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

Trading Supply Chain

Raw materials
Intermediate goods

At the border
Behind the border
Beyond the border

Trade Policy Instruments

Cost of inputs
Tariffs
Duty - drawbacks
Trade facilitation
Rules of origin
Custom valuation

Cost of infrastructure services
Regulatory Systems
Efficiency of services providers
Market access to foreign services suppliers
Competition policy

Cost of inputs
Tariffs
Duty - drawbacks
Trade facilitation
Rules of origin
Custom valuation

Cost of infrastructure services
Regulatory Systems
Efficiency of services providers
Market access to foreign services suppliers
Competition policy

Business environment
FDI openness
Export / investment links
Tariffs on capital goods
Protection of property rights
Good governance
Labour market

Compliance with SPS/TBT
Conformity assessment
Mutual recognition/equivalence agreements

Export costs
Efficiency of port services
Trade facilitation

Market access
Market access
- Agriculture
- Manufactured goods
- Services
Export subsidies/domestic support in agriculture
Non-tariff measures
Preferential trade regimes/Regional integration

At the border
Behind the border
At the border
Beyond the border

Transport
Communication
Finance
Agriculture
Manufacturing
Services
SPS and other technical standards

Energy
Ports

Ports
Distribution
Trade policy reform is the interaction of:

- **International commitments** (Multilateral, Regional, and Bilateral)
- **Public Sector Policy** (Interaction of multiple agencies and institutions)
- **Private Sector Interests**
At the Border
At The Border:

Trading Supply Chain

Raw materials

Intermediate goods

Ports

Transport

Communication

Finance

Energy

Agriculture

Manufacturing

Services

SPS and other technical standards

Ports

Distribution

Cost of Inputs

Cost of Infrastructure Services

Business Environment

Compliance with SPS/TBT

Export Costs

Market Access

Cost of Inputs

- Tariffs
- Duty - drawbacks
- Trade facilitation
- Rules of origin
- Custom valuation

Cost of Infrastructure Services

- Regulatory Systems
- Efficiency of services providers
- Market access to foreign services suppliers
- Competition policy

Business Environment

- FDI openness
- Export / investment links
- Tariffs on capital goods
- Protection of property rights
- Good governance
- Labour market

Compliance with SPS/TBT

- Conformity assessment
- Mutual recognition/equivalence agreements

Export Costs

- Efficiency of port services
- Trade facilitation

Market Access

- Market access
- Agriculture
- Manufactured goods
- Services
- Export subsidies/domestic support in agriculture
- Non-tariff measures
- Preferential trade regimes/Regional integration

At the border

Behind 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%.


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)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Modernize Customs operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model Adopted</td>
<td>Public-private partnership – GCNet – Established in 2000 (Ghana Community Network Services Ltd)</td>
</tr>
</tbody>
</table>
| Main Outcomes      | (1) Simplified Customs procedures:  
- eliminating the need to procure permits, licences or exemptions from different agencies.  
2) Faster Clearance times  
- Clearance times at the main port of Tema cut down from an average of 14 days to 2-3 days.  
3) Increased revenue collection  
- Annual average growth in revenue at the port of Tema was 33%; and at the Kolkata airport was 32%. |
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.

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.

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
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)

<table>
<thead>
<tr>
<th>IT-BPO category</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact center</td>
<td>87.6</td>
<td>92.0</td>
<td>98.1</td>
<td>96.5</td>
</tr>
<tr>
<td>Transcription</td>
<td>52.5</td>
<td>71.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Animation</td>
<td>38.4</td>
<td>95.8</td>
<td>97.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Software development</td>
<td>37.0</td>
<td>73.9</td>
<td>50.9</td>
<td>84.6</td>
</tr>
<tr>
<td>Other BPOs</td>
<td>47.5</td>
<td>23.2</td>
<td>93.1</td>
<td>85.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>66.9</td>
<td>60.4</td>
<td>87.9</td>
<td>93.3</td>
</tr>
</tbody>
</table>

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

**Trading Supply Chain**

- Raw materials
- Intermediate goods
- Ports
- Transportation
- Finance
- Energy
- Agriculture
- Manufacturing
- Services
- SPS and other technical standards
- Distribution

**Cost of Inputs**

- Tariffs
- Duty - drawbacks
- Trade facilitation
- Rules of origin
- Custom valuation

**Cost of Infrastructure Services**

- Regulatory Systems
- Efficiency of services providers
- Market access to foreign services suppliers
- Competition policy

**Business Environment**

- FDI openness
- Export / investment links
- Tariffs on capital goods
- Protection of property rights
- Good governance
- Labour market

**Compliance with SPS/TBT**

- Conformity assessment
- Mutual recognition/equivalence agreements

**Export Costs**

- Efficiency of port services
- Trade facilitation

**Market Access**

- Market access
  - Agriculture
  - Manufactured goods
  - Services
- Export subsidies/domestic support in agriculture
- Non-tariff measures
- Preferential trade regimes/Regional integration

**At the border**

**Behind the border**

**Beyond the border**

**Trade Policy Instruments**

- Tariffs
- Duty drawbacks
- Trade facilitation
- Rules of origin
- Custom valuation
Public – private partnerships are integral throughout the process of trade policy making...

Structured dialogue ➤ Workable reforms ➤ Reforms that work

- Diagnostic
  - Engagement
  - Definition
  - Empowerment
- Solution Design
  - Consensus building
  - Filtering
- Implementation
  - Ongoing support
  - Watchdog
  - Resources
- Monitoring & Evaluation
  - Watchdog
  - Feedback loop

PPD contributes to all steps of reform process

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