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Trade  
Centre



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# Economic impact of trade facilitation: costs and benefits

11th Meeting of the COMCEC Trade Working Group  
“Facilitating Trade: Improving Customs Risk Management  
Systems in the OIC Member States”

7- 8 March 2018, Ankara

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International Trade Centre (ITC)

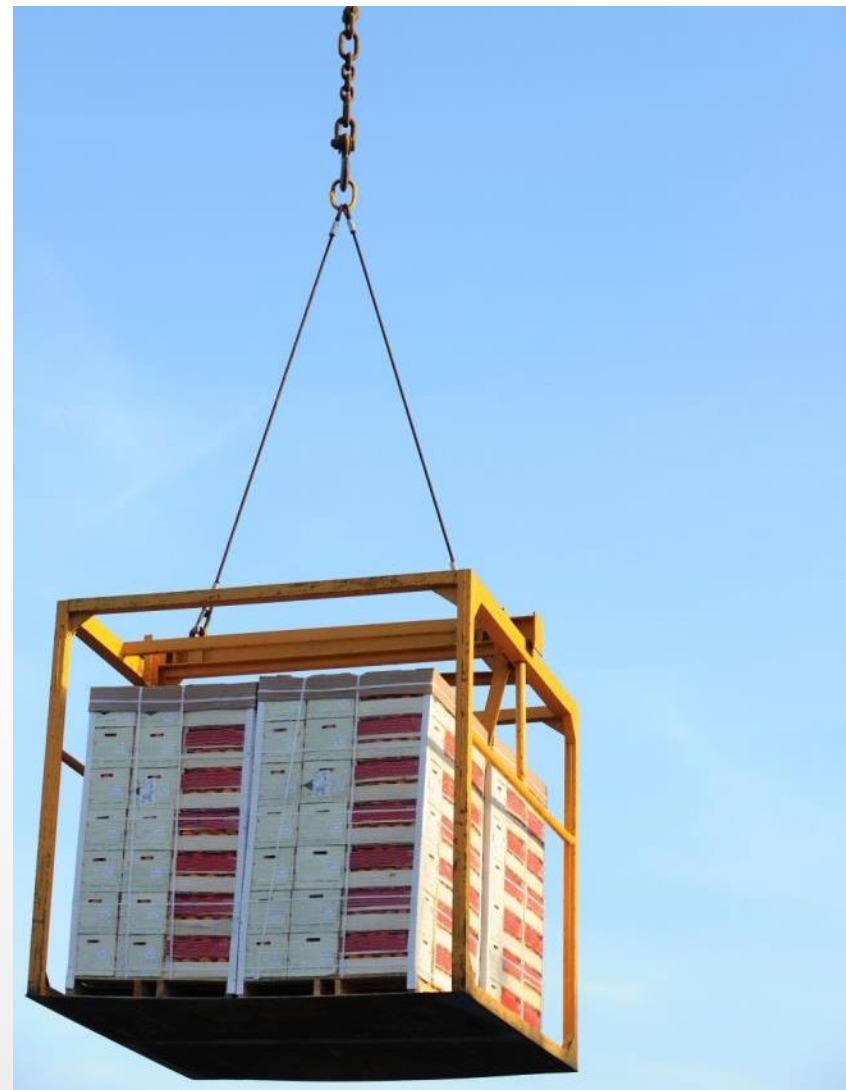


# Key topics addressed

- 1 **The concept of trade facilitation**
- 2 **OIC countries performance in the area of trade facilitation**
- 3 **Cost of trade facilitation reforms**
- 4 **Benefits of trade facilitation reforms**
- 5 **Prioritizing trade facilitation reforms**

1

What does trade facilitation mean?



# Whole of supply chain concept



# However, the TFA focuses on regulatory procedures



Source: UNECE

# Trade facilitation is ...

**A comprehensive and determined set of actions to reduce the time and cost of trade**

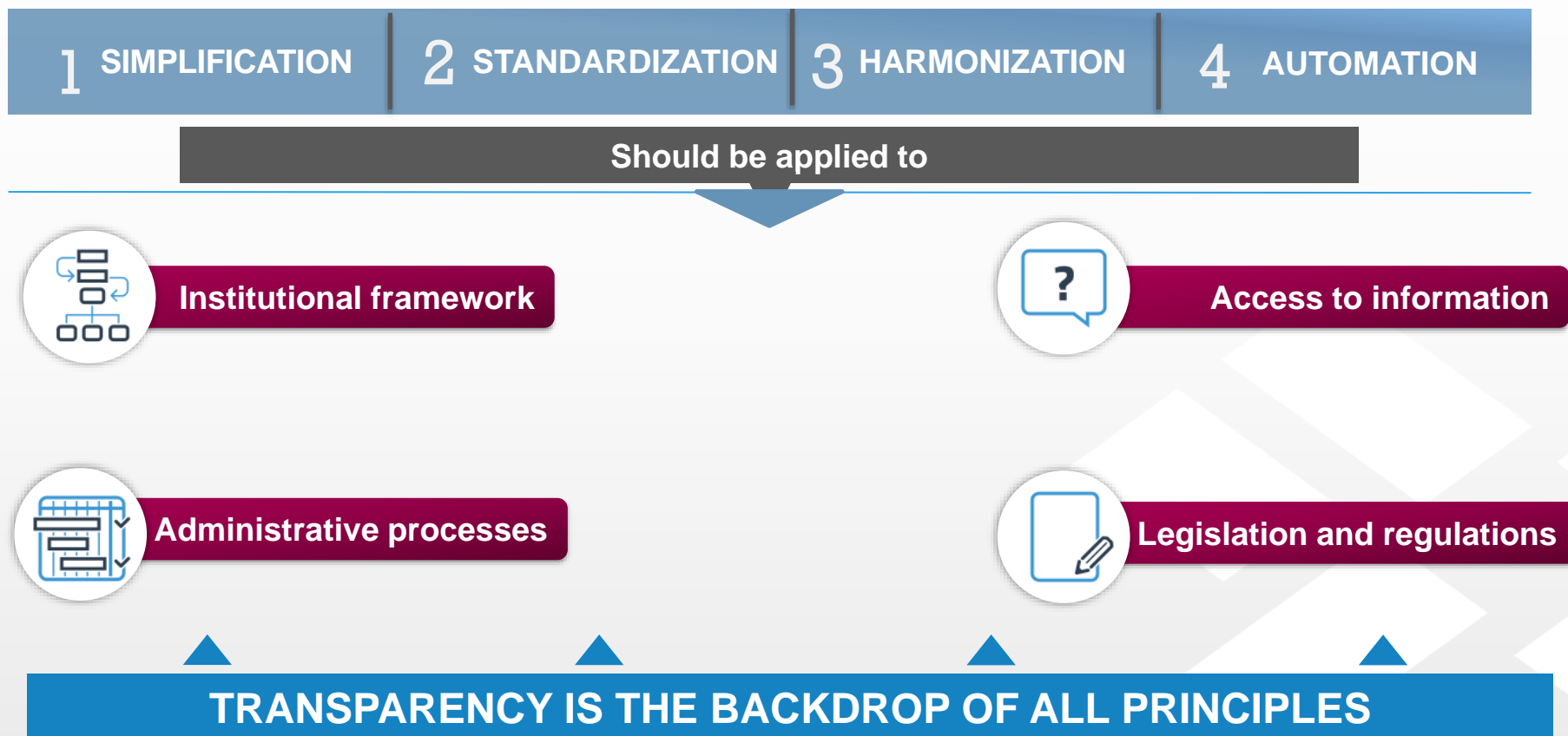
**Premised on inter-governmental co-operation and agreements to ensure global uniformity**

**A collaborative and on-going multi-agency responsibility**

**Better achieved through collaboration between public and private sectors**

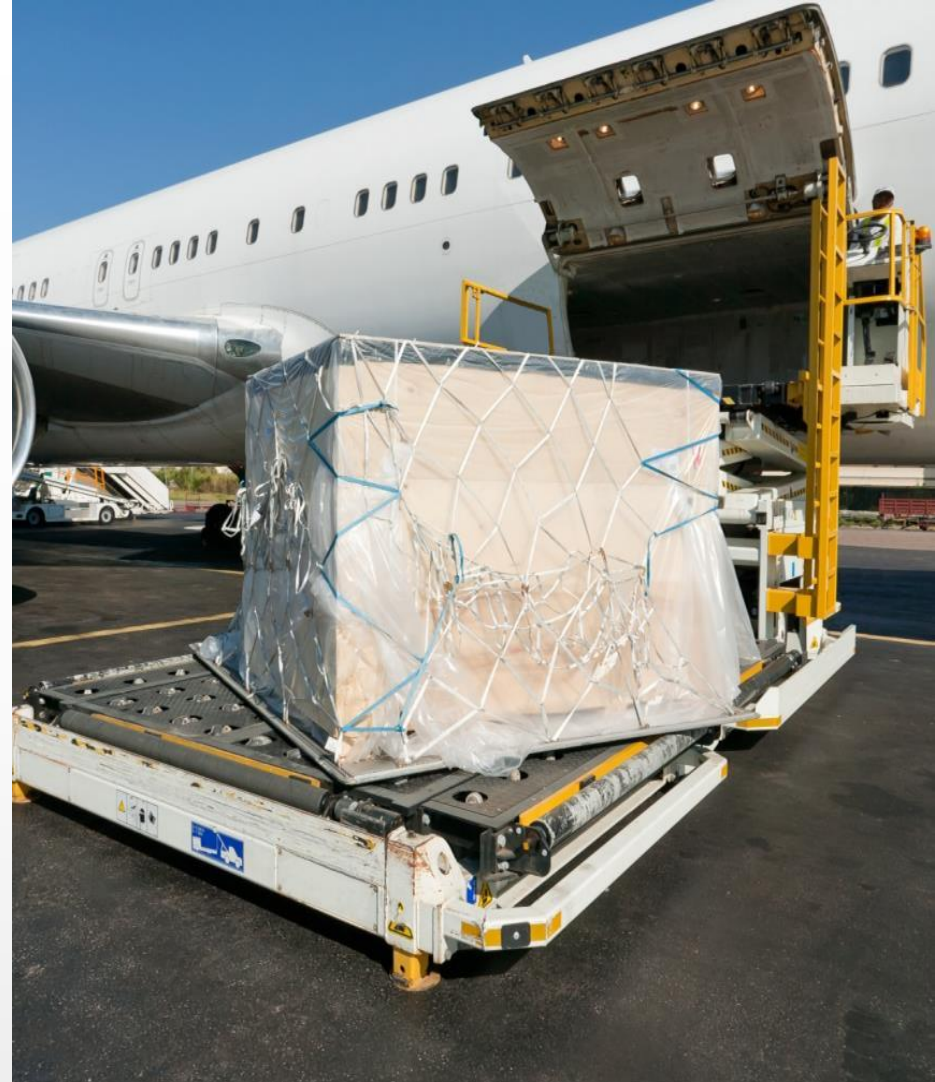


# Applying trade facilitation principles



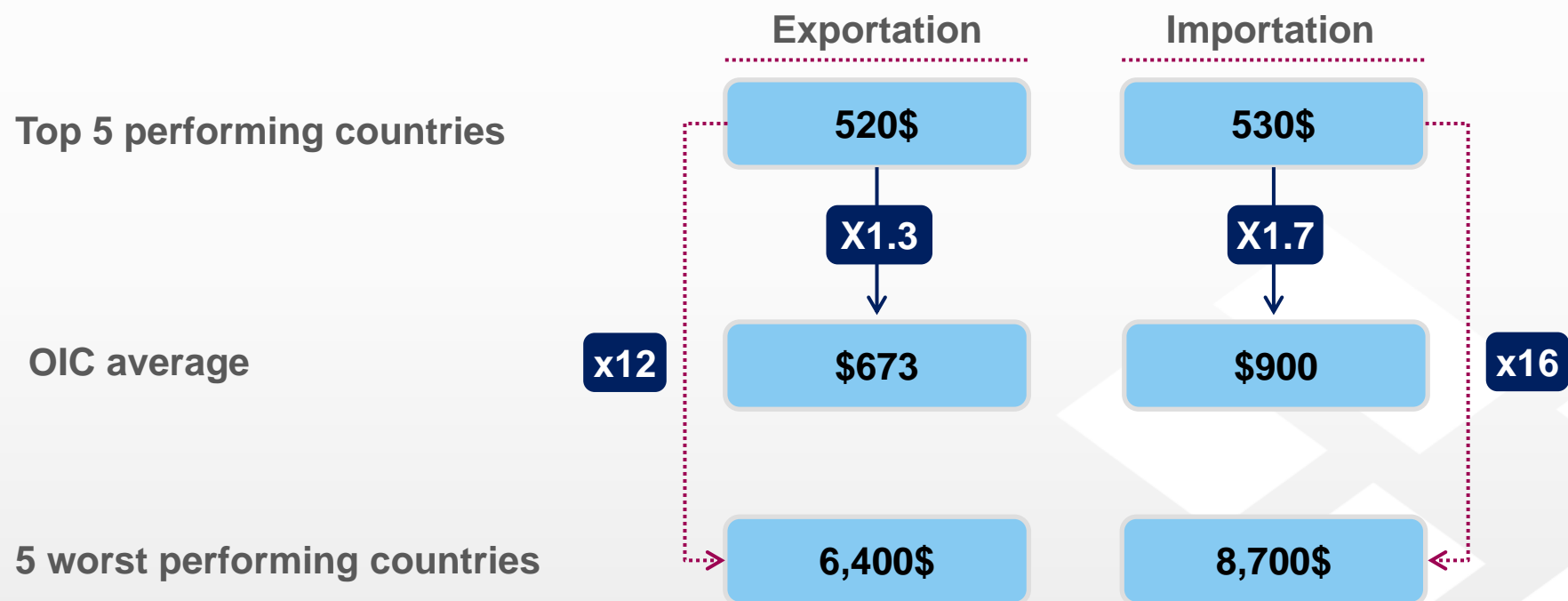
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How OIC countries perform in the area of trade facilitation?



# How much does it cost to import and export a 20ft container?

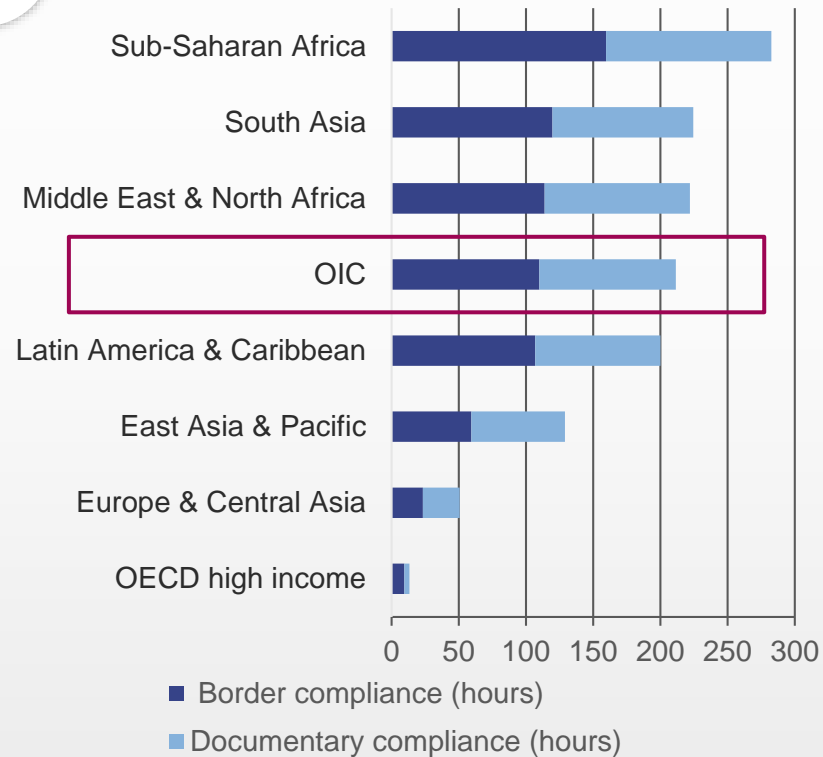
Only border compliance and documentary compliance



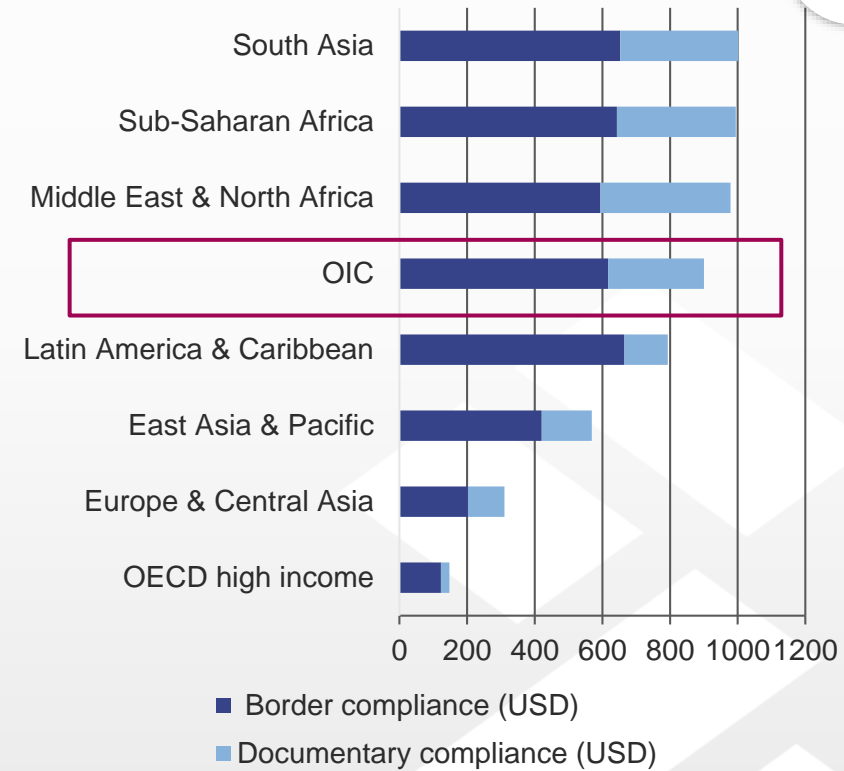
# Counting the time and cost to import



## Time to import



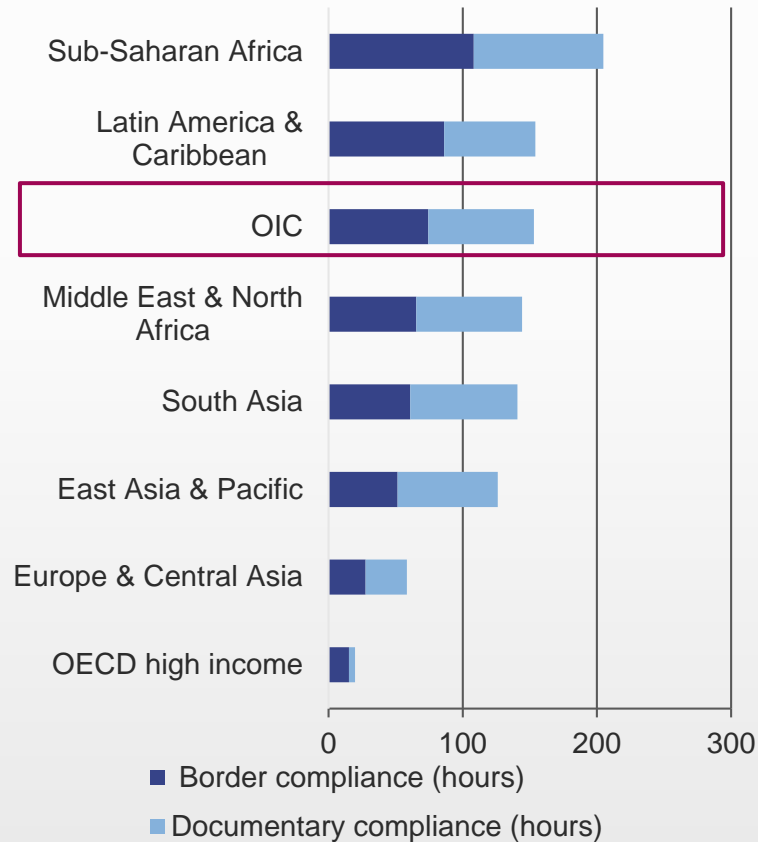
## Cost to import



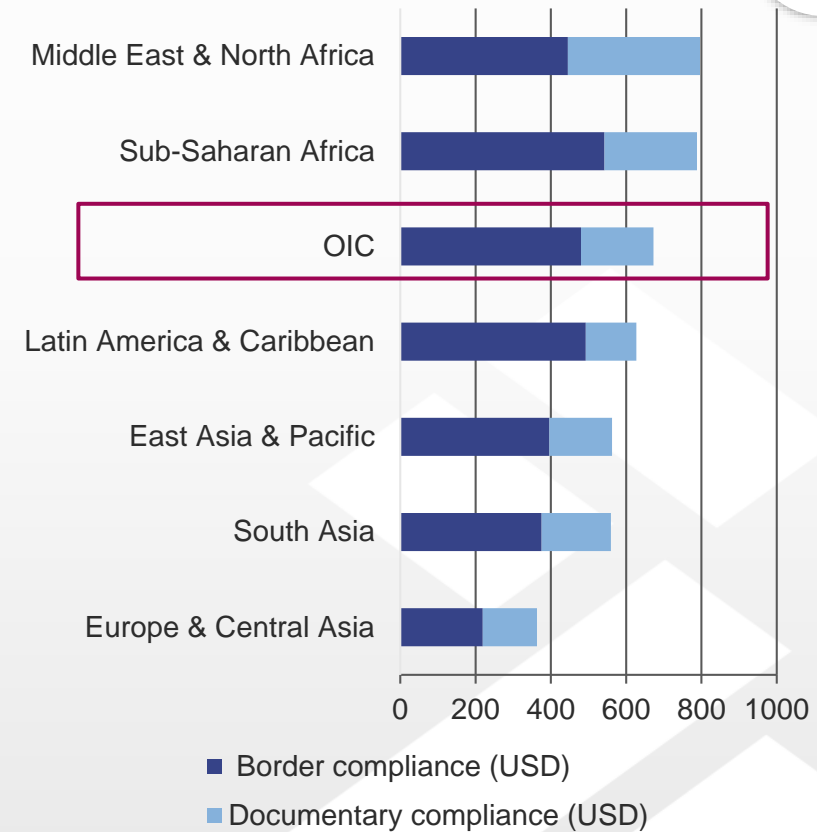
# Counting the time and cost to export



## Time to export



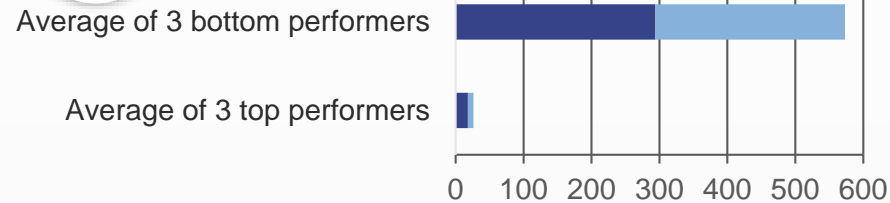
## Cost to export



# Strong variance in TF performance within OIC countries



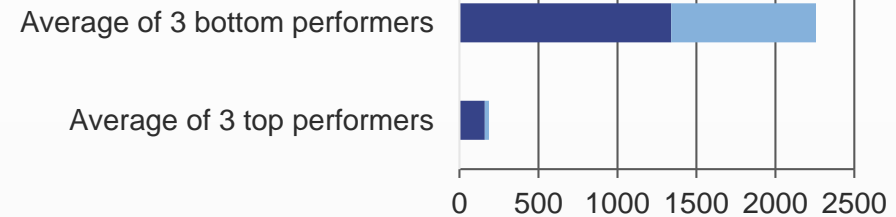
## Time to import



- Border compliance (hours)
- Documentary compliance (hours)

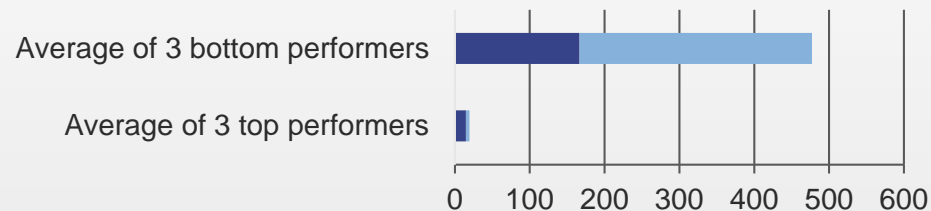


## Cost to import



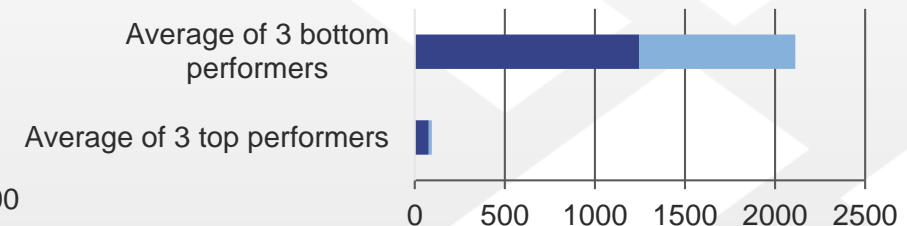
- Border compliance (USD)
- Documentary compliance (USD)

## Time to export



- Border compliance (hours)
- Documentary compliance (hours)

## Cost to export

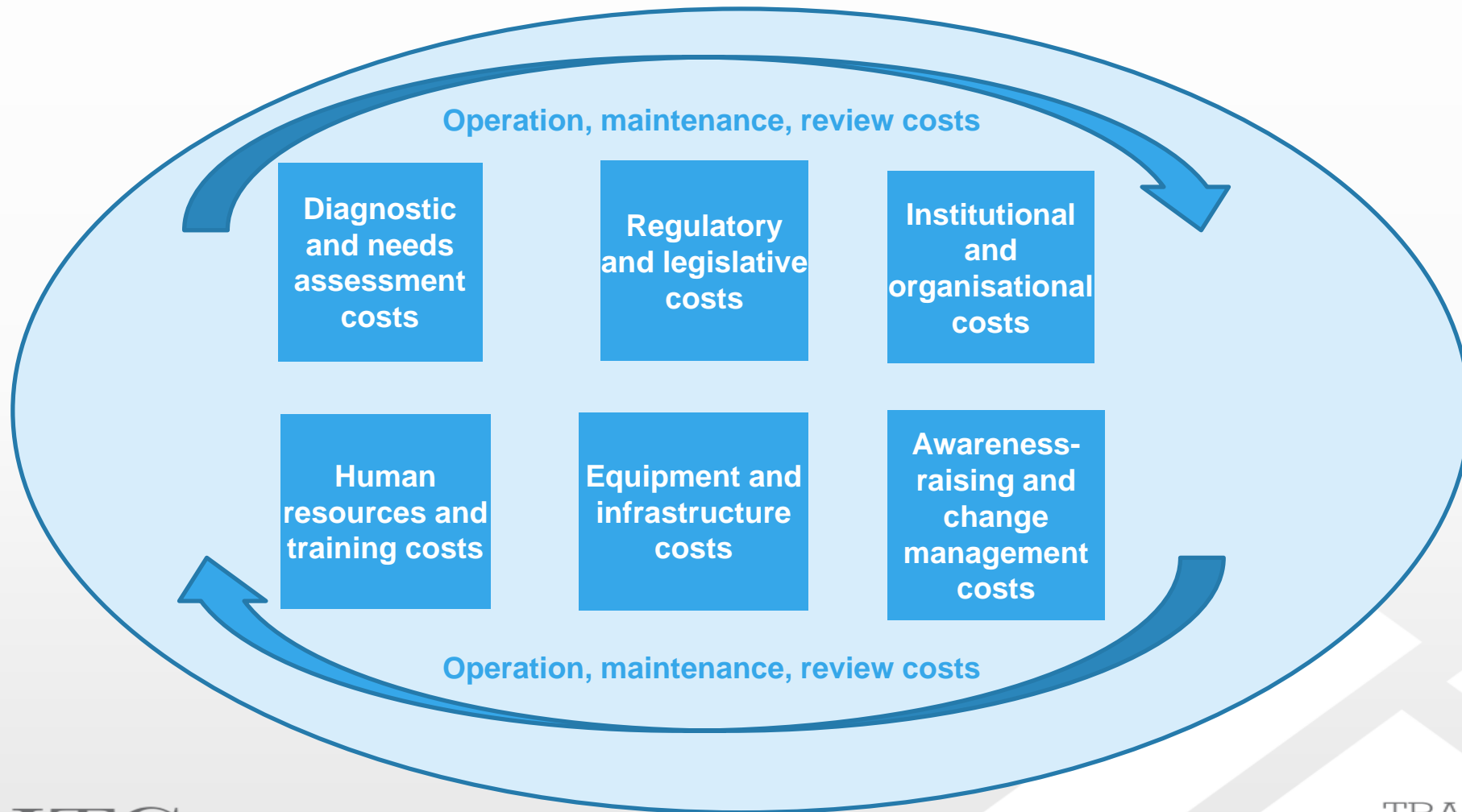


- Border compliance (USD)
- Documentary compliance (USD)

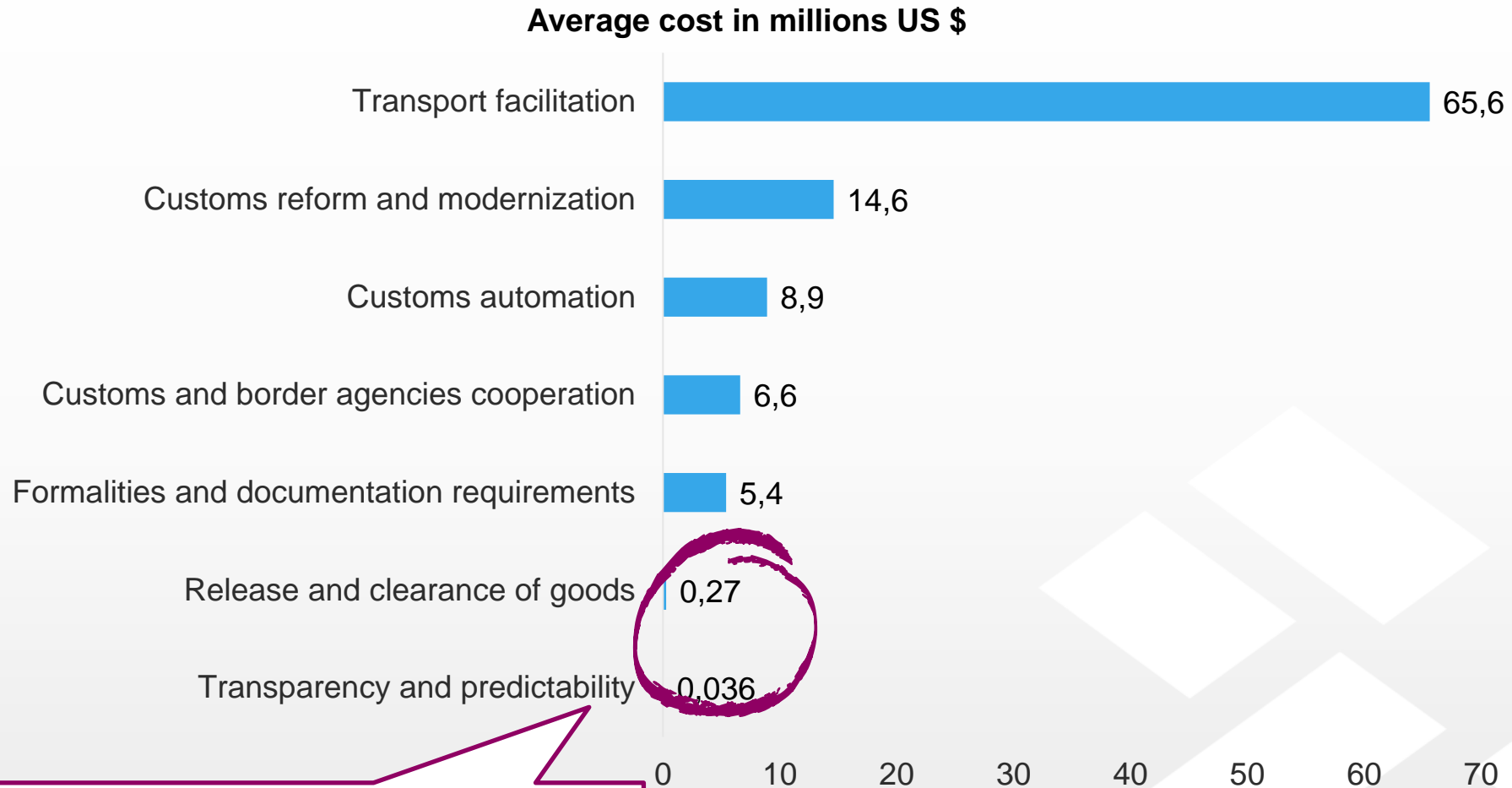
### 3 What are the costs of trade facilitation reforms?



# Types of trade facilitation costs differ



# Transparency costs are relatively low



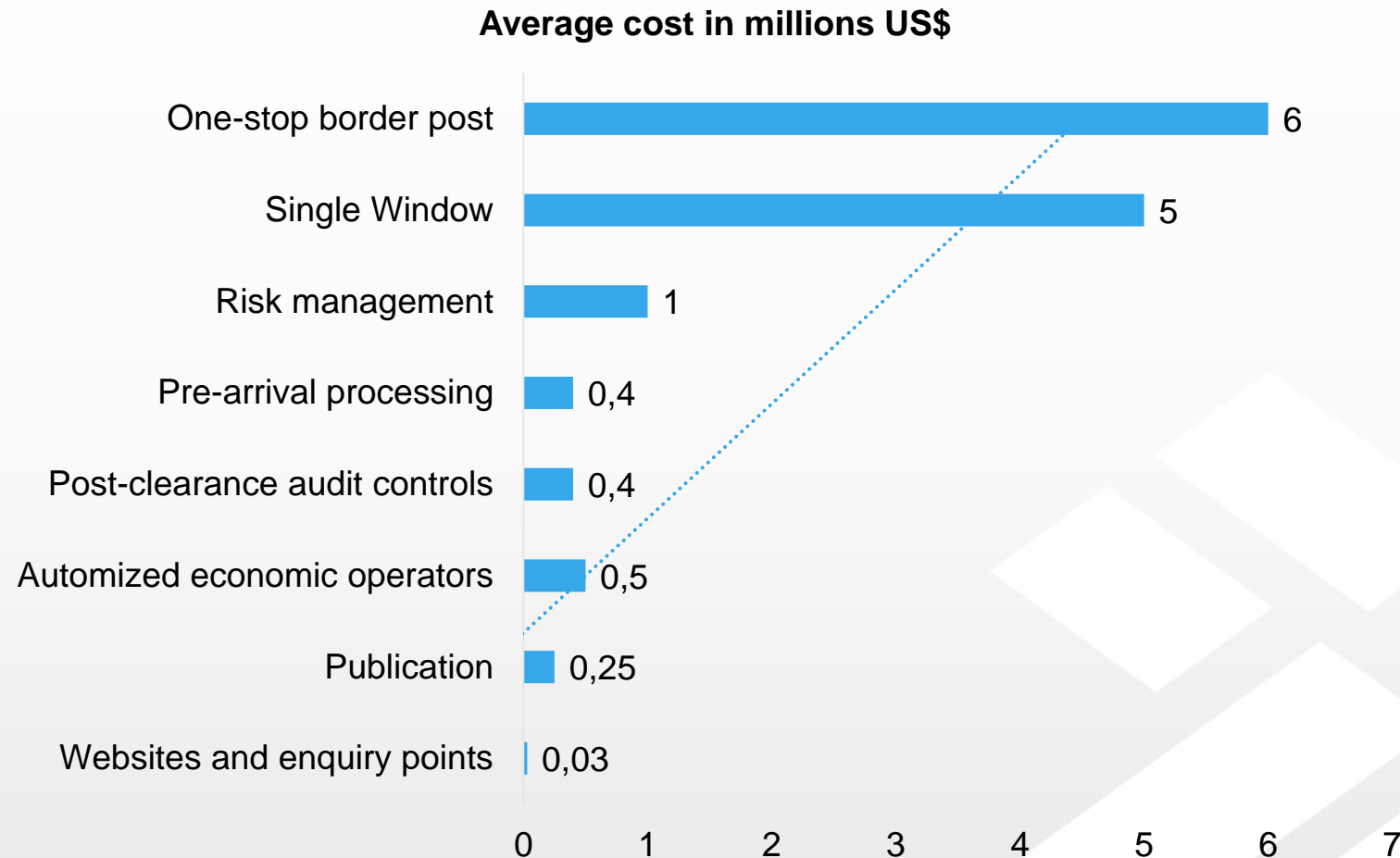
Costs of implementing trade facilitation measures related to **transparency and predictability** as well as to **release and clearance of goods** seem to be relatively low compared to other measures

Source: ITC calculations based on WTO, World Trade Report 2015

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# Costs of particular measures could vary significantly



## Question: Are these costs expenditure or investment?



**Expenditure** - the total amount of money that a government, organization, or person spends during a particular period of time



**Investment** - expenditure on the asset/system that will generate income or appreciate in the future

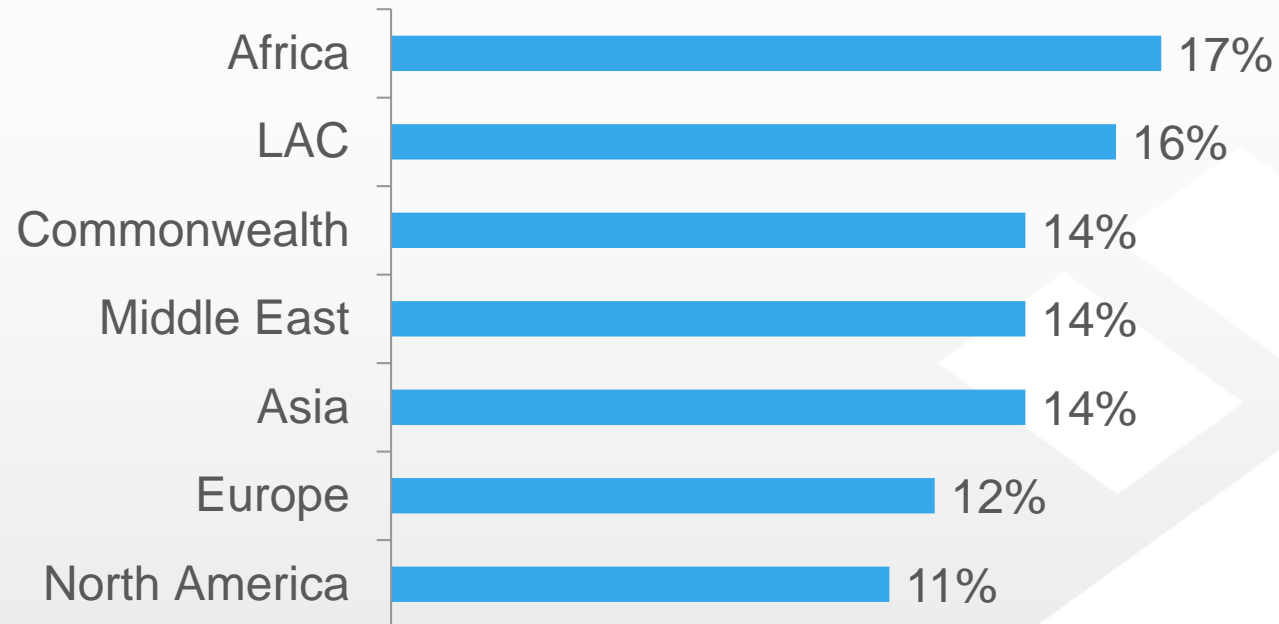
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What is the return on  
TF reforms  
investments?



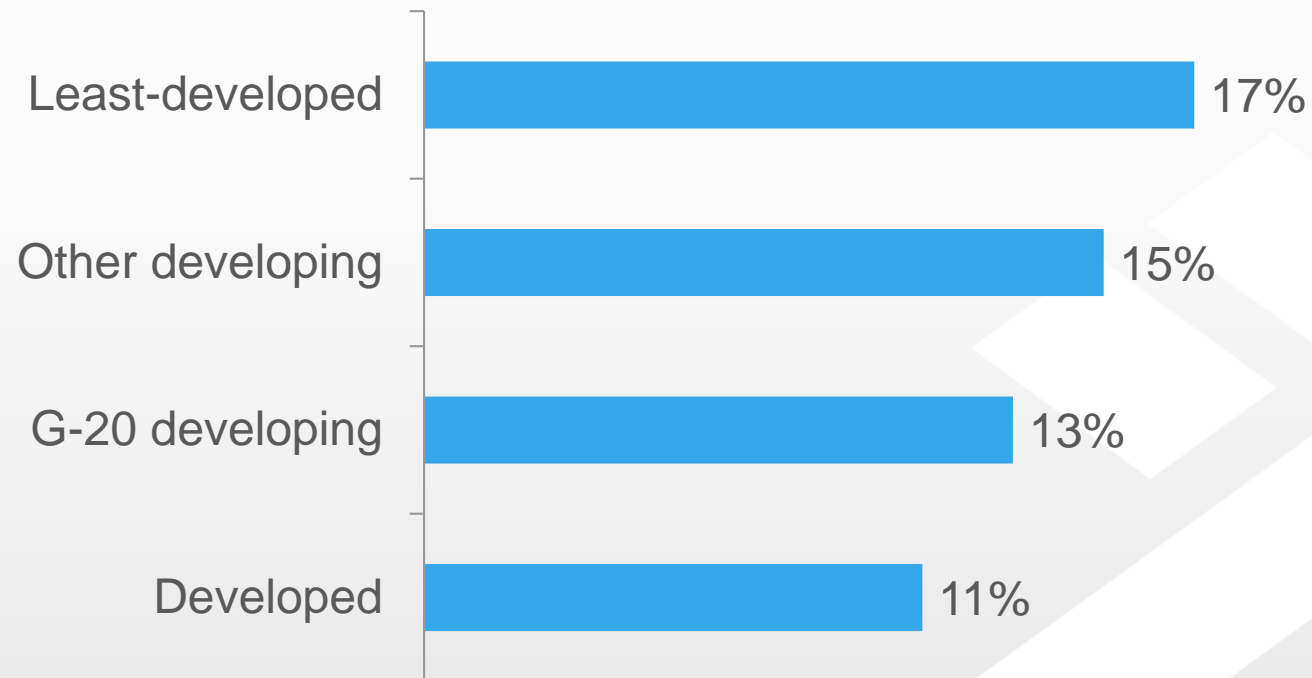
# Implementation of the TFA will reduce trade costs in all regions

**Estimated reductions in ad valorem tariff equivalent trade costs due to TFA implementation (%)**



## And for countries at all development stages, with a premium for LDCs

**Estimated reductions in ad valorem tariff equivalent trade costs due to FTA implementation by level of development (%)**

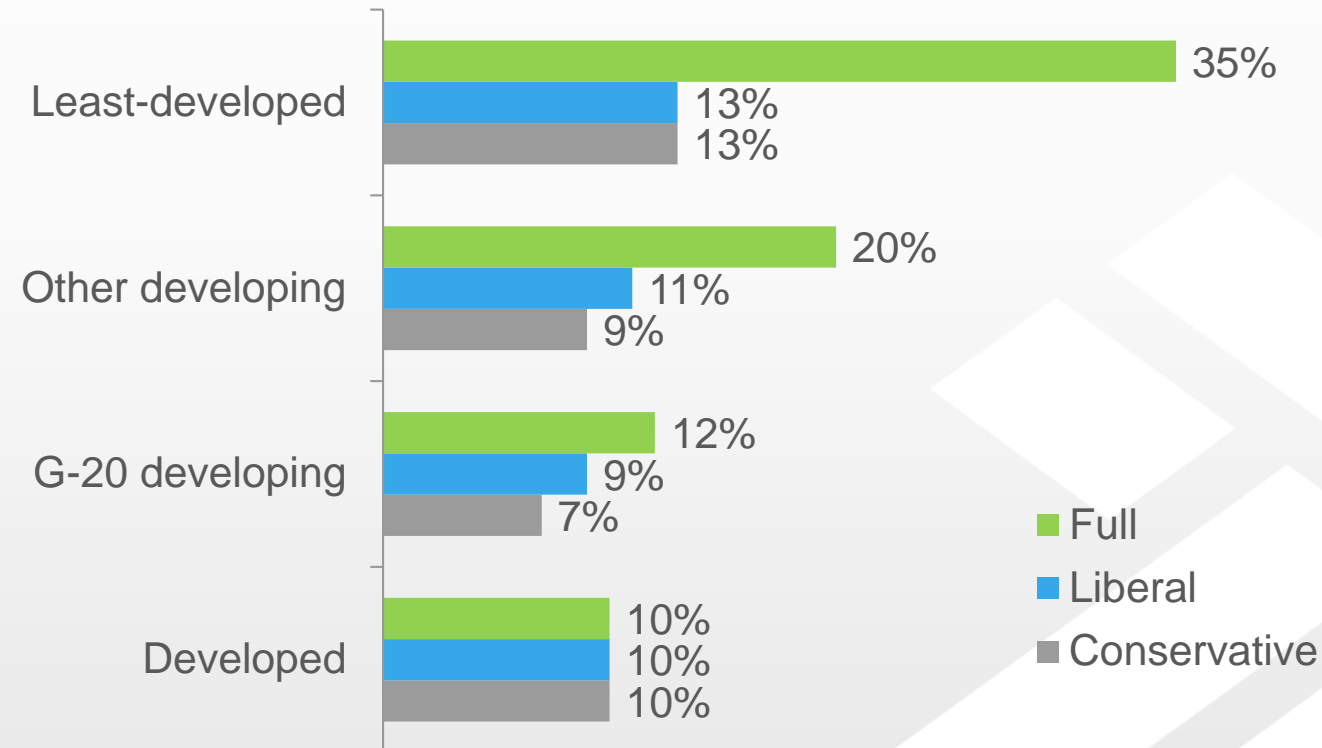


# Most studies estimate that implementation of the TFA will lead to export and GDP growth...

	WTO	ICC	OECD	Other <sup>1</sup>
<b>Export growth</b>	+750 to 1,000 billions \$	1,000 billions \$	NA	1,000 to 1,500 billions \$
<b>GDP growth</b>	+0.35 to 0.55 % growth	+960 billions \$	+40 billions \$	+0.50 % growth

## ...for developed as well as developing countries in all possible scenarios

**Estimated increase in export under various TFA scenarios by level of development (billions \$ increase)**

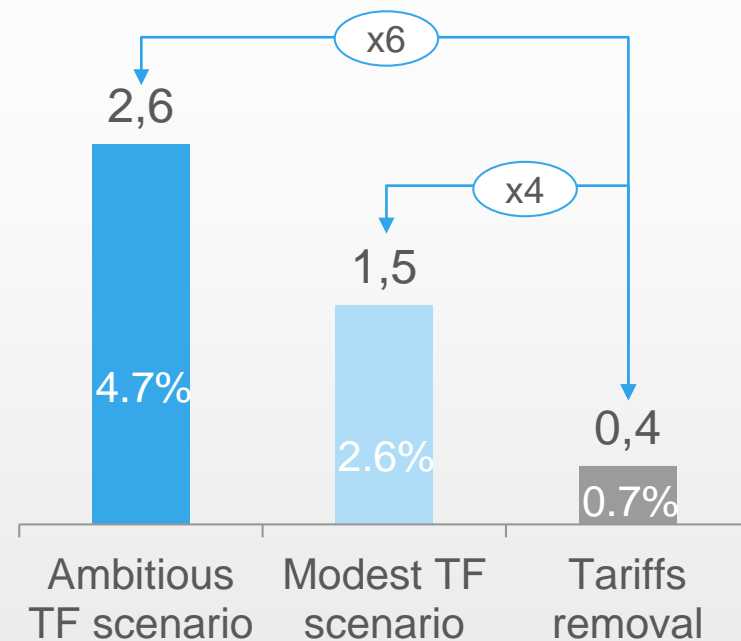


WTO Secretariat calculations, WTO World Trade Report 2015

# Overall, trade facilitation has a larger effect than removing tariffs

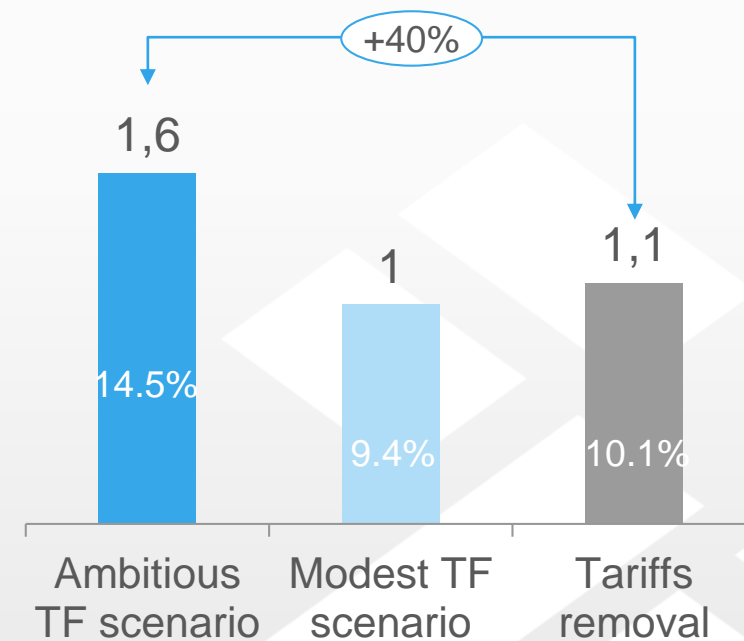
**TF reforms could increase GDP up to 6x more than removing tariffs**

Increase in GDP (trillion US\$, %)



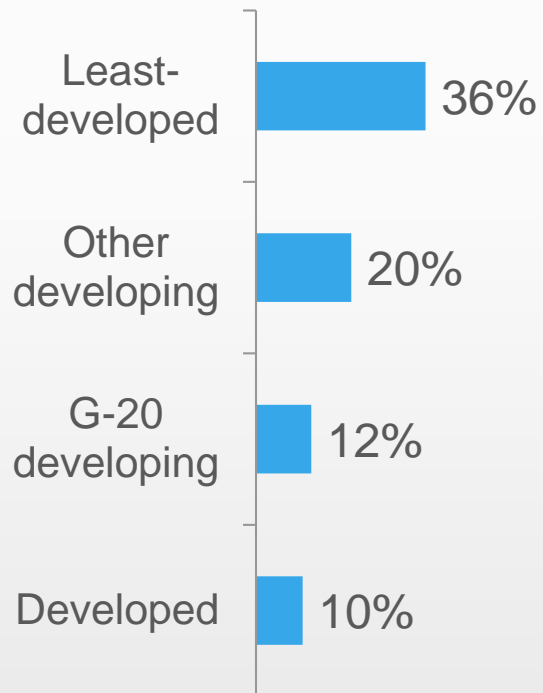
**TF reforms could increase trade up to 40% more than removing tariffs**

Increase in trade (trillion US\$, %)

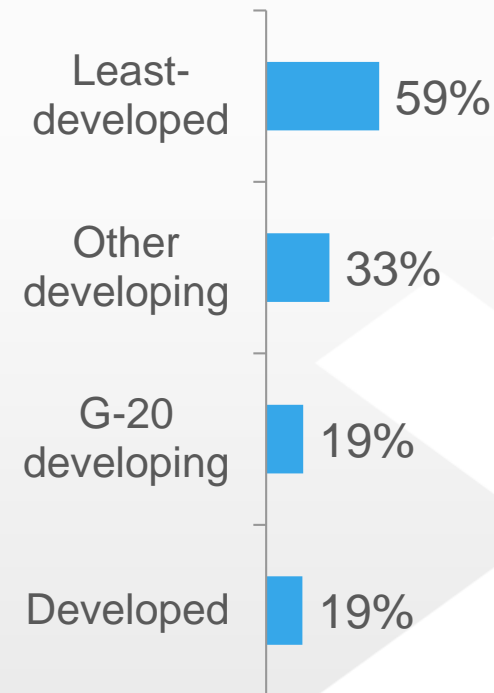


# TFA implementation leads to diversification of exported products and export destinations

**Increases in # of products by destination (% change)**

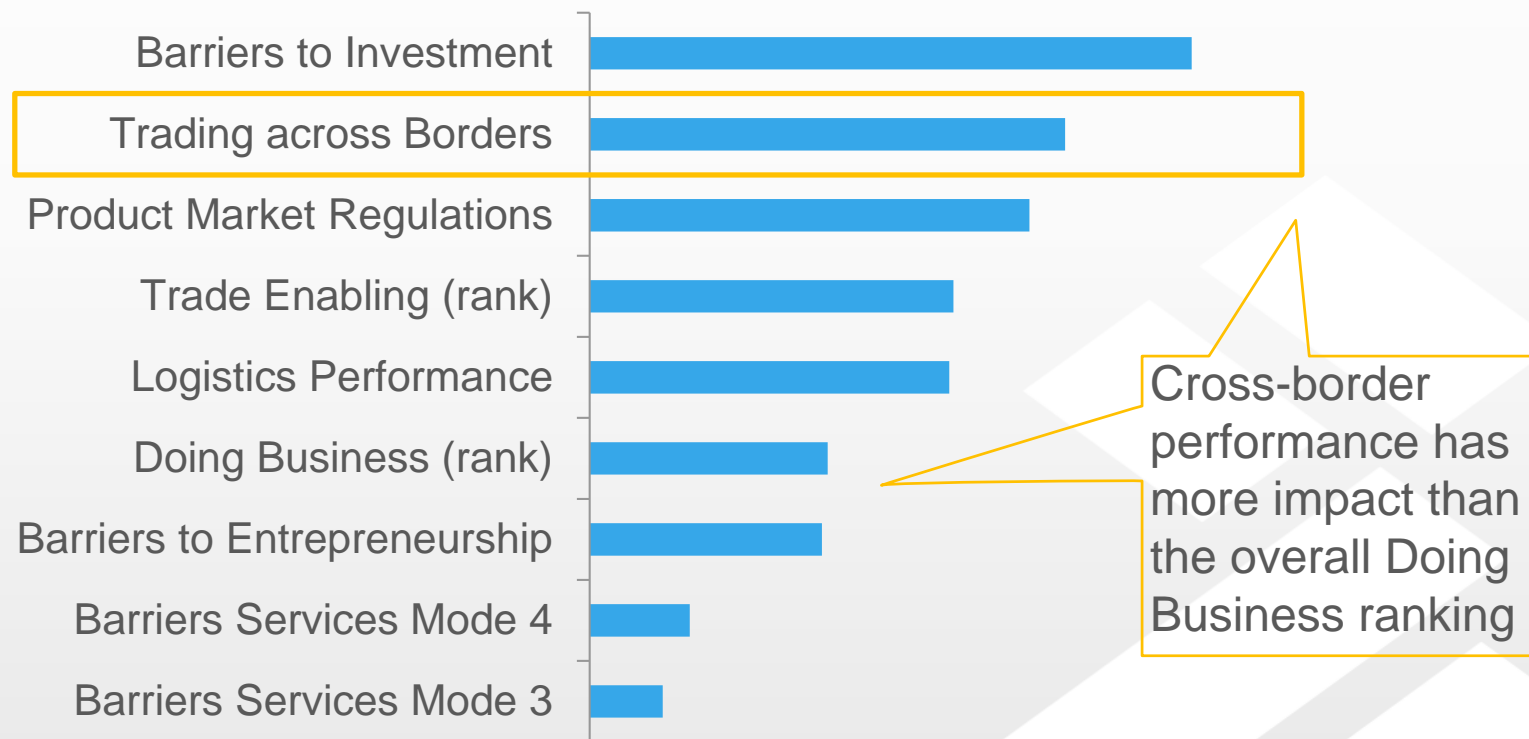


**Increases in # of destinations by product (% change)**



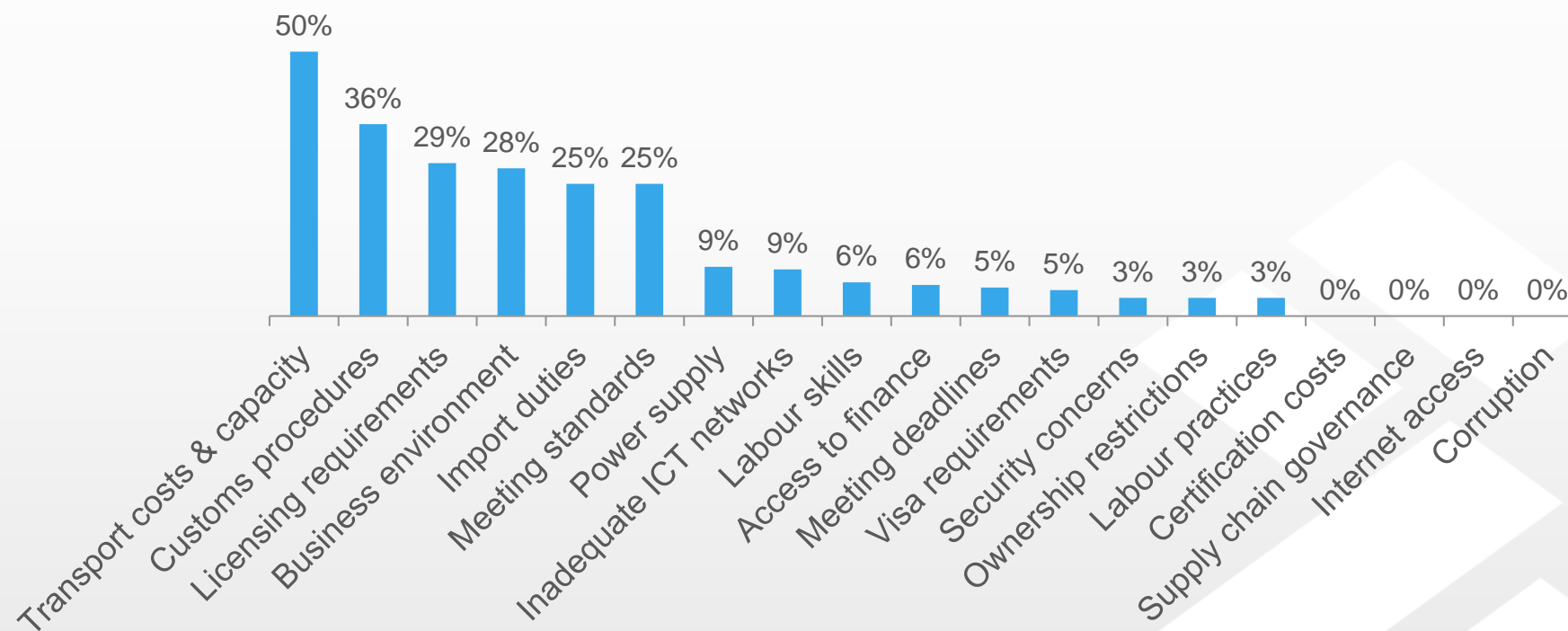
# TF performance determines a country's participation in GVCs

## Key factors associated with a country's participation in GVCs

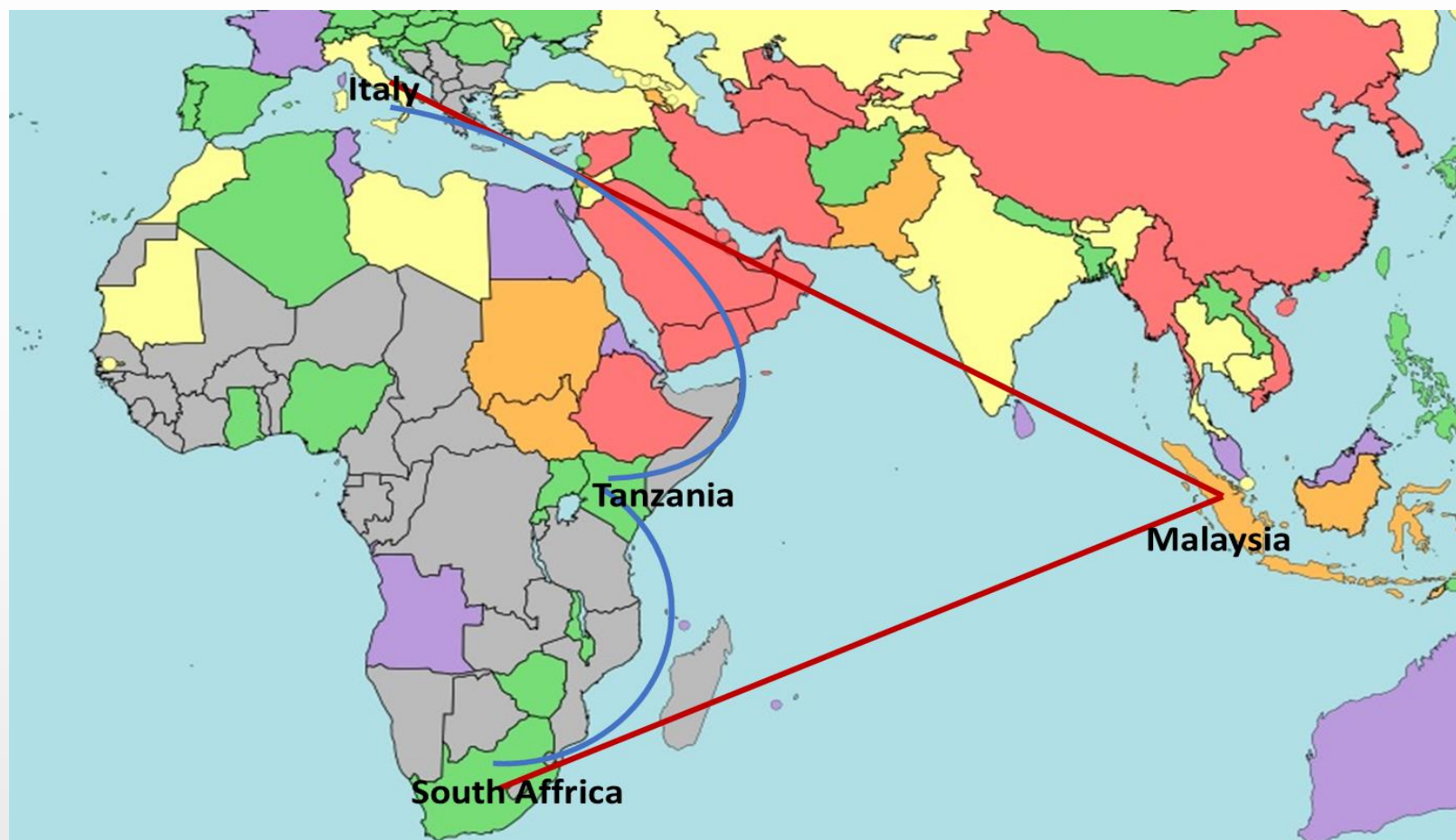


# Put differently: trade costs are a key decision criteria used by MNC when relocating in GVCs

Private view on the main barriers in connecting firms to value chains (% answers)

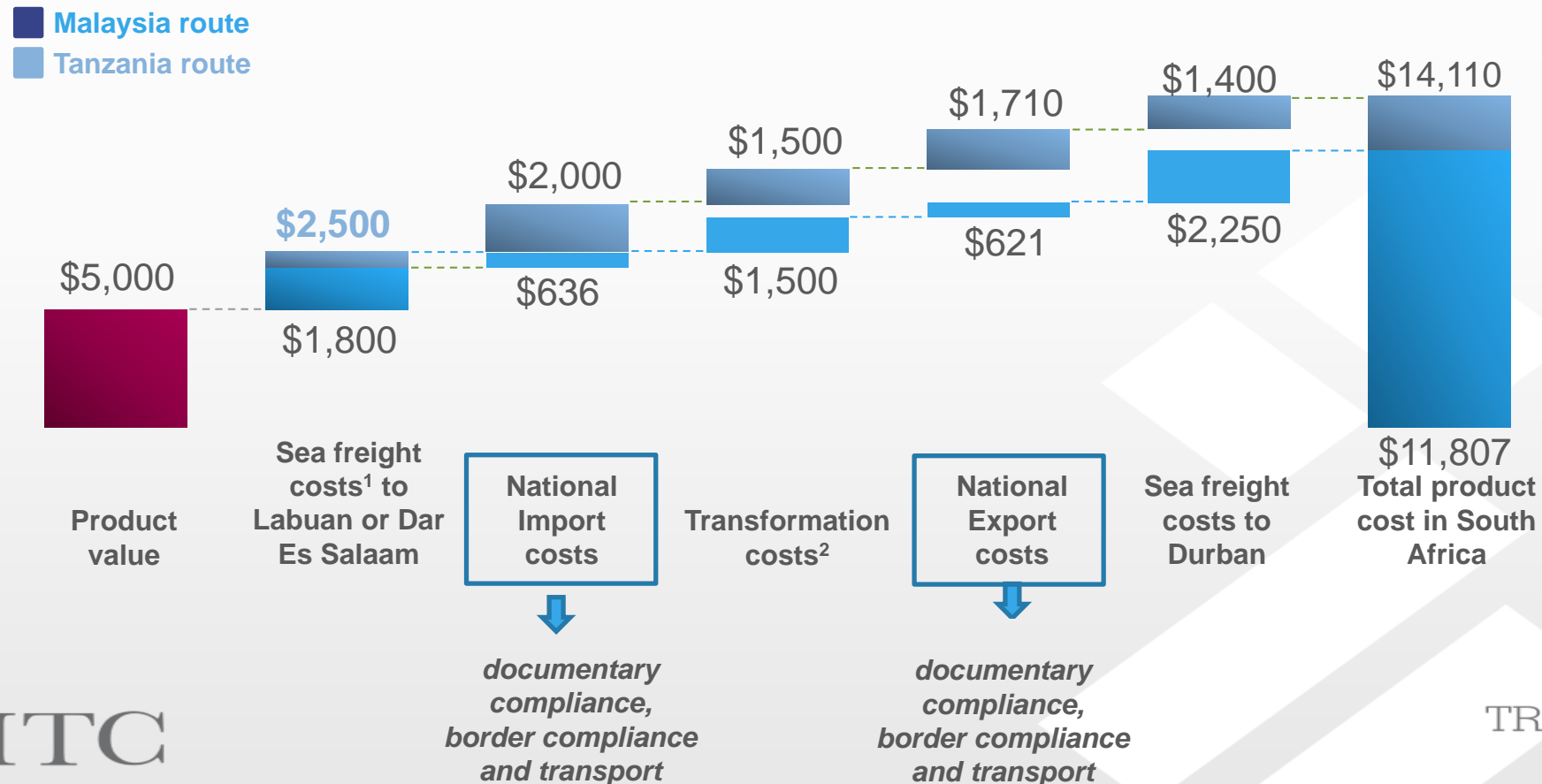


# Choosing Manufacturing Location



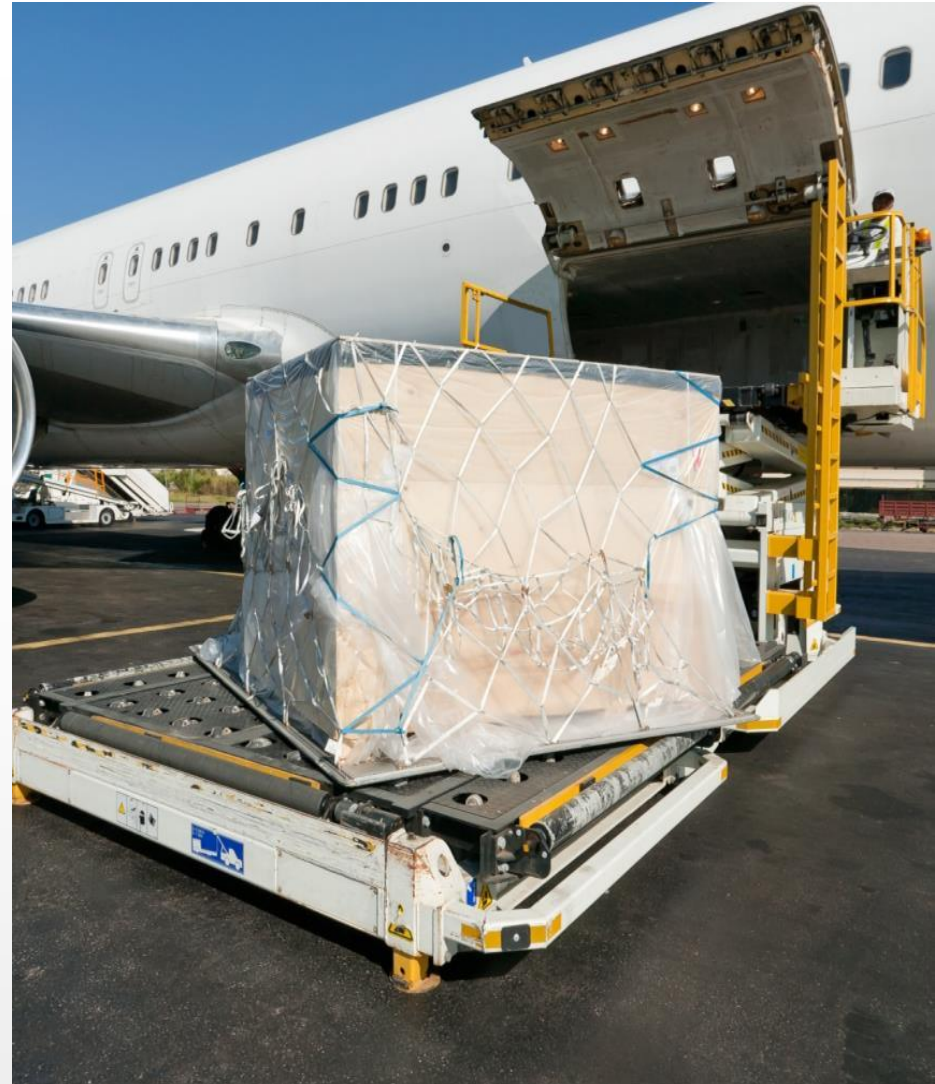
# Comparing the costs of different routes

Sewing Italian shirts in Tanzania or Malaysia and delivery in South Africa



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How to prioritize reforms based on their expected ROI?



# Countries can seldom implement all their TF obligations simultaneously

## Key challenges of a parallel implementation strategy



Limited financial resources



Lack of human resources and absorption capacity



Lack of political and administrative will



Resistance to change

*Need for “reform sequencing plans that accord with country priorities, available resources and local implementation capacities”*

**World Bank**

*“Parallel implementation strategy can be overly demanding in cases where resources are scarce”*

**UNCTAD**

# Criterion to prioritize TF reforms: ① expected impacts of TFA measure implementation

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## Expected impacts

### For traders

- Reduced time and cost of trade transactions
- Increased predictability of the cross-border environment
- Increased fairness of the trade environment

### For Government

- Accurate and improved revenue yield
- More efficient resource deployment
- Increased trader compliance
- Improved integrity and transparency
- Enhanced supply chain security

# Criterion to prioritize TF reforms: ② expected implementation complexity

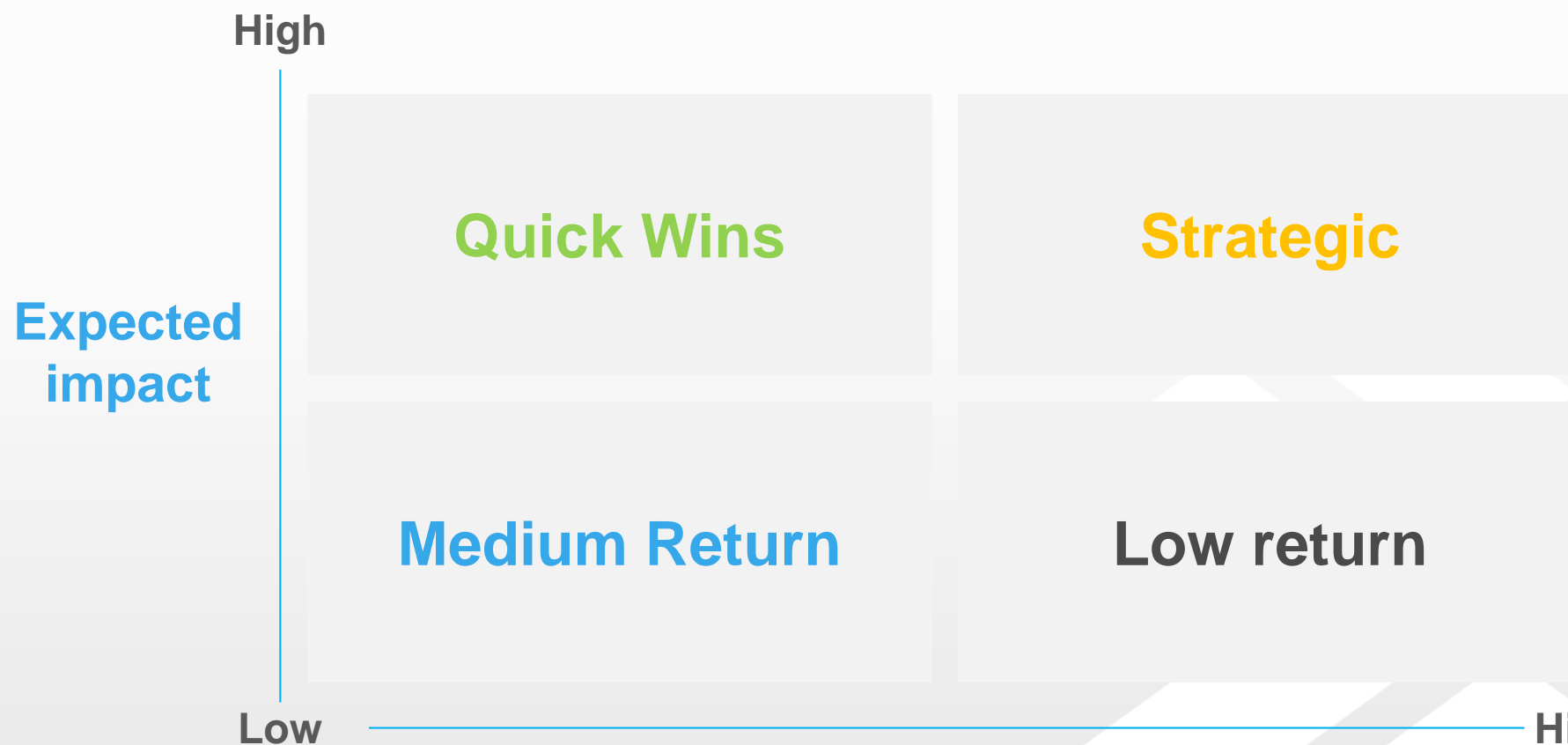
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**Impl.  
complexity**

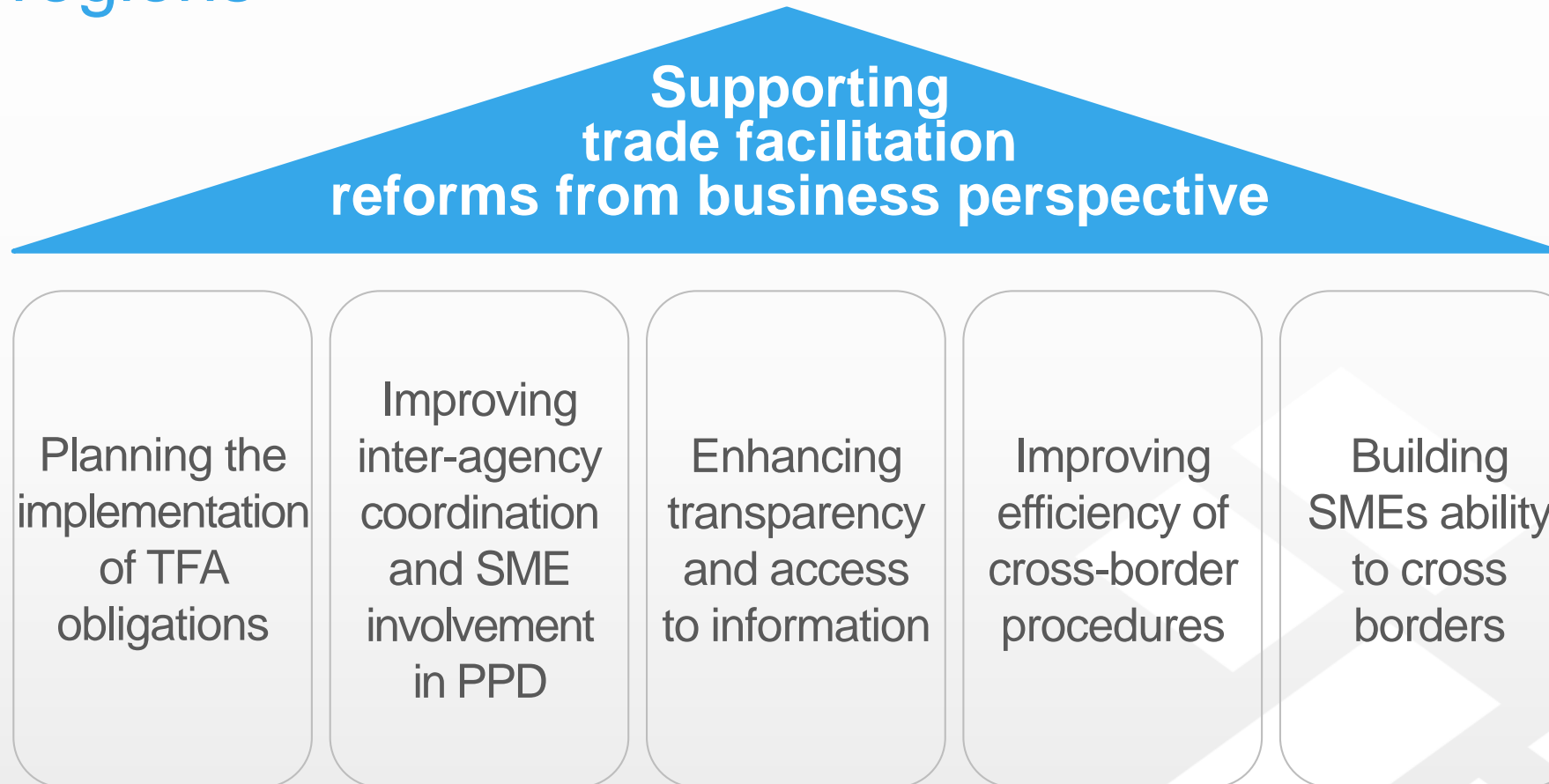
- Financial resources required for the implementation
- Number of implementing agencies
- Number of staff impacted by the measure
- Level of capacity building required
- Expected resistance to change
- Political will required for implementation

# Framework for priority setting

## Prioritization matrix for the implementation of the TFA



# ITC's integrated TF programme applied across regions



# ITC unique technical assistance offer for TFA implementation



Promoting **business perspective** in diagnosis, design and implementation of trade facilitation reforms



A **comprehensive offer** beyond legal compliance: “whole of the supply chain” approach, quality for trade – SPS, TBT - and logistics services

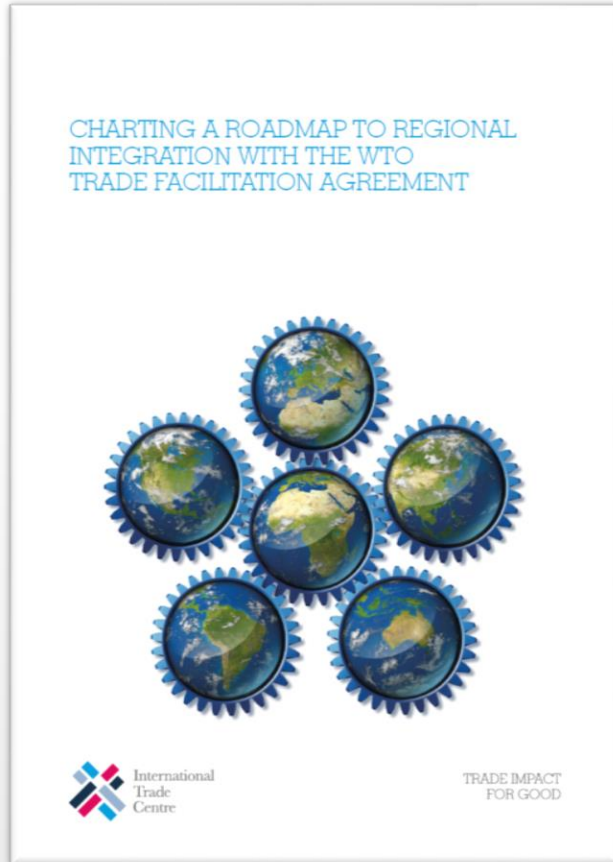


Leveraging our **unique trade support institution network** for supporting NTFC work and to ensure country ownership for sustainable impacts



**Innovative use of ICT** for trade facilitation, including Trade Facilitation Portal, Enquiry points, Digitization of Certificate of Origin

# ITC unique technical assistance offer for TFA implementation (con'd)



- Promoting **regionally coordinated TF reforms** for deepening regional integration
- Regional TF policies help SMEs to participate in **regional value chains**
- **6 steps methodology** for regional TF Roadmap

# How to request ITC support?

## An official letter



Arancha Gonzales  
Executive Director  
International Trade Centre  
Geneva

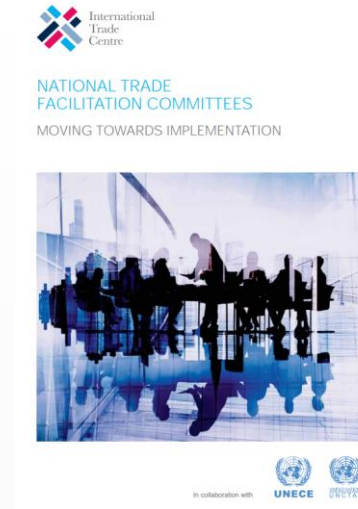
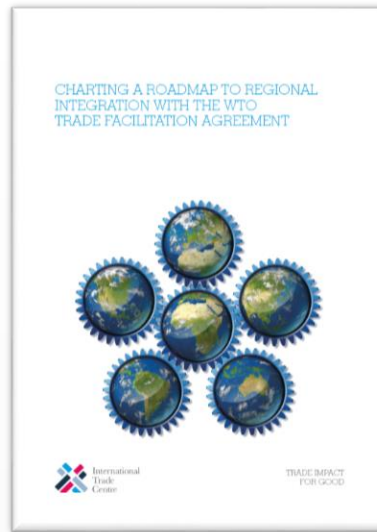


## An email

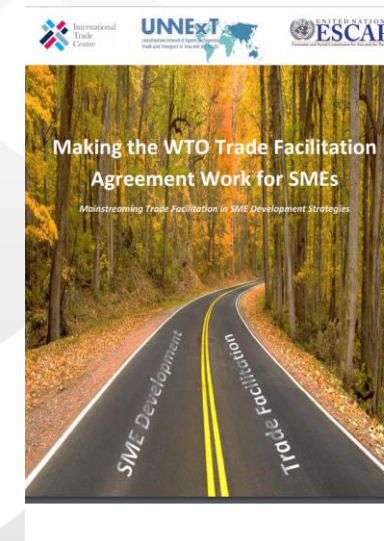
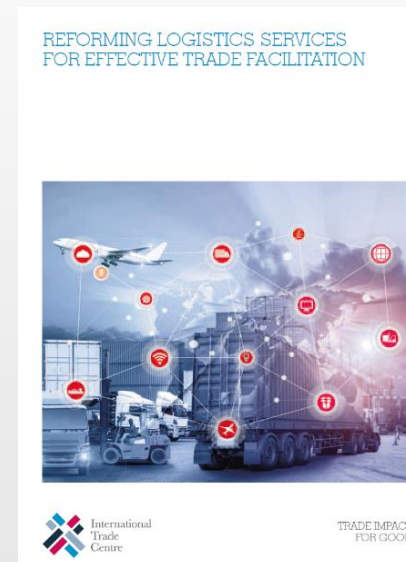
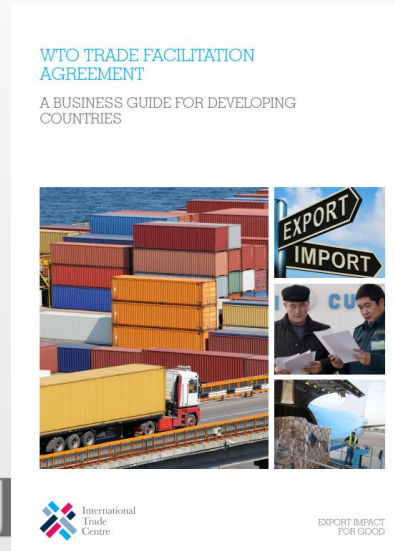


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# Thank you for your attention



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