

**Multi-year Expert Meeting
on Transport, Trade Logistics and Trade
Facilitation:**

**Second session: Trade facilitation rules as a trade
enabler: options and requirements**

Geneva, 1–3 July 2014

**ENABLING TRADE THROUGH
TRADE FACILITATION MEASURES
Recent World Bank Research on Trade
Facilitation
& A New Initiative for TFA Implementation
Coordination**

by

**Ms. Christina Busch
The World Bank**



ENABLING TRADE THROUGH TRADE FACILITATION MEASURES

Recent World Bank Research on Trade Facilitation
& A New Initiative for TFA Implementation Coordination

Multi-Year Expert Meeting on Transport, Trade Logistics & Trade Facilitation
UNCTAD, Geneva



Christina Busch
The World Bank

July 2, 2014

Outline

1. Networks, Connectivity + Trade Costs & how they are linked
2. Making the case for Trade Facilitation (in 2 min)
3. Logistics Costs at Firm Level: It's all about reliability
4. Trade Facilitation in Action: Cambodia
5. TFACoordination.org – New Website for Annex D+ Partners



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1. Networks, Connectivity & Trade Costs and how they are linked



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What is connectivity? Why is it important to trade logistics?

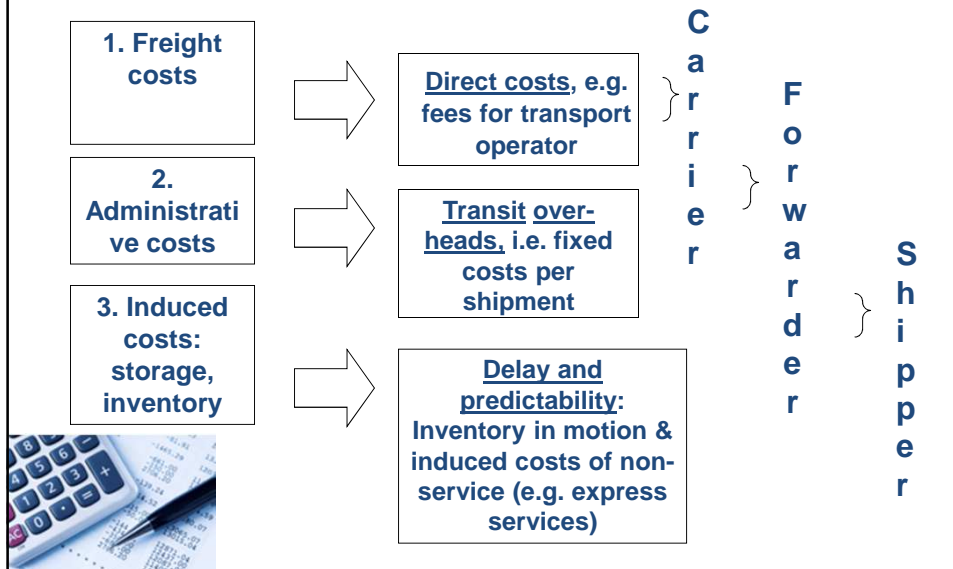
- Trade logistics is supported by companies that operate in **networks**
- **Examples:** Shipping, air transport, road, rail
=> All of them are complex networks
- The **connectivity** of a country is defined as how “central” this country is to those networks

To boost trade, need to **decrease trade costs.**

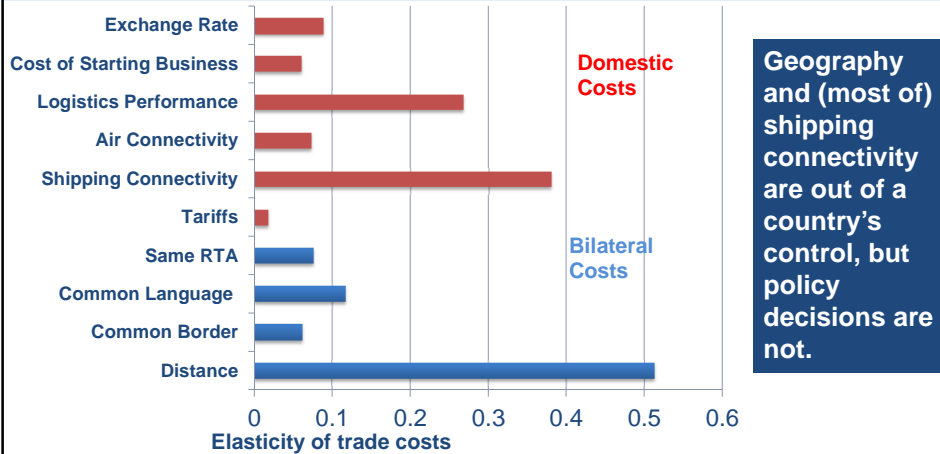


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Trade logistics costs have 3 dimensions:



Trade Costs and Connectivity



Geography and (most of) shipping connectivity are out of a country's control, but policy decisions are not.

Besides distance, connectivity and logistics performance matter more than other trade barriers in boosting trade.

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2. Making the Case for Trade Facilitation (in 2 min)



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Intuitive Explanation for Trade Facilitation Benefits

At macro level, supply chain improvements influence welfare, trade and production structure:

- **Short run** effect of cost reduction passed to consumers (welfare)
- **Long run** effect on production: Increased probability of production shifting to industries more sensitive to logistics performance

At firm level, the supply chain is affected by time, cost & reliability

=> All of them reduced by trade facilitation measures

=> But reliability is the most important one of the 3



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Trade Facilitation Benefits: A semi-quantitative view

Result when a low income country reaches the LPI level of middle income average

Indicator/policy area	Increase in trade (%)
Logistics Performance Index	15.2
All trade barriers reduced to 10%	8.4
Doing Business, cost of trading	7.4
Tariffs reduced to 5%	5.7

LPI = World Bank's Logistics Performance Index
Tariffs = TTRI = Trade Restrictiveness Index
All barriers = OTRI = Overall Trade Restrictiveness Index



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Logistics Costs at Firm Level: It's all about Reliability

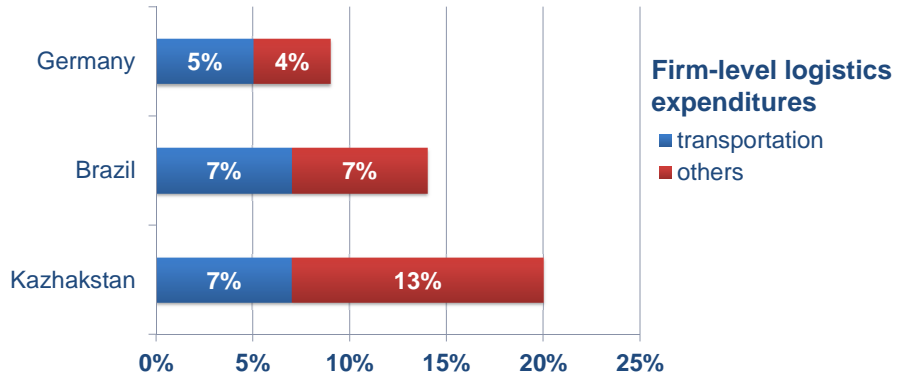


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Firm level: Logistics costs impact productivity

Firm-level logistics expenditures as % of sales in 2011-2012



Reliability is more important than freight costs.

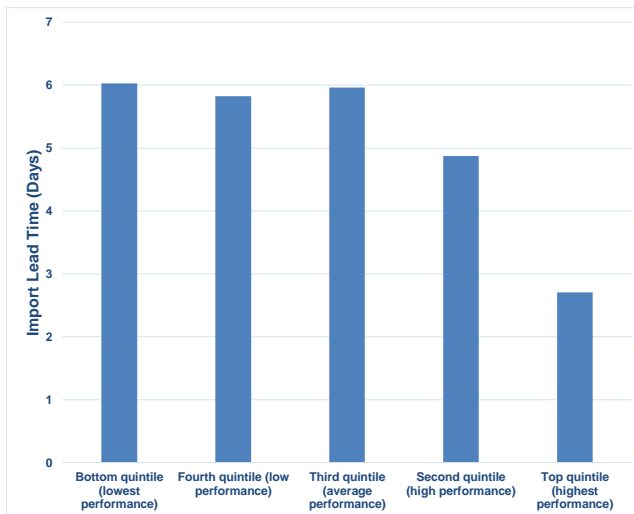
Logistics costs increase with decreasing logistics performance. Most of the cost increase comes from lower reliability and the need to increase inventory ("others"). (Lack of) reliability is the most important cost source in developing countries; partly due to large variance of lead time in port or corridor supply chains.

Sources: Arvis et al., TU Berlin, ILOS

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Results from the 2014 Logistics Performance Index: Persistent and large differences in border process efficiency

Import lead time in days (port/airport), by LPI quintile



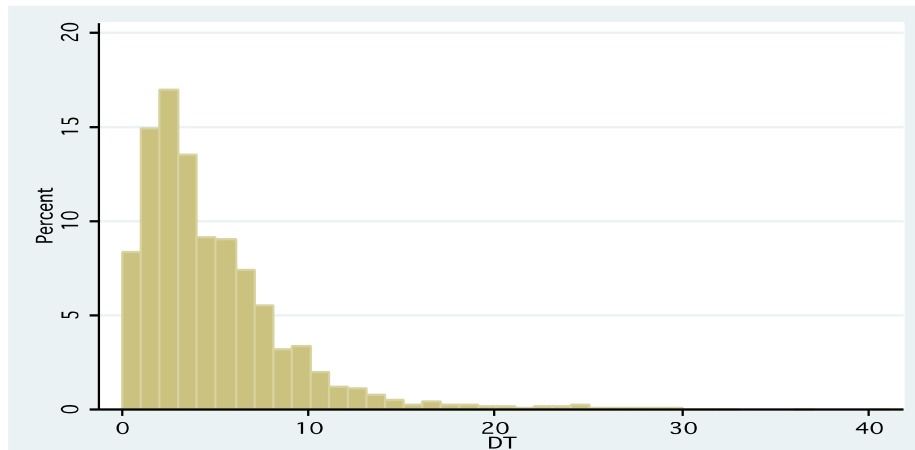
The import lead time for port and airport supply chains is more than twice as long in low-performing countries as in high-performing ones.



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We need to look beyond averages

Distribution of Port Dwell Time in Days, Jakarta 2009



Again: Reliability is more important than freight costs.

Most of the cost increase comes from lower reliability and the need to increase inventory.
In this case: Average dwell time is "only" around 7 days, but variance is high!
Shippers need to be prepared for dwell times of > 15 days => Much higher inventory cost.

Trade Facilitation in Action: Cambodia



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Improvements in Border Management: The Case of Cambodia

- Cambodia **improved its Logistics Performance Index (LPI) ranking** from 129 (2010) to 101 (2012) to 83 (2014)
- Source: Significant **progress in modernizing import, export and transit operations**, incl. risk management as well as streamlining and harmonization of customs procedures in line with international standards
- **Clearance times dropped from 6 days (2010) to 1.4 days (2014)** due to automated customs procedures and infrastructure upgrading at Sihanoukville port and in border posts around the country

Trade facilitation measures left to be done:

- Performance improvement of Quality/Standards Inspections and Health/SPS agencies
- Reduction of NTMs (import/export permits, licenses and approvals)
- Implementation of trade information website
- Implementation of National Single Window



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World Bank indicators related to trade costs

- **Logistics Performance Index**
 - Benchmarking **trade logistics** performance
- **Doing Business Report**
 - **Trading across Borders Indicator**, a red tape metric, e.g. number of document vs. Supply Chain efficiency
- **Bilateral Trade Costs Database**
 - Since 2013 with trade **division** of UNESCAP
- **New cross-country indicators:**
 1. **Aggregated trade costs by countries**
 2. **Air Connectivity Index** (with FAA and IATA)



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TFACoordination.org:
A new website for Annex D+ partners
(and anyone interested in the TFA)



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TFACoordination.org – A name easy to remember

Welcome to the Trade Facilitation Agreement Coordination Site

This website is hosted by Annex D+ partners who are working together to ensure technical assistance and capacity building support is targeted where it is most needed, is better coordinated, and that its delivery is effectively monitored.

This platform houses the relevant documentation, resources, updates and news that will help the developing countries, and the development community at large, to stay abreast of the work undertaken by the Annex D+ partners.

In line with the Trade Facilitation Agreement (TFA) approach, the partners are collaborating to ensure that the potential to improve international coherence in the delivery of implementation support is fully leveraged.

[Click here](#) to access the Trade Facilitation Agreement Group page.

TFACoordination.org is a new website to bring together Annex D+ partners' work on trade facilitation.

GFP Core Partners Meeting June 30, 2014

TFACoordination.org – A closer look

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General info on first page.
Link at bottom of page takes user to TFA Coordination group on GFP website
GFP = Global Facilitation Partnership for Transportation and Trade (WB & UN)

GFP Core Partners Meeting June 30, 2014

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Trade Facilitation Agreement Coordination

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Questions?



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Thank you!



Christina Busch
The World Bank
Economic Policy, Debt and
Trade Department
International Trade Unit
cbusch@worldbank.org

Christina Busch, World Bank - UNCTAD MYEM 02/07/14