

# **Through Trade Facilitation to Achieve Trade and Economic Growth**

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## **What's trade facilitation?**

1. Trade facilitation involves a wide range of activities to lower trade transaction costs for firms in global commerce. These costs include the price of moving freight from the factory to final destinations. More comprehensively it includes improving all domestic policies, institutions and infrastructure which are required for import and export operations.
2. Trade Facilitation in the WTO: GATT Article V (Freedom of Transit), Article VIII (Fees and Formalities connected with Importation and Exportation), and Article X (Publication and Administration of Trade Regulations).

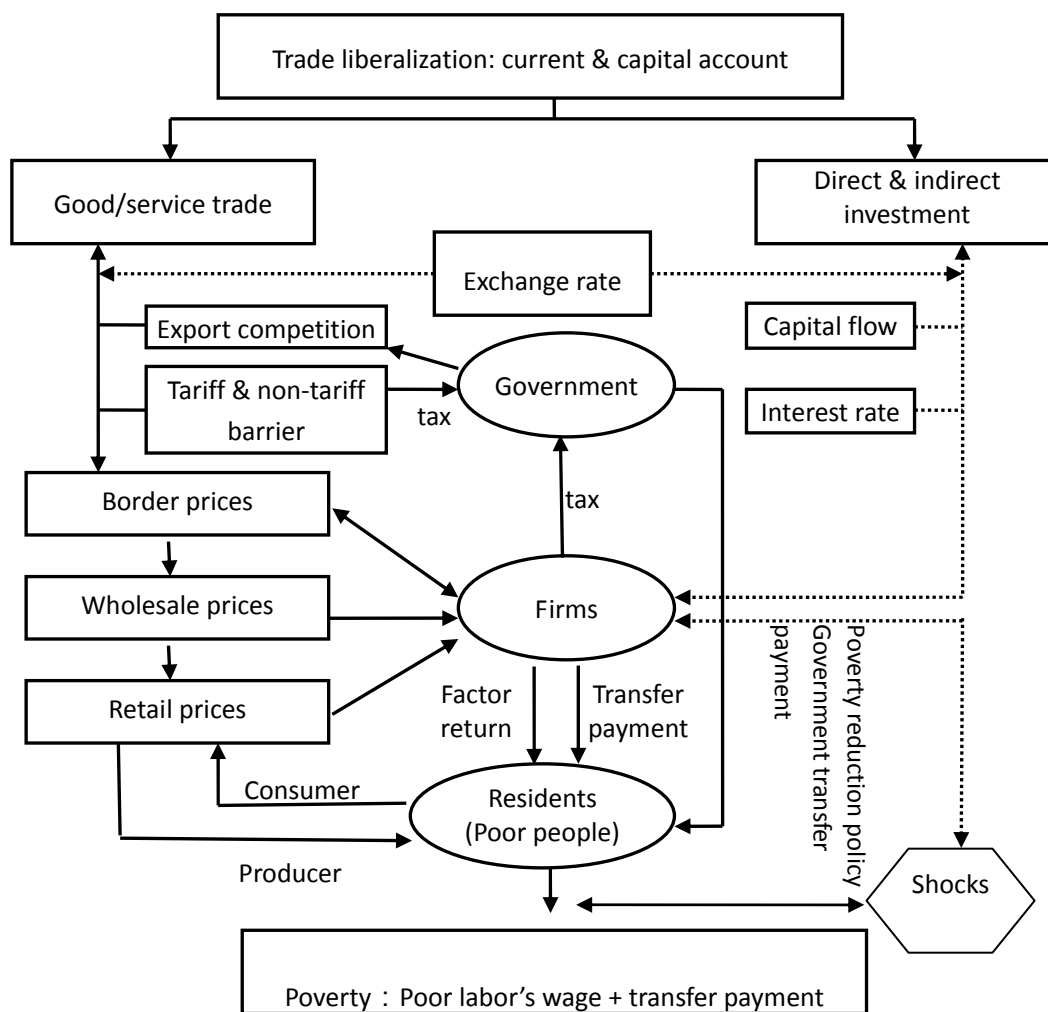
## **Why trade facilitation now?**

1. The potential economic benefits of trade facilitation are high, with one recent study (Wilson et al, 2004) investigating the relationship between trade facilitation in four important categories; port efficiency, customs environment, regulatory environment, and service sector infrastructure, and the impact on flows of traded manufactured goods, predicting an increase of US\$377 billion globally, with the benefits falling disproportionately on exports.
2. Trade facilitation has a direct impact on logistical costs, the sum of time and money involved in moving traded goods. There is an increasing body of empirical evidence about the impact of trade facilitation on export competitiveness and growth.

3. During economic crisis, many countries take different measures to limit imports or exports, including the complicated entry procedures. Trade facilitation can help developing countries to take advantage of the global economic recovery to improve faster trade and economic growth.
4. Market is gradually opened and trade is gradually liberalized, this progress starts from the tariff reduction, then quota or SPS removal, following these is the trade facilitation. Through FTA or WTO negotiation, tariff and some key NTBs has been reduced greatly. Now it is time to emphasize trade facilitation.
5. Modern information and internet techs provide tools for trade facilitation.
6. In fiscal year 2011 (FY11), the World Bank provided a total of \$2.6 billion in trade-related lending to help developing countries achieve trade-reform objectives. This is nearly a five-fold increase from FY03 levels. WB designed “Aid for Trade” programs to help developing countries.

### **How trade facilitation to help the poor people?**

1. Countries open to international trade tend to grow faster and provide more opportunities to their population. China’s experience proves this.
2. Only through trade and economic growth, can poor people benefit from trade facilitation. Figure 1 is the schematic diagram of trade liberalization mechanism and its impacts on poverty. It relates to international markets (trade), government, firms and residents (poor people), and the specific transmission process includes the following:



**Figure 1 Trade liberalization mechanism and its impacts on poverty**

(solid line is value flow, showing the important impacts; dotted line shows the indirect impacts )

Theoretically, the impacts of trade liberalization are mainly based on economic growth and income distribution and transmitted through current account and capital account. The economic growth is reflected by firm and farmer's production, income distribution includes factor reward in markets and transfer payment by government.

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