Session 3:
Trade Facilitation, NTM, SPS

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What do we mean by Trade Facilitation

Narrow definition:

- Transportation logistics & customs administration associated with international trade
  - Within CAREC covered by transport pillar and customs committee

Broader definition covers the environment within which trade takes place:

- Transparency of trade policies and other relevant rules & regulations
- Product standards broadly defined, especially when posing effective barriers to trade due to certification or other requirements (TBTs & SPS)
- Any rules or regulations that treat imports or exports differently from goods or services that are domestically produced and sold
  - Can include behind-the-border as well as at-the-border measures
  - **General statement**: TF involves reducing costs that affect international trade but not domestic trade, excluding trade policy (tariffs, quotas, etc) → how high are these trade costs in CAREC countries?

Measures of Trade Costs

The World Bank's "cost of trading across borders estimates" in the annual ***Doing Business*** reports used to be the most commonly cited measure of trade costs

- despite criticisms of the methodology, based on surveys of informed people in capital cities, and focus on containers.
- DB indicators were popular because they ranked countries → ease of use

DB was discontinued in 2021 due to irregularities.

The **CAREC** Corridor Performance Monitoring and Measurement (**CPMM**) mechanism measures trade costs along major corridors

- unlike DB, CPMM data are based on actual trips along the major CAREC corridors
- useful for establishing delays & cost along corridors but hard to synthesize

The **OECD *Trade Facilitation Indicators*** = eleven precise fact-based indicators covering four areas:

- Transparency and predictability
- Automating and streamlining procedures
- Border agency cooperation
- Governance and impartiality

Scores on individual indicators are aggregated to give an overall score out of 2.

The World Bank's Cost of Trading across Borders Indicator

Until 2015 the 4 Central Asian countries ranked among the ten countries with the highest trade costs (out of 189 countries)

- rankings improved from 2016 when the methodology was changed to place less emphasis on containerized trade

The strong impression remained of Central Asia as a region with high trade costs.

In the final DB Report in 2020

- Georgia, China and Azerbaijan ranked higher, but
- The average rank was 111 out of 190

DB 2020 *Trading across Borders* ranking out of 190	
Afghanistan	177
Azerbaijan	83
China	56
Georgia	45
Kazakhstan	105
Kyrgyz Republic	89
Mongolia	143
Pakistan	111
Tajikistan	141
Turkmenistan	na
Uzbekistan	152

na = not available in the source

Trade Costs are not just monetary

- Time is a trade cost – delays at border crossings or elsewhere are an unwanted inventory cost
- Variability in time can also be a trade cost, if a firm has a just-in-time production strategy delivery
  - for example, a firm participating in an international value chain

The **CAREC** Corridor Performance Monitoring and Measurement (**CPMM**) mechanism is the best measure that we have because it reports money and time costs at detailed levels

- CPMM data are based on actual trips along the major CAREC corridors
- The CPMM data show some, but on the whole disappointing, reduction in trade costs since 2010

The overall picture is of high trade costs in money and time with much variation between border crossing points.

Impact of COVID = disruption especially of cross-border road traffic, but also simplification of procedures for essential imports & more generally simplifying and digitalizing procedures at BCPs and in access to government services.

OECD Trade Facilitation Indicators

Eleven precise fact-based indicators covering four areas:

- transparency and predictability
- automating and streamlining procedures
- border agency cooperation
- governance and impartiality

Overall scores are consistent with DB data:

- Trade costs are lowest in Georgia, China, Azerbaijan, Pakistan, & Kazakhstan
  - The Kyrgyz Republic appears to have slipped in 2022
  - Afghanistan & Turkmenistan are not included

OECD TF Indicators 2022 – max score =2	
Afghanistan	na
Azerbaijan	1.299
China	1.606
Georgia	1.609
Kazakhstan	1.278
Kyrgyz Republic	1.050
Mongolia	1.185
Pakistan	1.353
Tajikistan	1.043
Turkmenistan	na
Uzbekistan	0.854

Moïsé, E., T. Orliac and P. Minor, "Trade Facilitation Indicators: The Impact on Trade Costs", *OECD Trade Policy Papers*, No. 118, OECD Publishing, Paris.

OECD Trade Facilitation Indicators, 2023 Update

The OECD has published an update of the TF indicators post-Covid that included assessment of TFI improvements over the years 2017-22.

A highlight = out of 48 ECA countries, 5 of the top ten improvers were CAREC countries,

- Uzbekistan was the most improved country (especially since 2019)
  - consistent with reforms introduced since the change in presidency in 2016
- Kazakhstan has highest rating, especially on border measures
- the Kyrgyz Republic is poorer in many areas but better than Kazakhstan on governance
- Tajikistan has the highest trade costs in CA (apart from Turkmenistan that was only included in 2024) but with improvements in the context of its WTO application

However, the Central Asia & Caucasus countries still lag behind the EU27 countries

OECD Trade Facilitation Indicators: Monitoring facilitation reforms up to 2023 (Paris, 2023)

Implications for CARTIF: Timing

The various measures just described, and others, imply that most CAREC countries have high trade costs & hence potential for trade facilitation

- less true of Georgia and China, but even they are behind global leaders
  - Netherlands (1.874), Singapore (1.849), USA (1.845), Australia (1.839) on OECD TF Indicators for 2022
- being landlocked does not help,
  - but landlocked CAREC members score well below Switzerland (1.801)

Strong improvements in facilitating trade in recent years imply a commitment, especially in the previously lowest-scoring countries (Uzbekistan and Tajikistan) to introduce trade facilitation measures

- also seems true of Turkmenistan

Reinforces the point that **2024 is a good time to proceed with a trade agreement focusing on trade facilitation**

Implications for CARTIF: Content

CARTIF does not address:

- at the border fees, delays, etc - handled in the Customs Committee
- upgrading transport corridors

However, the four priority chapters are relevant to trade facilitation:

- SPS rules are a significant source of trade costs and border delays
  - agricultural and agrifood products are important exports for many CAREC members
  - differing product quality, quarantine, etc requirements and proof of compliance are a trade cost
- technical barriers to trade such as varying labelling requirements are a similar cost
- digitalization can reduce at-the-border costs as long as systems are compatible and forms are uniform, electronic signatures are recognized, etc
- Services with restrictive rules can add to trade costs
  - efficient financial services facilitate trade
  - road transport rules can prevent trucks from crossing borders
  - IT services can simplify matching importers and exporters and the process from ordering to delivery

THANK YOU

Some References on Trade Facilitation in CAREC:

Vassilevskaya, Yelena (2020): “Trade Facilitation in Times of Pandemic: Practices from North and Central Asia”, *ARTNeT Working Paper No.197*, Bangkok.

Asian Development Bank (2022): *Progress in Trade Facilitation in CAREC Countries: A 10-year corridor performance measuring and monitoring perspective*, Manila.

Karymshakov, Kamalbek, and Burulcha Sulaimanova (2023): Trade Facilitation, Infrastructure, and International Trade in Central Asian Countries, *ADB East Asia Working Paper No.58,* Manila.