ERSD research on Trade Facilitation

Cosimo Beverelli & Roberta Piermartini
ERSD/WTO

TFA 5-Year Anniversary Event
Geneva
29 June 2022
1. How much does lack of investment in TF matter in total trade costs?

- WTO Trade Cost Index
  - newly developed
  - indirect estimation of overall trade frictions
  - international trade costs are 3.5 times domestic trade costs

- We decompose trade costs in their Main Drivers:
  - Transport and travel
    - Distance, quality infrastructure, landlocked
  - Trade policy, customs procedures and regulatory differences
  - Information and transaction costs
    - Common language, history, culture, ICT connection
  - Governance quality
Customs obstacles explain on average between 3% and 8% of differences in trade costs across countries.

Trade costs associated with lack of investment in TF are on average 1.5 times more important than tariffs in explaining trade costs.

Source: WTO calculations based on TCI methodology and GTAP data, 2017
2. Who capture the gains from TF?
Small vs Large firms

Our study looks at how border-crossing barriers in the importing country affect exports at the firm level.

What do we learn?

- **TF measures shape the demography of exporters**
  - TF provisions on Information availability increase trade for ALL firms.
  - TF provisions on advance ruling, appeal procedures and automation of border formalities increase trade for LARGE and MEDIUM firms, but not small.

- **Small firms’ gains from TF may be less than expected**
  - TF provisions mainly reduce uncertainty or implementation-bias against large exporters.
  - Non-competitive shipping industry may capture the gains from TF rather than small firms. May need complementary policies for TF to be more inclusive.
3. The role of TF in reducing tariff evasion

- Regulating tariff evasion can be critical for public finance in developing countries.

- One study: "Reducing tariff evasion: The role of TF" (JCE, 2022) looks at the impact of TF measures in moderating tariff evasion.

- Simplifying customs procedures, in particular via advance rulings and appeal procedures, reduces tariff evasion.

- The effects are stronger in countries with weaker control of corruption.
4. The trade impact of PSI

- Art. 10.5 on pre-shipment inspections (PSI) is the second TFA article in terms of proportion of Category A commitments (>80%).

- Ongoing research shows that the removal of PSI requirements boosts bilateral imports by 4.9 percent (trade cost channel)...

- ...but for trade in food and SPS-intensive products, PSI facilitates imports (information provision channel).