

# **TRADE FACILITATION FOR INCLUSIVE AND SUSTAINABLE GROWTH – FUTURE RESEARCH AGENDA**


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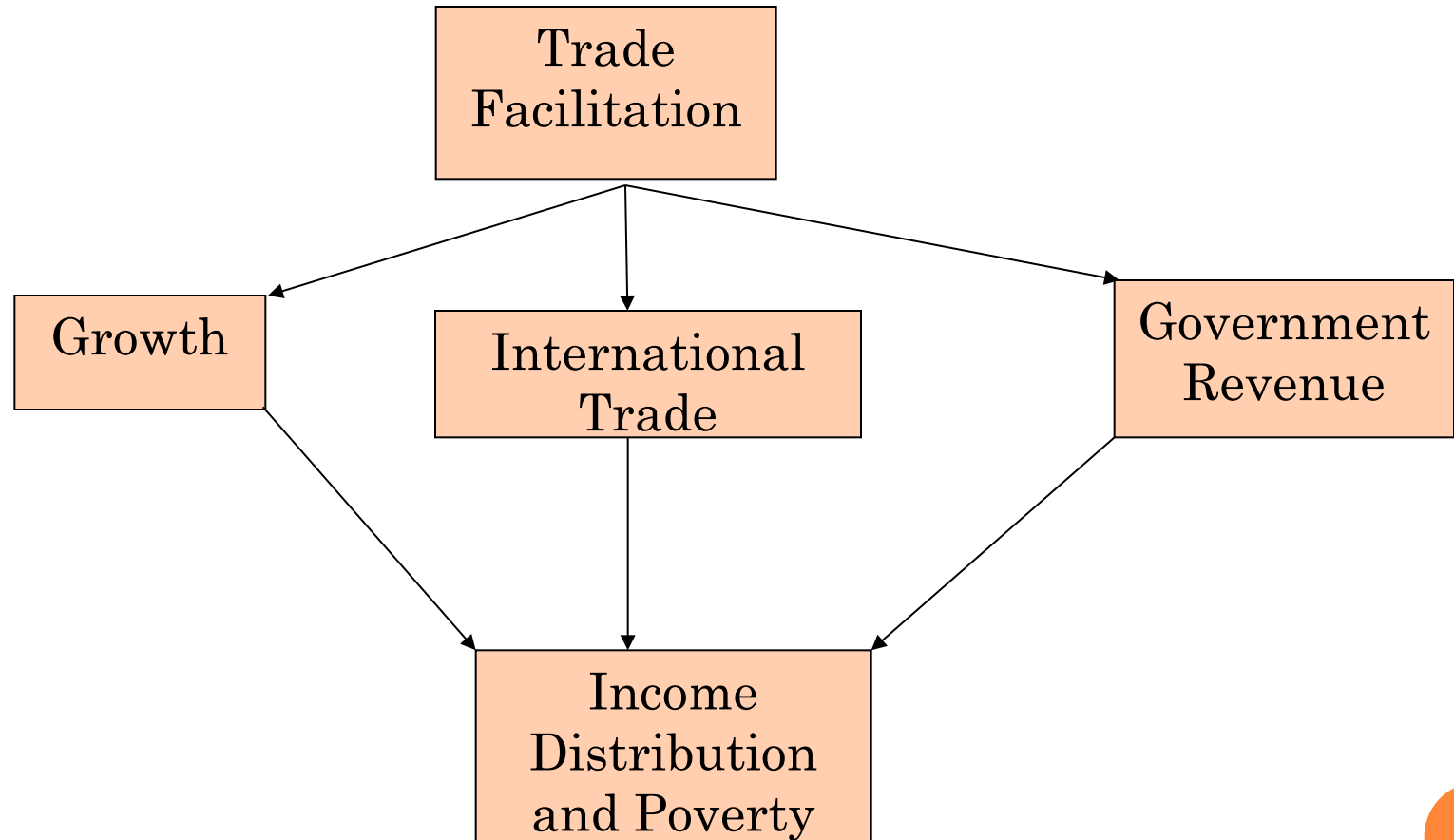
**ARTNeT Seminar on Future Research  
Agenda for Trade Facilitation**

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# IS THERE ANY LINK BETWEEN TRADE FACILITATION AND POVERTY?

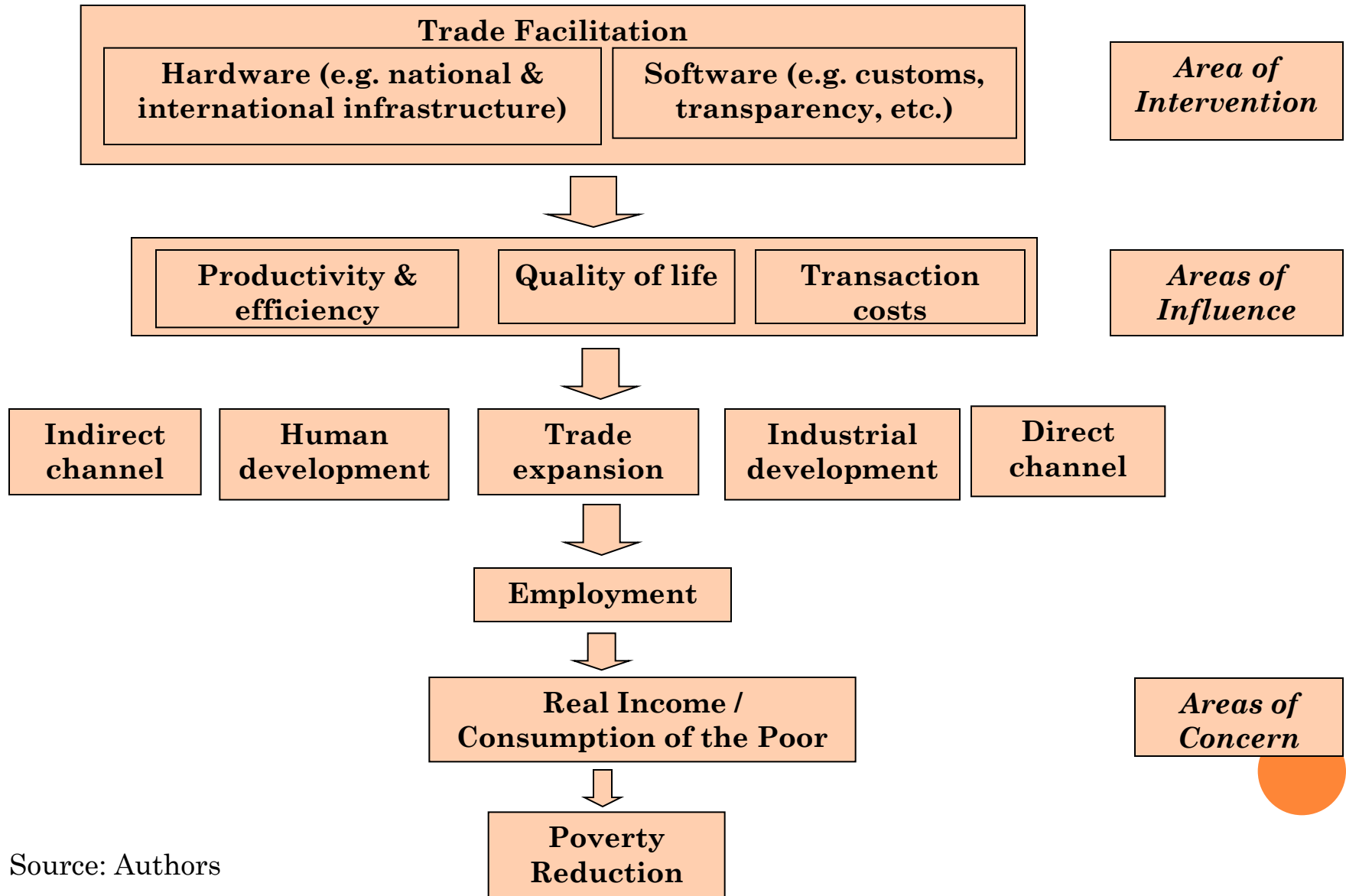
- Trade liberalisation has long been seen as an important element of an effective and sound economic policy and trade facilitation is a necessary step for achieving it.
  - Non-tariff policy issues (trade facilitation, NTMs, etc.) have been identified as more important than tariff liberalization.
  - Trade facilitation is aimed at ensuring the movement and clearance of goods across borders within the shortest time at the minimum cost
    - Two elements which form the crux of the issue are time and cost.
  - Relation between trade, inequality and poverty within countries is not beyond controversy.
  - Under free trade and competitive conditions, trade promotes growth, and growth reduces poverty.
  - Reducing trade costs can have a profound impact on poverty.
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# TRADE FACILITATION AND POVERTY LINKAGES



Source: UN (2003)

# TRADE FACILITATION HELPS IN THE REDUCTION OF POVERTY



# INCOME DISTRIBUTION IMPACT OF TRADE FACILITATION IN DEVELOPING COUNTRIES

Channels	International trade, economic growth and government revenue
Direct benefits	Rising exports and foreign investment, rising employment, fall in poverty
SMEs	Main beneficiaries, since trade transactions costs fall disproportionately on small firms
Resource redistribution	Enhance trade-induced growth, increases average incomes providing more resources with which to tackle poverty.
Market access	Improvements in infrastructure allow the poor to trade more easily and profitably in domestic as well as in international markets.
Social progress	Rise in government revenue which can benefit the poor if used to finance social expenditures

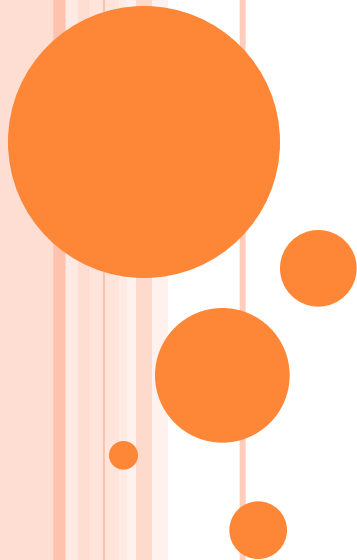
Source: UN (2003)

# SUMMING-UP

- Improved trade facilitation makes the trade efficient which tends to increase average incomes, providing more resources to tackle poverty.
- Positive impact of trade facilitation on income and poverty reduction is proved through growth;
  - Efficiency trade facilitation is equally important as its quantity.



# **CASE STUDY ON SAARC CORRIDOR 1 – DATA AND METHODOLOGY**



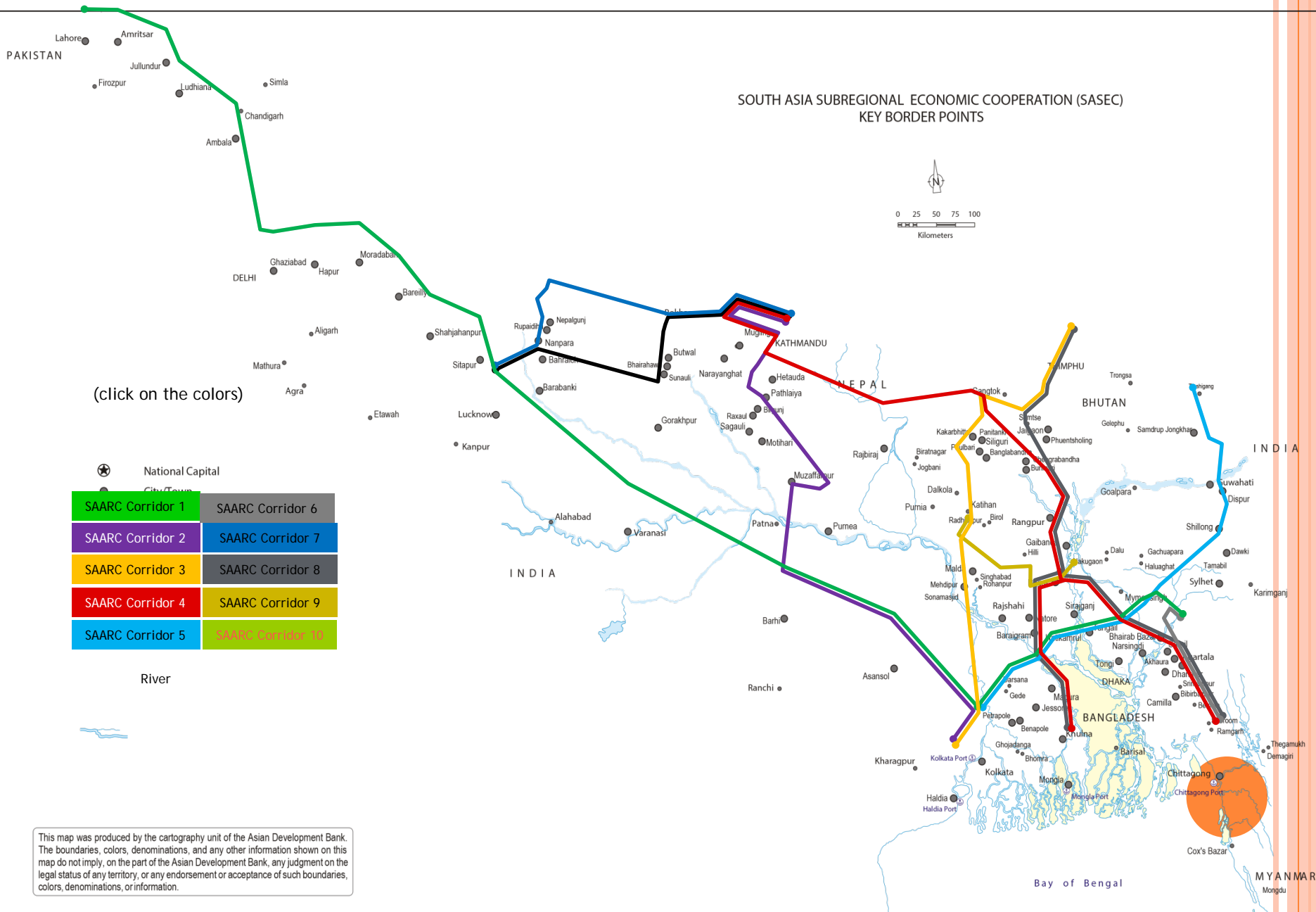
# DATA AND METHODOLOGY

- Selected SAARC Corridor 1 (2453 km) – tested the hypothesis only on Indian side of the corridor
- Primary survey through structured questionnaires (two types)
- Sample size:
  - Firms (100) use SC 1 and trade with neighbouring countries
  - Individuals (179) depend on trade
- Surveyed six places/units
  - 3 in western part
  - 4 in eastern part
  - 3 border Customs
  - 3 industrial clusters

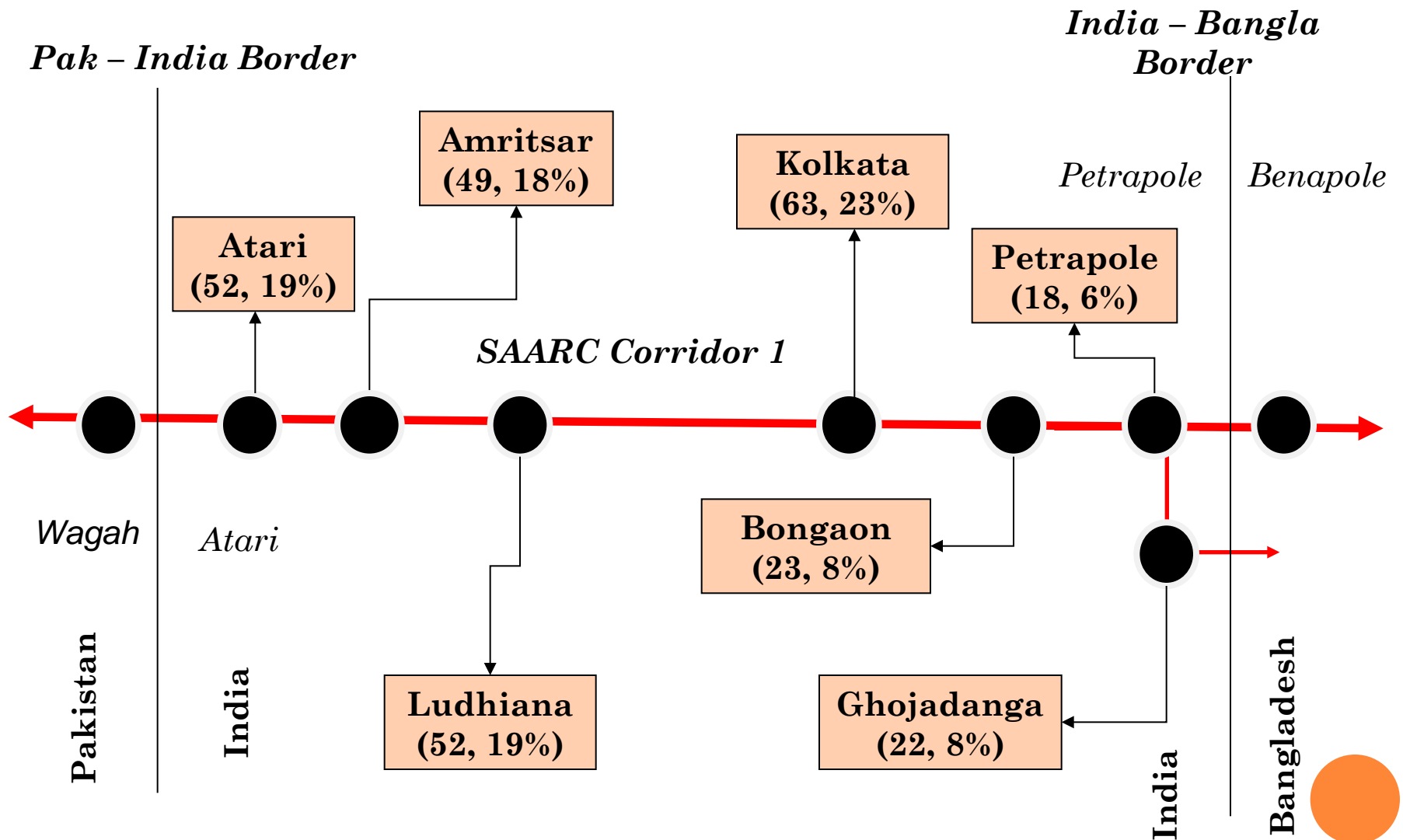




# REGIONAL CORRIDORS IN SOUTH ASIA




# SAMPLE SIZE AND DISTRIBUTION



Total sample = 279 (firms 100 + individual 179)

# MAJOR FINDINGS

- Mixed result in performance of trade facilitation and governance.
  - Better trade reduces poverty through creation of more jobs, higher skills, better income opportunities and higher local production, among others.
  - Poverty reduction, in the perception of the individuals connected with border trade, depends on reduction in trade barriers through better trade facilitation.
  - In the perception of the firms, better infrastructure which facilitates more trade is tagged with a positive response about decline of poverty. However, the same is not true for some governance variables like cheating or lengthy paper work.
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# COMPLETED / ONGOING STUDIES ON TRADE FACILITATION, POVERTY REDUCTION AND INCLUSIVE AND SUSTAINABLE GROWTH

- ESCAP Trade facilitation and poverty - completed but there is a demand to extend it to other SAARC corridors
- ADB South Asia economic corridor – completed
- GOI India – Myanmar development corridor – ongoing
  - Rehabilitation of tiny traders at India-Myanmar border
  - Training and capacity building



# FUTURE RESEARCH AGENDA

1. Role of trade facilitation in trade sophistication of LDCs and implication for poverty and gender
2. Supply chain efficiency, trade flows and employment
3. Trade facilitation and unorganised sector employment in South Asia

