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The evolving contribution of trade facilitation policies to enhancing trade

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The evolving contribution of trade facilitation policies to enhancing trade

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(1) Aims
(2) Main findings
(3) Policy implications
Why updating estimates of trade facilitation policy reforms on trade is timely?

Updating the impacts of trade facilitation reforms after the entry into force of the TFA

OECD previous analyses of potential WTO TFA impacts on trade costs and trade flows


WTO TFA concluded


supply chains disruptions
twin digital and green transitions
emerging regulatory challenges

Mapping the TF regulatory environment and operational practices: OECD Trade Facilitation Indicators (TFIs)

➢ Policy tools: 11 policy areas & 155 measures (full spectrum of border procedures) & 163 economies & 5 years since 2012
➢ Strongly linked to the areas covered by the WTO Trade Facilitation Agreement
➢ Components seek to reflect both the regulatory framework and delve to the extent possible into the state of implementation in practice of trade facilitation measures
Aim

• To strengthen the evidence-base on the evolving contribution of trade facilitation policy reforms to reducing trade costs and enhancing trade flows:
  • What progress has been achieved so far?
  • What additional benefits could further reforms yield?
  • What areas could be prioritised?

• To enable more informed policy discussions and help motivate continued TFA implementation, including by helping to target implementation efforts and assistance.

• To provide insights into how trade facilitation policies have the potential to promote the resilience of trade to a range of future shocks.

Six main findings
1. Trade costs impacts: Where do we stand and looking ahead

(a) Income groups

- Trade cost reduction observed
- Gap with potential reduction from full reform implementation worldwide

(b) Regional groups

- Trade cost reduction observed
- Gap with potential reduction from full reform implementation worldwide

Note: Using 2022 version of UN ESCAP – World Bank database.
Source: Sorescu (2023 forthcoming), The evolving contribution of trade facilitation policies to enhancing trade flows.

The dotted lines show the 95% confidence interval.

2. The impact of trade facilitation reforms on trade flows has continued to grow over time

Impact of trade facilitation policies via the border effect

- The trade flow response to trade facilitation improvements appears to have been strongest in the period following the conclusion of the TFA in 2013.
- Suggests negotiating and preparing for the implementation of the TFA to initiate reforms early on.
(3) The trade cost-reducing impact of trade facilitation policies translates into a quantitatively significant trade flow-increasing effect across sectors

Impacts from observed trade facilitation policy changes (%), by sector

Note: The figure shows the impacts from observed trade facilitation policy changes over the period (2012-15), based on coefficients of the TFI variable interacted with the border dummy using trade data from USITC ITPO-E database version 2.

(4) Automating and streamlining border procedures have been contributing most to enhancing trade worldwide

Elasticity of trade facilitation policies on trade flows, by sets of measures and income groupings

Note: The TFI grouped by area. Coefficients of TFI variables interacted with the border dummy. The sets of measures are introduced separately in the regressions. The figure shows the effects of measures for which coefficients are statistically significant (i.e., border agency co-operation is not statistically significant for low-income, lower-middle income, high-income non-OECD economies, MENA and Sub-Saharan Africa regions). Using trade data from USITC ITPO-E database version 2.
(5) Improvements in operational practices appear to matter most going forward

Regional groupings

a. Transparency and predictability measures

b. Automation and streamlining border processes

Note: Using trade data from USITC ITPD-E database version 2.
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(6) Trade facilitation policies can not only enhance existing trade relationships but also help develop new ones

Enhancing existing trade relationships (intensive margin)

Supporting new trade relationships – markets and sectors (extensive margin)

Note: Based on a 10% improvement in trade facilitation performance, by regional grouping. Using trade data from USITC ITPD-E database version 2.
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Policy implications

- An acceleration of trade facilitation reforms can support enhance trade and supply chain resilience.

- Reforms in automating and streamlining of procedures need to focus more on improving operational practices.

- Investments in transparency and predictability measures need to remain a priority.

- Reducing performance gaps between countries at different levels of development needs to continue, and appears to be most pressing in the areas related to border agency co-operation.
Thank you for your attention!

Contact us

We look forward to hearing from you!

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