

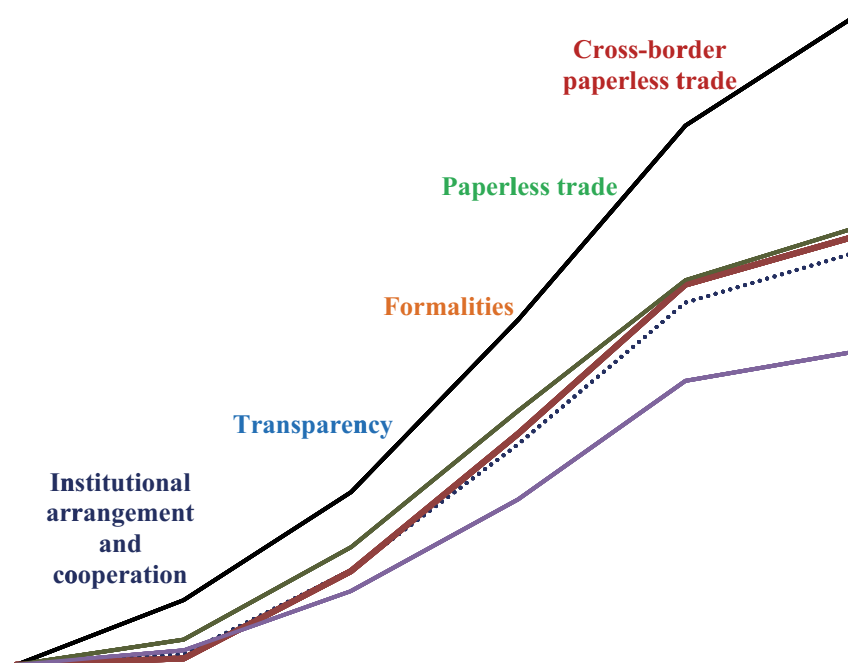
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Joint United Nations Regional Commissions

# Trade Facilitation and Paperless Trade Implementation Survey 2015

*Latin America and the Caribbean Report*

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UNITED NATIONS

ECLAC

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## Preface

The *Global Survey on Trade Facilitation and Paperless Trade Implementation 2014-2015* ("Global Survey") is a global effort led by the Economic and Social Commission for Asia and the Pacific (ESCAP) in collaboration with the other four United Nations Regional Commissions, namely, the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Western Asia (ESCWA), the Economic Commission for Africa (ECA) and the Economic Commission for Europe (UNECE). The goal of the Global Survey is to gather information from the member states of the respective Regional Commissions on trade facilitation and paperless trade measures and strategies implemented at the national and regional levels. The results of the survey will enable countries and development partners to better understand and monitor progress on trade facilitation, support evidence-based public policies, share best practices and identify capacity building and technical assistance needs.

The Global Survey is a key initiative under the *Joint UNRC Approach to Trade Facilitation* (the "Approach") agreed upon in Beirut, Lebanon in January 2010 by the Executive Secretaries for all five United Nations Regional Commissions. The Approach was designed to enable the Regional Commissions to present a joint and global view on trade facilitation issues in light of the World Trade Organization Doha Round and the heightened importance of global supply chains. With the conclusion of negotiations of the World Trade Organization Trade Facilitation Agreement in December 2013, and with the ratification of the Agreement underway, the Approach becomes even more significant on a regional and global scale. Within this framework, the Global Survey was designed by the United Nations Regional Commissions together with the Organization for Economic Cooperation and Development (OECD) and in collaboration with the United Nations Conference on Trade and Development, the International Trade Centre, and the World Customs Organization.

The questions included in the Global Survey draw from Sections I and III of the World Trade Organization Trade Facilitation Agreement, as well as the Draft Text of the "Agreement/Framework Agreement/Framework Arrangement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific", currently under negotiation among ESCAP member states.<sup>1</sup> In Latin America and the Caribbean, nineteen countries participated in the Global Survey. The results of the survey, as included in this report, aim to provide a preliminary benchmark on the implementation of trade facilitation and paperless trade measures in the region.

This report was prepared by Tania García Millán and Sebastián Herreros of the International Trade and Integration Division of the Economic Commission for Latin America and the Caribbean (ECLAC). The authors thank José Durán Lima, Nanno Mulder and Natalia Meyer, also from ECLAC's International Trade and Integration Division, for their assistance in the tabulation and verification of country responses.

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<sup>1</sup> See draft text online at [http://www.unescap.org/sites/default/files/PTA\\_IISG1\\_WP1\\_E.pdf](http://www.unescap.org/sites/default/files/PTA_IISG1_WP1_E.pdf)

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## Abbreviations

ADB.....	Asian Development Bank
AEO.....	Authorized economic operator
APoA.....	Almaty Programme of Action
ASEAN.....	Association of Southeast Asian Nations
ASYCUDA.....	Automated System for Customs Data
ECA.....	United Nations Economic Commission for Africa
ECE.....	United Nations Economic Commission for Europe
ECLAC.....	United Nations Economic Commission for Latin America and the Caribbean
ENEA.....	East and North-East Asia
ESCAP.....	United Nations Economic and Social Commission for Asia and the Pacific
ESCWA.....	United Nations Economic and Social Commission for Western Asia
EU.....	European Union
GATT.....	General Agreement on Tariffs and Trade
GCC.....	Gulf Cooperation Council
ICT.....	Information and communications technology
IRU.....	International Road Transport Union
ITC.....	International Trade Centre
LDC.....	Least developed country
LLDC.....	Landlocked developing country
WEST ASIA.....	West Asia
NCA.....	North and Central Asia
NTFC.....	National trade facilitation committee
OECD.....	Organization for Economic Co-operation and Development
SELA.....	Latin American and Caribbean Economic System
SSWA.....	South and South-West Asia
TF.....	Trade facilitation
TFA.....	Trade Facilitation Agreement
UAE.....	United Arab Emirates
UN/CEFACT.....	United Nations Centre for Trade Facilitation and Electronic Business
UNCTAD.....	United Nations Conference on Trade and Development
UNNExT.....	United Nations Network of Experts for Paperless Trade and Transport for Asia and the Pacific
UNRC.....	United Nations Regional Commission
USA.....	United States of America
USD.....	United States dollar
WTO.....	World Trade Organization



# 1. Introduction

## 1.1 Background and objective

Trade facilitation refers to the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment (UNECE/CEFACT 2012). In simple terms, trade facilitation should streamline customs and other procedures in order to reduce the time and cost to trade -- essentially, cut the "red tape" at the border (WTO 2013). Although trade facilitation is not entirely a novel issue, the recent conclusion of negotiations for the World Trade Organization Trade Facilitation Agreement-- and the ongoing ratification of the Agreement -- has propelled it to the top of the regional and global trade agenda.

In general, Latin America and the Caribbean (LAC) faces considerable challenges in terms of reducing the costs - excluding tariffs - and time associated with foreign trade operations. Overall, the region performs better than lower-income developing regions such as Sub-Saharan Africa, South Asia and Central Asia in the trading across borders component of the World Bank's Doing Business ranking (World Bank 2015). However, it still lags behind both the developed countries of the OECD and the dynamic, trade-oriented economies of East and South East Asia (Figures 1 and 2). This is confirmed by data from the ESCAP-World Bank trade cost database, which also suggest that international trade costs remain often higher among LAC economies than between LAC and the United States (Table 1). Within LAC, the Caribbean also appears to face significantly higher trade costs than either South or Central America.

Figure 1: LAC, OECD and East and Southeast Asia: time and cost to export a 20-foot container, 2014

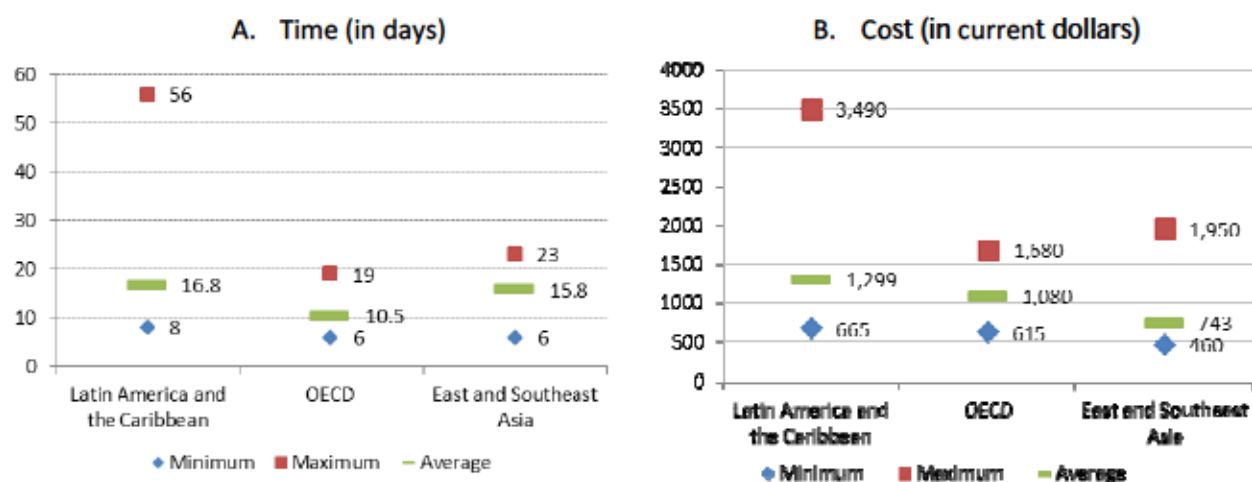
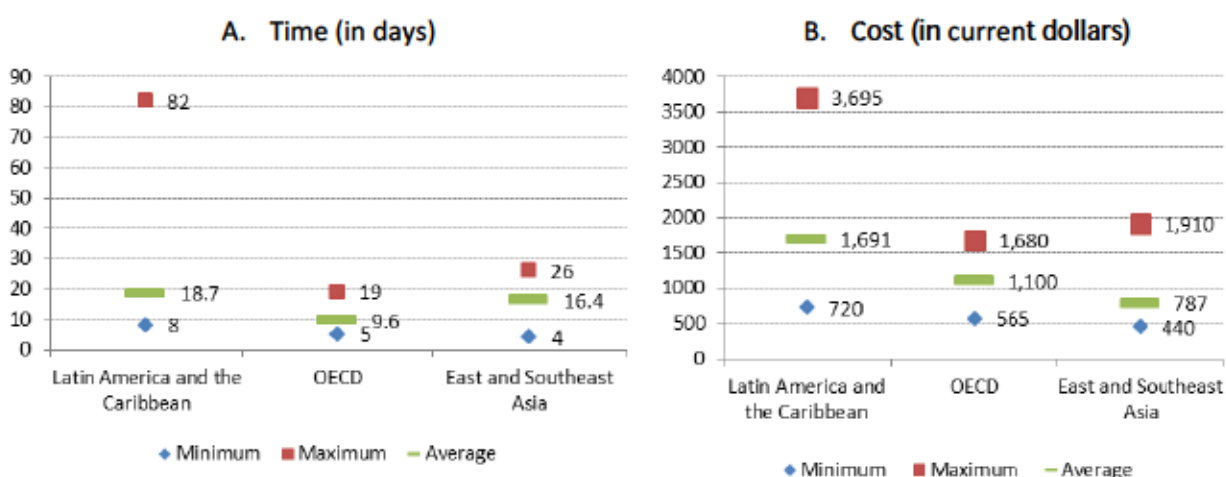


Figure 2: LAC and East and Southeast Asia: time and cost to import a 20-foot container, 2014



Source: Authors, based on World Bank, Doing Business 2015 [online] at [www.doingbusiness.org/reports/global-reports/doing-business-2015](http://www.doingbusiness.org/reports/global-reports/doing-business-2015)

<sup>a</sup> East and Southeast Asia includes China, the Chinese Province of Taiwan, Hong Kong (Special Administrative Region of China) and the 10 members of ASEAN. Japan and the Republic of Korea are included in the OECD group.

Table 1: Intra and extra-regional comprehensive trade costs in Latin America and the Caribbean (excluding tariff costs) 2008-2013

Region	Caribbean-2	Central America-3	South America-4	ASEAN-4	EU-3
Caribbean-2	154% (15.0%)				
Central America-3	160% (1.9%)	88% (-1.9%)			
South America-4	218% (-2.6%)	124% (-7.3%)	91% (0.6%)		
ASEAN-4	301% (-12.6%)	200% (-3.5%)	155% (-4.2%)	76% (8.7%)	
EU-3	178% (12.5%)	152% (-2.6%)	115% (-2.7%)	108% (1.9%)	43% (-4.2%)
USA	89% (7.6%)	66% (-4.7%)	84% (-1.9%)	85% (11.2%)	67% (0.1%)

Source: ESCAP-World Bank Trade Cost Database, updated June 2015. Available from <http://databank.worldbank.org/> and <http://www.unescap.org/tid/artnet/trade-costs.asp>.

Notes: Trade costs may be interpreted as tariff equivalents. Percentage changes in trade costs between 2002-2007 and 2008-2013 are in parentheses. Caribbean: Dominican Republic, Jamaica; Central America: Mexico, Guatemala, Costa Rica; South America: Brazil, Argentina, Colombia, Chile. ASEAN-4: Indonesia, Malaysia, Philippines, Thailand; EU-3: Germany, France, United Kingdom.

High trade costs in the region are a result of multiple factors, most notably, an insufficient stock of economic (including transport) infrastructure (Perrotti and Sánchez 2011; Lardé and Sánchez 2014). Nevertheless, inefficiencies in administrative procedures also raise the non-tariff costs of trade, both within the region and with extra-regional partners. Against this background, making progress on the

trade facilitation agenda seems crucial to improve the region's international competitiveness and to enhance its participation in international production networks.

The conclusion of the Trade Facilitation Agreement of the World Trade Organization (WTO) in December 2013 and its ongoing ratification process have brought increased attention to this issue.<sup>2</sup> Using the results of the Global Survey, this report seeks to establish benchmarks, or country baselines, to determine the current implementation levels of regulations and procedures related to trade facilitation, paperless trade, cross-border paperless trade and transit facilitation across the region. By doing so, the Report provides an indication of how prepared the region is to begin implementing the new disciplines contained in the WTO Trade Facilitation Agreement. This may, in turn, help focus the efforts of Latin American and Caribbean governments on those areas where there are technical and legal gaps, including through international cooperation programs.

This report is structured as follows. The remainder of this first section describes the structure and methodology of the survey and how the results were tabulated and analyzed. The second section provides an overview of the survey's results for Latin America and the Caribbean and its three sub-regions. The third section provides a detailed analysis of implementation levels for each category of measures contained in the survey. The fourth section looks at notable achievements and common challenges in implementing trade facilitation and paperless trade measures in the region. The fifth section concludes.

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<sup>2</sup> As of the writing of this document, Nicaragua and Trinidad and Tobago were the only countries from the region to ratify the WTO Trade Facilitation Agreement. Once two-thirds of the WTO membership ratifies the Agreement, it will enter into force.

## 1.2 Methodology of the Global Survey

### 1.2.1 Structure of the questionnaire

The questionnaire sent to countries in the context of the Global Survey is divided into 3 sections.<sup>3</sup> Section A seeks to obtain information about the country responder, including the organization on behalf of which he or she is responding, job title, years of experience in trade facilitation and particular areas of expertise. The questionnaire's main section, Section B, contains 38 questions regarding trade facilitation measures and which fall into four broad categories: General Trade Facilitation Measures; Paperless Trade Facilitation; Cross-Border Paperless Trade; and Transit Facilitation (see Table 2).

Table 2: Global Survey on Trade Facilitation and Paperless Trade Implementation: Questions

		Trade facilitation measure (and question No.) in the questionnaire
General TF measures	Transparency	2. Publication of existing import-export regulations on the Internet 3. Stakeholder consultation on new draft regulations (prior to their finalization) 4. Advance publication/notification of new regulation before their implementation (e.g., 30 days prior) 5. Advance ruling (on tariff classification) 9. Independent appeal mechanism (for traders to appeal Customs and other relevant trade control agencies' rulings)
	Formalities	6. Risk management (as a basis for deciding whether a shipment will be or not physically inspected) 7. Pre-arrival processing 8. Post-clearance audit 10. Separation of Release from final determination of customs duties, taxes, fees and charges 11. Establishment and publication of average release times 12. Trade facilitation measures for authorized operators 13. Expedited shipments 14. Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities.
	Institutional arrangement and cooperation	1. Establishment of a national trade facilitation committee or similar body 31. Cooperation between agencies on the ground at the national level 32. Government agencies delegating controls to Customs authorities 33. Alignment of working days and hours with neighbouring countries at border crossings, and 34. Alignment of formalities and procedures with neighbouring countries at border crossings
	Paperless trade	15. Electronic/automated Customs System established (e.g., ASYCUDA) 16. Internet connection available to Customs and other trade control agencies at border-crossings 17. Electronic Single Window System 18. Electronic submission of Customs declarations 19. Electronic Application and Issuance of Trade Licenses 20. Electronic Submission of Sea Cargo Manifests 21. Electronic Submission of Air Cargo Manifests

<sup>3</sup> The questionnaire can be accessed in English, Spanish and other languages at the Global Survey's webpage: <http://unnex.unescap.org/tfforum14-survey.asp>

	<p>22. Electronic Application and Issuance of Preferential Certificate of Origin</p> <p>23. E-Payment of Customs Duties and Fees</p> <p>24. Electronic Application for Customs Refunds</p>
Cross-border paperless trade	<p>25. Laws and regulations for electronic transactions are in place (e.g. e-commerce law, e-transaction law)</p> <p>26. Recognized certification authority issuing digital certificates to traders to conduct electronic transactions</p> <p>27. Engagement of the country in trade-related cross-border electronic data exchange with other countries</p> <p>28. Certificate of Origin electronically exchanged between your country and other countries</p> <p>29. Sanitary &amp; Phyto-Sanitary Certificate electronically exchanged between your country and other countries</p> <p>30. Banks and insurers in your country retrieving letters of credit electronically without lodging paper-based documents</p>
Transit facilitation	<p>35. Transit facilitation agreement(s) with neighbouring country(ies)</p> <p>36. Customs Authorities limit the physical inspections of transit goods and use risk assessment</p> <p>37. Supporting pre-arrival processing for transit facilitation</p> <p>38. Cooperation between agencies of countries involved in transit</p>

Note: Transparency measures correspond to Questions 2, 3, 4, 5 and 9, respectively; Formalities measures correspond to Questions 6, 7, 8, 10, 11, 12, 13, and 14, respectively; Institutional Arrangement and Cooperation measures correspond to Questions 1, 31, 32, 33, and 34, respectively; Paperless Trade measures correspond to Questions 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24, respectively; Cross-border paperless trade measures correspond to Questions 25, 26, 27, 28, and 29, respectively; Transit facilitation measures correspond to Questions 35, 36, 37 and 38, respectively (see Annex 1).

Each question in Section B has five possible responses: (i) Totally Implemented; (ii) Partially Implemented; (iii) Pilot Stage; (iv) Not Implemented; or (v) Don't Know. For each question, country representatives also had the option of providing a short narrative on any progress or improvement made over the last 12 months for the measure at issue as well as any other information the country representative may deem as valuable and relevant. Finally, Section C asks country responders to indicate up to three measures in which his or her country has made the most progress in implementation over the last 12 months, to describe any other important trade facilitation measures and initiatives implemented in the last 12 months, and to identify the most serious challenges faced by the country in implementing trade facilitation measures.

### 1.2.2 Country Participation, Data Collection, and Data Validation

The questionnaire was distributed to 28 countries in Latin America and the Caribbean, across all three sub-regions: Central America and Mexico, the Caribbean, and South America. The questionnaires were directed at government agencies involved in trade facilitation and related matters, especially Customs agencies and Ministries of Trade and Industry. Focal points within government agencies were established through ECLAC's network and resources and, in some instances, through collaboration with the Association of Caribbean States (ACS) and the Secretariat for Central American Economic Integration (SIECA in Spanish). Data collection and data validation (as described below) took place over the course

of approximately eight months from November 2014 until July 2015. Of the 28 countries that received surveys, 19 provided responses<sup>4</sup> (see Table 3).

**Table 3: Latin American and Caribbean countries and government agencies participating in the Global Survey on Trade Facilitation and Paperless Trade Implementation**

Country	Sub-region	Participating Government Agency
Barbados	Caribbean	Ministry of Foreign Affairs and Foreign Trade
Dominican Republic	Caribbean	General Customs Directorate
Suriname	Caribbean	Suriname Customs
Trinidad and Tobago	Caribbean	Ministry of Trade, Industry, Investment and Communications
Costa Rica	Central America & Mexico	National Customs Service
El Salvador	Central America & Mexico	Central Reserve Bank of El Salvador, Center for Import and Export Processes
Guatemala	Central America & Mexico	Ministry of Economy
Honduras	Central America & Mexico	Center for Export Processes
Mexico	Central America & Mexico	Secretariat of Finance and Public Credit, Tax Management Service
Nicaragua	Central America & Mexico	Ministry of Production, Industry and Commerce together with the General Directorate of Customs Services and Inter-institutional Committee for Trade Facilitation
Panama	Central America & Mexico	National Customs Authority
Bolivia (Plurinational State of)	South America	Santa Cruz Chamber of Exporters
Brazil	South America	Secretariat of Federal Revenue of Brazil and the Council of Foreign Trade
Chile	South America	National Customs Service
Colombia	South America	National Directorate for Taxation and Customs
Ecuador	South America	National Customs Service of Ecuador
Paraguay	South America	National Customs Directorate
Peru	South America	Ministry of Trade and Tourism
Uruguay	South America	National Directorate for Customs

Source: Authors, based on Global Survey on Trade Facilitation and Paperless Trade 2014-2015.

Upon receiving completed questionnaires from country representatives, responses to each question were tabulated and assigned a common, pre-determined numerical score, so as to enable comparisons between countries within the region and also across the different regions participating in the Global Survey (Asia, Africa, etc.). A response of "Full Implementation" received 3 points, "Partial Implementation" received 2 points, "Pilot Stage" received 1 point, and "Not Implemented" received 0 points.

<sup>4</sup> In the case of the Plurinational State of Bolivia, responses were provided by the Santa Cruz Chamber of Exporters (CADEX), a private, not-for-profit organization committed to promoting goods and services exports from the Department of Santa Cruz (see <http://www.cadex.org/CADEX.aspx>). The Plurinational State of Bolivia is the only participating country where responses to the Survey were provided by a private, business sector association instead of a government agency. CADEX's responses do not necessarily reflect the position of the government of the Plurinational State of Bolivia on trade facilitation and paperless trade matters.

After the initial tabulation, ECLAC reviewed the responses and conducted independent desk research in order to confirm or amend the responses provided by country representatives. This entailed identifying and evaluating the legal and policy framework, procedures and practices, institutional framework, physical and digital infrastructure, and human and financial resources in place for each measure in question. More specifically, the following definitions were used to determine levels of implementation:

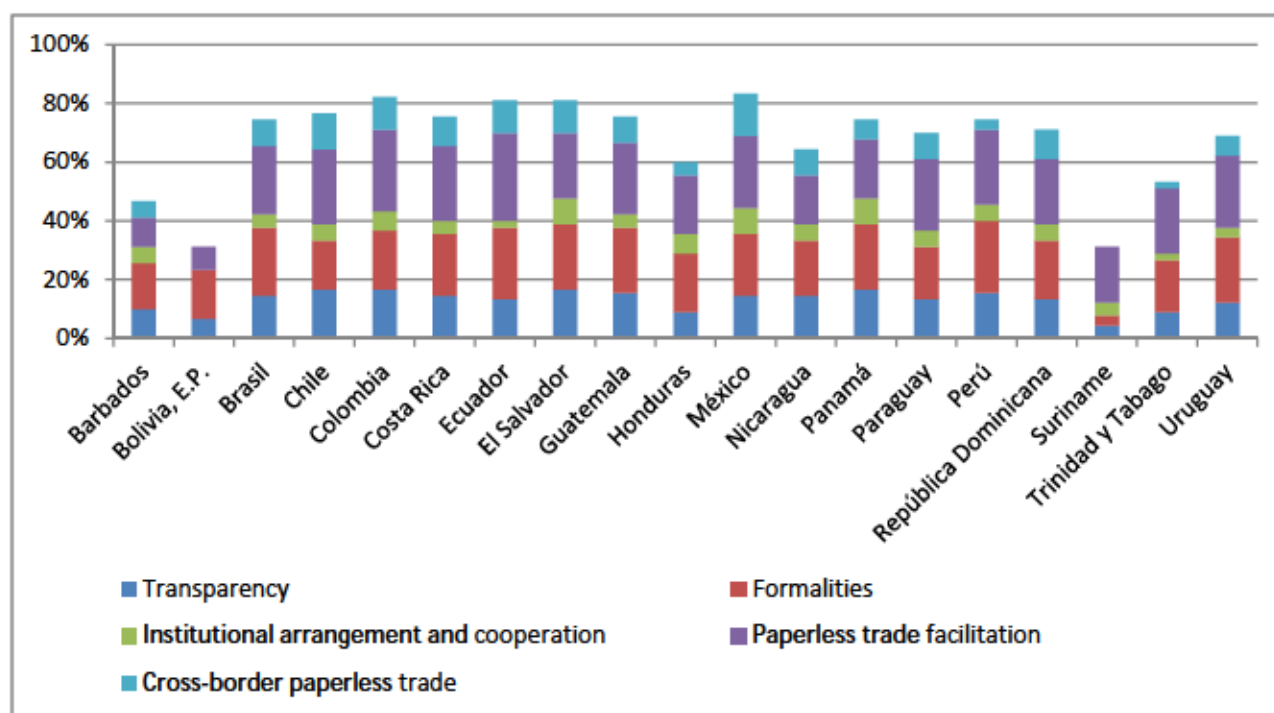
- A measure is considered as "Fully Implemented" if all of the following elements are in force: (i) Legal Framework; (ii) Harmonized procedures and practices; (iii) Institutional Framework; (iv) Adequate hard infrastructure (where necessary); (v) Information and Communications Technology; and (vi) Adequate Human and Financial Resources. Additionally, a measure must be available for the immediate and unconditional use by relevant stakeholders including, inter alia, customs users. Guidance can be sought in relevant international standards and best practices including, for example, the International Convention on the Simplification and Harmonization of Customs Procedures (also referred to as the "Revised Kyoto Convention"), the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendations, the WTO Trade Facilitation Agreement and accompanying guidelines contained in the WTO Agreement on Trade Facilitation Self Assessment Guide, and/or the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce.
- A measure is considered as "Partially Implemented" if, with respect to the Legal Framework, Harmonized Procedures and Practices, Institutional Framework, Adequate Hard Infrastructure (where necessary), Information and Communications Technology, and Adequate Human and Financial Resources, either: (i) at least one, but not all of the elements, are in force; (ii) one or more elements are only partially in force or have not yet been put in practice; or (iii) some or all of the elements are in force but practiced on an ad hoc or arbitrary basis and not available for the immediate and unconditional use by relevant stakeholders including, inter alia, customs users.
- A measure is considered in the "Pilot Stage of Implementation" if it is being implemented on a trial basis and/or is available only to a very small portion of stakeholders. This stage of implementation also includes relevant rehearsals and preparation for full implementation.
- A measure is considered as "Not Implemented" if the government has not taken any steps to: (i) Develop a Legal Framework; (ii) Harmonize procedures and practices; (iii) Create an Institutional Framework; (iv) Provide adequate hard infrastructure (where necessary); (v) Create and/or utilize relevant and necessary Information and Communications Technology; and (vi) Provide adequate human and financial Resources for the implementation of a measure. This does not exclude the possibility that a legal benchmark, needs analysis and/or feasibility study or other preparatory steps have been taken in anticipation of eventual implementation.

Country responses validated by ECLAC – that is to say, answers confirmed or amended by ECLAC based upon independent desk research using primary and secondary sources – are considered as final. The graphs, tables and analysis presented in this report are based upon validated data.

## 2 Trade Facilitation in Latin America and the Caribbean: Overview

Overall, the results of the Global Survey show that the region has made considerable progress in implementing trade facilitation measures. Based on responses to 30 of the 38 questions of the Survey, the average level of implementation for Latin America and the Caribbean is 67% (See Figure 3).<sup>5</sup>

Figure 3: Overall Implementation of trade facilitation and Paperless Trade Measures in 19 LAC Countries (in percentage of the maximum possible score)



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

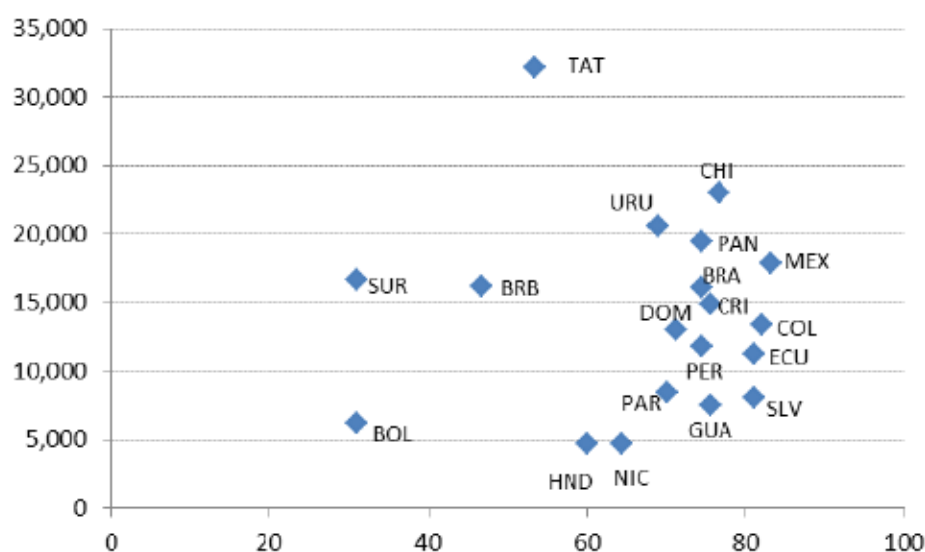
As can be seen in Figure 3, thirteen of nineteen participating countries exceed the regional average by between 3 and 16 percentage points. A particularly strong performance was seen in South America, where 7 of the 8 participating countries exceeded the average regional implementation rate by

<sup>5</sup> The remaining eight questions were not considered for the purposes of Figure 1, since they were not applicable to all countries in the sample. The questions excluded are: 20 (Electronic Submission of Sea Cargo Manifests), 33 (Alignment of working days and hours with neighboring countries at border crossings), 34 (Alignment of formalities and procedures with neighboring countries at border crossings), 35 (Transit facilitation agreements with neighboring countries), 36 (Customs authorities limit the physical inspection of transit goods and use risk assessment), 37 (Supporting pre-arrival processing for transit facilitation), and 38 (Cooperation between agencies of countries involved in transit). Additionally, Question 30, relating to banks and insurers being able to retrieve letters of credit electronically without lodging paper-based documents, was excluded as a result of the nearly unanimous responses of "Don't Know" by participating LAC countries.



between 3 and 15 percentage points.<sup>6</sup> In the group composed by Central America and Mexico, 5 of 7 participating countries exceeded the average regional implementation rate by between 7 and 16 percentage points. Caribbean countries, on the other hand, had lower performance levels. The Dominican Republic was the only country within this group that exceeded the regional implementation rate (by 4 percentage points), while the other three Caribbean participating countries registered scores well below that average. Among all participating countries, and across all measures, Mexico and Colombia have the highest levels of implementation, 83% and 82% respectively, followed by Ecuador (81%), El Salvador (81%) and Chile (77%). Conversely, Bolivia and Suriname have the lowest levels of implementation across all measures.

**Figure 4 : GDP per capita (2013, PPP) and trade facilitation implementation rates of Latin American and Caribbean countries (In current international dollars and percentages of the maximum possible score)**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015, and International Monetary Fund, World Economic Outlook Database, April 2015.

**Notes:** BRB: Barbados. BOL: Bolivia (P.S.). BRA: Brazil. CHI: Chile. COL: Colombia. CRI: Costa Rica. ECU: Ecuador. SLV: El Salvador. GUA: Guatemala. HND: Honduras. MEX: Mexico. NIC: Nicaragua. PAN: Panama. PAR: Paraguay. PER: Peru. DOM: Dominican Republic. SUR: Suriname. TAT: Trinidad and Tobago. URU: Uruguay.

Overall, there is a positive correlation between country scores in the Global Survey and per capita income. However, there are important exceptions. For example, the two countries with the lowest scores, the Plurinational State of Bolivia and Suriname, obtained identical implementation rates (31%) despite the fact that Suriname’s per capita GDP –measured in purchasing power parity- is 2.7 times that of Bolivia. Trinidad and Tobago, by far the richest country within the sample in terms of per

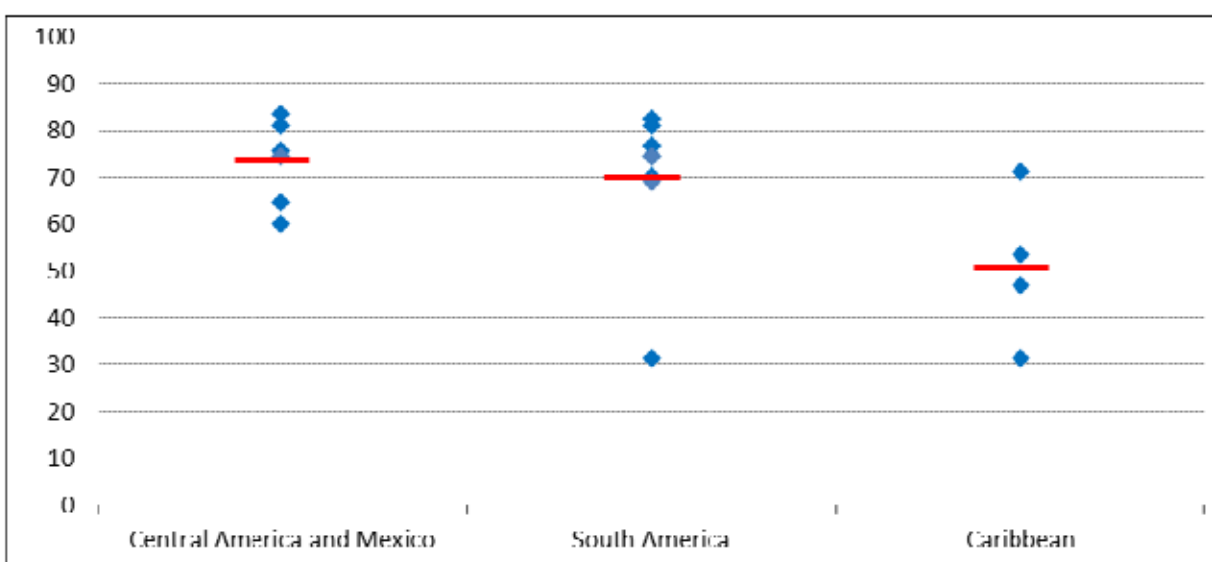
<sup>6</sup> The results for South America should be interpreted with some caution, since they exclude Argentina and the Bolivarian Republic of Venezuela, two of the largest economies in this sub-region and where trade barriers have increased in recent years.

capita GDP, also obtained a below-average score in the Survey. By contrast, Paraguay, Guatemala and especially El Salvador obtained above-average scores in the Survey, despite having a per capita GDP well below the sample's average of 13,996 dollars (see Figure 4). All this indicates that other variables are also relevant in explaining a country's performance, such as institutional capacities, being an island or a landlocked country, and being part of free trade agreements or integration mechanisms with comprehensive trade facilitation commitments, among others.

## 2.1. Implementation of Trade Facilitation and Paperless Trade Measures in LAC Sub-regions

A comparison of overall levels of implementation among the three sub-regions demonstrates that Central America and Mexico have the highest levels of implementation with an average rate of 74%. Central America and Mexico are followed by South America which has an average rate of implementation of 70% and the Caribbean with an average rate of 51% (see Figure 5).

**Figure 5: Implementation of Trade Facilitation and Paperless Trade Measures in LAC sub-regions (In percentages of the maximum possible score)**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

**Notes:** Averages for sub-regions are indicated by red lines; Implementation rates for individual countries are indicated by blue diamonds.

Central America and Mexico's high average is due, in part, to Mexico's high implementation rate (83%). In fact, as noted previously, Mexico is the highest performing country region-wide across all measures. Among Central American countries, El Salvador, Guatemala, Costa Rica and Panama present with implementation rates of 81%, 76%, 76%, and 74%, respectively. Nicaragua and Honduras, the two lowest-income countries within this sub-group of countries - perform slightly below the sub-regional

average at 64% and 60%, respectively. The relatively high levels of performance among Central American countries are a result of a common legal and regulatory customs framework, the Uniform Central American Customs Code (“Codigo Aduanero Uniforme Centroamericano” or CAUCA in Spanish), which has resulted in a simplification of import and export procedures as well as cross-border electronic exchange of information. Most notably, CAUCA has served as the legal basis for the creation and use of FAUCA (“Formulario Aduanero Único Centroamericano”), a single electronic customs form used throughout Central America for importing and exporting goods and which also doubles as a Certificate of Origin. The Secretariat for Central American Economic Integration (“SIECA” by its acronym in Spanish) has been instrumental in supporting these initiatives as part of its vast efforts to foster economic, trade and social integration in the sub-region.

Other factors contributing to Central America’s success in trade facilitation and paperless trade policies include the Free Trade Agreement and the Association Agreement in force with the United States and the European Union, respectively. The Central America-Dominican Republic-United States Free Trade Agreement<sup>7</sup> (CAFTA-DR), which entered into force in 2005, contains a “Customs Administration and Trade Facilitation” chapter which is broad in scope and contains commitments ranging from Release of Goods to Risk Management to Advance Rulings, among others. Similarly, in 2013, the European Union-Central America Association Agreement<sup>8</sup> entered into force with a “Customs and Trade Facilitation” chapter containing ample commitments on customs and trade-related procedures and states that customs legislation and procedures shall be based, inter alia, upon the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade. In this vein, the European Union has delivered significant technical assistance and capacity building to support implementation of the Association Agreement through the PRAIAA program (“Proyecto Regional de Apoyo a la Integración Económica Centroamericana y a la Implementación del Acuerdo de Asociación” in Spanish).

Second among the sub-regions is South America with a 70% average rate of implementation. Colombia, Ecuador, Chile, Brazil and Peru have the highest rates of implementation in the sub-region at 82%, 81%, 77%, 74%, and 74%, respectively. In the case of Colombia, Chile and Peru, these countries have Free Trade Agreements in force with the United States and the European Union that have expansive trade facilitation and customs administration commitments.<sup>9</sup> Ecuador, on the other hand, does not have Free Trade Agreements with the United States or the European Union<sup>10</sup>, but the recently implemented “ECUAPASS” – a software program modeled after Korea’s UNI-PASS which permits nearly full digitalization of customs procedures – helped spike its average. Brazil’s high performance rates can be attributed to an expansive domestic legal framework on customs related matters as well cooperation

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<sup>7</sup> All countries in the Central American sub-region are signatories with the exception of Panama which has a separate Free Trade Agreement with the United States in force since 2012.

<sup>8</sup> Unlike CAFTA-DR, all countries in the Central American sub-region, including Panama, are signatories.

<sup>9</sup> The Colombia-United States FTA entered into force in 2012; the Chile-United States FTA entered into force in 2004; the Peru-United States FTA entered into force in 2009. The Colombia-Peru EU Multiparty Trade Agreement entered into force in 2013; the Chile-EU Free Trade Agreement entered into force in 2003.

<sup>10</sup> In July 2014, Ecuador and the European Union concluded negotiations allowing Ecuador to join the Colombia and Peru – EU Multiparty Trade Agreement. Both parties initialed the agreement in December 2014 and procedures for ratification are underway.

at the border with fellow MERCOSUR member states (Argentina, Uruguay, and Paraguay). Bolivia is the exception to South America's high performance rate with implementation levels of only 31%, sharply below the sub-regional average. Trade facilitation efforts in Bolivia are hampered by a number of factors including, among other things, being landlocked and –according to the responses provided by CADEX- a lack of coordination among government agencies.<sup>11</sup>

Ranking third among the sub-regions is the Caribbean with an average implementation rate of 51%.<sup>12</sup> Its two largest economies – the Dominican Republic and Trinidad and Tobago – have implementation rates above the average at 71% and 53%, respectively. As previously indicated, the Dominican Republic is a signatory to the CAFTA-DR Free Trade Agreement and, like the other partners, has accepted and implemented ample trade facilitation commitments. Falling below the sub-regional average are Barbados (47%) and Suriname (31%).

## 2.2 Most and Least Implemented Trade Facilitation and Paperless Trade Measures

Among groups of measures, Transparency, Formalities and Paperless Trade measures have the highest levels of implementation at 78%, 73%, and 73%, respectively. They are followed by transit facilitation measures with an average rate of implementation of 61%. The lowest rates of implementation lie in Institutional Arrangements and Cooperation measures (52%) and Cross-border paperless trade measures, with 46% (see Figure 6 and Table 3).

Transit facilitation measures show the smallest range in levels of compliance with implementation ranging from 57% to 61%. This reflects the emphasis some countries have placed upon transit facilitation as part of broader trade and economic integration policies. For transparency measures, three out of five measures exhibit fulfillment levels between 84% and 93%, reflecting the continued focus on these types of measures in Free Trade Agreements to which countries in the region are signatories.

Conversely, paperless trade exhibits a large degree of heterogeneity in implementation. Within paperless trade measures, for example, the use of an electronic/automated customs system has a 98% implementation rate - the highest among all measures examined – meanwhile, electronic application for customs refunds only has a 26% rate of implementation, the second lowest of all measures analyzed.

A similar trend is seen in the cross-border paperless trade category, which includes one of the measures with the highest levels of implementation while also containing two of the lowest-ranked measures. For example, laws and regulations for electronic transactions have an 84% rate of

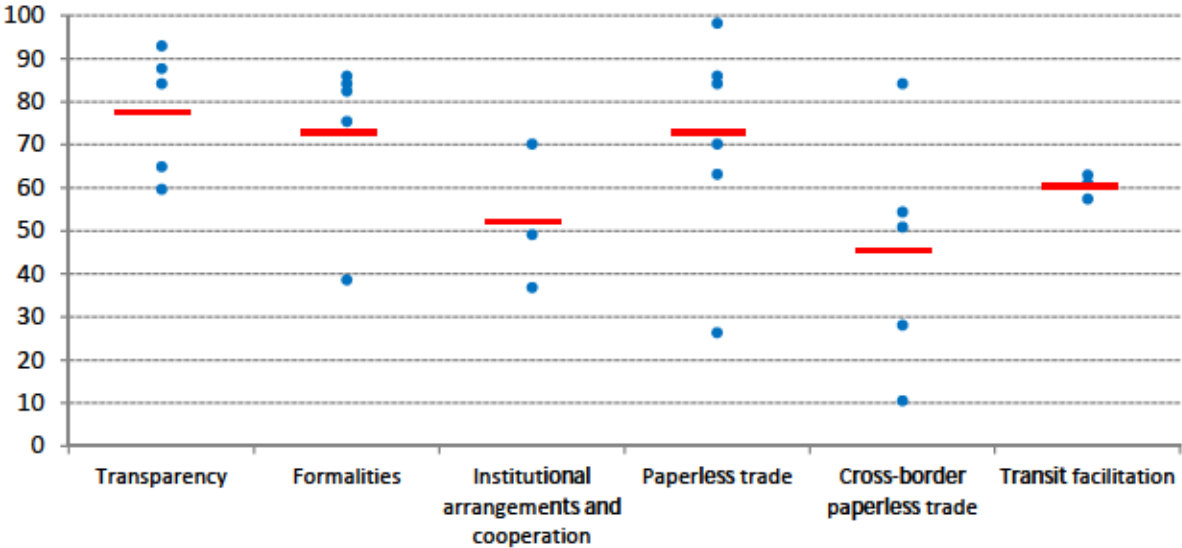
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<sup>11</sup> It should be borne in mind that Bolivia is the only participating country where responses to the Global Survey were provided by a business sector association instead of a government agency. This may also explain its low score, to the extent that the business sector's perception of the state of trade facilitation in the country can differ from that of the national government.

<sup>12</sup> The Caribbean is underrepresented in the Global Survey as only 4 Caribbean nations participated. With increased participation, particularly from CARICOM member states benefitting from the WTO Aid for Trade Strategy, its average may have been higher.

implementation. On the other hand, electronic exchange of sanitary and phytosanitary certificates has a mere 11% implementation rate across the region with only two countries indicating that this is partially implemented and two more countries indicating that it is in the pilot stage of implementation. Likewise, electronic exchange of certificates of origin has a 28% level of implementation with only one country indicating that it has been fully implemented and seven countries indicating that it is either partially implemented or in the pilot stage.

**Figure 6: Implementation of Trade Facilitation and Paperless Trade Measures by group (In percentages of the maximum possible score)**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.  
**Notes:** Red lines indicate average total implementation rates for each category; Blue dots indicate average implementation rates for individual measures within each category.

**Table 4: Most and least implemented trade facilitation measures in Latin America and the Caribbean  
(Within each group of trade facilitation measures)**

Group of measures	Most implemented	Implementation rate	Least implemented	Implementation rate
Transparency	Independent appeal mechanism	93%	Stakeholder consultation on new draft regulations	65%
	Publication of existing import-export regulations on the internet	88%	Advance publication/notification of new regulations before their implementation	60%
Formalities	Post-clearance audit	86%	Trade facilitation measures for authorized operators	61%
	Expedited shipments	86%	Establishment and publication of average release times	39%
Institutional arrangements and cooperation	Cooperation between agencies on the ground at the national level	70%	Establishment of National Trade Facilitation Committee	49%
			Government agencies delegating controls to Customs authorities	37%
Paperless trade	Electronic/automated Customs System	98%	Electronic Single Window System	63%
	Internet connection available to Customs and other trade control agencies at border-crossings	86%	Electronic application for customs refunds	26%
Cross-border paperless trade	Laws and regulations for electronic transactions	84%	Electronic exchange of certificate of origin	28%
	Recognized certification authority	54%	Electronic exchange of sanitary and phytosanitary certificates	11%
Transit facilitation	Supporting pre-arrival processing for transit facilitation	63%	Cooperation between agencies of countries involved in transit	57%
	Customs authorities limit the physical inspections of transit goods and use risk assessment	61%		

Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

## 3 Implementation of Trade Facilitation and Paperless Trade Measures by Category

### 3.1 “Transparency” Measures

The transparency measures<sup>13</sup> included in the Global Survey are based on Articles 1 through 4 of the WTO Trade Facilitation Agreement. These measures pertain to publication of import and export regulations online, stakeholder consultation on new draft regulations, advance publication and notification of new regulations prior to their entry into force, advance rulings, and an independent appeal mechanism. These measures are based on, and expand significantly upon, the commitments contained in Article X of the General Agreement on Tariffs and Trade (GATT) that address, among other things, customs and classification matters. Transparency measures are one of three subgroups of general trade facilitation measures examined in the Global Survey.

Collectively, transparency measures, when fully implemented, allow traders to play a role in the design of new regulations that may impact them, have predictability in customs matters, and have the right to a legal review of customs rulings. Latin America and the Caribbean presents an overall implementation rate of 78% for transparency measures -- the highest of any group of measures examined in the Global Survey (see Figure 7).<sup>14</sup> Among all three sub-regions, Central America and Mexico have the highest average rate of implementation at 87% with all but one country exhibiting partial or full implementation of all transparency measures. South America has a similarly high implementation rate - 82% - with most countries exhibiting partial or full implementation of transparency measures with the exception of those related to the rule-making process (e.g., stakeholder consultation and advance publication of new notifications).

The Caribbean has the lowest average of all 3 sub-regions with a 55% implementation rate. The strongest performer among Caribbean countries is the Dominican Republic that has either partially or fully implemented all measures. The remaining three countries – Barbados, Suriname and Trinidad and Tobago – show various degrees of implementation among measures with some, including those related to the rule-making process and advance rulings, not implemented at all.

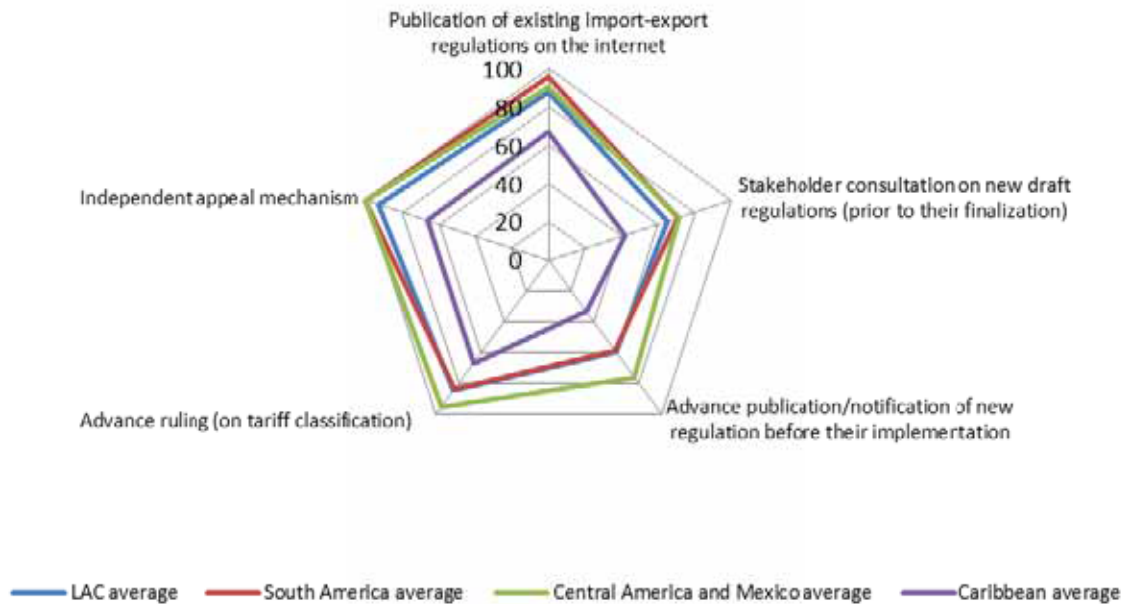
Among transparency measures, establishment of an independent appeal mechanism has the highest rate of implementation at 93%, followed by publication of existing import-export regulations (88%), and advance rulings on tariff classification (84%). Falling below these implementation rates is stakeholder consultation on new draft regulations (65%) and advance publication and notification of new regulations before their entry into force (60%).

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<sup>13</sup> Transparency measures correspond to Questions 2-5 and 9 of the Global Survey. See Table 1.

<sup>14</sup> Overall implementation rates for each category of measures were calculated as the simple average of implementation rates for all measures within that category.

**Figure 7: Implementation of transparency measures: Latin America and Caribbean Average (In percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

The most implemented measure – Independent Appeal Mechanism – requires that traders have the right to review and seek correction the decisions issued by customs officials or officials of other border agencies.<sup>15</sup> Of the 19 countries that participated in the Global Survey, 17 (89%) have fully implemented this measure (see Figure 8). Country experiences across the region indicate that countries have taken different approaches to implementation. In some cases, countries have established Customs and/or Tax Courts with exclusive jurisdiction; in other cases, countries have expanded the jurisdiction of already existing local and/or national court systems to include customs matters.

Publication of import-export regulations – the next most implemented measure - contemplates that governments shall make import, export and transit procedures available in a non-discriminatory and easily accessible manner so that other governments, traders and interested persons may become acquainted with them. This requirement builds upon commitments contained in GATT Article X and is also commonly found in trade facilitation and customs cooperation chapters in Free Trade Agreements. Data reflects that this measure has been partially or fully implemented by all countries participating in the Global Survey (see Figure 8).

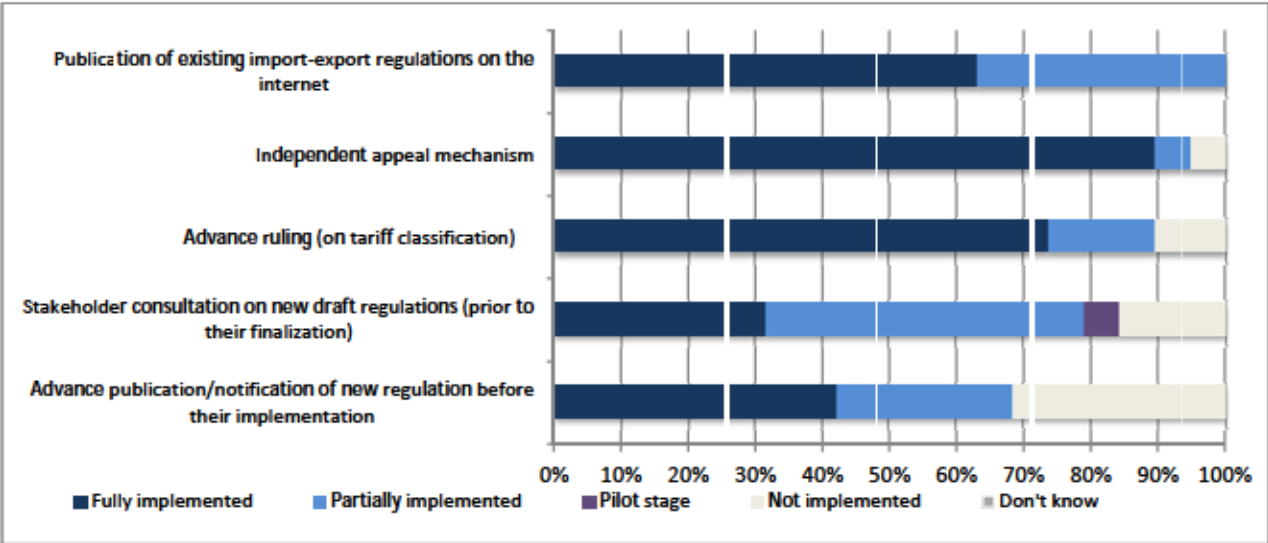
Advance rulings relate to traders' right to obtain a ruling on the tariff classification of the goods being imported before the goods actually arrive at the destination country. In Central America, advance rulings are governed by CAUCA and the CAFTA-DR FTA and are, thus, fully in force in all six participating

<sup>15</sup> See WTO Agreement on Trade Facilitation Self Assessment Guide, TN/TF/W/143/Rev.9, November 2014 [online] at <https://docs.wto.org/>



countries and result in a common practice. In South America, nearly all countries have fully implemented this measure as a result of commitments included in FTAs with the United States and/or the European Union. The Caribbean diverges somewhat from this trend wherein two of the four participating countries do not offer traders the option of advance rulings or have only partially implemented this measure.

**Figure 8: Levels of Implementation of Transparency Measures in Latin America and the Caribbean (Highest to Lowest, in percentages) <sup>a</sup>**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

<sup>a</sup> Based on percentage of countries achieving full implementation of each measure.

Falling well below these high rates of implementation are stakeholder consultations on new draft regulations and advance publication of new regulations before entry into force. Stakeholder consultations, as its title suggests, requires that border agencies hold regular consultations with traders, stakeholders and interested parties on trade-related and customs laws. The figures show that this measure has varied degrees of implementation in the region but falls mostly within the purview of partially implemented (see Figure 8). Country experiences suggest that although this practice is used, it is not consistent or systematic and is applied on a case-by-case basis.

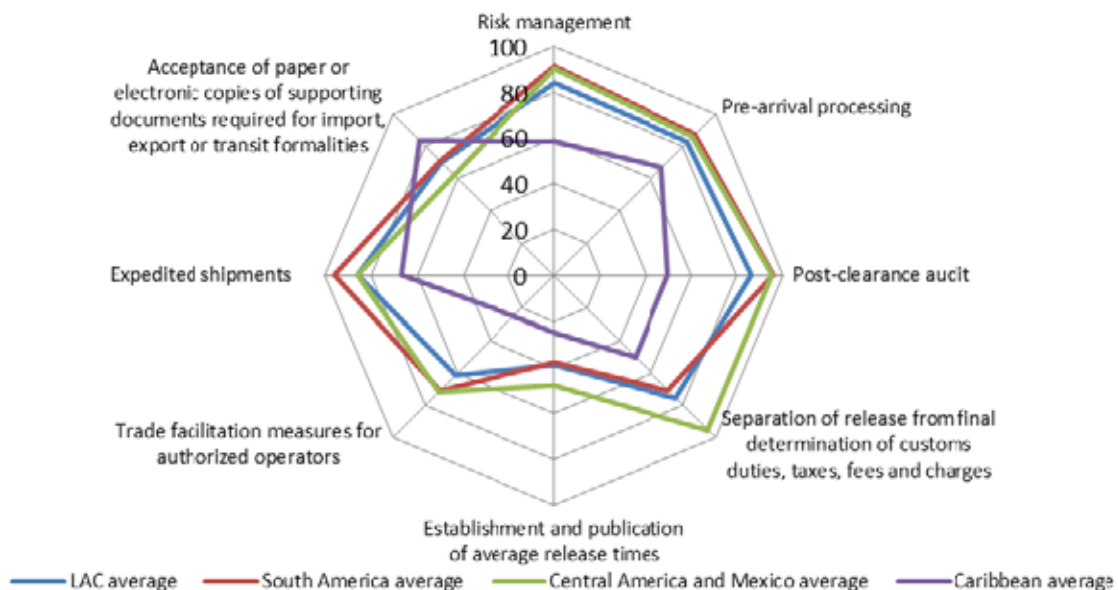
Advance publication of new draft regulations mandates that governments publish information to new and/or amended trade-related and customs laws so that traders and interested parties have an opportunity and reasonable time to comment on proposals. The implementation of this measure varies widely across the region. In some countries, there is no legislation in place that mandates advance publication and, therefore, it is either not done or, alternatively, practiced sporadically. At the other end of the spectrum, in some countries, such as Brazil for example, a measure cannot enter into force unless it has been published in the official gazette and not sooner than 45 days thereafter (unless there are exceptional circumstances).

### 3.2: “Formalities” Measures

The Global Survey examines eight measures – collectively referred to as “Formalities” – within the purview of streamlining and expediting trade procedures. These measures are based on Articles 6, 7, 9 and 10 of the WTO Trade Facilitation Agreement which, in turn, build upon GATT Article VIII entitled “Fees and Formalities connected with Importation and Exportation.” These measures relate to risk management, pre-arrival processing, post-clearance audit, separation of release from final determination of customs duties, establishment and publication of average release times, authorized operators, expedited shipments and acceptance of paper or electronic copies of supporting documents. Together, these measures seek to simplify the formalities for importing and exporting – such as, for example, document and information requirements- and reduce the fees, charges and duties associated with the entry and exit of goods across borders.

Latin America and the Caribbean presents high levels of implementation for this category with an average rate of 73% (See Figure 9). Central America and Mexico, together with South America, show near levels of implementation at 79% and 78%, respectively. With only minor exceptions, countries in both sub-regions exhibit partial or full implementation of all formalities measures. The Caribbean presents a lower average - 53% - and with more varied patterns of implementation across this group of measures.

**Figure 9: Implementation of Formalities Measures: Latin America and Caribbean Average (In percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

The most widely implemented measures are post-clearance audit and expedited shipments (86%), risk management (84%), and pre-arrival processing (83%). These are followed by separation of release from final determination of duties and fees (75%) and acceptance of paper or electronic copies of supporting documents (70%). Diverging from this general fulfillment pattern are trade facilitation measures for authorized operators (61%) and establishment and publication of average release times (39%).

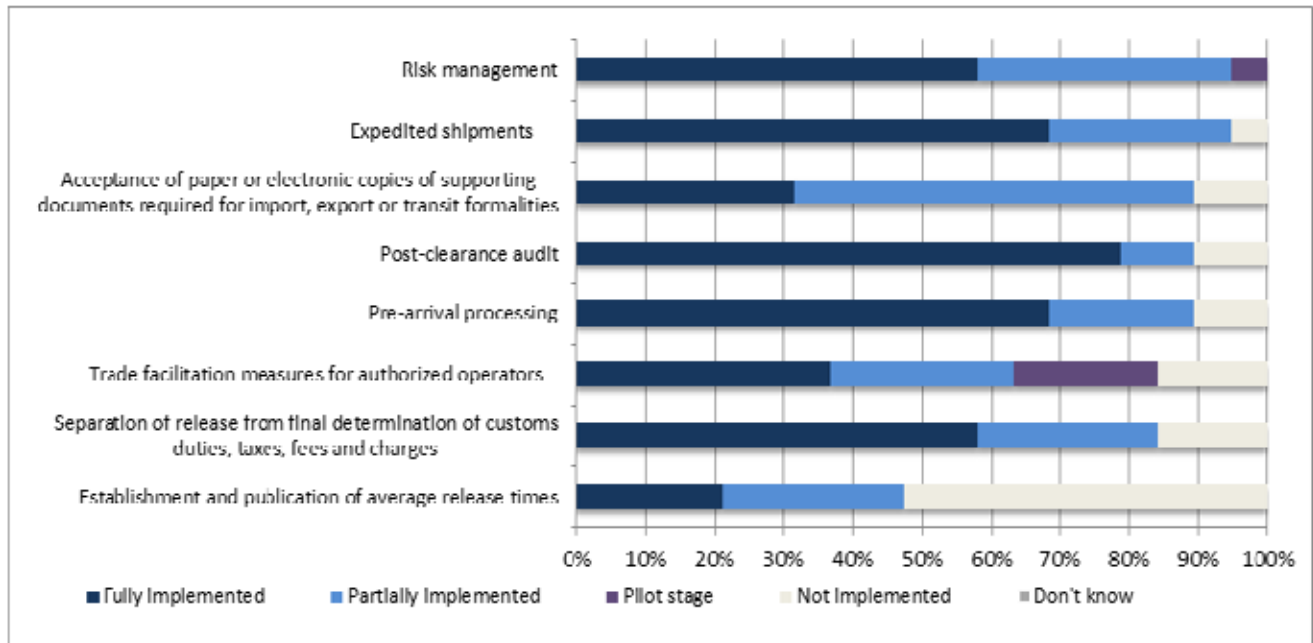
Among the first formalities-related measures that would come into play in a typical import transaction is pre-arrival processing. This refers to customs and other border agencies allowing importers to submit documentation and other information required for release of imported goods, in electronic format where appropriate, prior to the arrival of the goods in order to expedite their release. Latin America and the Caribbean presents an 83% implementation rate with average levels closely spread across all three sub-regions. This reflects country investments in Information and Communication Technologies at the national and sub-regional levels.

Separation of release from final determination contemplates that customs will allow importers to obtain release of their goods, under a guarantee, if required, prior to the final determination of applicable fees and tariffs when such determination is not done prior to, upon arrival, or as rapidly as possible after arrival of the goods. The overall compliance rate in the region is 75% with a particularly strong performance by Central America and Mexico in which all but one country has fully implemented this measure. Moreover, country evidence suggests that Mexico has taken implementation one step further by consolidating transactions and allowing release of all imports arriving within a specified time frame for a single importer.

Fifteen out of nineteen participating countries (79%) have fully implemented post-clearance audits (see Figure 10). Evidence suggests that some countries have had post-clearance audits in place since at least the 1990s. Such is the case, for example, of Central American countries that have regulated post-clearance audits through CAUCA and have clearly defined policies in place. Mexico, for its part, recently created a General Administration of Foreign Trade Auditing (“Administración General de Auditoria de Comercio Exterior” in Spanish) in order to focus exclusively on post-clearance audit control, investigations, and planning. South American countries follow a similar trend albeit mostly at the national, not sub-regional, level. For example, Ecuador, Peru and Uruguay have well established regulatory frameworks in force that govern post-clearance audits and efforts are underway to improve upon them through the use of technology.

Post-clearance audit, the measure with the highest fulfillment levels across the region in this category (86%), refers to customs’ verification of compliance with customs and regulations through examination of traders’ books and records at the premises following the release of goods. Under the broader requirements of the WTO Trade Facilitation Agreement, post-clearance audits must be conducted with a view to expedite the release of goods and, wherever practical, inform risk management. Moreover, audits must be transparent and the persons subject to audit should be notified of the results.

**Figure 10: Levels of Implementation of Formalities Measures in Latin America and the Caribbean (From highest to lowest, in percentages) <sup>a</sup>**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

<sup>a</sup> Based on percentage of countries achieving full implementation of each measure.

Closely tied to post-clearance audits are risk management policies. Risk management is the methodology or practice that customs uses to determine which import, export or transit transactions or operators should be subject to control and the type and degree of control to be applied. The commitments contained in the WTO Trade Facilitation Agreement require that customs shall apply control on high-risk consignments and expedite the release of low-risk goods. In order to do this, appropriate selectivity criteria must be applied.

Risk Management has an 84% compliance rate in the region. With only one exception, all countries across the three sub-regions have either partially or fully implemented risk management policies (Suriname has indicated risk management policies are in the pilot stage). Trends across the region reflect that many countries have adopted World Customs Organization standards and are seeking to further centralize and streamline the process. Moreover, some countries, including Ecuador and Peru, have begun applying Big Data to make risk management processes more effective and efficient.

Expedited shipments exhibit a similarly high average rate of implementation at 86%. This measure regulates documents and goods imported by air express-delivery operators. The WTO Trade Facilitation Agreement contemplates that, when fully implemented, this measure will allow the expedited release of at least those goods entered through air cargo facilities. The high implementation levels of this measure are due, in part, to their inclusion in many Free Trade Agreements with the United

States and the capacity building delivered by the United States Agency for International Development (USAID) in the region, particularly in Central America.

The establishment of trade facilitation benefits for authorized operators has a 61% average implementation rate region-wide. Based on Article 7 of the WTO Trade Facilitation Agreement, this measure states that countries shall provide special or preferential customs treatment to reliable traders or "authorized operators" who present low risk of non-compliance with legal requirements.<sup>16</sup> Both South America and Central America and Mexico present a 71% average rate of implementation. All countries in both sub-regions have either fully or partially implemented authorized operator schemes, or are in the pilot stage of their implementation. The only three countries to exhibit non-implementation are from the Caribbean (Barbados, Suriname and Trinidad and Tobago). The remaining Caribbean country – the Dominican Republic – has fully implemented this measure.

Another important measure in this category is acceptance of paper or electronic copies of supporting documents required for import, export, or transit formalities. This measure contemplates that when a government agency of a country already holds the original of a document used for import, export or transit matter, any other agency in that country shall accept a paper or electronic copy from the agency holding the original document in lieu of the original document. The region presents a 70% rate of implementation. The sub-region with the highest average is the Caribbean that exhibits an 83% rate of fulfillment. South America and Central America and Mexico present slightly lower averages, 71% and 62%, respectively. Countries that have not yet fully implemented this measure indicate that policies are being considered to create digital repositories for trade-related documents (e.g. El Salvador) or efforts are underway to include more government agencies in already existing digital processes (e.g., Brazil).

The least implemented measure in this grouping is the establishment and publication of average release times for import shipments, with only a 39% compliance rate. Only four countries in the region have fully implemented this measure and four additional countries have partially implemented it. Country evidence shows that this measure has been applied on a limited basis because, in general, there is no legal obligation to publish release times. In fact, the small numbers of countries engaged in publishing the data do so as part of a broader sub-regional integration effort -- as is the case for Central America and SIECA. More widespread implementation of this measure will help track the performance of customs and other border agencies with respect to the release of goods.

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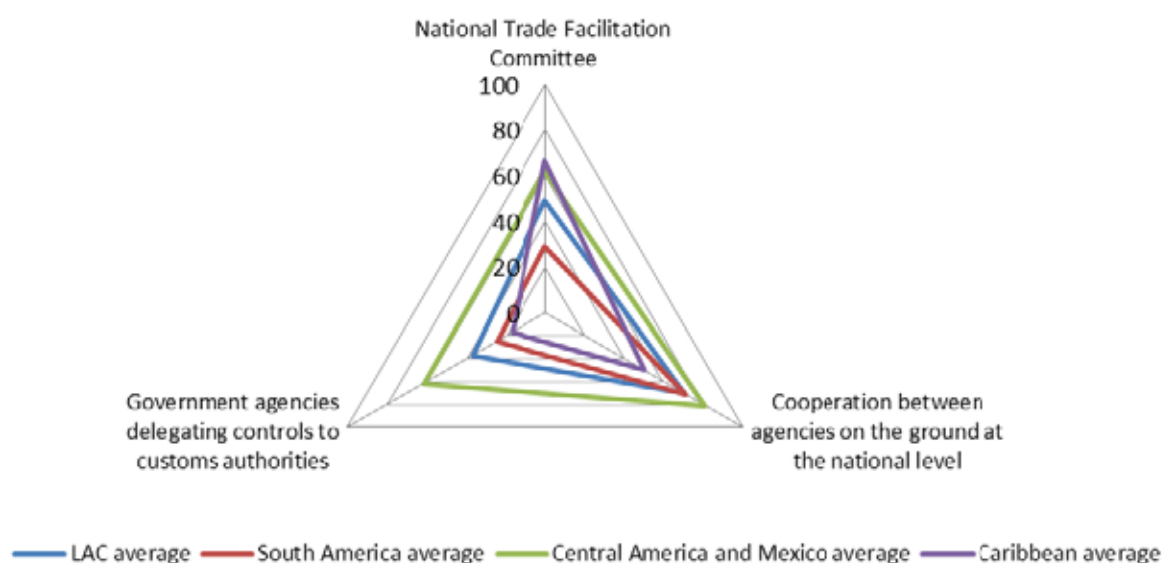
<sup>16</sup> The advantages granted to authorized operators may include, inter alia, lower documentary and data requirements, a lower rate of physical inspections, faster release time, and deferred payment of duties, taxes, fees and charges.

### 3.3 “Institutional Arrangements and cooperation” measures

The third group of measures within the scope of general trade facilitation measures is entitled “Institutional Arrangements and Cooperation”. This grouping is comprised of only three measures but their importance cannot be overstated. Based on Articles 8 and 23 of the WTO Trade Facilitation Agreement, these measures govern the institutional and policy framework necessary for implementation of trade facilitation and paperless trade measures.

Latin America and the Caribbean presents an average implementation rate of 52% for this category. Among sub-regions, Central America and Mexico has the highest implementation rate at 68%, followed by the Caribbean (44%) and South America (42%) (see Figure 11). Implementation rates vary widely among the three measures included in this category. In the case of Central America and Mexico, average implementation rates among measures range from 62% to 81%. Wider differences in implementation levels are seen in Caribbean and South American countries. In the Caribbean, average rates of implementation for each measure range from 17% to 67%, or 50 percentage points. Similarly, implementation rates in South America range from 25% to 71%, or 46 percentage points.

**Figure 11: Implementation of Institutional Arrangement and Cooperation Measures: Latin America and Caribbean Average (In percentages)**

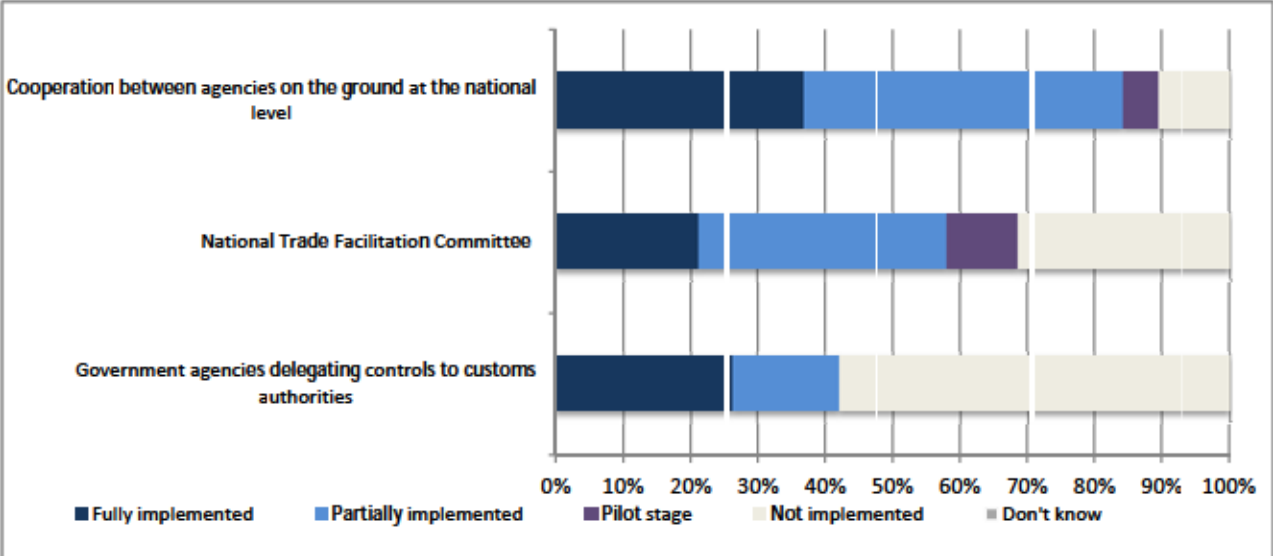


**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

Cooperation between agencies on the ground at the national level has the highest degree of implementation at 71%. This is followed by establishment of a National Trade Facilitation Committee (49%) and government agencies delegating control to customs authorities, with 37% (see Figure 12).

Cooperation between agencies on the ground at the national level contemplates that border agencies involved in import, export and transit transactions (for example, customs, sanitary inspection agencies and public health agencies, among others) will coordinate controls and procedures to facilitate cross-border trade. Central America and Mexico have the highest implementation rate for this measure at 81% reflecting these countries' commitments to cooperate at the national, bi-national, and sub-regional levels. Mexico, for its part, has notably elevated the role of border controls as part of a national security strategy by creating a High Level Specialized Committee on Disarmament, Terrorism and International Security (CAMETI in Spanish) to inhibit illegal arms trade, among other things.

**Figure 12: Levels of Implementation of Institutional Arrangements and Cooperation Measures in Latin America and the Caribbean (From highest to lowest, in percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

The next most implemented measure is the establishment of a National Trade Facilitation Committee. This refers to a formal institutional arrangement that must serve as a mechanism to bring together government actors and the private sector to identify and address challenges in order to streamline trade procedures. The region presents a 49% compliance rate, with the strongest performances in Central America (62%) and the Caribbean (67%) and a weaker performance among South American countries (29%). These relatively low fulfillment levels may be partially explained by the institutional complexity of setting up a National Trade Facilitation Committee. Trade facilitation is a cross-cutting issue that relates to the work of many public agencies with widely different mandates. Therefore, the creation of a National Trade Facilitation Committee requires political commitment at the highest level to have all relevant agencies participate and coordinate effectively. With the eventual entry into force of the WTO Trade Facilitation Agreement, these committees will play an increasingly important role as they are considered essential – and almost a prerequisite - to the implementation of the TFA. In fact, the creation of National Trade Facilitation Committee is a stand-alone requirement for signatory countries (See Article 23 of the WTO Trade Facilitation Agreement).

Noteworthy among various initiatives implemented in the region is the Inter-Institutional Committee on Trade Facilitation (Comisión Interinstitucional de Facilitación de Comercio or "CIFCO" in Spanish) created in Nicaragua in 2008. CIFCO has political support at the highest governmental levels and a mandate to seek solutions to trade facilitation, investment and productivity issues. It relies heavily on a public-private consensus and plays a key role in developing public policies and relevant strategies.<sup>17</sup>

The least implemented measure in this grouping relates to government agencies (such as, for example, sanitary inspection services or transport ministries) delegating controls to customs authorities -- the highest form of inter-agency collaboration. Only five countries in the region have fully implemented this measure and only three countries have implemented it partially. The remaining countries have not implemented this measure in any degree. In fact, given the highly specialized nature of the inspections such agencies must perform, it may not always be feasible –or even desirable- to delegate them to customs authorities.

### 3.4 “Paperless Trade” Measures

The Global Survey examines nine measures that are categorized as paperless trade measures and which relate to the use and application of Information and Communications Technology (ICT) to fulfill formalities requirements (see Section III.B above). Paperless trade refers to trade “taking place on the basis of electronic communications, including exchange of trade-related data and documents in electronic form.”<sup>18</sup> The measures examined in the Global Survey are based, in part, on WTO Trade Facilitation Agreement Articles 7 and 10 as well as the commitments generally contained in the Draft Text of the of the “Agreement/Framework Agreement/Framework Arrangement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific” under negotiation among ESCAP member states.

Latin America and the Caribbean presents a 73% average rate of implementation of the measures examined. Among sub-regions, South America has the highest rate of implementation with an average of 79%, followed by Central America and Mexico with an average rate of 73%, and Central America with an average rate of 61% (see Figure 13). With minor exceptions seen in the Caribbean, all three sub-regions perform consistently across individual measures.

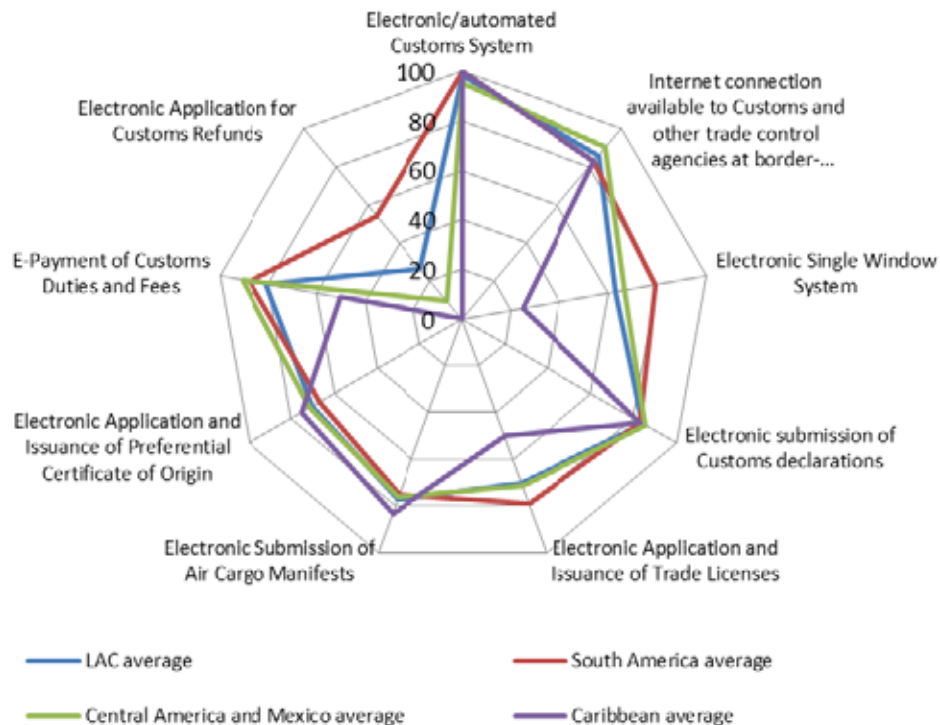
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<sup>17</sup> See, for example, “Best Practices in Aid for Trade: The Case of Nicaragua” delivered at the International Seminar “Facilitating the Effective Integration of Developing Economies into the Global Economy through Aid for Trade” in Nicaragua in September 2013 [online in Spanish] at [http://www.cepal.org/comercio/noticias/documentosdetrabajo/7/51867/Joe\\_Henry\\_Thompson\\_uy\\_nov\\_2013.pdf](http://www.cepal.org/comercio/noticias/documentosdetrabajo/7/51867/Joe_Henry_Thompson_uy_nov_2013.pdf). See also “The WTO Trade Facilitation Agreement in Nicaragua” delivered at the International Seminar “Facilitating the Effective Integration of Developing Economies into the Global Economy through Aid for Trade” in the Dominican Republic in September 2014 [online in Spanish] at [http://www.cepal.org/sites/default/files/events/files/presentacion\\_ixchen\\_trigueros\\_-\\_ministerio\\_de\\_fomento\\_industria\\_y\\_comercio\\_de\\_nicaragua.pdf](http://www.cepal.org/sites/default/files/events/files/presentacion_ixchen_trigueros_-_ministerio_de_fomento_industria_y_comercio_de_nicaragua.pdf)

<sup>18</sup> See Article 3(a) of the Draft Text of “Agreement/Framework Agreement/Framework Arrangement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific” currently being negotiated among ESCAP member states, at [http://www.unescap.org/sites/default/files/PTA\\_IISG1\\_WP1\\_E.pdf](http://www.unescap.org/sites/default/files/PTA_IISG1_WP1_E.pdf)



**Figure 13: Implementation of Paperless Trade Measures: Latin America and Caribbean Average (In percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

By specific measures, use of electronic/automated customs system has a 98% implementation rate. This is followed by internet connection available to customs and other control agencies at border crossings (86%), electronic submission of customs declarations (84%), electronic payment of customs duties and fees (81%), electronic submission of air cargo manifests (77%), electronic application and issuance of preferential certificate of origin (70%), electronic application and issuance of trade licenses (70%), electronic window system (63%), and lastly, electronic application for customs refunds (26%).

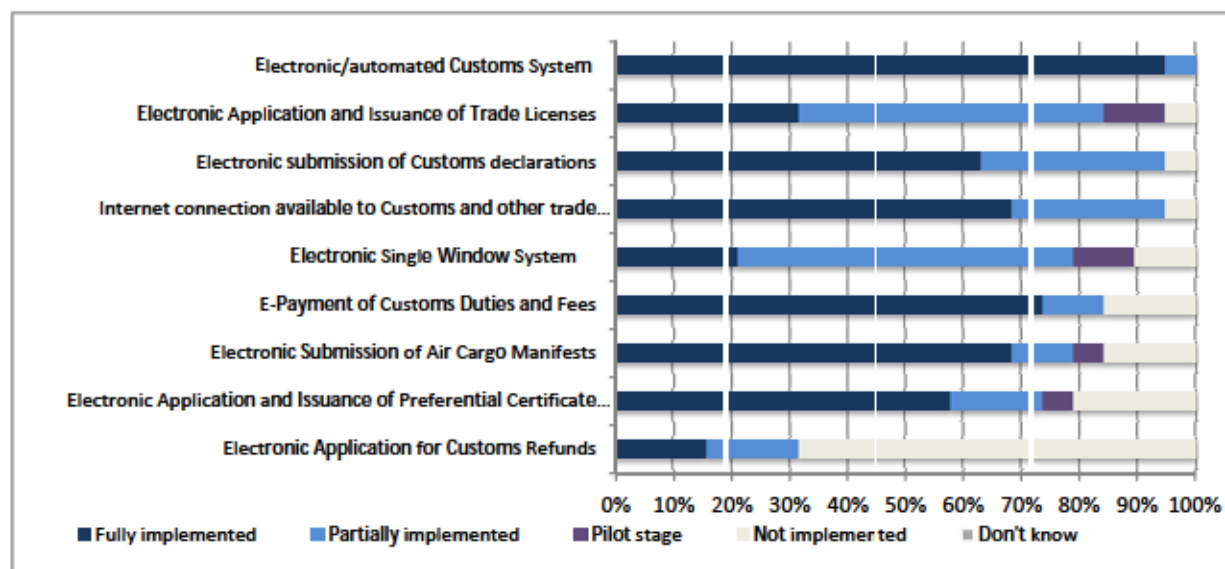
Within this category of measures, it is the establishment of an electronic single window system that would permit compliance and practice of most, or all, of the remaining measures. A single window refers to a facility that enables parties involved in trade and transport to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single entry point.<sup>19</sup> When the single window is electronic - as is encouraged by the WTO Trade Facilitation Agreement and the Draft Text of the "Agreement/Framework Agreement/Framework Arrangement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific" - Information Technology is used to allow data and documents to be submitted and exchanged electronically.

The average rate of implementation for an electronic single window throughout Latin America and the Caribbean is 63%. At the sub-regional level, the highest average is seen in South America (nearly

<sup>19</sup> See Article 10.4 of the WTO Trade Facilitation Agreement.

80%), followed by Central America and Mexico with 67%. The Caribbean lags significantly behind with only a 25% implementation rate; however, as will be discussed below, the national experience of Trinidad and Tobago is worth highlighting.

**Figure 14: Levels of Implementation of Paperless Trade Measures in Latin America and the Caribbean**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

In South America, all participating countries indicate that electronic single windows are either partially or fully implemented. Five countries –the Plurinational State of Bolivia, Brazil, Chile, Paraguay and Uruguay– exhibit partial implementation either because electronic single windows are available for only import or export procedures (but not both) or because there are still certain operations that require paper-based copies or parties to be physically present. The latter is the case in Brazil, for example, which is currently making efforts to reach full digitalization. On the other hand, three countries - Colombia, Ecuador and Peru – have fully implemented electronic single windows. Peru’s electronic single window, in place since 2006, is among the most integrated in the region for import, export and transit-related processes. Its success is due, in part, to an extensive legal framework, participation by more than a dozen public agencies in implementation-related activities, and a strong platform for stakeholder and private sector participation in its creation and ongoing development.

In the case of Central America, all participating countries have partially implemented electronic single windows with only one exception – Nicaragua – which indicates it is in the pilot phase. Mexico, for its part, has an electronic single window for import, export and transit-related matters and is the only country in this sub-region to exhibit full compliance. Particularly noteworthy is the electronic single window in El Salvador. Although presently it is only fully operational for exports, it has the capacity to engage in electronic data exchange with Nicaragua, Guatemala, and Honduras. It relies on a sophisticated digital infrastructure – supported by the Secretariat for Central American Economic

Integration (SIECA) - that integrates customs offices and related agencies throughout the sub-region.<sup>20</sup> Efforts are currently underway for an electronic single window for imports that is expected to begin functioning at the end of 2015. El Salvador's goal is to eventually eliminate physical offices around the country.

The Caribbean has a significantly lower level of implementation, with an average of only 25%. Trinidad and Tobago has advanced the most, reporting partial implementation of an electronic single window. The Dominican Republic is in the pilot phase, while Barbados and Suriname have not implemented an electronic single window at all. In the case of Trinidad and Tobago, although it indicates only partial implementation, the electronic single window is one of the most ambitious and important projects undertaken by the national government. Entitled "TTBizLink", the electronic single window operates under a slogan of "Business Made Easy" and is described as "an entire national change management process that modernizes the way companies connect with government agencies in the process of conducting trade."<sup>21</sup> It was implemented in 2009 with the goal of further capitalizing on Trinidad and Tobago's strong position as a business, commercial, transshipment, and financial hub in the Caribbean.

The remaining measures examined focus heavily on electronic transactions and the ICT infrastructure and support needed to achieve paperless trade. The measure with the highest rate of implementation within this category is the use of an electronic/automated customs system. In fact, at a 98% rate of implementation it is not only the highest within the category but also, amounts to the highest average of all 38 measures included in the Global Survey. Data shows that every country in the region has fully implemented an electronic customs system with the exception of only one country that has partially implemented it (Honduras). Several automated systems are utilized throughout the region including ASYCUDA<sup>22</sup> (also referred to as SIDUNEA in Spanish), a software that seeks to simplify customs procedures and reduce the time and cost associated with customs clearances. As countries seek to increase their digital customs capabilities, some are already in the pilot stage of more advanced versions of their current electronic customs systems.

Electronic submission of customs declarations also has a high rate of implementation with an 84% average. Survey responses indicate that all but one country in the sample have partially or fully implemented this measure, with 12 countries exhibiting full implementation and 6 countries exhibiting

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<sup>20</sup> See, for example, presentation entitled "Ventanilla Única de Comercio Exterior: Experiencia de El Salvador" delivered at the "International Seminar on Facilitating the Effective Integration of Developing Countries into the Global Economy through Aid for Trade", in Managua, Nicaragua, September 2013 [online] at [http://www.cepal.org/sites/default/files/events/files/presentacion\\_emerita\\_castro\\_-\\_banco\\_central\\_de\\_reserva\\_de\\_el\\_salvador.pdf](http://www.cepal.org/sites/default/files/events/files/presentacion_emerita_castro_-_banco_central_de_reserva_de_el_salvador.pdf)

<sup>21</sup> See <https://www.ttbizlink.gov.tt/tntcmn/faces/pnu/PnuDisplayContent.jsf>

<sup>22</sup> ASYCUDA is the Automated System for Customs Data (or Sistema Aduanero Automatizado, SIDUNEA in Spanish). It is "a computerized customs management system which covers most foreign trade procedures. The system handles manifests and customs declarations, accounting procedures, transit and suspense procedures. ASYCUDA generates trade data that can be used for statistical economic analysis. [...] Software is developed in Geneva by UNCTAD..." For more information see United Nations Conference on Trade and Development, About ASYCUDA [online] at <http://www.asycuda.org/aboutas.asp>.

partial implementation (see Figure 12). National experiences suggest that electronic submission of customs declarations are almost always linked to the use of electronic foreign trade single windows (e.g. Costa Rica). Countries that indicate partial implementation note that, notwithstanding electronic submission, physical copies are still required (e.g., Mexico).

A related transaction, electronic submission of air cargo manifests, has a similarly high rate of implementation at 77%. Central America and Mexico and South America have nearly equal rates of implementation at 76% and 75%, respectively. It is the Caribbean countries that have a higher average in this realm with an implementation rate of 83%. The Dominican Republic and Suriname have fully implemented this measure, while Barbados and Trinidad and Tobago have partially implemented it.

Given the large number of Free Trade Agreements and other preferential trade agreements to which countries in the region are signatories, the measure relating to electronic application and issuance of preferential certificates of origin is particularly important. Latin America and the Caribbean has a 70% rate of implementation, with 11 countries indicating full implementation, 3 countries partial implementation, 1 country in pilot stage and 4 countries not having implemented it at all (see Figure 12). Countries note that when the certificate of origin can be applied for and issued electronically, it is usually done so through the electronic single window. It should be highlighted that the Latin American Integration Association (ALADI in Spanish) has been engaged in efforts since 2004 to implement a digital certificate of origin throughout the region that can be used for preferential agreements negotiated within the framework of ALADI.

With respect to electronic application and issuance of trade licenses, the region as a whole exhibits a 70% rate of implementation. Most countries in the region fall within the purview of fully implemented (6) or partially implemented (10). For those countries where electronic application and issuance of trade licenses is at a partial level of fulfillment, country data suggests that this reflects one or more of the following possibilities: (i) licenses being available either for export or import (but not both procedures); (ii) all relevant public agencies that can issue licenses are not yet equipped to do so electronically; or (iii) notwithstanding electronic application and issuance, physical copies must still be exchanged between the trader and the relevant agency.

Two related measures - electronic payment of customs duties and fees and electronic application for customs refunds – exhibit opposite results. E-payment of customs duties and fees, based on Article 7.2 of the WTO Trade Facilitation Agreement, states that countries, to the extent practicable, shall adopt or maintain procedures allowing the option of electronic payment for duties, taxes, fees, and charges collected by customs incurred upon importation and exportation. For this measure, the region presents an 81% rate of implementation. This reflects an individual country performance wherein 14 countries have fully implemented it, 2 countries have partially implemented it (Mexico and Panama), and 3 countries have not implemented it at all (the Plurinational State of Bolivia, Barbados, and Trinidad and Tobago). Conversely, electronic application for customs refunds has the lowest rate of implementation in this category at only 26%, and in fact is the second lowest-implemented measure in the Global Survey. Of 19 participating countries, only 3 exhibit full implementation (Colombia, Ecuador,

and Uruguay) and another 3 exhibit partial implementation (Brazil, Chile, and Mexico). The remaining countries have not implemented it at all and there is no evidence of pilot stage efforts.

The last measure examined in this category relates to whether an Internet connection is available to customs and other trade control agencies at border crossings. In practical terms, this allows parties to access information online about trade transactions. Latin America and the Caribbean presents a high rate of implementation with an average of 86%. Survey results show that every country across all three sub-regions has either partially or fully implemented this measure with only one exception (the Plurilateral State of Bolivia).

### 3.5 “Cross-border Paperless Trade” Measures

Paperless trade involves conducting trade transactions on the basis of an electronic exchange of data and documents, in contrast to the traditional way of exchanging trade related-data using paper documents (Sung and Sang 2014). Cross-border paperless trade is particularly important in the context of regional and global value chains. As more countries become involved in the production of goods and services, the number of border crossings grows, making the expeditious flow of relevant documentation ever more important.

The Global Survey includes five cross-border paperless trade measures. Latin America and the Caribbean presents a 46% average rate of implementation of these measures. By sub-region, Central America and Mexico has a 55% average rate of implementation, followed by South America (47%) and the Caribbean, with 26% (see Figure 15).

**Figure 15: Implementation of Cross-border Paperless Trade Measures: Latin America and Caribbean Average (In percentages)**



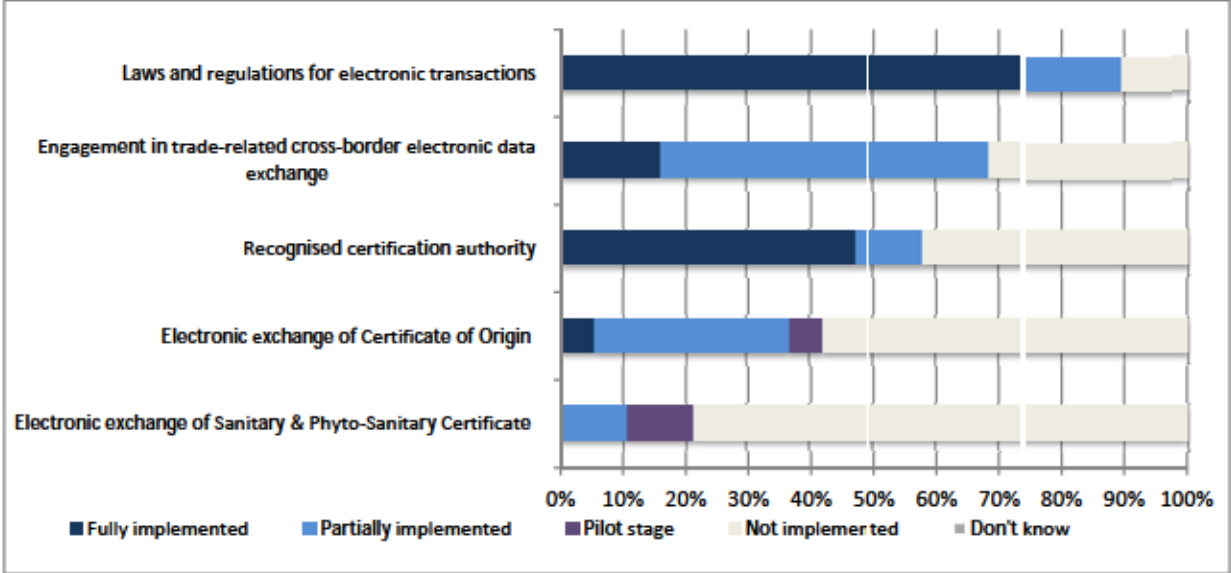
Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

A measure-by-measure analysis indicates that the most widely implemented measure relates to laws and regulations for electronic transactions, with a regional average rate of implementation of 84%. This is followed by recognized certification authorities issuing digital certificates to traders to conduct an electronic transaction, which has an average rate of implementation of 54%, and engagement in trade-related cross-border electronic data exchange, with a 51% average. The lowest average rates of implementation concern the electronic exchange of certificates of origin (28%) and electronic exchange of sanitary and phytosanitary certificates, with 11%.

Two measures – laws and regulations for electronic transactions and recognized certification authority issuing digital certificates to traders to enable them to conduct electronic transactions – are considered the “basic building blocks toward enabling the exchange and legal recognition of trade-related data and documents” (UNESCAP 2015). Survey responses indicate that 14 countries in the region have fully implemented laws and regulations for electronic transactions and 3 countries have partially implemented a pertinent framework (Honduras, Panama and Trinidad and Tobago). Only two countries (Plurinational State of Bolivia and Suriname) do not have similar laws in force (see Figure 16).

Less frequently implemented in the region are recognized certification authorities issuing digital certificates to traders to enable them to conduct electronic transactions. Essentially, for digital signatures to be recognized and accepted (as part of electronic trade transactions), a trusted third party known as a Certification Authority is needed to issue digital certificates that serve to verify the electronic identities of users and organizations. Implementation of this measure in the region falls on opposite ends of the spectrum; 9 countries exhibit full implementation, while 8 countries exhibit non-implementation and only 2 countries exhibit partial compliance (see Figure 16).

Figure 16: Levels of Implementation of Cross-border Paperless Trade Measures in Latin America and the Caribbean (From highest to lowest, in percentages)



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

An essential pillar to achieving cross-border paperless trade is for countries to engage in trade-related cross-border electronic data exchange. This encompasses the electronic exchange of documents that are necessary to complete an international trade transaction. Global Survey results suggest that this is not commonly practiced in the region as only 3 countries demonstrate full compliance (El Salvador, Nicaragua, and Mexico). Nine countries exhibit partial implementation and 5 countries do not have any form of electronic data exchange.

Survey results suggest that some countries, particularly those in Central America, engage in some form of data exchange through the Mesoamerica project "Goods in International Transit" (Transito Internacional de Mercancias or "TIM" in Spanish) and the electronic exchange of the Central American Single Customs Document (Formulario Aduanero Único Centroamericano or FAUCA). However, many countries participating in the Global Survey noted that they need capacity building in order to adequately implement this practice. In fact, this is of dire necessity in the region as important trading partners begin applying sophisticated and secure forms of data transmission including the application of Big Data to customs and trade-related processes.

With respect to the electronic cross-border transmission of specific documents, the Global Survey examines two documents: certificates of origin and sanitary and phytosanitary certificates. As referenced previously, certificates of origin serve as sworn declarations by exporters to identify the origin of a product in order to determine if preferential treatment will be granted and/or what duties will be assessed upon the product. Sanitary and phytosanitary certificates, for their part, are utilized by exporters to indicate that a product complies with a country's food safety standards as well as animal and plant health regulations.

Although survey results show a 70% regional rate of implementation for measures that allow electronic application and issuance of certificates of origin to traders (see Section III.D above), the results are different for the actual cross-border electronic exchange of these certificates by and between countries. The only country in the sample to exhibit full compliance with electronic exchange of certificates of origin is the Dominican Republic (in adherence with CAFTA-DR commitments). Five countries in the region (Chile, Colombia, El Salvador, Guatemala, Mexico and Nicaragua) exhibit partial compliance and the remaining countries do not engage in this practice.

Notwithstanding specific national experiences, worth highlighting is the Central American Single Customs Document (Formulario Aduanero Único Centroamericano or FAUCA) which doubles as a Certificate of Origin at the sub-regional level. Data showing non-fulfillment or only partial fulfillment of this measure in Central America may suggest that countries are not yet engaging in this practice with trading partners outside the sub-region. Although beyond the scope of this publication, the use and notable success of the Central American Single Customs Document should be explored further as a potential example of best practices.

As can be seen in Figure 14, the electronic cross-border exchange of sanitary and phytosanitary certificates has the lowest average rate of implementation (just 11%). Survey results show that no country in the region has fully implemented this practice. Only two countries have indicated partial

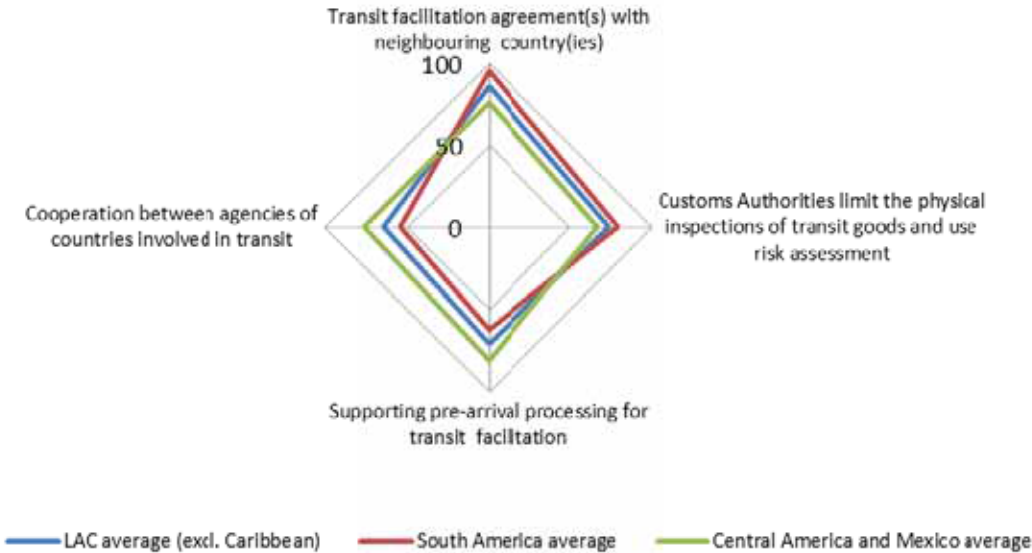
compliance (El Salvador and Mexico) and two additional countries state they are in the pilot phase (Chile and Guatemala). The remaining countries in the region do not show any evidence yet of implementing this measure.

### 3.6 Transit Facilitation Measures

The Global Survey examines four measures related to transit facilitation that are based on Articles 7, 11 and 12 of the WTO Trade Facilitation Agreement. Unlike other trade facilitation measures that involve the import and export of goods at a definite point of arrival and origin, transit facilitation measures encompass the regulations and policies that customs and transport ministries apply to goods that must pass through a country before reaching a final point of destination. According to the WTO Trade Facilitation Agreement, the measures applied to traffic in transit shall be applied in the least trade-restrictive manner and all fees should be limited in scope.

The region presents a 74% average rate of implementation of transit facilitation measures. Central America has a 75% average rate of implementation; albeit for different reasons than Central America – as will be discussed below - South America also presents a high rate of implementation at 73% (see Figure 17).<sup>23</sup>

**Figure 17: Implementation of Transit Facilitation Measures: Latin America and Caribbean Averages (In percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

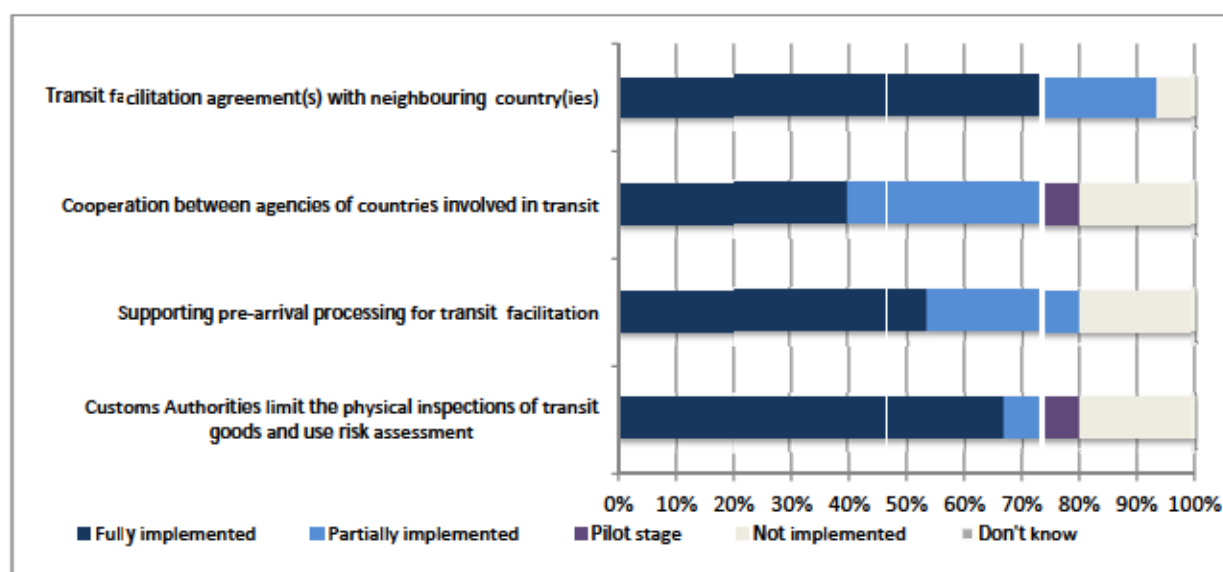
Overall, the most implemented measure in transit facilitation relates to agreements with neighboring countries (87%). This is followed by a rather even application of the remaining measures

<sup>23</sup> Given their geography, these measures do not apply to Caribbean island states. Therefore, the Caribbean sub-region is not included in this analysis.



which include customs authorities limiting the physical inspection of transit goods and using risk assessment (73%), supporting pre-arrival processing for transit facilitation (71%), and cooperation between agencies of countries involved in transit, with 64% (see Figure 16). Notwithstanding this measure-by-measure breakdown, an analysis of transit facilitation in Latin America lends itself to a sub-regional analysis rather than a measure-by-measure approach (see below).

**Figure 18: Levels of Implementation of Transit Facilitation Measures in Latin America and the Caribbean (Highest to Lowest, in percentages)**



Source: ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

The countries comprising the Central America and Mexico sub-region participate in the Mesoamerica Project, a regional integration and development plan to connect Mexico, all six countries in Central America, Colombia and the Dominican Republic by stimulating investment in infrastructure and focusing on energy, telecommunications, trade facilitation, and human development, among other issues. In this realm, Central America and Mexico have implemented the “Goods in International Transit” Program (Tránsito Aduanero Internacional Terrestre or TIM in Spanish) that governs goods transport between and among all countries from Mexico to Panama, or otherwise known as the Pacific Corridor. This program - based on the New Computerized System used in the European Union - is the main trade (and transit) facilitation, customs control and border security initiative in place in the Central America and Mexico sub-region (WCO 2012).

In practice, TIM is an “electronic system for managing and controlling the movement of goods in transit, harmonizing previously cumbersome procedures into a single electronic document”. It is based on three main pillars: (i) harmonizing multiple paper-based declarations into a unique and comprehensive electronic document that gathers all data needed by customs, immigration and sanitary agencies, namely, the Single Transit Declaration; (ii) connecting the intranet systems of participating countries, including state-of-the-art risk analysis and cargo control system; and (iii) improving the cooperation with countries and between agencies operating at border crossings (WCO 2012).

Based on the Goods in International Transport initiative, Survey results show that all countries in Central America exhibit either partial or full implementation of all transit facilitation measures examined with only one exception (e.g., Costa Rica indicates that measures to limit physical inspection of transit good and risk assessment are not implemented). On the other hand, Mexico's responses indicate that none of the transit facilitation measures examined are implemented in light of certain border security issues at the Mexico-United States and Mexico-Guatemala borders.<sup>24</sup>

The countries of Central America and Mexico present high average rates of implementation for all the four measures included in the transit facilitation category: pre-arrival processing (81%), transit facilitation agreements with neighboring countries and cooperation between agencies of countries involved in transit (both at 76%), and implementation of regulations to limit the physical inspection of transit goods and use of risk assessment procedures (67%).

In South America, transit facilitation efforts are spearheaded by the various sub-regional integration schemes in place such as the Andean Community (Comunidad Andina in Spanish), the Latin American Integration Association (LAIA, or ALADI in Spanish), and the Common Market of the South (MERCOSUR), along with some bilateral efforts (see Jaimurzina 2014 for a list of relevant regional initiatives). The Andean Community – comprised of the Plurinational State of Bolivia, Colombia, Ecuador and Peru – has a well-developed legal framework for transit facilitation matters that is of a supranational character. Based on four Decisions<sup>25</sup>, there is a common regulatory framework in place that governs transport of goods from a point of origin to a final destination, and all borders in between, when those points lie within the boundaries of Andean Community member states. Moreover, the Andean Community has adopted a Single Customs Document based on recommendations of the Kyoto Convention of the World Customs Organization.<sup>26</sup> Survey results indicate that all member states – with the exception of Bolivia - have either partially or fully implemented the four transit facilitation measures examined in the Global Survey.

Transit facilitation in the remaining countries in South America is governed by the Agreement on International Land Transport (or Acuerdo sobre Transporte Terrestre Internacional, ATIT in Spanish), entered into in 1990 by Argentina, the Plurinational State of Bolivia, Brazil, Chile, Paraguay, Peru, and Uruguay (LAIA 2013). This agreement, also known as ALADI Partial Scope Agreement No. 3 (Acuerdo de Alcance Parcial No. 3 in Spanish), governs the transport of goods and passengers as well as rail transport among signatory countries. MERCOSUR – currently comprised of Argentina, Brazil, Paraguay, Uruguay, and the Bolivarian Republic of Venezuela – has utilized ATIT commitments as the basis for its

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<sup>24</sup> Although literature from the World Customs Organization may suggest otherwise, the responses provided by Mexico in the Global Survey have been used in the analysis presented here (WCO 2012).

<sup>25</sup> Decision 617 entitled "Community Customs Transport" ("Transito Aduanero Comunitario" in Spanish) dated July 15, 2005 and as amended by Decision 636 entitled "Amendment to Community Customs Transport Decision 617 [...]" (Modificación sobre la Decisión 617 sobre Transito Aduanero Comunitario [...] in Spanish) dated July 19, 2006; Decision 670 entitled "Adoption of Single Customs Document" ("Adopción de Documento Único Aduanero" in Spanish) dated July 13, 2007 and as amended by Decision 716 "Modification of timeline for entry into force of Decisions 670 and 671" ("Modificación del plazo para la entrada en vigencia de las Decisiones 670 y 671) dated September 7-8, 2009.

<sup>26</sup> This is the International Convention on the Simplification and Harmonization of Customs procedures, which entered into force in 1974 and was subsequently revised and updated. The Revised Kyoto Convention, adopted by the WCO Council in 1999, entered into force in February 2006.

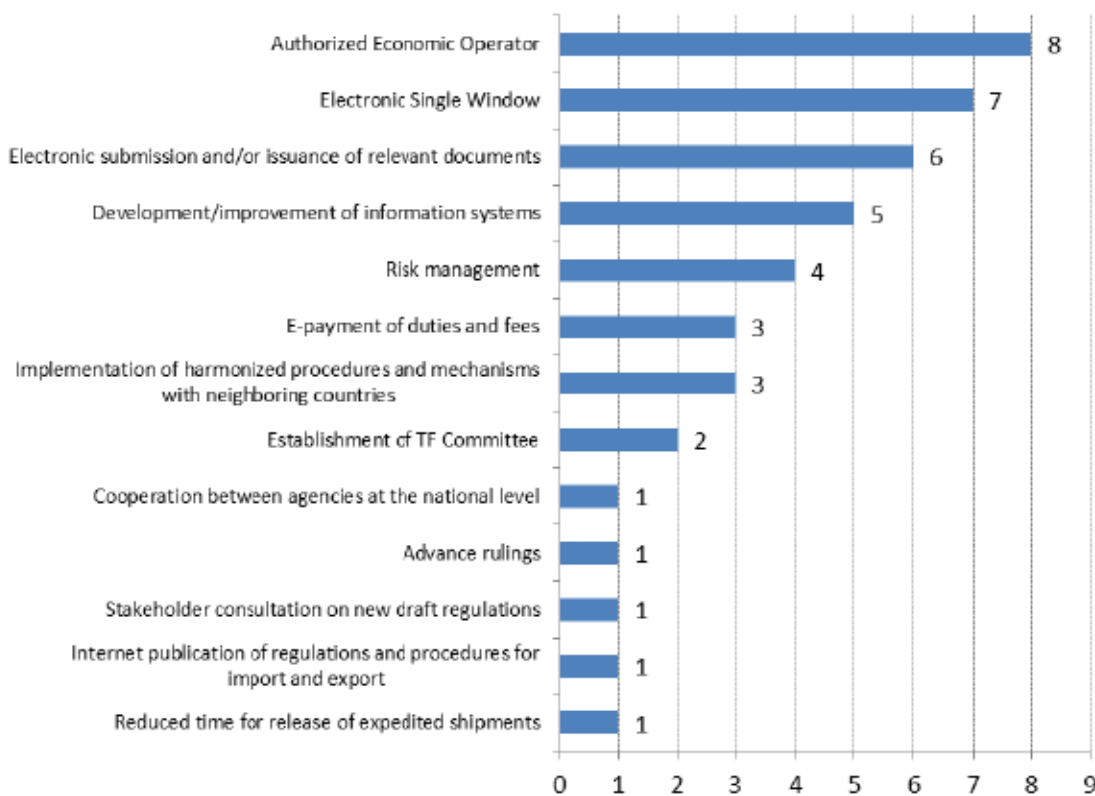
institutional regulatory framework governing transit facilitation. Moreover, it has supplemented these commitments through various Resolutions that govern the transport of dangerous goods.

ATIT signatory countries that participated in the Global Survey include Brazil, Chile, Paraguay, Peru and Uruguay. Within this group of South American countries, Paraguay, Peru, and Uruguay exhibit partial or full implementation of all transit facilitation measures (the only exceptions are seen in Paraguay wherein two measures are in the pilot stage). Brazil and Chile both have three of four measures either partially or fully implemented.

#### 4. Notable achievements and common challenges in the implementation

Country respondents were asked to identify trade facilitation and paperless trade measures in which their countries had made the most progress in the last 12 months. The results are summarized in Figure 19. The measures most frequently mentioned relate to the establishment of authorized economic operator schemes, the establishment or expansion of electronic single windows, and the electronic submission and/or issuance of relevant documents. The Plurinational State of Bolivia, Brazil, Costa Rica, the Dominican Republic, Ecuador, Panama, Peru and Uruguay reported different degrees of progress in economic operator arrangements. For their part, Brazil, Chile, Costa Rica, the Dominican Republic, Ecuador, Mexico, Paraguay and Peru reported progress on electronic single windows. Progress in Caribbean countries focused strongly on the electronic submission and/or issuance of relevant documents: Barbados and Suriname mentioned the electronic submission of customs declarations, while Trinidad and Tobago mentioned the electronic submission of advance cargo manifests, certificates of origin and other import/export documents.

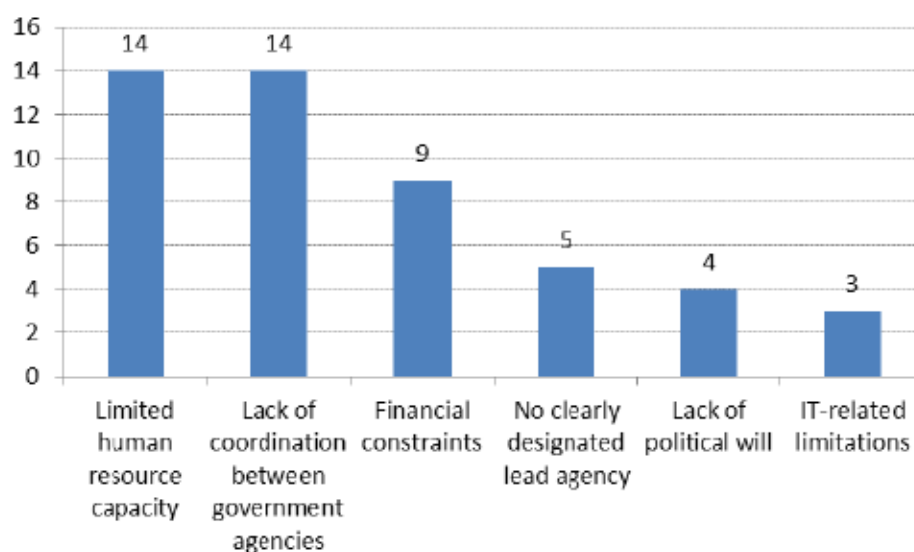
**Figure 19: Trade Facilitation and Paperless Trade Measures on which most progress was made in Latin America and the Caribbean in the last 12 months (Number of mentions)**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

Country respondents were also asked to identify the most serious challenges faced by their countries in implementing trade facilitation measures. The results are summarized in Figure 20. A notable result of this exercise is that the most frequently mentioned challenges were limited human resource capacity and lack of coordination between government agencies, well ahead of financial constraints and limitations in the available technologies. These results suggest that trade facilitation-related technical assistance and capacity building are needed in the region at least as much as financial assistance to implement certain measures. The results also indicate that the cross-cutting, multi-agency nature of trade facilitation raises important institutional challenges for governments in the region. Although trade facilitation is often seen as relevant only to customs agencies, it concerns many other agencies that perform inspections at the border and/or issue documents that are necessary for a trade transactions to be completed. However, not all those agencies see expediting trade as one of their objectives. All this means that coordination needs are considerable, as well as potential conflicts (for example, in appointing a lead agency ultimately responsible for the implementation of the trade facilitation agenda).<sup>27</sup> Preparations for the entry into force of the WTO Trade Facilitation Agreement, in particular the requirement to create National Trade Facilitation Committees, provide an opportunity for countries in the region to explore the most adequate institutional frameworks.

**Figure 20: Common Challenges faced by Latin American and Caribbean Countries in Implementing Trade Facilitation and Paperless Trade Measures (Number of mentions)**



**Source:** ECLAC on the basis of data obtained through the Global Survey on Trade Facilitation and Paperless Trade Implementation 2015.

<sup>27</sup> Five of the 14 respondents who mentioned the lack of coordination between government agencies as an important challenge also mentioned the lack of a clearly designated lead agency as serious, related challenge.

## 5. Conclusions and Way Forward

For Latin America and the Caribbean, making progress in the trade facilitation agenda is important for a number of reasons. By easing trade among countries of the region, it can help to raise its reduced levels of intraregional trade (about 19% of total exports). Since red tape at the border affects small- and medium-sized firms disproportionately, trade facilitation also encourages the internationalization of such firms, the overwhelming majority of which do not export in the Latin American case.<sup>28</sup> This may in turn promote export diversification, thus helping to reduce the very high concentration in commodities that characterizes the export baskets of many countries from the region (particularly in South America). The expeditious movement of goods across borders is critical for the success of international production networks. Hence progress in trade facilitation may help to increase the presence of Latin America and the Caribbean in regional and global value chains, which –with some exceptions- is currently very limited. At a more general level, several of the concepts embodied in the trade facilitation agenda (for example, increasing the transparency, efficiency and accountability of relevant public agencies) are important to reform the State and to fight corruption.

The results of the Global Survey indicate that Latin America and the Caribbean as a whole has made considerable progress in implementing trade facilitation measures, achieving a 67% overall implementation rate. Indeed, thirteen of the 19 participating countries exceeded the regional average, including countries at very different income levels. However, progress is uneven across the region: while both Central America and Mexico and South America achieved above average scores (74% and 70%, respectively), the Caribbean's performance was significantly below that of the region as a whole, with a 51% implementation average. These results indicate that variables other than income levels can also play an important role in explaining a country's performance (for example, institutional capacities, being an island or a landlocked country, and being part of free trade agreements or integration mechanisms that include comprehensive trade facilitation commitments).

The group of 19 participating countries presents average implementation rates above 80% in several trade facilitation measures. These include the establishment of independent appeal mechanisms for customs decisions, the publication of regulations on the internet, the use of advance rulings, pre-arrival processing, risk management and post-clearance audits, the electronic submission of customs declarations, and the enactment of laws and regulations for electronic transactions, among others. Moreover, all countries in the sample have electronic/automated customs systems in place. With average implementation rates in the 60% to 65% range, more work remains to be done –especially in the Caribbean- in issues such as the full implementation of electronic single windows and the establishment of authorized operator schemes. However, these are two of the issues where country respondents reported the most progress in the last year.

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<sup>28</sup> Low SME internationalization in the region is a consequence of multiple factors, including informality and limited access to credit, technology and the best management practices, among others. Therefore, while trade facilitation may encourage internationalization by reducing administrative barriers to trade, a number of other public policies are also required.

Below-average rates of implementation are found in some measures related to cross-border paperless trade, such as the electronic exchange of certificates of origin and sanitary and phytosanitary certificates. This is not surprising, since these measures require both the support of a sophisticated IT infrastructure and close cooperation between the relevant agencies of the countries exchanging information. Interestingly, some of the measures in which there is least progress across the region do not require big financial investments, such as the creation of National Trade Facilitation Committees, the publication of average release times for import shipments and the advance publication of new regulations. In these cases, limiting factors could be mainly of a political or institutional nature (i.e. trade facilitation is not seen as a political priority, insufficient inter-agency coordination, or resistance by Customs or other agencies to increased accountability and transparency in their daily work).

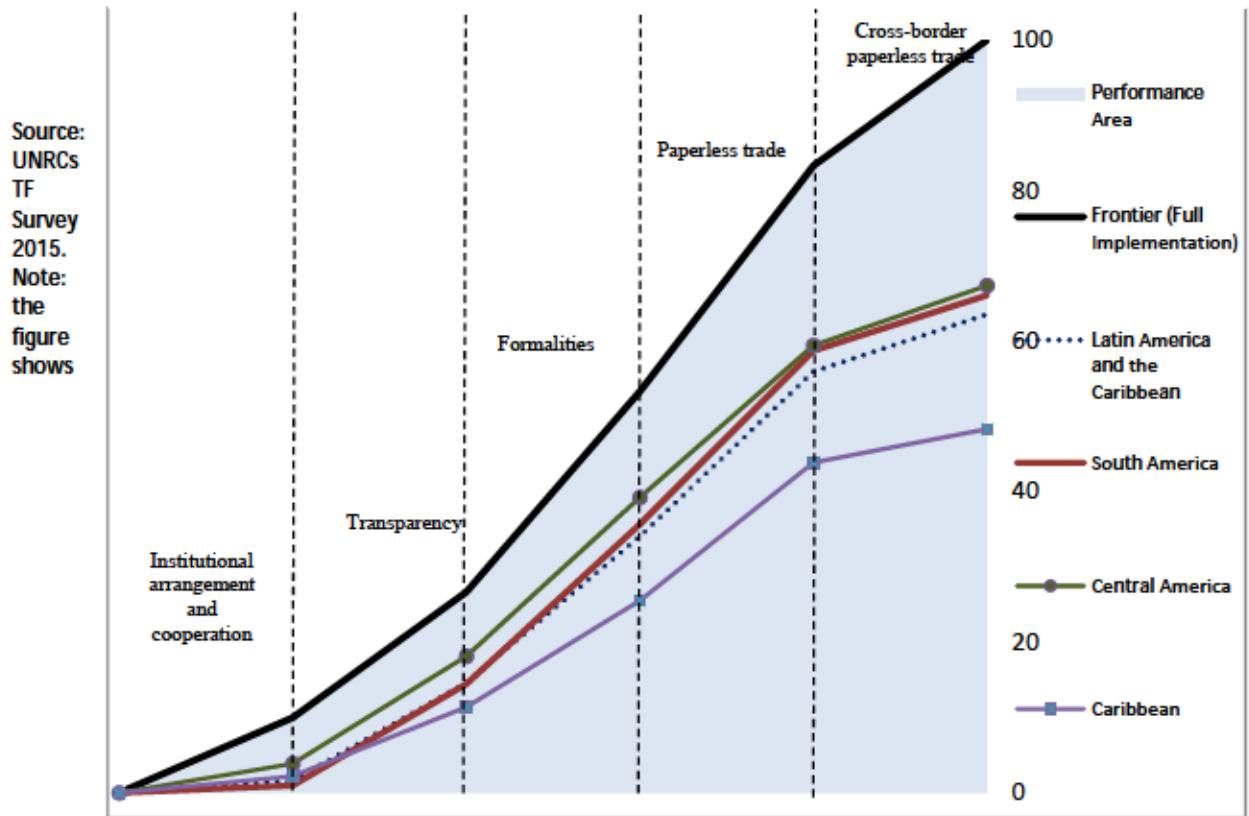
Implementation of trade facilitation may be seen as a step-by step process, based on the five groups of measures included in this survey. Trade facilitation begins with the setting up of the *institutional arrangements* needed to prioritize and coordinate implementation of trade facilitation measures. The next step is to make the trade processes more *transparent* by sharing information on existing laws, regulations and procedures as widely as possible and consulting with stakeholders when developing new ones. Designing and implementing simpler and more efficient trade *formalities* comes next. The re-engineered and streamlined processes may first be implemented based on paper documents, but can then be further improved through ICT and the development of *paperless trade* systems. The ultimate step is to enable the electronic trade data and documents exchange by traders, government and service providers within national (single window and other) systems to be used and re-used to provide stakeholders in partner countries with the information they need to speed up the movement of goods and reduce the overall costs of trade.<sup>29</sup> As shown in figure 21, which depicts the cumulative implementation levels of five groups of trade facilitation measures for LAC and its subregions, there is still ample room for progress in all areas, starting with institutional arrangements and cooperation.

In fact, the considerable progress made by most participating countries in implementing trade facilitation measures at the national level would have a greater impact on trade flows and production integration if such advances were coordinated at least at the subregional level (i.e., with neighboring countries). Central America is a good example, as shown by its positive experience using CAUCA, TIM and other common trade facilitation instruments.

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<sup>29</sup> This step-by-step process is inspired from and generally consistent with the UN/CEFACT step-by-step approach to trade facilitation towards a single window environment.

Figure 21: Moving up the trade facilitation ladder towards seamless international supply chain



cumulative trade facilitation implementation scores of LAC and its three sub-regions for five groups of trade facilitation measures included in the survey. Full implementation of all measures = 100.

Country respondents identified limited human resource capacity and lack of coordination between government agencies as the two most important challenges faced by their countries in implementing trade facilitation measures, well ahead of financial constraints. These results suggest that technical assistance and capacity building (for example through the WTO's Trade Facilitation Agreement Facility) are needed in the region at least as much as financial assistance to implement certain measures. These results also highlight the institutional challenges associated to the trade facilitation agenda. Although trade facilitation is often seen as relevant only to customs agencies, it concerns many other agencies that perform inspections at the border and/or issue documents that are necessary for a trade transactions to be completed. However, not all those agencies see expediting trade as one of their objectives. All this means that coordination needs are considerable, as well as potential conflicts. Therefore, careful design of National Trade Facilitation Committees will be crucial to secure political will at the highest level and to achieve effective public-private coordination.



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## Annex 1: Summary of country scores by measure

No.	Measure	Barbados	Bolivia (P.S.)	Brazil	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Dominican Republic	Suriname	Trinidad and Tobago	Uruguay
1	National Trade Facilitation Committee	3	0	2	3	0	0	0	2	2	2	2	3	2	2	0	3	1	1	0
2	Publication of existing import-export regulations on the internet	2	3	3	3	3	2	3	3	3	2	3	3	3	2	3	2	2	2	3
3	Stakeholder consultation on new draft regulations (prior to their finalization)	2	0	2	3	3	2	3	3	2	0	3	2	3	2					
4	Advance publication/notification of new regulation before their implementation																			
5	Advance ruling (on tariff classification)	2	0	2	3	3	3	3	3	3	3	2	3	3	3	3	3	0	3	3
6	Risk management	2	2	3	3	3	2	3	3	3	3	3	3	2	2	3	2	1	2	3
7	Pre-arrival processing	3	2	2	3	3	3	3	3	3	3	0	3	3	2	3	2	0	3	3
8	Post-clearance audit	3	2	3	3	3	3	3	3	3	3	3	3	2	3	3	3	0	0	3
9	Independent appeal mechanism	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	0	3
10	Separation of release from final determination of customs duties, taxes, fees and charges	2	3	3	0	2	2	3	3	3	3	3	3	3	3	3	2	0	2	0
11	Establishment and publication of average release times	0	0	2	0	0	2	3	3	0	0	2	0	3	0	2	0	0	3	2
12	Trade facilitation measures for authorized operators	0	3	3	1	2	2	1	2	3	2	3	1	2	1	3	3	0	0	3
13	Expedited shipments	2	3	3	3	3	3	3	3	3	2	2	2	3	2	3	3	0	3	3

14	Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities	2	0	2	2	2	2	3	0	2	2	3	2	2	3	2	3	2	3	3
15	Electronic/automated Customs System	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	3	3	3	3
16	Internet connection available to Customs and other trade control agencies at border-crossings	2	0	3	3	3	3	3	2	3	2	3	3	3	3	2	3	2	3	3
17	Electronic Single Window System	0	2	2	2	3	2	3	2	2	2	3	1	2	2	3	1	0	2	2
18	Electronic submission of Customs declarations	2	0	3	3	2	3	3	2	3	2	2	3	3	3	3	3	3	2	3
18	Electronic Application and Issuance of Trade Licenses	0	2	2	2	3	3	3	2	2	2	3	2	1	2	3	1	3	2	2
20	Electronic Submission of Sea Cargo Manifests	3	0	3	2	3	3	3	3	2	3	2	0	3	3	3	3	3	2	3
21	Electronic Submission of Air Cargo Manifests	2	0	0	3	3	3	3	3	3	3	1	0	3	3	3	3	3	2	3
22	Electronic Application and Issuance of Preferential Certificate of Origin	0	0	3	2	2	3	3	3	3	2	3	0							
23	E-Payment of Customs Duties and Fees	0	0	3	3	3	3	3	3	3	3	2	3	2	3	3	3	0	3	3
24	Electronic Application for Customs Refunds	0	0	2	2	3	0	3	0	0	0	2	0	0	0	0	0	0	0	3
25	Laws and regulations for electronic transactions	3	0	3	3	3	3	3	3	3	2	3								
26	Recognized certification authority	0	0	3	3	3	3	3	0	2	0	3	0	2	3	0	3	0	0	3
27	Engagement in trade-related cross-border electronic data exchange	2	0	2	2	2	2	2	3	2	2	3	3	2	2	0	0	0	0	0
28	Electronic exchange of Certificate of Origin	0	0	0	2	2	1	2	2	0	0	2	2	0	0					
29	Electronic exchange of Sanitary & Phyto-Sanitary Certificate	0	0	0	1	0	0	0	2	1	0	2	0	0	0	0	0	0	0	0
30	Banks and insurers retrieving letters of credit electronically without lodging paper-based documents	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0

31	Cooperation between agencies on the ground at the national level	2	0	2	2	3	2	2	3	2	2	3	2	3	3	2	0	3	1	3
32	Government agencies delegating controls to Customs authorities	0	0	0	0	3	2	0	3	0	2	3	0	3	0	3	2	0	0	0
33	Alignment of working days and hours with neighboring countries at border crossings	N.A.	0	2	2	2	2	2	2	1	2	2	2	2	2	2	0	0	N.A.	2
34	Alignment of formalities and procedures with neighboring countries at border crossings	N.A.	2	2	2	2	2	3	2	1	2	3	0	2	2	1	0	0	N.A.	2
35	Transit facilitation agreement(s) with neighboring country(ies)	N.A.	3	3	3	3	2	2	3	3	3	0	3	2	3	3	3	0	N.A.	3
36	Customs Authorities limit the physical inspections of transit goods and use risk assessment	N.A.	0	3	3	3	0	3	3	3	2	0	3	3	1	3	0	0	N.A.	3
37	Supporting pre-arrival processing for transit facilitation	N.A.	0	0	2	3	2	3	3	3	3	0	3	3	3	2	2	0	N.A.	2
38	Cooperation between agencies of countries involved in transit	N.A.	0	2	0	3	3	3	3	3	2	0	3	2	1	2	2	0	N.A.	2

<sup>a</sup> Fully implemented = 3; Partially implemented = 2; Pilot Stage = 1; Not implemented = 0; N.A. = Not applicable.

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