



FONDATION POUR LES ÉTUDES
ET RECHERCHES
SUR LE DÉVELOPPEMENT
INTERNATIONAL

The Trade Facilitation Agreement : estimates of reduction in time at customs for the United Nations' vulnerable economies

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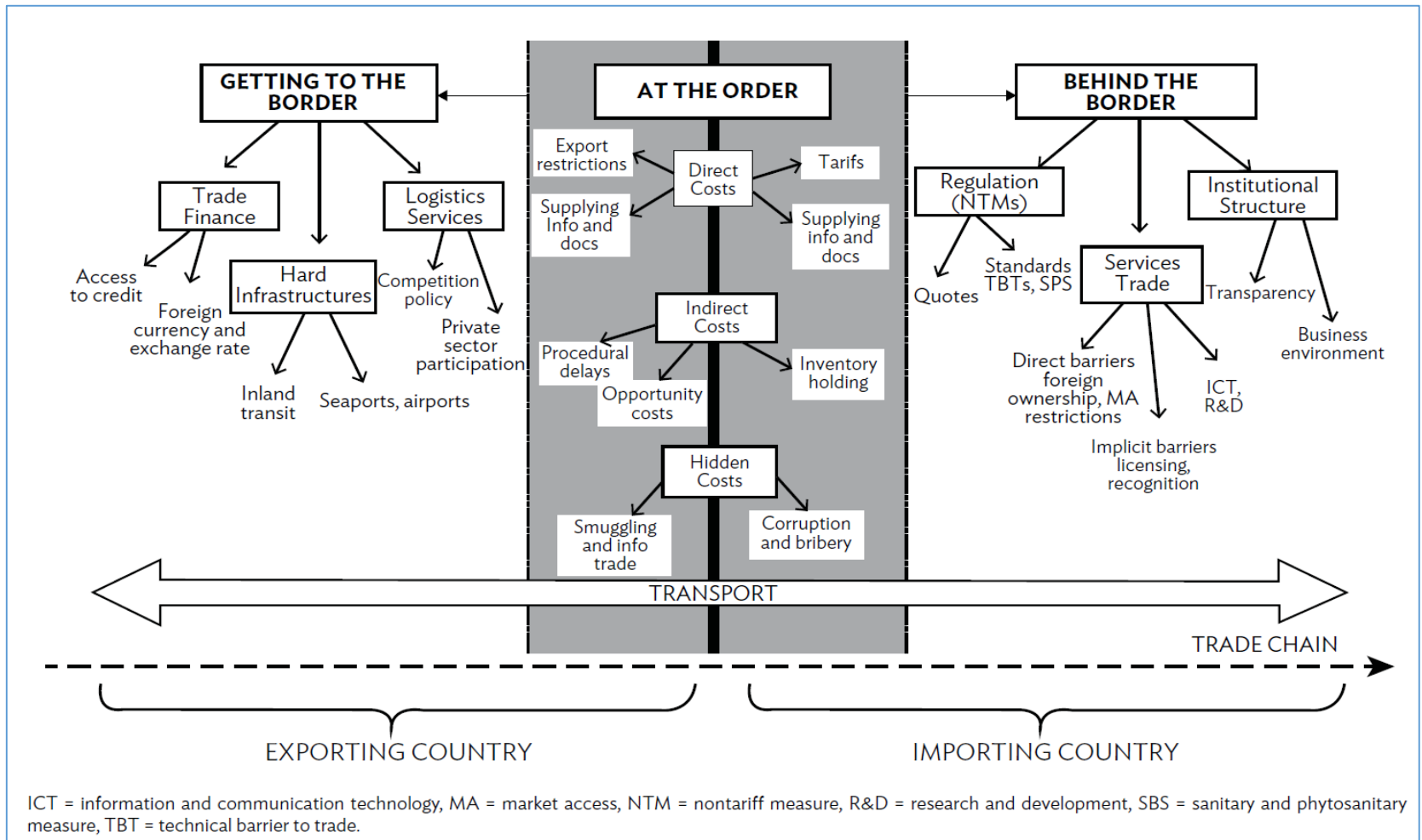
LDC Future Forum: Achieving Sustainable Development in Least
Developed Countries-Towards LDC5

7 October 2021 in Helsinki, Finland – 10:45 – 14:30 CET

Outline

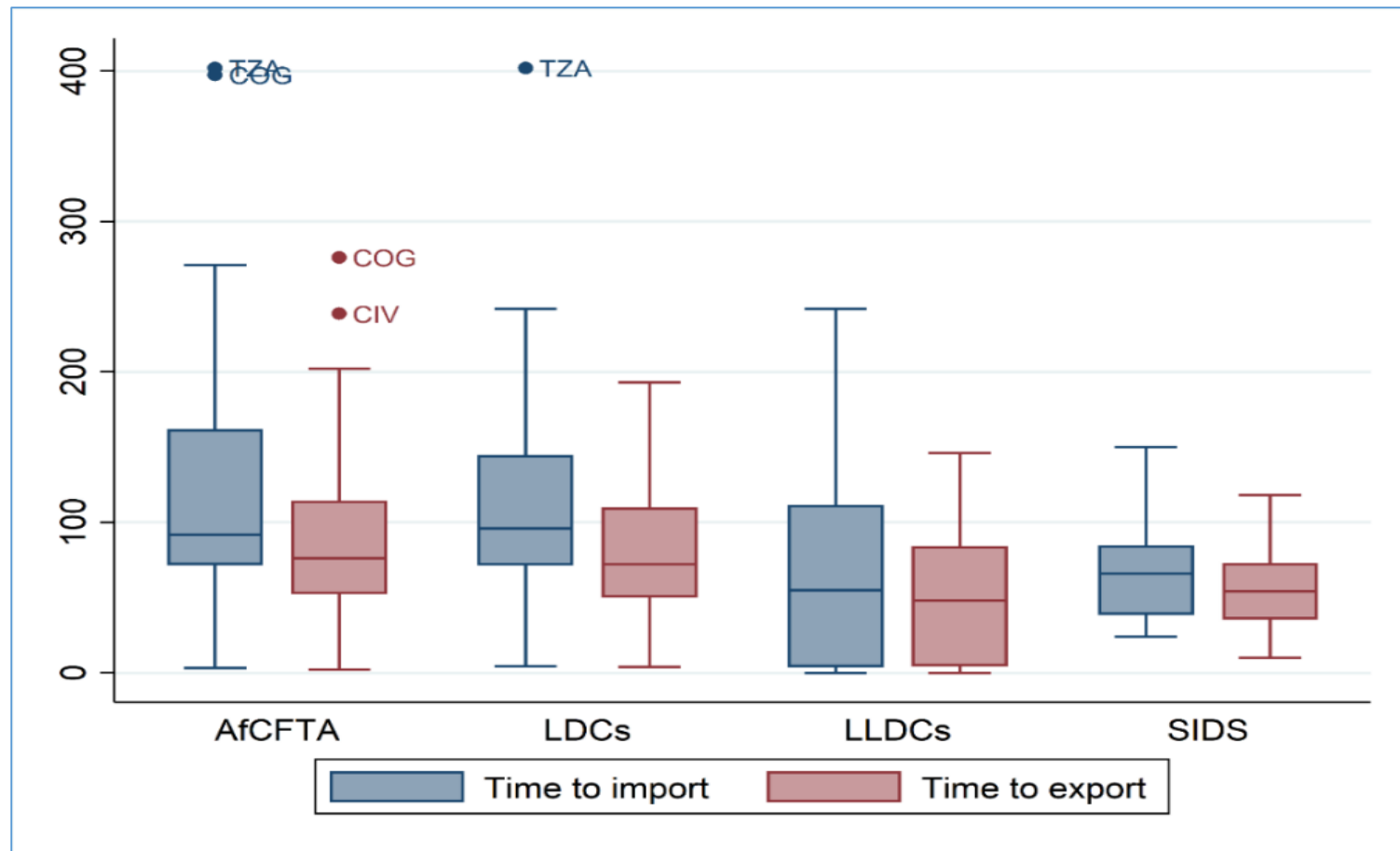
- ❑ Trade costs at the border and beyond
- ❑ Distribution of Lead time for border compliance by group (LDCs, LLDCs, SIDS, AFCFTA)
- ❑ TFA: best-shot endeavour on promises, no legal content (“should” occurrence twice as high as in WTO agreement—akin to a tariff agreement with no tariff schedules....!)
- ❑ OECD Trade Facilitation Indicators (TFI) for LDC group
- ❑ Box plots of TFI by group (highest for LL, lowest for SIDS)
- ❑ Costs vs. Time to import: Much room for improvement
- ❑ Ad-valorem equivalents (AVEs) of reduction in time at customs
- ❑ Conclusions

Trade Costs at the border and beyond



UN-OHRLLS: What is relative importance of policy-imposed barriers (here trade costs covered by TFA) for each vulnerable group (LDCs, LLDCs, SIDS)?

Distribution of Lead time for border compliance



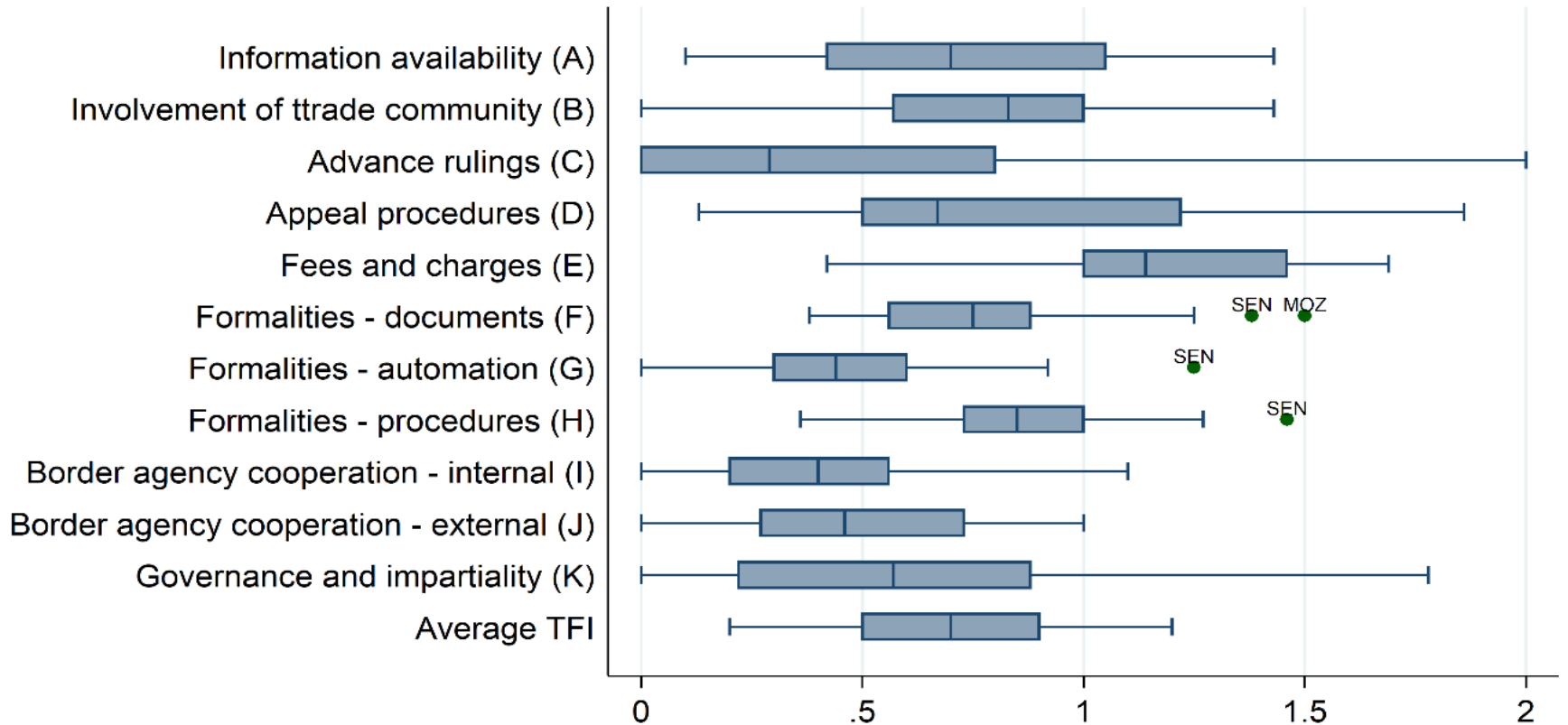
Notes: Times in hours in 1999. Survey-based data in DB. Middle bar is mean value, shaded area is interquartile range and minimum maximum values correspond to +/- 1.5 times interquartile range. Number of countries per group in parenthesis: LDCs (43); LLDCs (35); SIDS (34).

Trade Facilitation Indicators in 2019

(1) LDC Group

Components of Trade Facilitation Index (TFI)

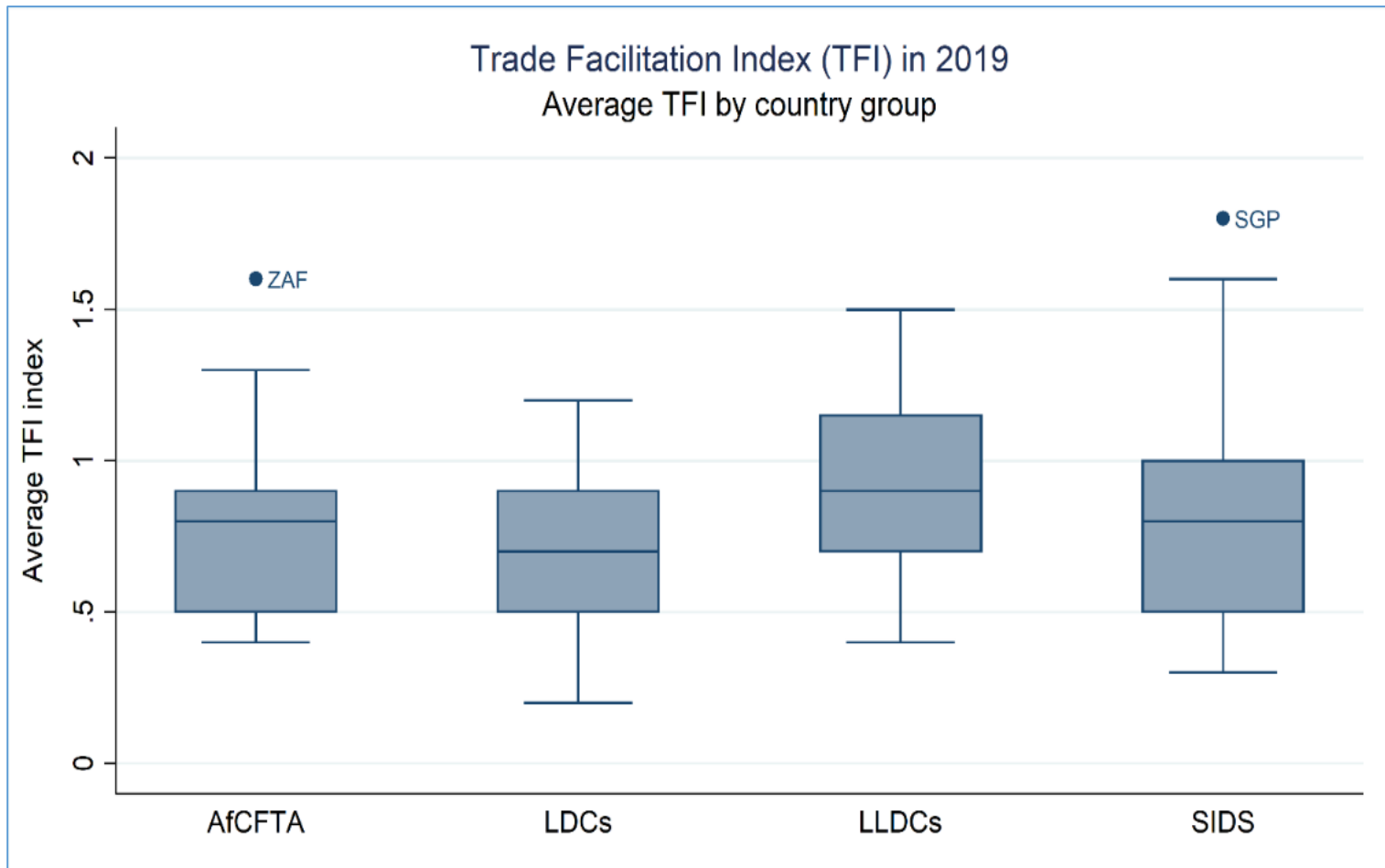
TFI for LDCs in 2019



Notes: Box plot. Middle bar is mean value, shaded area is interquartile range and minimum maximum values correspond to +/- 1.5 times interquartile range. Average TFI (bottom) is the average of components (A)-(K) for 35 LDCs (out of 46 LDCs). See Moïse and Sorecu (2016)

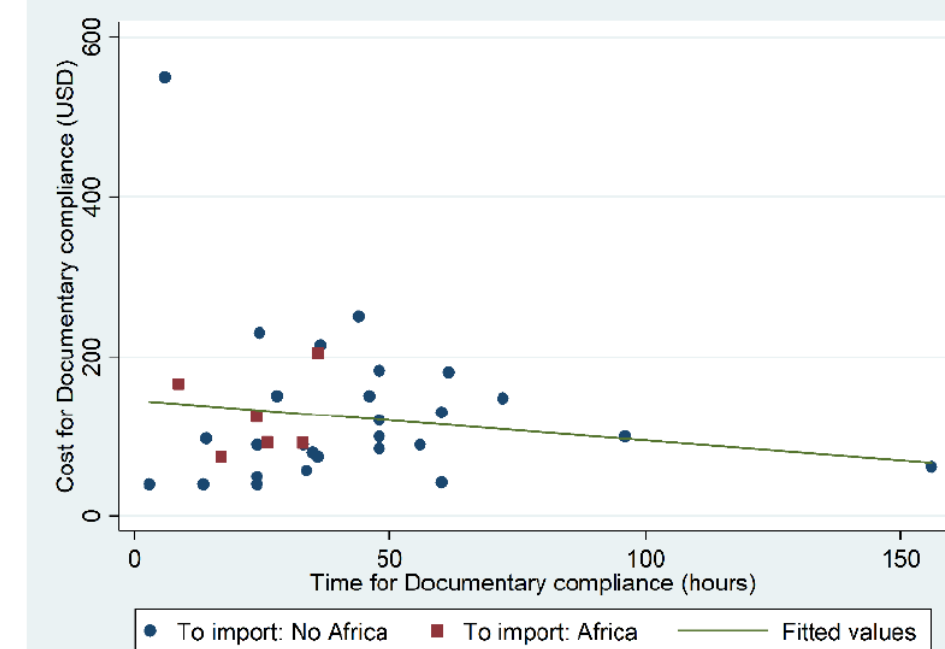
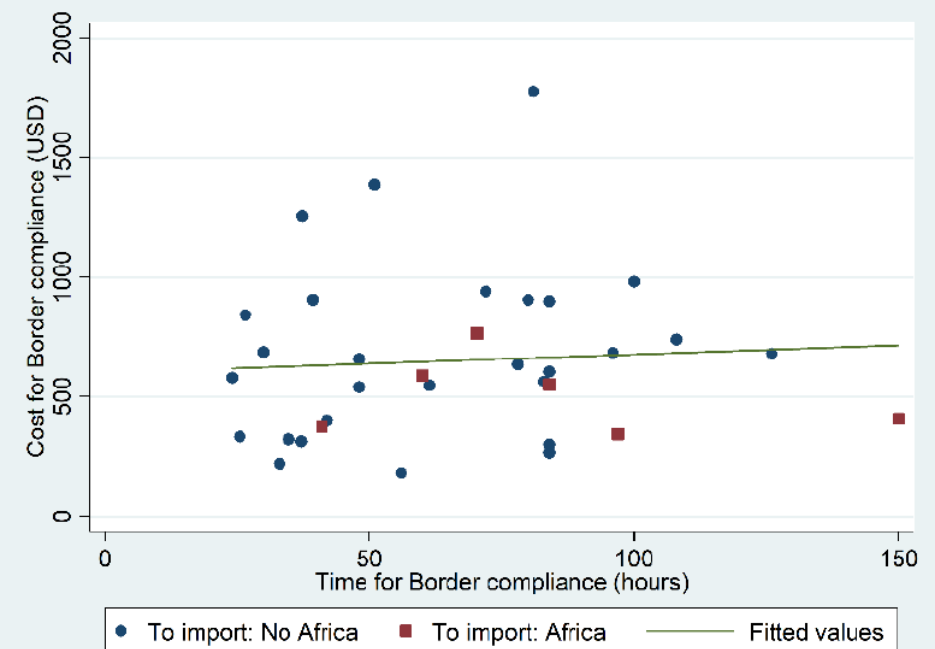
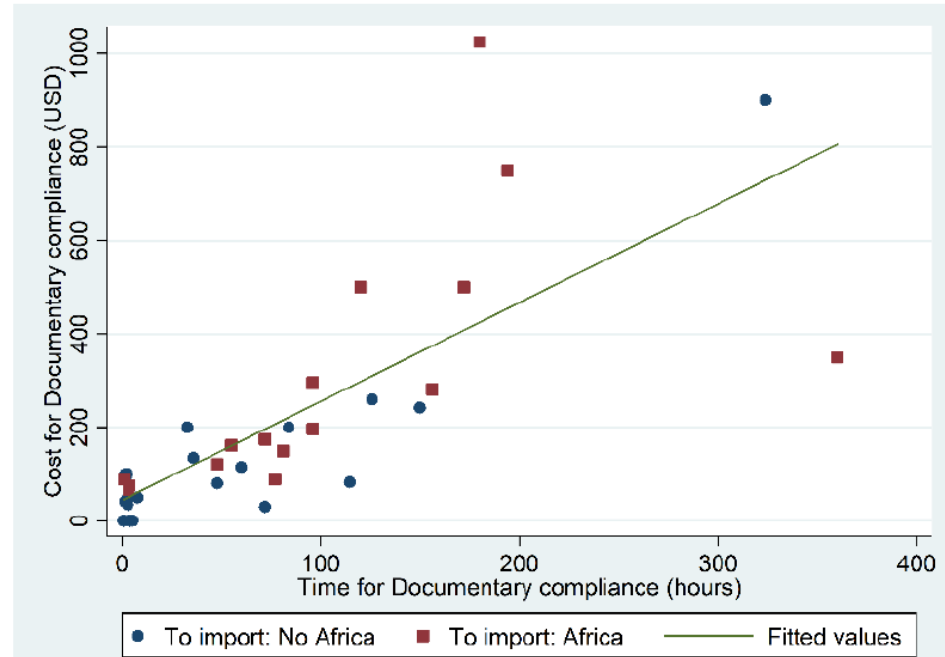
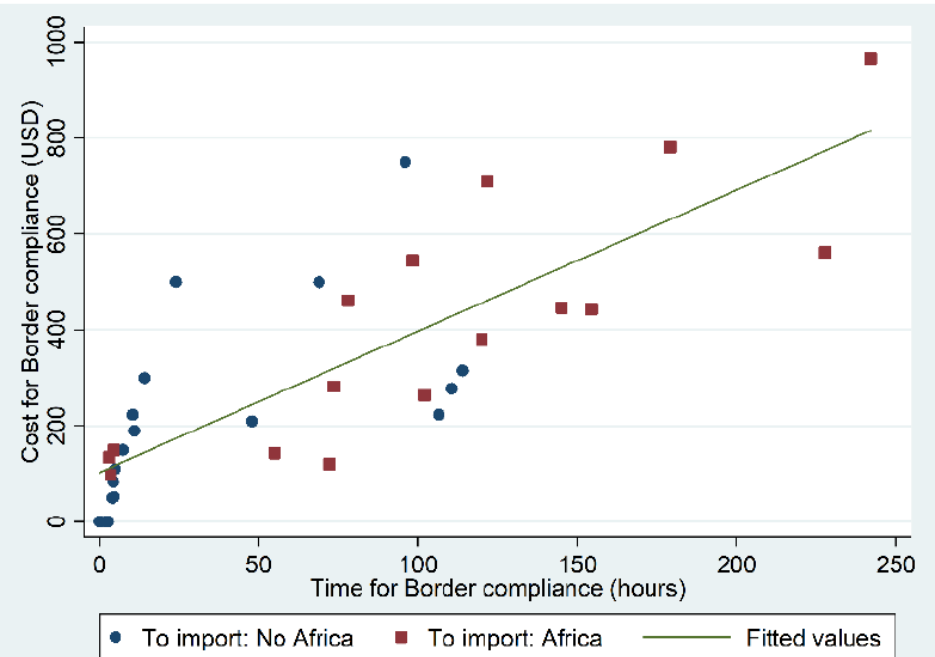
Trade Facilitation Indicators in 2019

(2) average and by Group



Notes: Box plot. Indicator scores range from 0 (no implementation) to 2 (full implementation of TFA). Middle bar is mean value, shaded area is interquartile range shaded area is interquartile range and minimum maximum values correspond to +/- 1.5 times interquartile range

Costs vs time to import: Border and documentary compliance : LLDC (top) SIDS (bottom)



Tariff Ad-valorem equivalents (AVEs) of reduction in time at customs (imports: group averages)

	Lead Time at customs (DB)	Predicted Lead time at customs (Model)	Lead time at customs after Simul. (1)	Lead time at customs after Simul. (2)	Time reduction in hours (Simul. 1)	Time reduction in hours (Simul. 2)	AVE ^(a) of reduction in TC in % (Simul. 1)	AVE ^(a) of reduction in TC in % (Simul. 2)
Column	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Panel a. Lead Time at Border to Import								
LDCs (43)	117	135	82	48	-53	-87	2,9	4,7
LLDCs (35)	65	77	44	30	-34	-47	1,8	2,6
SIDS (34)	66	70	36	30	-34	-40	1,8	2,1
AfCFTA (53)	130	129	91	70	-38	-59	2,1	3,2
SAMPLE (138)	68	67	55	47	-11	-20	0,6	1,1

Notes: AVE estimates based on Hummels and Schaur (2013): 24 extra hrs. in transit \approx 1.3% tariff at destination

Simulation 1: Within each group convergence in TFI to average of top 2 in group

Simulation 2 Within each group convergence in TFI to average of top 2 in sample of developing countries

Model-based predictions (col. 2) are quite close actual times at customs from DB (col. 1). See extras comparing estimators

Conclusions

- ❑ TFA only multilateral agreement at WTO. It is a best-shot endeavour based on promises with no legal content (“should” occurrence twice as high as in WTO agreement). Finger (2016): TFA is “akin to a tariff agreement with no tariff schedules....!”)...
- ❑ ...but TFA is has measurable and easy to measure objectives...
- ❑ ... and improvements are in the interest of signatories

Outcomes of exercise

- ❑ Great heterogeneity in performance w/n & across 3 UN categories
TFI Indicator values better for SIDS than for LLDCs.
 - ❑ AVEs (tariffs) of reductions in time at customs from “reachable” improvements in customs indicators
 - 2.1%<AVE imports<2.9%
 - 1.8%<AVE exports<2.7%
- **(4%-5.7%) range wider than average tariffs faced by LDCs in QUAD**
Atkinson and Stevens (2020) and WDR (2020)—see extras— single out importance of digitalisation and associated connectivity for customs

References

Atkinson, C. And B. Stevens (2020) “Digitalising Trade Facilitation implementation: Opportunities and Challenges for the Commonwealth”,
https://www.academia.edu/43580204/Digitalising_trade_facilitation_implementation_Opportunities_and_challenges_for_the_Commonwealth

Finger J. M., 2014. The WTO Trade Facilitation Agreement: Form Without Substance Again? (August 28, 2014): <http://dx.doi.org/10.2139/ssrn.2489038>

Hummels D., and Schaur G., 2013. Time as a Trade Barrier. *American Economic Review*: 103(7): 2935-2959.

Moisé E., and F. Le Bris , 2013. Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries’ Trade. *OECD Trade Policy Papers*, No. 144, OECD Publishing, Paris.

Neufeld N., 2014. The Long and Winding Road: How WTO members finally reached a Trade Facilitation Agreement. *WTO Staff Working Papers*, ERSD No. 2014-06, WTO, Economic Research and Statistics Division.

Volpe M. C., 2016. *Out of the Border Labyrinth: An Assessment of Trade Facilitation Initiatives in Latin America and the Caribbean*. IDB Publications (Books), Inter-American Development Bank, number 7994, December.

World Bank (2020) Trading for Development in the Age of Global Value Chains

Extras

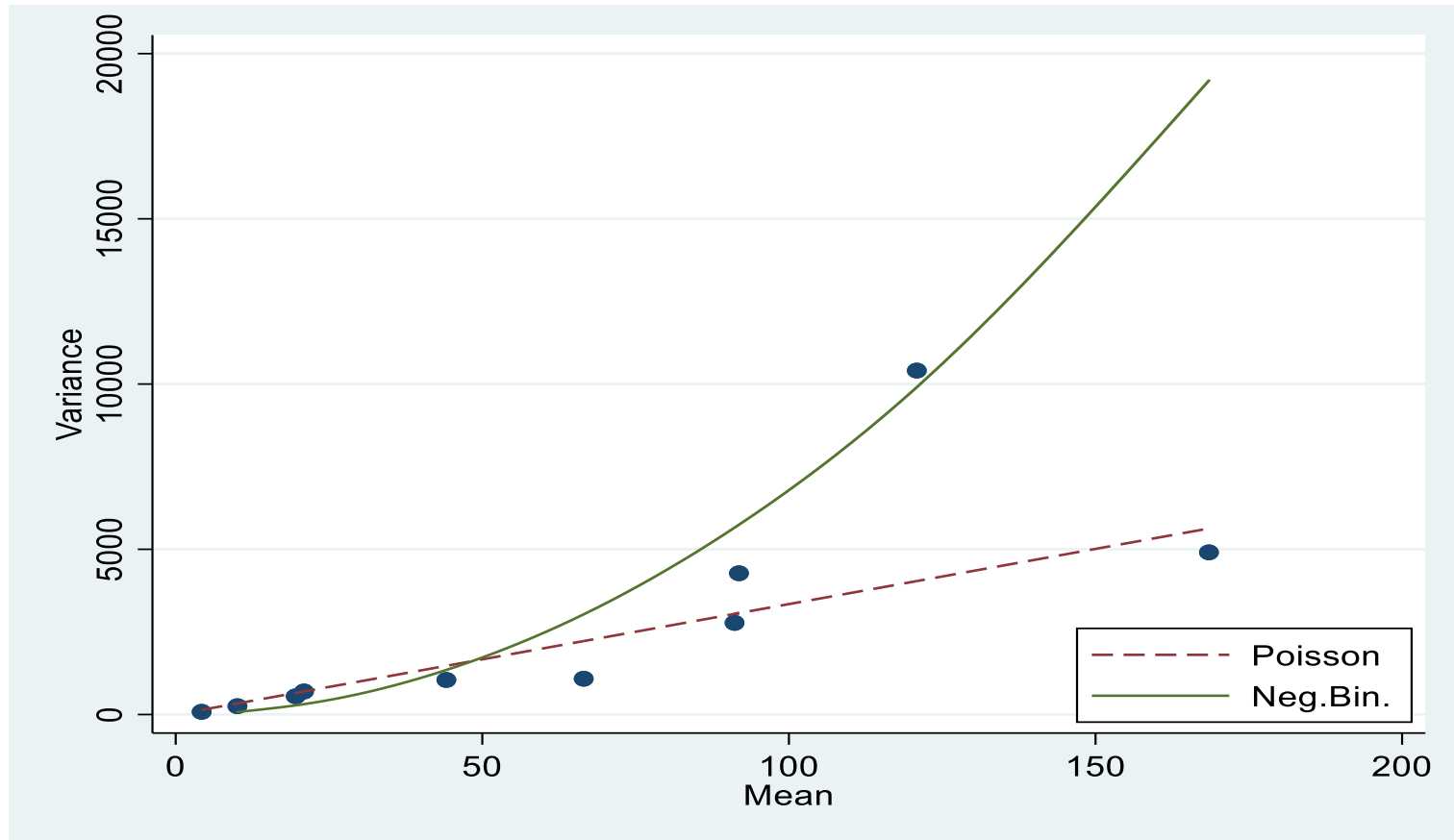
Average time (in hours) at the border by group: DB vs. LPI.

	LLDC	LDC	SIDS
Lead time to import (in hours)			
Border compliance (DB data)	66	108	66
Documentary compliance (DB data)	80	98	40
Customs clearance (LPI data)	122	150	48
Lead time to export (in hours)			
Border compliance (DB data)	49	80	57
Documentary compliance (DB data)	62	75	41
Customs clearance (LPI data)	210	220	40

Notes: DB sample: 43 Least Developed countries (LDCs); 35 Landlocked developing countries (LLDCs); 34 Small Islands Developing States (SIDS).

LPI sample: 13 LDCs; 16 LLDCs; 3 SIDS.

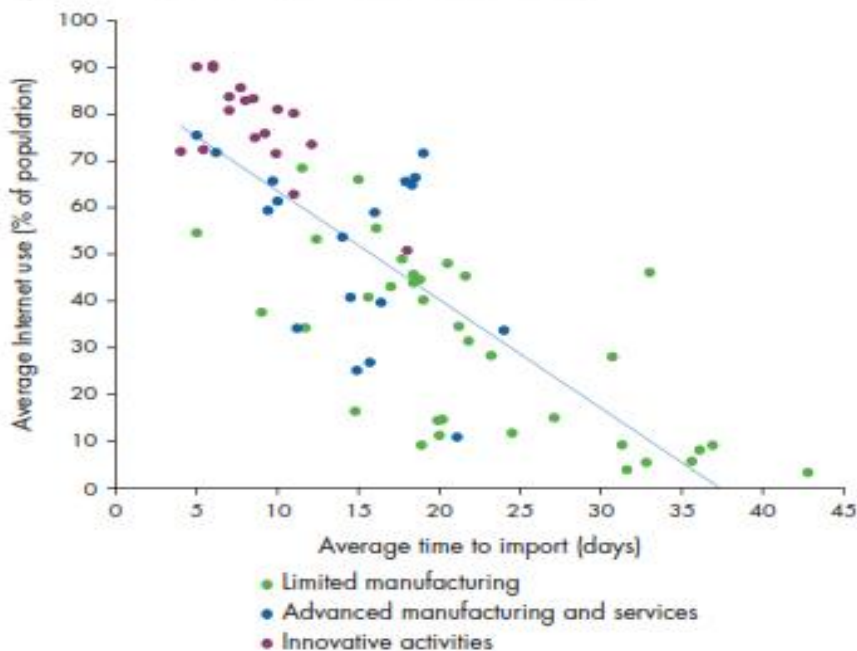
Mean-variance of TFA on Waiting time at customs by decile by estimator



The zero-inflated binomial (ZINB) estimates vs. Poisson

Connectivity and Time in Customs

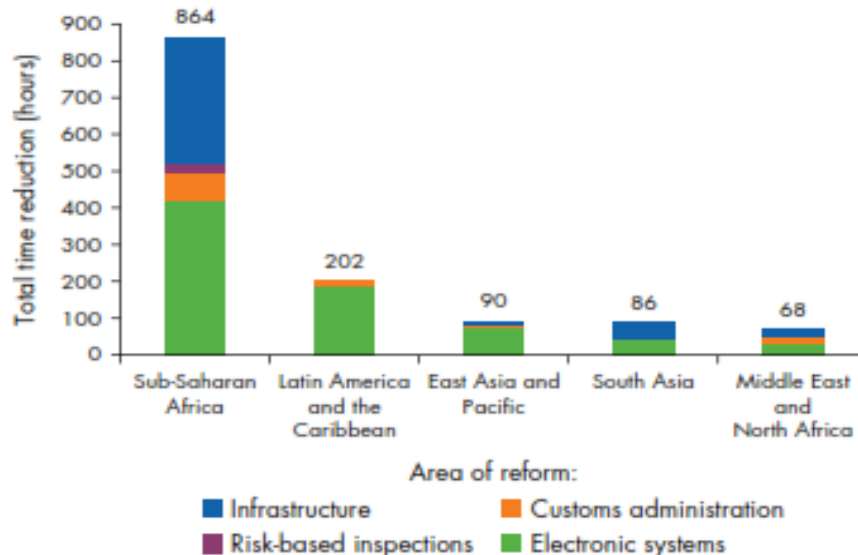
Figure 2.5 Connectivity is associated with specialization in more advanced GVCs



Sources: WDR team, based on World Bank's WDI and Doing Business databases and GVC taxonomy for the year 2011.

Note: The bivariate regression line between average time to import and average Internet use is shown in blue. Figure excludes countries specializing in commodities. Averages are over 2006-15.

Figure 2.6 Improving customs and introducing electronic systems are as important as infrastructure for African trade



Source: World Bank 2017, 31.

Note: The time reduction captures reforms that were implemented and had a positive impact on the time for trading across borders indicator from 2016 to 2017. The reforms recorded during this period are aggregated in four wide-ranging categories: electronic systems, customs administration, risk-based inspections, and infrastructure. Regions with no reforms on time are excluded from the figure.

Source WDR (2020)