INFORMAL REPORT BY THE WTO SECRETARIAT TO THE AID-FOR-TRADE SESSION OF THE COMMITTEE ON TRADE AND DEVELOPMENT OF 10 FEBRUARY 2017

WORKSHOP ON "AID FOR TRADE, TRADE COSTS INDICES AND DESIGN AND IMPLEMENTATION OF POLICIES TO REDUCE TRADE COSTS"

On 10 February 2017, a workshop on "Aid for Trade, Trade Costs Indices and Design and Implementation of Policies to Reduce Trade Costs" was held to review new and existing trade cost indices, and examine how they were being integrated into Aid-for-Trade programming. The workshop is the third of the thematic events envisaged under the 2016-2017 Aid-for-Trade Work Programme. In his opening remarks, the Chairperson, **H.E. Mr. Christopher Onyanga Aparr, Ambassador of Uganda**, recalled the key message from the 5th Global Review of Aid for Trade that high trade costs inhibit many developing countries from fully exploiting their trade and development potential. He noted while the purpose of this workshop was to follow up this work, insights will help prepare the 2017 Global Review, themed "Promoting Connectivity".

The first session reviewed trade costs indices, notably the International Air Transport Association Airline Connectivity Indices, and the existing UNCTAD Review of Maritime Transport. **Robert Teh, WTO,** provided an overview of existing indices on trade costs and how they are constructed in both trade in goods and services. He discussed the impact of trade costs on trade growth, productivity, welfare, with particular emphasis on trade facilitation and the welfare enhancing impact of the Trade Facilitation Agreement (TFA) implementation. He added that the full implementation of the TFA could reduce trade costs by 14.3% on average - with figures higher in African and LDC countries. He noted further that there was a continued need to improve on the methodology for estimating trade costs, particularly in services; to isolate the contribution of various policy measures, particularly NTMs, to trade costs; to obtain sectoral estimates of trade costs; and, obtain estimates of trade costs by consumer/producer and income group. He noted that electronic commerce has the impact of “reducing distance”, but suggested that the digital divide created a market access divide between those online and offline. This had implications for developing and least developed countries' trade growth and opportunity.

George Anjapridze, IATA, began his presentation with an example of lost perishable air cargo due to delayed clearance. He then presented IATA's new study on "Value of Air Cargo: Air Transport and Global Value Chains" which draws on its Air Trade Facilitation Index, and eFreight Facilitation Index, that measures customs quality and smart borders. These indices provide quantitative evidence on the role of air cargo connectivity in global trade, and in integrating into global value chains. He noted that the study showed that although air cargo makes up less than 1% of global trade volumes, its value is at 35% of total global trade per day. Those countries with more developed air cargo connections and "smarter" borders are better integrated into Global Value Chains and reap its associated benefits. He explained the concept of smart borders as being those with customs quality and efreight facilitation, as measured by related indices. The study found that a 1% increase in air connectivity was associated with 6.3% increase in the value of trade. There was also a strong relationship between air connectivity and integration into global value chains. The study concluded with a series of recommendations on connectivity and facilitation.

Jan Hoffmann, UNCTAD focused on work UNCTAD began in 2004 on maritime connectivity and explained the basic concepts of shipping connectivity and the distinction between carrier shipping and bulk shipping - with his presentation focusing on the latter. He confirmed the long-term decline in trade costs, but the gap was increasing between those that paid more (Africa, small economies, and LDCs) and those that paid less. He explained that most trade in manufactured goods is containerized and transported by so-called "liner shipping companies" who provide their services through a network of inter-connected "liner services". The recent trends were towards ever larger ships and related challenges for shippers (importers and exporters) and ports with oligopolistic tendencies in the industry, particularly in smaller markets. He suggested this was a problem as total logistics cost could go up, and had to be compensated on the land-side, through actions related to port investments, inter-port competition, and trade and transit facilitation, and emphasized that transit trade was good for transit logistics.

Comments were made on the constraints on the side of partner countries in terms of the availability of data to either verify or assess the indicators used to measure connectivity and efficiency of borders. The importance of continuously updating available data was also emphasized. Participants were also interested in practical approaches and country-specific frameworks that could be used to reduce trade costs and improve connectivity.

The second session discussed how trade costs indices are being integrated into Aid-for-Trade programming. The session began with a presentation by **Jean-Guy Afrika, AfDB**, who noted that the rise of digital globalization was exemplified in the rise in data flows and the flattening in trade flows. Giving an overview of digital connectivity in Africa, he discussed how digitalization is bringing down the costs of trade for micro, small and medium-sized enterprises, and innovations in the use of ICT in the area of health, the expansion of retail services through online platforms, financial services, and agriculture. He highlighted the ADBs strategic focus on increasing internet penetration and the use of ICT in Africa. This focus is on building regional/national ICT infrastructure, creating the right environment through policy and regulatory frameworks, and promoting the use of ICT in governance, agriculture, health, and trade.

Sean Doherty, WEF, highlighted the value of information and data for action. Recalling the WEF indices, notably the Enabling Trade Index, he referred to the different variations of index data that sometimes appeared between private operators and public sources. These types of information, and also the discordant views, provided a useful basis for action. He recalled the Global Alliance for Trade Facilitation as a case in point. Discussing electronic commerce, he spoke of costs which include traditional barriers and other challenges relating to smaller parcel transport and delivery, return of goods, connectivity, trust, intellectual property, and other related issues. He explained how they were seeking more detailed cost data to underpin actions for the Global Alliance, with challenges arising in terms of data variability. Lastly he recalled discussions of consumer friendliness and the digital divide as areas which the WEF would focus on in the future.

Marie-Agnès Jouanjean, OECD, on monitoring and assessing the impact of digital technology on trade facilitation, examined both the challenges and opportunity it presents. Drawing from the OECD Trade Facilitation Indicators which are linked directly to the WTO TFA, she highlighted that data flows and digital technology can improve the efficiency of the movement of goods across borders. Furthermore she stated that digitalization provided an opportunity to reduce the investments necessary to address physical connectivity bottlenecks, but there is still more to be done in ensuring that physical connectivity is adaptable to the changes brought about by digital trade.

Comments were made on:

- The relationship between available trade facilitation indicators and electronic commerce;
- The implementation status of national e-strategies and feedback on success stories with countries already partnering with the AfDB on connectivity;
- How data flows could reduce the costs in trade facilitation and its importance vis-à-vis infrastructure, and
- The human capacity needed for electronic commerce.

A point was raised on how logistics and postal services providers were already taking steps to facilitate the delivery of small parcels associated with electronic commerce - the question was therefore on how to reduce the cost to do so. It was also noted that digital connectivity offered access to a global market of goods, services, and ideas. Without affordable and available connectivity, there was no market access to this global market. The Chair closed the session with the thought that the digital divide was a market access divide.

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