

Issues Note for
High-Level Meeting on
Regional Cooperation for Trade and Transport Connectivity
in the Age of Pandemics in Asia and the Pacific

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Prepared by ESCAP and ADB

Disclaimer

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I. Introduction

The Coronavirus 2019 (COVID-19) pandemic has hit global trade at an unprecedented speed and scale and continues to wreak havoc on the global economy. Transport and travel restrictions, as well as the closure of manufacturing plants, business establishments, and reduced work force capacity, have resulted in dramatic declines in the manufacturing and services sectors alike. The COVID-19 pandemic has revealed the fragility of the global supply chain. World trade is expected to fall by between 13 per cent and 32 per cent in 2020 resulting from the pandemic.¹

The Asia-Pacific region was the first part of the world affected by the crisis. Most economies in the region have small domestic markets and rely on foreign suppliers of raw materials and intermediates, as well as foreign sources of capital and technology. The developing economies in the region are bearing the brunt of the situation with a triple shock: the COVID-19 pandemic, the economic impact of shutdowns, and the ensuing global recession.² In addition, the pandemic has also pushed up trade costs, leading to trade policy uncertainty. Trade costs in the Asia-Pacific region are forecasted to increase by an average of 7 per cent.³

Mitigation measures and the introduction of export restrictions further increased the vulnerability of developing economies, in particular least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing states (SIDS) in the region. COVID-19 has also had a profound impact on small and medium-sized enterprises (SMEs), which comprise the majority of enterprises in all the region's economies.⁴

The COVID-19 challenges have underscored the importance of maintaining trade and transport connectivity and the cross-border movement of goods, not only for the immediate pandemic response, but also for the subsequent recovery efforts and building resilience to future disruptions. In response to the COVID-19 pandemic, the Asia-Pacific region increased implementation and digitalization of trade and transport facilitation practices and sought to improve the efficiency of cross-border trade. However, pre-existing shortcomings including fragmented digital infrastructure, lack of relevant legal frameworks and lack of streamlined trade and transport facilitation practices have further constrained trade resilience and post-pandemic recovery in the region.

Against this background, this note will discuss the pandemic's impact on trade and trade-related measures, and present the initial developments and lessons learned in trade and transport facilitation practices in response to COVID-19 pandemic. It will also discuss the ways forward to support sustainable and resilient recovery from the COVID-19 crisis and to be better equipped to build back better.

¹ WTO, "Trade Set to Plunge as COVID-19 Pandemic Upends Global Economy" (8 April 2020) available at https://www.wto.org/english/news_e/pres20_e/pr855_e.htm.

² World Bank, "From Containment to Recovery: Economic Update for East Asia and the Pacific" (2020) available at <https://www.worldbank.org/en/region/eap/publication/east-asia-pacific-economic-update> (accessed 8 November 2020).

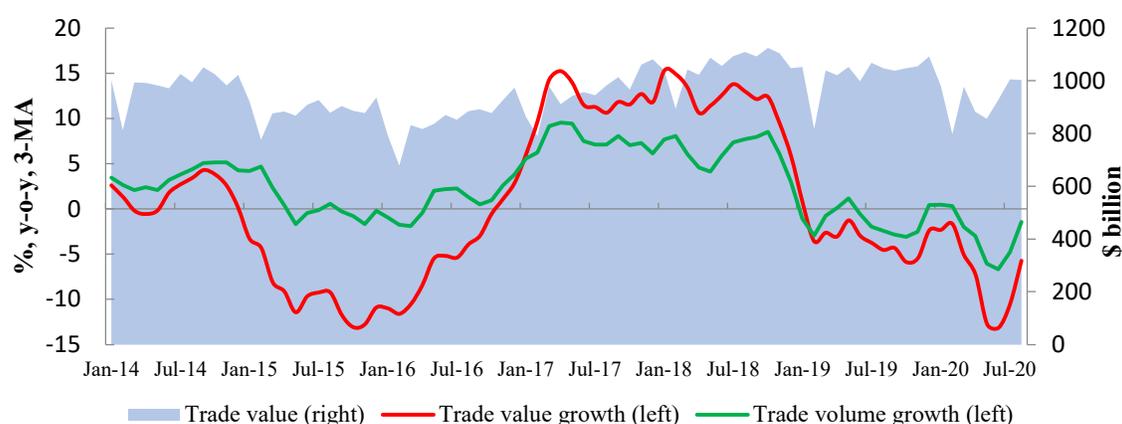
³ Utoktham & Duval, "Bilateral Trade Cost Forecast – Technical Brief" (updated 14 September 2020), available at <https://www.unescap.org/resources/escap-world-bank-trade-cost-database>

⁴ Naoyuki Yoshino and Farhad Taghizadeh-Hesary, *The Role of SMEs in Asia and Their Difficulties in Accessing Finance* (Asian Development Bank 2018) available at <https://www.adb.org/publications/role-smes-asia-and-their-difficulties-accessing-finance>.

II. COVID-19 impact on trade and trade-related measures

Temporary export bans for essential medical equipment and further trade restrictions of critical foodstuff adopted by many countries in response to the spread of the pandemic worsened trade performance both globally and regionally. Closures of points of entry—air, sea, and land—along with strengthened border crossing and quarantine procedures have impeded the seamless flow of goods. In addition, bottlenecks in sourcing resources and deploying key personnel on sites have led to disruptions in supply chain networks in the region (Figure 1). To the extent containment policies continue to disrupt transport and supply chains and weaken consumption and investment, global trade value and volume growth rate is expected to continue on a downward trend.

Figure 1: Monthly trade, by value and volume—Asia



y-o-y = year-on-year, mo = month, MA = moving average

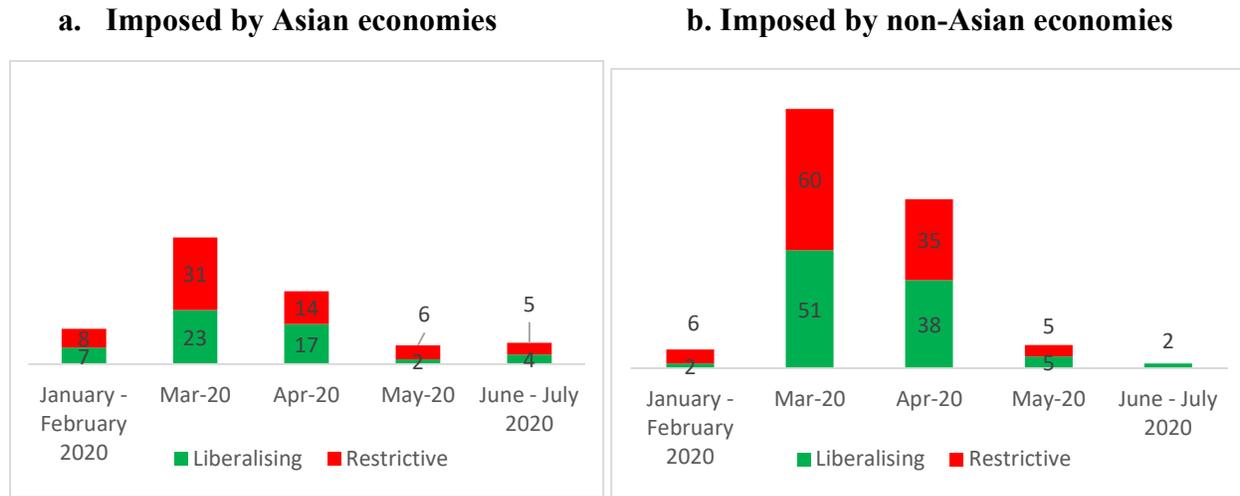
Notes: Trade volume growth rates were computed using volume indexes for select ADB's member countries. To come up with an index for Asia, trade values were used as weights for the computations. On the other hand, trade value levels and growth rates were computed by aggregating import and export values of the same Asian economies.

Sources: ADB calculations using data from CEIC; and CPB Netherlands Bureau for Economic Policy Analysis. World Trade Monitor. <https://www.cpb.nl/en/data> (accessed November 2020).

Economies worldwide enacted the highest number of COVID-19 related trade measures in March 2020 or during the period when the World Health Organization (WHO) officially declared COVID-19 as a pandemic and numerous economies started implementing lockdowns or stay-at-home orders (Figure 2). More than 50% of COVID-19 related trade measures enacted during this period were restrictive. The number of COVID-19 related trade measures began to slow down since April 2020.

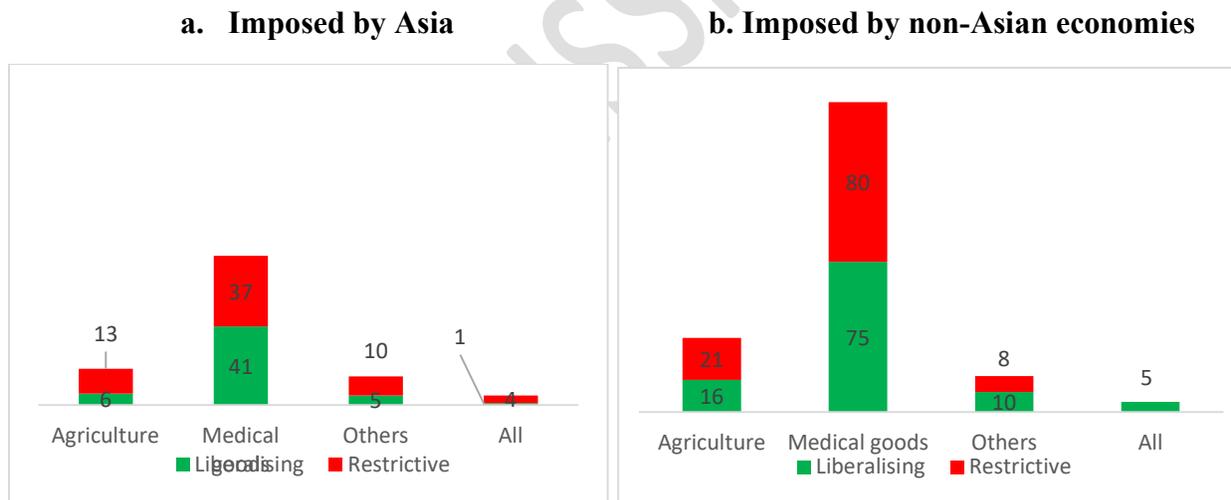
Medical goods have been targeted with the highest number of COVID-19 related trade measures (Figure 3). 53 per cent of trade measures on medical goods in the region are liberalizing while 47 per cent are restrictive. For the rest of the world, the majority of measures imposed on medical goods are trade restrictive. For economies globally, agricultural products are targeted by a greater share of trade restrictive COVID-19 measures.

Figure 2: Timeline of COVID-19 related trade measures, by effect on trade (as of 24 August 2020)



Source: ADB staff calculations using data from International Trade Centre. <https://www.intracen.org> (accessed 25 August 2020).

Figure 3: Products affected by COVID-19 related trade measures, by effect on trade (as of 24 August 2020)



Source: ADB staff calculations using data from International Trade Centre. <https://www.intracen.org> (accessed 25 August 2020).

III. Trade and transport facilitation measures amid COVID-19: developments and practices in the Asia-Pacific

Since the outbreak of COVID-19, governments, border agencies, logistics companies and traders have been exploring how they can leverage existing trade and transport facilitation measures to keep goods moving across borders. The crisis has also accelerated the implementation of trade and transport facilitation globally. Many international and regional organizations are actively promoting international best practices. This presents an opportunity to turn trade and transport facilitation measures implemented in response to COVID-19 into sustainable and streamlined practices, strengthen regional connectivity, spur the development of paperless trade and build back better.

While details of trade facilitation measures in response to COVID-19 applied on the ground vary based on the different cultural, societal and economic context of each country, measures can generally be categorized into five groups: transparency and institutional coordination; simplification of customs procedures and expedited clearance; digital trade and transport facilitation; transport and transit facilitation; and business facilitation and trade finance.⁵ Table 1 provides the summary of key trade and transport facilitation measures.

Table 1: Practices of COVID-19 Trade and Transport Facilitation Measures across the Region

| Area | Selected trade and transport facilitation measures |
|--|--|
| Transparency and institutional coordination | <ul style="list-style-type: none"> • Creating an outreach portal (single-window COVID-19 portal) to provide information on rules and recommendations, including trade facilitation measures implemented by central and local governments; • Publishing and notifying trade facilitation measures to relevant international organizations (WTO and WCO); • All-Government approach with creation of task forces/governing body comprising of Customs authorities, Ministry of Transport, Ministry of Trade, Ministry of Commerce etc.; • Coordination of border, domestic and cross-border border agencies; • Collaboration for expedited clearance of emergency supplies. |
| Simplification of customs procedures and expedited clearance | <ul style="list-style-type: none"> • 24/7 clearance system at major ports; • Reduction and waiving of taxes and duties for goods essential to combating the spread of the pandemic; • Expedited clearance through green lanes and exclusive service windows with designated officers; • Simplification of import, export and transit documentary requirements and procedures; • Risk management to prioritize clearance of imports and exports to low-risk critical supplies; |

⁵ The summary and subsequent discussions are based on four subregional studies on trade facilitation in times of crisis and pandemic: Yelena Vassilevskaya, “Trade Facilitation in Times of Pandemic: Practices from North and Central Asia” (2020) ARTNeT Working Paper Series No.197; Jiangyuan Fu, “Trade Facilitation in Times of Pandemic: Practices from the East and North- East Asia” (2020) ARTNeT Working Paper Series No.196; Prabir De, “Trade Facilitation in Times of Pandemic: Practices from South and South West Asia” (2020) ARTNeT Working Paper Series No.198; Jonathan Koh, “Trade Facilitation in Times of Pandemic: Practices from the South East Asia” (forthcoming).

| | |
|---|--|
| | <ul style="list-style-type: none"> • Recognition of testing reports and certificates by competent foreign authorities, as well as third parties for expedited clearance of essential medical supplies; • Allowing trusted traders/ Authorized Economic Operators (AEO) to be granted expedited clearance. |
| Digital trade and transport facilitation | <ul style="list-style-type: none"> • Leveraging information technology and facilitate more streamlined customs procedures and electronic exchange of information between transport and control authorities • Implementing Government digital platforms to facilitate remote working; • Allowing submission of electronic documents including additional digital document to be submitted via single window and other web portals; • Introducing e-registration of travel documents; • Creating web portals to inform about areas under lockdown and road closures. |
| Transport and transit facilitation | <ul style="list-style-type: none"> • Development of guidelines on the prevention and control of COVID-19 for border-crossing officials and transport crews; • Designated priority lanes and green corridors for essential goods and designated truck stop and rest area locations; • Enhancing disinfection and sanitisation regime of transport property and facilities; • Use of TIR/e-TIR system to facilitate transport and transit. |
| Business facilitation measures and trade finance | <ul style="list-style-type: none"> • Launch of financial support package to support business by reducing tax and allowing deferral payments, with support of SMEs as a priority; • Allowing SMEs easier access to trade facilitation information and measures, improving digital capacities of SMEs and providing training assistance for SMEs resilience; • Reduction in landing/port fees to help aviation and shipping industries; • Leveraging of e-commerce and broadcasting sales to boost exports; • Provision of various export credit insurance tools with reduced administrative fees; • Introduction of online trade finance facilities and provision of digital solutions for trade finance. |

Source: ESCAP Compilation

a) Transparency and institutional coordination

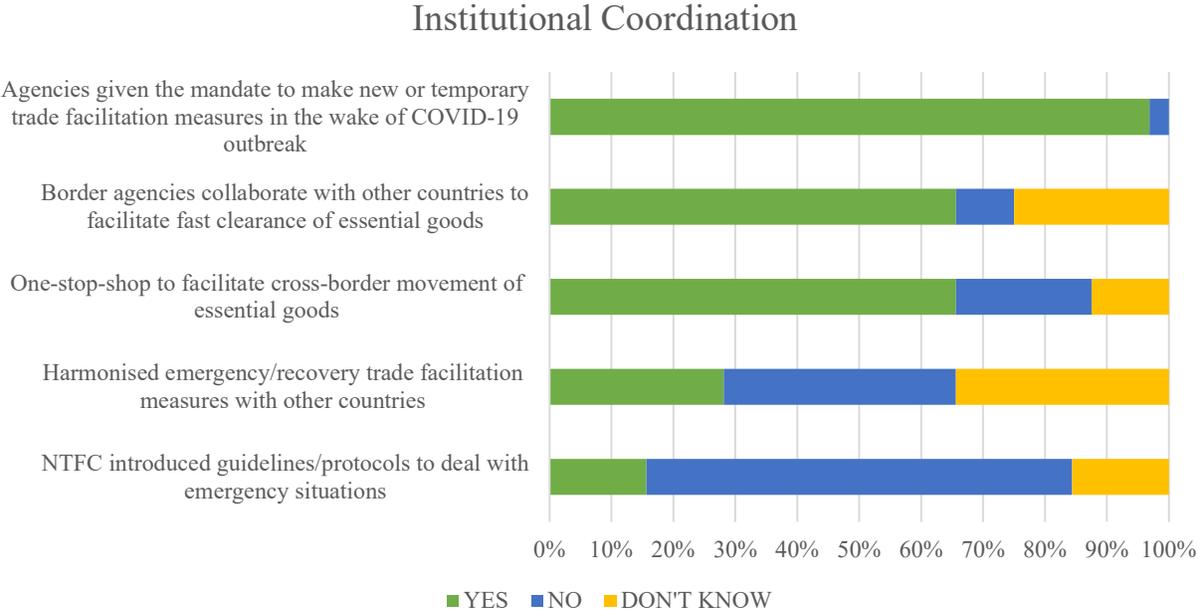
Most countries in the region have published, at least partially, their trade-related measures on the website of relevant government agencies and duly notified the WTO and WCO. However, it is not easy to find all new or temporary trade-related measures for most of the countries in the region. Information is often incomplete and scattered across different governmental websites, e-platforms and trade portals. Government decisions change rapidly, and measures are amended several times as the pandemic situation evolves. The lack of an easily accessible and well-organized source of the most up-to-date trade-related measures to traders has become a substantial constraint during this crisis. There are some cases where a single source of information is implemented. For example, the Russian Federation has implemented a ‘COVID-19 single window’⁶. In Japan, information is presented in both the local language and English, enabling easier access to information for the relevant stakeholders.⁷

⁶ http://government.ru/support_measures/

⁷ <https://corona.go.jp/en/>

According to the ESCAP Survey on Trade Facilitation in Times of Crisis and Pandemic⁸, nearly all countries in the region have established a governing body to develop and coordinate COVID-19 countermeasures. Over 60 per cent of the border agencies in the region have established coordination mechanisms in terms of both domestic and cross-border collaboration for certain trade procedures, such as the expedited clearance of essential supplies. However, only a few national trade facilitation committees (NTFCs) or their equivalents have introduced guidelines on trade facilitation to deal with emergency situations (Figure 4).⁹ It is also noted in ESCAP sub-regional studies that in many countries the NTFC did not necessarily participate in the committee/body responsible for COVID-19 crisis response.¹⁰ These coordinating bodies often lack the competency or mandate to implement effective trade facilitation measures. The COVID-19 has demonstrated the importance of NTFCs or equivalent agencies in coordinating trade facilitation while responding to a crisis.

Figure 4: Implementation of Institutional Coordination Measures in Asia and the Pacific (32 countries)¹¹



Source: ESCAP, Survey on Trade Facilitation in Times of Crisis and Pandemic (2020)

⁸ UN regional commissions have developed this short Survey on Trade Facilitation in Times of Crisis and Pandemic, and pilot tested in the Asia-Pacific region, collecting trade facilitation and paperless trade measures implemented in response to COVID-19. The modified Survey will be included as an additional module in the UN Global Survey on Digital and Sustainable Trade Facilitation (unfscap.org) from 2021 onward.

⁹ ESCAP, “Regional Report on Trade Facilitation in Times of Crisis and Pandemic” (forthcoming). Preliminary results were also included in *Seamless trade and transport connectivity in Asia and the Pacific: regional cooperation in the context of the COVID-19 pandemic*. Available at <https://www.unescap.org/resources/seamless-trade-and-transport-connectivity-asia-and-pacific-regional-cooperation-context>

¹⁰ ESCAP four subregional studies (n 6).

¹¹ 32 countries included in the ESCAP survey are: Afghanistan, Armenia, Azerbaijan, Bangladesh, Brunei Darussalam, Cambodia, Georgia, India, Indonesia, Iran, Japan, Kazakhstan, Kyrgyzstan, Malaysia, Maldives, Mongolia, Myanmar, Lao People's Democratic Republic, Nepal, Republic of Korea, Pakistan, People’s Republic of China, Philippines, Russian Federation, Singapore, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Turkey, Uzbekistan, Viet Nam.

b) Simplification of customs procedures and expedited clearance

While many trade-restrictive measures were implemented in the early stages of the pandemic, over 90 per cent of the countries included in the ESCAP Survey on Trade Facilitation in Times of Crisis and Pandemic have shifted towards simplification of trade procedures and expedited clearances as the pandemic progressed.¹² A WTO report on trade measures also points to significant moves to facilitate imports, in particular products related to COVID-19.¹³ For instance, governments have implemented dozens of measures simplifying customs procedures and expediting clearance for essential supplies. The most commonly applied measures were reducing tariffs, VAT and customs fees, prioritizing the clearance of essential goods used for fighting COVID-19 and streamlining registration and approval requirements to deal with relevant technical regulations. In addition, countries such as the People's Republic of China (PRC)¹⁴, the Republic of Korea and some Association of Southeast Asian Nations (ASEAN) members have leveraged their existing Authorized Economic Operators (AEO) schemes to allow compliant traders to benefit from expedited clearance.¹⁵ Some countries have also been proactively negotiating with their trading partners to sign mutual recognition agreements (MRAs) for their respective AEOs during the pandemic. Preliminary work is underway on the establishment of an ASEAN-wide AEO MRA.¹⁶ It is envisaged that development of AEO schemes and AEO MRAs will accelerate in the post-pandemic future.

c) Digital trade and transport facilitation

Digital trade facilitation plays a crucial role in mitigating some of the consequences of the COVID-19 pandemic, creating tremendous impetus for further trade digitalization. Indeed, trade digitalization had already been accelerating in the Asia-Pacific region before the pandemic struck, and those measures have contributed to effective trade facilitation during the pandemic. This demonstrated a clear need to leverage the greater use of paperless trading systems with the support of adequate information technology.

The pandemic has become an impetus to upgrade digital infrastructure and accelerate digital transformation in areas where implementation of other paperless trade measures is lagging, such as electronic exchange of data and documents. For instance, Tajikistan has launched a national single window and Uzbekistan is implementing electronic sanitary and phytosanitary (SPS) certificates on the basis of existing global initiatives (e.g., International Plant Protection Convention (IPPC)'s electronic phytosanitary certificate (ePhyto); World for Animal Health (OIE)'s Electronic Veterinary Certification).¹⁷ India and the Eurasian Economic Union (EAEU) have accepted Electronic Certificate of Origin (E-CO) in response to the pandemic.¹⁸ Members of the Central Asia

¹² ESCAP (n 10).

¹³ WTO, "WTO Report on G20 Shows Moves to Facilitate Imports Even as Trade Restrictions Remain Widespread" (29 June 2020). See https://www.wto.org/english/news_e/news20_e/trdev_29jun20_e.htm

¹⁴ ADB recognizes "China" as the People's Republic of China.

¹⁵ See ESCAP's subregional studies on trade facilitation in times of crisis and pandemic (n 6).

¹⁶ Bui Nu and Trang Huyen, 'Joint Media Statement of the 29th Meeting of the ASEAN Directors General of Customs' (*Customs News*, 21 August 2020). See <https://customsnews.vn/joint-media-statement-of-the-29th-meeting-of-the-asean-directors-general-of-customs-15588.html> (accessed 8 September 2020).

¹⁷ <https://www.carecprogram.org/uploads/CAREC-Trade-Sector-Report-and-Workplan.pdf>

¹⁸ Vassilevskaya (n 6), De (n 6).

Regional Economic Cooperation Program (CAREC) have agreed on the need to align their legislations with international standards for e-commerce and improve customs services.¹⁹

To ensure the continued movement of international freight, various measures have been taken in the transport sector (especially along the Asia Highway Network and Trans-Asian Railway Network) to promote connectivity through wider use of digital technologies. Such measures include accelerating automation of transport and cargo management systems; introducing e-registration of travel document; leveraging digital platforms to provide logistics services and identifying and coordinating optimal routes and schedules, etc.²⁰

However, it is also worth noting that implementation of digital trade and transport depends on having the appropriate capacity, digital infrastructure and technologies. Some developing countries in the region still have no electronic service platform, or their electronic systems need significant improvements. Capacity building to improve digital trade and transport facilitation is a high priority.

d) Transport and transit facilitation

Transport facilitation is an important pillar in the trade facilitation, which helps smooth the movement of essential supplies, reduce trade costs and increase supply chain connectivity. The COVID-19 pandemic has significantly pushed up transport and travel costs as a result of additional inspections, reduced hours of operation, road closure, border closures, etc.²¹ It has also further underscored the major limitations of existing practices of freight transport and revealed the vulnerability of entire segments of the transport sector in the Asia-Pacific region.

In response to COVID-19, economies in the region have made great efforts to ensure the continued movement of international freight at the border. These measures varied from coordinating border policies to allow commercial vehicles or others with essential needs to cross the border, introducing green lanes to prioritize transport and transit of essential goods, streamlining the border crossing procedures, changing requirements for drivers and incoming trucks etc.

It is worth noting that members of the Asia Highway Network kept all, or at least a significant portion of their land borders open for freight. Two thirds have implemented special trade and transport facilitation measures to ensure freight transport along the Trans-Asian Railway Network with limited interruptions,²² making rail a vital link for the movement of essential goods and medical supplies. Traffic in international freight transported along the corridors of the Trans-Asian Railway network has grown in recent years, even during the COVID-19 pandemic.²³

¹⁹ <https://www.carecprogram.org/?event=webinar-e-commerce-paperless-trade>

²⁰ ESCAP, "Seamless and Smart Connectivity Seamless and smart connectivity along the Asian Highway network in the time of COVID-19 (2020) <https://www.unescap.org/resources/seamless-and-smart-connectivity-along-asian-highway-networktime-covid-19>

²¹ Examples of additional road and transport costs due to COVID-19 include: labour costs from recruitment and hiring of additional drivers to replace those sick or in quarantine; health check requirements, idle time, insurance, disease control costs to meet hygiene and sanitizing requirements, and business losses from disruption of transport. For more information, see *ibid*.

²² ESCAP, "Monitoring the Transport Policy Response to COVID-19 along the Regional Transport Network in Asia and the Pacific", Available at: <https://www.unescap.org/our-work/transport/transport-facilitation-and-connecting-subregional-transport-networks/monitoring-transport-policy-response-covid-19> (accessed on 24 July 2020).

²³ As per data available on the Global Times (<http://www.globaltimes.cn/content/1194623.shtml>), the number of China-Europe freight trains rose 36 per cent year-on-year to 5,122 in the first half year 2020.

e) Business facilitation and trade finance

Most economies in the region have launched economic stimulus measures to support trade and transport sectors through measures such as reducing income taxes, financial relief packages, decreasing relevant fees, etc. SMEs are particularly vulnerable to the effects of the COVID-19 pandemic. Supporting SMEs during the pandemic has been identified as a priority in business financial support packages in many countries in the region. In addition, many countries have implemented measures to enable SMEs to gain easier access to trade-related information and foreign buyers. The PRC, for instance, offers free consultation services to traders, particularly SMEs, on the changing regulatory requirements in major trading nations and legal risks which during the COVID-19 crisis.²⁴

The impacts of the COVID-19 crisis on trade finance have been immense.²⁵ Major multilateral institutions—including the WTO, International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), ADB, African Development Bank Group (AfDB), Islamic Trade Finance Corporation (ITFC) and the InterAmerican Development Corporation (IDB Invest) —issued a statement in July 2020 declaring a global crisis in trade finance amid the pandemic and called for urgent actions to address it.

In response to the shortage of trade finance during the pandemic, ADB increased its \$2.45 billion Trade and Supply Chain Finance Program (TSCFP). Since 1 April, ADB’s Trade Finance Program has supported over 4,000 transactions valued at \$3.2 billion including co-financing equivalent to \$1.6 billion. These included medical-supply transactions such as test kits, medical equipment, and COVID-19 medicines, as well as food security and agriculture-related transactions. Meanwhile, ADB’s Supply Chain Finance Program has supported nearly 1,000 transactions with a total value of \$163 million. Knowledge products have also been produced under the TSCFP, such as a mapping of the entire supply chain for 11 critical pandemic-fighting goods which can help banks and governments monitor supply bottlenecks and provide financial support.

COVID-19 has also exposed the vulnerability of paper-based trade financing, which requires significant levels of in-person “back office” staffing. Trade finance banks in the PRC, Japan and the Republic of Korea have already started to invest in digitalization, with technologies such as artificial intelligence and block chain being used to develop digital trade finance.²⁶

²⁴ Fu (n 6).

²⁵ Even before the pandemic trade finance gaps were significant. ADB estimated the global trade finance gap at \$1.4–\$1.6 trillion in 2019, equivalent to 8 to 10 per cent of world merchandise trade. An estimated 40 per cent of this shortage is from the Asia-Pacific region. Trade finance supports about 80 to 90 per cent of world trade through credit, insurance, and guarantees, which are mostly short-term in nature.

²⁶ Fu (n 6).

IV. Forging trade and transport connectivity and resilience: building back better

Despite countries' efforts to keep their borders open and to accelerate digital transformation, severe bottlenecks in trade and transport connectivity have been identified in many parts of the region. In addition to this, the fragmented policy responses prevented more efficient and effective responses to the pandemic.

The ESCAP survey on Trade Facilitation in Times of Crisis and Pandemic reveals that while national COVID-19 trade facilitation measures, to a various extend, are underway, there is still room for improvement when it comes to regional mechanism for resilient trade recovery.²⁷ The ESCAP survey on Freight Transport Policy Responses to COVID-19 also suggested that regional cooperation is the top priorities for countries in the region.²⁸ As the main regional cooperation body for trade and transport in Asia and the Pacific, ESCAP has been working closely with its member States to mobilize the existing regional agreements and other tools for the pandemic response and recovery policies. ESCAP organized a series of virtual meetings on trade facilitation and transport connectivity which identified good practices in the region and discussed recommended measures that will help cope with future crises.²⁹

Several possible areas for collaborative actions are identified to improve regional response to the ongoing pandemic and similar future disruptions. Further actions centre around four main axes: **'coordination'**, **'digitalization'**, **'harmonization'** and **'partnership'**. All these measures entail mobilizing the existing trade and transport cooperation mechanisms and, notably, bilateral and regional trade and transport agreements.

A. Coordination: improving cross-border procedures in lieu of fragmented operations

To reduce delays at ports and border crossings, reduce transaction costs, and support expedited clearance and transport of essential supplies, it would be advisable for countries to further coordinate cross-border operations in line with the global and regional good practices, including:

- Keeping borders open for freight with “green lanes”. Designating “green lane” border crossing points can help keep supply chains intact.
- Implementing expedited protocols for entry and exit screening and testing of drivers; pilots and airplane crew; vessels and vehicles carrying cargo.
- Agreeing on mutual recognition of COVID-19 clearance certificates issued by the country of departure or delivery.

²⁷ ESCAP (n 10).. See also figure 4 above, less than 30% of the countries surveyed have harmonized trade facilitation measures with other countries.

²⁸ By way of example, 84 per cent of the respondent to the UNESCAP survey on Freight Transport Policy Responses to COVID-19 rated regional cooperation as one of the top priorities for their Government.

²⁹ See <https://www.unescap.org/events/expert-group-meeting-trade-facilitation-times-crisis-and-epidemic> See also <https://www.unescap.org/events/joint-escap-osjd-virtual-meeting-experts-challenges-opportunities-international-railway> and <https://www.unescap.org/events/virtual-expert-group-meeting-safe-and-seamless-transport-connectivity-along-asian-highway>

- Strengthening customs cooperation including exchange of risk-related information and control results and supporting mutual recognition of AEO programmes to secure and facilitate trade.
- Leveraging innovative forms of border-crossing formalities for crews and freight transport.
- Identifying and according priority to the clearance and transportation of essential supplies, whilst ensuring that all legal documents are in place and customs and other regulatory requirements are complied with. This may include, but is not limited to, pre-clearance and single window processing, permits, registration of drivers, vehicles and freight.
- Bolstering research and analysis on contracts for international carriage of goods, land and multimodal transport in order to better cope with challenges arising from the COVID-19 crisis.

B. Digitalization: pursuing trade and transport digitalization as a regional strategy

Digitalization has been hailed as the winning strategy for pandemic response. Robust technical infrastructures and end-to-end digital processes are key elements to safeguard productivity and connectivity during disastrous events. COVID-19 has accelerated the digital investment and the rise of the digital economy.

a) Accelerating Paperless Trade

Prior to the pandemic, the implementation of electronic single window systems in most countries in the Asia-Pacific region were mostly incomplete (partially implemented or on pilot basis) and could not readily support electronic application and issuance of all relevant documents. In addition, measures related to “cross-border paperless trade” remained poorly implemented in practice.³⁰

The COVID-19 crisis has given a tremendous impetus in some countries to accelerate and/or implement paperless trade. Many countries now accept electronic versions of customs declarations, CO, and SPS certificates that were previously only accepted as original documents. The pandemic may become an impetus for countries to streamline their trade procedures and documents, including the cross-border exchange of trade-related data and documents in electronic forms. The enlargement of the ASEAN Single Window is an example of a strengthened regional mechanism in cross-border paperless trade.

The use of digital platforms should also be accelerated to enhance access to trade finance. Fintech firms using big data and artificial intelligence can reduce the costs of asymmetric information by providing non-traditional alternate credit information. SMEs are usually burdened by high interest rates and collateral requirements, while banks are discouraged by the high cost of regulatory compliance. Blockchain and artificial intelligence can facilitate due diligence and payments for SMEs that have difficulty finding representative banks.

It is worth noting that the lack of a complete and holistic legal and institutional framework, either at national or regional level, and fragmented levels of digital infrastructure service development have become constraints on paperless trade. In this regard, the COVID-19 crisis underscores the

³⁰ ESCAP, “Digital and Sustainable Trade Facilitation in Asia and the Pacific 2019” (2019).

role of the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific.³¹ A common set of general principles and a dedicated intergovernmental platform for cross-border paperless trade will support countries in reducing trade cost and facilitate regional supply chain resilience. It will also provide opportunities to exchange and harmonize paperless trade practices and develop specific technical and legal protocols needed to achieve safe and secure cross-border paperless trade, as also recommended in the B20 Trade & Investment Policy Paper 2020.³²

b) Promoting Smart Transport Connectivity

Policies and technical solutions for seamless and smart connectivity along the Asian Highway Network already exist, and many have already been implemented in other regions. COVID-19 has made digital technologies in transport, such as integrated transport management systems, intelligent transport systems and digital logistic platforms, more important in facilitating seamless and contactless transport. In this context, promoting smart connectivity along the Asian Highway Network has gained the highest priority and should become an integral part of the future strategic development of the network and related regional cooperation and arrangements.

In addition to road transport, the COVID-19 pandemic has underscored the comparative advantage and resilience of international railway transport in times of crisis and pandemic. An important constraint for seamless rail freight operations is that most railways in the region still use paper-based documents. This requires physical interaction which create additional health risks, requiring checks and special procedures, including for the papers themselves. Developing and implementing smart railway solutions and deepening digitalization will further support the operational efficiency, reduce costs and strengthen competitiveness for railway transport along the Trans-Asian Railway network. Digitalizing will also benefit LLDCs and LDCs and support their trade flows in the event of transport disruptions. In this regard, ESCAP is working with interested member countries to identify good practices and explore the possibility of an appropriate modality to encourage electronic exchange of information among railways along the Trans-Asian Railway network.

C. Harmonization: incorporating pandemic related provisions in regional agreements

The multilateral trading system, as well as existing bilateral and regional trade agreements (RTAs) have both failed to provide effective guidance on how trade-related measures can be adapted during crisis while preserving the national interests of trading partners. In response to this situation and in support of the global ambition to “build back better”, ESCAP, together with other international organizations, launched a Policy Hackathon in June 2020 to gather inputs for the development of model provisions that could plug the gaps in existing RTAs, promote cooperation and predictability in times of future crises and build resilience in the post-pandemic future. Contributions were made by government agencies, academia and civil society.³³ Recommendations with regard to paperless trade include: harmonizing e-CO on the regional level; developing territorial requirement chapters to guarantee cooperation among transit and landlocked developing countries in times of crises;

³¹ <https://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

³² <https://www.b20saudi-arabia.org.sa/wp-content/uploads/2020/09/B20-Trade-and-Investment-Policy-Paper-27092020.pdf>

³³ <https://www.unescap.org/events/policy-hackathon-model-provisions-trade-times-crisis-and-pandemic-regional-and-other-trade>

further relaxing and streamlining origin and other customs documentation in the established simplified trade regimes (STRs) and others.³⁴

The existing legal instruments covering international carriage of goods and passengers also lack adequate provisions on cooperation under extraordinary disruption. With a view to elaborate recommendations for coordinating the response to potential future crises, ESCAP is taking stock of the current bilateral and multilateral agreements on international transport available in Asia and the Pacific Region (road and rail), analysing the availability of provisions related to crisis response and mutual assistance in emergency situations in these agreements. This work may result in the formulation of proposals for crisis-response provisions in regional and bilateral transport agreements of the ESCAP member States and/or elaboration of a model bilateral agreement with insertion of such recommended clauses, with particular focus on the countries that belong to the Asian Highway Network and the Trans-Asian Railway Network.

It is recommended that nations should cooperate and harmonize relevant regulations to facilitate regional connectivity, while not undermining safety. Regional guidelines with shared trade and transport facilitation goals should be developed and implemented with joint efforts of governments, civil society and relevant organizations.

D. Partnership: engaging private sectors in response to COVID-19

The COVID-19 pandemic has had significant negative impacts for the private sector, especially in developing economies. That said, the private sector has played a significant role in fighting the disease and supporting resilient trade recovery. In some countries, private companies have developed real-time dashboards and mobile apps for rapid testing, disease tracing and information dissemination, which in turn encouraged government transparency and openness, as they continue to manage the crisis. Some private sector players have also provided smart solutions and digital platforms for public services.³⁵ In addition, COVID-19 has brought attention to the role of private sector firms engaged in trade and transport facilitation, such as business and trade chambers, transport associations, forwarder association and customs brokers. They could play significant roles in enhancing information flows, developing and implementing business continuity plans, promoting transparency, and ensuring supply chain connectivity. Building back better requires strengthened partnership between the public and private sectors through coordinated and streamlined regional response to fuel resilient recovery and development across borders.

³⁴ <https://www.unescap.org/resources/online-repository-contributions-policy-hackathon-model-provisions-trade-times-crisis-and>

³⁵ Fu (n 6).

V. Conclusion

The COVID-19 pandemic has highlighted the need for more resilient and efficient cross-border transport and trade connectivity, including via greater regional cooperation in legal, technical and operational efforts.

Coordinating the pandemic response and recovery requires a corresponding institutional framework at the national and regional level. The important role of coordinating bodies, such as NTFCs, during a crisis was highlighted by the current situation. During the crisis, the lack of national and regional coordination resulted in challenges with long-term repercussions for global supply chains and trade flows. In particular, there is a lack of involvement of NTFCs in national COVID-19 emergency task forces to coordinate trade facilitation actions. Looking ahead to the post-COVID-19 recovery, NTFCs would be better positioned to address future crises geared towards advancing trade facilitation policy reforms, due to their multi-stakeholder composition. The lack of accessible and well-organized information sources for traders also calls for greater participation of NTFCs.

At the regional level, while evidence suggests that most countries managed to maintain a critical mass of freight flows, a coordinated regional, sub-regional or even bilateral response is likely to be more cost-effective and impactful, especially in case of prolonged crisis. Regional cooperation could focus on risk sharing, early responses and rapid alert mechanisms, which will help maintain the predictability of trade and transport of key supplies in times of crisis. Capacity building to improve digital trade and transport facilitation should also be a high priority during the pandemic.

Also, the pandemic has exposed the vulnerability of paper-based trade financing and the likelihood of payment defaults from bankruptcies. Greater involvement of multilateral and national agencies is also needed to address the crisis in trade finance. Engaging with the private sector should also be pursued. They could play significant roles in developing and implementing business continuity plans, promoting transparency, and ensuring supply chain connectivity.

The pandemic has become an impetus to accelerate digital trade facilitation in places where implementation of paperless trade has lagging behind. “**coordination, digitalization, harmonization and partnership**” will remain the guiding principles of the trade and transport response during the pandemic and in its aftermath. The existing cooperation mechanisms for transport and trade connectivity in Asia and the Pacific should be mobilized to provide stronger momentum to facilitation, harmonization and digitalization of cross-border trade and transport procedures. This includes the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific and the intergovernmental agreements on the Asian Highway and the Trans-Asian Railway Networks. Complementing this, regional coordination in times of crises can also be institutionalized in future negotiations of relevant regional, sub-regional and bilateral trade and transport agreements.