



**PANEL DISCUSSION:
“Creating Growth through Logistics and Trade
Facilitation”**

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Ronald Reagan Building and International Trade Center
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Participants:

Moderator: Ian Clough, CEO, DHL Express US

-John Simpson, Executive Director, Global Express Association

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Removing trade, regulatory and other barriers that impair logistics and trade facilitation could significantly reduce the transaction cost of trade and generate substantial new trade flows. The Express Delivery industry, for example, faces a series of impediments at and behind the border that drive up costs, and slow down the transportation of goods, the supply chain, and growth. Committing to removing these barriers will increase growth and enhance access for small- and medium-sized companies as well as open markets for agricultural producers around the world.

Key Points:

Global Express Association: Express Delivery Services (EDS) are value-added transportation services including door-to-door pick up and delivery, tracking, customs clearance, and payment. EDS services generate trade that would not exist but for the speed and efficiency of the service.

Key points:

- EDS empowers small- and medium- sized producers. Most WTO Members do not have large multinational companies, but they all have SMEs. EDS services connect these SMEs to new markets and customers around the world.
- The Big Four Express Delivery companies (DHL, FedEx, TNT, UPS) account for \$140 billion of global GDP, 1.4 million jobs, and deliver 27 million packages a day. They carried \$2 trillion in value of goods around the world last year.
- Despite the economic growth and development gains that EDS companies generate, market access and regulatory barriers that impair EDS operations around the world have increased

since 2007. To date, no significant Doha Round commitments have been offered on EDS by other WTO Members to even hold EDS to where we were before 2007, let alone make strides forward. The businesses, customers, and economies of WTO Members will benefit from increased access to EDS but must make new commitments to improve this access.

- For example, EDS empowers South African fruit producers to sell their goods by meeting demand for high-quality fruits in Europe and throughout the world. Tapping these new customers and markets creates thousands of jobs in South Africa that would not exist without access to express delivery services.
- Generating comparative rankings of relative customs and trade facilitation performance creates competitive pressures amongst countries.

The World Bank: The World Bank is focused on reducing barriers to trade and investment at the border and looking at how to reduce “real” trade costs. Tariffs have declined significantly over the past twenty or so years. The real trade costs concern the costs of getting goods in and out of countries. We are now targeting a host of regulatory, customs, and infrastructure barriers that raise the real cost of trade. Key points:

- The World Bank is encouraging movement toward integrated border management efforts. All too often trade negotiators are from different Ministries than the key regulators who control these border management issues.
- The services sector and services trade liberalization play a key role in improving trade facilitation. The World Bank issues a Logistics Report that looks at the impact of many of these services and other trade facilitation barriers. If all low income countries moved to the middle of the Logistics ranking, it would generate three to four times more economic gain than lowering tariffs to the average level.
- Doha could play a large role in addressing these services and trade facilitation barriers, but so far there is little on the table.
- The World Bank has launched the Trade Facilitation Facility to develop and finance projects through private sector partnerships with developing countries that are committed to improving trade facilitation. The goal is to develop concrete and measurable projects that generate real trade facilitation gains and that can be replicated in other developing countries.

OECD: Even the best “hardware” infrastructure, such as roads and ports, will not generate economic growth and development or attract foreign investment if the “software” – legal, regulatory, and other barriers – is not also reformed. Through extensive logistics research the OECD has demonstrated that lengthy customs clearance problems dissuade investment. Key points:

- Time is found not only to reduce trade volumes, but more importantly lengthy procedures for exports and imports reduce the probability that firms will enter

export markets for time-sensitive products. Such products are typically differentiated and fetch a higher price in the market.

- Timely and reliable delivery has become a criterion for being shortlisted as a supplier to manufacturers as well as retailers. The relevance of distance has not diminished as a determinant of international trade flows in recent years, in spite of the ICT and logistics revolution. What matters for a country's success in export markets is its relative trade costs measured in time and money.
- Exports fall with time for trade (time for exports in the exporting country+ time for imports in the importing country) at about 5% for every 10% increase in time.
- Management technology, including supply chain management appears to be more difficult to duplicate than production technology, and variation between firms are more persistent. Firms with superior supply chain management locate their production in countries – or economic zones – with excellent transport and logistics services and efficient border procedures
- Liberalizing logistics services such as services auxiliary to all modes of transport services, other related logistics services and non-core freight logistics services is a policy imperative where adjustment costs and regulatory capacity requirements are moderate, while gains can be substantial. This is particularly the case in developing countries where access to imported services can stimulate exports of time-sensitive goods.
- Trade facilitation and reforms in logistics services are complementary. A sharp reduction in time for customs clearance could only reduce lead time if port services can keep up to speed as well –and vice versa. Enhanced liberalization of transport services, while identified as a higher hanging fruit in light of the more challenging policy and regulatory environment, could also significantly improve efficiency, including timeliness, and reduce costs.

Peterson Institute: The costs of barriers to trade facilitation are well documented through econometric modeling and research. Based on Peterson research, addressing trade facilitation barriers in Doha could be the big sleeper gain from the negotiations and generate far more trade than the agriculture negotiations. The Doha trade facilitation negotiations have not been nearly as contentious as the other areas.

- Peterson has conducted some research and found that trade density within the U.S. was two to five times as high as cross-border trade, due in large part to trade facilitation barriers that constrain the movement of goods and services across borders.

- The average cost of moving \$20,000 of goods into or out of the United States is \$1,000 or 5% of the value of the good. Singapore's cost is half that.
- For more time sensitive goods, an additional week of delay to clear the border adds 1% to the cost of the good.
- If Doha continues to stall, the trade facilitation negotiations could be pursued as a plurilateral agreement within or outside the WTO and would attract support from a large number of countries.