Indicators for Trade Facilitation: A Handbook

(Version 1.0)

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

OECD

ARTNeT

UNNExT
United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific

Preface

This digital Handbook was developed as a follow-up to the Workshop on Trade Facilitation Performance and Monitoring, co-organized on 23 November 2015 by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the Organization for Economic Cooperation and Development (OECD) and the Asian Development Bank (ADB), in collaboration with World Bank (WB), International Trade Centre (ITC), World Customs Organization (WCO), United Nations Conference on Trade and Development (UNCTAD), with the support of the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNExT), the China International Electronic Commerce Center (CIECC) and the New Zealand Ministry of Foreign Affairs and Trade.[*]

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This Handbook aims to assist readers in accessing currently available Trade Facilitation indicators. All the data and indicators presented remain the property and the responsibility of the organization which developed them. Their inclusion in this Handbook does not necessarily indicate that they have been endorsed by the United Nations or the OECD.

(*) http://www.unescap.org/events/trade-facilitation-performance-and-monitoring-workshop

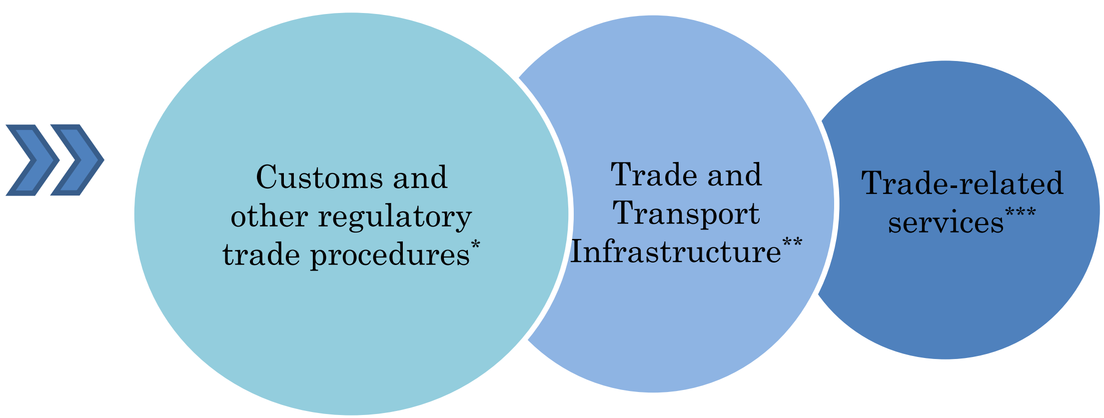
Introduction

There has been growing interest in trade facilitation since the beginning of the new millennium, as evidenced by the successful negotiation of the WTO Trade Facilitation Agreement (TFA) as well the rapid increase in trade facilitation commitments made through regional trade agreements as well as other specialized agreements (e.g., transit agreements or regional single window agreements).

As governments continue their efforts to reduce trade costs by streamlining trade-related procedures and enhancing the quality of related infrastructures and services, it is important that officials in charge of developing future plans in this area be fully cognizant of the available data and indicators they may use to monitor progress.

Accordingly, this Handbook aims at providing a comprehensive source of information on publicly available cross-country databases and indicators relevant to trade facilitation in a format easy to use for both trainers and individual readers alike. Rather than going through the Handbook sequentially, users are encouraged to navigate through it and "dig deeper" by clicking any of the many internal and external links.

What does Trade Facilitation encompass?



The Handbook has put special focus on indicators related to areas (*) and (**). Indicators regarding area (***) can be consulted in the indicator's webpage links provided in this Handbook.

Introduction (cont'ed)

A wide range of indicators related to trade facilitation have been developed over the past 15 years, in part because of the growing importance attached to this issue at the WTO. These indicators are often very different in nature and/or scope, depending on whether a broad or narrow definition of trade facilitation was adopted and their specific purposes. As a result, they often overlap and there is no easy way to classify them.

In its broadest sense, trade facilitation is about reducing international trade costs, and we therefore start by introducing the ESCAP-World Bank Trade Cost Database, which arguably provides the most comprehensive and aggregate data on bilateral trade costs.

We then focus on databases which provide indicators related to customs and other regulatory trade procedures, which form the core of the trade facilitation agenda. The World Bank Doing Business Survey and its Trading Across Borders indicators are introduced, supplemented by relevant indicators from the World Bank Enterprise Surveys, which provide firm-level data for many countries.

Two other databases are then reviewed, both of which focus on implementation of specific trade facilitation measures rather than on providing time or cost performance indicators. The OECD trade facilitation indicators provide a detailed view of the extent of implementation of WTO TFA measures, while the UN Survey on Trade Facilitation and Paperless Trade Implementation also provides information on the state of implementation of various paperless trade measures.

The Handbook then presents indicators that go beyond the relatively narrow WTO TFA definition of trade facilitation to touch upon trade and transport infrastructure as well as services. This includes indicators from the World Bank Logistics Performance Index (LPI), the UNCTAD Liner Shipping Connectivity Index (LSCI), as well as from the World Economic Forum. The Services Trade restrictiveness Indices of both World Bank and OECD are then briefly introduced.

The Handbook ends with a call for countries to develop trade and transport facilitation monitoring mechanisms (TTFMMs), in line with the new UN/CEFACT Recommendation No. 42 adopted in April 2017 in support of the implementation of trade facilitation reforms.

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ESCAP-World Bank Trade Cost Database

ESCAP-World Bank Trade Costs

Overview

- The United Nations ESCAP and the World Bank joined hands in 2011 to develop a common bilateral trade costs database.
- The bilateral measure of trade costs includes all costs involved in trading goods internationally relative to trading goods domestically, including but not limited to cumbersome trade procedures
- The current version includes data from 1995 to 2014 for over 180 countries in agriculture and manufacturing sectors.* It is updated annually, normally in June.
- Trade costs "excluding tariffs" are also available from ESCAP

Why is it useful?

- Standardized measure of bilateral trade costs
- Extensive country and time coverage.
- Based on macro data, not perception
- Possible to find trade costs with each trading partner, or to calculate sub/regional trade costs
- Can be used to evaluate relative importance of different types of costs or TF measures

Limitations

- Data only available with a 2-year lag
- Costs derived from macro-data rather than observed
- Disaggregation within sectors not available

Methodology

- Trade costs are calculated using the "inverse gravity framework" developed by Novy (2009). The resulting trade cost measure captures all direct and indirect costs faced by two countries when trading with each other, including transport and logistics costs, tariffs, as well as costs associated with differences in languages, currencies, geographical barriers, and cumbersome import or export procedures.
- Trade costs are expressed in ad valorem equivalent form, i.e. as a percentage of the (domestic) value of the goods

(*) The UN ESCAP issued in 2015 a Value-Added Trade Costs database which covers the service sector, specifically, total trade, transport and telecoms, and finance and insurance. There are currently 20 developed and developing countries covered for the years: 1995, 2000, 2005 and from 2008 to 2011.

For more information on ESCAP-WB Trade Costs: http://www.unescap.org/resources/escap-world-bank-trade-cost-database

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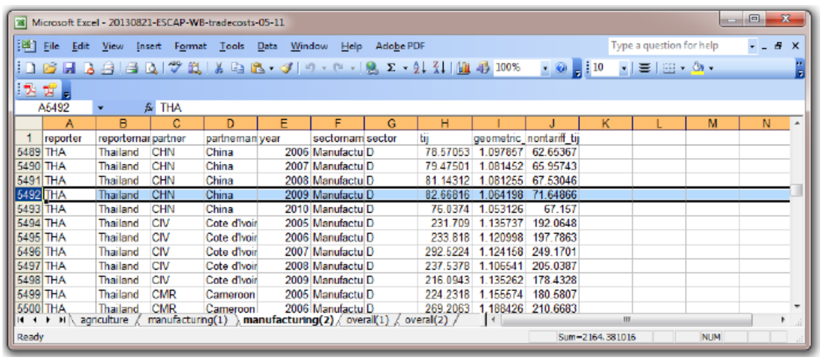
UNESCAP-World Bank Trade Costs Database

UNESCAP-WB Trade Costs Database

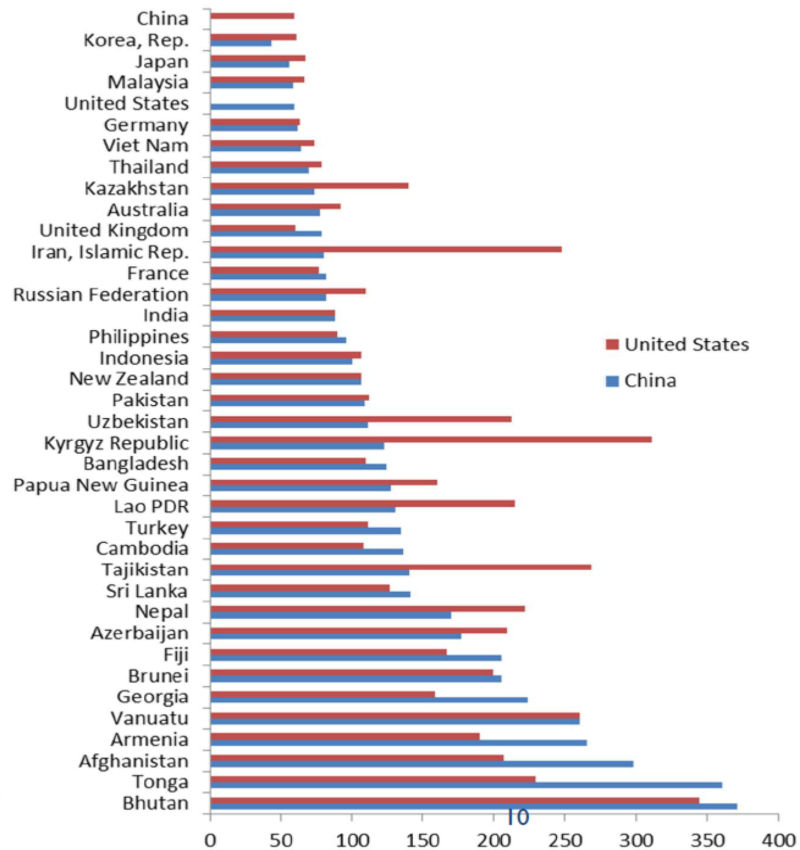
Example:
Screen Shot, Thailand- China´s Data



	A	B	C	D	E	F	G	H	I	J
1	reporter	reporternar	partner	partneman	year	sectornam	sector	tij	geometric_	nontariff_tij
5489	THA	Thailand	CHN	China	2006	Manufactu	D	78.57053	1.097857	62.65367
5490	THA	Thailand	CHN	China	2007	Manufactu	D	79.47501	1.081452	65.95743
5491	THA	Thailand	CHN	China	2008	Manufactu	D	81.14312	1.081255	67.53046
5492	THA	Thailand	CHN	China	2009	Manufactu	D	82.66816	1.064198	71.64866
5493	THA	Thailand	CHN	China	2010	Manufactu	D	76.0374	1.053126	67.157
5494	THA	Thailand	CIV	Cote d'Ivoir	2005	Manufactu	D	231.709	1.135737	192.0648
5495	THA	Thailand	CIV	Cote d'Ivoir	2006	Manufactu	D	233.818	1.120998	197.7863
5496	THA	Thailand	CIV	Cote d'Ivoir	2007	Manufactu	D	292.5224	1.124158	249.1701
5497	THA	Thailand	CIV	Cote d'Ivoir	2008	Manufactu	D	237.5378	1.106541	205.0387
5498	THA	Thailand	CIV	Cote d'Ivoir	2009	Manufactu	D	216.0943	1.135262	178.4328
5499	THA	Thailand	CMR	Cameroon	2005	Manufactu	D	224.2318	1.155674	180.5807
5500	THA	Thailand	CMR	Cameroon	2006	Manufactu	D	269.2063	1.188426	210.6683

Notes:
The ad valorem equivalent trade cost of Thailand-China for manufacturing good in 2009 was 82.67%. In other words, the data suggest that, on average, trading manufacturing goods between Thailand and China involves, on average for all tradable manufacturing goods, additional costs amounting to approximately 83% of the value of goods- as compared to when the two countries trade within their borders.

Example:
Bilateral Trade costs of China and USA with selected Asia-Pacific countries (excluding tariffs, 2008-2013)



For more information: http://www.unescap.org/resources/escap-world-bank-trade-cost-database

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World Bank '*Doing Business*' Trading across borders

Overview

- The *trading across borders* indicator is one of the 11 different areas included in the Doing Business project.
- The *Doing Business project*, launched in 2002, provides measures of business regulations and their enforcement across 190 economies.
- The *trading across borders* indicator measures the time and cost associated with the logistical process of exporting and importing goods.
- It covers three sets of procedures: (i) Documentary compliance, (ii) Border compliance, (iii) Domestic

Why is it useful?

- Comparability across countries and over time since 2015
- Extensive country coverage
- Surveys are subjected to numerous rounds of verification
- *Doing Business* study tracks and records reforms in the area of trade such as for example improvement of trade infrastructure or major changes in documentary procedure

Limitations

- Collected data refer only to businesses in the economy´s largest city. For 11 large economies the data is available for the 2 biggest cities.
- Variations in costs depending on

Methodology**

- The data on trading across borders are gathered through a questionnaire administered to local freight forwarders, customs brokers and traders.
- Questionnaire responses are verified through several rounds of follow-up communication with respondents as well as by contacting third parties and consulting public sources.
- The questionnaire data are confirmed through teleconference calls or on-site visits in all economies.