

Trade and Welfare Effects of the WTO Trade Facilitation Agreement

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Presentation for the WTO TFA Committee
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22 March 2023

Reasons to Participate in a Multilateral Trade Facilitation Agreement



Internalize
Positive
Externalities

Solve
Government
Credibility
Problems



Eliminate
Coordination
Problems

Coordination
of Donor
Support

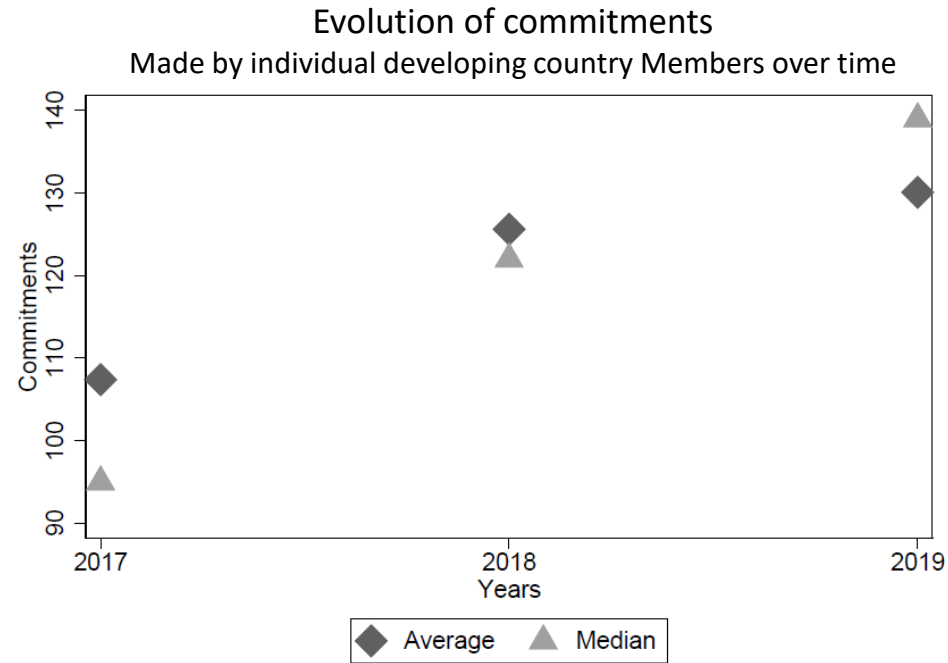


TFA Database

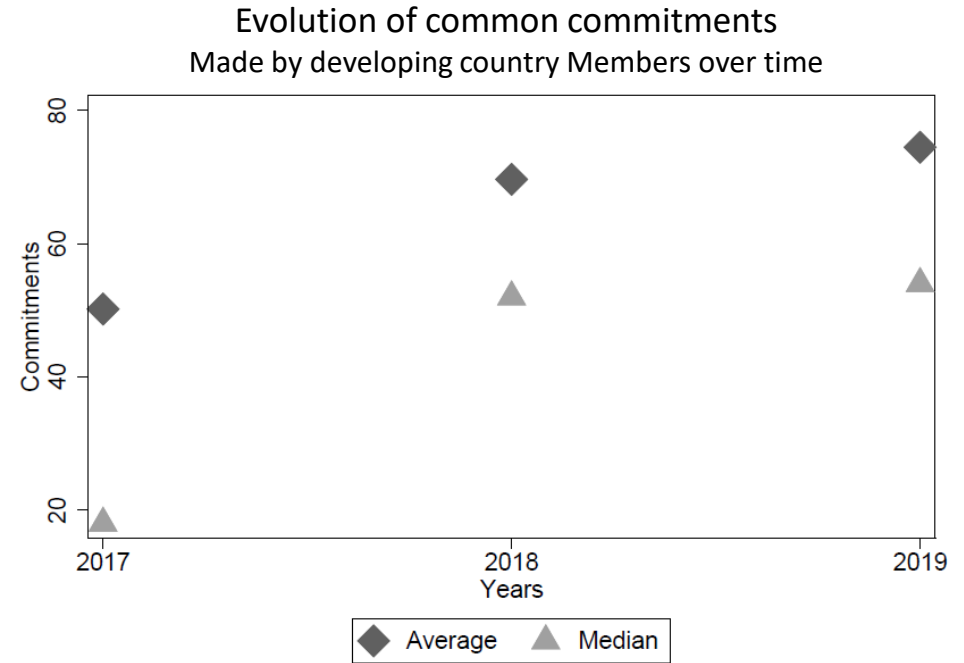
- Covers developing country Members' commitments by sub-articles
- Total of 238 sub-articles and 121 developing country Members

Article	Title	No. of Sub-Articles
Art. 1	Publication and Availability of Information	22
Art. 2	<i>Opportunity to Comment, Information Before Entry Into Force and Consultations</i>	4
Art. 3	<i>Advance Rulings</i>	19
Art. 4	<i>Appeal or Review Procedures</i>	9
Art. 5	<i>Other Measures to Enhance Impartiality, Non-Discrimination, and Transparency</i>	8
Art. 6	<i>Disciplines on Fees and Charges Imposed on or in Connection With Importation and Exportation</i>	14
Art. 7	<i>Release and Clearance of Goods</i>	55
Art. 8	<i>Border Agency Cooperation</i>	6
Art. 9	<i>Movement of Goods Under Customs Control Intended for Import</i>	1
Art. 10	<i>Formalities Connected With Importation, Exportation and Transit</i>	30
Art. 11	<i>Freedom of Transit</i>	21
Art. 12	<i>Customs Cooperation</i>	49

Evolution of TFA Commitments



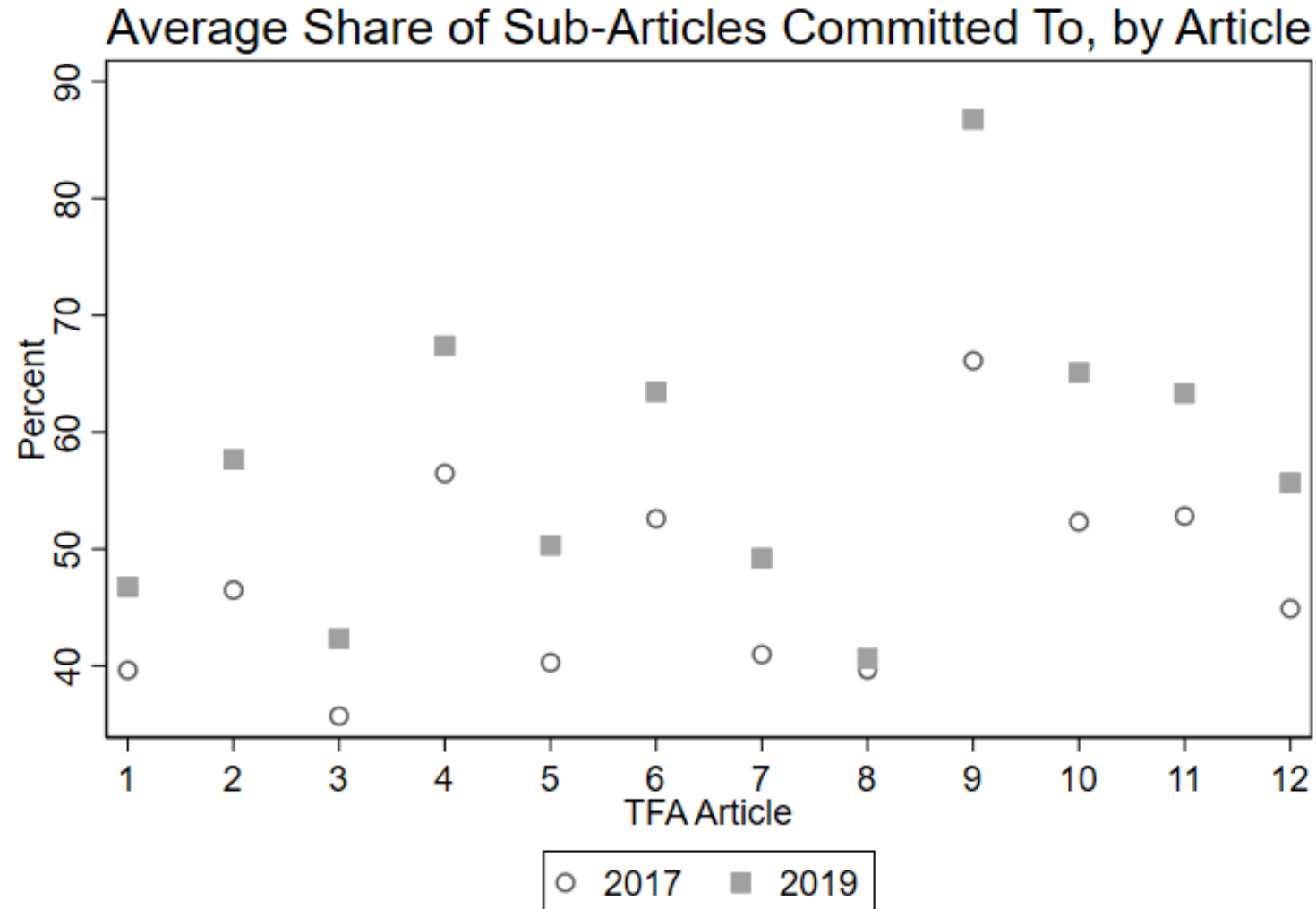
(a) By Member



(b) By Trading Partners

- Majority of Members start with low number of commitments, and made more commitments over time
- Number of common commitments is rising, especially among partners with low number of commitments

Commitments by Article



- On average, the number of commitments within each article increased by 20%
- Certain TFA articles such as *Art. 4* and *Art. 10* are easier to implement than others like *Art. 3* or *Art. 8*

Gravity Estimation

Evaluate impact of TFA commitments on bilateral trade flows

- Extensive effect – dummy if both trading have made any commitments
- Intensive effect – number of common commitments made simultaneously
- Differentiate effects for trade between developing economies and trade between a developed and developing economies
- Analyze effects by sector for agriculture and manufacturing
- Focus on the bilateral dimension of commitments motivated by the multilateral nature of the TFA
 - Similar to studies on the impact of mutual WTO membership on bilateral trade

Bilateral Trade Effects



TFA has promoted agricultural trade among committing developing country Members

- 22% increase for bilateral trade flows between two committed developing country Members
- More commitments have led to a deeper liberalization



Minor effects of TFA commitments for trade in manufacturing

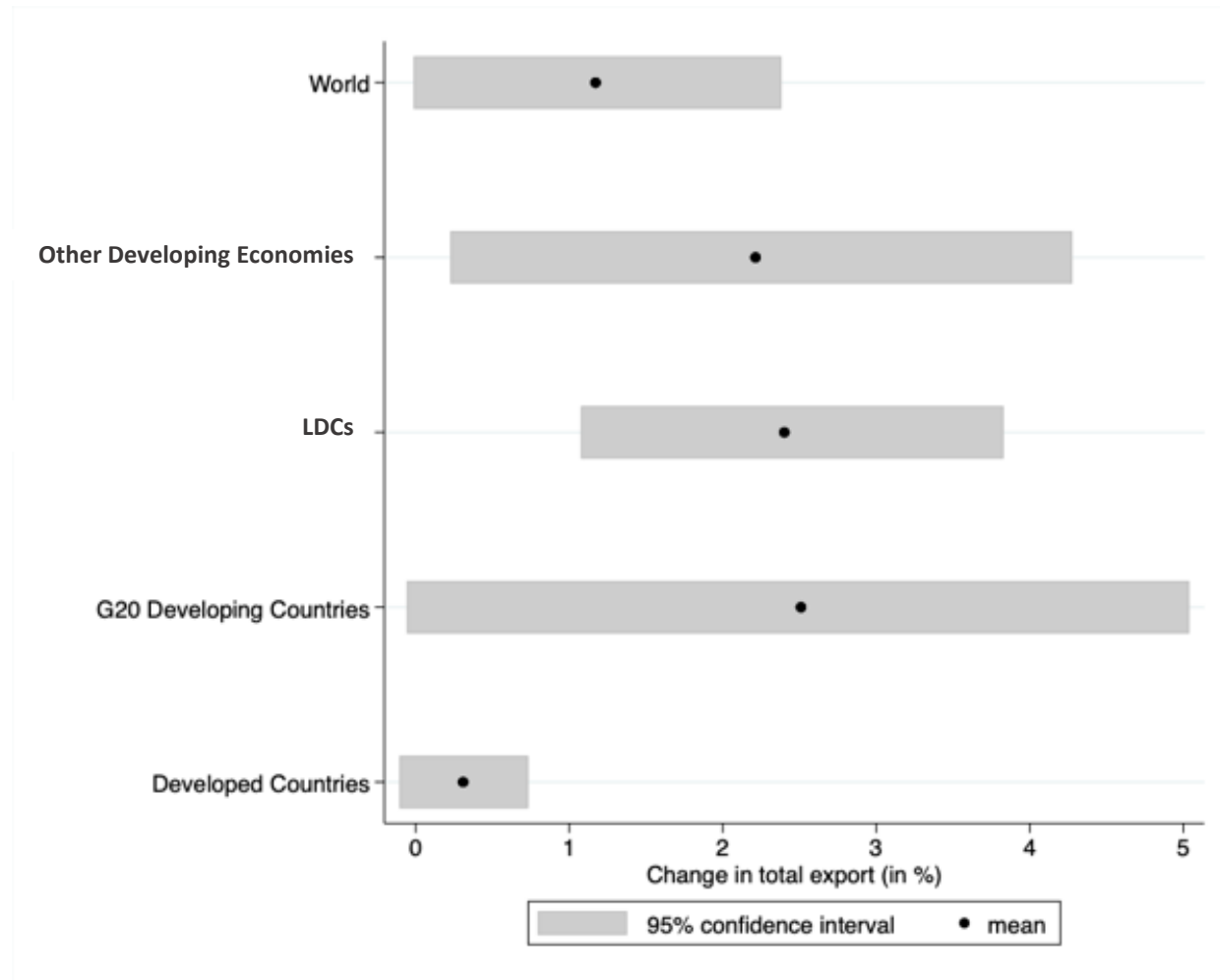
- Positive but insignificant effect for trade among developing economies
- Trade between developed and developing economies not affected

Computable General Equilibrium

Quantify the aggregate trade and real income effects of the TFA

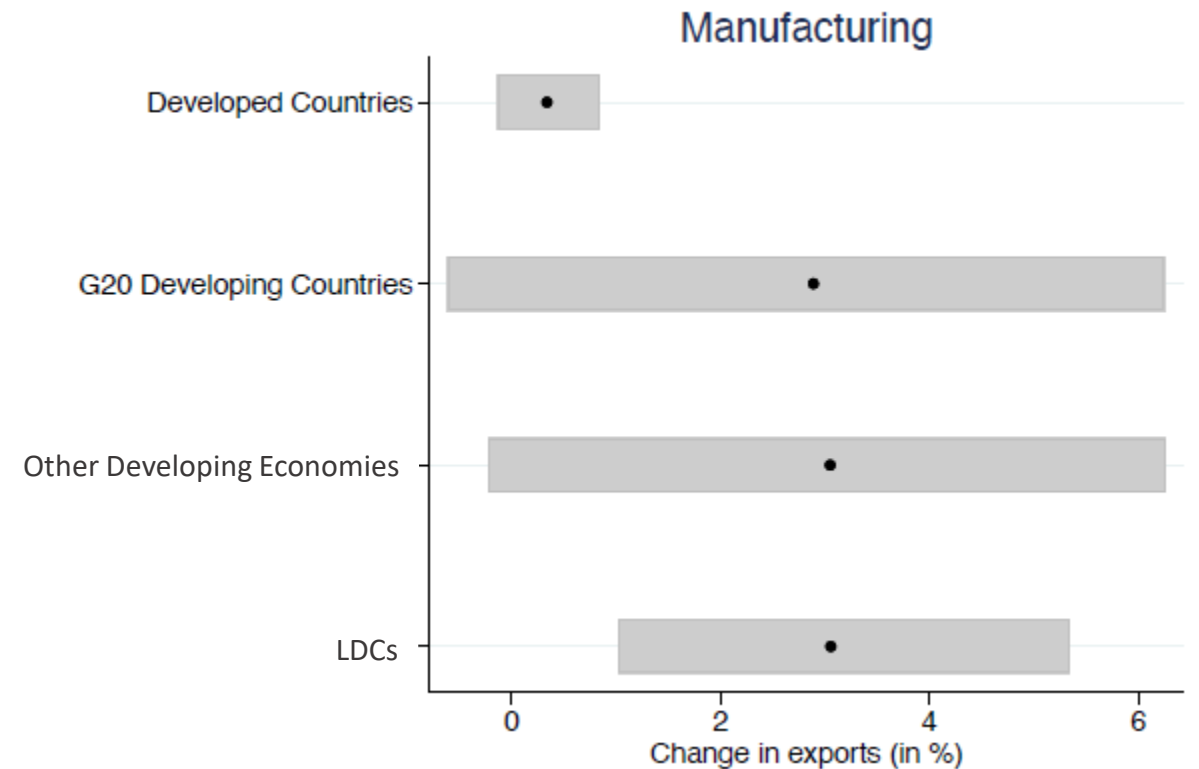
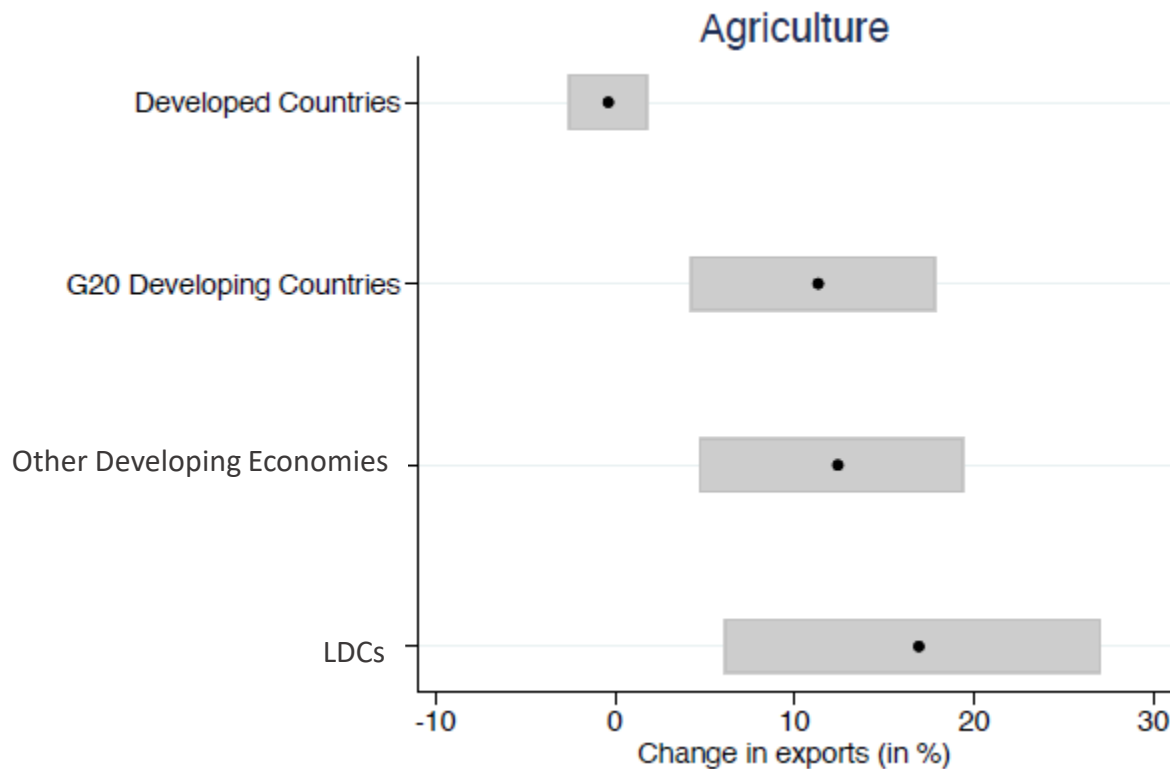
- Use multi-sector trade model to estimate impacts of non-tariff barrier changes in trade flows and income effect
- Based on partial trade effects estimated from the empirical gravity model
- Compare the baseline equilibrium before the implementation of the TFA to the counterfactual long-run equilibrium featuring lower levels of NTBs resulting from commitments made to the TFA

Aggregate Trade Effects (by Income Level)



Total growth in trade at 1.17%, which is mainly driven by LDCs and G20 Developing Countries

Aggregate Trade Effects (by Sector)



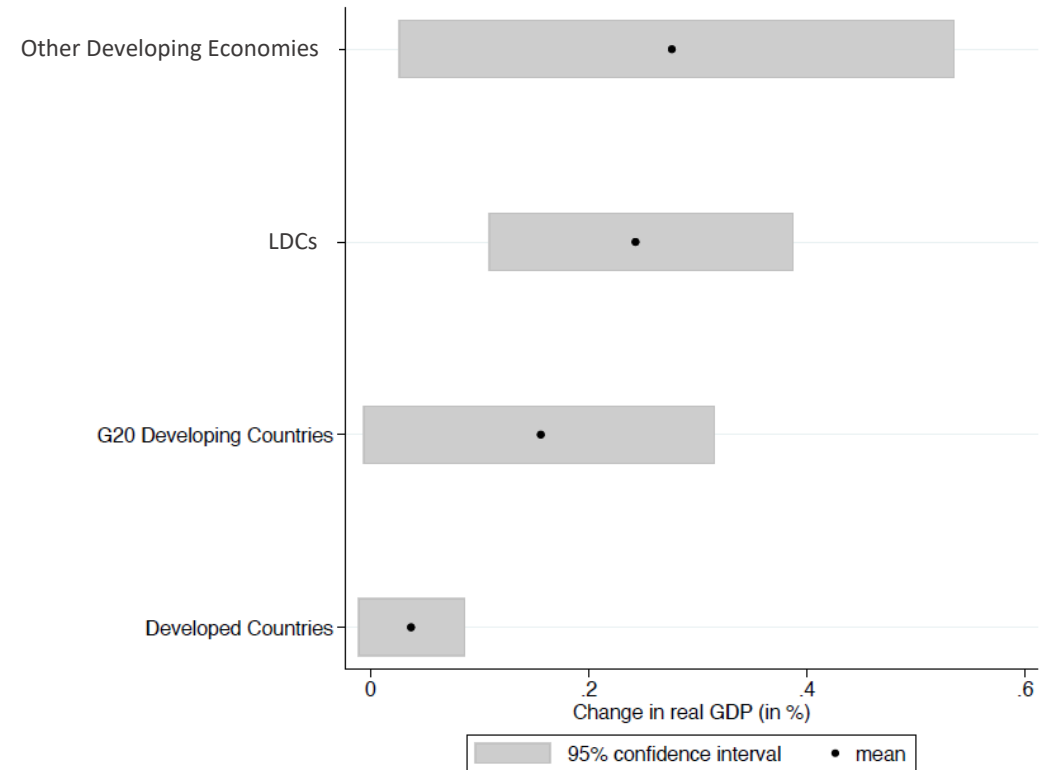
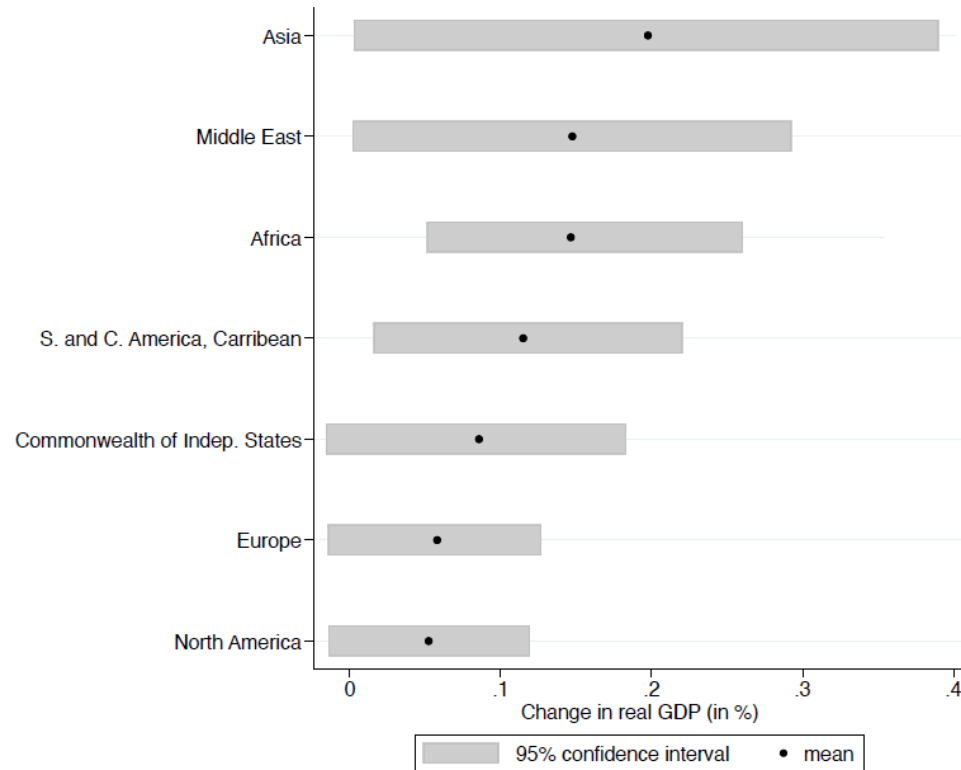
- Agricultural trade globally rises by 5%, which is entirely driven by LDCs and Developing economies
- Manufacturing trade increases by 1.5%

Bilateral Export Changes (%)

<i>Exporter</i>	<i>Importer</i>						
	Africa	Asia	C.I.S.	Europe	Middle East	North America	S./C. Amer. & Carribean
Africa	4.22	2.46	1.10	1.05	2.12	0.95	2.86
Asia	4.51	2.94	2.05	1.81	1.63	1.79	2.42
C.I.S.	2.41	2.00	1.89	0.48	1.43	0.47	1.86
Europe	0.89	1.64	0.06	-0.24	0.88	0.13	1.68
Middle East	5.49	2.17	0.45	0.79	1.26	0.74	1.66
North America	0.59	1.35	-0.52	-0.52	0.62	0.63	1.85
S/C. Amer., Caribbean	2.58	2.30	0.94	1.24	1.24	1.19	3.57

Largest trade increase occurs between the Middle East, Asia and Africa, within Africa, and within South and Central America and the Caribbean.

Real Income Effects



Real GDP at the world level increases by 0.12%, with gains concentrated among the Least Developed and Developing economies

Comparison of Forecasts on Impact of TFA

Study	Trade Flows Increases	Gains to GDP
WTO (2015)	2.06 - 2.73 %	0.34 – 0.54 %
OECD (2018)	0.6 %	0.04 – 0.41 %
Kumar and Shepard (2019)	0.2 %	0.15 %
WTO (2023)	1.17 %	0.12 %

Concluding Remarks

Good implementation progress in the first three years

On average, members increased number of commitments by 20%

However, large untapped potential remains

Upward trajectory of TFA impacts is expected with deepening of commitments

Special attention to certain areas is required

Need to focus on areas with low implementation such as *Art. 3 – Advance Rulings* and *Art. 8 – Border Agency Cooperation*