all most-favored nation tariffs to zero[3]. Cumbersome systems and procedures increase trade transaction costs and lead to delays and uncertainties in the clearance of import, export and transit goods. These delays and costs undermine national competitiveness and impact heavily on the capacity of countries to benefit from trade related economic growth.

Growing investment in trade facilitation reform by government and development partners has come alongside the increasing use of trade facilitation provisions in bilateral, regional and multilateral trade agreements, notably the WTO TFA, which came into force in February 2017. While estimates of the potential economic impact of TFA implementation on trade vary widely, ranging from $80 billion per year to over $ 1 trillion[4], even the lower end of available estimates implementation of the TFA will deliver significant development dividends from the TFA. Importantly, estimates also indicate that the benefits will fall disproportionately to low and lower middle-income countries as their relatively poor border management performance results in trade transaction costs that are significantly higher than those in developed countries. While the projected impact of TFA implementation varies from country to country, OECD estimates that the

[3] *World Trade Organization (2015), World Trade Report, Geneva, 78.*
[4] *Ibid.*

potential transaction cost reduction from full and effective implementation are in the order of 16.5% of total costs for low income countries, 17.4% for lower middle-income countries, and 14.6% for upper middle-income countries. Estimates on the impact on trade also tend to favor developing countries: for example, mid-range estimates from the WTO predict an increase in exports of 13% for Least-Developed Countries, 11% for non-G20 developing countries (i.e. smaller, middle-income countries), 10% for developed countries, and 9% for G20 developing countries. It is important to note, however, that the expected economic gains from implementation of the TFA require its full and effective implementation rather than mere legal compliance with the basic requirements of the Agreement. As such, for the purposes of this paper, all TFA measures are regarded as mandatory, even those that are subject to "best endeavor" provisions[5].

In this context, trade facilitation is a central consideration in reaping the full benefits BRI. The Government of China, in articulating its vision and action plan for the BRI in a document released by three Chinese ministries in March 2015[6] (the "Vision and Actions" document), recognized trade facilitation as one of the foundation components of the BRI and as an important complement to the proposed investments in trade-related infrastructure. (see Box 1). Its emphasis on trade facilitation was reiterated in another document prepared for the 2017 BRI Submit, where it was proposed as one of the "areas of cooperation"[7].

The "Vision and Actions" document specifically calls for enhanced customs cooperation in areas such as information exchange, mutual recognition of regulations, and mutual assistance in law enforcement. It also focuses on improving bilateral and multilateral cooperation in the fields of inspection and quarantine, certification and accreditation, standards measurement, and statistical information. The document proposes that BRI economies work collectively to improve customs clearance facilities at border ports, establish "single-window" systems[8], reduce customs clearance costs, and improve customs clearance capability. It also highlights the need to lower non-tariff barriers, jointly improve the transparency of technical trade measures, and enhance trade liberalization and facilitation.[9]

Agreement to prioritize trade facilitation reform as part of the wider BRI makes strong development sense and is likely to mobilize new investments in the sector and should serve to build and sustain reform momentum. Moreover, as key BRI economic corridors include countries with vastly different trade facilitation performance, the need to focus on improving the

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[5] *This refers to measures that countries are encouraged but not required to implement*

[6] Government of China (2015), "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road". http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. (Accessed on September 6, 2018).

[7] Government of China. 2017. "Building the Belt and Road: Concept, Practice and China's Contribution". Chapter III. https://eng.yidaiyilu.gov.cn/wcm.files/upload/CMSydylyw/201705/201705110537027.pdf. (Accessed on September 6, 2018).

[8] National Single Window systems are discussed more in Section 3. There is no globally-accepted definition of a National Single Window, but for the purposes of this report, it is understood as an IT system that allows traders to make a one-time submission with all required information for border clearance, with this information shared with all necessary government agencies, and then with the trader receiving one response. The objective is to streamline processing by removing the need to transact with multiple government agencies in clearing shipments.

[9] Government of China (2015), "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road". http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. (Accessed on September 6, 2018).

performance of the countries with the lowest levels of performance is clear. Essentially, the overall efficiency of a given transport corridor depends on the trade facilitation performance of all the countries participating in the corridor.

Box 1: Trade facilitation in China's "Vision and Actions" document

The "Vision and Actions" document issued in March 2015 underlined the importance of trade facilitation for improving connectivity along the Belt and Road. The document stated the following:

"Countries along the Belt and Road should enhance customs cooperation such as information exchange, mutual recognition of regulations, and mutual assistance in law enforcement; improve bilateral and multilateral cooperation in the fields of inspection and quarantine, certification and accreditation, standard measurement, and statistical information; and work to ensure that the WTO Trade Facilitation Agreement takes effect and is implemented. We should improve the customs clearance facilities of border ports, establish a "single-window" in border ports, reduce customs clearance costs, and improve customs clearance capability. We should increase cooperation in supply chain safety and convenience, improve the coordination of cross-border supervision procedures, promote online checking of inspection and quarantine certificates, and facilitate mutual recognition of Authorized Economic Operators. We should lower non-tariff barriers, jointly improve the transparency of technical trade measures, and enhance trade liberalization and facilitation[10]."

Importantly, given the trade facilitation goals identified in the BRI Action Plan, it proposes collective action to ensure that the multilateral commitments enshrined in the WTO TFA are effectively implemented by all participating countries. As almost all BRI participating countries are either WTO Members, or are currently in the process of accession, implementation of the TFA is either an immediate legal commitment or a future requirement of WTO membership. The TFA therefore provides an internationally agreed set of trade facilitation measures based on internationally accepted border management principles and is designed to guide individual and collective reform and modernization efforts. In addition, it provides a sound reference point for assessing trade facilitation performance across BRI participating countries.

*Government of China (2015), "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road". http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. (Accessed on September 6, 2018).*

**Economic relevance of trade facilitation reform**

The economic benefits of trade facilitation reform are now widely acknowledged. Empirical evidence is now strong on the cost of inefficiencies and the potentially large returns on investments that can be obtained through targeted reforms.[11] To remain competitive, countries will need to reduce trading costs, bolster export competitiveness, and pursue trade supportive policies. All these factors are important, but trade facilitation reform should be emphasized, as it plays a major role in improving national competitiveness and facilitates the capacity of countries to participate in regional and global value chains. The World Bank's Logistics Performance Index clearly illustrates that trade logistics performance is directly linked with important economic outcomes such as growth, trade expansion, and export diversification. Countries with better logistics grow faster, become more competitive, and increase their trade-related foreign investment. [12]

Research also indicates that increasing logistics performance in low income countries to the middle-income average could boost trade by around 15 percent and benefit all firms and consumers through lower prices and better access to competitively priced services.[13] Similar evidence emerges from cross country datasets including the World Bank's Doing Business (Trading Across Borders) data set and the Logistics Performance Index as well as the World Economic Forum's Global Enabling Trade Index.

[11] *Wilson, Mann, and Otsuki (2004),* Assessing the Potential Benefit of Trade Facilitation:

A Global Perspective, World Bank Policy Research Working Paper 3224, World Bank, Washington DC; World Trade Organization (2015), World Trade Report, Geneva.

12 Arvis et al, (2010), Connecting to compete 2010: trade logistics in the global economy: the logistics performance index and its indicators, World Bank, Washington DC.

[13] *Hoekman & Nicita(2008).* Trade Policy, Trade Costs, and Developing Country Trade. Policy Research Working Paper; No. 4797. Washington, DC: World Bank.

Box 2: Potential impact of trade facilitation reform in the BRI[14]

This box considers the estimated impact of potential improvements in trade facilitation among the group of Belt and Road countries. The method is based on that used in World Economic Forum (2013)[15], using a gravity model for global bilateral trade, and an out-of-sample simulation is performed for selected improvements in two components of the Enabling Trade Index (ETI) – border administration and transport and communications infrastructure. The values of the ETI are updated using the most recent Global Enabling Trade Report (2016). This result represents a generic improvement in infrastructure investments and border administration made by each country in the Belt and Road Initiative (BRI) for trade among that group of countries.

The calculations suggest that large gains could be achieved through effective trade facilitation by BRI economies: $650 billion in additional trade according to an ambitious scenario, in which performance improves halfway to global best practice; and $447.9 billion according to a modest scenario, in which performance improves halfway to regional best practice[16]. This represents an increase of 32.36% in trade in the ambitious scenario, and 22.3% in the modest scenario, from existing total trade of approximately $2.1 trillion, according to WITS data.

While this includes infrastructure improvements as well as procedural streamlining, the significant potential impact underlines the importance of considering trade facilitation reforms as an essential complement to the improved infrastructure connectivity that the BRI aims to provide. It is not intended as an impact estimate for the Belt and Road initiative *per se*, which would need to involve estimates based on the specific infrastructure investments in the countries involved.

While speed and efficiency of border clearance is important, predictability and reliability of border clearance is also a major concern for traders. Poor risk management practices lead to time consuming and often unnecessary physical inspections and laboratory testing requirements and can cause large variations in clearance times, with multiple inspections by different border agencies relatively common. In addition, increasingly strict community protection measures resulting from poor administration of SPS, TBT and national security requirements often impair

[14] Based on World Bank staff calculations (Ferrantino and Koten) and World Economic Forum (2013)

[15] This methodology is designed in World Economic Forum (2013), "Enabling Trade: Valuing Growth Opportunities" and estimates the impact of a 1% improvement in the Enabling Trade Index (ETI) on trade between pairs of countries. The ETI scores each country's environment for trade on a scale of 1 to 7, with 7 being best. The focus is on the average of sub-index B (Border Administration) and sub-index C (Transport and Communications Infrastructure) as being the two components of the index most closely related to trade facilitation. These estimates, which consider country size, purchasing power, geography and other determinants of trade, suggest that an improvement of 1% in an exporting country's score in border administration and infrastructure increases exports by 1.2%, while a similar 1% increase in an importing country's score increases imports by 0.6%. Countries benefit from each other's improvements in trade facilitation, so that if both the exporter and the importer improve border administration and infrastructure by 1%, trade between the two countries should expand by 1.8% (1.2% + 0.6%).

[16] Ambitious scenario and modest scenario are considered in which all countries improve trade facilitation according to the global best practice and regional best practice, respectively. Each country i's non-fuel imports from country j (total imports minus imports in chapter 27 of the Harmonized System classification) are provided from the WITS UN Comtrade Database. Export data is used instead for countries that the import data is missing. These countries are Bangladesh, Bhutan, Iran, New Zealand, Philippines, Tajikistan, Ukraine, and Yemen.

reliability in all but the top performing countries. High degrees of unpredictability prompt traders to adopt costly hedging strategies, such as maintaining large inventories to cater for worst-case supply scenarios or switching to more reliable, and frequently more expensive, transportation modes.[17] Research suggests that these induced costs on the supply chain can be even higher than direct freight costs.[18] In essence, unreliability makes firms less competitive. At the same time, it makes it difficult for firms in poorly performing countries to participate in global value chains which require just in time availability of inputs and high levels of predictability.

The rationale for trade facilitation reform is especially strong along economic corridors, where the weakest link along a corridor can undermine the impact of infrastructure and regulatory reforms in other countries. As highlighted in this paper, one of the features of the major land corridors in the BRI is the large variation in trade facilitation performance along the corridors. The risk of delays and costs associated with regulatory compliance is especially high for those corridors involving large numbers of countries.

Box 3: Defining "Trade Facilitation"

There is no universally-agreed definition of what is covered under the broad title of trade facilitation. A narrow yet consistent definition used by many practitioners and the one that has informed the development of the WTO TFA is stated simply as "the simplification and harmonization of international trade procedures". UN/CEFACT expands on this definition by incorporating commercial considerations and defines it as "the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment." However, many trade facilitation practitioners have adopted a wider perspective on the supply chain focusing not only on procedures but also on import, export and transit operations and the elements that impact on the performance of the entire trade supply chain.

A wider definition focuses on the performance of the overall supply chain, encompassing firms' connectivity with markets based on cost, time, and above all, reliability and predictability.[19] The broad focus of the BRI, incorporating hardware (trade related infrastructure) and software (trade related policies and procedures), suggests a wider and more comprehensive definition of trade facilitation. However, as infrastructure issues are well covered in in other chapters of this paper, a narrower definition, focused on the WTO TFA agenda, has been applied in order to focus attention on opportunities to simplify and harmonize trade procedures in order to lower trade transaction time and costs and improve transparency, reliability and certainty in import, export and transit procedures.

[17] *Guasch and Kogan (2003), 'Just-in-case inventories: a cross-country analysis, World Bank Policy Research Working Paper 3012, World Bank, Washington Dc.*

[18] Arvis, Raballand, and Marteau (2007), The Cost of Being Landlocked: Logistics Costs and Supply Chain Reliability, World Bank, Washington DC.

[19] *Grainger A, and Mclinden, G, (2013) "Trade Facilitation and Development" in Lukauskas, Stern and Zanini, Handbook of Trade Policy and Development, Oxford University Press.*

**Key principles of trade facilitation reform**

Regardless of the precise definition applied, trade facilitation practitioners generally agree on the four key principles that underpin contemporary approaches to trade facilitation reform. These same principles guided the work of officials engaged in negotiating the WTO TFA. The four key principles are:

i) **simplification**, which refers to the process of eliminating all unnecessary elements and duplication in formalities, processes and procedures;
ii) **harmonization**, which refers to the alignment of national formalities, procedures, operations and documents with international conventions, standards and practices;
iii) **standardization**, which refers to the process of developing internationally agreed formats for practices and procedures, documents and information requirements;
iv) procedural **reform and modernization**, which refers to the adoption of modern, internationally agreed processes and systems; and
v) **Transparency** in what procedures apply to trade, and how they are enforced.

Collectively, these principles are focused on reducing unnecessary procedures and red tape while allowing governments to effectively discharge their border management policy objectives and responsibilities. A summary of the objectives government agencies pursue while regulating cross border trade are included in Table 1. How efficiently and effectively governments discharge these various objectives can, however, have a significant impact on the capacity of countries to benefit from trade related economic growth opportunities. Both business and government stand to gain from sensible trade facilitation focused reforms based on the above principles.

Sound trade facilitation involves the effective management of a broad range of government responsibilities including revenue collection, community protection, national security, and trade policy implementation in such a way as to ensure high levels of compliance without imposing excessive transaction costs on the trading community. The scope of legitimate government objectives generally managed by border agencies can be found in in Table 1 (below). Balancing these objectives is far from simple

**Table 1: Trade Facilitation encompasses a broad range of activities**

| Issue | Key Government Objective | Broad strategies |
|---|---|---|
| **Food Safety** | • Protect public health and safety<br>• Protect the reputation of a country's food industry | • Minimize the potential risk of food-borne illnesses by ensuring that the quality of internationally traded food meets relevant standards |
| **Biosecurity Animal Quarantine** | • Protect the country from exotic pests and diseases<br>• Protect the country's reputation in overseas markets | • Minimize the risk of pests and diseases entering the country by ensuring that national and international standards of animal health are met |
| **Immigration** | • Protect the government's right to determine who may enter, leave or remain in the country on a permanent or temporary basis | • Minimize the risk of people entering, leaving or remaining in the country illegally by ensuring that people who travel across or remain within a country's borders are authorized to do so. |
| **Intellectual property** | • Protect the rights of owners of trademarks and copyright material<br>• Protect the community from potentially unsafe products (e.g., counterfeit medicine). | • Minimize the risk of trade in counterfeit and pirated goods by ensuring that internationally traded goods do not infringe intellectual property rights, including trademarks and copyright. |
| **Revenue Collection** | • Protect the national revenue | • Minimize the risk of government revenue leakage by ensuring that the correct amount of revenue is paid on imported (or exported) goods. |
| **National security** | • Protect the supply chain against acts of terrorism | • Minimize the risks of terrorist attacks by ensuring that international and national security standards are met |
| **Safety Standards** | • Protect consumers against injury, illness and death related to unsafe goods<br>• Protect a country's reputation in overseas markets | |

*Source: World Bank (2012), Risk-Based Compliance Management*

Achieving meaningful improvements in trade facilitation is not an easy or straightforward process and faces many challenges. Central to achieving progress is the need for border management agencies to move away from an exclusive focus on control, a focus that has dominated the culture of customs and other border management institutions for literally thousands of years. Fortunately, there is now strong evidence that adopting modern approaches to border management can improve regulatory control while at the same time delivering trade facilitation dividends for the trading

community. Evidence from across the globe proves that the apparently contradictory objectives of facilitation and control are in fact two sides of the same coin, and both can be accomplished through well-designed and effectively implemented reform and modernization programs in line with the provisions of the WTO TFA[20].

Achieving major improvement in trade facilitation performance therefore frequently requires a major change on focus or a paradigm shift in the way customs and other border management agencies approach their work and fulfil their government mandates. The elements of this paradigm shift are summarized in Table 2. Essentially, achieving meaningful reform in trade facilitation performance consistent with the WTO TFA and BRI ambitions will involve border management agencies moving from the old paradigm (described in the left column) to the new (described in the right column). This shift is currently occurring to varying degrees in most BRI countries, however, progress needs to be deepened and accelerated to achieve meaningful improvements in trade facilitation performance across the BRI.

[20] *Mclinden, G., "Collaborative Border Management: A new Approach to an Old Problem", Economic Premise, No. 78, World bank, 2012*

**Table 2: A Changing Trade Facilitation Paradigm**

| Old border management paradigm | Contemporary border management Paradigm |
|---|---|
| Focus on control | Balance between control and facilitation |
| Reform as a series of independent episodes | Reform as a process of continuous improvement |
| Limited availability of information on regulatory requirements | Transparency and a focus on assisting traders to comply voluntarily with requirements |
| High level of physical inspection and testing | Intervention by exception based on genuine risk |
| Focus on physical control of the goods | Focus on information pertaining to the goods preferably before arrival |
| Identification of non-compliance | Identification of both non-compliance and high compliance in order to incentivize high compliance |
| Limited use of ICT, mainly by Customs agencies | Extensive use of ICT and real-time information sharing by all agencies via Single Window systems |
| Adversarial relationship with the trading community | Constructive partnership with the trading community |
| Competition between agencies | Genuine cooperation and collaboration between agencies |
| Focus on operational statistics | Focus on meaningful measures of performance against all government objectives |
| Focus on fulfilling agency mandate | Focus on contributing to the achievement of national objectives |
| Government officials always right | Capacity to challenge decisions |
| Consecutive processing and clearance by agencies | Parallel processing and clearance |
| Limited cooperation and trust with neighbors and trade corridor partners | Strong cross border collaboration, harmonization of procedures and mutual recognition of certification mechanisms |

*Source: Compilation by the authors based on World Bank experience in supporting reform and modernization projects across the world; and Doyle (2011).*

While improving the performance of customs remains a high priority for many BRI countries, it is only one of the many agencies involved in border processing, and there is now strong evidence to demonstrate that it is often responsible for no more than one-third of regulatory delays. For example, in many cases, logistics professionals have a higher level of satisfaction with customs than with other border government agencies. Data from the World Bank's Logistics Performance Index suggest that logistics professionals across the world rate their level of satisfaction with customs agencies much higher than that of other border management agencies.

This highlights the need to focus attention on reforming and modernizing the systems and procedures employed by border management agencies other than customs, including health, agriculture, quarantine, police, immigration, standards, and the myriad of other organizations involved in regulating trade flows. It is not uncommon for over 30 different government agencies to play a role in the processing and clearance of goods. It therefore matters very little if traders can submit customs declarations electronically if a raft of documents still needs to be taken by hand to other agencies, then examined and approved before customs can release the goods. Indeed, the United Nations Conference on Trade and Development (UNCTAD) has estimated that: "A single trade transaction may easily involve 30 parties, 40 documents, 200 data elements, and require re-coding of 60–70 percent of all data at least once." Achieving meaningful trade facilitation gains therefore requires comprehensive "whole-of-border" reform initiatives and effective cooperation, information sharing, and genuine collaboration among all border management agencies.

**The importance of the WTO Trade Facilitation Agreement**

The WTO TFA was negotiated over ten years and brings together in a multilateral agreement many of the developing best practices and standards on trade facilitation set out above. This is in no small part because the WTO TFA built on previous international efforts in this area, for example in the World Customs Organization, UN regional commissions, free trade agreements, and elsewhere. The WTO TFA is designed to support a shift to the new border management paradigm summarized in Table 2 above. It allows Member countries to design their own implementation plans in keeping with their own priorities capabilities. The TFA's 12 substantive Articles contain provisions for expediting the movement, release and clearance of goods, including goods in transit (see Table 3). The TFA also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It also contains provisions that will help improve transparency, increase possibilities for countries to participate in regional and global value chains, and reduce the scope for corruption.

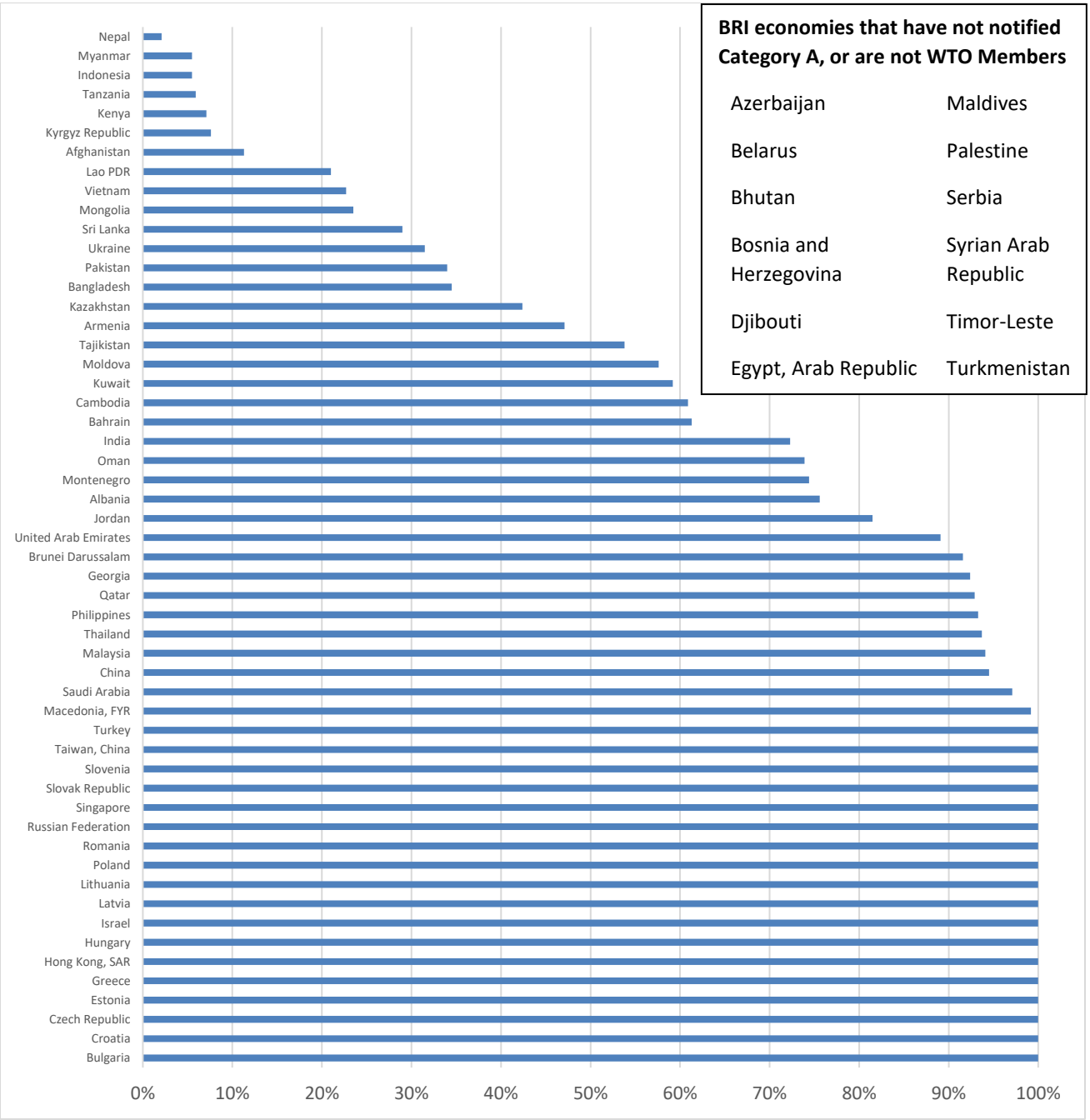
**Table 3: WTO TFA – Section 1 measures**

| Article | Measures | Scope |
|---|---|---|
| 1 | Transparency, the publication of information, information available on the internet and the establishment of enquiry points | All border management agencies |
| 2 | Traders and other interested parties must be given an opportunity and reasonable time to comment on proposals for new trade-related and customs laws and administrative regulations | All border management agencies |
| 3 | Advance Rulings - Traders can obtain reliable "binding" information about the tariff classification, origin, or other customs treatment of his goods before importation | Customs |
| 4 | Appeal and review of decisions - The rights of traders to obtain review and correction of decisions | Mandatory for Customs and encouraged for other border management agencies |
| 5 | Notifications for enhanced controls or inspections | All border management agencies |
| 6 | Disciplines on fees and charges imposed on or in connection with importation and exportation and penalties | All border management agencies |
| 7 | Release and Clearance of Goods – Provides for pre-arrival processing, electronic payment, separation of release from final determination of duties, fees and charges, risk management, post clearance audit, publication of release times, authorized economic operators, expedited shipments and perishable goods. | All border management agencies |
| 8 | Border agency cooperation – Requires national border management agencies to cooperate and coordinate activities and encourages neighboring countries to cooperate to facilitate trade. | All border management agencies |
| 9 | Movement of goods intended for import under customs control – provides for declarants to be able to move goods from a customs office of entry to another customs office within the same customs territory. | Customs |
| 10 | Formalities connected with importation, exportation and transit – Provides for acceptance of copies, supports the adoption of international standards, the establishment of single window systems, discourages the use of pre-shipment inspection for customs classification and valuation, eliminates the mandatory use of customs brokers, mandates the use of uniform national documentation and procedures, the right of traders to return rejected goods, and supports temporary admission and inwards and outwards processing. | All border management agencies |
| 11 | Freedom of transit – Provides for strengthened disciplines over freedom of transit, transit fees and charges, non-discrimination, transit procedures and controls, guarantees and enhanced cooperation in transit matters. | All border management agencies |
| 12 | Customs cooperation – Supports enhanced provisions for the exchange of information between customs administrations. | Customs |

*Source: WTO and Authors*

The BRI economies that have notified their commitments to the WTO are implementing more than half of the provisions of the TFA immediately (see Chart 1). They have elected to do so according to the process set in Section II of the TFA, which contains special and differential treatment (SDT) provisions that allow developing and LDC Members to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building**.** To benefit from these provisions, a developing or LDC WTO Member must categorize each provision of the Agreement and notify other WTO Members of these categorizations in accordance with specific timelines outlined in the Agreement. Category A covers provisions that the Member will implement as soon as the Agreement enters into force (or in the case of a least-developed country Member within one year after entry into force). Category B covers provisions that Members will implement after a self-determined transitional period following entry into force of the Agreement, and Category C covers provisions that Members will implement on a date after a transitional period following the entry into force of the Agreement and after obtaining the required assistance and capacity building support. For provisions designated as categories B and C, Members must provide dates for implementation of the provisions.

**Chart 1: Proportion of WTO-TFA articles implemented immediately, as of May 2018**




*Source: WTO. Current as of 17 May 2018.*

Not all BRI economies are WTO Members: of the 71 BRI economies, 58 are WTO Members[21]. Of these WTO Members, four have not ratified the TFA. As of May 2018, Djibouti is the only WTO Member that has ratified the TFA, but has not yet notified its Category A provisions. The measures on which countries are delaying implementation, and the countries in which this is the case, will be discussed in more detail in Section 2.

All WTO Members along the six BRI corridors that are the focus of this paper have ratified the TFA, but five countries are not WTO Members (Belarus, Azerbaijan, Iran, Turkmenistan, Uzbekistan) although of these five, all but Turkmenistan are negotiating accession to the WTO. This widespread membership of the WTO is positive, as it means that most countries along the key BRI corridors are implementing the WTO-TFA measures, which comprise a useful benchmark for trade facilitation reform. However, the five countries that are not WTO Members require particular attention given they are not legally bound to implement the TFA provisions, although the four countries negotiating accession will be required to implement the TFA provisions after joining the WTO. This is especially so given they are concentrated on the China-Central Asia-West Asia corridor, as discussed in more detail in the relevant part of Section 2.

## Conclusion

Inefficiencies relating to trade procedures are a major source of trade costs, and trade facilitation reform is intended to streamline these trade procedures, while ensuring that border agencies can accomplish revenue, safety and community protection objectives. For this reason, trade facilitation is a necessary complement to the infrastructure connectivity investments that will be made through the BRI. This is reflected in several of the key vision statements for the BRI. The WTO-TFA provides an important benchmark for trade facilitation reform, with most countries along the six BRI corridors focused on its implementation. The TFA complements other international instruments relating to trade facilitation, including those from the World Customs Organization (WCO), UN Regional Commission, and regional bodies like the Asia-Pacific Economic Cooperation (APEC). The next section builds on the vision of trade facilitation as an important part of the BRI, by surveying the level of trade facilitation at present, and the key challenges along the six BRI corridors in facilitating trade.

[21] Data compiled in May 2018

## Section 2: Assessing trade facilitation performance along the BRI corridors

The preceding section highlighted the importance of trade facilitation reform for reducing trade costs, especially in the context of connectivity initiatives like the BRI. It also outlined the key principles and practices of trade facilitation reform, as set out in international agreements like the WTO-TFA, which provides an important benchmark for the reforms that BRI countries will need to undertake.

Against this backdrop, Section 2 provides a broad assessment of the state of trade facilitation in BRI countries, as a basis for highlighting key gaps, and showing where reform efforts should concentrate. This is informed by: 1) a review of global indicators of trade facilitation performance, and 2) a review of analytical work, including from World Bank operational engagements on trade facilitation in BRI countries, where available. It is important to note that data is not available for all countries, and there is a lack of specific diagnostic work to identify trade facilitation constraints along the BRI corridors. The available data is presented at a summary level for all 71 countries, but the focus is on the six key land corridors[22] in the BRI:

- China, Pakistan Economic Corridor;
- China, Mongolia, Russia Economic Corridor;
- New Eurasian Land Bridge Economic Corridor;
- China, Central Asia, West Asia Economic Corridor;
- China, Indochina Peninsula Economic Corridor)- also known as the Nanning – Singapore Economic Corridor; and
- Bangladesh – China-India-Myanmar Economic Corridor .

This section draws on different indicators to present trade facilitation performance, because no single indicator can be taken as a definitive reflection of performance. Balance also needs to be struck between using the indicators to facilitate comparison within and between corridors, and with global performance; and focusing on the specific trade facilitation environment on each corridor. For this reason, this section begins by presenting the aggregate performance of each corridor, comparing them with each other and with global benchmarks. It then discusses each corridor in greater detail, describing both the indicators as well as more detailed country and corridor-specific information, based on World Bank operational experience in these countries, WTO Trade Facilitation Agreement notifications, as well as other sources.

### Overview of BRI trade facilitation performance for all 71 economies

Although this paper focuses on the six main BRI economic corridors, a review of trade facilitation indicators for all 71 economies currently included in the BRI highlights several issues that will

[22] As noted above, there is no official list of BRI corridors or countries. This list has been compiled based on World Bank analysis BRI. It should be noted that participation in some corridors overlaps, and in general the corridors are not framed strictly as transport routes but more as broad economic groups. For ease of reference in the text, acronyms are not used, but the corridors are referred to by the countries participating or by an abbreviated name (e.g. Eurasian corridor; China-Indochina corridor)

need to be addressed. Table 4 presents indicators, where available, from LPI, the Enabling Trade Index, and OECD Trade Facilitation Indicators, along with time to comply with export and import requirements from *Doing Business*. As a simple indicator of relative performance in the former three indicators, the percentage for each economy of the score of the highest-ranked BRI economy (Germany and Singapore across the three indicators) is also shown, along with an aggregate of these percentages.

The data for the BRI as a whole indicates there is significant variation between regions in trade facilitation. European economies tend to have the fastest times to import and export, as well as strongest performance in the three indexes included in the table. Countries in East Asia also tend to perform strongly (with Singapore as the leading performer although other South East Asian countries also perform well). BRI economies in the Middle East and North Africa show the weakest performance, and of the three African economies (Kenya, Tanzania and Djibouti), Djibouti's performance is one of the lowest of all BRI economies. As is discussed in more detail in the review of corridors below, Central and West Asian countries also face major challenges in reforming trade facilitation in order to maximize the opportunities created through the BRI. Another issue discussed below is the considerable variation within regions. For example, the East Asian countries participating in the BRI include the strongest performer in each of the three trade facilitation indicators (Singapore) as well as two of the countries with the most inefficient trade facilitation (Lao PDR and Myanmar).

**Table 4: Overview of selected trade facilitation indicators for all 71 BRI economies**

| Economy | LPI Customs score 2018 | LPI Customs % of highest BRI performer | DB 2018 Time to import (Hours) | DB 2018 Time to export (Hours) | WEF ETI Border Administration Value (1-7, 7=best) | WEF ETI Border Administration & of highest BRI performer | OECD TFI (0-2, 2=best) | OECD TFI % of highest BRI performer | Average % of highest BRI on LPI, WEF, OECD |
|---|---|---|---|---|---|---|---|---|---|
| **Afghanistan** | 1.73 | 41.19 | 420 | 276 | n/a | n/a | n/a | n/a | 41.19 |
| **Albania** | 2.35 | 55.95 | 10 | 9 | 4.99 | 77.97 | n/a | n/a | 66.96 |
| **Armenia** | 2.57 | 61.19 | 41 | 39 | 4.77 | 74.53 | 1 | 57.14 | 64.29 |
| **Azerbaijan** | n/a | n/a | 68 | 62 | 4.7 | 73.44 | 1.12 | 64 | 68.72 |
| **Bahrain** | 2.67 | 63.57 | 54 | 71 | 4.04 | 63.13 | 1.05 | 60 | 62.23 |
| **Bangladesh** | 2.3 | 54.76 | 327 | 246.7 | 3 | 46.88 | 0.78 | 44.57 | 48.74 |
| **Belarus** | 2.35 | 55.95 | 5 | 9 | n/a | n/a | 0.57 | 32.57 | 44.26 |
| **Bhutan** | 2.14 | 50.95 | 5 | 5 | 4.89 | 76.41 | 0.59 | 33.71 | 53.69 |
| **Bosnia and Herzegovina** | 2.63 | 62.62 | 6 | 5 | 4.64 | 72.5 | 1.05 | 60 | 65.04 |
| **Brunei Darussalam** | 2.62 | 62.38 | 48 | 117 | 3.89 | 60.78 | 1.19 | 68 | 63.72 |
| **Bulgaria** | 2.94 | 70 | 1 | 4 | 5 | 78.13 | 1.49 | 85.14 | 77.76 |
| **Cambodia** | 2.37 | 56.43 | 140 | 180 | 3.6 | 56.25 | 0.92 | 52.57 | 55.08 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **China** | 3.29 | 78.33 | 158 | 47.1 | 4.9 | 76.56 | 1.36 | 77.71 | 77.53 |
| **Croatia** | 2.98 | 70.95 | 0 | 0 | 5.36 | 83.75 | 1.57 | 89.71 | 81.47 |
| **Czech Republic** | 3.29 | 78.33 | 1 | 1 | 5.8 | 90.63 | 1.55 | 88.57 | 85.84 |
| **Djibouti** | 2.35 | 55.95 | 78 | 109 | n/a | n/a | 0.39 | 22.29 | 39.12 |
| **Egypt, Arab Republic** | 2.6 | 61.9 | 240 | 48 | 3.05 | 47.66 | 1.19 | 68 | 59.19 |
| **Estonia** | 3.32 | 79.05 | 0 | 2 | 6.15 | 96.09 | 1.74 | 99.43 | 91.52 |
| **Georgia** | 2.42 | 57.62 | 17 | 50 | 5.3 | 82.81 | 1.55 | 88.57 | 76.33 |
| **Greece** | 2.84 | 67.62 | 1 | 24 | 4.83 | 75.47 | 1.48 | 84.57 | 75.89 |
| **Hong Kong, SAR** | 3.81 | 90.71 | 19 | 2 | 6.02 | 94.06 | 1.72 | 98.29 | 94.35 |
| **Hungary** | 3.35 | 79.76 | 0 | 0 | 5.71 | 89.22 | 1.44 | 82.29 | 83.76 |
| **India** | 2.96 | 70.48 | 325.8 | 144.5 | 4.4 | 68.75 | 1.25 | 71.43 | 70.22 |
| **Indonesia** | 2.67 | 63.57 | 99.4 | 53.3 | 4.35 | 67.97 | 1.13 | 64.57 | 65.37 |
| **Iran, Islamic Rep.** | 2.63 | 62.62 | 333 | 221 | 3.2 | 50 | n/a | n/a | 56.31 |
| **Iraq** | 1.84 | 43.81 | 131 | 85 | n/a | n/a | n/a | n/a | 43.81 |
| **Israel** | 3.32 | 79.05 | 64 | 36 | 5.51 | 86.09 | 1.45 | 82.86 | 82.67 |
| **Jordan** | 2.49 | 59.29 | 79 | 38 | 5.22 | 81.56 | 0.93 | 53.14 | 64.66 |
| **Kazakhstan** | 2.66 | 63.33 | 8 | 261 | 4.2 | 65.63 | 0.98 | 56 | 61.65 |
| **Kenya** | 2.65 | 63.1 | 180 | 21 | 4.44 | 69.38 | 1.21 | 69.14 | 67.21 |
| **Kuwait** | 2.73 | 65 | 89 | 96 | 4.12 | 64.38 | 0.74 | 42.29 | 57.22 |
| **Kyrgyz Republic** | 2.75 | 65.48 | 108 | 41 | n/a | n/a | 0.99 | 56.57 | 61.03 |
| **Lao PDR** | 2.61 | 62.14 | 230 | 228 | 3.7 | 57.81 | 0.7 | 40 | 53.32 |
| **Latvia** | 2.8 | 66.67 | 0 | 24 | 5.48 | 85.63 | 1.6 | 91.43 | 81.24 |
| **Lebanon** | 2.38 | 56.67 | 180 | 96 | 4.2 | 65.63 | 0.84 | 48 | 56.77 |
| **Lithuania** | 2.85 | 67.86 | 0 | 9 | 5.64 | 88.13 | 1.7 | 97.14 | 84.38 |
| **Macedonia, FYR** | 2.45 | 58.33 | 8 | 9 | 4.54 | 70.94 | 1.11 | 63.43 | 64.23 |
| **Malaysia** | 2.9 | 69.05 | 79 | 55 | 5 | 78.13 | 1.27 | 72.57 | 73.25 |
| **Maldives** | 2.4 | 57.14 | 100 | 42 | n/a | n/a | 0.7 | 40 | 48.57 |
| **Moldova** | 2.25 | 53.57 | 4 | 3 | 4.52 | 70.63 | 0.99 | 56.57 | 60.26 |
| **Mongolia** | 2.22 | 52.86 | 163 | 230 | 4 | 62.5 | 1.17 | 66.86 | 60.74 |
| **Montenegro** | 2.56 | 60.95 | 23 | 8 | 2.73 | 42.66 | 1.17 | 66.86 | 56.82 |
| **Myanmar** | 2.17 | 51.67 | 278 | 286 | n/a | n/a | 0.53 | 30.29 | 40.98 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Nepal** | 2.29 | 54.52 | 61 | 56 | 4.06 | 63.44 | 0.69 | 39.43 | 52.46 |
| **Oman** | 2.87 | 68.33 | 70 | 52 | 5 | 78.13 | 0.97 | 55.43 | 67.30 |
| **Pakistan** | 2.12 | 50.48 | 272 | 130 | 3.9 | 60.94 | 1.17 | 66.86 | 59.43 |
| **Palestine** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Philippines** | 2.53 | 60.24 | 72 | 42 | 4.09 | 63.91 | 1.03 | 58.86 | 61.00 |
| **Poland** | 3.25 | 77.38 | 1 | 1 | 5.7 | 89.06 | 1.66 | 94.86 | 87.10 |
| **Qatar** | 3 | 71.43 | 48 | 25 | 5.01 | 78.28 | 0.91 | 52 | 67.24 |
| **Romania** | 2.58 | 61.43 | 0 | 0 | 2.98 | 46.56 | 1.42 | 81.14 | 63.04 |
| **Russian Federation** | 2.42 | 57.62 | 81.1 | 97.4 | 3.9 | 60.94 | 1.28 | 73.14 | 63.90 |
| **Saudi Arabia** | 2.66 | 63.33 | 228 | 69 | 4.26 | 66.56 | 1.22 | 69.71 | 66.53 |
| **Serbia** | 2.6 | 61.9 | 4 | 4 | 2.92 | 45.63 | 1.24 | 70.86 | 59.46 |
| **Singapore** | 3.89 | 92.62 | 36 | 12 | 6.4 | 100 | 1.75 | 100 | 97.54 |
| **Slovak Republic** | 2.79 | 66.43 | 0 | 0 | 3.67 | 57.34 | 1.59 | 90.86 | 71.54 |
| **Slovenia** | 3.42 | 81.43 | 0 | 0 | 3.64 | 56.88 | 1.68 | 96 | 78.10 |
| **Sri Lanka** | 2.58 | 61.43 | 72 | 43 | 4.02 | 62.81 | 0.99 | 56.57 | 60.27 |
| **Syrian Arab Republic** | 1.82 | 43.33 | 141 | 84 | n/a | n/a | n/a | n/a | 43.33 |
| **Taiwan, China** | 3.47 | 82.62 | 47 | 17 | 5.6 | 87.5 | n/a | n/a | 85.06 |
| **Tajikistan** | 1.92 | 45.71 | 233 | 141 | 3.9 | 60.94 | 0.67 | 38.29 | 48.31 |
| **Tanzania** | n/a | n/a | 402 | 96 | 2.69 | 42.03 | 0.91 | 52 | 47.02 |
| **Thailand** | 3.14 | 74.76 | 54 | 62 | 5.1 | 79.69 | 1.38 | 78.86 | 77.77 |
| **Timor-Leste** | n/a | n/a | 100 | 96 | n/a | n/a | n/a | n/a | n/a |
| **Turkey** | 2.71 | 64.52 | 52 | 21 | 5.1 | 79.69 | 1.48 | 84.57 | 76.26 |
| **Turkmenistan** | 2.35 | 55.95 | n/a | n/a | n/a | n/a | n/a | n/a | 55.95 |
| **Ukraine** | 2.49 | 59.29 | 72 | 26 | 4.06 | 63.44 | 1 | 57.14 | 59.96 |
| **United Arab Emirates** | 3.63 | 86.43 | 54 | 27 | 5.72 | 89.38 | 1.35 | 77.14 | 84.32 |
| **Uzbekistan** | 2.1 | 50 | 285 | 286 | n/a | n/a | 0.63 | 36 | 43.00 |
| **Vietnam** | 2.95 | 70.24 | 132 | 105 | 4.2 | 65.63 | 1.36 | 77.71 | 71.19 |
| **Yemen, Rep.** | 2.4 | 57.14 | n/a | n/a | 1.7 | 26.56 | 0.29 | 16.57 | 33.42 |

*Source: World Bank (Doing Business and LPI), OECD (TFIs), World Economic Forum (ETI).*

*Note: Lighter-shaded cells indicate a value closer to the "best performer" in that indicator. Table presents key trade facilitation performance indicators for all 71 BRI economies. The column furthest to the right is intended to present a simple snapshot of performance, based on the average percentage of the highest BRI performer's score across three indicators, with equal weighting: LPI Customs; WEF ETI Border*

*Administration; and OECD TFI. If an economy is not included in one or more specific indicator, the average is based on the available indicator/s.*

**Comparison of performance between corridors**

A snapshot of relative performance is provided by looking at the aggregate performance on each corridor. It is possible to do this for a number of different indicators, including:

i) Average days to import and export, based on Doing Business data (Chart 2);
ii) Average customs and border management agency performance, based on Logistics Performance Index data (Chart 3); and
iii) Average rankings in key trade facilitation performance benchmarks, drawing on Doing Business, Logistics Performance Index, and the Enabling Trade Index (Table 5).

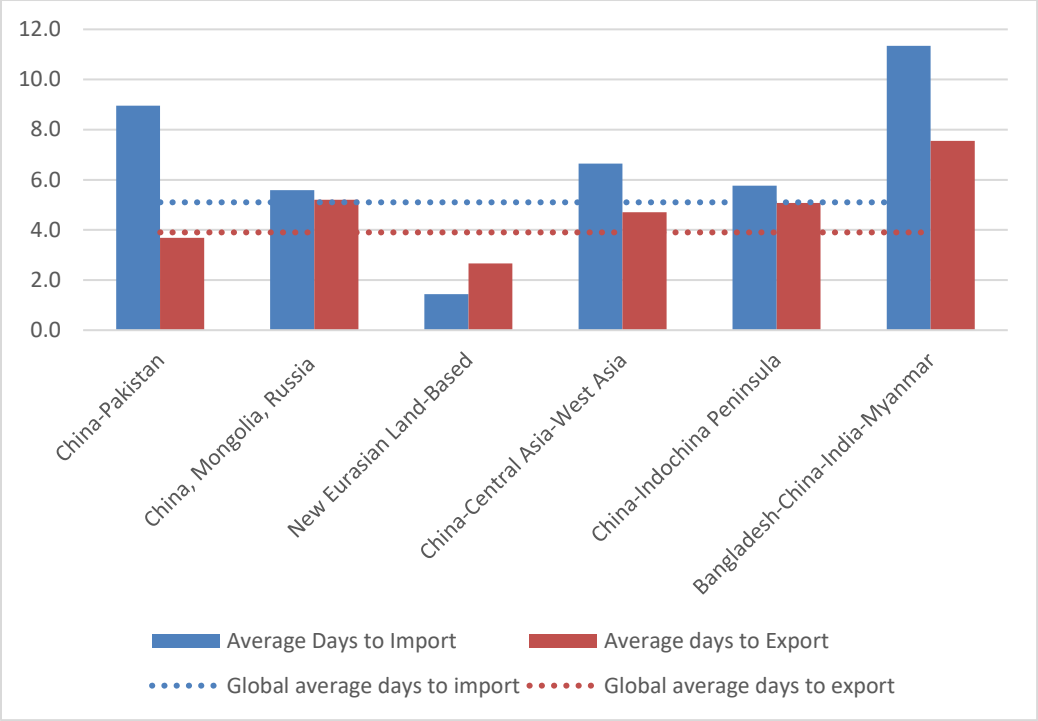
Traders face times to import that are above the global average on all corridors except the New Eurasian corridor, and times to export that are above global average on all corridors except the New Eurasian corridor and China-Pakistan corridor, according to the DB data. The only corridor where both time to export and import are below the global average is the New Eurasian corridor. The China-Pakistan corridor, time to export is slightly below the global average, but time to import is almost double the global average.

On all corridors except the New Eurasian corridor, times to import are higher than times to export, and the difference between the two is higher than the average difference globally. This is not unusual, with governments tending to impose greater regulatory requirements on products entering their own markets, than on products transiting their territory or exiting their market bound for others. The difference between the two is higher than the global average difference on all but two of the BRI corridors: the China-Mongolia Russia Corridor; and China-Indochina Peninsula Corridor. The difference along the China-Pakistan corridor is most significant, reflecting geo-political or 'national security' issues that are prevalent along this corridor.

While the Doing Business data shows a key outcome of trade facilitation performance (time to import and export), the Logistics Performance Index can be used to show the relative performance of Customs and other border agencies, which is the key factor affecting time to import and export as measured by DB. The Doing Business data provides a cross-country comparison of a key *outcome* of trade facilitation performance: the time to comply with import and export requirements. The Logistics Performance Index, and specifically the indicator within this on Customs and Border Agency efficiency, allows for comparison of relative performance in the main *cause* of this outcome: the performance of government agencies responsible for trade facilitation. The LPI is based on the views of professional logistics operators globally on different aspects of the logistics environment. This includes performance of Customs and other border agencies under the "Customs and Border management" indicator, which is one of the six indicators that makes up the overall LPI score. Chart 3 shows the average scores for each corridor in the LPI Customs indicator in 2016 and 2018, the most recent years available. This provides a snapshot of the performance of these agencies performance for each corridor, as well as whether performance is

improving or declining. Although the scores may appear relatively close, LPI ranking is also quite sensitive to small changes in performance. [23]

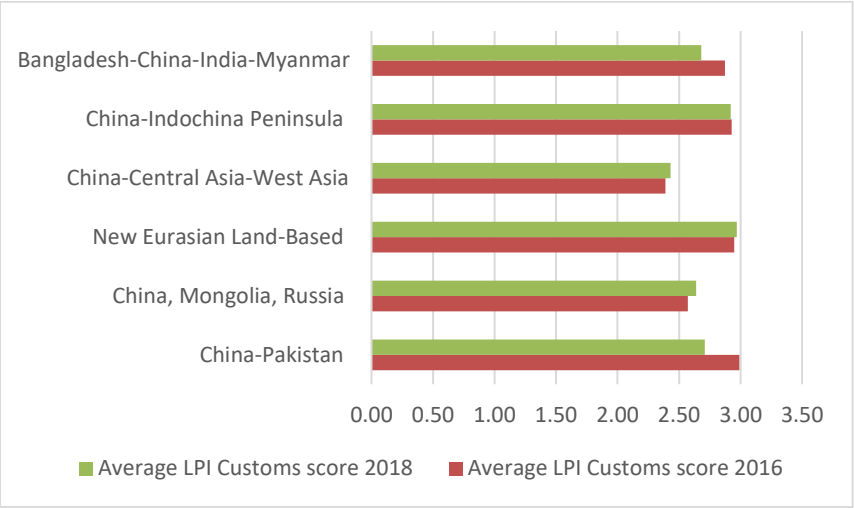
**Chart 2: Average time to comply with import/export requirements by BRI Corridor (days)**




*Source: Doing Business, 2018. Note: includes time required to complete documentary requirements, as well as complete border clearance procedures. Total for "days" is based on taking total hours for compliance from DB and dividing by 24. Note this does not take into account variations in opening hours of border posts.*

[23] For example, an increase by 0.14 (from 2.52 to 2.66) in performance for Kazakhstan between 2016 and 2018 saw its ranking rise 21 places from 86 to 65; and a decrease of 0.44 in Pakistan's performance between 2016 and 2018 saw its ranking fall 68 places from 71 to 139.

**Chart 3: Average Customs and Border management performance by corridor**




*Source: Authors' calculations based on World Bank Logistics Performance Index, 2016 to 2018*

Performance by Customs and other border agencies improved on four of the six corridors and declined on two, between 2016 and 2018. On the China-Pakistan and Bangladesh-China-India-Myanmar corridors, performance declined; while it improved on the others. The key driver of the decline in performance on the China-Pakistan corridor was Pakistan, which fell from 68 rankings to 139$^{th}$ place. On the Bangladesh-China-India-Myanmar corridor, performance fell for the majority of countries, with significant declines in Bangladesh and Myanmar; and a small decline in India.

The most notable improvement is on the New Eurasian Land-Based Economic Corridor, reflecting a major increase in Customs and Border Management performance in the LPI by Kazakhstan. However, as noted below, this should be interpreted with caution after looking at subsequent years of the LPI, to ensure the LPI improvement there is not an isolated occurrence. Other indicators on trade facilitation show much weaker performance on this corridor: for example, Kazakhstan has the second-highest time to export of the six BRI corridors.

The China-Central Asia-West Asia Corridor is the lowest performing, though performance ticked up slightly from 2016, according to the LPI. The China-Central Asia-West Asia corridor is the lowest performing in 2018, as it was in 2016, placing it below the BCIMEC and China, Mongolia, Russia corridors. Comparing the average LPI Customs score for each corridor with the global average, only two corridors rise above the global average in 2018: the New Eurasian corridor and the China-Indochina corridor.

The rankings of countries in global benchmarking surveys also allows for comparison between countries and between the BRI corridors. Table 4 shows a comparison based on rankings in three indexes: LPI Customs; DB Trading Across Borders; and the World Economic Forum Enabling Trade Index, which is a broad index of trade facilitation performance. It also indicates whether the corridor is in the top 50% globally, if the corridor were compares against all countries included in

the relevant index. For example, if the China, Mongolia, Russia corridor, or China-Pakistan corridor were considered as one country, they would not rank in the top 50% in any of the three indexes included in the table. However, if the Eurasian corridor and China-Indochina corridors were each taken as one country, they would be included in the top 50% on all of the three indexes.

The average rankings suggest the Eurasian Corridor performs most strongly, followed by the Indochina corridor, with. both corridors above the global average in all of the three indexes, if taken as one country. The China, Mongolia, Russia; China-Pakistan; and China-Central Asia- West Asia corridors face the greatest challenges, falling below average performance in all of the three indexes; and the Bangladesh-China-India-Myanmar corridor is only in the top half of LPI Customs rankings by a slim margin, putting it close to below average performance as well in all three indexes.

The corridor aggregates presented in this section need to be interpreted with caution. Their intention is only to provide a brief, and simplified, overview of average performance along each corridor, to allow for comparison between corridors. However, for both average and median values, the corridors containing fewer countries (especially China-Pakistan and China-Mongolia-Russia) are more affected by variations in performance in individual countries than the corridors containing more countries. However, noting this, from the corridor aggregates presented above some trends do emerge.

**Table 5: Average rankings by corridor in key trade facilitation benchmarks**[24]

| Corridor name | WEF Enabling Trade Index Border Administration Rank 2016 (136 total) | Doing Business Trading Across Borders Rank 2018 (189 total) | LPI Customs Ranking 2018 (160 total) | Is the corridor in the top 50% for each index? |
|---|---|---|---|---|
| **China-Pakistan** | 78.5 | 121* | 85 | N, N, N |
| **China, Mongolia, Russia** | 86 | 102.3 | 85 | N, N, N |
| **New Eurasian** | 45.5 | 50.4 | 54 | Y, Y, Y |
| **China-Central Asia-West Asia** | 75.8 | 115 | 96.6 | N, N, N |
| **China-Indochina** | 65.7 | 93.2 | 58.9 | Y, Y, Y |
| **Bangladesh-China-India-Myanmar** | 85.6 | 144.7 | 80.75 | N, N, Y |

**Note: 2017 Data for Pakistan*

First, performance along the BRI corridors is not especially strong compared to global averages. Only the New Eurasian and China-Indochina corridors perform above global average in all the indicators presented, including times to import/export, LPI customs and border management scores. The Bangladesh-China-India-Myanmar coridor average rankings are in the top 50% globally in only one of the three indices. The China-Mongolia-Russia and China-Central Asia-West Asia and China-Pakistan corridors average ranking is in the bottom 50% globally in all three indices.

Second, on balance the weakest corridors overall appear to be the China-Pakistan, the China-Mongolia Russia, and China-Central Asia-West Asia corridors, as the distance between these and the global average performance on the three indexes is greatest. The challenge faced for the China-Central Asia-West Asia corridor is especially strong, given the number of countries included, meaning achieving a strong increase in performance requires reform in multiple countries that currently perform weakly. The Eurasian corridor is the strongest performing, as would be expected given the high performance, and also the nature of the EU as a customs union. Although performance varies considerably between countries along the China-Indochina corridor (as discussed in the next section), its performance is also relatively strong.

[24] The table averages the rankings in each index, for the WEF ETI, DB TAB, and LPI Customs. The final column indicates whether, for each of the indexes, the average score for the corridor puts it in the top 50% of the relevant index.

The wide variation in times to export and trade facilitation performance highlights the importance of improving trade facilitation performance across the BRI. This is especially important given supply chain connectivity is significantly affected by variations in performance.

**Detailed trade facilitation indicators by corridor**

The aggregates by corridor presented above, while useful in providing a quick snapshot for each corridor, do not reveal the considerable variation in performance of the countries in each corridor. The data below shows the variation in performance more clearly for each corridor. For example, the China-Indochina Peninsula Corridor includes the highest scorer on the LPI Customs indicator (Singapore) as well as one of the lowest, Myanmar, which is ranked 131 of 160 countries surveyed for the LPI, with the other countries on the corridor distributed between the two extremes.

This section presents indicators of key outcomes of trade facilitation performance for each corridor. They show the LPI scores in 2016 and 2018 on the Customs and border management indicator; the change in ranking from 2016 to 2018 to indicate whether performance is improving or declining; as well as the ranking in the Customs and border management indicator in both years. Using Doing Business Trading Across Borders data from 2018, the tables also show the total time to import and time to export for each country. Each of these time values in days includes two aspects estimated in the Doing Business data set, one of which records the time required to complete documentary requirements for import or export, and the other recording the time required to complete border formalities. In tables 6, 8, 9, 10, 11 and 12 below, these are added together to give an estimate of total time to import and time to export.

Both the LPI and Doing Business data are subject to various caveats about the nature of the indicators and the method of data collection, but they provide a sound basis for comparison between countries. One key caveat to note in interpreting the data is that the Doing Business data records trade facilitation performance with key trading partners, and only on selected commodities. For some countries, this reflects the unique circumstances of their trading situation. For example, member states of the European Union typically show no time or cost associated with border clearance in Doing Business, as their key trading partners are typically other EU member states, which are members of the EU Customs Union. Although the Doing Business Trading Across Borders data is still relevant, the possibility of situations like this means it is important to also review other indicators like the Logistics Performance Index for a more comprehensive view of Customs and border management outcomes.

The paragraphs on each corridor also include the OECD Trade Facilitation Indicators for each corridor, where available. While the LPI and DB data focus on the outcomes of trade facilitation regimes, in terms of their impact on time to trade and logistics performance, the TFIs measure the state of implementation of particular aspects of the trade facilitation regime. They are based on questionnaires sent to governments and global transport and logistics operators, as well as publicly-available data, and are validated with the government of each country surveyed.

For each corridor, WTO membership, TFA ratification, and the status of TFA notifications is included in an Annex, and discussed in each section where relevant. As discussed above, the TFA

provides an important benchmark for trade facilitation reform in the context of the BRI. The categorization of articles of the TFA into Categories A, B and C indicates each WTO Member's self-assessment of their readiness to implement the TFA – the more articles that are included in Category B and C; the greater the level of effort required to implement the TFA fully.

The material below is not an exhaustive presentation of the trade facilitation situation and constraints for each corridor, as this would be beyond the scope of the current paper. Instead, each section aims to highlight some of the most relevant issues for facilitating trade along the corridor, as a basis for discussion and further, more detailed, analysis. It draws on publicly available material on each corridor, as well as analysis gathered through World Bank projects in various countries along each corridor.

**China-Pakistan Economic Corridor**

As a corridor comprising only two countries sharing only one major border crossing, the assessment of the trade facilitation performance is relatively straightforward. However, the challenges faced on the China-Pakistan corridor in many ways echo those along other corridors. The basic point is that on this corridor, as with the others, traders wanting to take advantage of improved infrastructure connectivity through BRI investments face significant delays associated with meeting border management requirements.

The corridor links China's Xinjiang Province with Pakistan through the Khunjerab Pass border crossing, and then to the sea at Gwadar Port (or other ports including Karachi or Port Qasim). The main trade facilitation issues involve streamlining trade across the land border crossing, and also ensuring that traders wanting to use the improved land connectivity to trade through Pakistan's seaports can do so without facing cumbersome border clearance procedures for import or export. Although Pakistan-China trade has grown in the last decade, it is still relatively low compared to trade with other partners[25], with the main objective the China-Pakistan corridor being to address this. Although the focus in analysis and media coverage of the corridor has been in infrastructure investments, the countries face considerable challenges in addressing trade facilitation barriers if trade along the corridor is to grow significantly in the future.

The 2017-2030 "Long-Term Plan" for the Corridor, released by the two governments, focuses on infrastructure development but does specify some areas of trade facilitation-related cooperation, including:

- Establishment of customs special supervision areas along the CPEC on the basis of China-Pakistan economic cooperation zones and industrial parks;
- Information exchange of free zones in Pakistan and the customs special supervision areas in China;
- Data exchange on pilot basis so as to realize free flow of goods among customs special supervision areas along the CPEC route and enhance trade facilitation;

[25] Choudrhi et al, 'Pakistan's International Trade: The Potential for Expansion Towards East and West' International Growth Centre, January 2017.

- The Plan also contains a commitment from Pakistan (but not China) to introducing special Customs clearance procedures for CPEC trade. [26]

These priorities focus on information exchange between Customs administrations, as well as the commitment from Pakistan to develop special clearance procedures for CPEC trade. However, there are much wider trade facilitation challenges that will need to be addressed. For example, it will be important to go beyond Customs to include other border agencies including those responsible for managing standards and quarantine requirements.

For Pakistan, a key challenge is streamlining documentary and procedural requirements, reflected in the very high time to comply with these requirements in the Doing Business data (11.3 days), and Pakistan's low performance in these areas in the OECD TFIs. Although 96.3% of declarations are submitted and processed electronically, according to the 2018 LPI survey results, the use of electronic processing is undermined if a large number of documents still need to be physically submitted before clearance can commence, and if multiple and potentially duplicative processes exist, in order to clear border requirements. Box 4 presents a more detailed discussion of Pakistan's reform efforts and ongoing challenges.

One objective of the corridor is to open a new option for shipping goods in and out of Western China via Pakistan's ports (although the very high land transportation cost over the mountainous border needs to be considered). For this to function properly and be financially viable, Pakistan's transit regime will be critical. Pakistan acceded to the TIR Convention in 2015, and China acceded in 2016, paving the way for the use of the most common international system for customs transit[27]. Neither country is operationalizing the system fully at all border crossings, although pilot implementation has commenced.

However, the challenges in implementing existing transit agreements, notably the Afghanistan-Pakistan agreement, show the potential difficulties ahead in establishing an effective transit regime for CPEC trade. A key problem highlighted by a 2014 study of Afghanistan-Pakistan transit was inadequate communication and coordination between the two countries Customs agencies on transit procedures[28].

Pakistani firms wishing to use the corridor to trade at lower cost with China face challenges in complying with Chinese border clearance requirements. China's trade facilitation regime is discussed in more detail at the conclusion of Section 2, but the data presented below indicates that while China's trade facilitation performance has remained stable in recent years (e.g. allowing it to maintain its ranking in the LPI Customs indicator from 2016 to 2018), firms exporting to China still face considerable delays and challenges in complying with procedural requirements, compared with other countries.

[26] Pakistan Ministry of Planning, Development and Reform and PR China National Development and Reform Commission, "Long-Term Plan for China-Pakistan Economic Corridor, 2017-2030", available at www.cpec.gov.ok (accessed 28 March 2018)
[27] See section 3 for a detailed discussion of the TIR convention.
[28] USAID, "Analysis of Afghanistan-Pakistan Transit Trade Agreement", USAID Pakistan, May 2014.

Box 4: Trade facilitation reform progress and challenges in Pakistan

The recent focus of trade facilitation in Pakistan has predominantly been related to improvements in IT systems, particularly the Web-Based One Customs (WEBOC) system. Capacity and Infrastructure issues have limited WEBOC's effectiveness, especially beyond the Port of Karachi. Many of these issues are now being addressed, with functionality improved to include most Customs processes and a national roll-out (completed in 2017) improving system coverage. However, what still appears to be lacking is a systematic approach to process reforms, in order to maximize the potential offered by enhanced systems capacity and functionality.

Reforms in Pakistan have resulted in automated processes still predominantly based on outdated and complex regulatory practices. Risk Management is not sufficiently developed or applied and WEBOC does *not* form part of a National Single Window environment, with other regulatory or permit issuing agencies not yet fully connected electronically. This means that despite improvements in 'customs' processes, cross-border transactions can still be subject to multiple, manual (paper based), interventions by numerous agencies.

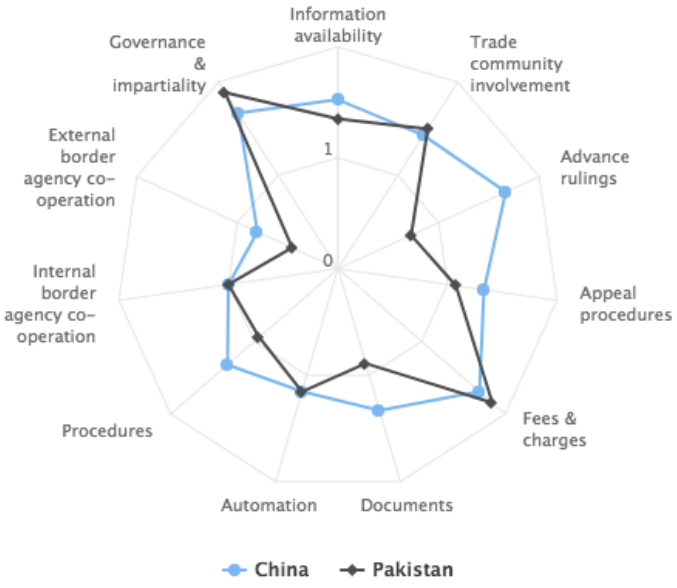
The National Security environment in Pakistan also imposes additional trade barriers not experienced along other corridors. Enhanced border security measures result in numerous physical controls, particularly at land border crossings. In many instances the National Logistics Cell, a public sector enterprise on logistics, gives effect to these measures, especially in the form of Non-Intrusive Inspection (X-ray scanning), where deep reforms have been difficult to achieve.

The other critically-important facilitation issue that affects goods movements through Pakistan is transit management. As noted elsewhere in this paper, the adoption and implementation of the TIR Convention offers an opportunity to remedy this situation.

**Table 6: China-Pakistan: corridor performance indicators**

| Country | LPI Customs rank 2016 (of 160) | LPI Customs score 2016 (5=best) | LPI Customs Rank 2018 | LPI Customs score 2018 (5 = best) | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Admin rank (of 136) | WEF ETI Border Admin Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| China | 31 | 3.32 | 31 | 3.29 | 6.6 | 2.0 | 52 | 4.9 |
| Pakistan | 71 | 2.66 | 139 | 2.12 | 11.3 | 5.4 | 105 | 3.9 |

**Chart 4: China, Pakistan: Trade Facilitation Indicators (OECD)** [29]




## China, Mongolia, Russia Economic Corridor

This corridor has a key role in facilitating China-Europe trade, along with the Central Asia-West Asia corridor, because the road and rail links transit either through Mongolia or Kazakhstan, and in both cases through Russia. This makes the trade facilitation performance of both Russia and Mongolia very important for the efficient use of the land corridor between China and Europe. However, international benchmarks highlight the challenge in greater use of these links for the China-Mongolia-Russia corridor, as both Mongolia and Russia perform relatively poorly, despite ongoing reform efforts.

The main border crossing between Mongolia and China is at Erenhot, Zamyn-Uuud, which is a link on the China-Europe rail connection. Trains are already transiting through Mongolia and Russia as part of the expanding China-Europe "block train" links. In 2017, the three countries signed a road transport agreement granting traffic rights for trucks along two routes, with border crossings at Yarantai and Tashanta, and at Erenhot and Kyakhta[30]. A set of "Guidelines on Construction of the China-Mongolia-Russia Economic Corridor" agreed between the three

[29] Data presented is collected by the OECD, and is the most recent available of 2015 or 2017 for each country. Where countries on a particular corridor are not included, it is because TFIs are not available for that country. The OECD TFIs provide a country snapshot of the implementation of trade facilitation reforms, grouped in 11 categories, with 0 being the lowest level of implementation, and 2 the highest.

[30] IRU (2017), 'Mongolia backs TIR to spur trade with China and Russia', Press Release, available at https://www.iru.org/resources/newsroom/mongolia-backs-tir-spur-trade-china-and-russia (accessed 3 July 2018) and ESCAP News (2016), 'China, Mongolia and Russian Federation to Open UP New Era of Trade Cooperation', http://www.un.org/sustainabledevelopment/blog/2016/12/china-mongolia-and-russian-federation-to-open-up-new-era-of-trade-cooperation/, (accessed 3 July 2018)

countries in 2016 includes investment in physical infrastructure of border clearance facilities, as well as streamlining border clearance procedures[31].

For Mongolia, taking advantage of improved infrastructure through the BRI will depend to a large extent on its capacity to access international ports in China, particularly for goods in transit. The high time to export in the Doing Business data for Mongolia, although based on an export to China, also indicates the challenges that Mongolia, as a landlocked country, faces in moving goods through China to export to global markets. Given the number of landlocked countries along the various BRI corridors, improving the effectiveness of the transit regime is one of the key trade facilitation issues to be addressed to improve performance in the BRI, as is discussed in more detail below.

As part of an ongoing World Bank project, interviews conducted with customs officials and brokers as well as freight forwarders suggest that efforts to streamline the costs and burdens associated with trade are already underway, though significant challenges remain. This is consistent with previous analysis of the trade facilitation situation in Mongolia. While more could be done to address the unique challenges faced by Mongolia, inefficiencies at-the-border and behind-the-border appear to impede market access and hamper the expansion of trade.

There are a number of causes for delays at Mongolia's border checkpoints, including congestion; physical inspections and security checks; inefficient sampling procedures; the late arrival of documentation; and limited use of electronic systems for document submission. The border crossings are advertised as operating twenty-four hours per day, seven days per week whereas they operate closer to eight hours per day, six days per week with light traffic volumes. The restricted operating hours are not so problematic at the border, but in the commercial centre of Ulanbaatar, restricted operating hours cause considerable traffic congestion. The World Bank survey pointed to unbalanced staffing levels between regional and urban checkpoints. For example, the remote Zamyn Uud checkpoint employs twenty more staff (150) than are assigned to Ulanbaatar (130), resulting in relatively speedy processing times at Zamyn Ud (5 hours) whereas processing times in the capital city can take up to 24 hours.

In Mongolia, low internet penetration has limited the impact of automated customs facilities. The customs agency has made internet filing of declarations widely available along with supporting documents that can be submitted online as scanned copies. At Ulaanbaatar, for example, an electronic data interface (EDI) has been put in place for pre-arrival information and pre-approval by Customs and other government agencies. Nonetheless, shippers continue to use hard copies. At Zamyn Uud, EDI is used for communication between border agencies, though its habitual use by exporters was less apparent. Electronic signatures are issued at Ulaanbaatar but it is not clear from the survey whether electronic signatures are widely accepted at other border stations. Declarations can be submitted online; government forms and government regulations are also publicly available online. Although back-office processing and selectivity have been

[31] Office of the Leading Group for the Belt and Road Initiative (2017), 'Guidelines on Construction of China-Mongolia-Russia Economic Corridor', https://eng.yidaiyilu.gov.cn/zchj/qwfb/35979.htm (accessed 28 March 2018)

computerized[32], the systems require regular electricity and reliable internet connections. Poor connectivity ensures that manual declarations are still relatively common, particularly in border areas.

However, automated border services have not always been accompanied by streamlined procedures. Inconsistent interpretation of rules and inconsistent enforcement are widespread. The major difficulties with import declarations pertain to misclassification and undervaluation. SPS certificates for goods passing through Zamyn Uud require clearance from laboratories located in Ulaanbaatar. Payment of taxes and duties can be made through designated bank deposits at Zamyn Uud but Ulaanbaatar expects electronic transfers for payment of taxes and duties. In Zamyn Uud, Customs is responsible for security issues and health requirements, whereas Ulaanbaatar separates these functions but requires fewer signatures. This needs to be addressed, given that the majority of Mongolia's freight (90%) is concentrated around Ulaanbaatar.

The indicators of trade facilitation performance paint a complex picture of Russia's trade facilitation regime, with a combination of relatively higher efficiency in some areas, and weak perceptions of Customs and other border agency performance. The reasons for this warrant further analysis, especially given Russia's important status as a transit country, as well as major economy, along two of the BRI corridors.

Customs has implemented a series of reform initiatives, but there are indications that the impact of these has not been widespread, perhaps due to inefficiencies in other government agencies, as well as in specific trade procedures. Russia's time to import, according to 2018 Doing business data, is half that of Mongolia's. As a developed country Member of the WTO, Russia is already required to implement all provisions of the WTO-TFA.

The weak perception of institutions involved in trade facilitation is reinforced in the OECD TFIs. While performance is relatively higher than in the LPI (for example, compared with China – see Table 7), weaknesses are identified in processes related to the submission of documents, and the procedures associated with clearing shipments. There are also concerns with the integrity and impartiality, reinforcing the concerns expressed by logistics operators on the solicitation of informal payments, among other sources of delays. As discussed further in Section 3 below, Russia's implementation of the TIR Convention for road transit is an important issue for its role in the BRI corridors.

[32] Anecdotal evidence gathered through a World Bank project suggests that while the Customs system includes a selectivity module, risk profiling is under-developed and risk management capabilities require further improvement.

**Table 7: OECD Trade Facilitation Indicators (TFIs) for Mongolia, Russia and China**

| | Mongolia | Russia | China |
|---|---|---|---|
| Information availability | 1.29 | 1.40 | 1.50 |
| Involvement of the trade community | 1.40 | 1.40 | 1.40 |
| Advance rulings | 0.75 | 1.80 | 1.70 |
| Appeal procedures | 1.30 | 1.70 | 1.30 |
| Fees and charges | 1.50 | 1.40 | 1.70 |
| Formalities - documents | 0.88 | 0.70 | 1.30 |
| Formalities - automation | 0.90 | 1.40 | 1.20 |
| Formalities - procedures | 1.10 | 1.20 | 1.30 |
| Internal border agency co-operation | 1.10 | 1.00 | 1.00 |
| External border agency co-operation | 0.80 | 1.10 | 0.80 |
| Governance and impartiality | 1.80 | 1.40 | 1.70 |

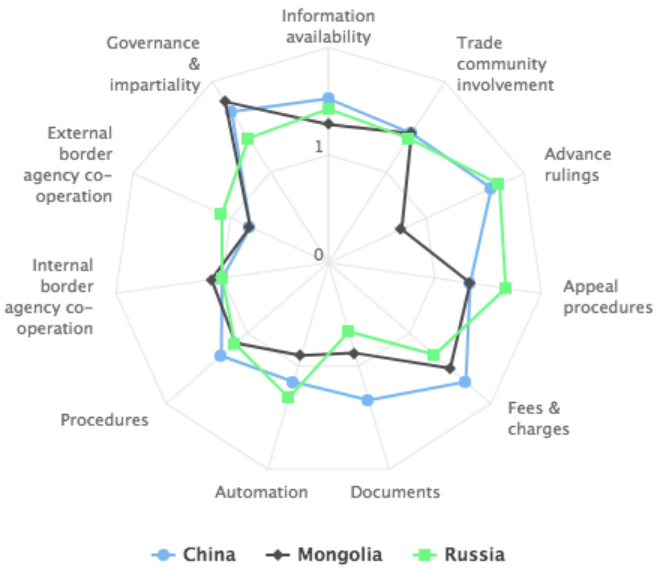
*Note: scoring ranges from 0 to 2 (best performance). Figures are rounded for ease of comparison, with full data available from the OECD.*

*Source: OECD TFI, 2018*

**Table 8: China-Mongolia-Russia Corridor: corridor performance indicators**

| Country | LPI Customs rank 2016 (of 160) | LPI Customs score 2016 (5=best) | LPI Customs Rank 2018 | LPI Customs score 2018 | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Administration rank (of 136) | WEF ETI Border Administration Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| China | 31 | 3.32 | 31 | 3.29 | 6.6 | 2.0 | 52 | 4.9 |
| Mongolia | 100 | 2.39 | 127 | 2.22 | 6.8 | 9.6 | 102 | 4 |
| Russian Federation | 141 | 2.01 | 97 | 2.42 | 3.4 | 4.1 | 104 | 3.9 |

**Chart 5: China-Mongolia-Russia: Trade Facilitation Indicators (OECD)**




## New Eurasian Land-Bridge Economic Corridor

The Eurasian corridor links China with the EU, with Kazakhstan and Belarus as key transit countries[33]. The corridor aggregates earlier in the section showed that this is the strongest-performing BRI corridor overall. It is the only corridor that, if taken as one country, would place in the top 50% of rankings in each of the three benchmarks reviewed above; and its average LPI Customs score in 2018 is the highest of the multi-country corridors.

The relatively high performance of this corridor reflects the inclusion of EU countries, which are typically among the strongest performers in benchmarking reports like Doing Business or the Logistics Performance Index. This is in part due to the nature of the EU as a Customs Union, and the dominant position of other EU member states as key trading partners for countries within the EU. Of the corridors with more than 2-3 participants, the Eurasian corridor has the highest average share of WTO TFA provisions in Category A (84.2%, compared with 65.6% for China-Central Asia-West Asia, 61.5% for China-Indochina, and 51.7% for Bangladesh-China-India-Myanmar – see Annex), which is another indicator of its relatively strong trade facilitation performance.

However, as with the other corridors, there is still variation in performance. For example, the LPI Customs and border management ranks in 2018 vary from 30 for the Czech Republic to 112 for Belarus. Times to import and export are generally low, reflecting the membership of many countries along this corridor in Customs Unions (either the EU, or EEU), but even then there are considerable variations. The most notable of these is the time to export from Kazakhstan, which is one of the highest for all BRI countries, at 10.9 days. The Doing Business data for Kazakhstan is based on an export of iron or steel to China through the Alashankou border crossing (one of the

[33] Russia, the obvious transit country between Kazakhstan and Belarus, is included in the China-Mongolia-Russia corridor.

key borders on the China-Europe rail links). According to the Doing Business data, it takes 133 hours to comply with border clearance and inspection requirements, or other aspects of border handling; and 128 hours to comply with documentary requirements. The challenges facing Kazakh exporters (or those exporting through Kazakhstan) in complying with China's border clearance requirements underline the need to focus on issues facing landlocked countries reliant on transit through other markets to make full use of the BRI corridors.

Belarus is the clear weak point in the corridor in terms of its logistics performance at the border, reflected by its low ranking in the LPI. This is also reflected in the OECD Trade Facilitation Indicators, which show Belarus as performing well below other countries in the corridor on several aspects of trade facilitation, including automation, documentary simplification, advance rulings, and the involvement of the trade community in policy-making and implementation. It is also not a WTO Member, and therefore is not subject to the disciplines of the WTO-TFA. The relatively short times for import and export for Belarus in the Doing Business index are not an adequate reflection of its overall weak performance, as the Doing Business data reflects its status as a Customs Union member with Russia, which absorbs half of Belarus' exports. However, the weak performance of the trade facilitation regime in Belarus is likely to have a significant impact on the capacity of other countries to transit their goods through its territory. It will also negatively affect the capacity of Belarusian firms to export successfully utilizing potential advantages provided by the BRI.

Belarus is also critical because it is a major E.U. entry/exit point for BRI corridors while also being a member of the Eurasian Economic Union (EAEU). This in part, also explains why its logistics performance is weak. In relation to transit cargo to or from the E.U., especially those cargoes originating from or destined for China, the management of a cost-effective transit guarantee process is critical to achieving improved Trade Facilitation. In this corridor three economies need to be looked at as a single entity for customs transit purposes and the TIR system is not in operation.[34] This significantly impacts on processing times at E.U. / Belarus borders. This is compounded by other sources of delays at Belarus' border crossings, including the high proportion of shipments physically inspected by non-Customs agencies, as well as the preference by many officials to conduct physical inspection on a discretionary basis rather than using the relatively sophisticated risk management system in place.[35]

Although its challenges are not as great, Kazakhstan also faces a clear need to improve its trade facilitation performance relative to others on the corridor. This is especially important given Kazakhstan's geographic position as a gateway from China to Europe through new road and rail links being constructed as part of the BRI. Kazakhstan's particular challenges are discussed in the context of other Central Asian countries in the next section, on the China-Central Asia-West Asia Corridor.

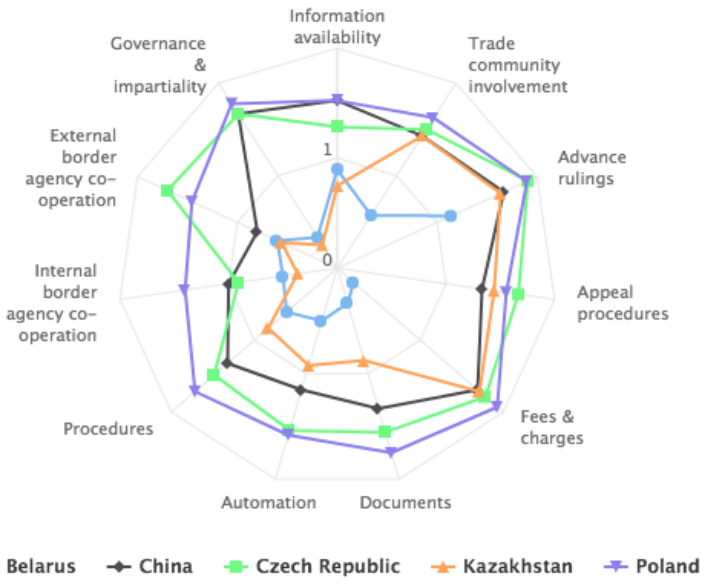
[34] The Russian Federation participation in the TIR convention is suspended.

[35] Gabrielyan, Gagik; Kerswell, Clayton; Shemshenya, Irina; Abrashkevich, Aliaksandr. (2017) *Belarus: Enhancing Border-Crossing Time Release Studies to Support Trade Facilitation Reforms*. World Bank, Washington, DC

**Table 9: New Eurasian Corridor: Performance corridor performance indicators**

| Country | LPI Customs rank 2016 (of 160) | LPI Customs score 2016 (5=best) | LPI Customs Rank 2018 | LPI Customs score 2018 | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Administration rank (of 136) | WEF ETI Border Administration Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| Belarus | 136 | 2.06 | **112** | **2.35** | 0.2 | 0.4 | N/A | N/A |
| China | 31 | 3.32 | **31** | **3.29** | 6.6 | 2.0 | 52 | 4.9 |
| Czech Republic | 19 | 3.58 | **30** | **3.29** | 0.0 | 0.0 | 18 | 5.8 |
| Kazakhstan | 86 | 2.52 | **65** | **2.66** | 0.3 | 10.9 | 88 | 4.2 |
| Poland | 33 | 3.27 | **33** | **3.25** | 0.0 | 0.0 | 24 | 5.7 |

**Chart 6: New Eurasian Corridor, Trade Facilitation Indicators (OECD)**



**China-Central Asia-West Asia Corridor**

The countries along this corridor have some of the weakest trade facilitation of BRI economies. Reforms to improve trade facilitation on this corridor will be critical for maximizing the economic impact of the BRI. The corridor faces exceptional challenges in developing a functioning and cost-effective transit regime, while also reducing delays associated with multiple inspections, differing standards, inefficient documentary requirements, as well as unnecessary additional costs associated with informal payments reportedly required at border crossing points.

Central Asian countries face high trade costs due to their landlocked geography, and this situation is compounded by weak trade facilitation regimes. Reducing the transaction costs generated by weak trade facilitation processes will be essential if these countries are to reap potential benefit associated with their participation in BRI corridors. In Central Asia, Afghanistan, Tajikistan, Turkmenistan, and Uzbekistan are all ranked in the bottom third of countries on the LPI Customs ranking in 2018, and in Afghanistan and Turkey performance declined significantly 2016-2018. Although there is an urgent need to implement international standards for trade facilitation, as articulated in the WTO-TFA, Central Asian countries also have the lowest share of WTO membership of the BRI corridors, suggesting that implementation of the WTO TFA is likely to be a lower government priority and driver of reform than on other corridors.

In West Asia, performance is slightly stronger than in Central Asia but there are also significant weak points, notably Afghanistan, which performs poorly on all trade facilitation indicators. The inclusion of relatively high performers on aspects of trade facilitation, suggests a potential for learning between different countries and the adoption of better practices. For example, Turkey, Georgia and China have included more than 90% of WTO-TFA provisions in their list for immediate implementation, without the need for additional time or external technical assistance.

In Central and West Asia, border clearance delays can take up to one third of total travel time, and informal payments are a significant problem. A study of truck transit times between several Central and West Asian countries[36] published by the IRU in 2014 found that 30% of total trip time in the region was taken up at borders, including queuing and complying with Customs and other border agency procedures[37]. Usage of the TIR system reduced waiting times by around 10% - a meaningful reduction if not decisive on its own in reducing transaction times at borders. The same study found that between 7% and 28% of the total transport costs on these corridors was taken up by informal payments at borders, underlining the need to reduce the number of steps in the inspection process (thereby reducing the opportunities for informal payments being requested), and increasing the use of automated processing and clearance procedures.

Kazakhstan has undertaken a comprehensive program of customs modernization in recent years. A number of reforms have been introduced and there has been greater use of automation, supported by a World Bank project. The integration of the Tax and Customs Committees to form a 'Revenue Agency' was a key driver of many reforms and led to improvements in governance and integrity.

[36] Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan
[37] International Road Transport Union (2014), Final Report of NELTI project for regular monitoring of trucks in Economic Cooperation organization countries, 75.

This also facilitated improved risk-based compliance strategies and provided a workforce with broader skills, enabling more advanced auditing and control strategies to be adopted. Investment in other 'technology' based solutions (Non-Intrusive Inspection, Closed-Circuit TV monitoring, GPS tracking, etc) also resulted in some improvement to business practices. This is because the investment in technology-based solutions for border management was done in conjunction with other reforms to processes and procedures, and capacity-building for staff. This coordination facilitated the adoption of greater technology for border clearance to actually translate to improved trade facilitation, in contrast with the situation in many other Central Asian countries (see below).

However, Kazakhstan's membership of the Eurasian Economic Union (EAEU) and particularly the expansion of it in recent years, has not always delivered the benefits envisaged. While Kazakhstan's membership of the EAEU should mean greater levels of facilitation, at least when crossing borders between member states, this is not always the case. Equally, entry and exit from the EAEU to non-members states can be more complex, with members required to impose technical regulations (standards and conformity) of the Eurasian Economic Commission, which can be more burdensome that international standards applied in other markets[38]. EAEU standards have not been developed for all products meaning that national standards for individual members continue to be applied for certain products – for example, electrical products[39] – further complicating efforts by traders to ensure compliance.

Of the other Central Asian economies, only Kyrgyz Republic could be seen to be progressing any substantial trade facilitation agenda. This could be seen to be as a result of EAEU membership, however its borders with China are still porous and lack appropriate controls, posing issues for other EAEU members. As reflected in their rankings in global indicators, Central Asian economies still have much to do in improve trade facilitation and border management more generally. While it needs to be accepted these economies are land-locked (or double land-locked in the case of Uzbekistan), they also lag behind as a result of little observed progress in the implementation of contemporary border management practices, such as risk management, automated processing and especially transparency of regulatory information. In addition to improving infrastructure and equipment where improvements can be observed, the roles and operational practices of technical inspection agencies in these economies also needs additional focus in national trade facilitation strategies.

In many cases, each import, export or transit transaction requires some form of physical intervention, resulting in considerable inefficiencies. This could be as a result of a requirement for the provision of hard copy permits, approvals or invoices, or a 'tail-gate' inspection of every vehicle. The two-part border/terminal clearance process employed in these economies often results in controlled domestic transit processes, frequently mandating the use of convoys. Either waiting to form a convoy or completing transit guarantee processes add time and cost to cross-border cargo movements. Many Central Asian economies also see Non-Intrusive Inspection (x-

[38] World Bank (2015), *Turning the Tide in Turbulent Times: Leveraging Trade for Kazakhstan's Development*, World Bank, Washington DC.

[39] SGS, How EAC Conformity Certification Affects the Export of Electrical and Electronic Equipment to the Eurasian Union, available at https://www.sgs.com/en/news/2017/01/how-eac-conformity-certification-impacts-ee-exports-to-the-eurasian-union (accessed 29 August 2018).

ray scanning) as a solution, but there is little evidence that this is an effective response to perceived risks (e.g. concerns on under-invoicing leading to revenue loss), or results in improved clearance times.

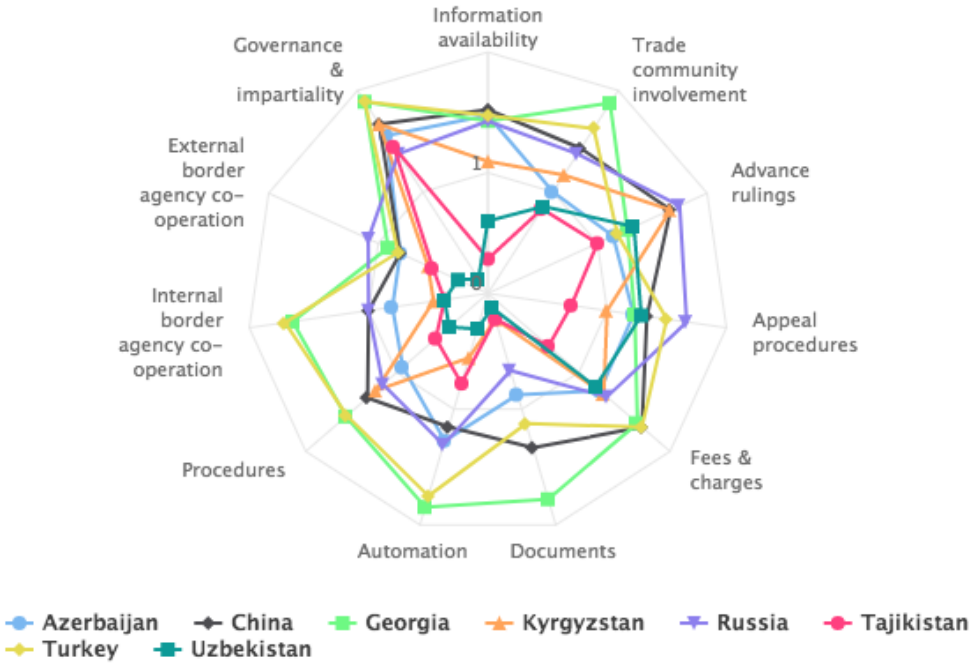
Implementation of a sound transit regime still poses significant challenges for EAEU members and the Central Asia region more broadly. The implementation of the TIR system, as the most common transit regime in use around the world, is an important requirement. China acceded to the TIR Convention in 2016 and is preparing to implement the TIR system as selected border crossings. However, effective implementation of the TIR system requires the determination of nominated border crossing points for transit system (including accepting the TIR Carnet, which is the main documentation required for use of the system). The current situation regarding acceptance of the TIR system by the Russian Federation is complicating this process, however negotiations with China are ongoing.[40] In addition, when not all members of the EAEU are subjected to the same international treatment, border controls on transit shipments become more complex.

**Table 10. China-Central Asia-West Asia: corridor performance indicators**

| Country | LPI Customs rank 2016 | LPI Customs score 2016 | LPI Customs Rank 2018 | LPI Customs score 2018 | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Administration rank (of 136) | WEF ETI Border Administration Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| Afghanistan | 138 | 2.01 | 158 | 1.73 | 17.5 | 11.5 | n/a | n/a |
| Azerbaijan | NA | .. | n/a | n/a | 2.8 | 2.6 | 65 | 4.7 |
| China | 31 | 3.32 | 31 | 3.29 | 6.6 | 2.0 | 52 | 5.9 |
| Georgia | 118 | 2.26 | 95 | 2.42 | 0.7 | 2.1 | 39 | 5.3 |
| Iran, Islamic Rep. | 110 | 2.33 | 71 | 2.63 | 13.9 | 9.2 | 123 | 3.2 |
| Kyrgyz Republic | 156 | 1.80 | 55 | 2.75 | 4.5 | 1.7 | n/a | n/a |
| Russian Federation | 141 | 2.01 | 97 | 2.42 | 3.4 | 4.1 | 104 | 3.9 |
| Tajikistan | 150 | 3.11 | 150 | 1.92 | 9.7 | 5.9 | 103 | 3.9 |
| Turkey | 36 | 2.00 | 58 | 2.71 | 2.2 | 0.9 | 45 | 5.1 |
| Turkmenistan | 143 | 2.30 | 140 | 2.35 | n/a | n/a | n/a | n/a |
| Uzbekistan | 114 | 2.75 | 111 | 2.1 | 11.9 | 11.9 | n/a | n/a |

[40] *Currently no land border crossings with China are proclaimed by Russia as TIR operative. https://www.iru.org/resources/newsroom/russias-deputy-ministry-transport-trade-china-new-transport-corridors-and*

**Chart 7: China-Central Asia-West Asia: Trade Facilitation Indicators (OECD)**




## China-Indochina Peninsula Economic Corridor

The China-Indochina Peninsula Economic Corridor connects a set of countries that already have significant trade between them, with varying levels of trade facilitation performance. The Southeast Asian countries that make up the non-China countries in the corridor are all implementing various trade facilitation reform programs, but as international benchmarks illustrate, they are at very different levels of performance. For example, in the 2018 Logistics Performance Index Customs indicator, Singapore was ranked number 6 of 160 countries, while Myanmar was ranked 131, with other ASEAN countries spread between these two extremes. Times to import, based on Doing Business data, vary from 1.5 days for Singapore to 11.6 days for Myanmar. One source of concern is that while many Southeast Asian countries have been implementing reforms, they appear to be having relatively less impact compared to countries in other regions. This is reflected in the change in LPI Customs rankings from 2016 to 2018, in which four of the seven Southeast Asian countries in the corridor saw their ranking decline, suggesting reform momentum needs to be deepened and accelerated.

An important issue for this corridor is that all countries, other than China, are members of ASEAN. While countries along each of the six priority corridors are members of various regional groupings, ASEAN arguably has the deepest level of integration, including an extensive set of agreements and procedures in place relating to trade facilitation, even if to date their implementation is incomplete. For example, under the ASEAN Economic Community members have agreed to a range of trade facilitation initiatives, including the development of an ASEAN Single Window.

The substance of these ASEAN initiatives largely matches and incorporates the commitments made under multilateral agreements or procedures agreed at the WTO and WCO.

However, implementation of these ASEAN initiatives has been mixed, as underlined by the varying performance of ASEAN countries in trade facilitation benchmarks and the variation in implementation of WTO TFA commitments. For example, the OECD Trade Facilitation Indicators show that cooperation with external border agencies for countries on the corridor (including China) is significantly lower than for other aspects of the TFIs. Although this is not unusual, the difference is material for the corridor, and it highlights one of the key challenges faced in the implementation of regional trade facilitation initiatives. Another key challenge for the region is the wide variation in national capacities of individual ASEAN member states, which has held up the implementation of a number of regional initiatives including the ASEAN Single Window.

To explore this further, this section includes more detailed analysis of the trade facilitation regimes of Lao PDR and Vietnam, with Myanmar also discussed in more detail in the section on the Bangladesh-China-India-Myanmar corridor. These three countries face different circumstances and different levels of modernization in their trade facilitation regimes, but they collectively have the lowest level of existing implementation of WTO TFA commitments (i.e. they have the least number of provisions in Category A, ranging from 5.5% for Myanmar to 22.7% for Vietnam).

As a landlocked, least-developed country, Lao PDR hopes to benefit from improved connectivity to its neighbors. Its transit regime will be important in ensuring the efficient movement of goods along upgraded transport infrastructure connecting it with the rest of the corridor. Box 5 sets out the progress that Lao PDR has made in trade facilitation reform, reflected by a significant increase in its LPI Customs score in 2018, although it will be important to ensure that this performance is sustained in future years. Lao PDR has established a National Trade Facilitation Committee with the Ministry of Industry and Commerce as Secretariat, overseeing implementation of a national Trade Facilitation Action Plan. Despite this progress, implementation of reforms has been inconsistent. For example, it has a customs processing system in place that allows for paperless submission of Customs declarations and other documents, but officials frequently require submission of paper versions of these documents, undermining the potential for increased efficiency.

Vietnam has made good progress in improving its trade facilitation benchmarks. It also has growing importance in international trade, especially as a regional hub for global and regional value chain-related manufacturing, which requires timely and efficient cross-border trade in intermediate inputs. Box 6 outlines some of Vietnam's recent reforms, notably the increased use of automation in the border clearance process, along with improvements to transparency, especially through the establishment in July 2017 of the Vietnam Trade Information Portal. The next phase of reform in Vietnam will require further automation of clearance processes to reduce opportunities for discretion on the part of border officials and improve predictability. A critical area for further work is in the role of agencies other than Customs in issuing licenses, permits and other approvals for trade. Greater coordination among these agencies is needed, along with streamlining of the requirements for traders, which continue to be burdensome.

Myanmar is the only country on the corridor (other than China) that is included in another corridor, meaning its performance has additional relevance in the BRI context. The Government of Myanmar also expects that improved connectivity will facilitate the continuing economic reform process underway in the country. Myanmar's trade facilitation environment is discussed in more detail in the context of the Bangladesh-China-India-Myanmar corridor.

Box 5: Lao PDR

As a landlocked country on the China-Indochina Peninsula Economic Corridor, Lao PDR enjoys a strategic position as a transit country and wants to take advantage of BRI infrastructure improvements to boost exports. However, Lao PDR is well behind its neighbors and other countries in the CIPEC in trade facilitation performance. Despite reform efforts in recent years, momentum needs to pick up if it is to keep pace with the trade facilitation reforms being undertaken by other South East Asian countries[41].

Improvements have been made through some customs clearance reforms and the introduction of an automated customs declaration processing system (ASYCUDA World). Results from Time Release Studies (TRS) show that the mean customs clearance time has reduced from 17.9 hours in 2010 to 11.2 hours in 2012 and to 6.5 hours in 2016. These results are consistent with World Bank Enterprise Survey data which also shows manufacturing firms reporting that the average number of days to import and export has fallen. However, despite this reduction in clearance time, Lao PDR is not making full use of systems and processes required to make further substantial progress in facilitating trade. This is reflected in declining relative performance in ASEAN in key international benchmarks like the Logistics Performance Index. The regulatory framework for a large number of commodities also remains cumbersome and poorly-administered non-tariff measures drive up compliance costs and paperwork.

Lao PDR Customs could make better use of the ASYCUDA World system to allow for paperless clearance. Customs clearance still requires physical submission of the paper customs declaration form and its supporting documents in parallel with electronic submission of customs declaration data in the system. Electronic signature in support of electronic submission of customs data for clearance is not yet widely recognized in practice although it is provided for by the Lao PDR Law on Electronic Transaction.

Optimal use of electronic customs clearance and streamlined procedures will help reduce unnecessary delays and inconsistent application of customs rules and procedures. While the development of the Lao PDR National Single Window (LNSW) is underway, its longstanding delay has affected the Government's appetite and momentum for sustaining meaningful reforms to improve predictability and transparency of trade regulations. It is essential to ensure as articulated in the 2013 LNSW Blueprint financed by the World Bank that the establishment of the LNSW should facilitate the simplification and streamlining of business practices rather than simply automating existing procedures without attention to properly re-engineering business

[41] This paragraph and the subsequent paragraphs on Lao PDR draw on recent World Bank analysis compiled for a forthcoming policy note on trade facilitation challenges in the context of e-commerce.

process and reforming those inconsistent regulations. To date, the NSW is still not operational and recent indications are that it will not offer the kind of comprehensive functionality outlined in the LNSW Blueprint. Even in the case of the Customs ASYCUDA system, which would technically allow for paperless trade transactions, the authorities have been reluctant to eliminate the requirement for manual submission of documents, including for traders that have demonstrated a high level of compliance.

The use of risk management is still at an early stage, although it is central to the efficient management of growing cross-border trade. In principle, Lao Customs is making some use of ASYCUDA World to define shipments for screening based on risk. However, its capability to frequently analyze and update the risk profiles remains limited, and Customs officers tend to inspect shipments regardless of the risk category defined by the system. In March 2017, Customs attempted to improve compliance of front line officers by limiting the number of officers able to channel goods for inspection. However, the initiative met with significant internal resistance within Customs and implementation of the initiative has been inconsistent. Such inappropriate use of discretionary powers together with the unnecessary levels of face-to-face contact with traders can create opportunities for customs officers to seek informal payments, and often leads to unnecessary delays and increased transaction costs for traders.

Some improvements have also been made in the transparency of trade regulations through the launch of the Lao Trade Portal (the country's national trade repository). Lao PDR has implemented a Trade Information Portal which presents all regulatory requirements for import, export and transit for trade in goods, with a solid user base and ongoing effort to keep the content updated. It has recently added to this with a portal for information on trade in services. Ensuring that this content is updated regularly, thereby making information readily accessible to entrepreneurs and SMEs, will be important in the ongoing facilitation of trade.

Building on the success of the Trade Portal in improving transparency, Lao PDR needs to step up its efforts in streamlining and simplifying regulatory requirements. This is especially the case for requirements administered by agencies other than Customs. Lao PDR maintains a complex regime of non-tariff measures that affect many imports. NTMs such as import licenses that no longer serve their original objectives generate complexity and additional transaction costs for traders. Complying with NTMs generates unnecessary delays and financial burdens on importers and exporters to obtain documentary compliance. This is reflected in private sector complaints about the time required to comply with documentary procedures for trade: The World Bank Group's Doing Business Report 2018 shows that obtaining documentary compliance still takes about 216 hours or 9 working days for import as well as export[42]. The NTM Review Sub-Working Group, for which the Ministry of Industry and Commerce is the Secretariat, should play a more proactive role in reviewing the necessity and administration of existing NTMs, and identifying means of reducing and streamlining NTMs.

[42] World Bank, Doing Business 2018

Box 6: Vietnam

Vietnam is implementing a program of reform to improve trade facilitation, as a requirement for further integration into global value chains. Vietnam is a significant importer of intermediate goods for final assembly, for example in the manufacturing of ICT equipment. Ensuring efficient and reliable trade with China and other BRI countries is an important part of this, although non-BRI countries like Japan and Korea also play a critical role in the value chains in which Vietnam participates.

A key factor in the improvement of trade facilitation performance in Vietnam has been the development of the automated trading environment, partly driven by the "ASEAN Single Window" initiative. This in conjunction with the implementation of the Vietnam Automated Customs Clearance System (VACCS) has resulted in significant simplification of the declaration and clearance processes, minimizing the need for physical interaction and submission of hard documents while allowing for the automation of some permits and approvals by other regulatory agencies. These improvements have however not been without issue, with VACCS requiring the submission what could be described as excessive data elements for transaction processing, to meet the regulatory requirements of Government agencies, with many approvals often required for international trade.

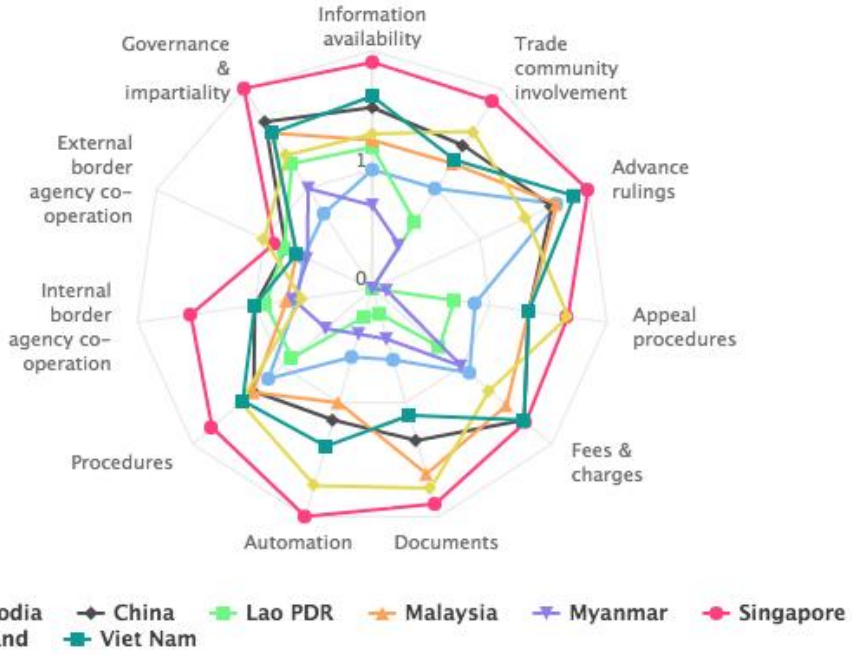
The Vietnam Trade Information Portal (VTIP) was launched in July 2017, bringing about a significant improvement in transparency and access to information for traders. At its launch, the VTIP brought together in one place 760 laws/decrees/circulars, 301 measures, 365 procedures, and 337 forms relating to trade. By consolidating these regulatory requirements for trade and making them publicly available, the VTIP can help increase predictability for traders, through a reduction in opacity on what regulations apply, especially in terms of variation between different ports of entry and border crossings.

The main outstanding issues to be addressed in achieving higher levels of trade facilitation is the simplification and full automation of regulatory approvals and permit issuance by regulatory agencies other than Customs. This not only requires more comprehensive coordination between Government agencies (especially technical inspection agencies), but also reform of their operational / business processes (including the adoption of Risk Management) and an assessment of the appropriateness (or need) for some technical controls or NTMs. This would result in a further reduction in interventions and processing time.

**Table 11. Indochina Peninsula Corridor : Corridor Performance indicators**

| Country | LPI Customs rank 2016 | LPI Customs score 2016 | LPI Customs Rank 2018 | LPI Customs score 2018 | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Administration rank (of 136) | WEF ETI Border Administration Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| Cambodia | 77 | 2.62 | 109 | 2.37 | 5.8 | 7.5 | 116 | 3.6 |
| China | 31 | 3.32 | 31 | 3.29 | 6.6 | 2.0 | 52 | 4.9 |
| Lao PDR | 155 | 1.85 | 74 | 2.61 | 9.6 | 9.5 | 114 | 3.7 |
| Malaysia | 40 | 3.17 | 43 | 2.9 | 3.3 | 2.3 | 47 | 5 |
| Myanmar | 96 | 2.43 | 131 | 2.17 | 11.6 | 11.9 | n/a | n/a |
| Singapore | 1 | 4.18 | 6 | 3.89 | 1.5 | 0.5 | 1 | 6.4 |
| Thailand | 46 | 3.11 | 36 | 3.14 | 2.3 | 2.6 | 44 | 5.1 |
| Vietnam | 64 | 2.75 | 41 | 2.95 | 5.5 | 4.4 | 86 | 4.2 |

**Chart 8: Indochina Peninsula corridor: Trade Facilitation Indicators (OECD)**




## Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC)

Bringing together two economic giants of China and India, together with Myanmar and Bangladesh, this BRI corridor has been the subject of previous initiatives that aimed to improve connectivity between the four countries, dating back at least to the "Kunming Initiative" of the 1990s. Despite this relatively long period of being conceived of as a potential economic corridor, the facilitation of trade between the four countries has been challenging.

While there is significant potential for improved infrastructure connectivity and streamlined trade facilitation to lower the costs of trade between India and China, greater direct infrastructure links and trade facilitation measures between the two do not appear to be a short-term possibility. Neither government has indicated that this is under active consideration. The border regions between India and China that would potentially be linked through infrastructure investments are highly sensitive politically. They are also very remote and sparsely populated (although admittedly this is a characteristic of many of the links through other BRI corridors).

However, there is still great interest in harnessing the potential for the corridor to link East and South Asia through Myanmar and Bangladesh. This is also a focus in other economic corridor studies and proposals, such as the Asian Highway Network advanced by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and other ambitions of developing a "land bridge" between East and South Asia passing through Myanmar, Bangladesh, and India[43].

Although regional integration in South Asia, and between South Asia and Myanmar, is much lower than in East Asia, a series of initiatives is paving the way for greater regional trade facilitation. These are being pursued in different configurations, including bilaterally and between groups of countries. It will be essential for any cooperation for this corridor to build on the progress made in these other contexts, learn from their failures, and draw on existing instruments and agreements relating to trade facilitation wherever possible. This is especially important because there has not yet been agreement among the four corridor participants on a formal mechanism for cooperation on facilitating trade along the corridor[44].

One example of a positive regional trade facilitation initiative including two of the corridor participants is the Bangladesh-Bhutan-India-Nepal (BBIN) grouping, which has seen concrete progress in facilitating cross-border road transit through a Motor Vehicle Framework Agreement signed in June 2015. An implementing protocol on passenger movement agreed in January 2018, and work is ongoing on a protocol on cargo movement. Although these discussions generally focus on vehicle rights and not on wider trade facilitation issues (e.g. the transit regime that would allow for streamlined Customs clearance of goods in transit), they comprise an important stepping stone. The use of the TIR system (see Section 4) could be one mechanism for facilitating road transit trade taking advantage of vehicle rights through the BBIN agreement; and improved infrastructure through the BRI. However, while India and China are signatories to the TIR Convention, Myanmar and Bangladesh are not.[45]

Despite these positive steps, the overall "soft infrastructure" for trade facilitations remains relatively weak for the economies on the corridor, and traders face inefficiency and

[43] Asian Development Bank Institute, (2015), *Connecting South Asia and Southeast Asia*, ADBI, Tokyo.
[44] Iyer, Roshan (2017), 'Reviving the Comatose Bangladesh-China-India-Myanmar Corridor, https://thediplomat.com/2017/05/reviving-the-comatose-bangladesh-china-india-myanmar-corridor/ (accessed 3 July 2018).
[45]Livemint (2018), 'BBIN Pact: India, Bangladesh, Nepal okay vehicle movement procedure', https://www.livemint.com/Politics/kVaw1u3uvAq3SVugqTGkCI/BBIN-pact-India-Bangladesh-Nepal-okay-vehicle-movement-pr.html (accessed 3 July 2018)

unpredictability in complying with regulatory requirements. As was outlined above, the corridor data shows higher inefficiencies and delays in trade facilitation compared to other corridors. The average time to complete documentary requirements and clear the border for import is the highest of all corridors, at 11.3 days – as is the average time for export, at 7.5 days. If the corridor were considered as a country, this high time to export and import would make it the 144th performer of 189 countries in the Doing Business Trading Across Borders index in 2018. In terms of indicators of Customs and border agency performance, although the average Customs score of corridor participants was the lowest among the six corridors in 2014, at 2.50 (well below the global average of 2.69), this improved to 2.68 in 2018, above the global average of 2.66. This was largely due to the stable performance of China and India. As noted in Section 3, "one-off" results for Bangladesh created a bounce in the performance of this corridor in 2016 that has not been sustained in the latest LPI data.

India is implementing a Trade Facilitation Plan (2017-2020) aiming at full and effective implementation of the WTO-TFA, as well as "TFA Plus" measures, in order to improve reliability and reduce trade transaction costs.[46] Implementation of the plan, which is driven by the National Trade Facilitation Committee established in October 2016, is intended to contribute to the Government of India's objective to improve its Doing Business rankings to place in the top fifty within 3-5 years. The high times and costs associated with import and export indicate the challenges India faces in achieving this goal. Although Customs and border management performance is perceived as being at approximately the global average, Doing Business data shows times to comply with import requirements at approximately the same level as Bangladesh, at 13.6 days. Addressing this through implementation of the various elements of the Action Plan will also be important in harnessing the potential of the corridor, especially given the already-high costs associated with trade to Bangladesh and Myanmar. High trade transaction costs in India exacerbate this and would further reduce the potential for traders to make use of improved connectivity through the corridor.

Of the four countries, Myanmar faces the greatest challenging in facilitating trade to unlock the benefits of the corridor. This assessment is based on various indicators, including WTO notifications, and LPI, and Doing Business performance. Myanmar has notified only 5.5% of the total provisions of the WTO TFA in Category A, indicating that they require phase-in periods and/or technical assistance to implement most of the provisions of the Agreement. Myanmar's ranking in the LPI Customs indicator declined significantly between 2016 and 2018, despite some progress implementing the WTO-TFA including the introduction of an electronic Customs processing system, it is still the weakest performer on the corridor.

Myanmar is strategically located between East and South Asia and has been going through a steady process of opening up its economy and reforming the business climate in recent years, although much remains to be done. Reducing trade facilitation-related costs is an important part of this effort. The country's major trade-related analysis (the 2016 Diagnostic Trade Integration Study), identified a number of trade facilitation constraints, including a lack of formal procedures defining

[46] India Central Board of Indirect Taxes & Customs (2017), *National Trade Facilitation Action Plan 2017-2020*, http://www.cbec.gov.in/resources//htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf;jsessionid=EAA9E26C5BC0984587895000935A0639 (accessed 3 July 2018)

the responsibilities of respective border agencies, with limited coordination between them; and minimal use of risk-based screening of shipments, resulting in unnecessarily high inspection rates and high administrative costs for Customs and other border agencies[47].

Myanmar is increasing the use of ICT to streamline regulatory approvals for trade facilitation, but this effort needs to extend beyond Customs, and take place in a fully coordinated manner. The introduction of the Myanmar Automated Cargo Clearance System (MACCS) in 2017 has helped to replace key paper-based processes with an electronic system. The system was initially implemented in Yangon, but the government plans to progressively roll out the system at land border crossings that could potentially have a role in the corridor, notably the Muse crossing with China, through which 86% of Myanmar's land-based trade moves, with around 1000 trucks crossing per day in both directions[48].

More significant streamlining of trade clearance processes will require a more ambitious approach. Myanmar has committed to developing a National Single Window for trade, in line with its participation in the ASEAN Single Window initiative. Although the formal scope of the Myanmar system is yet to be finalized, it is likely that the objective will be to connect the key governments agencies responsible for trade facilitation to the Customs system, so that traders can provide required data only once to government, and receive a single response once cargo has been screened and cleared, rather than interacting with multiple government agencies, many of which use paper-based systems.

Making the Single Window a reality will require close cooperation among government agencies through the Trade Facilitation Committee. As in most countries, Customs has made more progress in implementing a reform and modernization agenda than other agencies involved in trade. The MACCS system for Customs is more comprehensive and advanced than the level of ICT use in other agencies, many of which have developed systems without full inter-agency interoperability in mind. Myanmar faces a challenge shared with many other BRI countries in increasing the use of ICT; it needs to go beyond the transition from paper-based to electronic systems, toward streamlining the processes for clearance. A frequent complaint of the trade community is that too many, often duplicative, procedures are needed in order to clear shipments.

Myanmar will need to develop its regime for transit trade if it is to become a "land bridge" for East Asia-South Asia trade, including through the corridor**.** Myanmar has not implemented the provisions of the ASEAN Transit Agreement[49], and it has not acceded to the TIR Convention. As discussed in more detail in Section 4 of this paper, a well-functioning transit system is essential for economic corridors such as the corridor.[50]

Bangladesh, like Myanmar, is strategically positioned, notably for transit trade between key commercial centers in India and India's Northeast; between India and Nepal and Bhutan; and

[47] World Bank (2016) "Opening for Business", Chapter 7, Myanmar Diagnostic Trade Integration Study.
[48] Ibid.
[49] See http://www.myanmartradeportal.gov.mm/index.php?r=site/display&id=919
[50] IRU (2017), 'Myanmar TIR Decision in Sight', https://www.iru.org/resources/newsroom/myanmar-decision-tir-sight (accessed 3 July 2018)

between South Asia and East Asia. These links involve all modes of surface transport (road, rail, inland waterway). However, numerous bottlenecks generate costs for traders wanting to make use of any improved connectivity through the corridor, or other connectivity initiatives[51].

Although there are signs that Bangladesh has improved aspects of its trade facilitation regime in recent years, lengthy clearance delays and lack of predictability continue, exacerbating the generally-poor quality of infrastructure. Bangladesh's LPI Customs ranking decreased significantly between 2016 and 2018, declining from a ranking of 82 to 121 with a worsening score from 2.57 to 2.3 (scores worsen as they move away from 5). The trade facilitation regime continues to be highly inefficient, compared both with global and BRI standards. For example, the time to import of 13.6 days and time to export of 10.3 days is among the highest of BRI participants.

One of the main sources of significant delays in border clearance is a lack of coordination between government agencies on trade facilitation. For example, at various land borders different Bangladeshi agencies have developed their own distinct border clearance infrastructure with inadequate consultation and coordination between them. For example, at Benapole-Petrapole and Burimari-Changrabandha crossings, duplicative infrastructure has led to inefficient border clearance procedures, although the government intends to address these issues. With around 800 trucks already crossing the Benapole-Petrapole border daily, and long delays common, any potential increase associated with BRI trade will place further pressure on inefficient clearance procedures. Another manifestation of this lack of coordination is the multiple requirements to submit paper copies of documents for trade clearances, which Bangladesh plans to address through the introduction of a National Single Window.

Although Nepal is not included in the corridor, trade facilitation initiatives involving Nepal, and the lessons learned through the BBIN, means its trade facilitation regime is relevant. One possibility is that, although Nepal is not included in the corridor, it could become a more important link for trade between India and China. China and Nepal are reportedly exploring the feasibility of a rail link between the two countries[52]. Such a link could facilitate transit trade through Nepal. India and Nepal have also recently announced an initiative to improve rail connectivity, as well as waterway transport[53]. This in part appears the build on initial successes in BBIN initiatives, as discussed above.

[51] Drawn from Project Appraisal Document and supporting analysis for World Bank Bangladesh Regional Connectivity Project (2017)

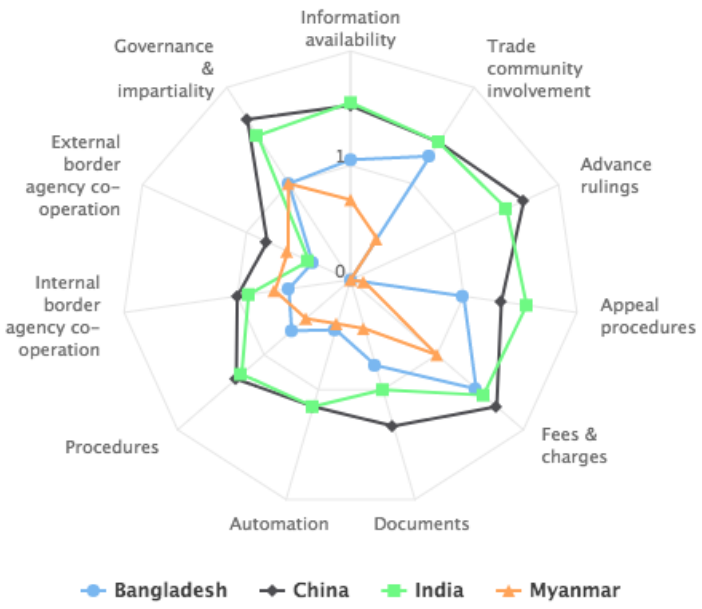
[52] Reuters (2018a), 'China says Nepal a natural area of cooperation with India', https://www.reuters.com/article/us-china-nepal/china-says-nepal-a-natural-area-for-cooperation-with-india-idUSKBN1HP0NY (accessed 3 July 2018)

[53] Reuters (2018b), 'India agrees to open waterways, rail link to Nepal capital', https://www.reuters.com/article/us-nepal-india/india-agrees-to-open-waterways-rail-link-to-nepal-capital-idUSKBN1HE0GK (accessed 3 July 2018)

**Table 12: Bangladesh-China-India-Myanmar corridor performance indicators**

| Country | LPI Customs rank 2016 | LPI Customs score 2016 | LPI Customs Rank 2018 | LPI Customs score 2018 | DB 2018 Time to import (Days) | DB 2018 Time to export (Days) | WEF 2016 ETI Border Administration rank (of 136) | WEF ETI Border Administration Value (1-7, 7=best) |
|---|---|---|---|---|---|---|---|---|
| Bangladesh | 82 | 2.57 | 121 | 2.3 | 13.6 | 10.3 | 130 | 3 |
| China | 31 | 3.32 | 31 | 3.29 | 6.6 | 2.0 | 52 | 4.9 |
| India | 38 | 3.17 | 40 | 2.96 | 13.6 | 6.0 | 75 | 4.4 |
| Myanmar | 96 | 2.43 | 131 | 2.17 | 11.6 | 11.9 | n/a | n/a |

**Chart 9: BCIM Trade Facilitation Indicators (OECD)**




## China: reforming the trade facilitation regime to unlock its potential as a key BRI hub

Given its status as a key hub economy of the BRI, and its presence in all six of the key economic corridors, China's trade facilitation regime will have an impact on the economic impact of the BRI. Various international indicators show that it underperforms in trade facilitation relative to its central place in global trade. In the 2018 Doing Business Trading Across Borders indicator, China was ranked 98 of 189 economies; on the 2018 Logistics Performance Index's Customs and Border Management indicator, China ranked 31 of 160 economies; and on the 2016 World Economic Forum Enabling Trade Index's Border Administration indicators, China was ranked 52 of 136 economies.

The government recognizes the need to improve performance and is implementing an ambitious reform agenda on trade facilitation. Full and consistent implementation of the reforms decided at the central government level at all border gateways, in ways that benefit all traders, will have an impact on China's trade facilitation performance. This section provides observations based on a recent review by World Bank specialists on how these reforms could be refined or deepened to maximize their impact. Further analysis, including at a wide range of gateways for import/export, and covering different industries/products, would be needed to provide a robust basis for further work. This would necessarily include detailed recommendations on how China could draw on international best practices in implementing trade facilitation reform. Such a detailed analysis would also facilitate the identification of lessons from China's own reform efforts that could be shared more widely. China faces four broad challenges in the ongoing effort to streamline trade facilitation[54].

First, momentum needs to be sustained in prioritizing reforms to practices and procedures administered by government agencies that affect trade, beyond improvements to infrastructure and resources. To date much of the effort to lower trade costs has been focused on improving trade-related infrastructure. While it is acknowledged that these form key components of a comprehensive trade facilitation strategy, other aspects also need greater attention. More focus needs to be placed on the 'soft' infrastructure or regulatory environment that affects cross-border trade, particularly the simplification and modernization of business processes and procedures of all main border management agencies.

Second, China needs to build on the current institutional framework on trade facilitation to strengthen inter-agency coordination, and engagement with the private sector. China has recognized the importance of trade facilitation reform at the highest level, with a committee of the State Council established in March 2016, bringing 16 government agencies together. It will be important that the State Council Trade Facilitation Committee takes on reforms beyond ensuring legal compliance with the WTO-Trade Facilitation Agreement. The institutional arrangements recognize the reality that facilitating trade is not just about actions by the General Administration of Customs (GAC), or any one agency, but requires coordinated efforts to reduce bottlenecks. Coordination between the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and GAC will be especially important. There is currently no formal mechanism for consultation with enterprises. This should be changed, and the private sector seen as a key partner in the implementation of reforms.

A third priority is to strengthen coordination between central and local levels of government in implementing trade facilitation reform. Numerous initiatives aim to reduce or remove the role of local border agency departments/offices in border clearance. The goal is to provide more standardized regulations for traders, while also reducing the opportunities for local discretion in how they are implemented. This will address a widespread perception that there are gaps between the standards set at the central level and their implementation at the local level. This will require stronger consultation and coordination between the central State Council Committee on Trade

[54] The four issues were identified during a World Bank mission to China in January and February 2018.

Facilitation, and relevant coordination bodies at the local level. In addition, increased use of ICT and centralization of core functions will gradually reduce autonomy at local levels. With 60,000 staff across China, in 47 subsidiary offices, and 742 local Customs houses and offices[55] - not including staff from other agencies like AQSIQ that play a key role in border clearance – the implementation of any trade facilitation reform involves a major exercise in institutional change management. The issuing of directives from the central level will need to be accompanied with capacity building, awareness-raising, incentives for reform, and other aspects of change management at the local level. It will also be important for the central level to be responsive when concerns are expressed that implementation at the local level is not functioning as planned.

Fourth, China needs to build on the impressive ICT reforms undertaken to ensure their impact is maximized through streamlined and simplified automated processes. Implementation of various ICT initiatives is underway, the most ambitious of which is the national roll-out of a Single Window for trade clearance. Achieving the ultimate goal of a single submission by traders to meet all regulatory requirements, with a single response, will take time. The most difficult challenges associated with implementing a fully-functioning national Single Window process are still ahead for China. The installation of hardware and development of software for such systems is relatively easy, compared with the work needed to streamline and harmonize regulatory requirements, automate processes, and foster genuine institutional collaboration. This is particularly the case for agencies beyond GAC (especially AQSIQ). The norm should be that most imports are approved without officials being directly involved, as long as all required data is submitted correctly, the traders involved show a high level of voluntary compliance, and there is no requirement for further inspection. A critical requirement for this will be a more sophisticated approach to risk management including a centralized automated selectivity mechanism within the Single Window system, so that risk-related information is shared nationally, and risk assessment will need to be based on a wider range of criteria beyond the identity and trading history of the trader.

Additional analytical work is required to benchmark performance in more detail, which would generate more specific advice in each of these areas. It would be especially important to gain a greater understanding of the local variation in practice between ports of entry. Further analysis would also provide more information on areas where reforms are being implemented by China that are most relevant for facilitating trade along the BRI corridors (e.g. transit).

## Section 3: Reform Priorities

The preceding section identified a range of challenges for streamlining trade facilitation along the six BRI land corridors. These challenges are summarized below in Table 13.

While there are unique challenges for each corridor, and for individual countries along each corridor, there are also several common themes. What tends to vary is the effectiveness with which these challenges are being tackled along each corridor, and by individual countries along each

[55] China Customs (undated), http://english.customs.gov.cn/about/mission

corridor. This underlines the importance of identifying common reform priorities that can be tackled in order to maximize the economic benefits of the BRI.

In that context, this section identifies several priority trade facilitation reforms, likely to have high importance in maximizing the impact of the BRI infrastructure investments. The six reform themes are as follows:

- Coordination and collaboration between government agencies with a role in trade facilitation, and with the private sector, through national Trade Facilitation Committees
- Improved transparency on regulations related to trade
- Information-sharing: on trade facilitation practices; for operational purposes including risk management; and on procedures related to standards compliance.
- Risk-based approaches to border management;
- Developing effective transit regimes; and
- Deploying ICT to support trade facilitation.

Experience indicates that the "how" of reform is just as important as the "what". In other words, both the substance of the reforms and the manner in which they are implemented have an impact. For this reason, the section concludes by outlining several principles necessary for effectively implementation of the six priority themes discussed above. This includes the importance of monitoring the implementation of reforms, as experience suggests that only what is measured is reformed effectively.

**Coordination and cooperation within governments, and with the private sector, on trade facilitation reform**

The implementation of trade facilitation reforms to maximize the benefits of the BRI will require close coordination between government agencies, and with the private sector. This stems from the nature of the transaction costs that trade facilitation reforms aim to address: they are generated in many cases by duplicative, cumbersome regulations, and a lack of coordination and cooperation between the different agencies responsible for border clearances.

**Table 13: Priority trade facilitation issues for the six BRI land corridors**

| | |
|---|---|
| **China-Pakistan** | • Use 2017-2030 Long-Term Plan for the corridor for developing a robust corridor institution, and detailed planning and consultation, including private sector<br>• Develop concrete procedures to implement bilateral data exchange commitment<br>• Improve risk-based screening in Pakistan, to minimize the impact of enhanced border security measures as much as possible<br>• Full implementation of TIR, building on 2015 and 2016 accessions for Pakistan and China<br>• Streamline procedure in Pakistan to benefit from ICT improvements, especially Customs system |
| **China, Mongolia, Russia** | • Address inconsistent application of procedures between agencies and border offices in Mongolia<br>• Allocate resources to border offices in Mongolia to better match demand for their services<br>• Streamline documentary requirements in Russia<br>• Address weak private sector perceptions of border agencies, especially Customs and Health/SPS agencies, in Russia<br>• Simplify transit process for Mongolian goods through China<br>• Address barriers to use of electronic processing in Mongolia, including poor Internet connectivity |
| **New Eurasian Land Bridge** | • Address delays for China-Europe trade causes by application of customs transit guarantee system at Belarus' borders, as well as Belarus' wider trade facilitation weaknesses<br>• Improve coordination among agencies at Belarus' border crossings, to improve risk profiling and reduce discretionary inspections by non-Customs agencies |
| **China-Central Asia-West Asia** | • For Central Asian countries, address limited progress in countries other than Kazakhstan, and to a lesser degree Kyrgyz Republic, in implementing a modern trade facilitation regime<br>• Address integrity issues at borders in Central Asia and West Asia to reduce high levels of informal payments<br>• Implement a sound transit regime linking countries along the corridor, and address practical implementation challenges for transit for EAEU transit<br>• Lower costs of moving between EAEU members and non-members by reducing the impact of technical standards and regulations<br>• Despite relatively low levels of WTO membership, promote the WTO-TFA as the set of trade facilitation standards for the region |
| **China-Indochina Peninsula** | • Ensure that any new BRI trade facilitation efforts are consistent with and contribute to progress in achieving ASEAN trade facilitation initiatives<br>• Re-energize trade facilitation reform in SE Asia to address declining relative performance, including by sharing lessons from stronger performers<br>• In Lao PDR and Myanmar, develop transit regimes, streamline documentary requirements, implement ICT initiatives to shift from paper-based processes, and reduce high levels of physical inspections of shipments<br>• In Vietnam, simplify and automate processes for issuing and administering licenses, permits and other regulations maintained by non-Customs agencies |
| **Bangladesh-China-** | • Build on existing regional initiatives on trade facilitation and transit like the BBIN cross-border road transit system |

| | |
|---|---|
| **India-Myanmar** | • In Bangladesh, address large delays for import and export by improved coordination among agencies at borders, and implementation of National Single Window<br>• In India, sustain momentum for implementing Trade Facilitation Plan, especially to reduce large delays for imports |

The establishment and implementation of a National Trade Facilitation Committee (NTFC[56]) is a requirement of the WTO Trade Facilitation Agreement, meaning that the majority of BRI economies should already have a body responsible for trade facilitation reform. As an indication of the importance, WTO Members negotiating the TFA left this as the only Article where implementation cannot be deferred – all Members are required to implement it without delay. This is also because a well-functioning NTFC is a pre-requisite for the implementation of the standards set by the Agreement. For example, the implementation of measure to improve the transparency of information on trade procedures and publish this online must be underpinned by cooperation among government agencies to share that information with a central authority, and keep it updated. Many of the strategies for trade facilitation reform, and successful reforms to date, in BRI countries have been driven by an NTFC. For example, India's Trade Facilitation Action Plan 2017-2021; China's implementation of the WTO TFA is guided by the State Council on Trade Facilitation; or Vietnam's implementation of cross-agency reforms like the Trade Information Portal, for which a well-functioning NTFC has been essential.

In many developing countries, including in the BRI, Customs agencies are often relatively well-advanced in their modernization efforts compared with other agencies involved in border management, including those responsible for Quarantine, Standards, Health, or Transport, among others. A number of examples from Section 3 underlined that this is also the case in BRI countries. Growing recognition of this at the global level has been an important driver of the trend towards establishing multi-agency bodies for trade facilitation. These bodies have an important role in supporting a coherent reform process and the "catching up" of other agencies, through measures like the development of a shared vision for trade facilitation reform, and the implementation of multi-agency initiatives like National Single Windows. Similarly, in the BRI context it will be essential to ensure that all relevant government agencies are part of the trade facilitation reform process, and that this occurs both at the national level but also in corridor-level or BRI-wide efforts to improve collaboration. For example, agencies responsible for standards compliance in different BRI countries will need to coordinate more closely in future to make progress towards the exchange of information, and eventual mutual recognition, of standards.

Although the formal establishment of an NTFC with high-level backing within government is a requirement for implementing trade facilitation reform, what matters in the long run is that the committee remains active and relevant, and does not become a body that exists only on paper. Research by UNCTAD covering 53 countries' NTFCs identified maintaining lasting funding, and the maintaining the engagement of participants as the two top challenges for the successful functioning of NTFCs[57]. One important factor in ensuring the lasting relevance of the NTFC is

[56] The obligation in the TFA is not to name the committee "National Trade Facilitation Committee", and variations are acceptable. The World Bank recommends that if an existing body that fulfils the functions of an NTFC can take on the role, this should be normally be implemented.

[57] UNCTAD (2017), National Trade Facilitation Committees: Beyond Compliance with the WTO Trade Facilitation Agreement?, Transport and Trade Facilitation Series No.8, UNCTAD, Geneva.

that there should not be duplication of its functions across different government-established bodies. Government officials and private sector representatives alike can rapidly lose confidence in a committee's role if it is seen as one among many implementing the same agenda. This means that if there is an existing committee that can be used to fulfil the function of a national coordinating body on trade facilitation, it is likely to be preferable to use this body, rather than setting up a new one. The objective should be to have a single body that is responsible across government agencies, and including the private sector, for trade facilitation reform. In the case of the BRI, the NTFCs charged with the role of implementation of the WTO-TFA should normally take on the role of driving any BRI-related trade facilitation reforms.

The private sector has a central role in trade facilitation reform, and this needs to be institutionalized in the BRI context. Research by the WTO Secretariat indicates that 98% of NTFCs include some form of private sector involvement[58]. However, practical experience varies greatly. While consultations with the private sector are useful in providing an independent "user" perspective on trade facilitation practices, the private sector is most effective when seen as a partner in the trade facilitation reform agenda. The trade community can be used to: help identify priority reforms; support implementation and compliance; and monitor progress in their implementation[59]. Institutionalizing this role of the private sector through a body like an NTFC can help in managing competing priorities of different segments of the private sector, whose interests may not always be aligned. BRI participants should also consider the formal establishment of mechanisms for involving the private sector in discussions on trade facilitation reform at the level of individual corridors, and potentially also for the BRI as a whole. The early implementation of this would ensure that private sector voices are considered before significant reforms are initiated to facilitate trade on any corridors.

However, in many countries, including those participating in the BRI, the relationship between the private sector and border agencies is characterized by mistrust more than collaboration. Many aspects of the trade facilitation reform agenda for which the WTO-TFA, WCO instruments, and other international standards are a benchmark are aimed at addressing this. For example, improved transparency on what procedures apply and how they are enforced builds trust and accountability between border agencies and the trade community. Similarly, the proper implementation of risk-based border management facilitates compliance by traders by building trust that border officials are not unnecessarily inspecting or detaining shipments. A relationship between traders and border agencies that facilitates compliance recognizes that most trade is handled by a small proportion of traders, and that these traders can be held accountable for ensuring the regulatory compliance of shipments for which they are responsible. As the implementation of trade facilitation reforms to lower transaction costs along the BRI corridors builds momentum, it will be essential for the private sector to have a strong role in designing and monitoring reform impact, and for this to be institutionalized through bodies like NTFCs.

[58] WTO (2017), National Committees on Trade Facilitation: Current Practices and Challenges, http://www.tfafacility.org/sites/default/files/news/tfa_national_committees_trade_facilitation_web_e.pdf (accessed 3 July 2018)

[59] For more specific examples of the role of the private sector in trade facilitation reform, see Grainger, Andrew (2011), Chapter 10 in McLinden et al (2011), Border Management Modernization, World Bank, Washington DC.

To achieve improved levels of collaboration, a permanent, independent and well-resourced Secretariat for the NTFC is necessary. World Bank experience in supporting governments in establishing an NTFC, has shown that one of the key factors to success, especially regarding public / private sector collaboration, is ensuring it has an operational and governance structure that supports this. Public sector officials rarely have time to manage an NTFC Secretariat as well as their regular responsibilities. Engaging a small, but well qualified Secretariat not only helps achieve independence and sustainability, but also supports the work of the NTFC between physical meetings, coordinating inputs from technical working groups. Ensuring strong and effective representation by the private sector has also been shown to be an important and effective strategy to help achieve this.[60]

**Transparency**

One of the most important barriers to trade is a lack of transparency on what regulations apply and how they are applied, including the predictability of their application. This is one of the most frequently-cited concerns of the private sector, and this has been reflected in the prominence of transparency-related provisions in the WTO-TFA and other trade agreements, as well as regional cooperation initiatives like APEC.

Research suggests that the impact of improved transparency on trade can be considerable. A 2007 study estimated that improved transparency among APEC economies could raise intra-regional trade by approximately $148 billion, or a 7.5 per cent increase above the baseline.[61] Research analyzing transparency commitments in Preferential Trade Agreements (PTAs) identified that a "typical" comprehensive PTA containing around fifteen transparency-related requirements could be expected to increase trade between PTA partners by around 15%, or 1% per transparency measure[62].

At the global level, WTO TFA notifications indicate the scale of the challenge that countries face in maintaining a transparent regime for trade facilitation. As of August 2018, forty-seven WTO Members notified the WTO of the information required under all four different transparency requirements of the TFA.[63] Strikingly, only a small number of BRI participants have notified all four of these requirements: China; Czech Republic; European Union; Georgia; Kazakhstan; Kyrgyz Republic; Poland; and Singapore.

A little over half of developing WTO Members (53%) have notified that they were able to comply with the TFA Article 1.1. requirements on the publication of trade-related information, making it

[60] UNCTAD 2017, National Trade Facilitation Committees: Beyond compliance with the WTO Trade Facilitation Agreement: http://unctad.org/en/PublicationsLibrary/dtltlb2017d3_en.pdf

[61] Helble, Matthias; Shepherd, Ben; Wilson, John S.. 2007. 'Transparency, Trade Costs, and Regional Integration in the Asia Pacific'. Policy Research Working Paper; No. 4401. World Bank, Washington, DC.

[62] Lejarraga and Shepherd, 'Quantitative Evidence on Transparency in Regional Trade Agreements', OECD Trade Policy Paper No. 153, OECD, Paris, 2013

[63] Article 1.4 on import, export and transit procedures; Article 10.4.3 on the operation of a single window; Article 10.6.2 on the use of customs brokers; and Article 12.2.2 on contact points for the exchange of information.

one of the most challenging articles for compliance. The share of developing WTO Members notifying that this information is published on the Internet (Article 1.2), which is a basic transparency measure, is slightly lower, at 49%.[64]

A number of BRI countries perform weakly on transparency, according to the OECD TFIs. The most specific indicator on transparency in the indicators reviewed in Section 3 is the OECD TFI category on "information availability"[65]. With a highest possible score of 2 on this indicator, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Cambodia, and Myanmar have the weakest performance on the BRI corridors, each scoring below 1. However, progress is being made, for example with Kazakhstan becoming one of the first WTO Members to comply with the WTO TFA notification requirements notified above, although much remains to be done to improve transparency.

There is no standard definition of what transparency encompasses in the context of trade facilitation. At its most basic level, it involves the publication of information in a readily-accessible manner (normally, on the Internet) so that it can be accessed free-of-charge, with the least possible amount of time involved. The details of trade regulations can be complicated and there is a limit to how much they can be simplified for the purposes of transparency. The WTO-TFA (Article 1.1) sets out a useful list of what procedures and regulations should be published., although the list should be seen as a minimum standard, and BRI participants should explore the publication of all trade-related procedures, including beyond those identified above. The list in Article 1.1 of the TFA is as follows:

- procedures for importation, exportation, and transit (including port, airport, and other entry-point procedures), and required forms and documents;
- applied rates of duties and taxes of any kind imposed on or in connection with importation or exportation;
- fees and charges imposed by or for governmental agencies on or in connection with importation, exportation or transit;
- rules for the classification or valuation of products for customs purposes;
- laws, regulations, and administrative rulings of general application relating to rules of origin;
- import, export or transit restrictions or prohibitions;
- penalty provisions for breaches of import, export, or transit formalities;
- procedures for appeal or review;
- agreements or parts thereof with any country or countries relating to importation, exportation, or transit; and
- procedures relating to the administration of tariff quotas.

[64] WTO TFA Database
[65] This is made up of 21 sub-indicators on various aspects of transparency.

An important principle in the publication of information is its consolidation in one location, or as few locations as possible. The publication of information in multiple locations complicates efforts to find the information needed for traders, and it also complicates efforts by the government to keep the information updated. For example, a March 2018 notification to the WTO of its various contact points for different aspects of TFA information by China identifies more than sixteen locations where information can be found. In situations like this, while the country has provided an abundance of information, experience shows that it would lower the costs of accessing information for traders if there is one integrated portal bringing this information together. [66] Likewise, it would also reduce support and maintenance costs associated with hosting multiple websites.

While transparency in its narrow sense refers only to the publication of information, it should be seen in a wider sense. This should include not just the publication of information on trade-related regulations and procedures, but also their consistent application; as well as the opportunity for feedback, consultation and dialogue with the trading community. This fits within a wider context where transparency delivers not only direct benefits in terms of reduced costs in obtaining information, but also in improving accountability of government agencies responsible for trade facilitation. In addition, by ensuring traders are aware of their respective roles and responsibilities, transparency can improve integrity and provide traders with information that allows them to challenge requirements and decisions that are not in keeping with published rules.

Transparency requires collaboration among government agencies and with the private sector, both to publish information online and to keep it updated. A key lesson in the implementation of transparency mechanisms like Trade Information Portals (see Box 7) is that while one government agency must be given the lead role in publishing trade-related information, gathering the information and keeping it updated requires a formal mechanism for coordination between government agencies, and political will for updating this information. In this sense, making information 'accessible' is the key element of transparency.

In the context of the BRI, several "best practices" could be adopted by all participants.

- Publishing information online and ensuring it is kept updated;
- Consolidating information on trade-related procedures into one source of information, like a Trade Information Portal;
- Formalizing procedures by nominating a focal point within government agencies responsible for the transparency of trade-related information;
- Providing the opportunity for feedback and consultation on measure that are in place or under consideration; and

[66] See 19 March 2018 notification G/TFA/N/CHN/2/Rev.1 from China to the WTO, available at https://www.tfadatabase.org/uploads/notification/NCHN2R1_3.pdf (accessed 3 July 2018)

- Monitoring the impact of transparency, including through regular consultation and surveys of the private sector

Although the implementation of transparency measures is largely a responsibility of individual governments, the nature of regional initiatives like the BRI is that there is the potential for "peer pressure" in ensuring standards are maintained. A key mechanism for achieving this can be through regular mechanisms for private sector feedback at both the individual country and BRI corridor or BRI-wide level on whether transparency objectives have been met. The results of this feedback should be published and be an important consideration in assessing whether the BRI is achieving its objectives in facilitating trade.

As the institutions for more structured cooperation on trade facilitation in the BRI develops, transparency should be a key area for sharing experiences and good practices, and providing support to those governments that perform poorly on transparency. The fact that some of the less-developed countries in the BRI have successfully implemented complex transparency initiatives – notably, the implementation of Trade Information Portals in countries like Lao PDR, Cambodia, Bangladesh, and Vietnam - demonstrates that with a structured approach and political will, significant improvements are possible.

Finally, the implementation of reforms to improve transparency should be a priority in the BRI because it is a pre-requisite for other, more ambitious, reforms to facilitate trade. For example, the implementation of a National Single Window builds on the consolidation and publication of information for transparency purposes. It requires an even deeper level of cooperation between government agencies and with the private sector, and it requires a clear understanding of the full set of existing rules and procedures that need to be integrated into the National Single Window. Transparency is also an important stepping-stone for other initiatives to simplify procedures and remove duplication. Often, the process of implementing a single point of information on trade procedures like a Trade Information Portal identifies numerous duplicative and unnecessary procedures. This then provides the opportunity for the removal or streamlining of these procedures, resulting in improved trade facilitation performance.

Box 7: Trade Information Portals – a tool for improving transparency

One of the cross-cutting challenges in facilitating trade through the BRI is a lack of transparency in many countries on the laws, regulations and procedures applying to cross-border trade. Trade Information Portals could be a useful vehicle for increasing transparency, and thereby facilitating trade, along the BRI corridors. They can be helpful both for governments and traders in providing one entry point for identifying regulatory and procedural information related to trade. While governments may seek to be helpful in publishing multiple sources of information for different requirements, a frequent complaint from traders is that this increases costs and makes it hard to stay updated with changes in regulation or procedure. The consolidation of information onto one site like a Portal addresses this.

Beginning with Lao PDR in 2012, the World Bank has now supported trade information portals in more than a dozen countries using a custom-built software platform, as well as contributing to global knowledge on the topic. Other development partners are also supporting the implementation of portals.

The basic function of the portals is publishing all laws, regulations and procedures affecting trade. Increasingly, they also serve other functions including as enquiry points on trade; or repositories of information on trade in services or non-tariff measures.

A workshop in 2017 involving 15 countries implementing Trade Information Portals highlighted a number of challenges in successfully increasing transparency through Portals, including:

-Ensuring high-level political support on an ongoing basis (many commented that there was a risk of a portal being seen as a project "owned" by one agency, when in fact it should be seen as a major national initiative overseen by Cabinet or the equivalent);
-Responding in a timely manner to requests for information received through the portals (some countries have specific agreements between agencies to promote timeliness, including setting deadlines for responses to queries);
-Engaging the private sector to build awareness of the portals (for example, Lao PDR implemented an extensive awareness-raising campaign after establishing the portal, which helped build a substantial community of users);
-Encouraging private sector users to provide regular feedback on the accuracy of the information uploaded, including whether implementation of policies matches what is set in law or regulation;
-Using existing data gathered through use of the portal, as well as additional data like user surveys, to assess the impact of the portals in improving transparency and reducing trade costs.

Just as important as the transparency they provide, the process of establishing and maintaining portals brings together government agencies responsible for trade. Getting this coordination running effectively is essential in reforming trade facilitation and undertaking larger projects like the establishment of a National Single Window. Reflecting this, most countries are already using the National Trade Facilitation Committees required through the WTO TFA to oversee the portal. In this way, the portals are helping strengthen the overall mechanisms for trade facilitation at the national level.

**Information-sharing: three aspects where coordination between BRI countries would facilitate trade**

The gaps in capacity and reform implementation between BRI countries suggests significant potential for the sharing of good practices and reform experiences. Although as the preceding analysis highlighted, there are no "one size fits all" approaches to trade facilitation reform, and what works for one country will not necessarily work for another, the exchange of information among practitioners can be helpful as part of a reform initiative. This can be done on a corridor basis or BRI-wide basis, as well as through existing bodies for the exchange of practices on trade facilitation reform, as highlighted below.

The sharing of information and best practices would be enriched by bringing in experiences from a global perspective, which multilateral organizations like the World Bank are well-placed to facilitate. In terms of both successes and failures, there is much to learn from trade facilitation initiatives outside the BRI context. BRI countries should also continue to make use of the potential for this kind of practical exchange of information through existing multilateral and regional bodies, like the WTO, WCO, CAREC, or APEC. As the development of the BRI corridors will not be the first trade facilitation initiative for any BRI participant, each country has a body of experience to build upon and share with others.

*Sharing high-quality information on trade transactions, and information that assists in undertaking risk assessments*

Another priority for information-sharing between border agencies in the BRI is on information relating to trade transactions and traders, especially for the purpose of risk management. The timely receipt of high-quality information on trade transactions, in order to allow for proper risk assessment, is one of the most important elements of an effective risk-based compliance management strategy. Beyond regular transactional data gathered by Customs and other agencies through the usual clearance process, access to intelligence, or information that allows analysis to produce intelligence, is another important consideration for improved risk management. Such cooperation is also an essential element of the WTO TFA (Article 8) with regard to coordinating activities at border crossings. This is a priority in other regional cooperation initiatives, for example through the Schengen Information System in the EU, which facilitates the sharing of information related to border security and law enforcement among a large number of EU Member states.[67]

With regard to the BRI corridors, there is a clear opportunity to assess risk and the necessary regulatory responses to these risks, in a 'whole-of-corridor' context. Minimizing the re-keying of transactional information – which is the information that makes up import and export declaration data elements – by the electronic transmission of this information is one way to improve the process. Not only does this improve its accuracy, but it also speeds up its transmission and receipt by all actors (government and private sector) along the supply chain. These data elements represent the basic inputs to any risk analysis process. The ASEAN Single Window project is one nascent

[67] Widdowson and Holloway, 2011, Chapter 6 in McLinden et al, Border Management Modernization, World Bank, 2011.

example of how this information can be made available to relevant government agencies and other participants in the supply chain in a regional context, resulting in a significant contribution to regional trade facilitation.[68] Moreover, sharing of information between BRI governments on the compliance level of companies can result in enhanced targeting, as traders that attempt to circumvent rules in one jurisdiction are likely to do so elsewhere as well.

As previously stated, each country's context is unique and the sharing of risk-related information, which can include the results of investigations and intelligence information related to trade, is always going to be a sensitive issue. However, there are already numerous mutual cooperation agreements that allow the sharing of such information between BRI participants.[69] Expanding and making better use of these agreements would further improve targeting of high risk transactions. Priority could be given to implementing arrangements for information-sharing on a corridor-by-corridor basis, as this is where the opportunity for improved information-sharing will be greatest. This would be in line with multilateral standards set in the WTO TFA, which encourages such arrangements under Article 12.

Another potential solution to the sharing of information for risk management purposes comes from the World Customs Organization (WCO), in the form of the Customs Enforcement Network (CEN).[70] The CEN is a mechanism which facilitates and encourages intelligence led risk profiling by providing references, alerts and seizure information to WCO members. Although their level of engagement may vary, all BRI participants appear to be members of the CEN. Beyond contributing to and accessing the WCO CEN database, BRI participants could look at a similar mechanism to facilitate information sharing along corridors, or throughout the entire BRI supply chain.

*Information on standards to streamline compliance, and work towards eventual mutual recognition.*

The third priority is greater information-sharing by agencies other than Customs on standards they enforce as part of the trade transaction process. As has been well-documented internationally, the application of SPS, product safety, conformance assessment and other standards by agencies during the border clearance process is a significant source of delays and unnecessary costs. While these standards are intended to meet legitimate health, safety, and other public policy objectives, there is often little integration of these agencies' processes in the wider border management regime, and there is often little willingness to permit Customs to administer these standards for shipments on their behalf. In part, this reflects the more limited development of international best practices on the integration of these agencies' work within trade facilitation reform programs[71].

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[68] ASEAN Secretariat, ASEAN Single Window information page, http://asw.asean.org/about-asw (accessed 3 July 2018)

[69] For further discussion of this practice, see Doyle, Tom (2011), Chapter 2 in McLinden et al (2011), Border Management Modernization, World Bank, Washington DC.

[70] World Customs Organization, Customs Enforcement Network website, http://www.wcoomd.org/en/topics/enforcement-and-compliance/instruments-and-tools/cen-suite.aspx (accessed 3 July 2018)

[71] Van der Meer and Ignacio (2011), Chapter 16 in McLinden et al, Border Management Modernization, World Bank, 2011.

However, the WTO TFA, which applies to all agencies and not just Customs, is helping to address this, along with other initiatives like those relating to "collaborative border management".

Improvements in transparency on trade-related regulations needs to encompass the full range of standards applied as part of the trade approval process. As outlined above, Trade Information Portals, and the inter-agency coordination process that underpins their effective operation, can be a useful way of promoting regulatory transparency. Often, the opacity or inconsistent application of procedures relating to standards is an important source of costs and delays for traders[72].

Beyond transparency, BRI countries should also explore stronger cooperation between standards-related agencies. The exchange of information on what regulations apply, what their intention is, and how they relate to regional and international standards, can be a useful first step. This is a priority for WTO Members through the SPS and TBT Committees, and more can be done at the level of trade transactions (rather than general transparency) in the context of an initiative like the BRI. Exchange of information on trade facilitation issues related to standards could be done on a corridor-by-corridor basis, starting with those standards that are most frequently applied, and are most frequently the source of delays. Feedback from the private sector should help inform this process.

The streamlining and harmonization of documentary requirements for standards should be undertaken, and consideration given to the use of electronic systems for exchanging these documents. A common complaint by traders is that documentary requirements relating to standards are excessive, and often duplicative with those required for Customs clearance. Greater dialogue within and between governments to streamline and, wherever possible, harmonize data requirements associated with regulatory approvals for trade along the BRI corridors could have significant impact. This impact will only be maximized if the process includes standards-related approvals administered by agencies other than Customs. In terms of electronic exchange of documents, one example is the electronic certification and exchange system for phytosanitary certificates being piloted by the International Plant Protection Commission and other partners. Among the objectives of the electronic system for harmonization and exchange of certifications is reduced transaction costs and times for plant-related trade, both for traders and for government regulators. Rather than relying on the transmission of paper approval certificates, with their verification at different steps along the supply chain, the "ePhyto" system intends to transit phytosanitary certificates directly from the exporting regulatory agency to that in the importing country[73.]

The exchange of information can pave the way for more challenging, but higher-impact, measures like the harmonization of documentary requirements relating to standards, and mutual recognition of conformity assessment and other procedural aspects of standards. Mutual recognition of conformity assessment is an increasingly common feature of trade agreements and other trade-related cooperation initiatives, like the BRI. For example, since 1998 APEC economies have

[72] Standards and Trade Development Facility (2015), Implementing SPS Measures to Facilitate Safe Trade, STDF Briefing Note No. 10, http://www.standardsfacility.org/sites/default/files/STDF_Briefing_No10_EN_web.pdf
[73] For more information see International Plant Protection Convention, Information Page on Electronic Phytosanitary Certification, https://www.ippc.int/en/ephyto/ (accessed 3 July 2018)

implemented an arrangement for mutual recognition of conformity assessment for telecommunications equipment[74]. This means that other APEC economies recognize the results of technical tests on whether such equipment meets the relevant technical, quality, safety and other standards. In the BRI, the review of corridor and country challenges in Section 3 provided a number of examples of trade transaction costs generated by procedures relating to standards. An example is the application of inspections and testing related to standards within the Eurasian Economic Union, effectively creating border inspections for trade between EEU members, despite its status as a customs union.

The eventual goal should be to facilitate trade by going beyond mutual recognition of the procedures for verifying compliance, to mutual recognition of the standards themselves[75]. This has the potential to significantly lower costs for traders, while also reducing the costs of assessing regulatory compliance for governments. For example, through APEC's Second Trade Facilitation Action Plan, APEC economies aimed to increase the compatibility of standards relating to electronic equipment by aligning individual economy's standards with those of recognized international bodies. This contributed to an increase in the share of television imports covered by the relevant international standard from 14.9% in 2006 to 94.5% in 2009. While such a measure facilitates trade within APEC, the adoption of international standards in this manner also facilitates trade with other partners. Even where the mutual recognition of standards through initiatives like the BRI is seen as a long-term goal, the strengthening of cooperation between governments on the application of these standards, and the procedures for certifying compliance, is a core trade facilitation issue. It should be one of the priorities for collaboration on trade facilitation among BRI countries.[76]

**The adoption of risk-based compliance management**

Risk-based approaches to managing the border will be essential in facilitating trade while maintaining the role of Customs and other border agencies in collecting revenue, ensuring safety and product standards are maintained, and addressing security risks. Effective risk management leads to greater efficiency in the use of government resources while also facilitating the majority of trade that is legitimate. This is especially important given that resources for Customs and other agencies have remained static in most countries, while trade volumes have grown, and there has been steady diversification of the range of goods traded and in their destinations.[77]

The review of BRI corridors in Section 3 highlighted that corridor participants are employing varying levels of risk management, and that in general it is a weak aspect of the trade facilitation regime in the BRI corridors. Some examples noted in Section 3 include the following: Myanmar has minimal risk-based screening of shipments, resulting in high levels of inspection, often by multiple government agencies; Pakistan faces challenges in managing a relatively high-risk

[74] APEC (2015), Guide for Conformity Assessment Bodies to the APEC TEL MRA, 3rd Edition.
[75] Given the wide range of regulatory practices and regimes in the BRI, mutual recognition rather than harmonization of standards is recommended as a more pragmatic approach.
[76] APEC Policy Support Unit (2012), Final Assessment of the Second Trade Facilitation Action Plan.
[77] Widdowson and Holloway (2011)

national security environment while facilitating legitimate trade; and China needs to adopt an integrated risk management engine within the National Single Window, drawing on a wider range of criteria for assessing risk.

BRI countries and the private sector share the view that risk management as an area requiring significant reform. Article 7.4 of the WTO-TFA, which requires WTO Members to put a risk management regime in place, is among the most frequently-identified articles for phase-in periods and capacity-building for implementation. In the WTO Asia-Pacific region, which includes most of the WTO Members participating in the BRI, risk management is identified as one of the most challenging articles for implementation, beyond the global average for developing countries. Around one third of countries in the Asia-Pacific have indicated that they will require up to December 2021, as well as capacity-building, to develop a risk management regime in line with the WTO TFA principles.[78]

Traders perceive that many BRI countries implement risk assessment practices that are not fully in line with international best practice. Table 14 highlights this, summarizing the views of express carriers that are members of the Global Express Association (GEA). It is interesting to note that in many cases, traders like GEA members are concerned not only with high levels of physical inspection of goods, but also by perceived discretion of border officials to make such inspections. Both are indications of weak risk management systems.

**Table 14: Express carrier perceptions of risk management in selected BRI countries**

| | |
|---|---|
| Bangladesh | Inspector discretion |
| Cambodia | Inspector discretion |
| India | All/virtually all goods inspected |
| Kyrgyz Republic | All/virtually all goods inspected |
| Malaysia | Inspector discretion |
| Thailand | Inspector discretion |
| Belarus | All/virtually all goods inspected |
| Kazakhstan | All/virtually all goods inspected |
| Turkey | All/virtually all goods inspected |

*Source: Global Express Association Customs Capability Database*

**Although each country's context is unique, there are several common challenges faced in adopting more effective risk-based approaches, and there are also areas in which cooperation among BRI economies would strengthen risk management.** The concepts and practices of risk management at the country level are well-defined and the subject of other analysis, so this paper focuses on areas where BRI cooperation is important.

[78] WTO TFA Database

The foundation of a risk-based approach to border management is a robust, formally-defined risk management framework. There is a need to implement this on a country basis, but also potential for greater corridor- and BRI-wide engagement to share assessments of and the treatment of risks. At the country level, a systemically-defined framework is needed in each BRI participant to establish the context for risks; identify, analyze and prioritize risks as a basis for proper risk assessment; and then treat those risks appropriately[79]. These risk management frameworks need to be developed, reviewed, and implemented in each country. However, a priority for cooperation among BRI economies should be corridor- and BRI-wide discussions on risk management. Risk management will be central to many aspects of trade facilitation along the corridors. Risk management principles will be central to the successful implementation of transit regimes on the BRI corridors: for example, properly-sealed containers moving in transit through various countries should be treated as preventing less risks in areas such as revenue leakage.

International standards like the World Customs Organization Framework of Standards to Secure and Facilitate Trade (SAFE Framework) and the WTO TFA outline the concepts that countries should follow, but the experience of many countries is that the challenge lies in their implementation. This involves defining how these standards should be implemented at the operational level within Customs and other border agencies through Standard Operating Procedures; building the capacity of staff to implement them; and supporting the change in mindset by staff required to implement risk-based approaches. The latter is often the most challenging, as it involves a shift from officials having high discretion to detain and inspect shipments, based on their own judgement of risk, to a more rigorous approach that relies on systematic risk assessments. The incentive for changing this behavior can be low for officials that use 100% inspection mandates as a basis for extracting informal payments. This is an area where the BRI could be used to facilitate the sharing of knowledge from countries with more advanced approaches to risk management to other countries; as well as bringing in international best practice.[80]

The provision of information to Customs and other agencies in advance of shipments arriving, in order to facilitate risk assessment and streamlined border clearance or further inspection, will be a major challenge for BRI economies – but one that will deliver significant gains. As in other aspects of risk management, the use of pre-arrival processing using advance information is reflected in the WTO-TFA. Pre-arrival processing is especially important for time-sensitive goods like perishable agricultural products, or inputs for just-in-time manufacturing processes. The advance sharing of information is one of the trade facilitation priorities identified in various BRI communiques, but there is little evidence of it having been implemented along specific corridors to date. This likely reflects the complexity of the issue, which not only requires agreements between agencies to share data, and compliance with their domestic privacy regimes, but also ensuring that the information is compatible and provides the information required by the importing country's various government agencies. These issues will be discussed in more detail in the final section on priority areas for regional cooperation.

A final priority for BRI cooperation on risk management is in the establishment of systems that allow for the expedited clearance of frequent, highly-compliant traders. Known as "authorised

[79] See Widdowson and Holloway (2011) for further discussion of this.
[80] UN Economic Commission for Europe, Trade Facilitation Implementation Guide, http://tfig.unece.org/contents/customs-risk-management.htm (accessed 3 July 2018)

economic operator" or "trusted trader" regimes (among other names) these are an important way of facilitating trade and freeing up Customs and other border agency resources to focus on higher-risk shipments. The World Customs Organization has supported the development of a particular type of regime known as "Authorized Economic Operator" which focuses on qualifying traders and certifying that they adhere to certain prescribed requirements.

The effective implementation of "authorized operator" systems at the country level can pave the way for mutually recognizing the systems of other countries. This can deliver significant benefits for traders that are only required to certify under one country's scheme, lowering their regulatory compliance costs. Some BRI economies are already pursuing such mutual recognition arrangements, with lessons that could be shared with other countries in the BRI. One important development for BRI trade between China and Europe is the mutual recognition of the China and EU Authorized Economic Operator schemes in 2015. Similarly, China and Singapore have mutually recognized their Authorised Economic Operator schemes[81]. Eventually, countries along specific BRI corridors could aim to implement mutual recognition of their authorized operator schemes along each corridor. This could draw on the experience in other regions of implementing regionally-recognized schemes. For example, the East African Community implements a regional AEO system[82]. While the development of such schemes and their mutual recognition among BRI economies holds significant potential for facilitating trade in a risk-based manner, there are numerous practical challenges in their implementation[83]. To begin with, the mutual recognition of an authorized operator scheme requires a high level of trust between the relevant Customs agencies, including at the operational level through mechanisms like joint audits and monitoring of compliance[84]. This is lacking among many BRI administrations and underlines the need to institutionalize trade facilitation cooperation along the BRI corridors, and among BRI economies more widely.

**Trade facilitation procedures for goods in transit**

Transit is one of the key trade facilitation issues for the effective functioning of transport corridors like those making up the BRI. In the context of trade facilitation, transit refers to the regulations and procedures that allow for the movement of goods through the countries along the corridors that are not the final destination. Transit is especially important for landlocked countries, because they rely on transit through coastal countries to access global markets. For "double-landlocked" countries, they have to transit through other landlocked countries *en route* to the coastal country through which they can access seaports.

In the case of the BRI corridors, many landlocked countries are themselves are transit countries linking other countries on the relevant corridor. This means that the challenge for landlocked

[81] Singapore Customs (2016), "Singapore Reaffirms Trade Ties with China", in SYNC, Singapore Customs Newsletter, January-March 2016, https://www.customs.gov.sg/~/media/cus/files/insync/issue39/article2.html (accessed 3 July 2018).
[82] East African Community, "Authorized Economic Operator Programme", https://www.eac.int/customs/eacaeo (accessed 3 July 2018)
[83] Centre for Customs and Excise Studies (2014), Review of Accredited Operator Schemes, Charles Sturt University.
[84] Aigner, Susanne (2010), "Mutual Recognition of Authorised Economic Operator and security measures", in World Customs Journal, 4:1, March 2010.

countries is two-fold: to implement a transit regime that facilitates trade along the corridor; but also to receive the benefits of a smooth transit regime in other countries on the corridor to lower the high costs the landlocked country's firms face in accessing markets.

This challenge is even greater for a subset of landlocked countries - Landlocked Developing Countries (LLDCs). LLDCs face trade costs that are more than 1.5 times higher than those faced by the coastal developing countries through which they transit. They tend to have lower logistics performance than coastal developing countries, as well as a less diversified export basket, resulting in greater vulnerability to fluctuations in prices, especially for commodity-exporting LLDCs.[85]

The importance of transit issues for the BRI is underlined by the high proportion of landlocked countries, and LLDCs as a subset of these, along the corridors (see Table 15). Although the New Eurasian corridor has the largest share of landlocked countries on the corridor (60% of the total), all but one of these (Kazakhstan) is a developed country. The China-Central Asia-West Asia corridor has the highest proportion by far of LLDCs: all of the landlocked countries are LLDCs, making up 55% of the countries on the corridor. As the transit country between China and Russia, Mongolia faces challenges in accessing markets, as outlined in Section 2; as does Lao PDR on the Indochina corridor.

**Table 16: Landlocked countries and the BRI corridors**

| | Number of landlocked countries (and LLDCs) | Share of landlocked countries on corridor (and LLDCs) |
|---|---|---|
| China-Pakistan | 0 (0) | 0 (0) |
| China-Mongolia-Russia | 1 (1) | 33% (33%) |
| New Eurasian | 3 (1) | 60% (20%) |
| China-Central Asia-West Asia | 6 (6) | 55% (55%) |
| China-Indochina | 1 (1) | 12% (12%) |
| Bangladesh-China-India-Myanmar | 0 (0) | 0 (0) |

The efficient operation of transit requires a well-functioning transit system. Arvis (2011) identifies six components that make up a transit system:

- The political commitment to allow transit trade, formalized in bilateral, regional, or multilateral treaties, as applicable.
- The physical infrastructure for transit, including border checkpoint facilities.
- Public and private institutions and people with certain capacities and competences related to the movement of goods along a trade corridor. These institutions and people comprise:

[85] *World Bank, Improving Trade and Transport for Landlocked Developing Countries, World Bank, 2013*

    - Public sector: Government agencies in the transit country supervising the flow—mainly customs and other agencies involved in controlling international trade and transportation.
    - Private Sector: Transportation services, including the trucking industry, customs brokers, and freight forwarders.
- Trust-building mechanisms, partnerships, and cooperative initiatives that bring together the many participants in the transit and corridor operations.
- An enabling environment for movements of vehicles and people—including vehicle regulations, the provision of trade in freight services across countries, allocation of visas for drivers, mutual insurance recognition, a financial sector integrated across countries, and law enforcement.
- The provisions and procedures applicable to shipments in transit and to the carriers or traders of the goods.

A well-functioning transit system requires each of these six components to be aligned. Reforms or investments that address only a sub-set of these components (for example, border infrastructure; or ICT investments to track goods in transit) without tackling the other components will be unlikely to succeed in facilitating transit trade.

Through the BRI initiative there have been varying levels of effort to address the six components above. While there has been considerable focus on the development of physical infrastructure at border crossings (point 1); several challenges remain, including the fact that well-defined institutions for cooperation do not yet exist or function poorly (point 4) and currently lack a well-functioning enabling environment for movements of goods and people (point 5). Similarly, the full set of provisions and procedures for transit are not in place, and effectively implemented, on all the BRI corridors (point 6).

The final of the six components is the one that has the most relevance for this paper, because it is the one that relates most directly to the role of Customs and other border agencies in facilitating or hindering the movement of goods in transit along the BRI corridors. The main elements of this final component that need to be addressed include: developing a cost-effective regime for transit covering bonds (to guarantee the full set of duties, taxes and charges that would be due for the goods in transit); manifests (documenting the goods in transit); and the procedures for allowing transit operations through the territory of each country along a specific corridor.

Implementing transit systems to allow for the smooth movement of goods along the BRI corridors will be challenging. As outlined in Section 3, the varying performance of Customs and other border agencies along the BRI means that some countries will have to put in considerable effort in ensuring they have the capacity to effectively implement a sound transit regime. The large proportion of LLDCs on some corridors, especially the Central Asia-West Asia corridor, is another indication of the challenge faced in facilitating transit trade – as well as the economic stakes for the countries involved, given the economic vulnerabilities that LLDCs face. The challenge that LLDCs face in implementing transit provisions is underlined by the relatively low share of LLDCs that have notified the WTO-TFA Article 11 on transit in Category A of the TFA, meaning that they were fully compliant with the Article on entry-into-force of the TFA. Only 39.7% of LLDCs

that have provided notifications included Article 11 under Category A; compared with 68.4% for the larger group of developing Members, of which LLDCs are a subset[86].

The good news for implementation of transit on the BRI corridors is that there a significant body of international experience has been acquired in the implementation of the policies and procedures for transit, underpinned by principles developed through multilateral and regional agreements. The key international agreements that underpin transit include the World Trade Organization Trade Facilitation Agreement (TFA) and General Agreement on Tariffs and Trade (GATT); the World Customs Organization Revised Kyoto Convention; and the International Convention on the Harmonization of Frontier Control of Goods (sometimes called the Geneva Convention; UNECE Inland Transport Committee 1982). The principles reflected in these international agreements, and developed through implementation of transit systems globally, are summarized in Box 8.

Based on global experience in implementing international transit systems involving multiple countries, the effective implementation of transit along the BRI corridors will require several ingredients. These include harmonized documentation requirements between countries; common standards for transport operators involved in the transit of goods; common standards for the enforcement of regulatory requirements; and mechanisms for the interoperability of bonds and the transmission of manifest information across countries[87].

Box 8: Principles for implementing policies and procedures for transit

Arvis (2011) sets out the following as the widely-accepted policies and procedures required for effective transit:

-Freedom of transit should be the default; with restrictions only where strictly necessary and permitted through regulation/procedure;

-No controls for technical standards or SPS standards for goods in transit if there is no contamination risk;

-Simplified border clearance procedures and Customs requirements, including no application of Customs duties; no duties on accidentally lost merchandise; and no physical inspection unless strictly necessary and permitted through regulation/procedure

-Streamlined and simplified guarantee mechanisms tailored for goods in transit

[86] WTO TFA Database, https://www.tfadatabase.org/notifications/groupings-by-measure (accessed May 2018)

[87] Arvis, Jean Francois (2011), Chapter 17 in McLinden et al (2011), Border Management Modernization, World Bank, Washington DC.

The only large-scale regimes that effectively bring together the ingredients above are the European common transit system, and the TIR *carnet*[88] system maintained by the World Road Transport Association (IRU). In an important lesson for the BRI, attempts to develop region-specific *carnet* systems have not generally been successful. Box 9 highlights this using an example from the Greater Mekong Subregion. In this respect, accession to and steps to implement the TIR Convention for road transit in a growing number of BRI countries in recent years is a positive development.

[88] A carnet system facilitates transit of goods through several territories. The carnet is a document that is carried with the shipment and is used by border agencies to verify that the shipments complies with the various procedures required for transit.

Box 9: Transit lessons from the Greater Mekong Subregion

Regional connectivity initiatives like the Greater Mekong Subregion program hold lessons for the BRI. Attempts to implement a transit scheme in the GMS show the challenges in facilitating transit trade, and in approaching this through regional transit instruments.

The GMS Customs Transit System (CTS) aims to facilitate the movement of goods in transit from one GMS country to another while transiting through a third country. A 2012 review by the ADB showed that the transit system saw almost no use by private sector operators, despite being formally agreed for pilot on the East-West Corridor between Myanmar, Thailand, Cambodia and Vietnam. The ADB study found that the GMS-CTS was delivering little savings in cost and time, with operators continuing to transship goods between countries rather than using the system that legally provides for direct road transport along the Corridor.

The ADB study reviewed two transit regimes within the European Union to draw lessons for the implementation of the GMS-CTS. It found that several factors affect the low utilization of the GMS-CTS, including overly complex procedures compared to more current, streamlined transit procedures; restrictions on routes and border crossings, challenges in obtaining documents for transit, and limited transit tariff rights undermined utilization of the GMS-CTS; and the lack of two-way demand for traffic on return trips, compounded by challenges in obtaining transit documents for return trips[89].

The experience of the GMS-CTS suggests the risks in developing corridor- or region-specific approaches to transit, which can quickly become out-of-date or be perceived as excessively burdensome compared to more widely-accepted transit procedures. More fundamentally, it suggests that the economics of transit are a major factor affecting the utilization of a transit regime: for example, if it is not commercially viable to operate return trips along a route, then transport operators see little benefit in using the transit regime.

There is often a strong focus on technology solutions in implementing a transit regime, like “smart seals” for containers or the use of global positioning system tracking to monitor the movement containers in transit. While these solutions can have a place within a wider transit system, they are not a substitute for the six components of an effective transit system outlined above. In some cases, the implementation of technology systems can be a distraction from the effective implementation of the basic requirements of the transit system.

There are several lessons that can be drawn from global experience for the implementation of a well-functioning transit system along the BRI:

- A well-functioning transit system will need to be implemented for each corridor, drawing on the six components outlined above;

[89] The preceding two paragraphs are based on Grimble and Linington, Chapter 4 in Srivastava and Kumar, eds (2012), Trade and Trade Facilitation in the Greater Mekong Subregion, Asian Development Bank.

- Internationally-accepted principles exist, developed through various multilateral and regional instruments, and these should be applied in the BRI context as much as possible rather than developing new transit procedures;
- Efficient transit procedures will be especially important for the LLDCs in the BRI, of which there is a high concentration on the Central Asia-West Asia corridor; and
- There should not be an excessive focus on technology solutions for transit as a substitute for other elements of the transit system.

Implementing these lessons will require a concerted effort to facilitate cooperation between BRI countries, and to learn from experiences in different regions. As discussed below, this learning of experiences from other regions, as well as from the previous experience of countries in the BRI, needs to be a priority in implementing trade facilitation reform along the BRI corridors.

**Use of ICT and progress toward automation**

Along many of the BRI corridors, border agencies continue to rely on paper-based clearance processes. As outlined in Doyle (2011), the introduction of ICT is not a "magic solution" for the modernization challenges faced by border agencies. Since the 1980s there has been a rapid decrease in cost, and increase in the adoption, of ICT solutions for border management, including both hardware and software.[90]

Given the wide variation in the effective adoption of ICT for trade facilitation among BRI economies, this is a priority area for further reform and cooperation. International experience implementing ICT reforms in trade facilitation has led to the identification of a number of critical success factors, although only a subset of these relate directly to the specific capacities required to select and roll out new hardware and software[91]. Just as important are a variety of enabling factors, including laws, regulations, institutional capacity, and change management in affected government agencies, as well as in private sector users of the new systems put in place.

ICT reform needs to be implemented based on an understanding that not all efforts to introduce ICT to the border clearance process will have the same impact. For example, shifting from the submission of paper forms to allowing traders to submit scanned copies of the forms (e.g. as PDF files) can provide some reduction in the time involved in complying with requirements. However, this will not have the same impact as shifting to the use of online forms with harmonized data elements, with a single submission of data by traders (as is the goal in Single Window systems). On the surface, both might seem to be instances of introducing "paperless trade" processes, but their impact will vary significantly.

A priority in many countries is the introduction of a National Single Window system. This has been flagged in the BRI Action Plan as a priority. The prioritization of Single Window recognizes the fact that while Customs in many countries has made significant progress in adopting ICT for clearance processes (although exceptions exist, of course), many other government agencies involves in trade continue to rely to varying degrees on paper-based systems. National Single Window systems promise to address this by connecting all agencies involved in issuing approvals,

[90] Doyle 2011, Chapter 7 in Border Management Modernization
[91] For example, Doyle (2011) identifies 12 success factors, many of which relate to institutional and capacity issues.

and linking them so that traders can have a single submission point for providing all information required for trade clearance, and a single point of information for receiving approval, rejection, or requests for further information.

However, it needs to be acknowledged that the introduction of an effective Single Window system is a very challenging initiative. The scale of the challenge is evident from WTO Members' notifications under the TFA. The most common provision notified under Category C of the TFA – the provisions that require both additional time and technical assistance to implement – is Single Window, with 45 Members indicating that they will require additional time and technical assistance to put a Single Window system in place. Essentially, Single Window has been identified as the most challenging element of the TFA to implement.

The implementation of a Single Window needs to be grounded in a robust assessment of the issues required for its implementation. This includes the governance model and selection of operator; the scope (e.g. in terms of number of agencies to be connected); technical specifications; required legal and regulatory reforms; capacity building needs; and communications priorities, among others. Even with a thorough assessment of these issues, along with strong political will and cooperation between all relevant government agencies, the implementation of a Single Window is complex, multi-year endeavor – and far from the "plug and play" system that it is sometimes conceived of by governments and traders alike. In the context of the BRI, there are a number of positive examples of Single Window implementation that can be drawn upon. For example, Singapore has a well-regarded system, the precursor versions of which date to the 1980s; Malaysia has also developed a Single Window system; and China has been implementing a pilot initiative at a national basis following earlier trials in Shanghai and other cities[92].

One of the main objectives of the introduction of ICT is automation, to speed up processing time, and reduce the instances of human intervention in the clearance process. Risk management is essential in this, as it allows low-risk, compliant shipments (which make up most trade) to rapidly pass through border clearance procedures, while flagging higher-risk shipments for further examination and inspection. There is a need to recognize that automation of procedures should be preceded by thorough analysis of opportunities for streamlining. The examples of Kazakhstan and other Central Asian countries highlighted in Section 2 underline this. Unlike other countries in the region, Kazakhstan is gradually improving trade facilitation not just by adopting new technologies, but also by streamlining business practices and building capacity of its staff through training.

The streamlining of procedures requires a solid framework of collaboration between government agencies. A common complaint of traders is that multiple agencies request the same or very similar data elements from traders, which unnecessarily increases the time involved in complying with documentary requirements. With effective frameworks for collaboration and political will to address this, significant results can be achieved. For example, China has reportedly been able to reduce the number of individual data fields required of traders for import approval from 1781 to 731, covering the cargo manifest, Customs declaration, Quarantine and Standards (AQSIQ) requirements, and transport information. Efforts are ongoing to further consolidate the information

[92] For further discussion of examples of Single Window implementation, see Siva (2011), Chapter 8 in McLinden (2011), Border Management Modernization.

required of traders for the border clearance process.[93] The private sector can be a partner in this process, helping border agencies identify where opportunities for streamlining exist.

**The "how" of reform: planning and sequencing of trade facilitation initiatives in the BRI context**

Reforms to facilitate trade along the BRI corridors will require careful planning, and a focus not just on identifying problems, but devising pragmatic means for implementing reforms to address them. As with any other area of policy reform, the analysis and sequencing of reform initiatives on trade facilitation affects the prospects for success.

Concrete reform action plans need to be developed, identifying the nature and timing of measures to be implemented at the country and corridor levels. These can draw on the implementation planning undertaken for implementation of the WTO-TFA (or other agreements/initiatives), given the high level of overlap between the content of the WTO-TFA and the reforms needed in the BRI context. Where it is necessary to develop more specific, additional plans this can be undertaken. For example, each corridor is likely to require a specific action plan for the development and implementation of a regime for the transit of goods. Legal and regulatory reforms like accession to the TIR Convention will be an important first step. However, this needs to be followed by a logical sequence of other measures, including detailed implementing regulations and procedures, capacity building and awareness raising, and institutional mechanisms to coordination the implementation of the transit regime between countries. Table 16 gives an example of how the six themes identified in the preceding situation could be prioritized according for each corridor, although it needs to be emphasized that this is included for discussion purposes only. In addition, the relative priority of these six themes varies within corridors. For example, implementing a transit regime is a priority for Lao PDR and Myanmar, more than for other corridor participants.

The reform action plans need to be underpinned by detailed analysis of the unique situation of each country and corridor, avoiding "one-size-fits-all" approaches. Although the general issues that are important for each country are corridor are largely known, as highlighted in the preceding section, greater detail is needed on the challenges faced in implementing them need to be identified. In many cases, quantitative performance data on trade facilitation is an important driver of reform. For example, in Bangladesh a 2014 Time Release Study helped to identify numerous bottlenecks to the clearance process at Chittagong, providing a basis for the simplification of procedures that reduced clearance times by 23 percent[94].

[93] Authors' interview with GAC Single Window team, Beijing, February 2018.
[94] Bangladesh National Board of Revenue (2014) Time Release Study, available at http://nbr.gov.bd/uploads/publications/Time%20Release%20Study%20Report%20-Chittagong.pdf (accessed 3 July 2018) and Gonzalez, Anabel (2017), 'Now That the Trade Facilitation Agreement has Entered Into Force', available at http://blogs.worldbank.org/trade/now-trade-facilitation-agreement-has-entered-force (accessed 3 July 2018)

**Table 17: Indication of potential prioritization for each corridor of the six reform priorities**

| | Consultation and coordination | Transparency | Information exchange | Risk management | Transit | ICT |
|---|---|---|---|---|---|---|
| **China-Pakistan** | 2 | 3 | 1 | 1 | 2 | 2 |
| **China, Mongolia, Russia** | 2 | 3 | 2 | 2 | 1 | 2 |
| **New Eurasian Land-Bridge** | 2 | 2 | 1 | 2 | 2 | 3 |
| **China-Central Asia-West Asia** | 2 | 1 | 2 | 3 | 1 | 3 |
| **China-Indochina Peninsula** | 2 | 3 | 2 | 1 | 2 | 1 |
| **Bangladesh-China-India-Myanmar** | 1 | 3 | 2 | 3 | 2 | 1 |

*Source: Authors. Note: 1=higher priority, 3=lower priority. As highlighted in Sections 2 and 3, each of these six themes are important for action in all corridors. This table is an indication of how further, more detailed diagnostic work would prioritize the urgency of implementing reforms in each area, based on progress to date, the gaps that exist, and the nature of the corridor.*

Various toolkits and diagnostic methods are available to help identify priorities for trade facilitation reform along each corridor. These tools can be applied at different stages of the process of developing and monitoring reform action plans. For example, the World Bank Trade and Transport Corridor Management Toolkit can be used at a high level to situate trade facilitation in the context of other issues required to streamline trade along corridors. More specific diagnostic tools like the World Customs Organization Time Release Study (TRS) can be used to identify bottlenecks in the border clearance process. Increasingly, the TRS is being used along corridors and the latest version of the TRS is designed to allow this. This can then form a basis for even more detailed diagnostic studies like business process analysis on specific aspects of the clearance process, or on specific topics like risk management.

Larger and more complex reforms are more likely to succeed if they are preceded by more modest initiatives that demonstrate what can be achieved, and foster the kind of collaboration and coordination required for larger initiatives. For example, as discussed above, the implementation of ICT systems for trade facilitation such as National Single Windows is often seen as a flagship trade facilitation reform. Various BRI related statements and plans have emphasized the value of

National Single Windows in the BRI context. However, it is common not just in developing countries but also advanced economies to underestimate the complexity of such initiatives. Before embarking on a major initiative like an NSW, it may make sense for BRI countries to ensure they have a well-functioning, ICT-based system for the transparency of trade-related information, such as a Trade Information Portal. The inter-agency effort and dialogue with the private sector involved in developing a Trade Information Portal can pave the way for the more complex effort of establishing a National Single Window. In Sri Lanka, for example, the Government of Sri Lanka is developing a Trade Information Portal over a six-month period – over the same timeframe, a detailed Blueprint for a National Single Window is being developed, in order to prepare for the more complex effort of implementing a Single Window over a longer period.

The planning of trade facilitation reforms for the BRI corridors needs to recognize that while the objective of reform may be to facilitate regional trade, most of the implementation challenge rests with individual governments. The bulk of the effort to implement reforms to trade facilitation must be taken by Customs and other border agencies, guided by NTFCs or their equivalent, and with the involvement of the private sector. The involvement of development partners to assist with the transfer of knowledge, capacity-building, and financing also largely takes place at the country level. Ultimately, it is national governments that are responsible for their own economic management including the trade regime, as well as community protection, safety and other objectives of a sound trade facilitation regime.

The right balance needs to be struck in efforts to implement regional or corridor trade facilitation initiatives, and these domestic reforms. There are certain areas of reform where collective action is essential and should be an early priority, like the development of an effective transit regime along a specific corridor. However, in other areas, efforts are more likely to be effective if they are driven at the country level first – for example, the implementation of Single Window systems. The experience with attempts to implement regional Single Window initiatives, like the ASEAN Single Window, is that progress tends to be extremely slow if functioning National Single Windows are not in place first. The more countries that are involved in any reform, the more complicated it becomes, so the challenge for initiatives like the BRI is to remain strategic regarding what is taken on at the regional level, and what is left for individual governments to address.

In terms of the benchmarks and practices of trade facilitation, as Section 2 illustrated, a significant body of international agreements/standards and practices has been developed. The WTO-TFA, WCO instruments, UN regional commissions' guidelines, and procedures developed by other regional bodies like APEC or ASEAN, form a body of standards and practices that have direct relevance for the BRI. Unless a specific need can be identified there is little reason to develop a body of BRI-specific trade facilitation standards, and this could increase, rather than reduce, trade transaction costs. Experience in other regional initiatives highlights that there is often little pay-off from the cost and effort involved in developing region-specific procedures, and the private sector often sees these as redundant. For example, as the section above on transit highlighted, the region-specific transit regimes have tended to have little uptake, and efforts could have been better directed towards the adoption and implementation of existing international procedures like the TIR Convention. For the BRI, implementation efforts should draw upon the trade facilitation standards and practices defined internationally, translating and adopting them where necessary to the BRI context.

While often overlooked as part of the implementation of trade facilitation reform, it is essential that BRI economies develop systems for monitoring the implementation of trade facilitation reforms, and that this is done from the outset. The diagnostic work recommended above, and the subsequent trade facilitation reform action plans for BRI corridors, should include a work program to assess the availability of data for monitoring trade facilitation performance; gathering data to fill gaps; and ensuring there is a system for updating and publishing this data.

Monitoring frameworks for trade facilitation along the BRI corridors should be developed, linked to the reform action plans for each corridor. The trade facilitation indicators used in Section 3 (for example, Doing Business and the Logistics Performance Index) can be part of the monitoring systems developed for the BRI context. In addition, more specific data should also be gathered and published. This could include clearance times for goods (not just for physical clearance across a border, but reflecting total time involved in all steps for the clearance process, e.g. documentary compliance). The data gathered should show the time and/or cost involved in each step of regulatory approval, not the steps for which Customs is responsible. Survey of the private sector as well as direct feedback, e.g. via mobile phone messaging, should also be considered. These types of data, and others, should be used to develop a monitoring framework for trade facilitation along the BRI corridors.

Finally, the implementation of trade facilitation reforms associated with the BRI will require the development of institutions for collaboration among BRI countries. Notwithstanding the reality that the implementation of most reforms is ultimately undertaken by individual governments, as discussed above, this paper has highlighted many issues where collaboration and coordination between governments will be essential. The development of corridor transit regimes; the sharing of information for risk management; and the exchange of information on standards-related approval procedures; are examples of areas where collaboration between BRI countries will be essential.

While individual, ad hoc initiatives for collaboration are being pursued, there is not yet a structured approach for collaboration along BRI corridors. Although international standards provide the standards that BRI countries should aim for, mechanisms will be needed to foster collaboration among countries on the areas identified above. Given the large number of countries participating in the BRI, and the wide range of issues faced, the most effective level of cooperation is likely to be along specific corridors. In doing so, BRI countries can draw on a growing set of experiences of corridor-based trade facilitation efforts[95], as well as global experience in trade facilitation reform. International institutions like the World Bank are well placed to support this.

[95] This is addressed in a separate paper being prepared as part of the World Bank BRI program.

## Conclusion

While each BRI country and corridor faces unique challenges, it is possible to identify several priority themes where trade facilitation reform is likely to have the most impact in boosting trade through the BRI. This paper has identified six priority themes for reform, which will be especially important in reducing procedural costs associated with trade. First, the implementation of national mechanisms to coordinate trade facilitation reform (i.e. the National Trade Facilitation Committees required under the WTO-TFA), with active involvement of the private sector. Second, improvements to transparency on procedures and regulations affecting trade. Third, stronger information-sharing between BRI economies, encompassing information on best practices and lessons learned in trade facilitation reform; more operational information-sharing, especially to support risk management; and information-sharing and mutual recognition on standards-related procedures. Fourth, the implementation of more effective risk-based management processes for trade. Fifth, the development of transit management regimes for each corridor. Sixth, the effective use of ICT as part of trade facilitation streamlining, which acknowledging that ICT reform is most effective when accompanied by other trade facilitation reforms.

The scale of the trade facilitation reform challenge facing BRI economies seems considerable, as suggested by the relatively weak performance of BRI countries on key trade facilitation indicators. This underlines the importance of careful analysis and planning of trade facilitation reform in support of the BRI connectivity objectives. A key recommendation of this paper is that on a corridor-by-corridor basis, detailed diagnostic work be undertaken to analyze the key trade facilitation barriers and bottlenecks, with a focus on the six themes identifies above, as well as other issues relevant for each corridor. These diagnostic studies can then form the basis for detailed reform action plans for each corridor, underpinned by a robust monitoring framework to build accountability and promote dialogue on implementation progress. These action plans would identify what priorities are the responsibility of individual members of each corridor, and which issues need to be tackled collectively. They would also form the centerpiece of institutions for collaboration developed for each corridor, which are nascent or only exist on an *ad hoc* basis at present.

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## Annex : WTO Membership and Status of Trade Facilitation Agreement Ratification and Categorization, by BRI Corridor

| WTO Member | WTO member/observer | Ratified TFA | Category A | Category B | Category C |
|---|---|---|---|---|---|
| **China-Pakistan** | | | | | |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| Pakistan | Y | Yes | 34.00% | 34.50% | 31.5% |
| **China, Mongolia, Russia** | | | | | |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| Mongolia | Y | Yes | 23.50% | 36.10% | 40.3% |
| Russian Federation | Y | Yes | 100.00% | 0.00% | 0.0% |
| **New Eurasian Land-Based** | | | | | |
| Belarus | N | NA | n/a | n/a | n/a |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| Czech Republic | Y | Yes | 100.00% | 0.00% | 0.0% |
| Kazakhstan | Y | Yes | 42.40% | U | U |
| Poland | Y | Yes | 100.00% | 0.00% | 0.0% |
| **China-Central Asia-West Asia** | | | | | |
| Afghanistan | Y | Yes | 11.30% | 31.10% | 57.6% |
| Azerbaijan | N | NA | n/a | n/a | n/a |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| Georgia | Y | Yes | 92.40% | 0.00% | 7.6% |
| Iran, Islamic Rep. | N | NA | n/a | n/a | n/a |
| Kyrgyz Republic | Y | Yes | 7.60% | U | U |
| Russian Federation | Y | Yes | 100.00% | 0.00% | 0.0% |
| Tajikistan | Y | Yes | 53.80% | U | U |
| Turkey | Y | Yes | 100.00% | 0.00% | 0.0% |

| | | | | | |
|---|---|---|---|---|---|
| Turkmenistan | N | NA | n/a | n/a | n/a |
| Uzbekistan | N | NA | n/a | n/a | n/a |
| **China-Indochina Peninsula** | | | | | |
| Cambodia | Y | Yes | 60.90% | 19.30% | 19.7% |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| Lao PDR | Y | Yes | 21.00% | 11.80% | 67.2% |
| Malaysia | Y | Yes | 94.10% | 5.90% | 0.0% |
| Myanmar | Y | Yes | 5.50% | 9.20% | 85.3% |
| Singapore | Y | Yes | 100.00% | 0.00% | 0.0% |
| Thailand | Y | Yes | 93.70% | 6.30% | 0.0% |
| Vietnam | Y | Yes | 22.70% | U | U |
| **Bangladesh-China-India-Myanmar** | | | | | |
| Bangladesh | Y | Yes | 34.50% | 38.20% | 27.3% |
| China | Y | Yes | 94.50% | 5.50% | 0.0% |
| India | Y | Yes | 72.30% | 27.70% | 0.0% |
| Myanmar | Y | Yes | 5.50% | 9.20% | 85.3% |

*Source: WTO, as of 30 July 2018. Percentages for categorization show the percentage of articles of the TFA that have been notified under each category, for each WTO Members. U = uncategorized, meaning no notification has been received by the WTO for that Member for Categories B and C*