

# Trade Facilitation: Reform Priorities in Southeastern Europe

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The World Bank*

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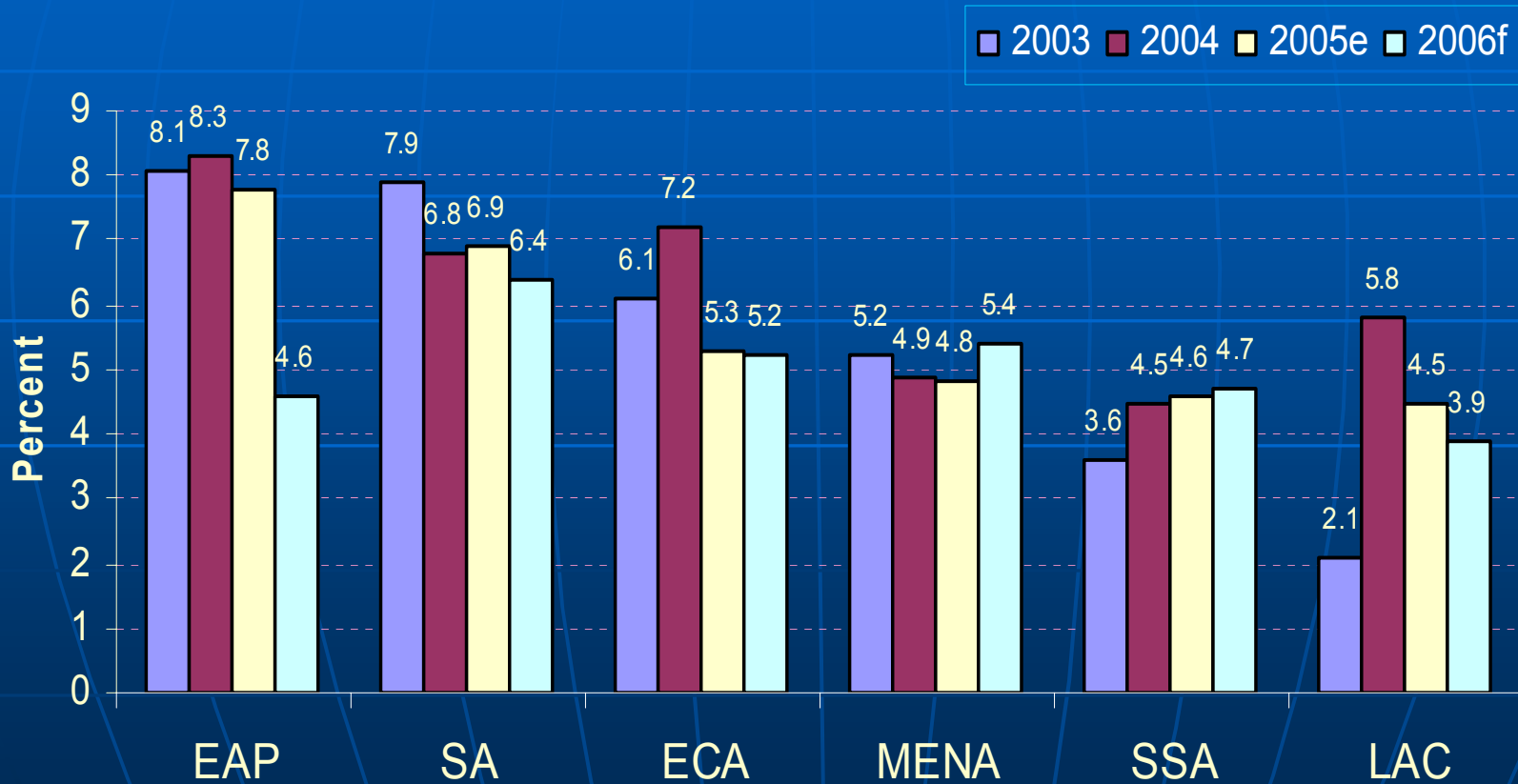
# Overview

- Trade Facilitation in Context
  - Economic Growth and Driving Forces
- Why Barriers and Trade Costs Matter in Southeastern Europe
- Priorities for Reform and Investment

# Growth – across regions

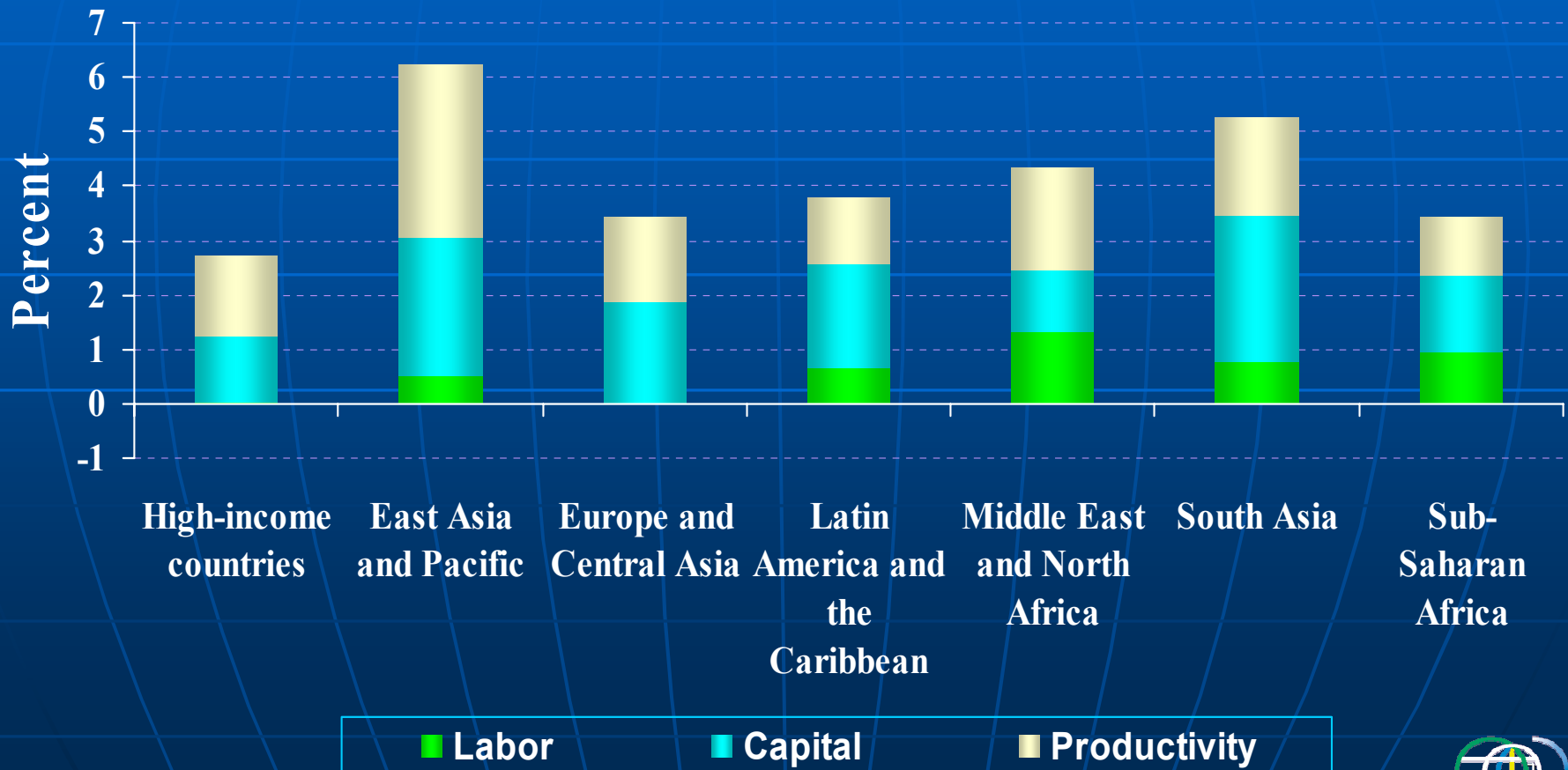
(World Bank – Global Economic Prospects Report)

## • Real GDP growth, 2003-2006



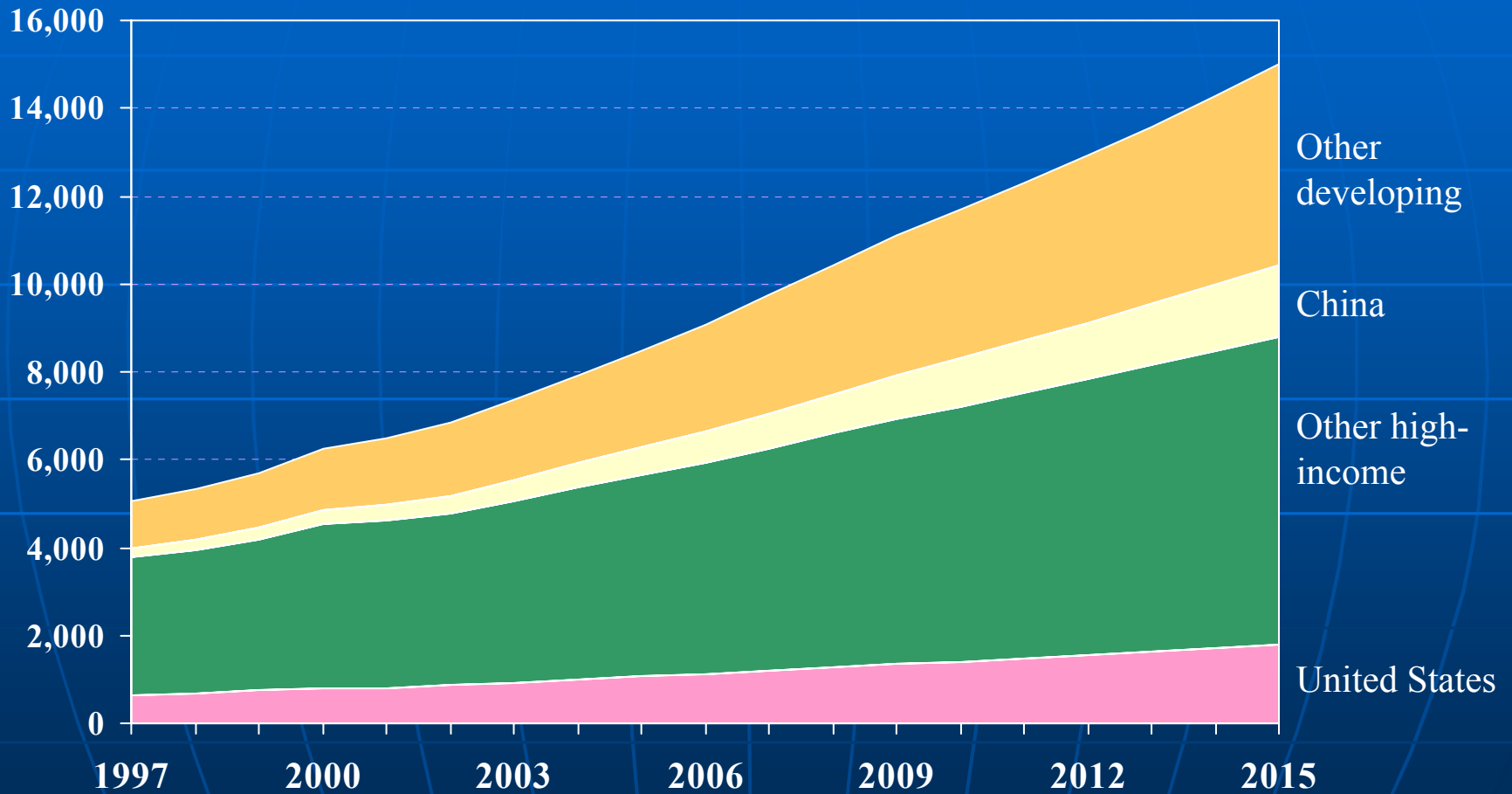
# Productivity is accelerating.....

Decomposition of GDP growth 2005-2015  
(Average % per annum)



# World trade as a driving force.....

## Merchandise exports (\$billion)



# So Why Focus on Trade Facilitation?

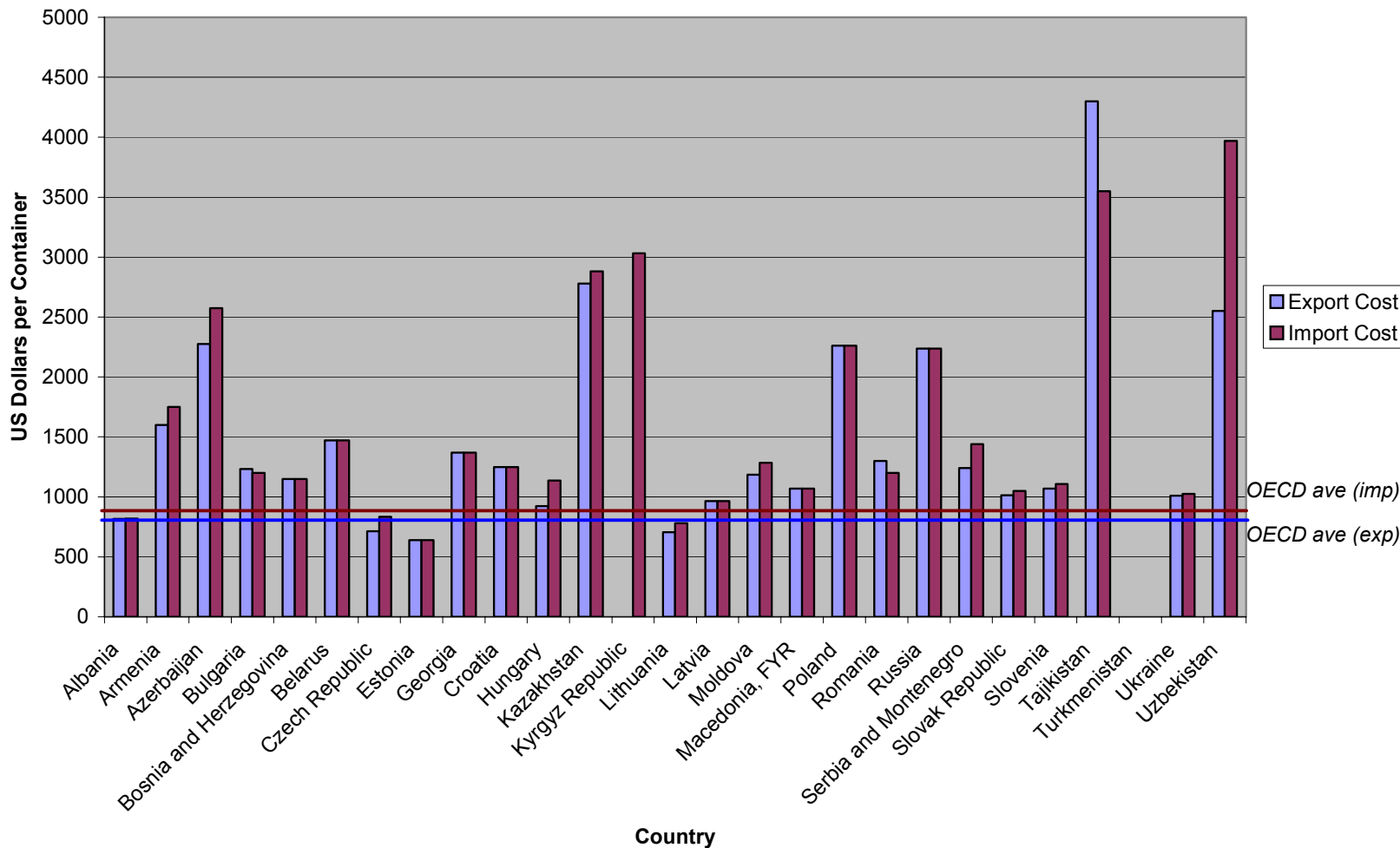


# *Key Features in Southeast Europe*

- Post-Communist **transition and conflict**
- All countries relative **high poverty rates**
- Highly **trade dependent**
- High **transport and trade costs**

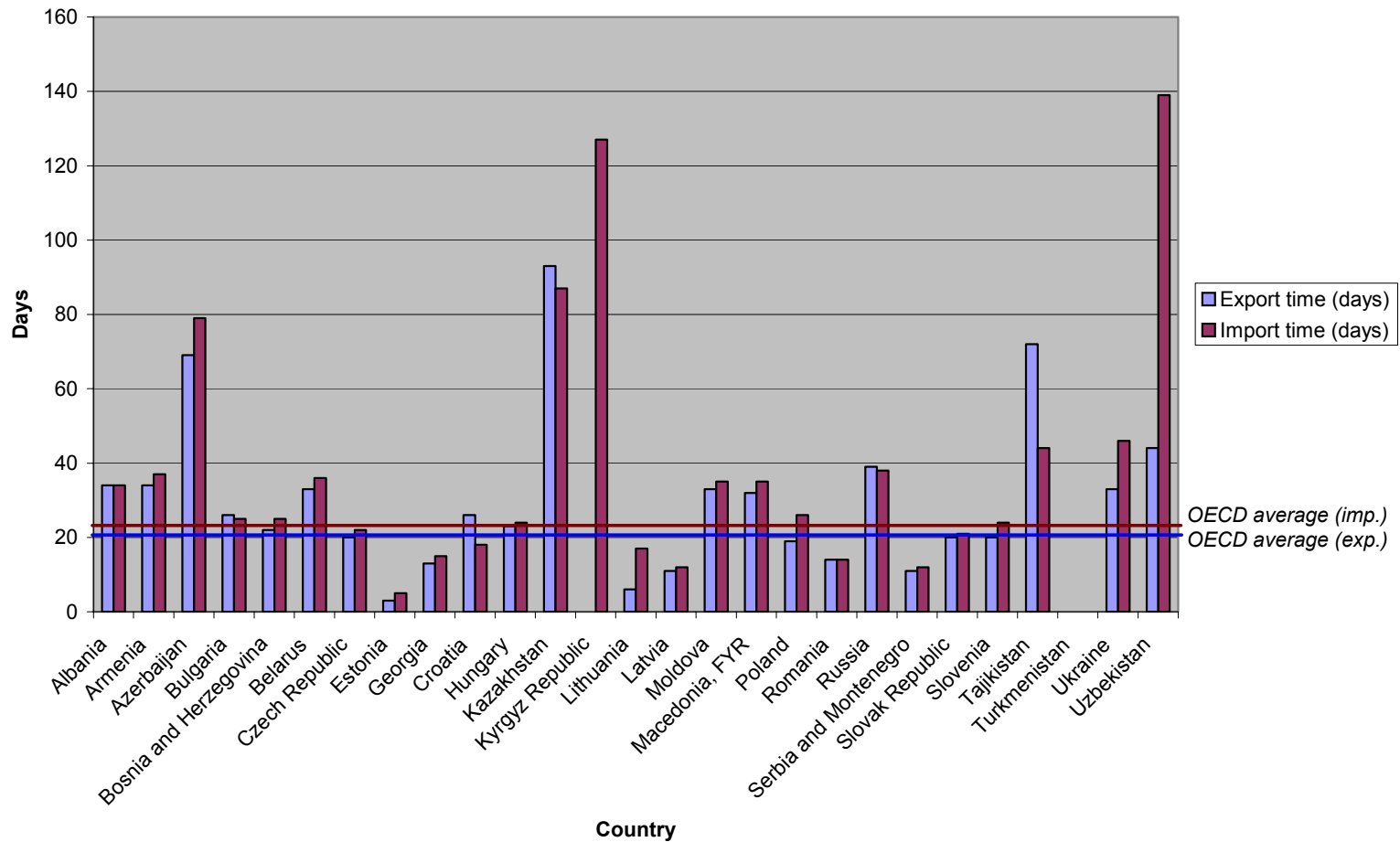
# High Trade Costs...

Trade Costs in the ECA Region, 2006



# Long Trading Times...

Trading Times in the ECA Region, 2006



# Priorities for Trade Reform?

- World Bank research focus:
  - Major trade report in 2005; "*From Disintegration to Reintegration.*"
  - Wilson, Luo, and Broadman (2005). Examine trade costs and facilitation as barrier to integration.
- Compare EU members and candidates.

# Measuring Trade Facilitation:

- Data Sources – 75 countries:
  - World Economic Forum
  - Global Competitiveness Yearbook
  - Kaufmann, Kraay and Zoido-Lobaton (2002) (KKZ)
- Objective:
  - Inform priority action in capacity building.

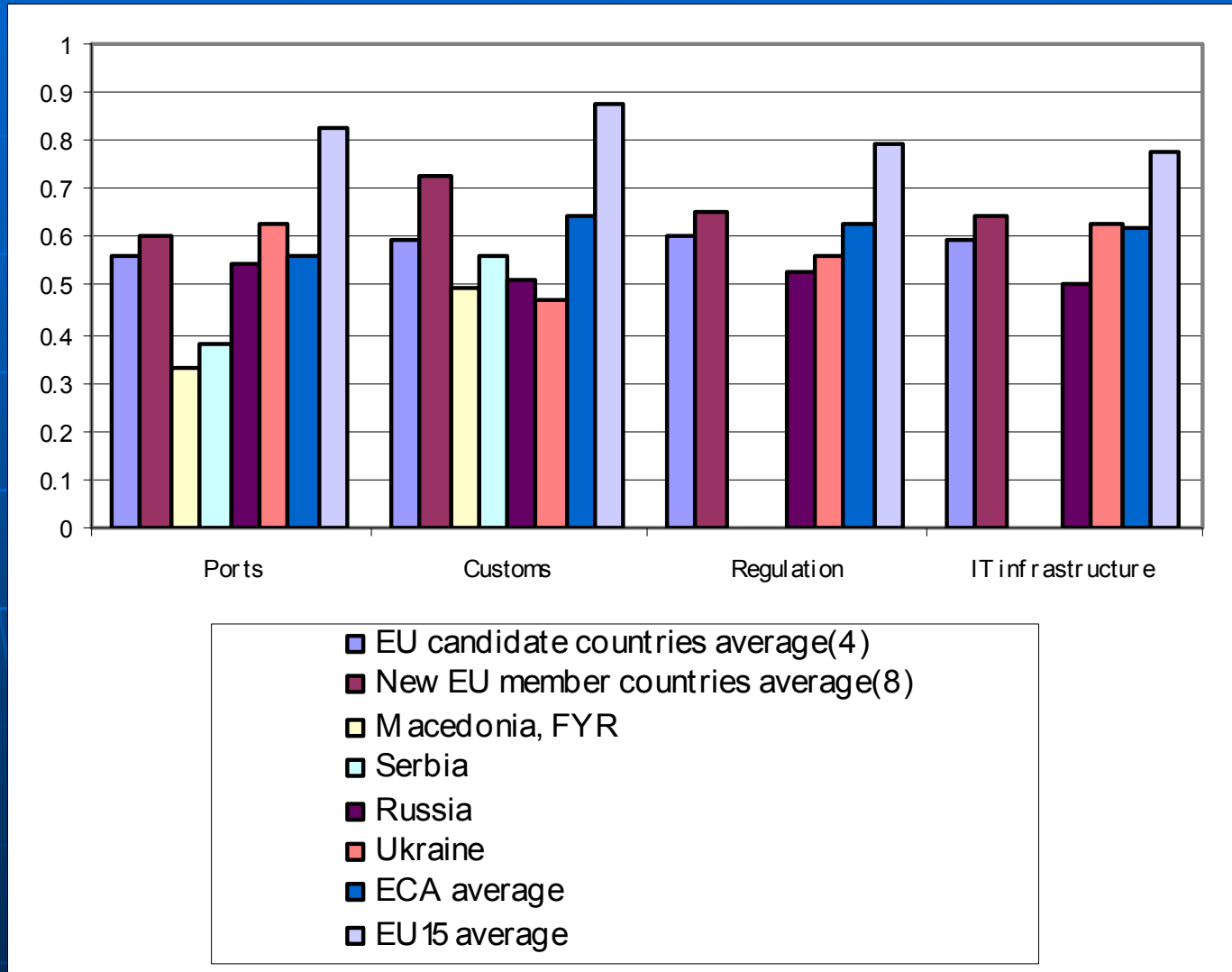
# Wilson, Luo, Broadman (2005)

- Building on Previous World Bank research
- Evaluate reform in the following:
  1. Port Logistics (air and sea)
  2. Customs Environment
  3. Regulatory Environment
  4. Information infrastructure

## Creating Country-Specific Indicators

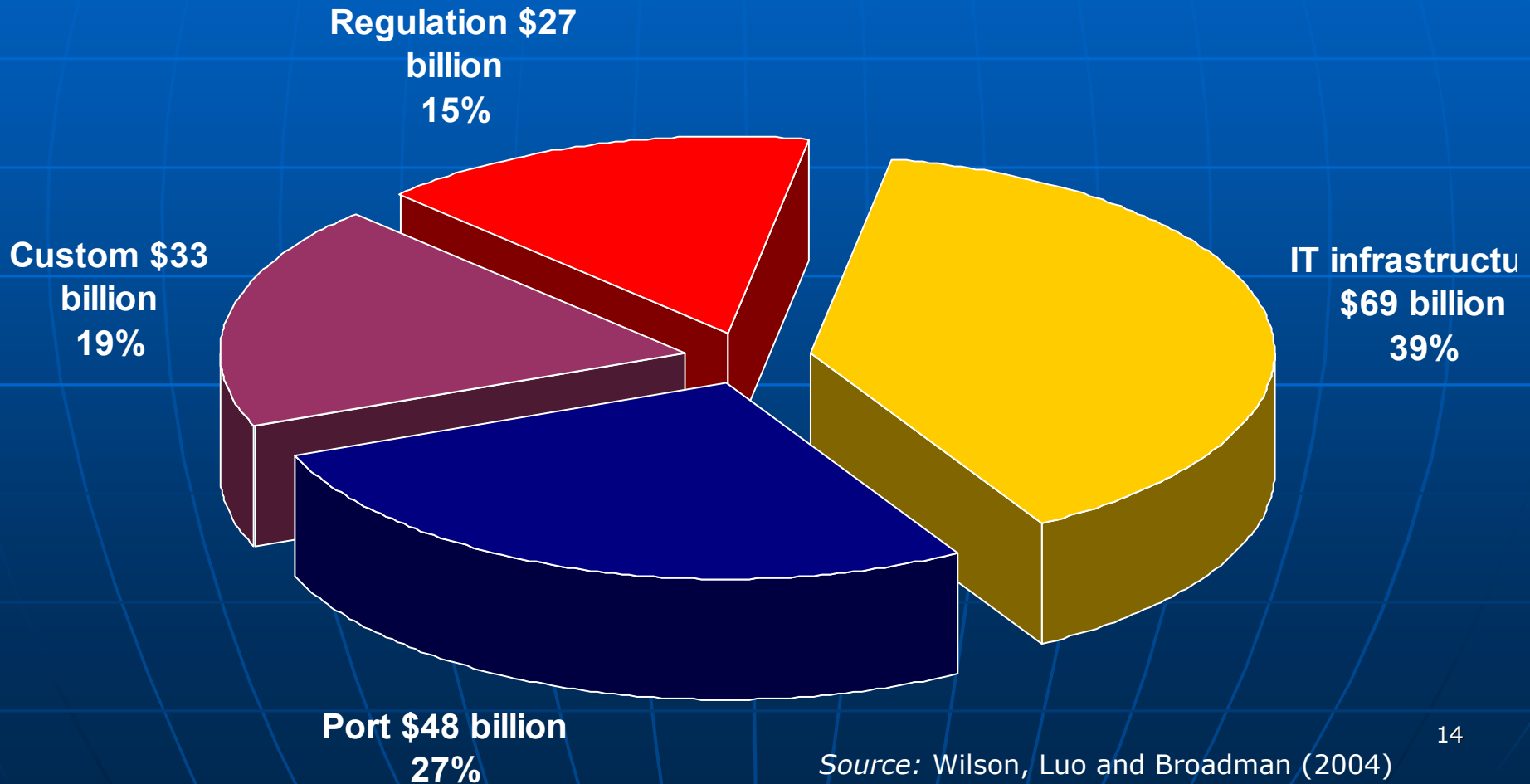
- Consistency-- Country-specific information on a consistent basis from multiple sources for each indicator

# Trade Facilitation Indicators: (Wilson, Luo, Broadman)



# Trade Gains Raising Capacity Half-way to the EU Average

Total Trade Gain(\$178 billion ) from ECA's Capacity Building



Source: Wilson, Luo and Broadman (2004)

# Trade Gains from Reform – Raising Capacity Half-way to the EU level (\$ million)

Country		Trade Gains
<b>EU New Members</b>	Czech Republic	16,830
	Estonia	373
	Hungary	22,493
	Latvia	1,389
	Lithuania	2,282
	Poland	32,656
	Slovak Republic	7,928
	Slovenia	3,475
	<b>Subtotal</b>	<b>87,424</b>
<b>TOTAL</b>		<b>178,474</b>

# Trade Gains from Reform – Raising Capacity Half-way to the EU level (\$ million)

Country		Trade Gains
<b>EU Candidates</b>	Bulgaria	4,586
	Croatia	3,108
	Turkey	23,636
	Romania	7,933
	<b><i>Subtotal</i></b>	<b><i>39,263</i></b>
<b>Other</b>	Macedonia FYR	1,327
	Russia	42,717
	Ukraine	6,299
	Yugoslavia	1,443
	<b><i>Subtotal</i></b>	<b><i>51,787</i></b>
<b>TOTAL</b>		<b>178,474</b>

# *What About Trade and Transport?*

- World Bank research -- Shepherd and Wilson (2006)
- *New dataset on road networks and quality in Europe and Central Asia.*
- *Estimate intra-regional trade gains with infrastructure upgrade.*
- *Key bottlenecks?*

# New Road Network Data

- Computerized maps and spatial analysis software
- Network of minimum distance intercity routes covering:
  - 27 countries
  - 138 cities (all European and Central Asian cities with population > 300K)

# ***Results: Big Gains with Road Infrastructure Upgrades***

- Large potential trade gains with upgrading road infrastructure in Europe and Central Asia
- Region wide road upgrade - \$74 billion trade gain.
- The bulk of gains with upgrades in Albania, Romania, and Hungary
- Gains from upgrading road infrastructure greater than from cutting tariffs but reduced trading time does matter.

# Conclusions.....

- Trade gains are driven by raising capacity and reform in several areas.....but country priorities differ in SEE.
- Collective action to raise lower barriers can increase trade.....but domestic reform critical.
- Action on trade facilitation *and* infrastructure investment both matter.

# Conclusions.....

- Trade agreements and cooperation in SEE?
- Central European Free Trade Agreement
  - Good platform for encouraging cuts in trade costs.
  - EU engagement critical.
  - New focus on development assistance and coordination?

# Thank You

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[http://econ.worldbank.org/projects/trade\\_costs](http://econ.worldbank.org/projects/trade_costs)