Comments on Dr. Robert Koopman's Presentation

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The Objectives

- (1) Conduct detailed and rigorous analysis of the impact of Trade Facilitation Agreement (TFA)
- (2) Examine closely previously unexamined benefits of TFA
- (3) Look at challenges in implementing TFA

The Findings

- (1) TFA implementation would reduce trade costs by about 14.5% =>
- CGE analysis:
- Increases exports by $750 billion (2.1% annual growth) per annum for partial implementation (?), $1,045 billion (2.7% annual growth) per annum for full implementation
- Increases GDP by $345 billion (0.3%) per annum for partial implementation (?), $555 billion (0.5%) per annum for full implementation

- Gravity Model:
- Increases world exports by $1,133 billion (9%) for partial implementation and by $3,565 billion (29%) for full implementation
- Key Insights:
- Benefits are greater for implementing countries
  - -The fuller the scope of FTA provisions implemented
  - -The faster the pace of implementation
- Developing countries potentially have the most to gain

- (2) Other benefits of FTA Implementation
- Export diversification
- Enhanced participation of implementing countries in GVCs
- Increased participation of SMEs in international trade
- More FDI
- Greater customs collection
- Lower incidence of corruption

- (3) Challenges in implementing TFA
- Uncertainty about benefits and costs of implementing TFA
- Political commitment
- Lack of capacity in implementing TFA
- To deal with the lack of capacity, TFA introduced “Special and Differential Treatment” for developing countries
- Three categories of commitments
- A: Those implemented immediately
- B: Those implemented after a transition period
- Those requiring implementation capacity, assistance

Keys to Successful TFA Implementation

- National ownership, political will
- Stakeholder participation
- Financial and material resource mobilization
- Sequencing of measures
- Transparency and monitoring

Questions

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- (1) Definition of trade facilitation used in the analysis?
- OECD
- Narrow definition: improvements in administrative procedures at the border
- Broader definition: include behind-the border measures

- (2) Slide 4: Trade cost “include all costs in getting a good to a final user other than marginal cost of producing the good itself”
- amounting to 170% (219%) ad valorem tariff equivalent for a representative rich (developing) country
- Slide 7: TFA implementation would reduce trade costs by about 14.5%, very small compared to trade cost shown above. What are the remaining cost that cannot be removed by TFA

- (3) How does one reconcile the discrepancies concerning the impacts of TFA implementation on exports simulated by CGE model on the one hand and those estimated by Gravity model on the other hand? Which values should we believe?
- (4) TFA is said to lead to a situation where everyone (exporters and importers) gains. Is this true? What about inefficient domestic producers competing against competitive imports? They certainly do not want to see the increased inflow of imports by enacting TFA. Is there any resistance to the ratification of TFA from inefficient domestic producers and the politicians supported by these producers?