



Trade Facilitation and Poverty Reduction: China-ASEAN Region Case Study



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Abstract: Trade facilitation has been a key part in the opening up process of China. This paper aims to investigate the linkage between trade facilitation and poverty reduction in China. It discusses the impact of the trade facilitation practises in China and the China-ASEAN cooperation on trade between China and ASEAN countries. A provincial panel data set for China from 2000 to 2008 is employed to quantify the impact of agricultural imports, agricultural exports and trade facilitation on poverty. The results show that a 1 per cent increase in port efficiency results in a 1.051 per cent decrease in the poverty index.

JEL Classification: F15, I3, O24

Key words: Trade Facilitation, China, ASEAN, Poverty

Contents

1. Trade facilitation and its impacts on poverty.....	3
2. Trade facilitation practices in China.....	3
2.1. Overall development of trade facilitation practices in China.....	4
2.1.1. Port efficiency in China	5
2.1.2. Reform and development of China's customs procedures.....	6
2.1.2.1. Reform of China customs procedures	7
2.1.2.2. International cooperation.....	8
2.1.2.3. Reform of Ningbo bonded area	8
2.1.3. Development of the Chinese institutional environment	10
2.1.4. Development of E-commerce and the formulation of related laws	11
2.1.4.1 Development of e-commerce	11
2.1.4.2. Policies to promote the development of e-commerce	12
3. China-ASEAN cooperation and trade facilitation practices.....	14
3.1. Impacts of ASEAN trade facilitation on Chinese trade	14
3.2. Impacts of Chinese trade facilitation on ASEAN trade	16
4. Impacts of trade facilitation on poverty	22
4.1. Impact of trade on poverty	22
4.1.1. The effects of agricultural imports on poverty	22
4.1.2. The effects of agricultural exports on poverty	23
4.2. Impacts of trade facilitation on poverty: A case study of the manufacture industry and port efficiency	23
5. Conclusion and recommendations.....	24
5.1. Impacts of trade facilitation on poverty reduction	25
5.2. Enhancing capacity-building in trade facilitation.....	25
5.2.1. Promoting reform of customs procedures.....	25
5.2.2. Strengthening infrastructure construction for trade and investment facilitation .	25
5.2.3. Improving development of e-business.....	26
5.2.4. Improve the institutional environment	26
5.3. Enhance coordination between China and ASEAN in trade and investment facilitation	26
5.3.1. Promote unified standards	26
5.3.2. Establish trade facilitation committees in China and ASEAN members	27
References	28
Annex	29

List of Tables

Table 1: Facilitation measures in the Ningbo bonded area

Table 2: E-commerce policies and regulations of China

Table 3: Imports and exports of China and 10 ASEAN members, 2003-2010

Table 4: Trade balance of China with 10 ASEAN countries

Table 5: Elasticity of agricultural imports on poverty reduction

Table 6: Elasticity of agricultural exports on poverty reduction

Table 7: Results of elasticity of ports on poverty

Table 8: Definitions of exogenous and endogenous variables

1. Trade facilitation and its impacts on poverty

Zhongying Sun (2009) applied a gravity model in his study of the role of trade facilitation; the results showed that the elasticities were different for the various trade facilitation measures. Port efficiency has positive effects in bilateral trade, both for importers and for exporters. Juanjuan Xie and Jing Yue (2011) made an empirical analysis of China-ASEAN trade using a gravity model. Junlan Shang and Ping Zhou (2012) also constructed a gravity model to analyse the impacts of trade facilitation on China-ASEAN trade, they also studied the impacts of trade facilitation on Chinese trade, and compared trade facilitation and tariff reductions; the results showed that trade facilitation could improve trade much more than tariff reductions. Lin Sun and Xufei Xu (2011) measured trade facilitation from port efficiency, customs environment, regulation and e-commerce. The results showed that the level of Chinese trade facilitation is near the world average, but among ASEAN countries there is a big gap. Singapore is much higher than average while Malaysia, Thailand and Brunei Darussalam are also near the world average. Viet Nam and Indonesia are lower than average.

Lin Sun and Xufei Xu (2011) also constructed a gravity model to test the impacts of trade facilitation on trade. The results showed that since the ASEAN Free Trade Zone was implemented in 2010, trade facilitation has had significant effects on trade. Air transportation is closely and positively related to exports of manufactured products. A 1 per cent improvement in air transportation infrastructure results in a 1.48 per cent increase in exports of manufactured products. However, the improvements both in customs procedures and in trade barriers are not significant. Finally, the author simulated the results of different forms of air transportation infrastructure. The results showed that when the infrastructure in all ASEAN members reaches an average level (5.2), exports of Chinese manufactures to ASEAN will increase by US\$ 4.733 billion at a growth rate of 39.34 per cent. When ASEAN air transportation infrastructure reaches the highest level, exports of Chinese manufactures to ASEAN will increase by 70.95 per cent.

2. Trade facilitation practices in China

This study focuses on four components of trade facilitation – transportation, customs clearance, institutions and policies, and e-commerce.

Transportation facilitation mainly refers to whether: (a) infrastructure, including ports, canals and other areas of water transportation, can meet business requirements; (b) air transport promotes the country's commercial development; and (c) infrastructure maintenance and development are scientifically planned and have adequate financial support.

Customs clearance refers to simplifying customs procedures through new technology in order to increase customs clearance efficiency.

Institutions and policies mainly refers to trade-related rules and policies, including whether: (a) competition-related laws and regulations limit unfair competition effectively; (b) the protection of intellectual property rights is fully implemented; (c) the legal and regulatory framework promotes the competitiveness of enterprises; (d) government policy is transparent; and (e) bureaucracy, bribery and corruption have hindered commercial and trading activities.

The last component is e-commerce, which includes the hardware and software environment for e-commerce development.

2.1. Overall development of trade facilitation practices in China

China has been continuously promoting trade facilitation as part of its reform and opening up process, from a single department to multiple departments, from a single link to multiple links, from the improvement of trade management to the extensive application of information technology, which has showed a high-level, wide-range, all-around feature. China first reformed foreign trade management on a large scale, and substantially reduced or removed the import quota. After joining the World Trade Organization (WTO), China's foreign trade policy has been inclined towards more active participation in regional trade and economic cooperation. such as implementing the China-ASEAN Free Trade Area. promoting trade and

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