Behind-the-Border Trade Facilitation in Asia-Pacific:
Cost of Trade, Credit Information, Contract Enforcement and Regulatory Coherence

by
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Presentation Outline

- Trade Facilitation and Doing Business in Asia-Pacific
- Question 1: how important are behind-the-border trade and business facilitation measures?
- Question 2: Is a coherent and integrated approach to trade and business facilitation important for trade development?
- Conclusion and policy implications
Trade Facilitation in Asia and the Pacific

Big progress made in reducing time and cost of import and export

- 4 days since 2006…
- It now “only” takes 30 days!

BUT

- “Group of 7” also achieved -4 days since 2006…
- G-7 export time is now at 10 days!

ASEAN countries as a group clearly stand out in the region

- 6 days since 2006
- … ASEAN-5 still takes about 15 days!

Source: ADB/ESCAP 2009
But Trading Across Border…

also involves Doing Business

- Trading Across Border
- Starting a Business
- Dealing w/ construction permits
- Employing Workers
- Registering Property
- Getting credit
- Protecting Investors
- Paying Taxes
- Enforcing Contracts
- Closing a Business
Trade Facilitation, Business Facilitation, or Both?
Question 1

Do business regulations (facilitation measures) specifically related to international trade have more impact on trade... than regulations (facilitation measures) affecting all businesses in the importing or exporting country?
Extended Gravity Model

Bilateral import flows explained by:

- Standard gravity variables (Bilateral distance, GDPs, Cultural factors, landlockedness…)
- Import tariff [-]
- Import Cost (in importing country) [-]
- Export Cost (in exporting country) [-]
- Behind-the-border business regulatory performance in importing C./exporting C.
  - Availability of credit information [+]
  - Extent of information disclosure req. for investors [+]
  - Complexity of contract enforcement process [-]

Estimation

- One-year cross-country dataset (2007, 37 countries covering Asia+OECD)
- OLS; OLS w/ fixed effects on importer side
Impact on Trade of a 5% Improvement in selected areas

- B2B trade facilitation
- B2B business facilitation
- Bilateral import
- Bilateral import from south/intra-regional

- Cost of export
- Getting credit
- Investment protection
- Contract enforcement
- Import tariff
Question 2

Do countries that achieve balanced performance across all trade and other business facilitation areas also achieve better trade performance?
Impact of Business Regulatory Coherence on Trade

Rep. of Korea

- Ranks 12th in Trading Across Border and Getting Credit… but 126th in starting a business and 152nd in employing workers

- Is it effective to pick a few specific areas for improvement and achieve top world-ranking in these, or is it better to make improvements across the entire business regulatory environment?
Impact of Business Regulatory Coherence on Trade

- Business Regulatory Coherence Index (BRCI)
  - BRCI = Variance of a country’s performance across all 10 areas of Doing Business
Figure 4: Business Regulatory Coherence in Selected Subregions of Asia and the Pacific
(A lower rank denotes higher coherence)
Business Regulatory Coherence Index (BRCI)

BRCI = Variance of a country’s performance across all 10 areas of Doing Business

Evidence of a Business Regulatory Coherence Dividend found

A 5% reduction in variance of performance across the 10 areas of doing business in exporting country leads to:

- 0.7% to 1.5% increase in export
- Impact higher on South-South export
Conclusions and Policy Implications

- Impact of BtB business regulations on trade flows is high, sometimes possibly higher than trade-specific regulations.
- A more coherent and integrated approach to trade and business facilitation is important for trade development.

→ Trade agencies should continue working on core trade facilitation issues... but pay particular attention to collaboration with other business regulatory agencies and... and reinforce inter-agency and public-private consultation mechanisms.
On-going work on trade costs using inverse gravity...

Table 2: Intra and Inter-subregional Trade Costs in Asia: 2007 Estimates and Progress Since 2003

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Source: Duval and Uttoktham, 2010
Figure 3: Intra-subregional Trade Costs of Asian Subregions, 2003/2007

Source: Duval and Uttoktham, 2010
Thank you for your attention

Questions welcome

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# Trade Facilitation and Logistics Performance

## Logistics Performance Index (LPI) 2010 Ranks*

*LPI captures country TF performance in terms of trade-related procedures, infrastructure and services*