

The Costs and Benefits of Trade Facilitation

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« Benefits from more efficient border procedures

For Governments:

- ✓ more cost-effective use of staff and materials;
- ✓ reduced opportunities for smuggling and corruption;
- ✓ increased and more reliable government revenue.

For Business:

- ✓ quicker delivery;
- ✓ reduced uncertainty;
- ✓ improved competitiveness.

For Consumers:

- ✓ lower prices and more choice.

For the Economy:

- ✓ improved productivity and growth.



Income effects of trade facilitation

(million USD and percent of total)

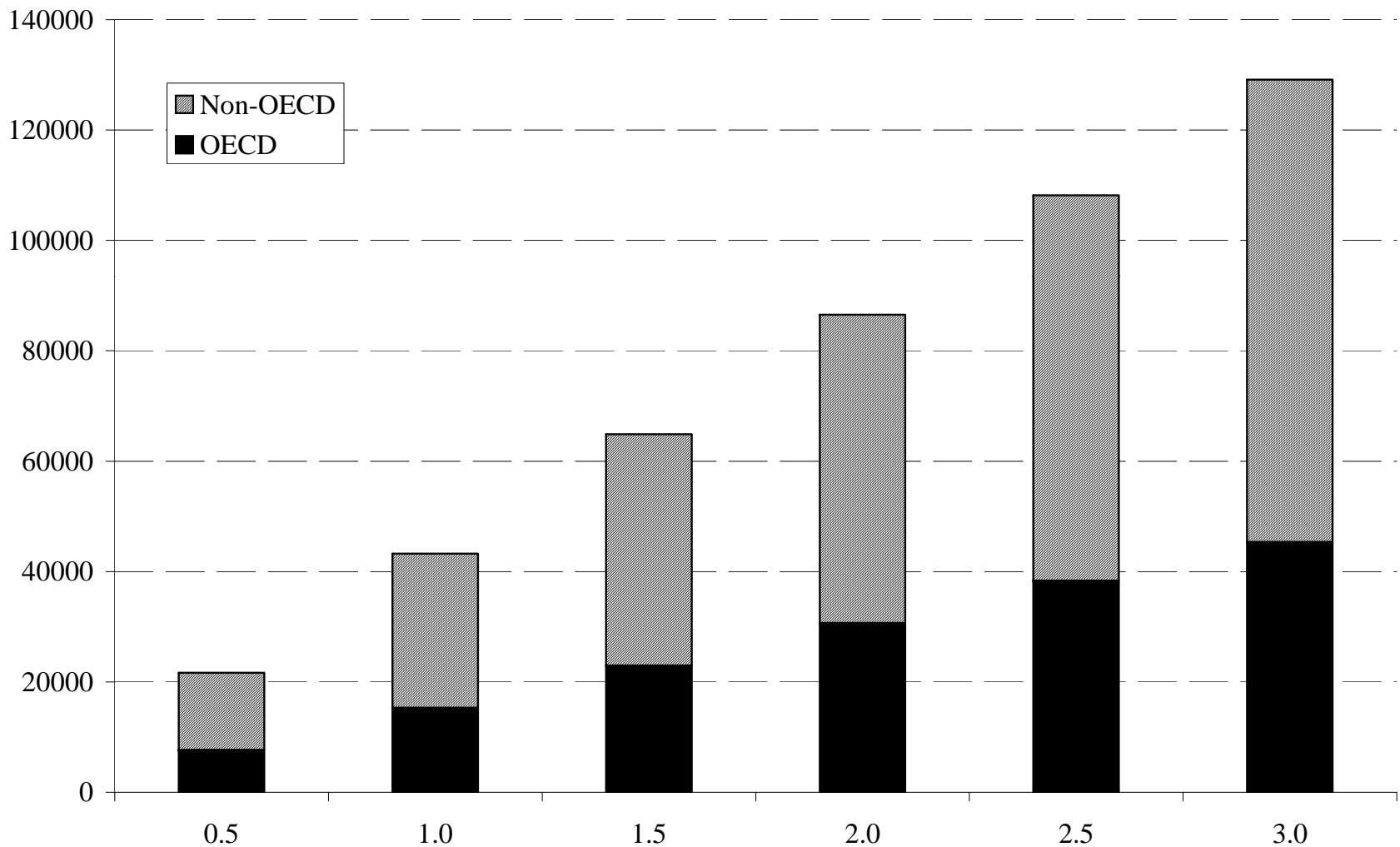


	Uniformity	Country, Sector and Trader Diversity	OECD only
Worldwide income gains	38454	43259	14053
due to direct cost reduction	6641	8250	2650
due to indirect cost reduction	32413	35009	11402
OECD	69%	35%	103%
Non-OECD	31%	65%	-3%
Middle East and North Africa	5%	11%	0%
Latin America and Caribbean	5%	13%	-1%
Sub-Saharan Africa	2%	7%	0%

Source: OECD Secretariat



Welfare gains under alternative assumptions on the extent of trade facilitation



Assumed reduction in TTCs in terms of percentage points of traded goods value



Change in Trade Flows



with Improvement in Import conditions

	Days at the border	Signatures	Documents
	<i>percentage reduction to world average</i>		
East Asia & Pacific			
Lat. America & Caribbean			
Middle East& North Africa	-5.41	-30.00	
OECD			
South Asia	-16.98	-46.48	-18.71
Sub-Saharan Africa	-52.20	-82.49	-18.71
	<i>Percentage increase in imports if regional average fell to world average</i>		
East Asia & Pacific			
Lat. America & Caribbean			
Middle East& North Africa	3.40	29.63	
OECD			
South Asia	10.67	45.91	20.66
Sub-Saharan Africa	32.80	81.48	20.66

Source: OECD 2005

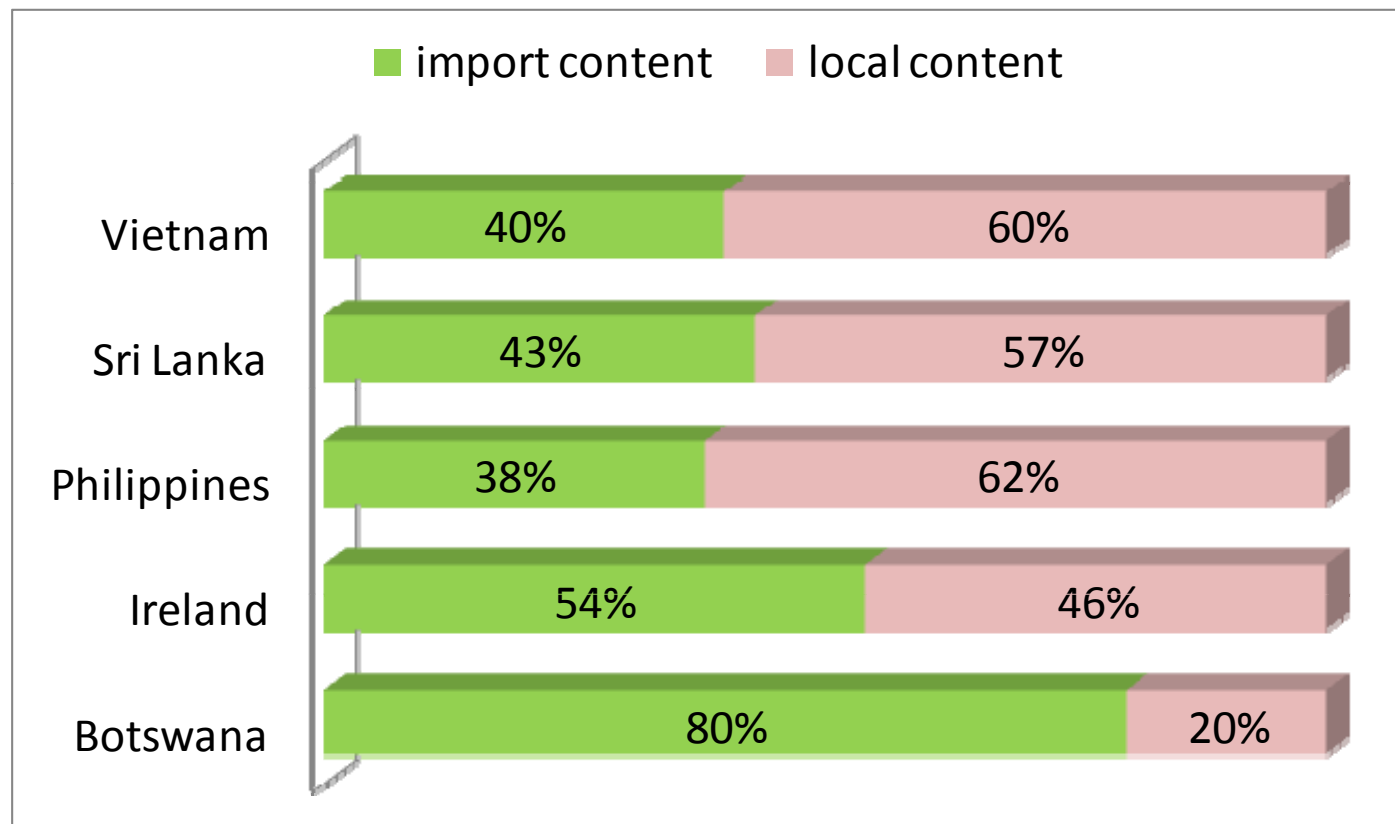
Necessary Reduction in Days at the Border to Achieve 10% Increase in Trade

	East Asia & Pacific	Latin America & Carribean	Middle East & North Africa	OECD	South Asia	Sub-Saharan Africa
	<i>for exporting countries</i>					
East Asia & Pacific	2.42	2.46	2.47	2.32	2.46	2.48
Latin America & Carribean	2.87	2.91	2.92	2.76	2.92	2.94
Middle East & North Africa	3.20	3.24	3.26	3.08	3.25	3.27
OECD	1.14	1.15	1.16	1.08	1.16	1.17
South Asia	3.21	3.25	3.27	3.09	3.26	3.28
Sub-Saharan Africa	4.66	4.71	4.74	4.50	4.73	4.76
	<i>for importing countries</i>					
East Asia & Pacific	2.69	3.52	4.01	1.26	3.82	4.47
Latin America & Carribean	2.71	3.55	4.04	1.27	3.85	4.51
Middle East & North Africa	2.72	3.57	4.06	1.28	3.87	4.53
OECD	2.58	3.39	3.86	1.20	3.68	4.31
South Asia	2.72	3.57	4.06	1.28	3.87	4.53
Sub-Saharan Africa	2.77	3.62	4.13	1.31	3.93	4.60

Source: OECD 2005



Examples of import content in export values of clothing



- **Cost elements difficult to isolate**
 - Assistance to assess the resource requirements of each measure (domestic and TA&CB)
- **Assess costs and benefits on a comparable time scale**
 - Benefits usually spread over a longer time period
- **How to assess the cost-effectiveness of measures**
 - Need for performance indicators



A promising reform agenda



- **Trade facilitation part of larger modernisation programs;**
 - ✓ **Costs absorbed through normal operating budgets**
 - ✓ **Virtuous circle between TF and efficiency enhancement**
- **Starting point affects the cost and impact of new measures**
 - ✓ **.. but benefits higher where starting point is low**
 - ✓ **Costs offset by staff savings and revenue collection improvements**
- **Coherent implementation is critical**



Main challenges



- **Sustainability**
 - ✓ Political momentum
 - ✓ Operating and maintenance costs
- **Public/private relationship and trust**
 - ✓ Dialogue improves compliance prospects
- **Cooperation between agencies**
 - ✓ Differing progress levels and operating philosophies
- **Regional cooperation**
 - ✓ Interconnectivity
 - ✓ Control coordination



The most costly measures



- **Risk assessment**
- **Audit-based controls**
- **Authorised traders**
 - ✓ **Recruitment and training of specialised staff**
 - ✓ **Equipment**
 - ✓ **Time for satisfactory implementation**
- **Advance lodgement and processing of data**
 - ✓ **Customs automation**



Thank You



Trade and Agriculture Directorate



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