CHAPTER 10

BUSINESS PERSPECTIVES ON BOOSTING TRADE AND INVESTMENT

Contributed by the World Economic Forum

Abstract: Business is a strong proponent of reducing frictional barriers to trade and investment. Partnership between the public and private sectors is needed to ensure that efforts in implementation address value chain needs and reach tipping points for growth. To that end, it is important to integrate the private sector at the beginning of aid-for-trade planning. Constant dialogue between government and the private sector can help adapt reforms to meet the needs of users and enhance impact. While the first priority of business is implementing the Trade Facilitation Agreement, measures to streamline border administration should not stop there. A comprehensive and co-ordinated approach beyond encouraging trade is also required. For example, enabling trade should go hand in hand with facilitating investment. This chapter addresses these issues from the business viewpoint, reviews ongoing efforts and suggests options for enhanced collaboration between business and donors in designing and implementing trade facilitation.

The Executive Opinion Survey (EOS), conducted by the World Economic Forum (see also Box 10.2), sheds additional light on the obstacles businesses face at the national level when exporting and importing.

One of the survey•s 140 questions asks participants to select from a list of 19 factors the ve most problematic ones for their economy; the lists consists of 12 factors for exporting and seven for importing. Respondents were further asked to rank the ve factors from 1 (the most problematic) to 5 (the least problematic). A score was assigned for

The ETI is a compilation of individual indicators into a single index on the basis of the underlying ETI framework. Since its inception, the framework's evolution has been driven by the availability of new indicators, feedback collected over the years and evidence from theoretical and empirical literature. Results for

In this context, the ETI provides a tool for the international trade community to monitor progress on implementing these measures. In the context of the Aid-for-Trade Initiative, it helps identify topical and geographic areas of priority.

In addition, the importance of these factors is borne out through ample evidence in the empirical literature. For instance, research suggests that the quality of logistics, connectivity and border administration plays a role equal to, if not more important than, tari s in determining bilateral trade costs (World Economic Forum, 2014a).

Box 10.2 brie y describes the ETI•s structure, as well as the methodology and data used for computing the index, and Figure 10.3 illustrates the index•s framework. The performance of di erent income-group countries across the ETI•s seven pillars and against the average of the ve best-performing economies (Ibid.) is plotted in Figure 10.4.

Figure 10.4. The Enabling Trade Index 2014: Income group averages and best performers

In 2012, the aid for trade of the OECD Development Assistance Committee accounted for 31% of total aid to the 23 low income countries included in the ETI of 2014. In addition, although this share remained stable, aid-for-trade disbursements increased by 126% between 2005 and 2012. Aid for trade to low income countries in sectors and areas within the scope of the ETI represented 0.7% of their combined GDP (following the OECD Creditor Reporting System, only funds classi ed under the following codes were included: 21010-21081; 22010-22040; 33110-33140; 33181; 24010-24081; and 25010-25020).This represents 44% of all aid for trade to these countries, with transport infrastructure alone accounting for 32%. The remaining aid for trade went to productive capacity building and speci c economic infrastructure, such as energy generation and supply.

In this context, we use the ETI to assess whether in the past decade aid reached the countries that needed it most and targeted the areas where they lagged most behind. Figure 10.5 plots the average disbursements of aid for trade from 2005-12 within the scope of the ETI (expressed as a percentage of the recipient country•s GDP) against the ETI overall scores for 2010 and 2014 (in blue and red, respectively). Only countries that received some aid for trade between 2005 and 2012 were included in the graph. This corresponds to 75 countries covered by the ETI of 2010 and 2014. Aid-for-trade data include o cial development assistance and other o cial ows. The linear t is based on the ETI 2010 score.

Figure 10.5 ETI score 2010 and 2014, and average aid-for-trade disbursements 2005-12 (% of GDP)

Source: World Economic Forum; OECD (2015).

Figure 10.5 shows that aid generally has bene ted countries with the weakest performance across the ETI•s seven pillars. In particular, Burundi, Mozambique, Gambia and Madagascar received, on average, 2-3% of their GDP every year in aid for trade … the highest proportion among countries analysed by the ETI. While Burundi•s overall performance in the ETI improved signi cantly, the other three countries• performance was mostly stable. At the other end of the spectrum, countries such as Zimbabwe, Côte d•Ivoire and Chad received relatively small amounts of aid given their performance in the ETI. Chad•s performance, already the weakest within the sample, further deteriorated between 2010 and 2014, while

Note: see text for details.
Source: World Economic Forum.

The ETI 2014 covers a total of 118 economies. Among them, 43 did not receive any aid for trade between 2005 and 2012. The remaining 75 countries were divided into three equal groups according to the average amount of aid for trade received: top-tier recipients correspond to the 67th percentile and higher, second-tier recipients correspond to the 34-66th percentile, and third-tier recipients to the 33rd percentile and lower. The performance of four sets of countries, compared across the seven pillars and grouped according to the amount of aid received from 2005-12, is shown in Figure 10.6. Top-tier aid-for-trade recipients … those that received, on average, more than 1.3% of their GDP in aid every year … perform consistently worse than other countries across all pillars, except for in foreign market access. In this pillar, they bene t from preferential access granted to least developed countries and other developing nations.

The gap between top-tier aid-for-trade recipients and the rest of the world is widest in the availability and use of ICTs (pillar 6), availability and quality of transport infrastructure (pillar 4), and e ciency and transparency of border administration (pillar 3). In the case of transport infrastructure, aid-for-trade disbursements have been largely aligned

Figure 10.7 ETI pillar-4 score 2010 and 2014 and average infrastructure aid-for-trade disbursements 2005-12

2010 ETI Score 2014 ETI Score Linear (2010 ETI Score)

Source: World Economic Forum; OECD (2015).

Figure 10.8 ETI pillar-3 score 2010 and 2014 and average infrastructure aid-for-trade disbursements 2005-12

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