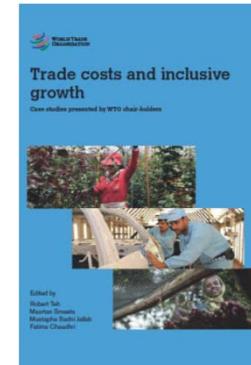


TRADE COSTS AND INCLUSIVE GROWTH

CASE STUDIES PRESENTED BY WTO CHAIRS



Robert Teh, Maarten Smeets, Mustapha Sadni Jallab and Fatima Chaudri

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Trade costs and inclusive growth

Case studies presented by WTO chair-holders



Edited by
Robert Teh
Maarten Smeets
Mustapha Sadni Jallab
Fatima Chaudhri



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Contributions from Phase I
and Phase II Chairs

Introduction

Objective: Examine the development benefits of trade facilitation and trade cost reduction

- There is a growing literature on benefits of reducing trade costs and of trade facilitation reform but gaps remain
- Detailed country-level analysis of the impact of these reforms (implementation of WTO TFA, tariff reduction, etc.)
- Looks at other impacts beyond trade and GDP (FDI, export diversification)
- Provides some insights into the how capacity building can be effectively used to carry out trade facilitation reform
- 10 case studies provide wealth of country and regional level evidence

Trade costs and inclusive growth

- Section I: Policy reforms and the reduction of trade costs
- Section II: Aid for Trade as a catalyst for trade facilitation measures
- Section III: Sectoral and macroeconomic impacts of the trade facilitation agreement on various regions

POLICY REFORMS AND THE REDUCTION OF TRADE COSTS

1. Trade facilitation and foreign direct investment flows in Kenya

- Kenya's FDI inflows has lagged that of neighbouring Tanzania and Uganda
- Perhaps, Kenya trade facilitation reforms could provide a lift to FDI
- Using a gravity framework, paper quantifies how improvements in trade facilitation measures can attract FDI inflows into Kenya
 - a 1% improvement in port facilities increases FDI inflows by 0.7%.

Christopher
Hugh Onyango

Tabitha Kiriti-
Nganga



Investment Flows to Kenya

	2005 - 2007	2012	2013	2014
Cross-border merger & acquisition	146	86	103	1
Greenfield investments	250	1,017	3,635	2,305

Source: UNCTAD, World Investment Report 2015.



2. Streamlining South Africa's export development efforts in sub-Saharan Africa: a decision support model approach

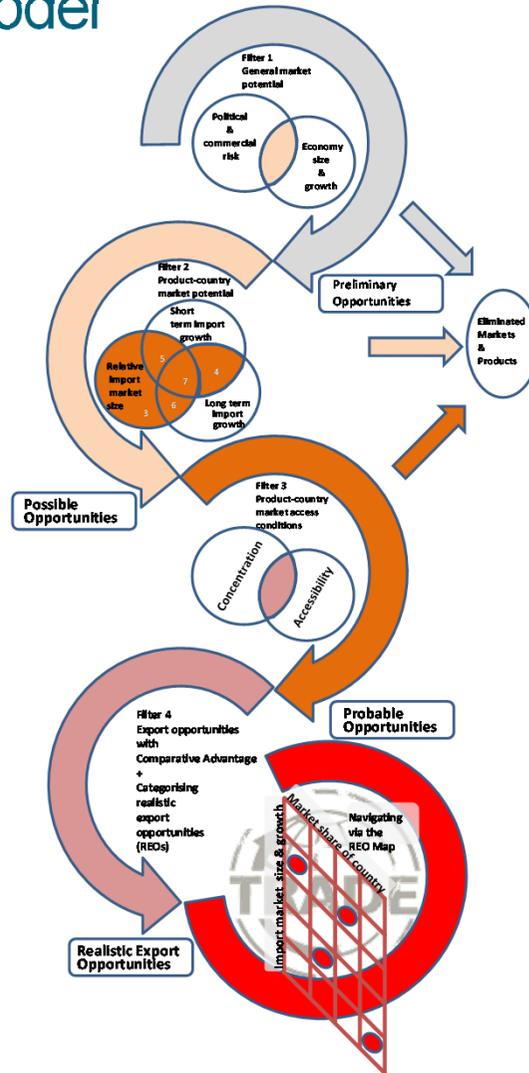
- South Africa has experienced decades of overreliance on commodity exports
- The chapter develops a methodology for identifying new product (service) and market opportunities for it in Sub-Saharan Africa
 - Method relies on a number of filters (market size, potential for growth, presence of competitors, market barriers)
- The study underlines the importance of reducing trade costs in order to diversify goods and services exports
 - Of the potential or new export product opportunities identified, some 42.5% was judged too difficult to unlock because of high cost of border control, customs administration, transportation as well as tariffs

Ermie
Steenkamp

Sonja Grater

Wilma Viviers

Decision Support Model





3. Trade policy without trade facilitation: Lessons from tariff pass- through in Tunisia

- This chapter examines how much reductions in tariffs were transmitted into consumer prices in Tunisia over the period 2000–2008
- Surprisingly, it finds that on average, the tariff pass-through effect is only 10%, with substantial sectoral variation.
 - Pass through is 22% in the case of agricultural goods
- This is in part due to market concentration, subsidies and price controls
- Addressing these distortions, improving trade facilitation and the business environment are needed to make tariff liberalisation more effective

Leila Baghdadi

Hendrik W.
Kruse

Inma Martínez-
Zarzoso



Trading across borders in Tunisia

Indicator (2015)	Tunisia	Middle East & North Africa	OECD
Documents to export (number)	4	6	4
Time to export (days)	16.0	19.4	10.5
Cost to export (deflated US\$ per container)	805.0	1,166.3	1,080.3
Documents to import (number)	6	8	4
Time to import (days)	20.0	23.8	9.6
Cost to import (deflated US\$ per container)	910.0	1,307.0	1,100.4

Source: <http://www.doingbusiness.org/data/exploreeconomies/tunisia/#trading-across-borders>.



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4. Road transport restrictions, freedom of transit and Trade Facilitation Agreement: The case of Turkey

Pinar Artiran

- This chapter examines the system of quotas and permits applied by some EU member states on road transport and transit run by Turkish road operators
- These restrictions are argued to hamper trade between EU and Turkey
- The two sides have failed to resolve this issue in spite of their customs union which has existed since 1995
- The study argues that GATT Article V (Freedom of Transit) and the coming into force of the TFA, particularly Article 11 (“Freedom of Transit”) might provide a framework for finding a solution

AID FOR TRADE AS A CATALYST FOR TRADE FACILITATION MEASURES



5. Millennium Challenge Account support and port reforms in Benin: A trade facilitation effects analysis

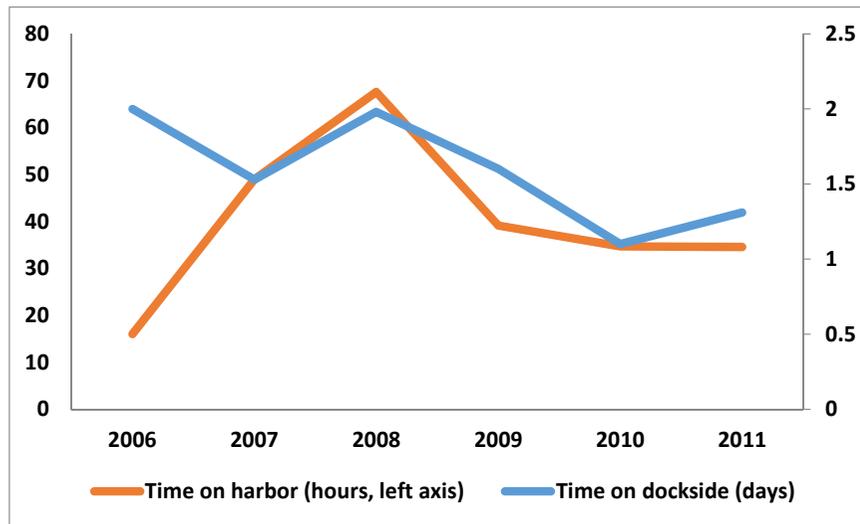
- Study looks at how foreign assistance (Millennium Challenge Account) could catalyze significant improvements in trade facilitation
- More than 60% of MCA funds went to improve port operations and infrastructure in Cotonou
- Goods traffic through the port of Cotonou increased by nearly 14%
- Granger causality test run by the authors appears to establish a relationship between foreign assistance and the reduction in the time taken to process import containers and the increase in imports

Fulbert
Amoussouga
Gero

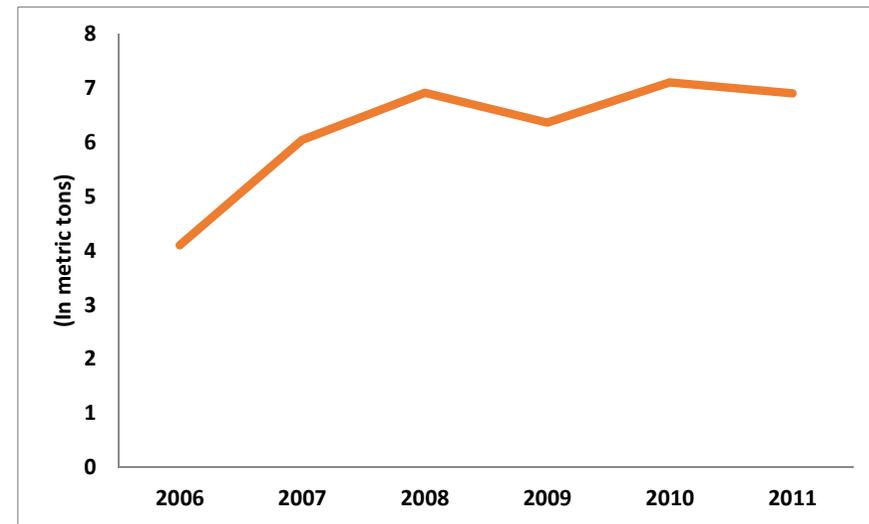
Alastaire
Alinsato

Alain
Babatounde

Time of ships in the harbour and dockside



Volume of goods at the CPA



6. Aid for Trade as a catalyst for trade facilitation: A Moroccan perspective

Nabil
Boubrahimi

Azzedine
Ghoufrane

- Morocco is among the top 10 recipients of AfT with the largest share of aid (51% in the period 2002–2013) received going towards transport-related Improvements
- Morocco has developed a plan of action which is often used as example at the regional level and could serve as a model for others countries.
- Among Morocco's key achievements is the single window
- Efforts are now being made to extend it — currently limited to the port of Casablanca, which manages 80% of Morocco's trade — to other areas.
- AFT targeted to identified needs, can help lower trade costs in Morocco.

SECTORAL AND MACROECONOMIC IMPACTS OF THE TRADE FACILITATION AGREEMENT ON VARIOUS REGIONS

7. Trade Facilitation and trade flows: Evidence from Africa

- Trade transactions by far most costly in Africa,
- TF and trade flows are mutually supportive for 20 African countries, based on LPI as a proxy for TF and using panel vector autoregressive (PVAR) framework.
- TF has ‘significant effect’ on trade flows: 1% increase in TF = 0.77% rise in trade
- TF positive for econ growth and investment
- Econ growth, investment and RTAs also foster trade
- Implications and policy conclusions:
 - Need to further pursue and deepen reforms geared towards liberalization (tariffs and NTMs)
 - Both in host country and trading partner

Boopen
Seetanh

Rajah Vinesh
Sannasse

Sheereen
Fauzel

8. Regional integration in the MENA region: deepening the GAFTA through TFA

Houcine
Boughanmi

- Indirect trade costs very high in MENA region
- Study assesses welfare and sectoral effects TF for regional integration (GAFTA) using GTAP model
- Finding: TFA implementation is key for MENA: welfare effect, GDP growth, exports, intra-trade....
- Significant welfare gains and sectoral effects
 - Around 2% welfare increase on average for GAFTA
- Policy recommendations:
 - Include TF provisions in GAFTA!
 - Implement TFA: high stake for MENA
 - Conduct reforms to reduce trade costs, but costly doing so....
 - Automation and streamlining of trade procedures

9. Trade Facilitation in the Arab region

Nahil Saqfalhait

-
- Effect TFA on bilat. trade flows in Arab region:
 - TF by 1% in exporting country: 0.7% increase in trade flows
 - TF by 1% in importing country: 0.66% increase in trade flows
 - TF impact even greater in trade with other regions
 - Policy conclusions and recommendations:
 - Develop transport and physical infra-structure
 - Liberalize intra-Arab trade:
 - Remove tariffs
 - Fully implement GAFTA commitments
 - Enhance productive capacities
 - Develop financial sector
 - Stimulate investment
 - Improve and facilitate intra-Arab trade

10. The Trade Facilitation and its impact on the Brazilian Transformation Industry

- Study looks at commitments Brazil under TFA, actions taken to implement TFA and economic effects.
- Economic model (CGE) shows that TFA to have a major impact on Brazil's economy.
- Portal Unico programme could add US\$70bn per year to Brazil's GDP.
- Time a key barrier to trade (e.g. transf. ind.) and higher-value-added-goods.
- Increased liberalization and competitiveness in export sector leads to rise of import intermediates.
- Leading to rising GVCs for exports.
- Benefits extend to other WTO Members.

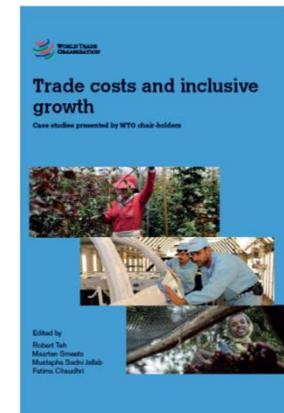
Vera
Thorstensen

Lucas Ferraz

Thiago
Nogueirai

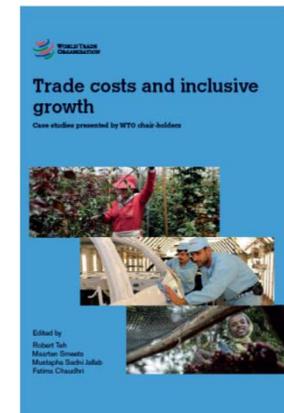
Concluding observations

- Theory and empirical findings in case studies match
- Trade/openness powerful engines for economic growth
- Tremendous economic gains to be obtained by TFA
- Study closes some gaps in literature beyond overall GDP impacts with attention to other benefits
- Country specific analysis is new
- Role aid for trade to effectively promote TF
- Reduced trade costs for exports and imports
- Shorter time-delays major cost saver
- Export diversification
- Higher fiscal revenues



Concluding observations

- Further and deeper specialization
- Increased trade in finished products and intermediates
- Fuller participation in GVCs: higher added value
- Growth potential of GDP and inclusive growth
- Greater involvement of SMEs
- Increased levels of FDI driving trade
- FDI and trade mutually re-enforcing
- Importance Liberalization and reduction of trade barriers
- Better governance/continue domestic reform process
- Ratification and implementation of TFA essential





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