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Coordination and digitalization as a means to accelerated and climate-smart trade facilitation

Note by the UNCTAD secretariat

Summary

Trade facilitation reforms have been advancing considerably in recent years, in particular with the entry into force of the Agreement on Trade Facilitation of the World Trade Organization in 2017 and the inclusion of dedicated trade facilitation provisions in many regional trade agreements, such as the African Continental Free Trade Area Agreement. The implementation of trade facilitation reforms is challenging, as evidenced by experiences in implementing the Agreement on Trade Facilitation. In particular, developing countries and vulnerable economies, such as the least developed countries, landlocked developing countries and small island developing States, are required to address many trade facilitation implementation issues at the same time, and often embark on trade facilitation reforms from a less advanced starting point, thus facing the need for knowledge acquisition and the need to make policy and implementation decisions, as well as funding requirements related to all issues, in a relatively short time frame.

Some of the key issues arising in the implementation of trade facilitation reforms are presented in this note, in particular in relation to challenges faced in countries during the coordination and digitalization of trade procedures, as well as challenges arising as a result of the recent supply chain crisis. As noted during the pandemic, crises can be disruptive but at the same time serve as accelerators of implementation, due to the need for coordination and digitalization, as well as the implementation of innovative trade facilitation solutions that might have previously been difficult to implement due to political or bureaucratic obstacles.

Experts are invited to reflect on the various imperatives related to trade facilitation and to provide recommendations on the best way forward, identify priority action areas and define the roles of relevant stakeholders, including from among Governments, industry and development partners.



I. Introduction

A. Trade facilitation and development

1. Trade facilitation reforms are essential in assisting countries to integrate into international supply and value chains, in particular developing countries and the least developed countries. The Agreement on Trade Facilitation of the World Trade Organization is aimed at addressing this issue and harmonizing procedures at a global level. In addition, trade facilitation provisions are included in many subregional and regional trade agreements, including, for example, the African Continental Free Trade Area Agreement, ratified by 46 of the 54 signatories as at February 2023. The Agreement on Trade Facilitation entered into force in 2017, and is a binding agreement aimed at simplifying, modernizing and harmonizing customs procedures and other related measures in international trade, to reduce bureaucratic delays, with the ultimate goal of reducing trade costs and enhancing trade flows. The Agreement includes provisions on the simplification and streamlining of customs procedures, on the improvement of cooperation between customs and other relevant authorities and on technical assistance and capacity-building in developing countries and the least developed countries. Under the Agreement, each member of the World Trade Organization is required to establish a national trade facilitation committee to be responsible for implementing the Agreement and coordinating with other relevant agencies and stakeholders. Members are also required to publish information on trade-related procedures and establish single-window systems to facilitate trade.

2. The benefits of trade facilitation are multiple and apply in both the public and private sectors. It may be stated that the implementation of trade facilitation reforms is for the benefit of business, and businesses and traders gain in terms of the greater predictability and speed of operations and lower transaction costs, resulting in more competitive exports in global markets. However, public agencies responsible for import, export and transit procedures also benefit in terms of enhanced tax and duty collection, better use of resources and increased trader compliance. When implemented correctly, trade facilitation can lead to more effective government services and controls and, at the same time, reduce the risk of corruption. The combined benefits contribute to economic development and assist in the achievement of several of the Sustainable Development Goals.

3. In the lead up to the adoption and entry into force of the Agreement on Trade Facilitation, various forecasts were made regarding the overall economic benefits of its implementation. For example, the Organisation for Economic Co-operation and Development estimated that cost reductions in international trade could be about 13 per cent in low-income countries, 14 per cent in lower middle-income countries and 13 per cent in upper middle-income countries. In terms of trade flows, in 2015, the World Trade Organization forecast increases of 2–2.7 per cent and, in 2023, recorded increases of 1.17 per cent; forecasts were also made in terms of gross domestic product (GDP) gains (see table). The total growth in international trade was mainly driven by the least developed countries. In monetary terms, the World Trade Organization estimates that implementation of the Agreement, in the first two years, led to an increase of \$231 billion in international trade, particularly in agriculture. The main reason for the lower levels of increases in trade flows and GDP in 2023, compared with estimates made in 2015, is the significant untapped potential in the implementation of the Agreement, due to the national implementation schedules of commitments; an upward trajectory with regard to impacts is therefore expected following further implementation.¹

¹ World Trade Organization, 2023, Trade Facilitation Agreement has increased trade by over \$230 billion, new study finds, available at https://www.wto.org/english/res_e/reser_e/ersd202304_e.htm. See also https://www.wto.org/english/res_e/reser_e/ersd202304_e.htm.

Agreement on Trade Facilitation: Impact of implementation on international trade

(Percentage)

<i>Year of forecast or estimate</i>	<i>Trade flow increase</i>	<i>GDP gain</i>
2015	2.06–2.73	0.34–0.54
2018	0.6	0.04–0.41
2019	0.2	0.15
2023	1.17	0.12

Source: World Trade Organization, 2023.**B. Links between trade facilitation and the supply chain crisis**

4. The current supply chain crisis serves to highlight the importance of efficient and reliable trade facilitation measures. The pandemic has led to a number of challenges in global trade and supply chains, including with regard to border closures, reduced air and sea freight capacity and disruptions to production and transportation. Challenges have been exacerbated by the war in Ukraine and other factors such as the obstruction of the Suez Canal in 2021, which have led to port congestions, container shortages and significant price fluctuations.

5. Trade facilitation measures can help mitigate such challenges by streamlining customs procedures, reducing the time and costs associated with cross-border transactions and improving the efficiency and reliability of logistics and supply chain processes. The use of digital documentation and single windows can, for example, help reduce the time and costs associated with customs clearance, and the adoption of harmonized standards and procedures can help reduce the complexity of cross-border trade. However, many countries, particularly developing countries, lack the necessary infrastructure and institutional capacity to implement effective trade facilitation measures. This can lead to delays and inefficiencies in cross-border trade, which can exacerbate the impact of supply chain disruptions.

6. The supply chain crisis also serves to highlight the need for greater investment in trade facilitation infrastructure and capacity-building, particularly in developing countries. This includes investment in digital trade infrastructure, such as electronic customs and trade systems, single windows and transparency tools, as well as training and capacity-building for customs officials and other stakeholders involved in cross-border trade.

II. Trade facilitation implementation status and experiences and lessons learned regarding coordination and digitalization**A. Implementation status**

7. As at March 2023, 156 of the 164 members of the World Trade Organization have ratified and are implementing the Agreement on Trade Facilitation. Some countries ratified the Agreement soon after it was opened for ratification in 2014; after 27 months, the required two thirds of the membership had ratified the Agreement and it entered into force in 2017. The pace of ratification has since slowed, and seven members have not yet ratified the Agreement. UNCTAD research shows that, on average, developed countries completed the ratification process within 359 days; developing countries, within 832 days; and the least developed countries, within 1,278 days. Similarly, with regard to income level, high-income countries completed the ratification process within 510 days; upper middle-income countries, within 825 days; lower middle-income countries, within 977 days; and low-income countries, within 1,385 days. The 10 countries that ratified the Agreement the earliest were high-income countries (7) or upper middle-income countries (3).

8. Another set of factors influencing the pace of ratification relates to national trade performance, including with regard to the ease of crossing borders, trade openness and

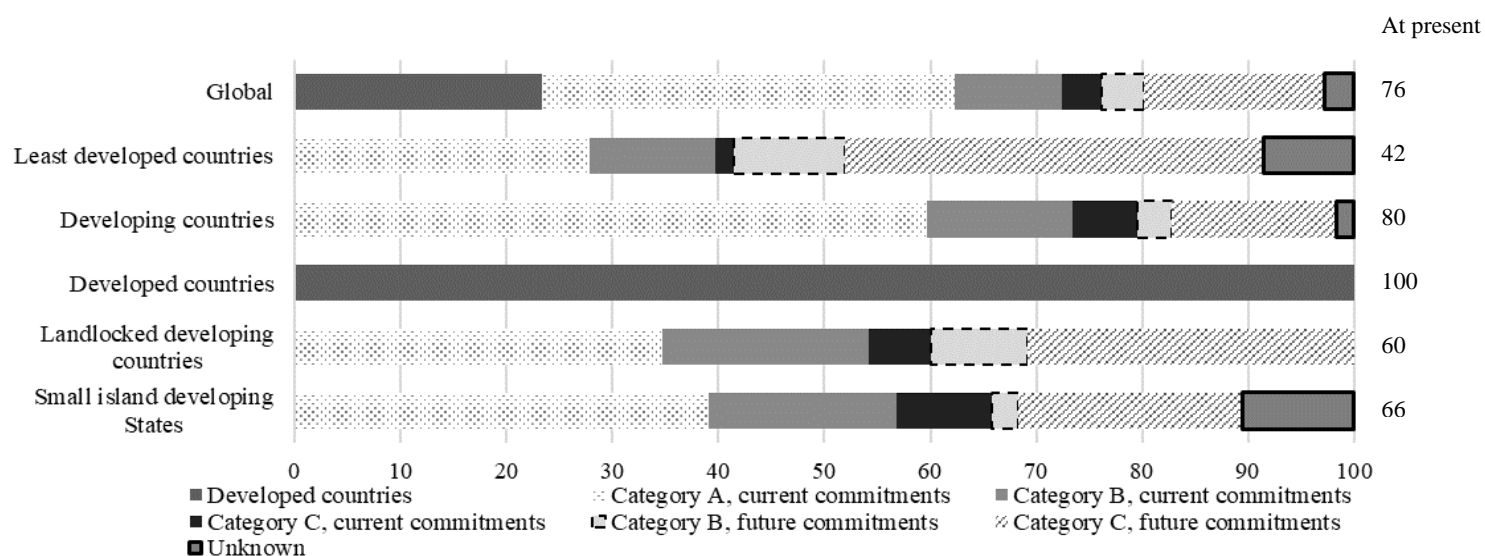
merchandise exports. On average, the first 20 countries to ratify the Agreement scored 81 out of 100 on the “trading across borders” indicator of the World Bank and the latest 20 countries to do so, scored 54 out of 100.

9. The degree to which international trade contributes to the national economy also correlates with the time taken to ratify the Agreement. Countries that ratified early have more open, trade-oriented economies with, on average, a trade-to-GDP ratio of 112 per cent. The latest 20 countries to ratify the Agreement have less trade-dependent economies, with a trade-to-GDP ratio of 68 per cent. The leading exporting countries ratified the Agreement earlier; the first 20 countries to ratify the Agreement ranked at 64 out of 220 economies, based on an average calculation of merchandise export values, and the latest 20 countries to do so ranked at 140 out of 220.

10. Another key factor influencing the pace of ratification is political stability. The “political stability and absence of violence/terrorism” indicator of the World Bank, part of the worldwide governance indicators, aims to measure perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. On average, the first 20 countries to ratify the Agreement were perceived as more politically stable, scoring 68 out of 100, and the latest 20 countries to do so were perceived as less politically stable, scoring 35 out of 100.

11. As at 3 April 2023, notifications submitted by members of the World Trade Organization indicated commitments to implementing 76 per cent of Agreement obligations globally. However, there are differences in implementation between income-based and geographic groups, based on the notified schedules of commitments submitted by members. Developed countries were considered to have implemented 100 per cent of obligations by the date of entry into force of the Agreement. As at 3 April 2023, other notified implementation rates were as follows: developing countries, nearly 80 per cent; small island developing States, 65 per cent; landlocked developing countries, 60 per cent; and the least developed countries, 41 per cent (figure 1). Section II of the Agreement contains special and differential treatment provisions that allow developing country and least developed country members to determine the implementation dates of individual provisions of the Agreement and to identify provisions that will be implemented upon receipt of technical assistance and capacity-building support. As at March 2023, to benefit from the special and differential treatment provisions, nearly all members had placed each provision of the Agreement into one of three categories, depending on implementation readiness, and must notify the World Trade Organization of their respective implementation schedules and assistance needs in accordance with notification deadlines.

Figure 1
Agreement on Trade Facilitation: Implementation of commitments by country grouping as at 3 April 2023



Source: World Trade Organization database.

1. The least developed countries

12. The low rate of implementation among the least developed countries is of concern, since it is generally estimated that these countries will reap the greatest benefits from implementing trade facilitation reforms. The least developed countries face several challenges in implementing such reforms, including difficulties with regard to the following:

(a) Lack of resources. The least developed countries often lack the human, financial and technological resources required to implement reforms, including, for example, with regard to investing in new infrastructure, updating customs procedures and training staff to work with new systems.

(b) Limited institutional capacity. The least developed countries often have weak institutional capacity, which can make it difficult to implement reforms effectively, including, for example, a lack of transparency and weak governance structures.

(c) Limited participation in global trade. Many of the least developed countries have limited participation in global trade due to factors such as weak infrastructure, limited access to markets and a lack of trade-related skills and knowledge. This can make it difficult to understand and implement the reforms that are necessary in order to participate in the global trading system.

(d) Complex trade procedures. Many of the least developed countries have complex and time-consuming trade procedures, which can create barriers to trade and hinder economic growth. Simplifying such procedures can be difficult, as it often requires coordination between multiple government agencies and stakeholders.

(e) Limited political will. The least developed countries may lack the political will to implement trade facilitation reforms, as it may be seen as a low-priority issue in the face of other pressing challenges such as those related to health, poverty and education.

2. Landlocked developing countries

13. Landlocked developing countries face unique challenges with regard to trade facilitation, as the lack of direct access to the sea and dependence on transit countries can increase the time, cost and complexity of trade transactions. In the least developed countries, therefore, trade facilitation is closely linked to transit issues. Ensuring trade facilitation in ports in coastal countries and hinterland connections, including corridors, therefore, is

particularly important, as improving trade facilitation can help overcome challenges and support economic development.

14. The implementation of trade facilitation measures, such as those related to simplifying customs and other border procedures, improving transport infrastructure and corridors and enhancing trade-related services, can help reduce the time and cost required for landlocked developing countries to trade with neighbours and the rest of the world. For example, improving transport infrastructure, including roads, railways and ports, can help reduce transit time and cost, and improving customs and other border procedures can help reduce administrative delays and costs.

15. In addition, trade facilitation can help landlocked developing countries diversify export markets, which can be important for small economies reliant on a few export commodities. Trade facilitation measures that improve access to information, such as trade portals and single-window systems, can help landlocked developing countries identify new trade opportunities and connect with potential partners.

3. Small island developing States

16. Small island developing States face unique challenges with regard to trade facilitation due to small economies, remoteness and vulnerability to external shocks such as natural disasters and climate change. It is therefore important to address these issues in an integrated manner when focusing on improving trade facilitation. The implementation of trade facilitation measures, such as those related to simplifying customs and other border procedures, improving transport infrastructure and enhancing trade-related services, can help reduce the time and cost required for small island developing States to trade with neighbours and the rest of the world. For example, improving information technology infrastructure, including at ports and airports and for inter-island transport, can help reduce transit time and cost and improve connectivity, including among trans-shipment ports.

17. Trade facilitation can also help small island developing States diversify export markets, which can be important for small economies reliant on a few export commodities. Trade facilitation measures that improve access to information, such as trade portals and single-window systems, can help small island developing States identify new trade opportunities and connect with potential partners.

18. In addition, trade facilitation can help small island developing States promote sustainable economic growth, for example by improving access to finance and trade-related services and by supporting the development of value chains based on their unique cultural and natural resources.

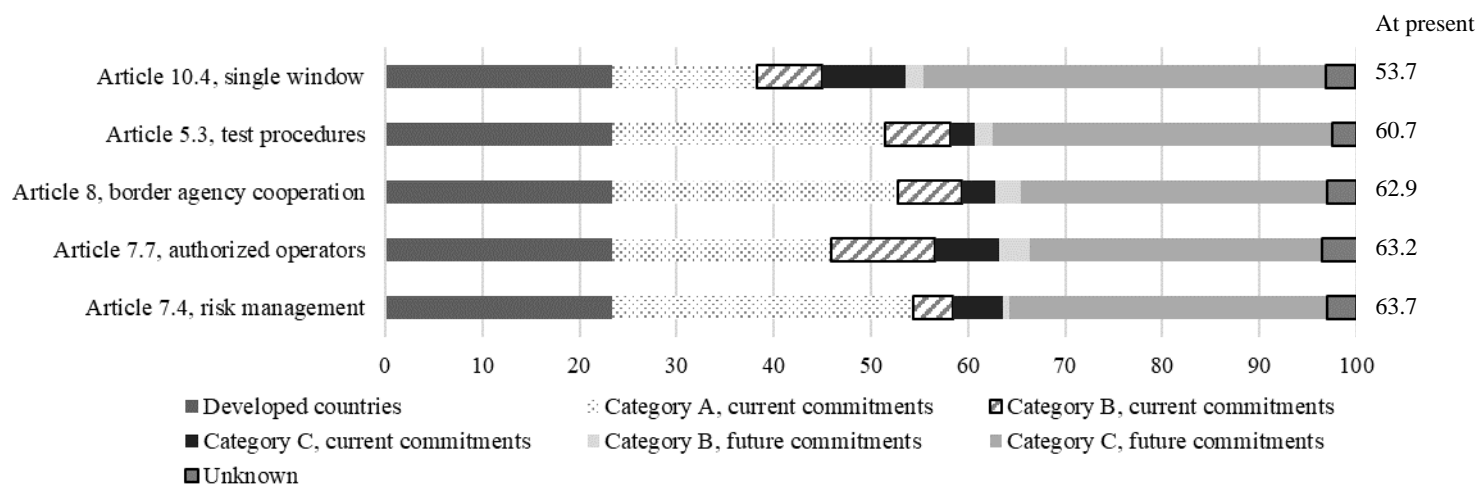
B. Experiences and lessons learned

19. World Trade Organization data related to notifications provides insights into the main challenges faced by members in the implementation of obligations under the Agreement on Trade Facilitation. As at 3 April 2023, the five least implemented measures related to issues concerning both coordination and digitalization (figure 2). Article 10.4, on establishing a single window, is the least implemented obligation, with a global implementation rate of around 53 per cent and a rate of 20 per cent among the least developed countries. In addition, 77 per cent of the least developed countries that have notified on this article have done so under category C, meaning that assistance has been requested in implementation. In general, countries have long implementation timelines with regard to this article, in some cases up to the years 2035 and 2040. Article 8 on border agency cooperation has a global implementation rate of around 64 per cent and a rate of 12 per cent among the least developed countries. In addition, 85 per cent of the least developed countries have requested assistance in this regard. Some countries also have long implementation deadlines with regard to this article, up to the year 2030. Other measures under which automation or digitalization are required or deemed beneficial include article 1.2, on information through the Internet, article 7.2 on electronic payment, and article 7.4, on risk management. Countries, in particular the least developed countries, have established long implementation deadlines with regard to these articles and have requested assistance.

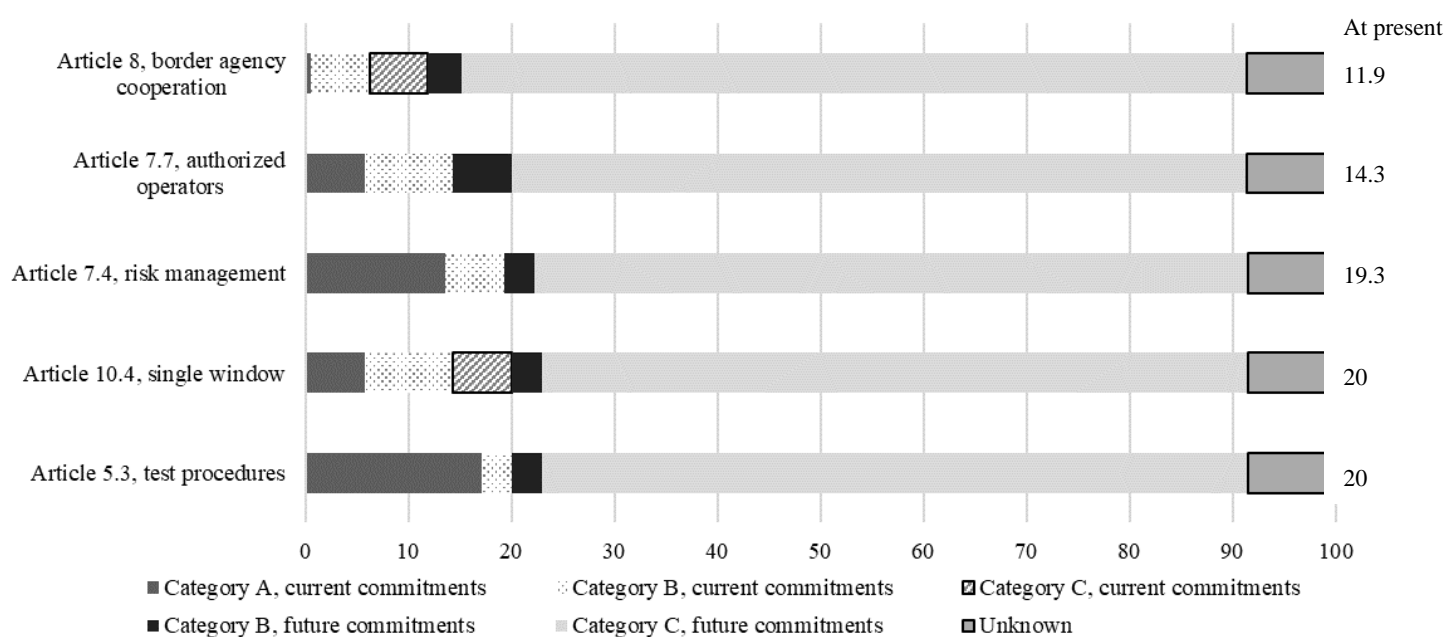
Figure 2
Agreement on Trade Facilitation: Articles with lowest level of implementation by country grouping as at 3 April 2023

(Percentage)

(a) **All members**



(b) **Least developed countries**



Source: UNCTAD secretariat calculations, based on data from the World Trade Organization trade facilitation agreement database.

Note: “All members” includes developed and developing countries (including landlocked developing countries and the least developed countries).

C. Coordination

20. In accordance with article 23.2, countries are required, upon ratification of the Agreement on Trade Facilitation, to establish a national trade facilitation committee, and implementation cannot be delayed. The UNCTAD online database on national trade

facilitation committees shows that 134 countries have such committees.² Based on information gained through UNCTAD technical assistance and capacity-building, many countries have established national trade facilitation committees but, in many cases, the committees are not yet operational. In particular, during the pandemic, particularly in developing countries and the least developed countries, many committees were not able to meet virtually due to the lack of required infrastructure. Therefore, many committees need to relaunch coordination activities and this situation, in turn, has had a delaying effect in some countries with regard to coordinating implementation of the Agreement.

21. The latest analysis by UNCTAD of national trade facilitation committees identifies and further explores factors that are vital to the sustainability of committees.³ According to responses to a survey received from 107 countries, the four factors crucial to the sustainability of a committee are political commitment and high-level support (60 per cent); involvement of the private sector (55 per cent); commitment and high level of participation by members (52 per cent); and financial assistance and adequate resources (49 per cent). Secondary factors are cooperation among members and having a common understanding, goals and mutual trust (39 per cent); capacity-building (36 per cent); and regularity of meetings and communications to members (35 per cent). Compared with the results as shown in an UNCTAD study from 2020, the same factors are consistently perceived as crucial to the sustainability of national trade facilitation committees. The importance of raising awareness of trade facilitation has increased by 7 percentage points since 2020.

22. One of the elements UNCTAD has identified as essential for the sustainability of national trade facilitation committees is professionalizing the way a committee manages its role in facilitating and coordinating trade facilitation reforms. This requires a combination of project and team management skills, monitoring capability and reporting mechanisms. UNCTAD has therefore developed an online tool for this purpose, the trade facilitation reform tracker. To date, the tracker has been successfully implemented in over 25 countries, assisting in the successful implementation of reforms in a coordinated and sustainable manner.⁴

23. Article 2 of the Agreement includes other obligations regarding coordination, such as regularly ensuring consultations and providing the opportunity for stakeholders to comment on new or changing legislation. Article 8 addresses both national coordination and coordination with neighbouring countries. A lack of coordination and harmonization among border agencies can create duplication in formalities and inefficiency in supply chains, with delays and increased costs at borders as a result.

24. National trade facilitation committees, as the main national coordination bodies for trade facilitation, play important roles as platforms for discussion and coordination. However, such coordination often takes place only in capital cities and there is no clear coordination or dialogue with borders or clearance stations, leading to the risk of uncoordinated procedures and formalities with regard to administrative requirements and as part of working modalities at borders, in the form of multiple inspections and controls, among other processes. This can lead to reductions in the impact of trade facilitation strategies at the main points of entry, that is, land borders and ports, thereby reducing benefits for international trade.

25. Article 11 of the Agreement recommends that members appoint a national transit coordinator. This is another important coordination mechanism in relation to trade facilitation. For transport corridors, coordination is crucial, and corridor management committees play an important role in strengthening operational performance and management and in promoting coordination and collaboration among stakeholders. The UNCTAD corridor performance programme for landlocked and transit developing countries focuses on enhancing transport connectivity and supports market and value chain integration

² See <https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/committees-around-world>.

Note: All websites referred to in footnotes were accessed in April 2023.

³ See <https://unctad.org/publication/national-trade-facilitation-committees-quest-sustainability>.

⁴ See <https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/reform-tracker>.

through the implementation of efficient corridors.⁵ UNCTAD has also developed capacity-building courses on transit coordination.⁶

D. Digitalization

26. Digitalization has changed the way trade in goods is cleared and processed by border agencies and the way border agencies communicate with the business sector on clearance procedures. Digitalization can help reduce trade costs and increase the efficiency of public sector agencies, since change management in working processes is an integral part of digitalizing. However, in many countries, to date, this has largely applied only to customs, for example through the implementation of digital technology as part of the UNCTAD Automated System for Customs Data (ASYCUDA). ASYCUDA, implemented in over 100 economies worldwide, helps make customs clearance processes more efficient in the business sector and, at the same time, UNCTAD data show that its implementation helps increase efficiency and national revenue collection many times over.⁷ ASYCUDA is an example of technology transfer in the area of customs automation, with user countries, based on requirements, being offered all required elements for implementing a fully-fledged customs management system. Other border agencies are often not fully digitalized, yet their role is equally essential in the certification and clearance process, including such agencies as ministries of agriculture, health and trade and bureaux of standards, which are responsible for providing and clearing various certificates or export declarations. In many developing countries and the least developed countries, such procedures are not always conducted online and digital certificates are not often used.

27. Article 10.4 of the Agreement on Trade Facilitation requires countries, where possible, to establish electronic single-window solutions, that is, national electronic platforms for exchanges of information required for the clearance of import, export and transit operations, which are accessible to traders and all relevant public authorities. An electronic single window replaces manual procedures and, in most cases, makes the use of paper-based documents redundant, thereby reducing both time and cost for both the business sector and public agencies involved in the clearance of goods, as well as the risk of errors and corruption. UNCTAD has assisted several countries in implementing single windows.

28. The increasing use of electronic payment systems, in accordance with article 7.2, means that border agencies must increase the use of digital tools in order to provide traders and customs brokers with a fully digitalized public service. However, the lack of interoperability and of coordinated oversight, to ensure cross-border payments at the national and regional levels, are major obstacles in the implementation of this measure. Electronic payments are integrated into ASYCUDA and single-window solutions.

29. The rules on transparency in the Agreement on Trade Facilitation is another area in which the use of digital tools can facilitate trade, by providing for increased access to information. For example, the use of UNCTAD trade information portals enables positive impacts to be made on the knowledge and preparedness of traders in decision-making, through advance knowledge of the requirements in fulfilling administrative obligations. Such portals can also include enquiry points that can help provide tailored assistance to traders. Online enquiry points can also help increase reach to traders beyond capital cities. To date, 43.2 per cent of developing countries and the least developed countries have implemented enquiry points in accordance with article 1.3 of the Agreement. Trade information portals include a module on calculating cost savings with regard to administrative burdens reduced through each simplification. For example, in Kenya, simplifying certain import procedures reduced costs by, on average, \$34. The trade information portal methodology and technology are implemented in over 30 countries worldwide.⁸

⁵ See <https://unctad.org/topic/transport-and-trade-logistics/infrastructure-and-services>.

⁶ See <https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/transit-coordinators>.

⁷ See <https://asycuda.org/en/case-studies/>.

⁸ See <https://unctad.org/publication/roadmap-building-national-trade-information-portal>.

30. In the area of transit, a major obstacle to streamlining transit and making it more efficient is the lack of interconnectivity of transit data exchanges between countries. In this regard, the Interconnected System for the Management of Goods in Transit implemented in countries in West Africa⁹ facilitates the electronic exchange of transit data in real time between the customs authorities of different countries, whereby the same transit declaration is available to authorities on both sides of a border, removing the need to re-enter the data at the border, and the transit declaration issued upon departure accompanies the goods and is used by customs upon arrival at the destination. This is an important simplification of the transit procedure that makes it easier to track goods, increase transparency, address fraud and reduce transit times for goods.

III. Emerging issues of relevance to trade facilitation

31. Trade facilitation is closely linked with many other procedures connected to the international trade transaction process, such as transport facilitation. In this context, the nexus between trade facilitation and a number of other issues is increasingly gaining prominence. In this chapter, some of these issues are highlighted and the links to trade facilitation are outlined. It will be increasingly important for trade facilitation stakeholders to be familiar with such linkages and for policymakers to address interconnected policy spaces.

A. Sustainability and climate-smart trade facilitation

32. There is a strong link between trade facilitation and climate action. Climate action refers to measures taken to mitigate climate change, such as reducing greenhouse gas emissions, promoting renewable energy and improving energy efficiency. When trade facilitation is used to aim at achieving positive climate-related impacts, UNCTAD refers to this as climate-smart trade facilitation.

33. Trade facilitation can contribute to climate action in several ways. For example, by helping to reduce trade barriers and improve logistics, facilitation can promote the adoption of sustainable practices in trade, such as automating and making trade procedures more efficient, thereby reducing the time and paper used in clearance processes; and increasing the use of cleaner fuels and more efficient transportation modes. In addition, by promoting cross-border trade in environmentally friendly goods and services, trade facilitation can help support the growth of green industries and technologies.

34. At the same time, climate action can impact trade facilitation. For example, measures aimed at reducing greenhouse gas emissions, such as carbon pricing, can affect the cost of trade and transportation, and may require adjustments to trade facilitation-related policies and procedures and may pose new barriers to trade. Moreover, climate-related risks, such as natural disasters and extreme weather events, can disrupt trade flows and supply chains, highlighting the need for resilient and adaptable trade facilitation systems.

35. The analysis in *Asia-Pacific Trade and Investment Report 2021*, on the impact of trade procedures and transport-related activities on the environment and climate change, focuses on how advancing the digitalization of trade and promoting sustainable and seamless transport can help reduce environmental externalities and support sustainable development. The report contains examples of the impact of automated customs processes on reductions in the time and cost of trade procedures and how this relates to reductions in paper-based formalities and the fuel emissions produced, by reducing the number of required trips to border agencies for each procedure. The Economic and Social Commission for Asia and the Pacific has calculated the impact of such reductions in terms of greenhouse gas emissions; if one printed page equals 54.7g of carbon dioxide emissions then, for example in Vanuatu, the

⁹ Known as SIGMAT, by its acronym in French. See <https://unctad.org/publication/sigmat-system-asyCUDA-journey-west-africa>.

use of an electronic single window reduced emissions by 5,827kg through the elimination of the use of paper in two trade procedures.¹⁰

B. Electronic commerce

36. Trade facilitation and international electronic commerce both relate to the movement of goods across borders and have a significant impact on the growth of international trade. Trade facilitation measures, such as the simplification and automation of customs procedures, the use of digital documentation and the establishment of single windows, can help streamline cross-border transactions and reduce the time and cost associated with international trade. This, in turn, can help facilitate electronic commerce by making it easier for businesses to import and export goods and services.

37. Electronic commerce relies heavily on efficient and cost-effective logistics and supply chain management. This includes the ability to transport goods quickly and reliably across borders, manage customs and regulatory requirements and provide effective customer services. Trade facilitation measures can help improve the efficiency and reliability of such logistics and supply chain processes, making it easier and more cost effective for businesses to engage in cross-border electronic commerce. In addition, electronic commerce platforms and marketplaces can also serve as important tools in promoting trade facilitation. Such platforms can provide access to information on trade regulations, facilitate customs clearance procedures and provide a forum for businesses to connect with customers and suppliers across borders.

38. UNCTAD has highlighted the links between trade facilitation and electronic commerce at various events and in several publications.¹¹ The issue of *de minimis* rules for electronic commerce is also closely linked with trade facilitation and the clearance of goods, in particular in setting national *de minimis* thresholds for the clearance value of the import of small consignments.

C. Blockchain technology

39. Global supply chains have recently come under stress, leading to price increases and shortages of daily necessities worldwide. Trade facilitation is a crucial component of the global trade framework, required to ensure that essential goods and services reach targeted destinations in time and at costs affordable by consumers. Efficiency gains in global value chains that can be driven by digitalization and automation using emerging technologies such as blockchain are therefore particularly welcome.

40. Blockchain technology can be used to enhance trade facilitation by providing a secure and transparent platform for various trade-related transactions. It can provide a secure, immutable and tamper-proof platform for the exchange of documents, such as bills of lading, invoices and certificates of origin. In addition, blockchain technology can enable the automation of many trade-related processes, reducing the need for intermediaries and increasing the speed and efficiency of transactions. It can also provide a secure and immutable record of all transactions, enabling parties to track the movement of goods and ensure compliance with regulations.

41. Governments are facing new policy and regulatory challenges, not only in ensuring compliance but also in managing issues arising from digital disruption. In this regard, digital tools such as blockchain technology present opportunities as well as challenges. Their use may aid Governments in handling emerging and pressing regulatory challenges, yet there are questions concerning saving and storing with full integrity digital data in a way that ensures shared prosperity, inclusivity and benefits from digital trade worldwide for all people.

¹⁰ See <https://www.unescap.org/kp/APTIR2021>.

¹¹ See <https://unctad.org/publication/digital-trade-opportunities-and-actions-developing-countries>.

D. Electronic bills of lading

42. The use of electronic trade documents, including electronic bills of lading in the shipping industry, is expected to result in faster transactions; lower transportation costs; better financing, cargo holding and document processing; and reduced fraud risks due to digital authentication. At the same time, with the increasing reliance on electronic interactions, stakeholders will have to manage any associated cyberrisks and enhance security in the use of information and communications technology systems.

43. The benefits of using electronic equivalents to traditional paper-based documents, particularly including bills of lading, were brought into focus during the pandemic, when extensive delays caused by difficulties in the use of paper documents were experienced by traders across jurisdictions.¹² To address the issue of delayed documents and avoid incidences and costly resolutions of related legal disputes, the remaining legal and regulatory obstacles to the use of electronic documents in international trade need to be removed.

44. Work has commenced under the auspices of working group VI of the United Nations Commission on International Trade Law on the preparation of a new legal instrument on negotiable multimodal transport documents, aimed at addressing the expanding needs of financing in international trade by establishing legal recognition for such documents and electronic records as documents of title, similar to marine negotiable bills of lading.¹³ In the United Kingdom of Great Britain and Northern Ireland, to address this issue, in line with some jurisdictions where similar laws have already been passed (e.g. Singapore Electronic Transactions (Amendment) Act 2021), based on the United Nations Commission on International Trade Law model law on electronic transferable records, the Law Commission prepared a report on electronic trade documents, including recommendations for legislative reform and a draft bill aimed at ensuring that electronic trade documents are capable of being possessed and have the same legal recognition and functionality as traditional documents.¹⁴

45. Industry associations have been collaborating in the development and adoption of relevant standards to facilitate the use of electronic bills of lading. The Digital Container Shipping Association has announced that its nine ocean carrier members have committed to issuing 100 per cent of their bills of lading digitally by 2030.¹⁵ Switching to the use of electronic bills of lading could save \$6.5 billion in direct costs for stakeholders, enable \$30–40 billion in annual global trade growth, transform the customer experience and help improve sustainability.¹⁶ In 2022, the Baltic and International Maritime Council, the Digital Container Shipping Association, the International Chamber of Commerce, the International Federation of Freight Forwarders Associations and the Society for Worldwide Interbank Financial Telecommunication formed the Future International Trade Alliance, aimed at standardizing the digitalization of international trade.

IV. Conclusion and ways forward

46. Despite efforts made to advance trade facilitation reforms, a number of gaps remain in the implementation of measures globally. Many countries lack the institutional capacity to effectively implement measures, and have inadequate staff capacity, funding and training. This leads to poor coordination, a slow rate of adoption of new technologies and weak

¹² See <https://unctad.org/publication/covid-19-and-international-sale-goods-contractual-devices-commercial-risk-allocation>, <https://unctad.org/publication/contracts-carriage-goods-sea-and-multimodal-transport> and <https://unctad.org/meeting/training-course-implications-covid-19-pandemic-commercial-contracts-2>.

¹³ See https://uncitral.un.org/en/working_groups/6/negotiablemultimodaltransportdocuments.

¹⁴ See <https://sso.agc.gov.sg/Acts-Supp/5-2021/Published/20210312?DocDate=20210312>, https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records, <https://www.lawcom.gov.uk/project/electronic-trade-documents/> and <https://bills.parliament.uk/bills/3344>.

¹⁵ See <https://dcsa.org/100-percent-eb/>.

¹⁶ See <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/the-multi-billion-dollar-paper-jam-unlocking-trade-by-digitalizing-documentation>.

enforcement of trade rules and regulations. Technical expertise is needed on the ground in order to implement trade facilitation measures, including the ability to use technology, knowledge of international trade rules and familiarity with trade facilitation tools and practices.

47. Businesses and individual traders still lack access to information on trade facilitation measures, making it difficult for them to comply with trade regulations and requirements. This results in delays, increased costs and reduced competitiveness. Private sector involvement is essential in the implementation of measures but, in many countries, the private sector is not adequately involved in policy development and implementation.

48. In countries with trade facilitation measures in place, there may be inconsistencies in the implementation of measures, including differences in the interpretation and enforcement of trade rules and regulations, which can create uncertainty for traders and lead to delays and additional costs.

49. In addition, there is a lack of coordination at the national level and between countries. Trade facilitation measures require ongoing national and cross-border coordination in order to be effective. However, many countries lack the necessary mechanisms for such coordination, or regional coordination, leading to inefficient trade flows and increased costs.

50. The digitalization of national trade facilitation procedures, such as through the use of single windows, and the building of interconnectivity and interoperability between countries, are some of the major areas in which challenges remain to be addressed in many countries.

51. Against this background, the challenges faced in countries, in particular developing countries and the least developed countries, in the implementation of trade facilitation reforms, combined with recent disruptions to international supply and value chains, serve to highlight the need to assist countries and ensure that they succeed in and are able to accelerate trade facilitation implementation schedules, with a view to reducing trade transaction costs and boosting economic development.

52. Experts at the tenth session of the Multi-year Expert Meeting on Transport, Trade Logistics and Trade Facilitation are invited to identify priority action areas for assisting in the robust and sustainable implementation of trade facilitation reforms, including in the context of increasing climate change-related concerns. They may wish to consider, inter alia, the following issues:

(a) Main challenges in accelerating trade facilitation implementation in developing countries and vulnerable economies, including the least developed countries, landlocked developing countries and small island developing States.

(b) Linkages between trade facilitation and climate action, including measures taken to mitigate climate change, such as reducing greenhouse gas emissions, promoting renewable energy and improving energy efficiency.

(c) Gaps in trade facilitation-related technical assistance and capacity-building provided for countries that need to be addressed, in particular needs for additional assistance that UNCTAD can provide.

(d) Priority areas in the fields of trade facilitation coordination and digitalization, in which assistance from the donor community needs to be strengthened, considering recent supply challenges.

(e) Emerging issues in trade facilitation to be further addressed through capacity-building and the training of policymakers and through additional policy dialogue.