

Transparency and Trade Facilitation in the Asia Pacific: The Gains from Reform

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The World Bank



28 June 2007

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** The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent.*

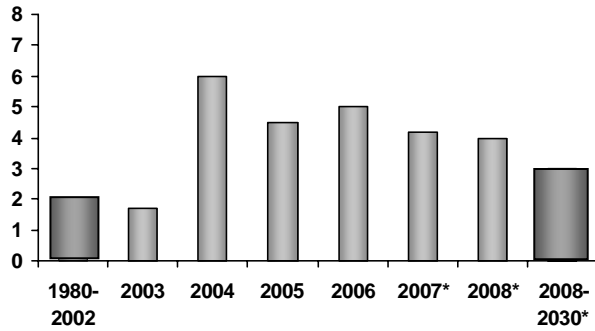
Outline

1. Introduction
2. Presentation of World Bank Report
3. Conclusions
4. Moving Forward

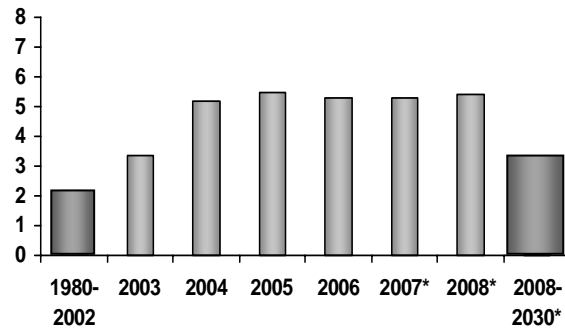
Good News on Global Growth.....

GDP, percent change from previous year

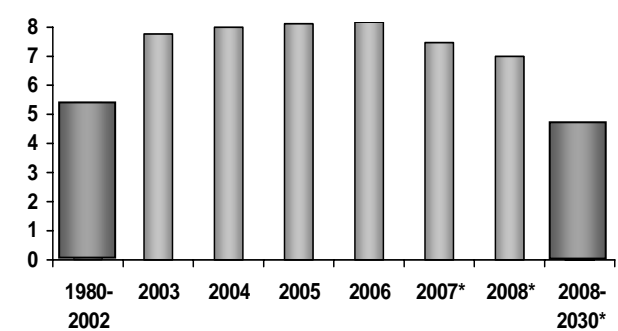
Latin-America Caribbean



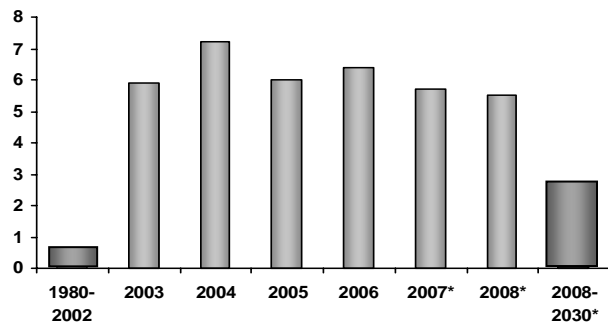
Sub-saharan Africa



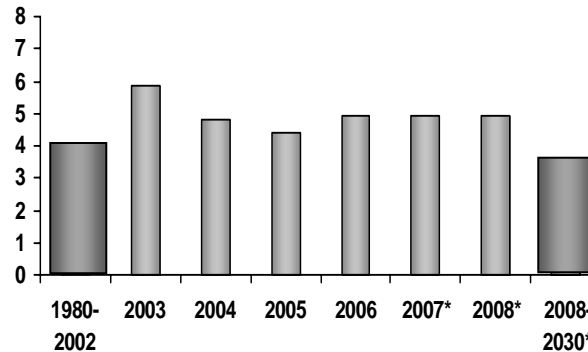
South Asia



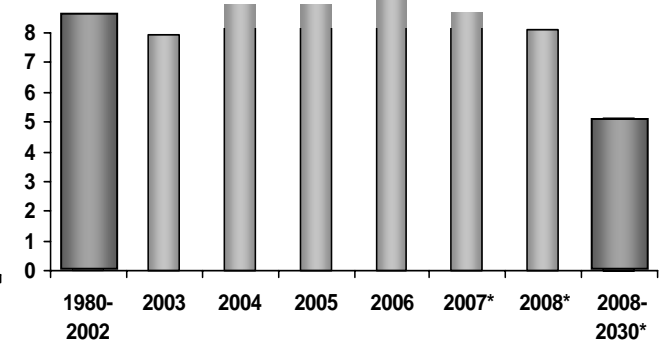
Europe & Central Asia



Mid-East North Africa



East-Asia Pacific



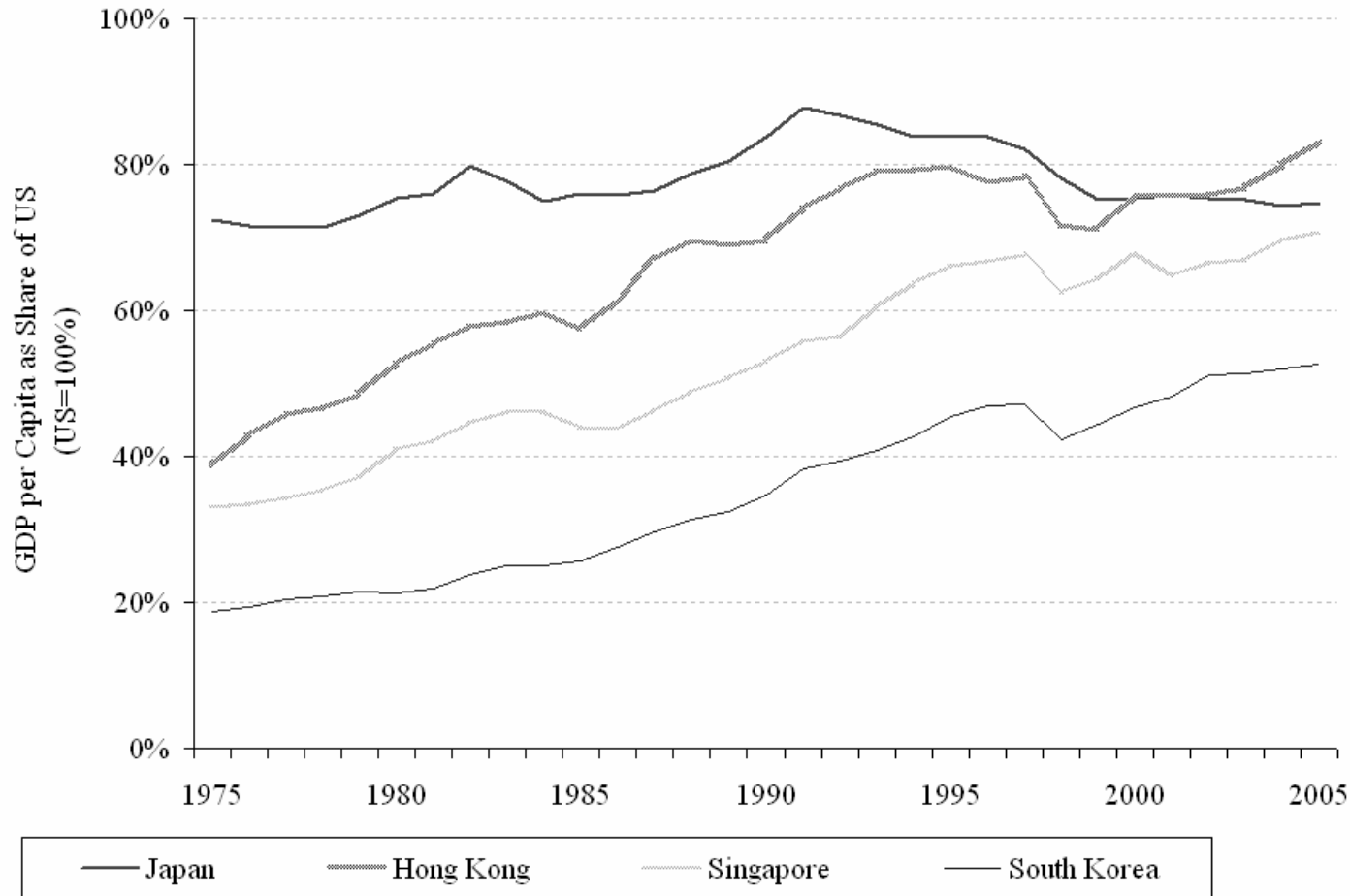
* estimate 28 June 2007

Source: World Bank Global Economic Prospects 2007



And for Development in APEC.....

GDP per Capita (PPP), percent of U.S.

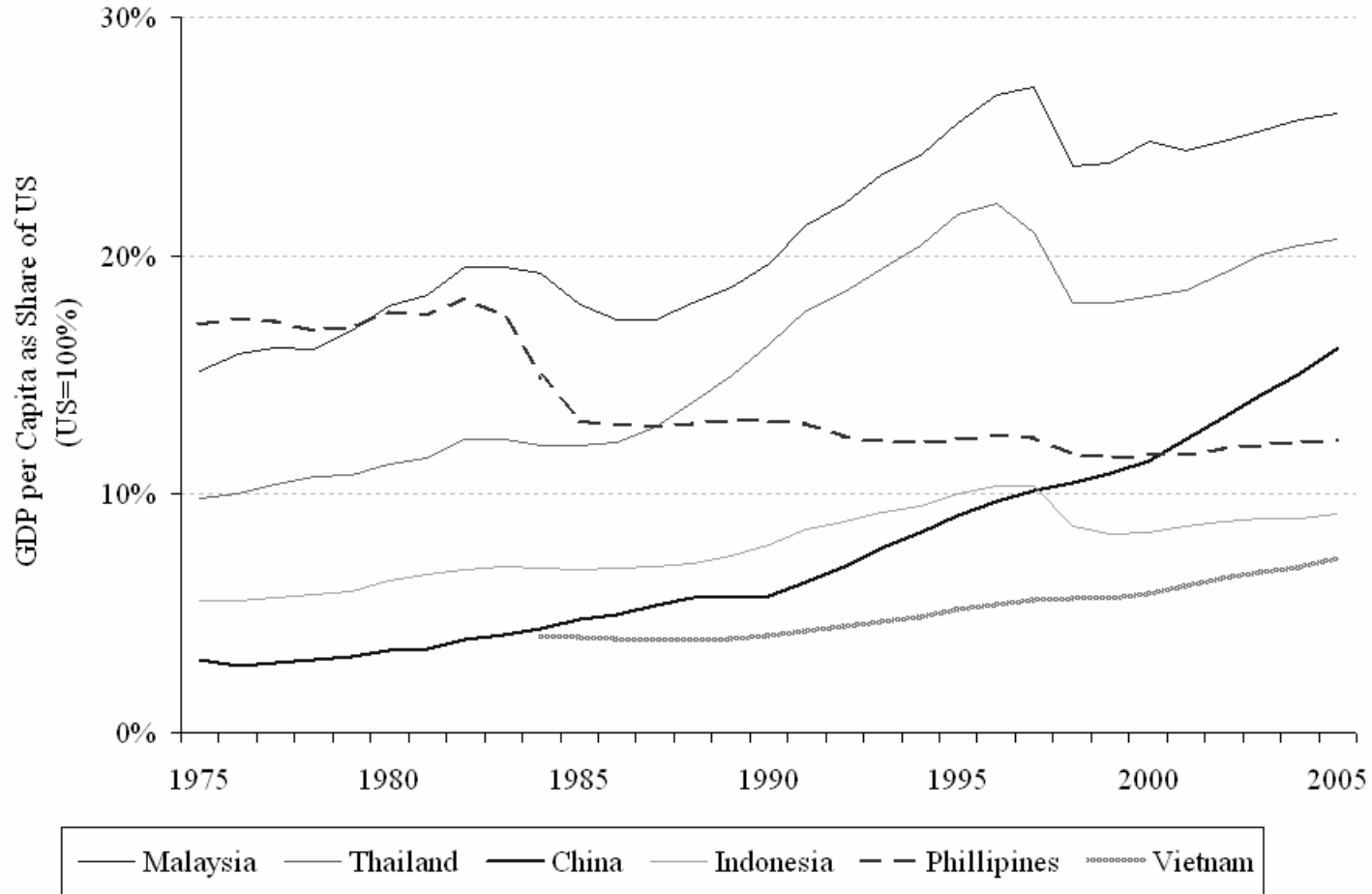


28 June 2007 Source: World Development Indicators, World Bank



APEC Economies are catching up...

GDP per Capita (PPP), percent of U.S.



28 June 2007

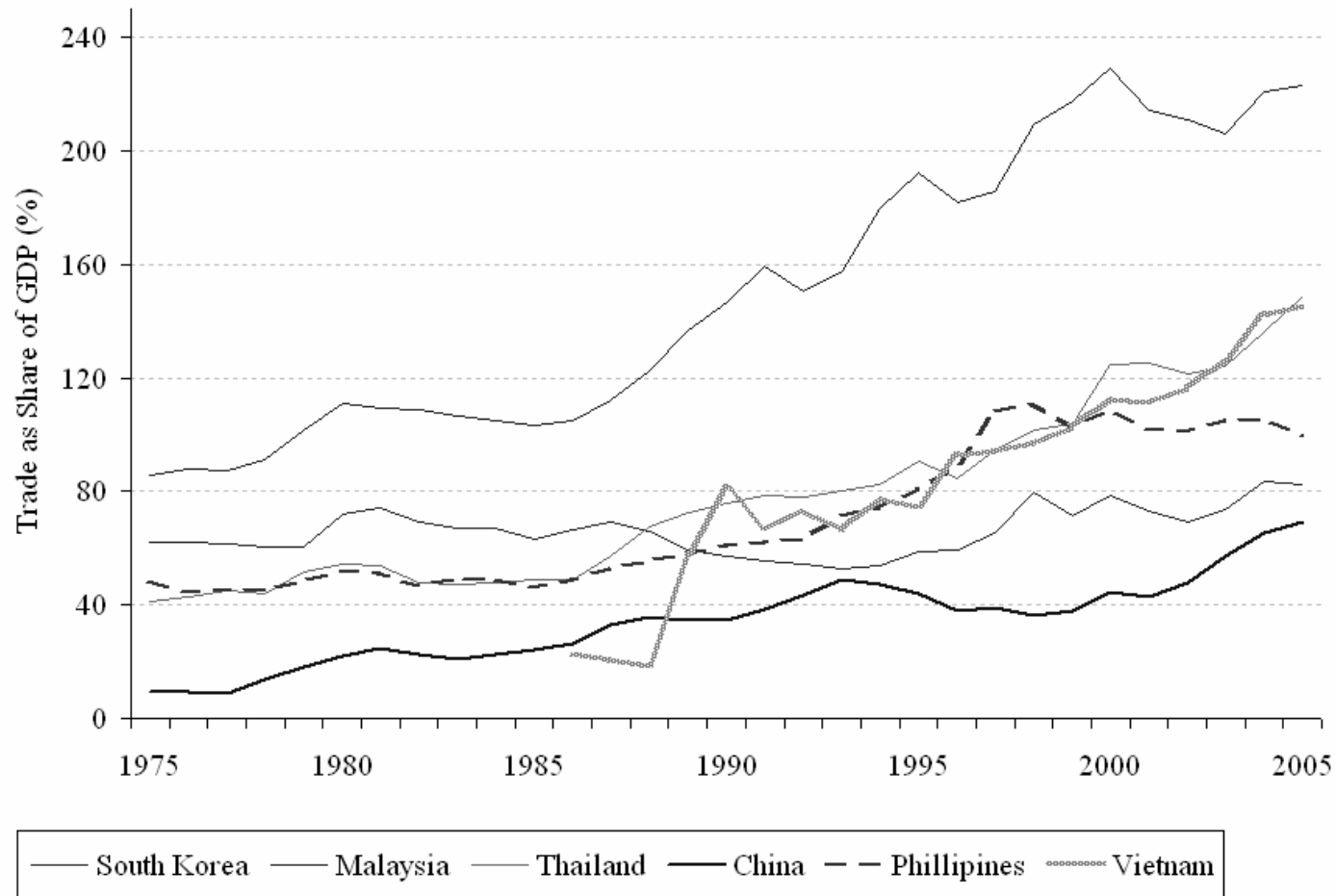
Source: World Development Indicators, World Bank



DEVELOPMENT PROSPECTS

With Trade as a driving force.....

Trade as Share of GDP



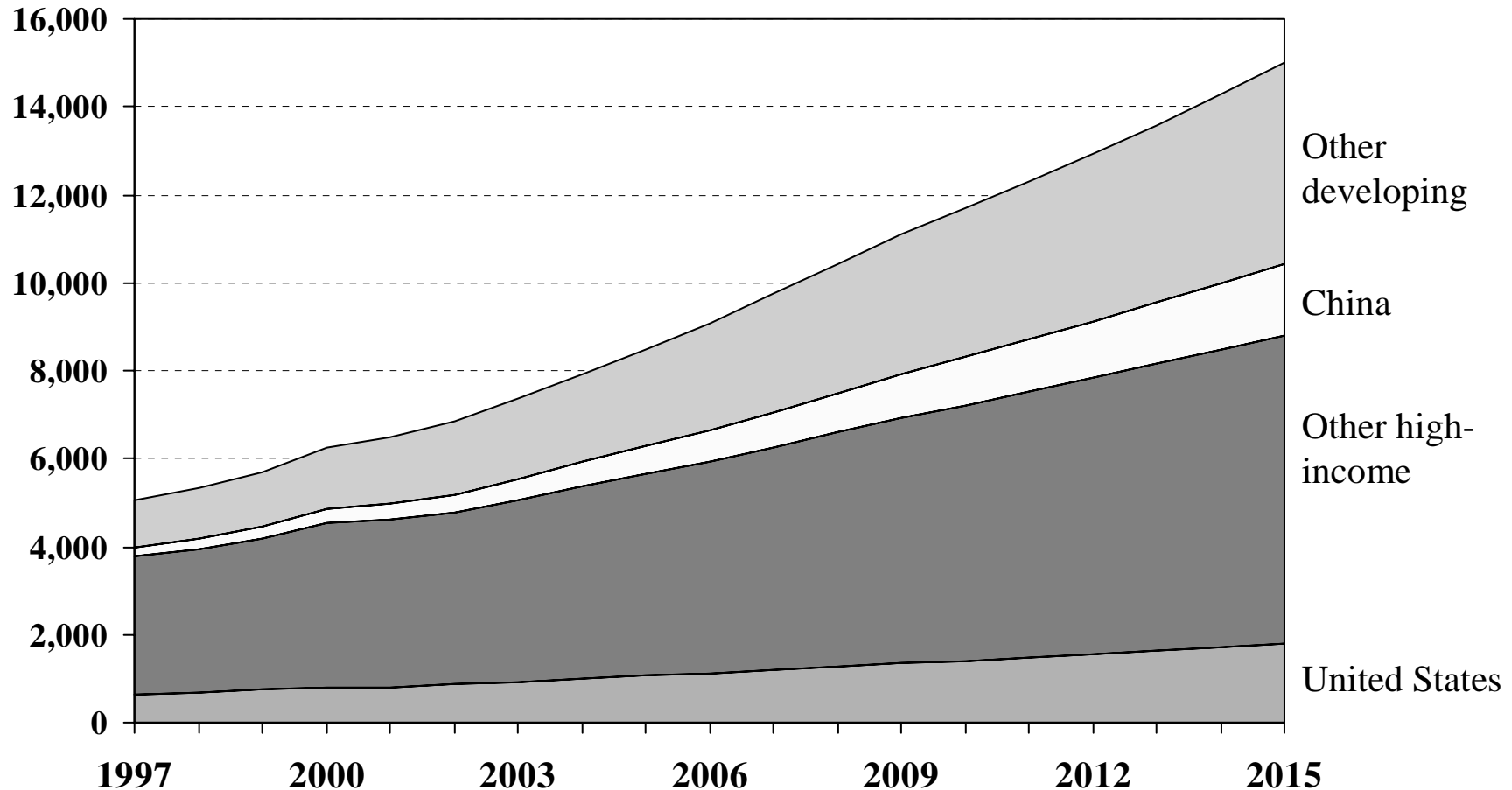
28 June 2007 **Source: World Development Indicators, World Bank**



DEVELOPMENT PROSPECTS

The continued importance of trade....

Merchandise exports (\$billion)

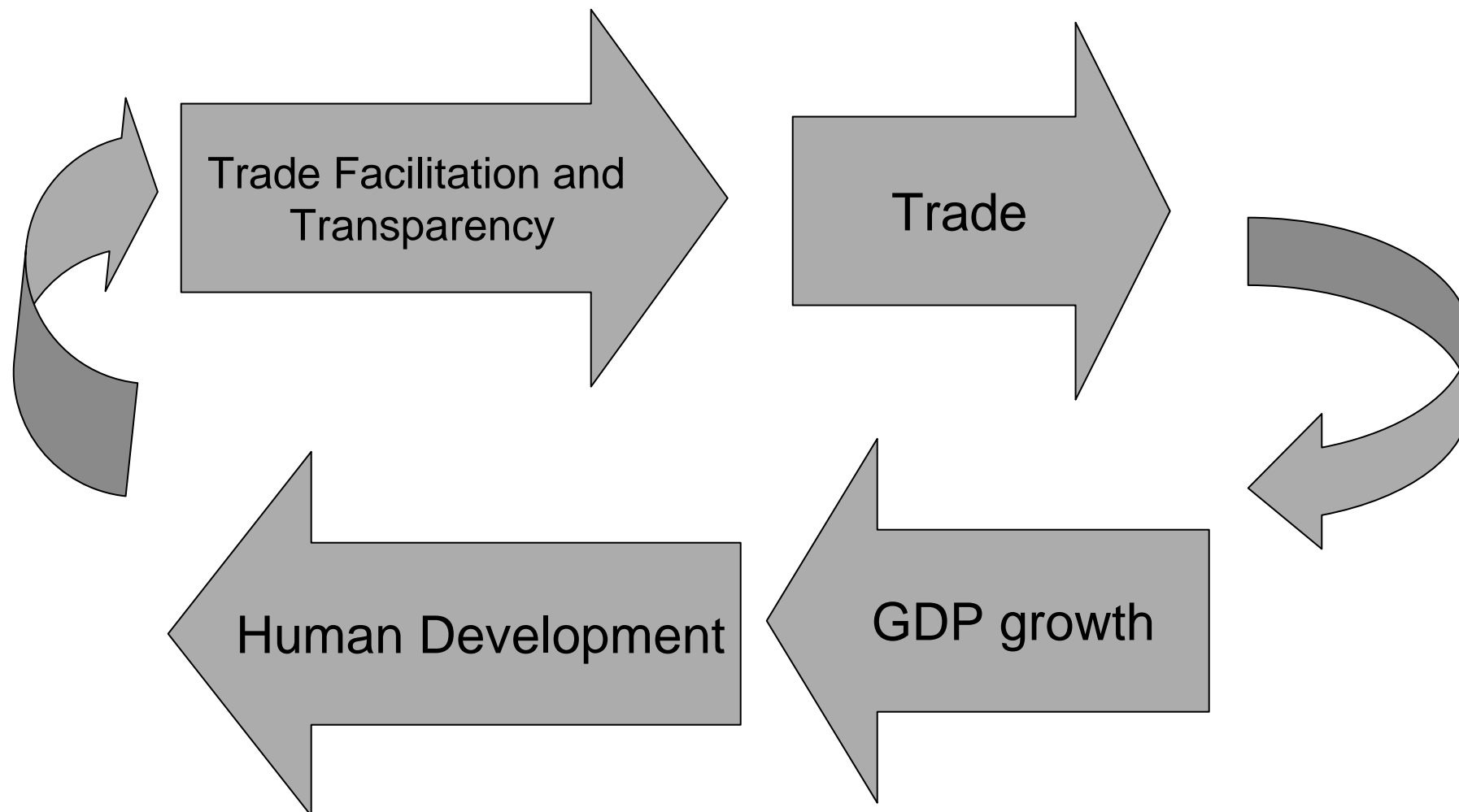


28 June 2007



DEVELOPMENT PROSPECTS

Transparency and Trade Facilitation is Central to This Forecast



The Specifics

- Trade facilitation lowers transaction costs
- **It is Multi-dimensional:**
 - **At the border:** tariffs and non-tariff measures, customs procedures, etc.
 - **Behind the border:** sectoral regulations, governance, etc.

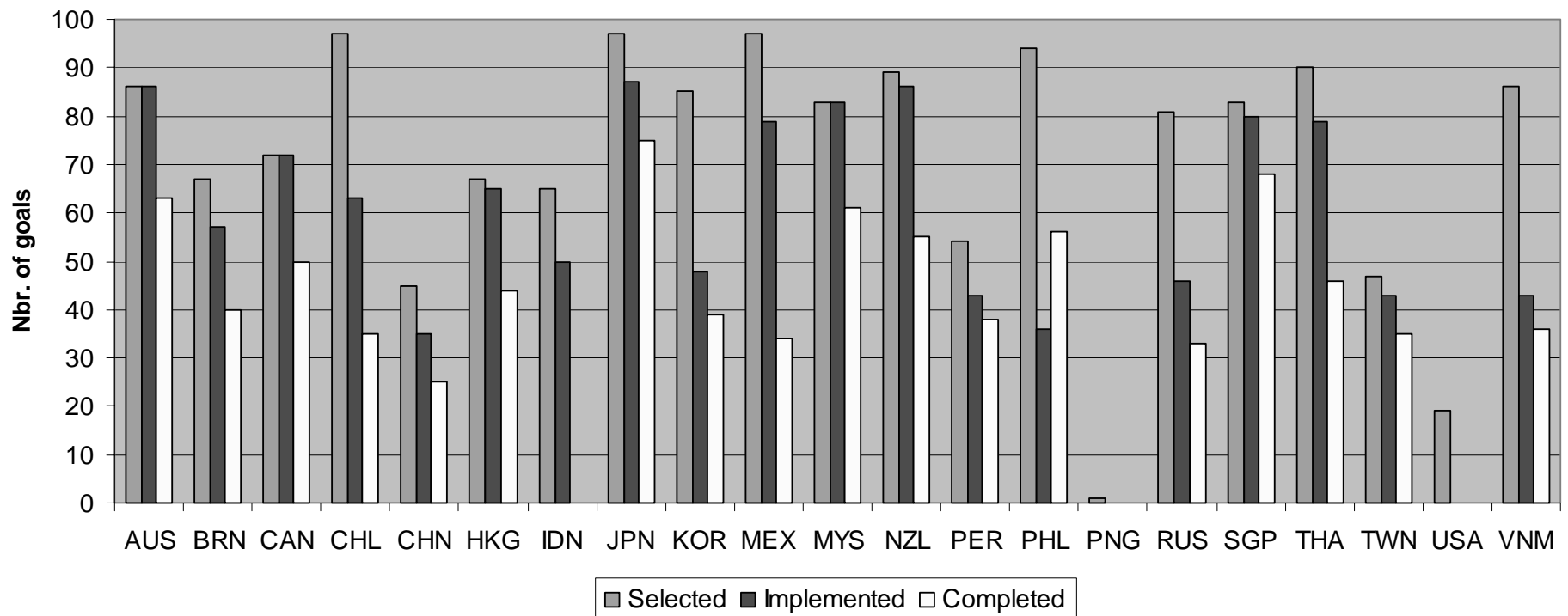
Transparency and Trade

- Trade facilitation should also be viewed to include **restrictiveness** and **transparency** of trade policy
- **Transparency** in the trading environment is critical:
 - Design and implementation of policies and procedures
 - Governance and corrupt practices
- Trade costs can be reduced via **both** means

APEC is a Leader in these areas

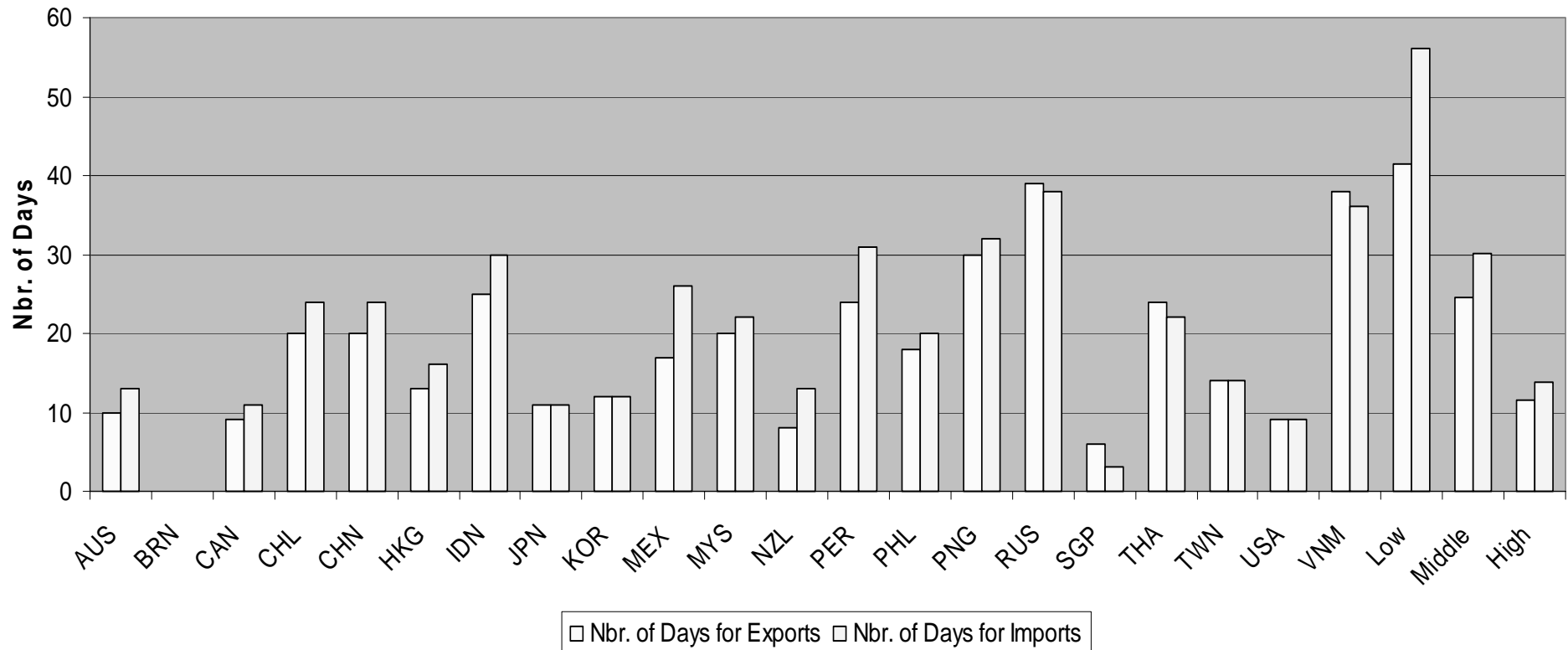
- APEC has played an important leadership role in trade facilitation
 - 1994 Bogor Goals & 1995 Osaka Action Agenda
 - 2001 Shanghai Accord & 5% Goal
 - 2005 Busan Road Map & Additional 5% Goal

Ambition, Progress, and Achievements in APEC



Source: Individual Action Plans (2004)

Customs Efficiency in APEC



Source: Doing Business in 2007

Transparency and Trade Facilitation in APEC

- APEC trade facilitation principles (2001) incorporates transparency goals:
- **“Transparency:** Information on ... rules and procedures relating to trade ... should be made available to all interested parties, consistently and in a timely manner... widely available medium at no cost or a reasonable cost.
- **Simplification, Practicability and Efficiency:** Rules and procedures relating to trade should be simplified to ensure that they are no more burdensome or restrictive than necessary...
- **Consistency and Predictability:** Rules and procedures relating to trade should be applied in a consistent, predictable and uniform manner with integrity so as to minimize uncertainty to the trade and trade related parties.

World Bank Research Report

Three main objectives:

1. Expand the framework of trade facilitation discussions to include **transparency**
2. Develop a practical approach to **measuring** transparency and **benchmarking** performance
3. Produce a **quantitative impact assessment** of reforms that increase transparency and **compare** different reform options

A New Analytical Approach

- **Identify links** between transparency and trade facilitation
- Construct **Importer Transparency Index (ITI)** and **Exporter Transparency Index (ETI)**
- Run **reform simulations** using gravity model estimates

Defining Transparency

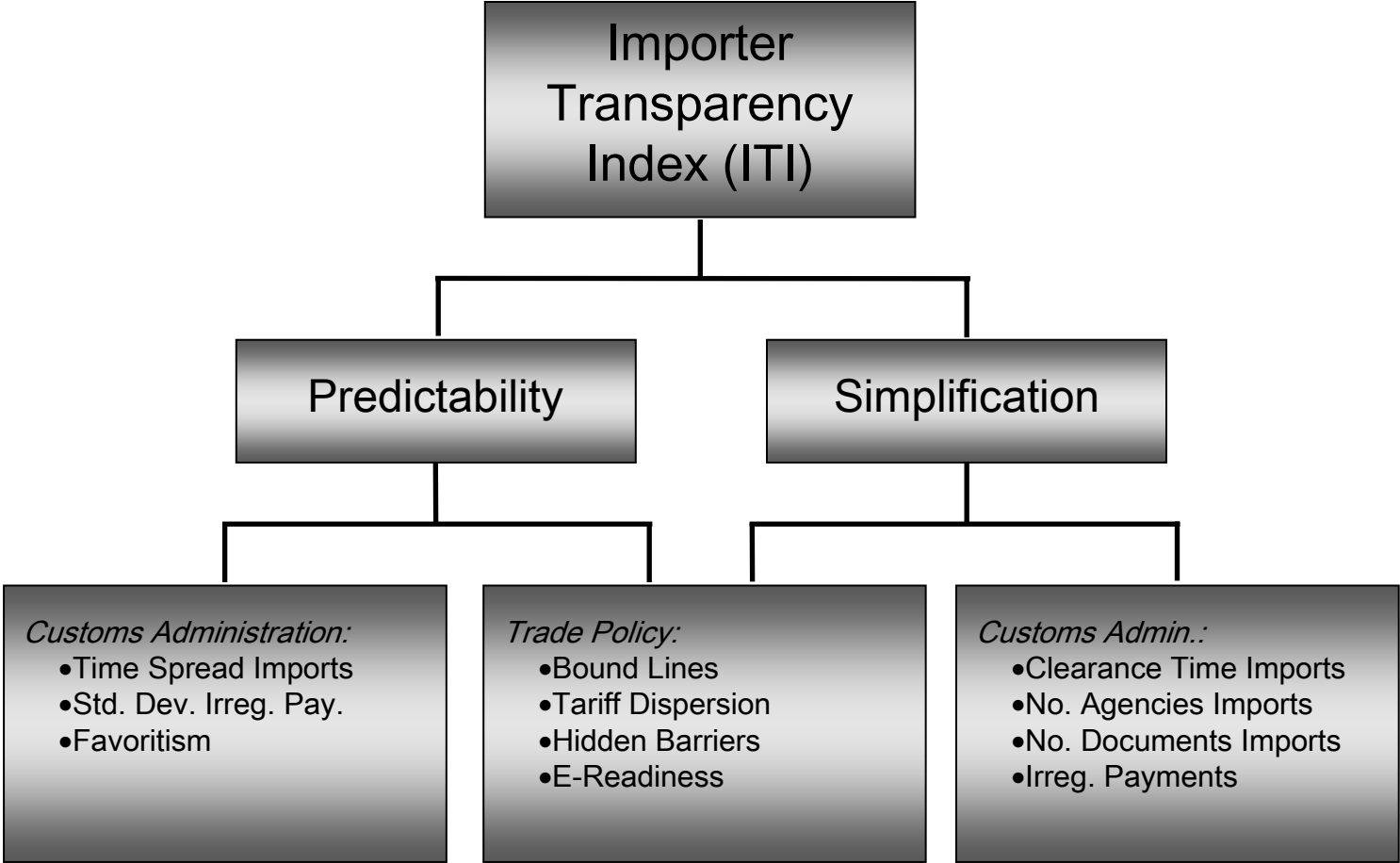
■ Two crucial aspects we include:

- Predictability: Transparency through greater certainty can lower costs for business.
- Simplification: Transparency through fewer “layers” of trade related policies can lower information and compliance costs for business.

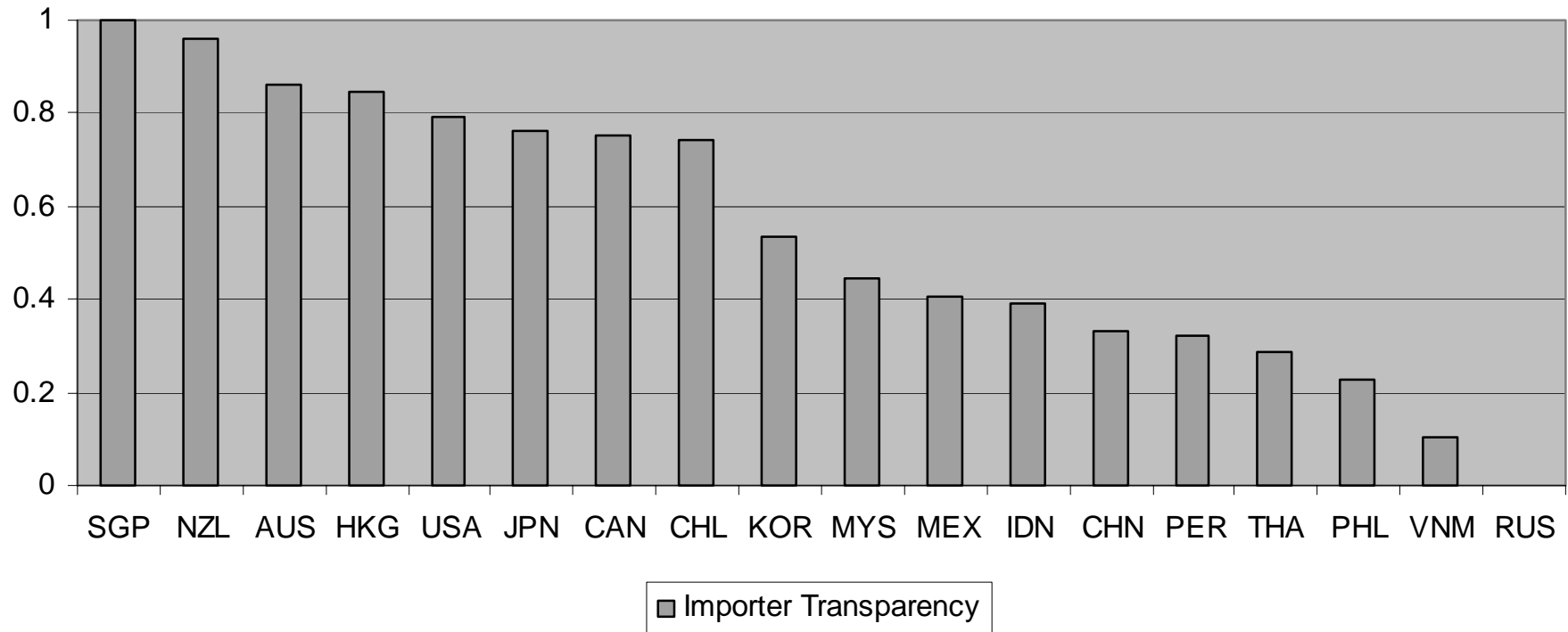
Measuring Transparency

- No single indicator measures everything.....
- But many indicators tell separate parts of the story...
- So we **combine** them using factor analysis
- Sources include:
 - *Doing Business Report* (World Bank)
 - *Global Competitiveness Report* (WEF)
 - *Logistics Perception Index* (World Bank)
 - *MAcMap* (ITC-CEPII)
 - *Global E-Government Readiness Report* (UN)

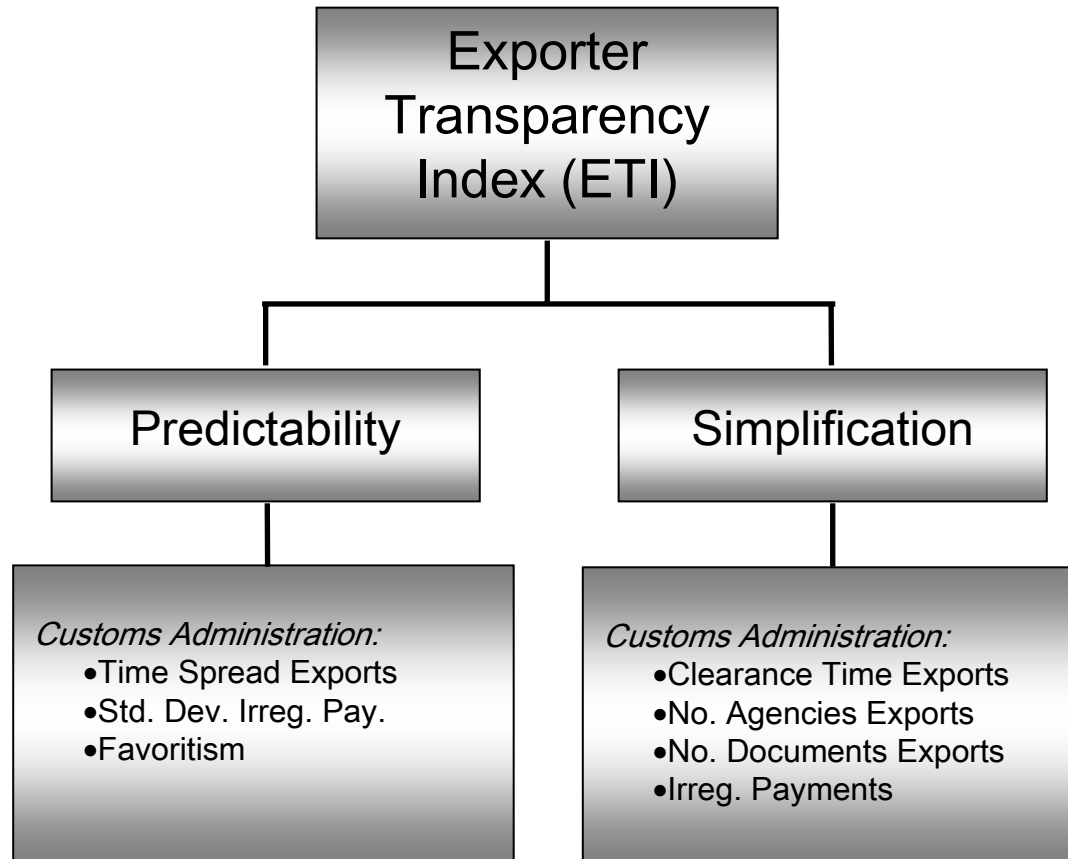
Measuring Importer Transparency



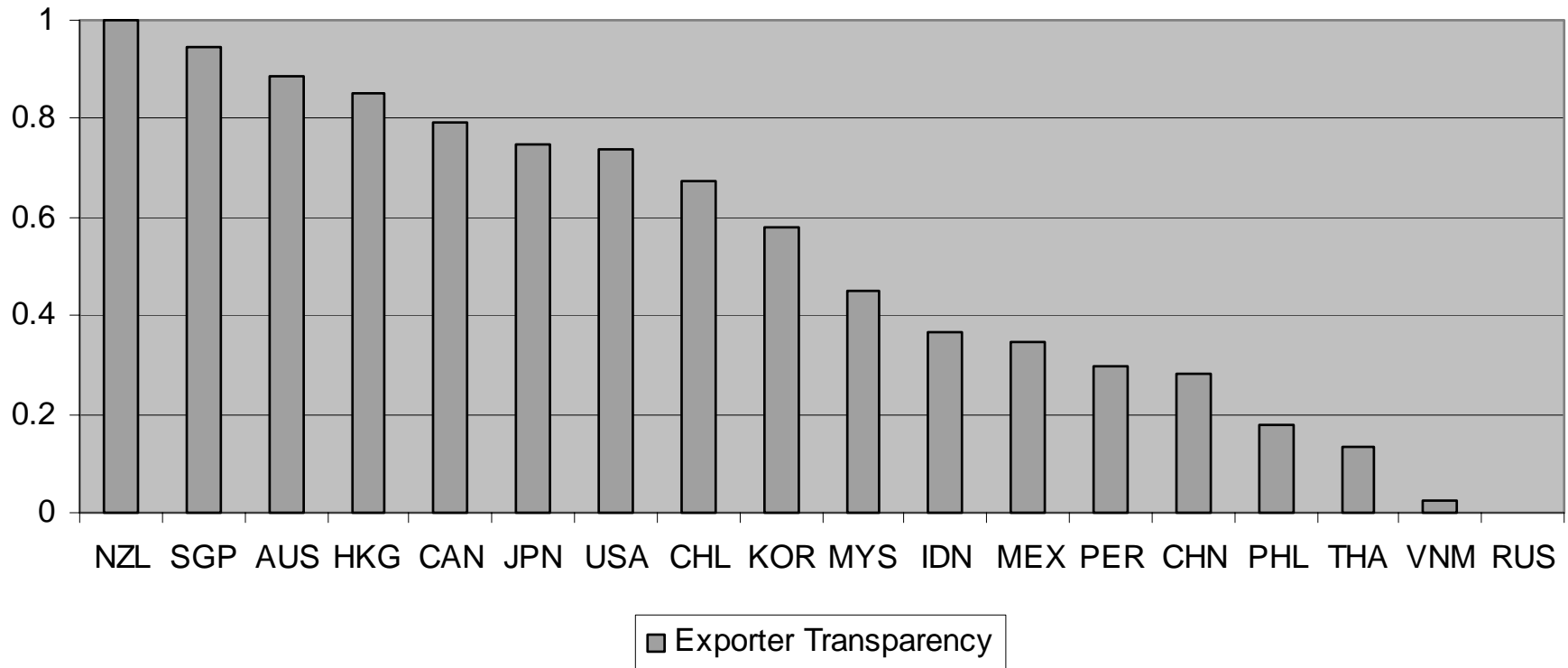
Importer Transparency Index in APEC



Measuring Exporter Transparency



Exporter Transparency in APEC



Transparency and Intra-APEC Trade Flows

- To assess the impact of transparency on trade, we use a standard **gravity model**
 - Bilateral tariff rates, including regional agreements and preferences
 - Ad valorem equivalents of non-tariff measures
 - Take account of reverse causality

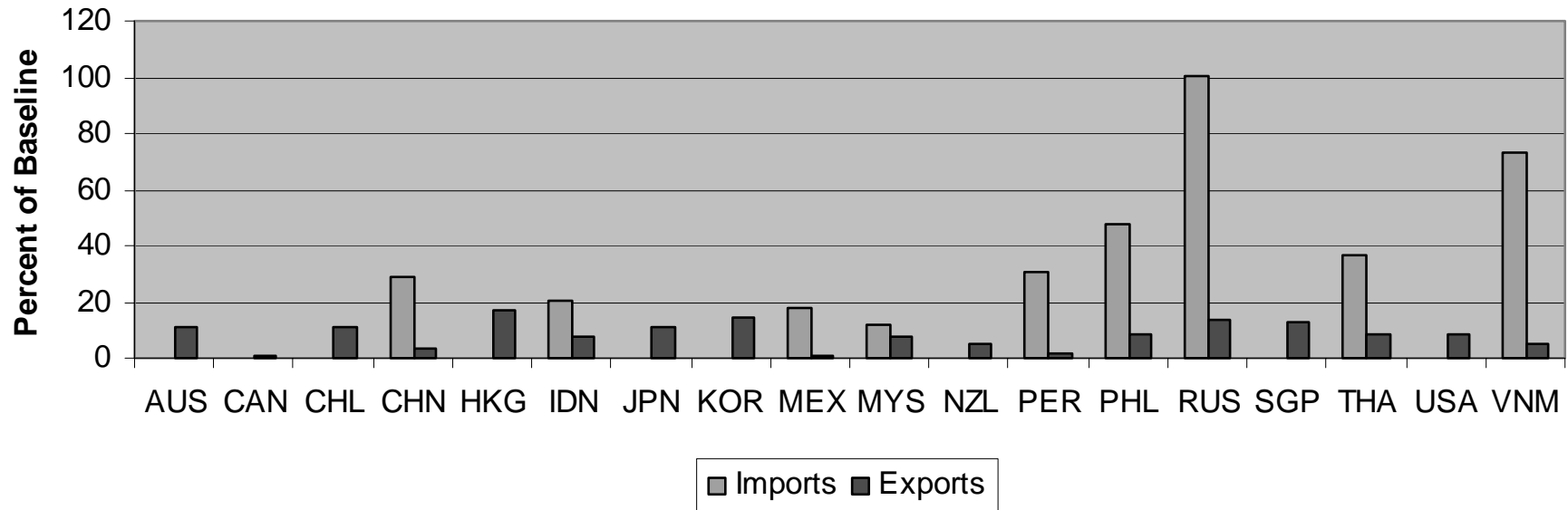
Transparency and Intra-APEC Trade Flows

- The Bank's econometric results suggest that:
 - Improvements to transparency, tariffs, and NTMs all have the potential to boost trade
 - Impact of transparency is stronger in differentiated goods sectors
 - Impacts driven in particular by corruption, "hidden" trade barriers, and import/export procedures

Transparency and Intra-APEC Trade Flows

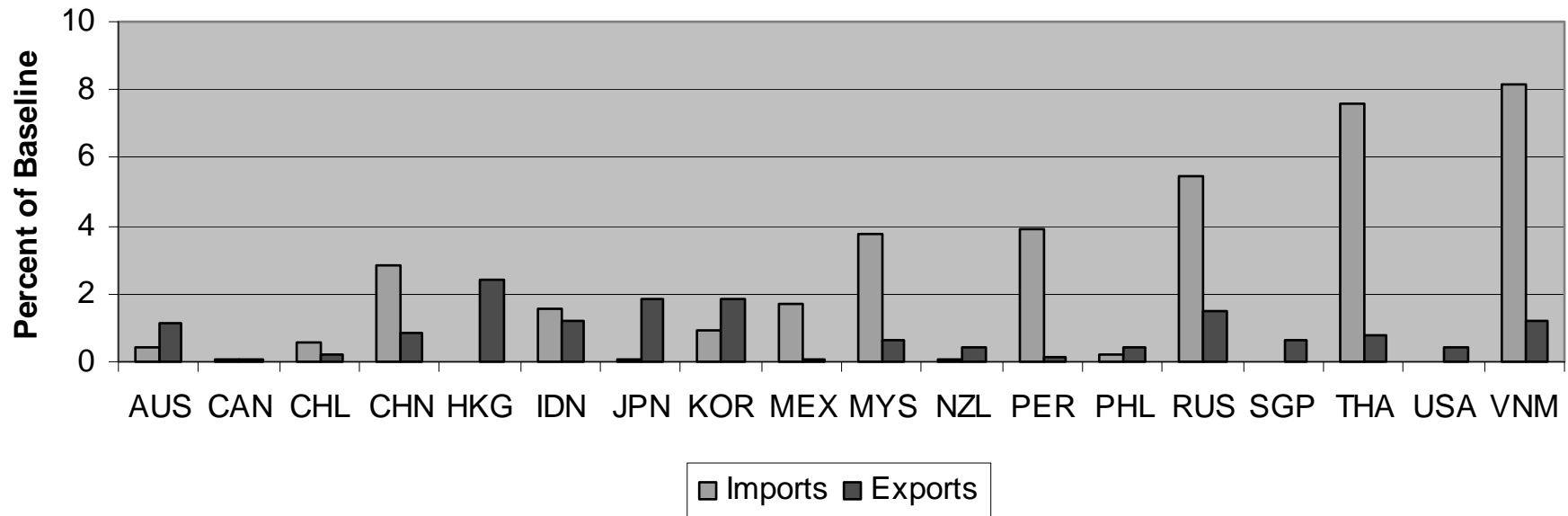
- Simulations to compare the gains from different reform possibilities
- Scenario I: Improve transparency to the regional average.
- Scenario II: Cut tariffs to the regional average.
- Scenario III: Cut NTBs to the regional average.

Scenario I Results: +\$148bn (7.5%)



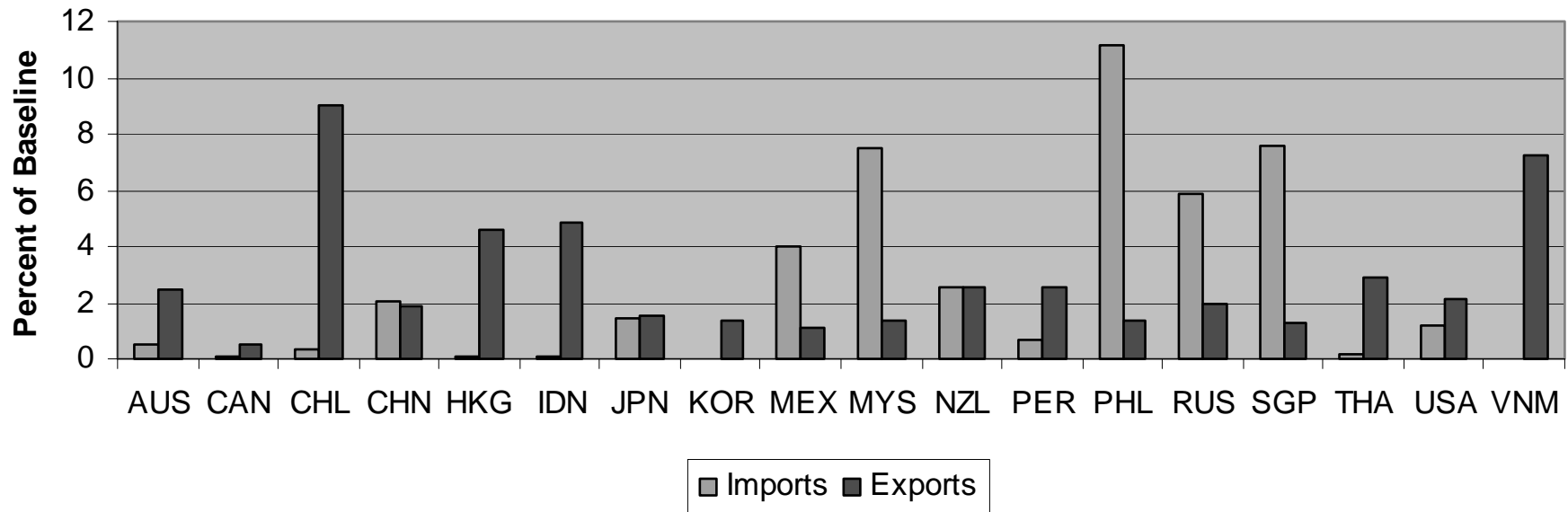
Scenario I: Improve importer transparency within the APEC region such that no economy is below the current regional average (0.54).

Scenario II Results: +\$18bn (0.9%)



Scenario II: Reduce applied tariffs within the APEC region such that no economy applies a higher level of protection than the regional average for each HS Chapter.

Scenario III Results: +\$35bn (1.8%)



Scenario III: Reduce the ad valorem equivalents of non-tariff barriers within the APEC region such that no economy applies a higher level of protection than the regional average for each HS Chapter.

Conclusions

- Potential APEC trade gains with improved transparency are large compared with other options
- Gains come from own reforms + reforms by trading partners
- Transparency and trade facilitation programs should be linked

Suggestions Going Forward

- Results can inform capacity building priorities and development agenda in APEC
- Economy priorities need to be evaluated
 - Further analysis and periodic status reports
- New Transparency and Trade Facilitation Initiative?

Thank you

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http://econ.worldbank.org/projects/trade_costs