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How to Make Trade Easier

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The world is now in the fourth year of the Great Recession. So far, the economies belonging to the World Trade Organization have resisted the kind of widespread protectionism that would make a bad situation much worse. But protectionist pressures are building as weary politicians hear more and more calls for economic nationalism.

The WTO's best defense of open trade is a good offense. A new WTO trade-facilitation agreement would benefit all by increasing developing countries' capacity to trade, strengthening the WTO's development mandate and boosting global economic growth. More than a decade after the launch of the Doha Round of global free-trade talks, this agreement could be a down payment on the commitment that WTO members have made to linking trade and development.

Developing countries stand to gain the most from improving trade facilitation. The right support would help traders in poorer countries to compete and integrate into global supply chains.

There are rich opportunities for gains. Inefficiencies in processing and clearing goods put traders in developing countries at a competitive disadvantage. Outdated, inefficient border procedures and inadequate infrastructure often mean high transaction costs, long delays, corruption and an additional 10 or 15 percent in the cost of getting goods to market — even more in landlocked countries.

Research by the World Bank suggests that every dollar of assistance provided to support trade-facilitation reform in developing countries yields a return of up to $70 in economic benefits. When funds are directed at improving border-management systems and procedures — the very issues covered by the trade-facilitation negotiations — the impact is particularly significant.

Projects aimed at boosting efficiency and transparency, supported by development banks and bilateral donors, have made a dramatic difference. In East Africa, for example, procedural improvements have reduced the average clearance time for cargo crossing the Kenya-Uganda border from almost two days to only seven hours.

The outlines of a new WTO trade-facilitation agreement are already clear, but some technical differences remain on specific provisions. Developing countries want a credible commitment to support implementation, such as technical assistance and capacity-building.⊠A World Bank study estimates that the costs of implementing the measures likely to be covered by a trade-facilitation agreement would be relatively modest — from $7 million to $11 million in the countries studied, spread out over a number of years — especially when compared with the expected benefits.

Capacity-building and financing programs for governments that want to improve their trade facilitation are available already. Major donor countries and international development organizations have put a priority on trade facilitation.⊠According to the Organization for Economic Cooperation and Development, from 2002 to 2010, trade facilitation-related assistance increased from almost $40 million to nearly $400 million.

The African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the Islamic Development Bank and the World Bank stand ready — alongside the WTO — to assist developing countries through the process of full and effective implementation of the agreement. That means helping countries to assess their trade-facilitation needs on a case-by-case basis, match those needs with the resources required and broker partnerships between recipient countries and development allies to ensure that support is provided quickly and efficiently.

In international negotiations, there is always a way forward if the benefits of an agreement are shared by all. Trade facilitation offers a development dividend for all countries. It is time for WTO members to make progress on issues where there is room to do so. It will be a down payment on a solid investment.

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