Key messages

• Lower income countries have higher trade costs and they are falling at a lower rate than for other countries

• Trade costs are higher in agriculture than manufacturing

• There is high variation across regions and country types

• Policies drive a substantial proportion of trade costs – so policy reform matters

• Understanding the drivers of trade costs helps define reform priorities

• Clear role for Aid for Trade in addressing trade costs
Trade costs in manufacturing, 1996 and 2010, by income group

Source: UNESCAP-World Bank Trade Costs Database.
Trade costs in agriculture, 1996 and 2010, by income group

Source: UNESCAP-World Bank Trade Costs Database.
Trade costs in manufacturing, 1996 and 2010, by region

![Graph showing trade costs in manufacturing by region for 1996 and 2010. The regions include East Asia & Pacific, Europe & Central Asia, Latin America & Caribbean, Middle East & North Africa, South Asia, and Sub-Saharan Africa.](image-url)
Drivers of changes in trade costs

➢ Why have these changes taken place?
➢ Why does performance vary?

Geography is fixed but many elements of trade costs aren’t.

Role of policy reforms; technology; infrastructure; and other areas of action.
Policy reforms and Aid for Trade matter

1. Begin with an accurate diagnosis of the level and sources of trade costs

Data is improving and there are many diagnostic tools available

- E.g. UNESCAP-World Bank Trade Costs Data; Logistics Performance Index; Doing Business; Trade and Transport Facilitation Assessments
Priority reforms and Aid for Trade

Reforms to implement vary, but there are some common elements:

➤ **Trade Facilitation** to simplify processes at the border (e.g. customs)

➤ Trade related **infrastructure** such as rail or road corridors, ports, but also ICT (e.g. broadband)

➤ Development and quality of **logistics services**

➤ Weighing up costs and benefits of **non-tariff measures** and streamlining where necessary

➤ **Regional** approaches
Priority reforms and Aid for Trade

➢ There is a role for Aid for Trade and examples of success in each of these areas

➢ Regional evidence and more detailed diagnostics is an initial basis for assessing relative needs

➢ Landlocked developing countries and small islands have special challenges

➢ Always important in Aid for Trade, but impact and dollar value aren’t necessarily the same: need for coordinated approaches to addressing trade costs, understanding connectivity drivers, not one-off interventions
OECD-WTO survey reflects these priorities

Actions undertaken or ongoing in partner countries to reduce trade costs

- Access to trade finance
- Transport infrastructure
- Network infrastructure (ICT, power, telecoms)
- Non-Tariff Measures (including standards)
- Tariffs, fees and other charges
- Border procedures (trade facilitation)
Further information

Some websites:

- Worldbank.org/trade
- Lpi.worldbank.org
- Doingbusiness.org
- Tradefacilitationsupportprogram.org

World Bank Group Geneva Office: mbartleyjohns@worldbank.org
Annex
GDP per capita and average trade costs
Trade costs in manufacturing, 1996 and 2010, by landlocked versus other developing countries
LPI Policy Dimensions and income levels

Percentage change in LPI component as measures against the highest performer, 2007-2014
Trade costs in manufacturing, 1996 and 2010, by landlocked versus other developing countries
Trade costs for country pairs not in versus in the same RTA, 2012
Average trade costs for combinations of regions, 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>East Asia &amp; Pacific</th>
<th>Europe &amp; Central Asia</th>
<th>Latin America &amp; Caribbean</th>
<th>Middle East &amp; North Africa</th>
<th>South Asia</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>84%</td>
<td>143%</td>
<td>148%</td>
<td>166%</td>
<td>116%</td>
<td>161%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>143%</td>
<td>94%</td>
<td>240%</td>
<td>138%</td>
<td>173%</td>
<td>238%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>148%</td>
<td>240%</td>
<td>113%</td>
<td>206%</td>
<td>184%</td>
<td>232%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>166%</td>
<td>138%</td>
<td>206%</td>
<td>106%</td>
<td>156%</td>
<td>225%</td>
</tr>
<tr>
<td>South Asia</td>
<td>116%</td>
<td>173%</td>
<td>184%</td>
<td>156%</td>
<td>117%</td>
<td>166%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>161%</td>
<td>238%</td>
<td>232%</td>
<td>225%</td>
<td>166%</td>
<td>120%</td>
</tr>
</tbody>
</table>