

# The Impact of the WTO Trade Facilitation Agreement on Trade Costs

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# What data do we use?

We use:

- **WTO Trade Cost Index**

- newly developed
- indirect estimation of overall trade frictions
- Using TiVA data (2014-2019)



- **WTO Trade Facilitation Agreement Database**

- tracks the progress of Members' commitments at a given point in time.
- differs from the OECD Trade Facilitation Index – a set of indicators that provide information on several aspects of trade facilitation. Each indicator can take values from 0 to 2, where 2 reflects the best performance that can be achieved.

# What methodology ?

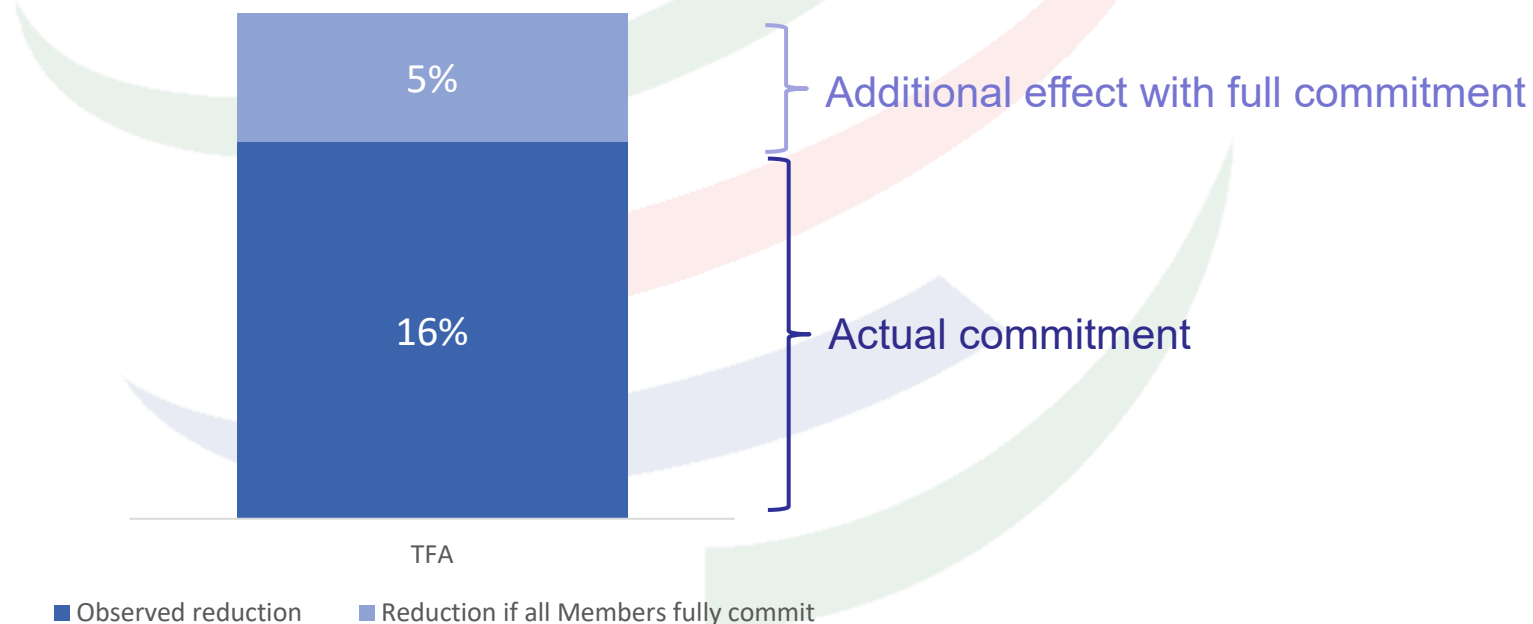
Explain bilateral trade costs as function of:

- **TFA** = share of common commitments between Members
- Trade policy variables (eg tariffs, RTA, NTMs)
- IT connectivity
- Transport costs
- Governance variables
- Exporter-sector-time fixed effects
- Importer-sector-time fixed effects

# How much did TFA reduce trade costs?



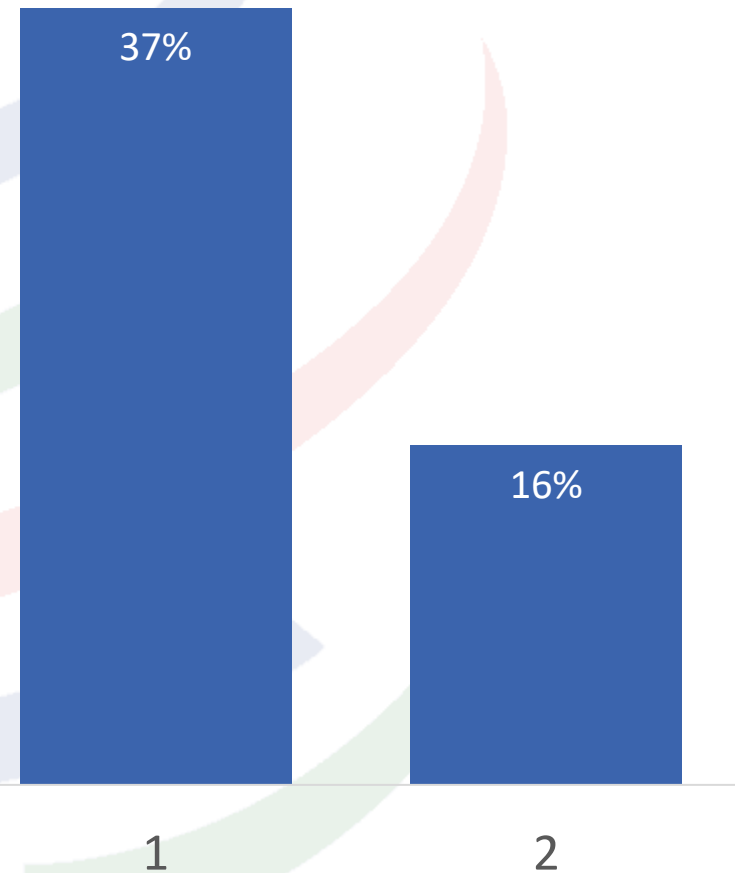
- TFA has had a **significant** impact on trade!
- Full implementation of commitments will have **additional significant** effects
- This is work in progress. Our preliminary estimations show:



Note: Results based on data from 2014 to 2020. Trade costs calculated following “WTO Trade Cost Index: Evolution, Incidence and Determinants” (2021), using OECD TiVA (2022) data for trade flows and the WTO TFA Database (TFAD)

# TFA impact compared to that of RTA

- The impact of TFA commitments was almost half as powerful as that of a regional trade agreement (RTA)

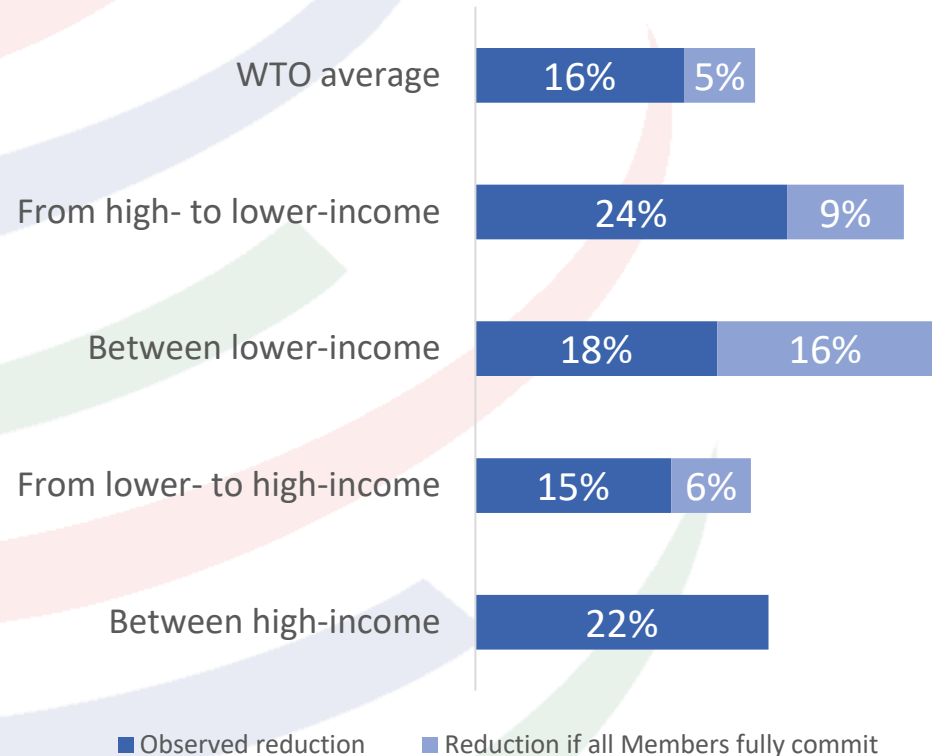


Note 1: Results based on data from 2014 to 2020.

Note 2: Trade costs calculated following “WTO Trade Cost Index: Evolution, Incidence and Determinants” (2021), using OECD TiVA (2022) data for trade flows and the WTO TFA Database (TFAD)

# Impact by economic development

- Largest effect on imports of lower-income from high-income economies
- Largest potential reduction from further commitments by lower-income economies

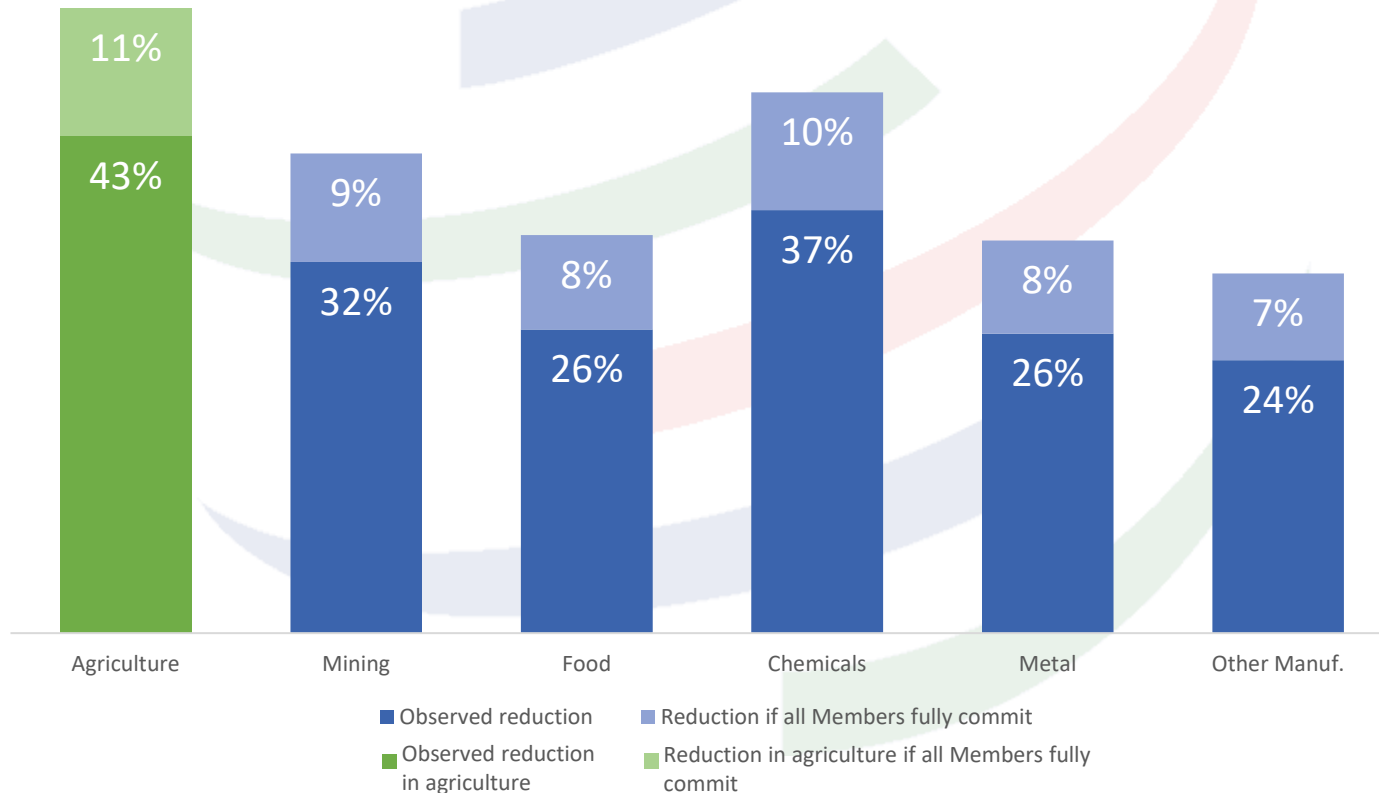


Note 1: Results based on data from 2014 to 2020. Trade costs calculated following “WTO Trade Cost Index: Evolution, Incidence and Determinants” (2021), using OECD TiVA (2022) data for trade flows and the WTO TFA Database (TFAD)

Note 2: Income groups based on World Bank classification of 2018. The low-income group comprises World Bank’s upper-middle, lower-middle, and low income economies.

# Impact by sector

- TFA reduces trade costs across several sectors of the economy
- Significant potential to further reduce trade costs



Note: Results based on data from 2014 to 2020. Trade costs calculated following “WTO Trade Cost Index: Evolution, Incidence and Determinants” (2021), using OECD TiVA (2022) data for trade flows and the WTO TFA Database (TFAD)

# Work in Progress

- Extend the estimation period to allow for more precise estimates of the impact of TFA (including TFI and additional controls)
- Keep updating results as more data become available
- <http://tradecosts.wto.org/>