The evolving contribution of trade facilitation policies to enhancing trade

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Based on ongoing work, not to be quoted at this stage
Overview

(1) Aim and contributions of the work

(2) Main results

(3) Policy implications
Why updating estimates of trade facilitation policy reforms on trade is timely?

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

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

- supply chains disruptions
- twin digital and green transitions
- emerging regulatory challenges
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.
Approach and challenges

- **Trade costs data**
- **International and domestic trade flows data**
- **Diversified range of trade facilitation policies** (transparency and predictability, automating and streamlining processes, border agency co-operation)
- **Wide economy and time coverage** (COVID-19 period)
Mapping the TF regulatory environment and operational practices: OECD Trade Facilitation Indicators (TFIs)

**OECD Trade Facilitation Indicators**

*Monitoring facilitation reforms up to 2023*

**Key insights**

- Against a backdrop of supply chain disruptions since 2020, the global regulatory environment for trade facilitation remains dynamic as countries are trying to increase supply chain resilience. The OECD Trade Facilitation Indicators (TFIs) help monitor reforms meant to expedite the movement, release, and clearance of goods at the border and they reflect the policy efforts addressing challenges in the operation of supply chains.

- The trade facilitation areas that improved most by 2022 are co-operation between agencies at the border, transparency of information on trade procedures, and automation tools to facilitate trade. Improvements in these three areas are larger than in the immediate period following the entry into force of the WTO Trade Facilitation Agreement in 2017.

- All regions are making progress in streamlining trade-related processes, but further efforts are warranted to close the gaps between existing regulatory frameworks for trade facilitation and implementation in practice.

- Trade facilitation policies are key in supporting open markets and in providing a more sustainable and inclusive trading system. They matter for advancing transparency and predictability throughout global and sanitary supply chains and as an enabler of economic resilience and diversification along supply chains.
Six main findings
(1) Trade costs impacts: Where do we stand and looking ahead

a. Income groups

b. Regional groups

Note: Using 2022 version of UN ESCAP – World Bank database.
(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 prompted economies to initiate reforms early on.

Note: Impact by year, between 2012-19. The figure shows the % trade increase from 10% trade facilitation improvements (based on the coefficients of the TFI variable interacted with the border and year dummy). Impacts are shown for the years the TFIs are available during this period (i.e., 2012, 2015, 2017, 2019). The dotted lines show the 95% confidence interval. Using trade data from USITC ITPD-E database version 2.
(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 (2012-19), based on coefficients of the TFI variable interacted with the border. Using trade data from USITC ITPD-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

a. Income groups

b. Regional groups

Note: The 11 TFI s 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 ITPD-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.
(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 (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.
Policy implications
Policy implications

• An acceleration of trade facilitation reforms can support 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!

Access all of the information from the Trade & Agriculture Directorate at:

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Thank you for your attention!