

Standards and Trade: The Development Dimension

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The World Bank

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Outline

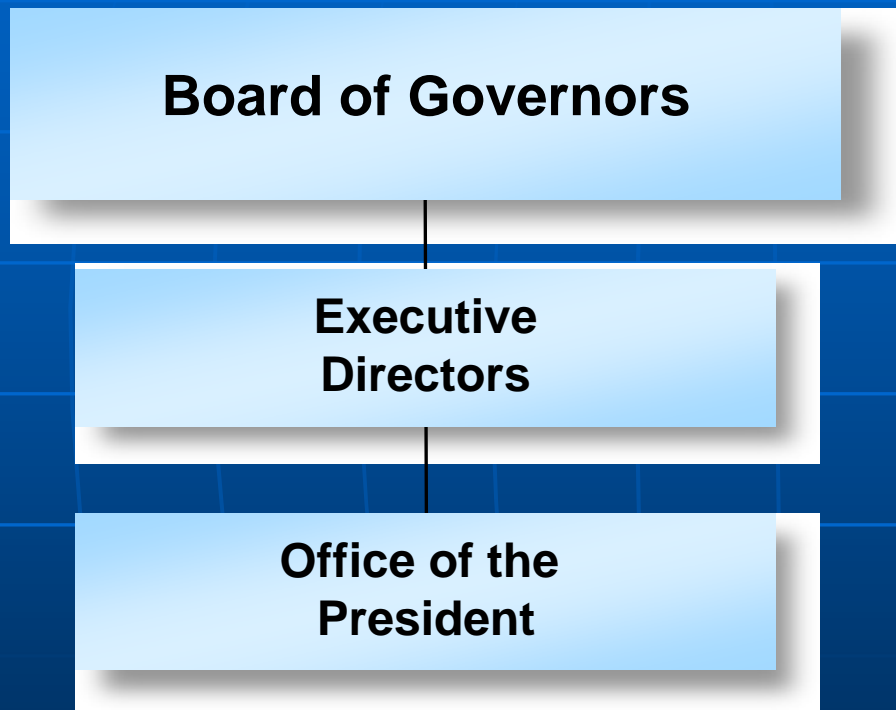
- Introduction
 - The World Bank Group
- Why Standards Matter
 - Economic context
 - Bank research
- Concluding remarks

The World Bank

- International Bank for Reconstruction and Development established July 1944, along with IMF and GATT
- Its mission?
To rebuild Europe after World War II.
“Reconstruction”



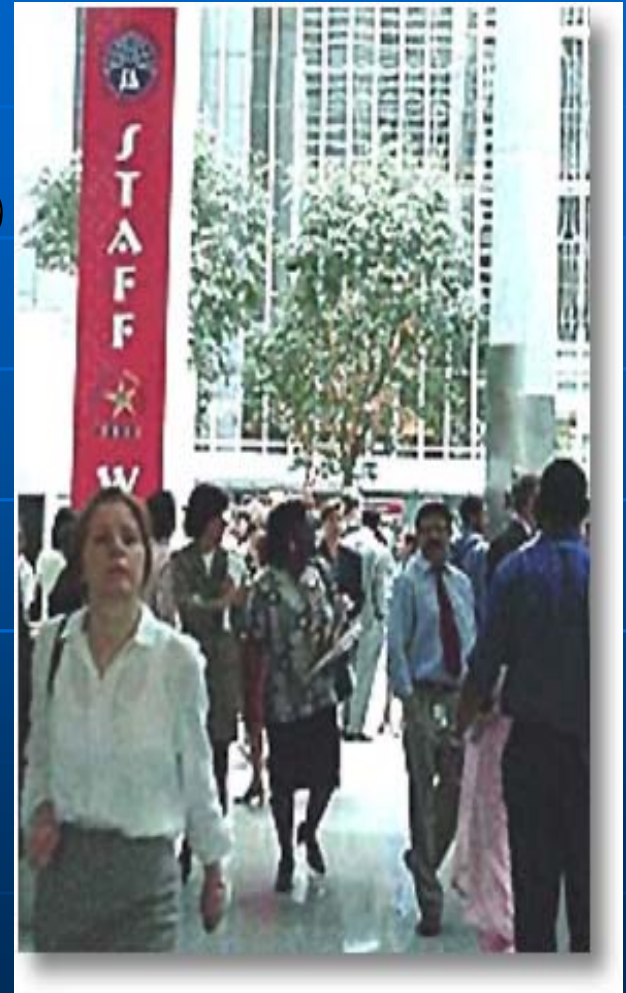
How the World Bank Operates



- 185 Member Countries appoint Governors
- Governors delegate duties to Executive Directors
- President of the World Bank reports to Board of Directors
- Current President Robert B. Zoellick

World Bank Staff

- Total Bank staff of about 10,000. 7,000 at HQ and 3,000 in the field.
- 100 Bank resident missions outside HQ.
- Developing country nationals represent 55% of total staff.



The World Bank Today

- Total Assets - \$208 billion. In FY 2007, commitments totaled \$24.7 billion.
- Financial instruments: policy lending, investment, and technical assistance.
- Bank is operating in a good economic environment – growth, private capital, savings, this is the good news part of the story

Ten Largest World Bank Borrowers in 2007 (millions of dollars)

Borrower	Commitments	
	\$ millions	% of total
India	3,751	15.2
Argentina	1,749	7.1
China	1,641	6.6
Indonesia	1,159	4.7
Turkey	1,158	4.7
Colombia	1,102	4.5
Pakistan	985	4.0
Nigeria	750	3.0
Vietnam	712	2.9
Africa Regional Projects	707	2.9
Total	13,714	55.5

Bank Trade-related lending

- Bank trade-related lending grew from **\$600 million** (2003-07) to **\$1.6 billion** in FY06-07.
- Standards part of this; quality, labs, technical assistance.
- Current review of research, operations.

Bank Trade Lending (cont.)

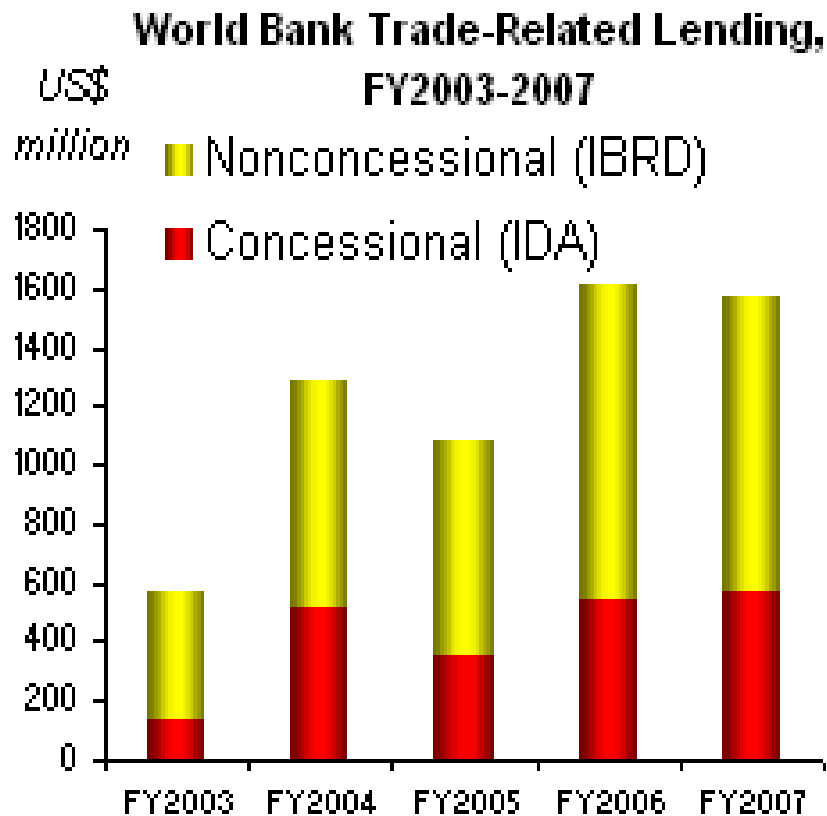


figure 1

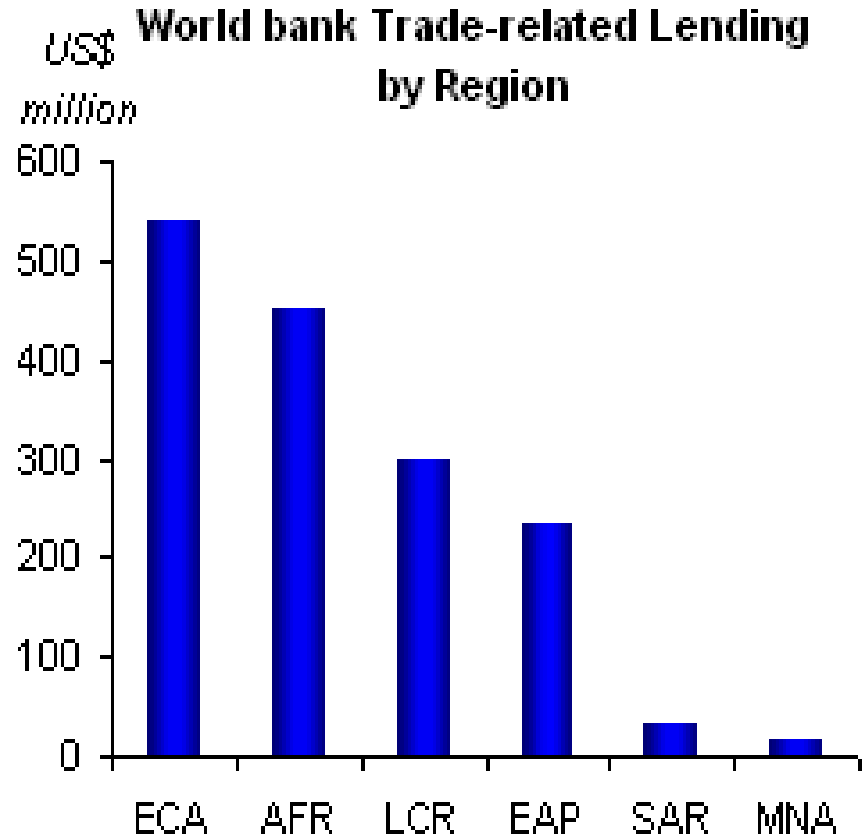
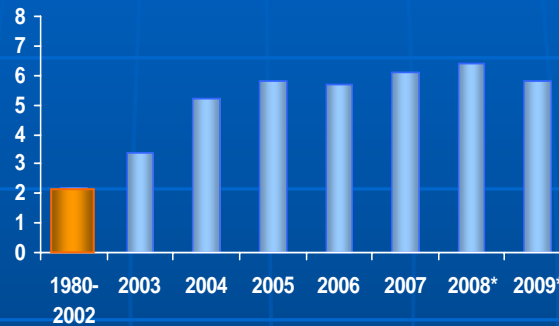


figure 2

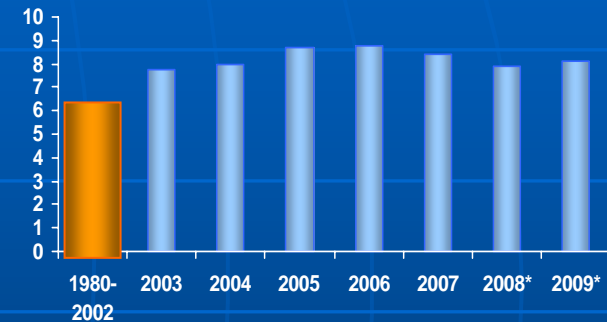
Good News on Global Growth.....

GDP change from previous year

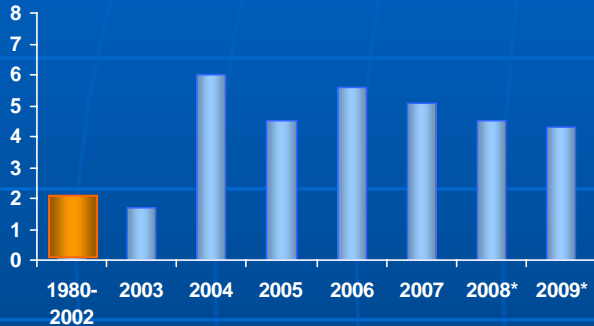
Sub-saharan Africa



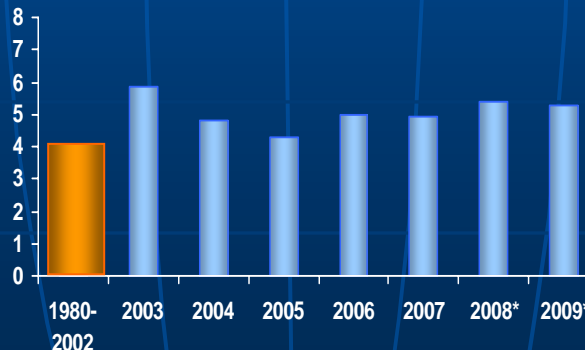
South Asia



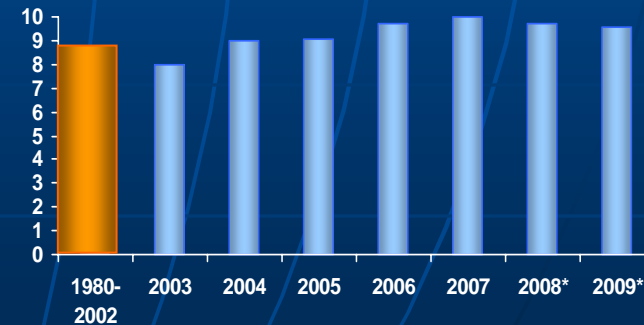
Latin-America Caribbean



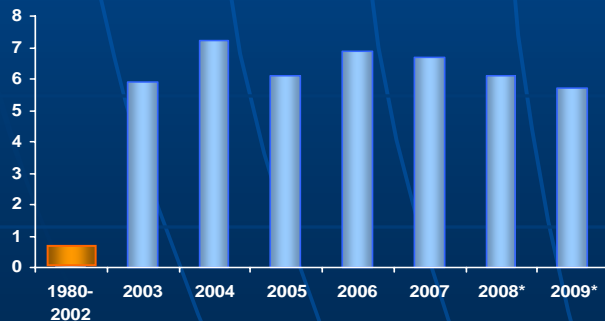
Mid-East North Africa



East-Asia Pacific



Europe & Central Asia



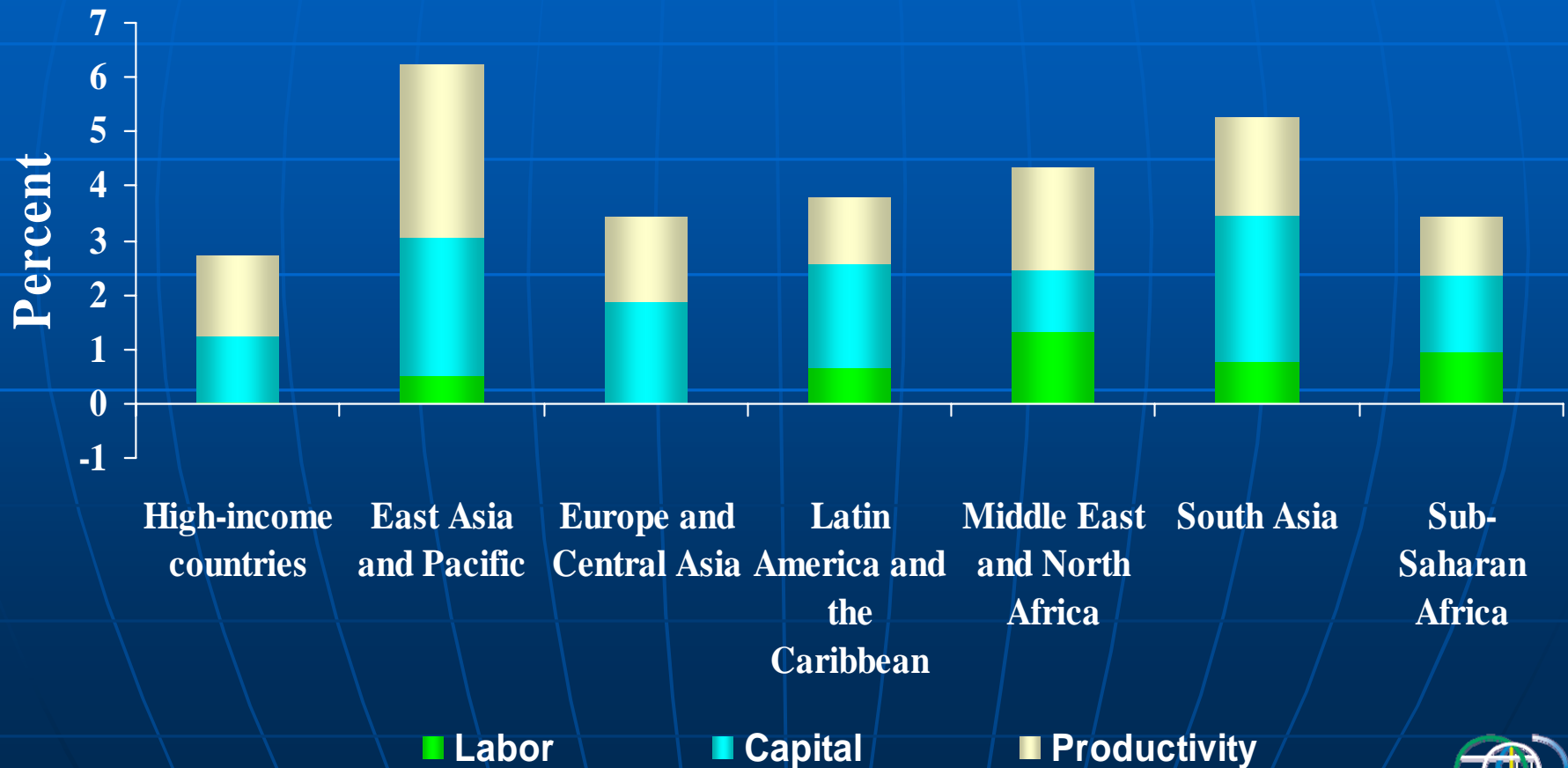
* estimate

Source: World Bank Global Economic Prospects 2008



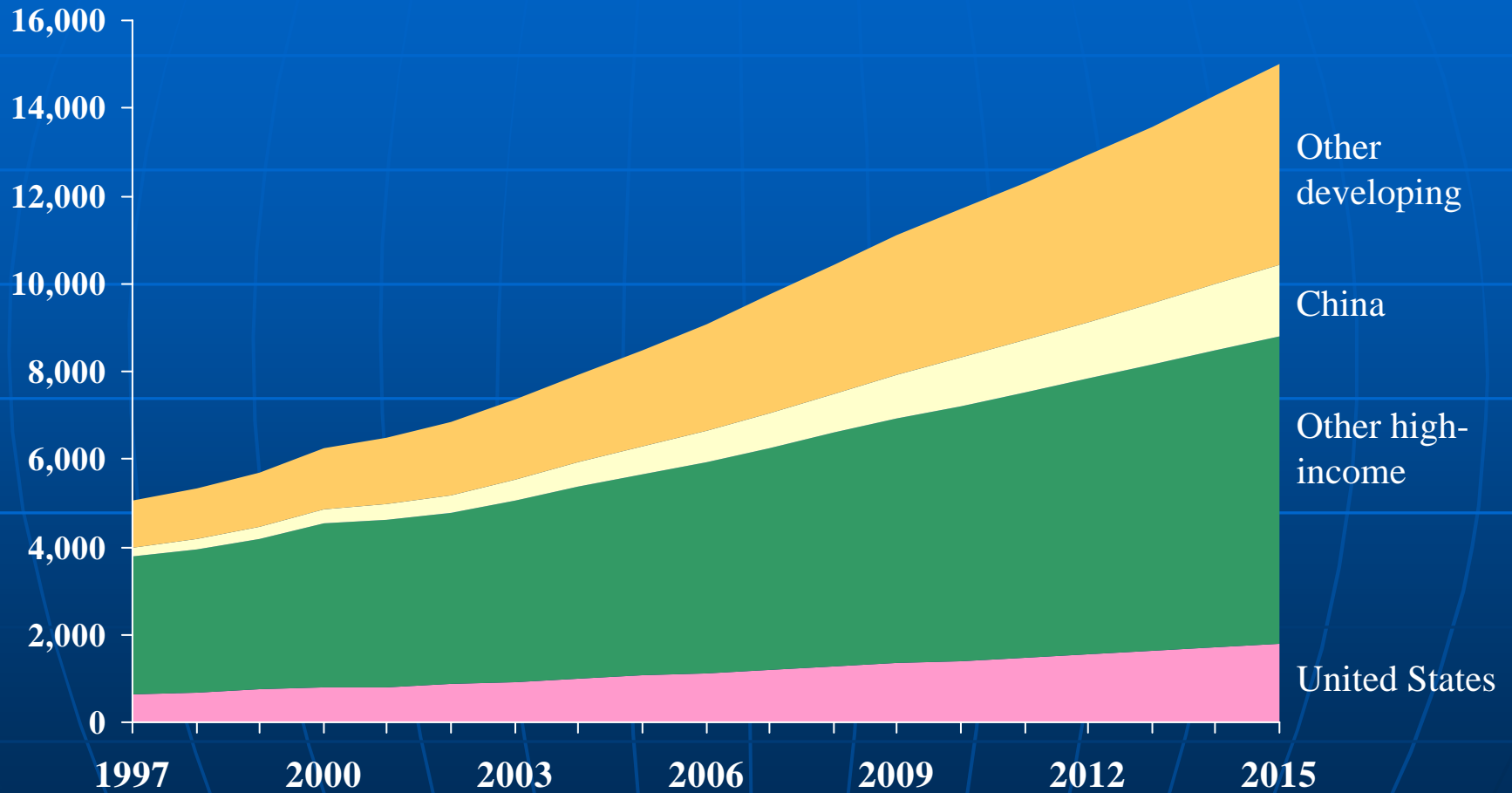
Productivity is also accelerating.....

Decomposition of GDP growth 2005-2015
(Average % per annum)



World trade as a driving force.....

Merchandise exports (\$billion)



Standards in Context



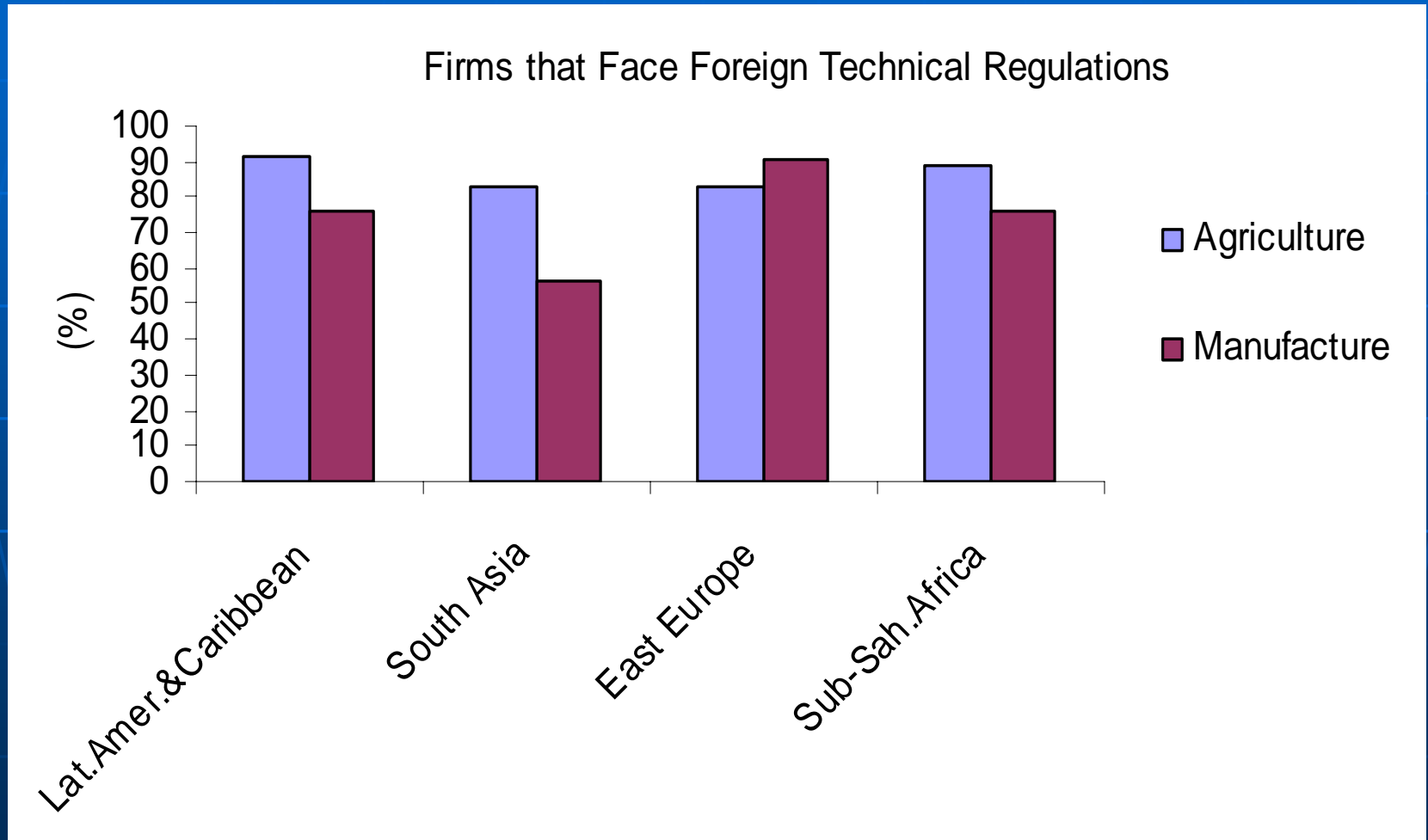
Standards: Good and Bad

- Benefit of standards
 - Quality, information exchange, technology transfer, health, safety
- Technical regulations as protection
 - Non-transparent rules
 - Import specific testing, certification rules
 - “Domestic” science / standards government driven

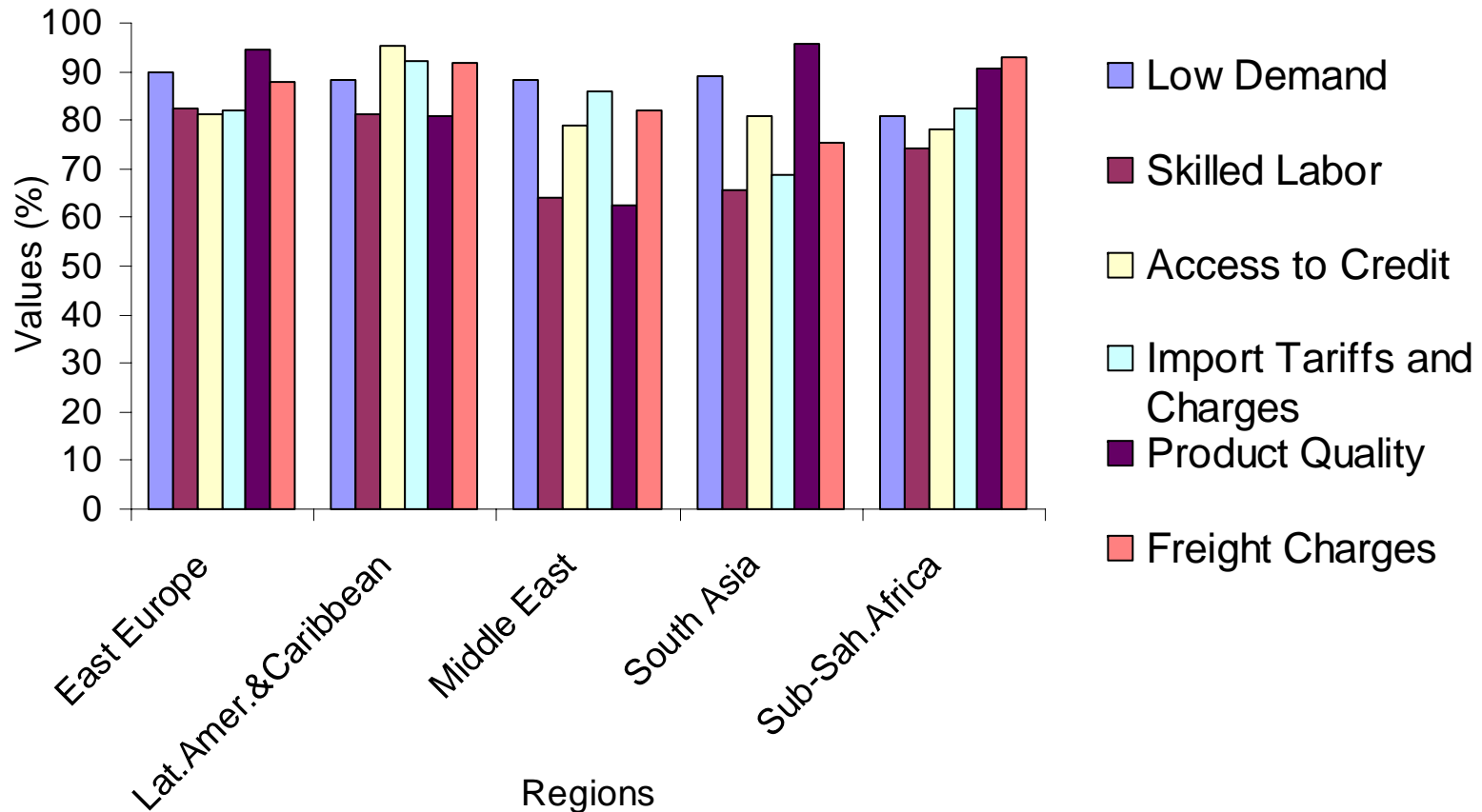
Global Trade and Standards

- World Bank TBT Database
- Investigate impact of standards and regulation at the firm level
- Survey of 619 firms - 17 developing countries

Standards and the Private Sector



Factors Important for Export Success



Standards Matter to Trade

- “The Costs of Complying with Foreign Product Standards for Firms in Developing Countries” Maskus, Otsuki and Wilson (2005)
- “Do Standards Matter for Export Success?” Chen, Otsuki and Wilson (2006)
- “Help or Hindrance? The Impact of Harmonized Standards on African Exports” Czubala, Shepherd and Wilson (2007)
- Wilson, Mann, Otsuki 2005.

j1

some description of the EUESDB here?

jreyes, 08/15/2008

Standards and Production Costs

- One-time set-up cost of compliance is 2.2% of total sales on average.
- Tightening standards by 1% results in a 0.06% increase in production costs per year by requiring additional labor and capital.

Standards and Export Success

- Data from World Bank TBT Database
- Estimate impact of standards and technical regulations on firms' export performance
- Do technical requirements affect firms' ability to export and market diversification?

Standards and Competitiveness

- Technical regulations affect export share:
 - Duplicative testing procedures cut export share by 9%
- Standards affect market diversification:
 - Multiple testing procedures reduce likelihood of exporting to multiple markets by 3%
 - Standards affect market diversification much more for firms which import inputs.

Benefits to Harmonization

- Strong evidence that harmonized standards restrict trade less.
- A 10% increase in internationally harmonized EU standards leads to a 0.2% increase in export variety for African textile and clothing exports.
- This effect is around 50% stronger for low income countries

Mutual Recognition Agreements

(Chen, Suzuki, Wilson preliminary)

- MRAs do affect firms' export decision (whether to export) :
 - The probability of firms in developing countries entering export markets is 52.3% higher if MRA is in place.

Estimating the Global Benefits: (World Bank Research)

Trade Facilitation through four channels:

1. Port Logistics (air and sea)
2. Customs Environment
3. Regulatory Environment (standards)
4. E-business usage (proxy for services infrastructures)

Creating Country-Specific Indicators

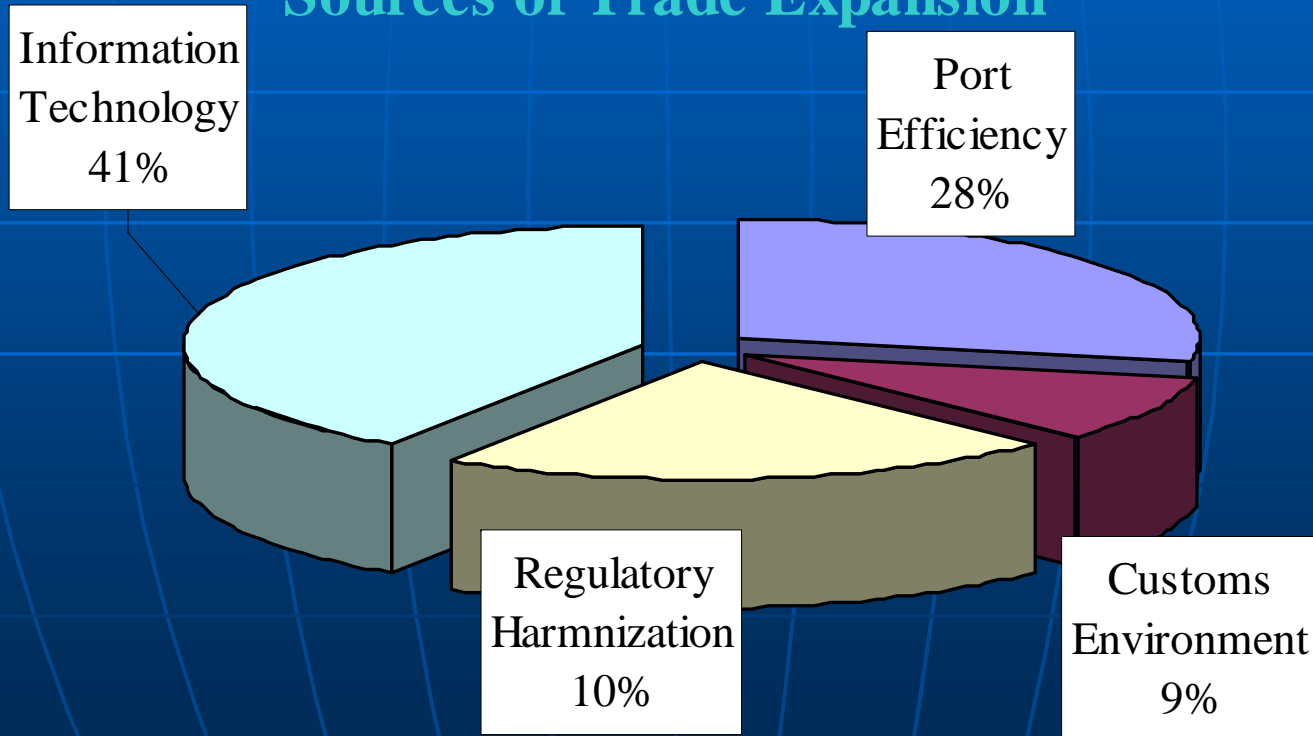
- APEC member economies

Global Benefits of Standards

\$377 billion increase in 75 countries

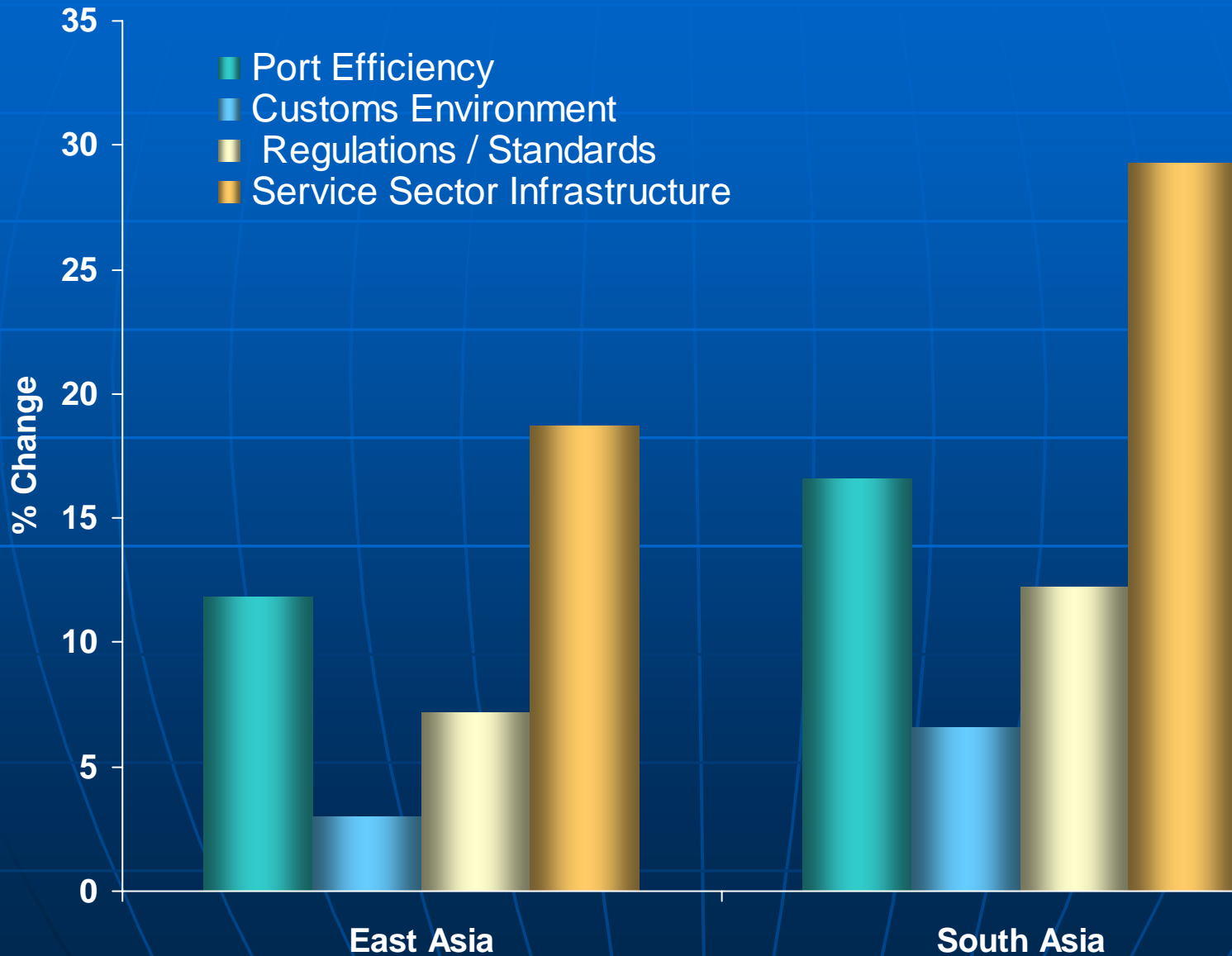
Raising capacity half-way to world average

Sources of Trade Expansion



Source: Wilson, Mann and Otsuki (2004)

Trade Expansion in Asia



Summary

- Standards matter great deal to trade and development.
- Growth, wealth creation, poverty reduction tied to standards.
- Singapore leadership in trade, competitiveness.....and standards.

The Future and Next Steps

- Asia's future depends on trade expansion, and lower barriers
- ASEAN and APEC – strong opportunity for progress
- Partnerships with the World Bank and others.
- “Standards and Competitiveness Forum?”

Thank You

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www.econ.worldbank.org/projects/trade_costs