

ERSD research on Trade Facilitation

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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

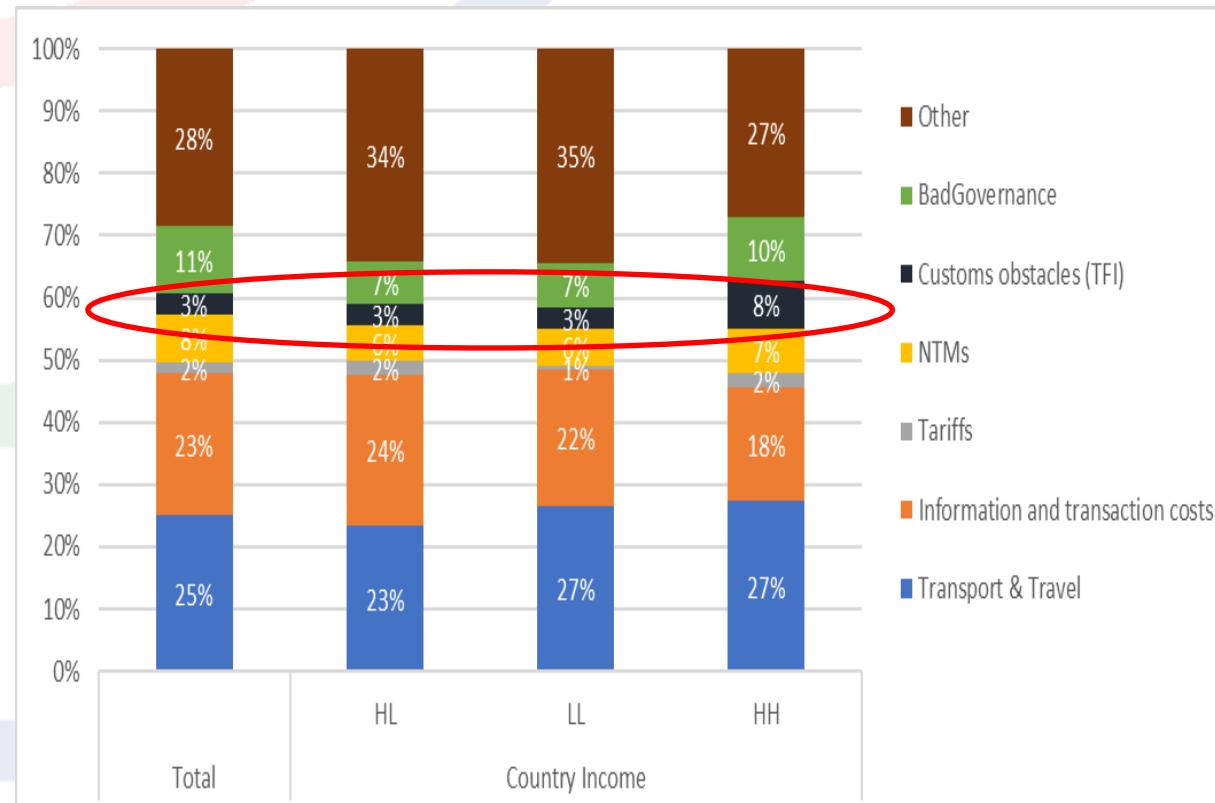


Governance quality

...TF contribution to total trade costs

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

WTO OMC

- 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).