



International  
Trade  
Centre

TRADE IMPACT  
FOR GOOD

# Engaging domestic and international stakeholders in trade policy making:

Focus on public-private partnerships

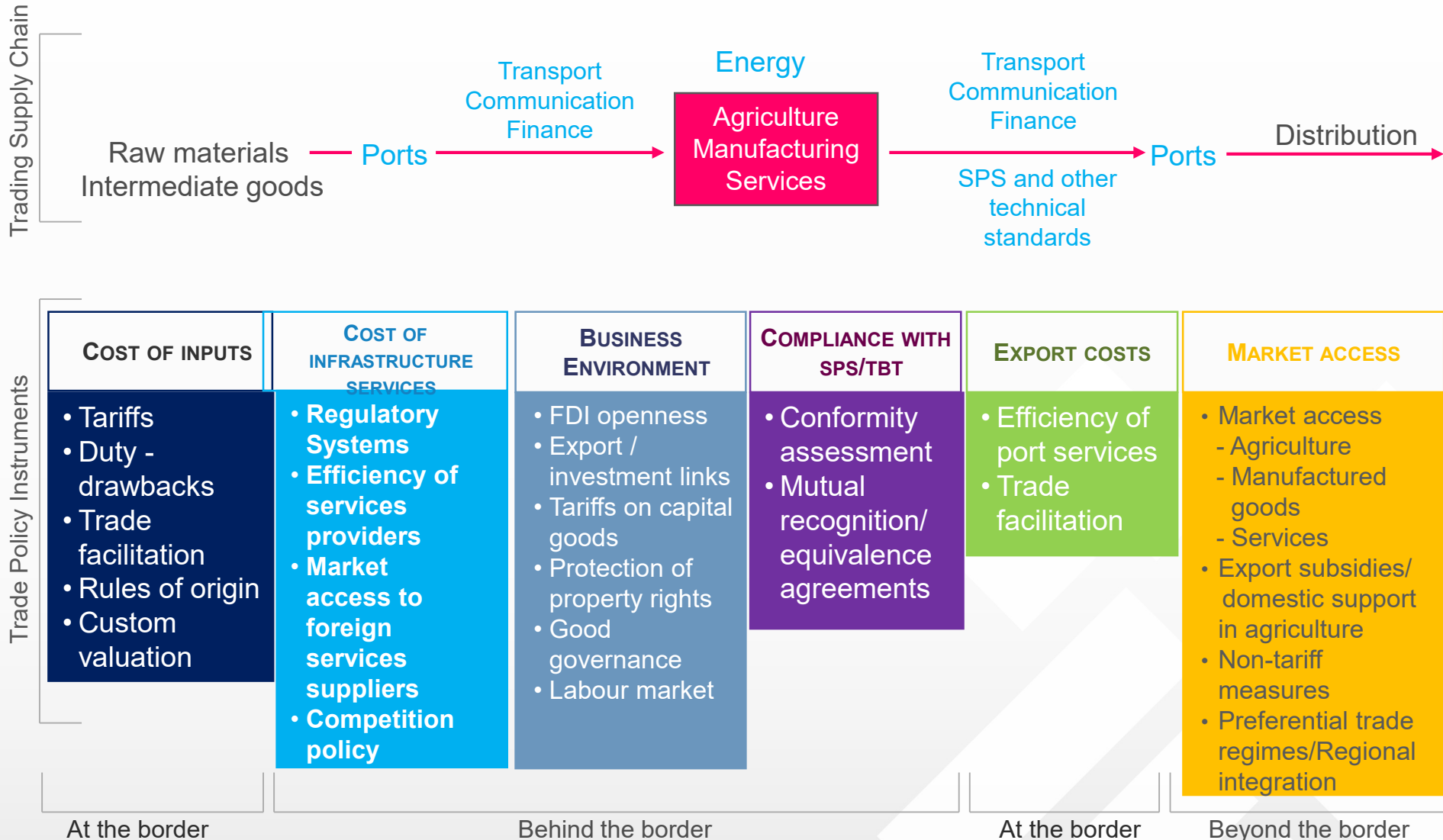
Third Regional Dialogue on WTO Accessions for Africa

By: Vidya Nathaniel

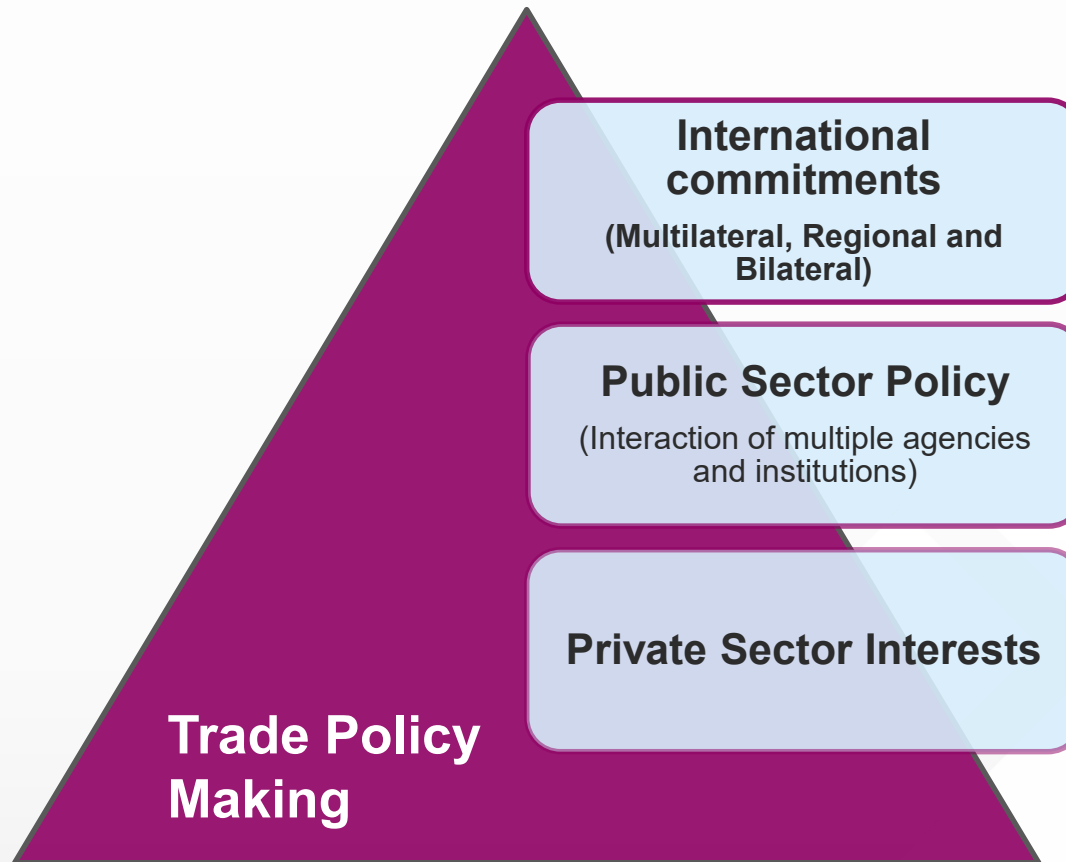
Date: 14 February 2020



# Competitiveness/Trade Policy Interface



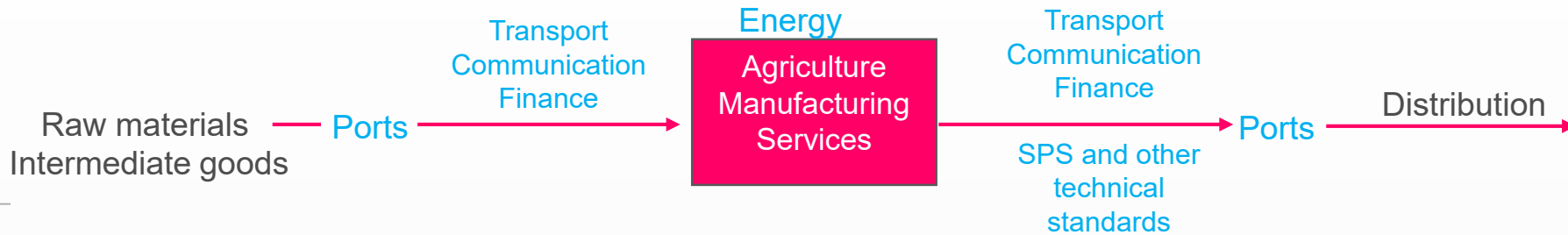
# Trade policy reform is the interaction of:



# At the Border

# At The Border:

Trading Supply Chain



Trade Policy Instruments

COST OF INPUTS	COST OF INFRASTRUCTURE SERVICES	BUSINESS ENVIRONMENT	COMPLIANCE WITH SPS/TBT	EXPORT COSTS	MARKET ACCESS
<ul style="list-style-type: none"> <li>Tariffs</li> <li>Duty - drawbacks</li> <li>Trade facilitation</li> <li>Rules of origin</li> <li>Custom valuation</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Systems</li> <li>Efficiency of services providers</li> <li>Market access to foreign services suppliers</li> <li>Competition policy</li> </ul>	<ul style="list-style-type: none"> <li>FDI openness</li> <li>Export / investment links</li> <li>Tariffs on capital goods</li> <li>Protection of property rights</li> <li>Good governance</li> <li>Labour market</li> </ul>	<ul style="list-style-type: none"> <li>Conformity assessment</li> <li>Mutual recognition/ equivalence agreements</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency of port services</li> <li>Trade facilitation</li> </ul>	<ul style="list-style-type: none"> <li>Market access               <ul style="list-style-type: none"> <li>- Agriculture</li> <li>- Manufactured goods</li> <li>- Services</li> </ul> </li> <li>Export subsidies/ domestic support in agriculture</li> <li>Non-tariff measures</li> <li>Preferential trade regimes/Regional integration</li> </ul>
At the border	Behind the border			At the border	Beyond the border

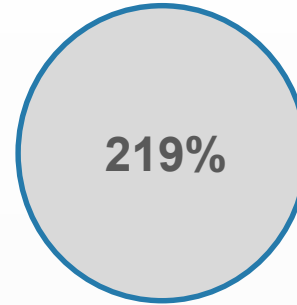
Every additional day of delay of a product prior to a shipment



reduces trade of that product by at least 1%.

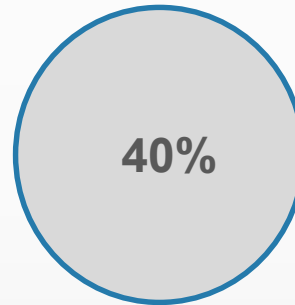


Source: Trading on Time, World Bank Policy Research Working Paper, 2006



Trade costs in developing countries are equivalent to 219% of import tariff.

- For each dollar it costs to make a product, it costs a further \$2.19 to bring it to consumers in developing countries.



Of all border costs are made up of procedural inefficiencies

- i.e. cost of delays, cumbersome documentary requirements and inspections.

Source: Trade costs and inclusive growth, WTO (2016); Border compliance and documentary compliance costs differential between top 50 performers computed on Doing Business 2016: Trading across Borders Indicators.

## Example: Kenya – Garment Manufacturer

- Bedi Limited, a garment producer in Nakuru, Kenya.
- Spent 18 months pursuing a trial order for school items from Tesco, one of the largest retail chains in the UK.
- Received an order with the delivery date set for July – in time for the back-to-school promotions in August.
- Bedi had everything planned to meet the delivery date – but goods were delayed at the port.
- Arrived in the UK too late for the promotional period.

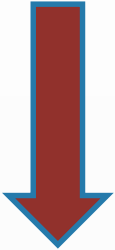
Source: Doing Business Index 2011, World Bank

# WTO Trade Facilitation Agreement is an important tool...

- Expediting movement, release and clearance of goods, including goods in transit.
- Effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.
- Technical assistance and capacity building in this area.

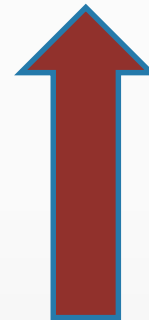
## Estimated to reduce:

- Global trade costs by **14.3%**
- Average time to import by **47%**.



## Forecast to:

- Add up to **2.7%** a year in world export growth; and
- Boost exports in developing countries by **3.5%** annually



Source : WTO Trade Facilitation



## Case Study: Ghana – Modernizing Customs (Phase 1)

<b>Objective</b>	Modernize Customs operations
<b>Model Adopted</b>	Public-private partnership – GCNet – Established in 2000 (Ghana Community Network Services Ltd)
<b>Main Outcomes</b>	<p>(1) Simplified Customs procedures:</p> <ul style="list-style-type: none"> <li>- eliminating the need to procure permits, licences or exemptions from different agencies.</li> </ul> <p>2) Faster Clearance times</p> <ul style="list-style-type: none"> <li>- Clearance times at the main port of Tema cut down from an average of 14 days to 2-3 days.</li> </ul> <p>3) Increased revenue collection</p> <ul style="list-style-type: none"> <li>- Annual average growth in revenue at the port of Tema was 33%; and at the Kolkota airport was 32%.</li> </ul>

# Case Study: Ghana – Modernizing Customs (Phase 1)

**Success  
was  
attributed  
to**

## **Government Support:**

- Realization of the objectives of promoting trade facilitation, investment and competitiveness of industries.
- Confidence and cooperation of various government agencies.

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## **Credibility of PPPs**

- Credible shareholders bringing core competencies to the project – some contributed by way of technical know-how, developing design and building the system.

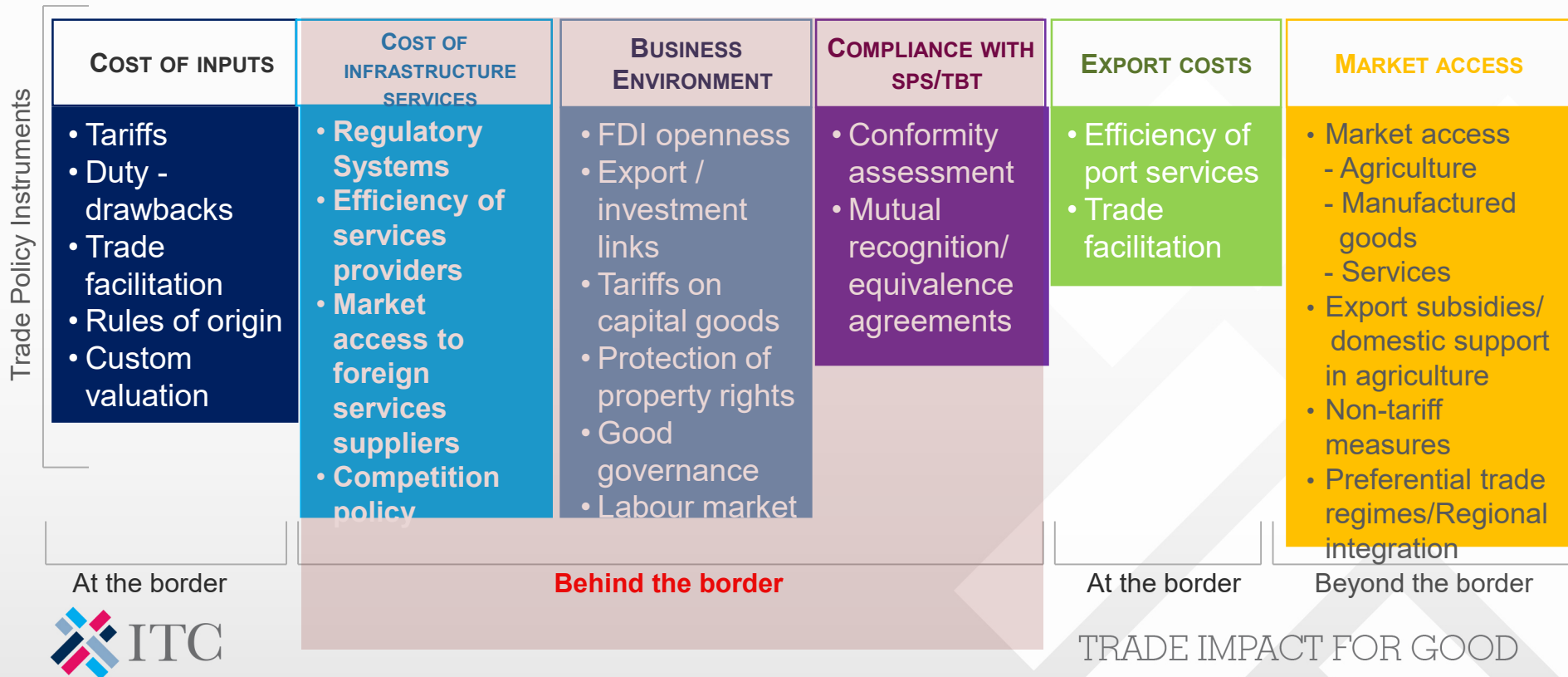
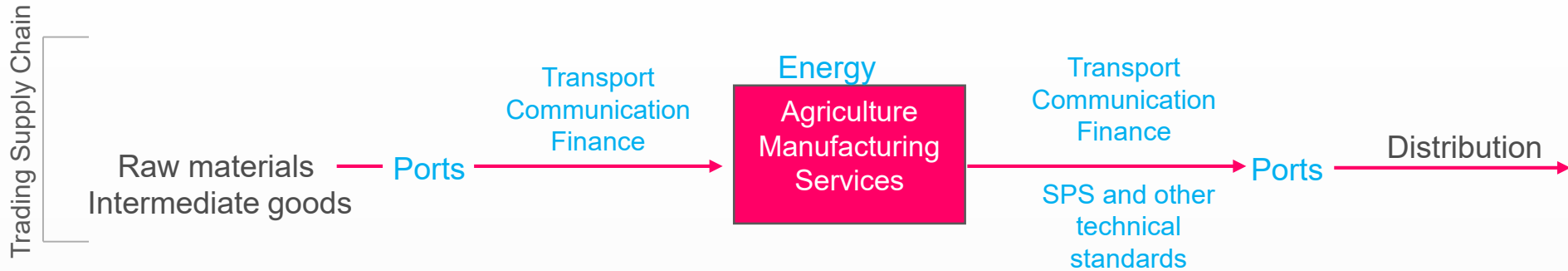
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## **Sustainable self-financing arrangement:**

- Joint Venture partners contributed equity capital to finance initial costs, with the exception of one partner who contributed equity in the form of hardware.
- Fee structure established to recover initial investments and ensure no dependence on government budget.
- Operational expenses and new investments covered by financing arrangement.

# Behind the Border

# Behind the Border...



# Case Study: India's Telecommunications Sector

## Reform of Sector

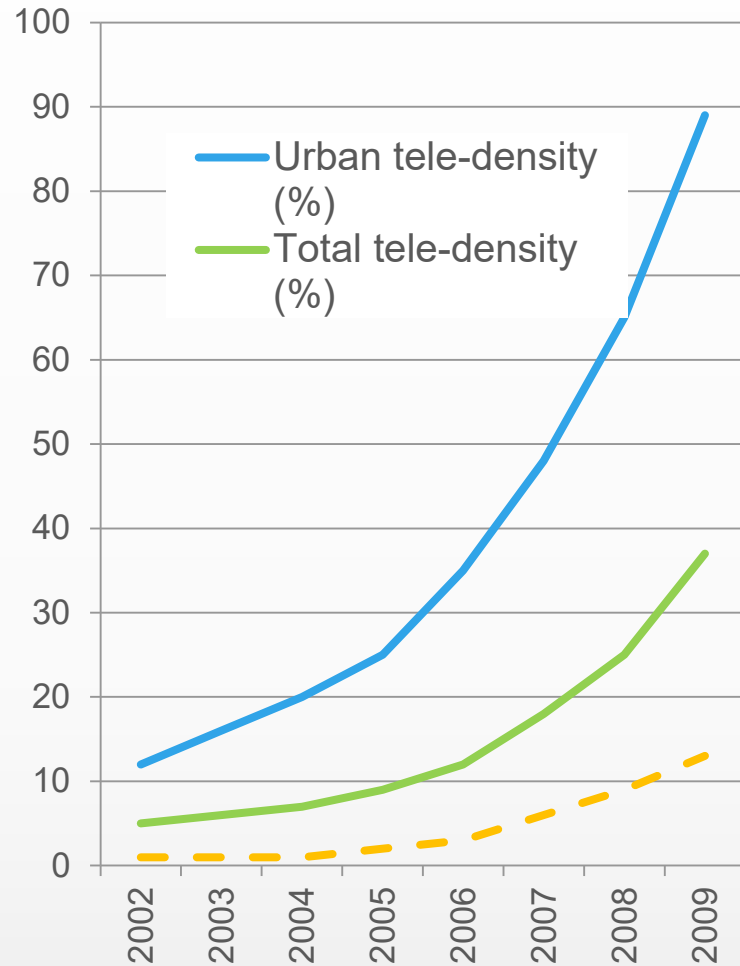
- 1) Shift from duopoly to multiple operators in basic telecom services.
- 2) Opened up national and international long distance services
- 3) Regulatory Reforms:
  - Liberalization of sector allowing FDI participation and increasing number of competitors in the industry;
  - Establishment of independent entities to regulate the industry and address dispute settlement.

## Main Outcomes

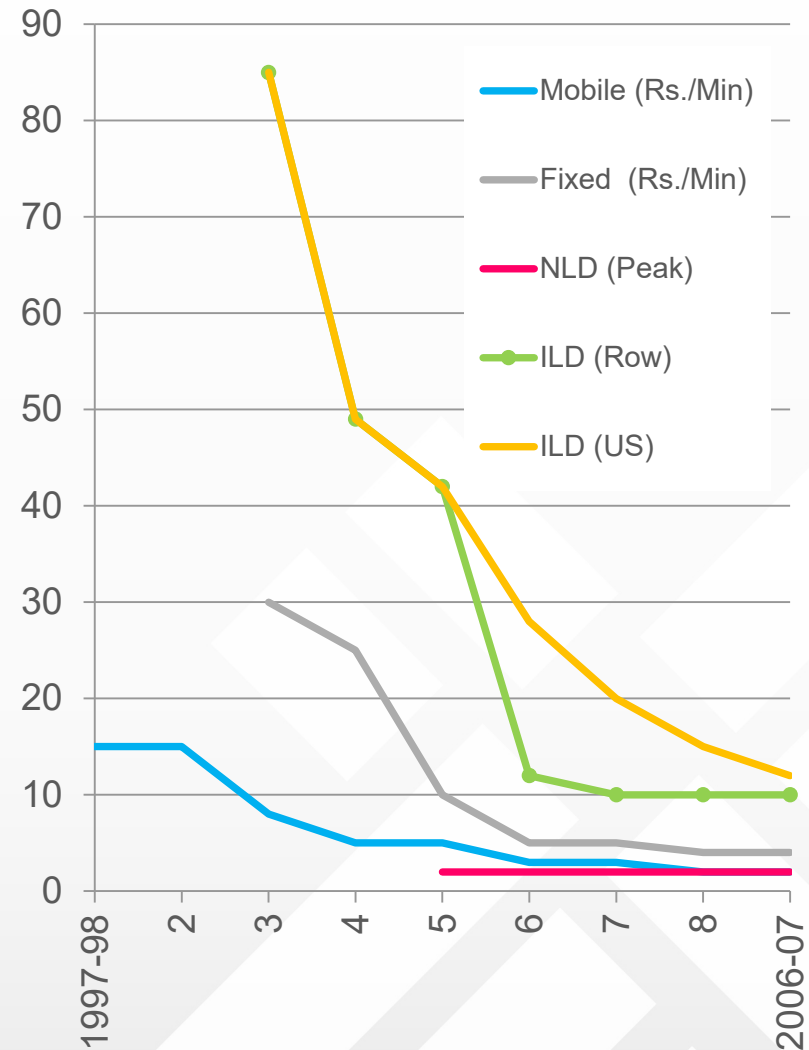
- 1) FDI attracted to the BPO sector:
  - In 2002, attracted 15% of the FDI. By 2008, accounted for a third of all FDI.
- 2) Increased skills in the industry:
  - Foreign firms have trained thousands of local workers and created nearly 1 million new jobs and these skills passed on to new Indian companies.
- 3) Increased exports of IT/BPO services:
  - Indian outsourcing firms control over half of the intensely competitive global IT and back office outsourcing markets.
- 4) Public Benefit:
  - Increased telephone services and reduced prices.

# Outcome – Telecommunication services are revolutionised

## Phenomenal Tele-density growth...



## ...And cheaper prices.



## Case Study: Philippines BPO Industry

Foreign Equity Participation (flow)				
Foreign-to-Total equity ratio (percent)				
IT-BPO category	2005	2006	2007	2008
Contact center	87.6	92.0	98.1	96.5
Transcription	52.5	71.0	100.0	100.0
Animation	38.4	95.8	97.2	100.0
Software development	37.0	73.9	50.9	84.6
Other BPOs	47.5	23.2	93.1	85.6
<b>Total</b>	<b>66.9</b>	<b>60.4</b>	<b>87.9</b>	<b>93.3</b>
Source: BSP (2010), Table 3.1				

# Case Study: Philippines BPO Industry

## Reform of Sector

- 1) Open trade and investment regime:
  - Creating an encouraging environment for foreign investors.
- 2) Investment incentives:
  - Incentives in the form of tax exemptions, tax holidays and simplified import and export procedures.
- 3) Legislative changes to favour global organizations:
  - For example the Data Privacy Act 2012 which puts in place stringent international quality data privacy standards ensuring that sensitive information being handled on a daily basis remains secure.
- 4) Low operation costs:
  - low labour and real estate costs.
- 5) Availability of skilled labour:
  - University training programmes available for would-be BPO employees.

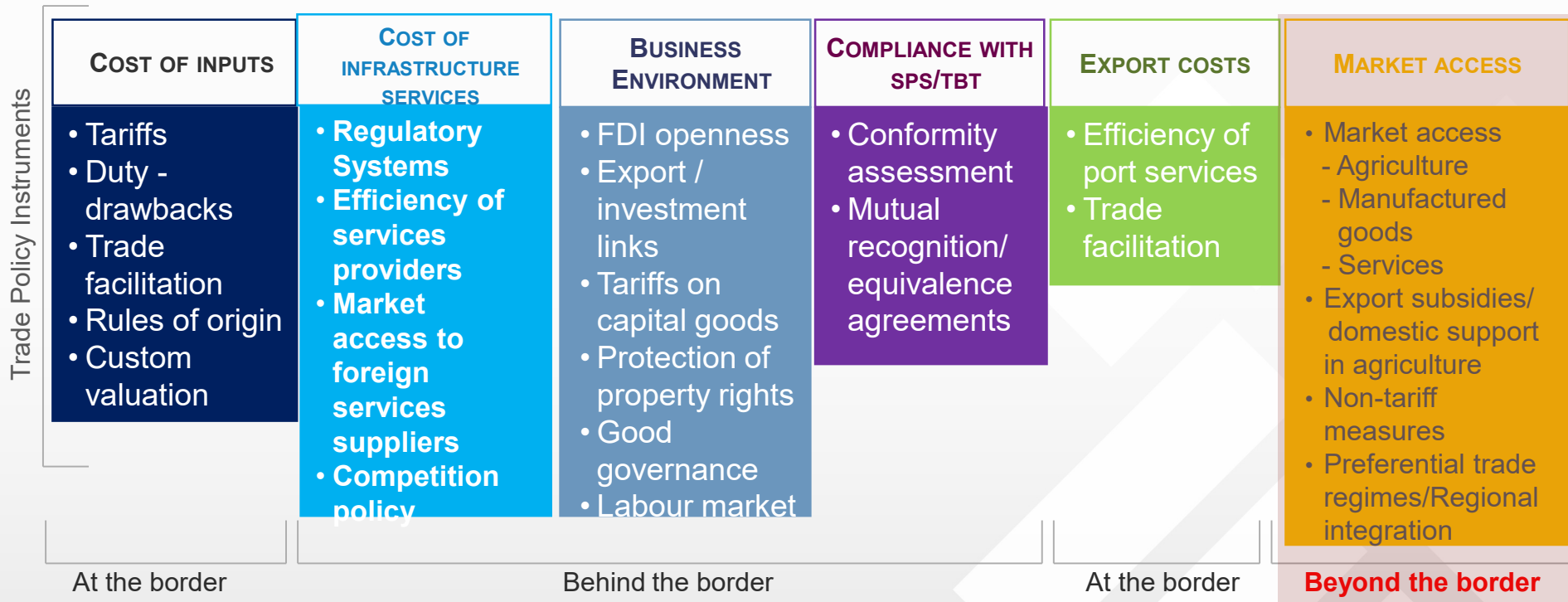
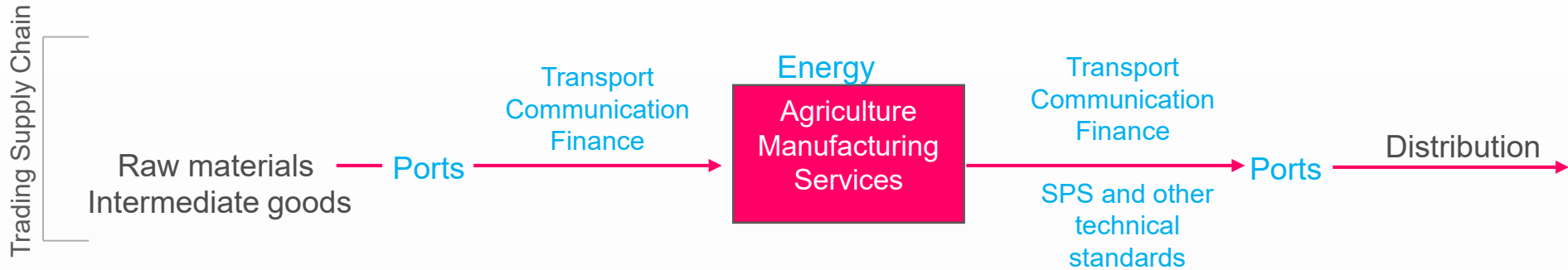
## Main Outcomes

- 1) Employment opportunities:
  - Employment in the sector grew from 150,000 in 2006 to 1.2 million in 2016, and is estimated to rise to approximately 1.8 million by 2022.
- 2) Growth in revenue:
  - Revenue of the sector has grown at an average of 9% yearly – with statistics from the IBPAP showing an increase from USD 1.3 billion in 2004 to USD 25 billion in 2016.
- 3) Global Coverage:
  - Covers about 10-15% of the global outsourcing market.



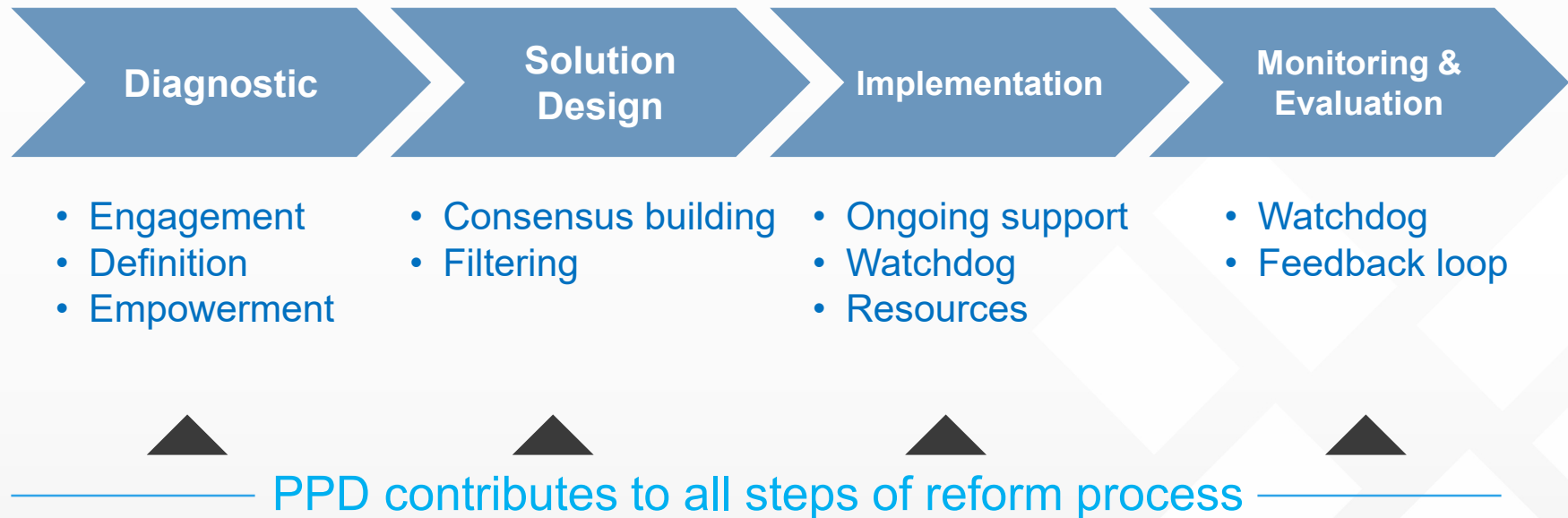
# Beyond the Border

# Beyond the Border



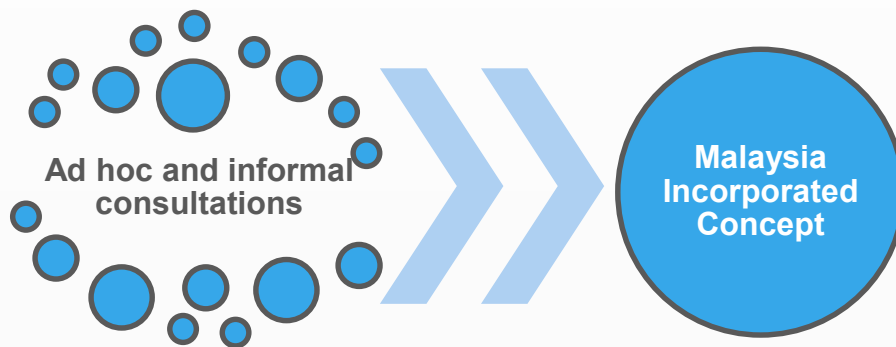
Public – private partnerships are integral throughout the process of trade policy making...

**Structured dialogue** ► **Workable reforms** ► **Reforms that work**



Source: World Bank

# Success Stories - Malaysia



Government of Malaysia has institutionalized the use of public-private sector collaboration for national development.

- Establishment of consultative panels in each Ministry, with public-private membership, chaired by senior policy makers.
- Regular consultations organized on a national level and on a state level.
- Follow-up on matters decided in the panels.

# Thank you for your attention

