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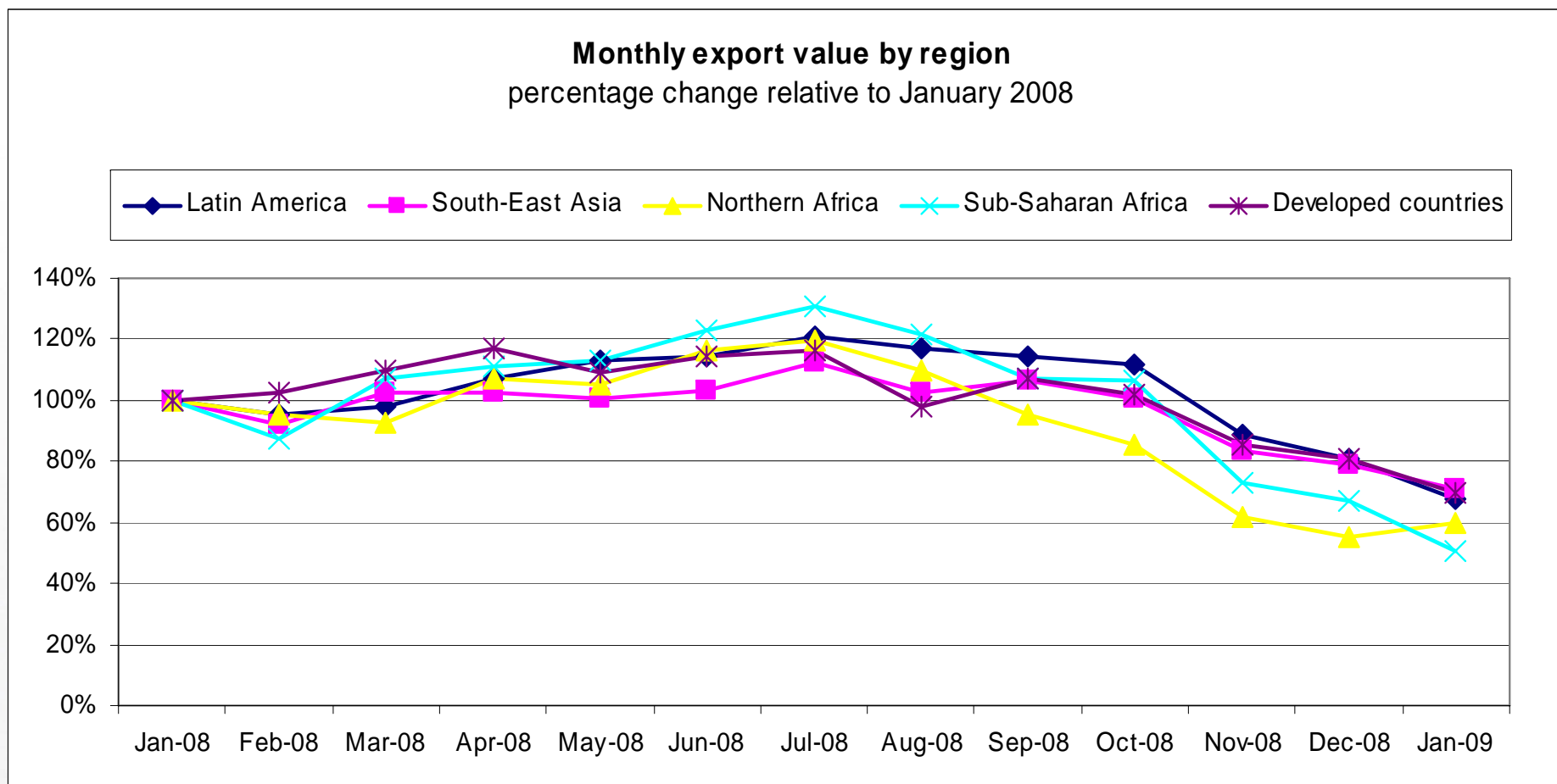
The Perspective of the Business Sector: Policy Responses to the Crisis and their Impact on Companies

Joint World Bank-CEPR conference
Brussels, 26 May 2009

Anders Aeroe



Evolution of International Trade



For the regions with unavailable data, mirror statistics was used (based on 58 importing countries covering more than 80% of trade in the respective regions).



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Possible Consequences of Decreasing Trade

- **Trade contraction can increase the incentives for protectionist policies.**

Examples of such policies include:

- Increase in tariffs and application of trade remedies
- Introduction of new non-tariff measures
- Tightening of existing non-tariff measures

- **Recent evidence:**

- **No considerable increase in tariffs**
- **Change in the policies related to NTMs can be captured through a survey**

Company Level Surveys

	(I) ITC/UNCTAD Survey on non-tariff barriers (NTBs)	(II) ITC/World Bank Survey on the impact of crisis and policy responses to the crisis
Interview period:	July-September 2008	May 2009
Objectives:	Identify measures that companies <i>perceive</i> as non-tariff barriers and their possible patterns across sectors, countries and regions; identify potential bottlenecks at the national level.	Assess the impact on the business sector caused by policy responses to the crisis
Countries:	Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda	Chile, the Philippines, Tunisia, and Uganda
Nb. of responded companies:	1 730 responded companies in total (290-500 per country)	947 responded companies in total* (150-300 per country)
Nb. of contacted companies	7 000 + contacted companies	2 400 + contacted companies
Method:	Face-to-face interviews	Phone interviews



* Survey in Uganda is still ongoing.

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Survey I

Non-tariff barriers (NTBs) experienced
by the business sector



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Survey I on NTBs

Objective and Structure

Objectives of the survey

To capture the various obstacles to trade faced by the business sector, and to identify their possible patterns across products and sectors as well as countries and regions.

Categorisation of obstacles to trade

New classification of non-tariff measures that has been prepared in the framework of UNCTAD's multi-agency initiative on NTMs.

Questionnaire

Companies were asked to report cases of non-tariff barriers impeding their trade. Each case includes a reference to 1 product (or product group) 1 export destination, 1 measure according to the new NTM classification and the related "procedural obstacle" they face in relation to the applied measure.

Example of one non-tariff barrier case:

Export of Cane or Beet Sugar from Uganda to Burundi, "Inspection and clearance requirement", "Too complex mechanism".



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Survey I on NTBs

Key Findings from 5 Developing Countries*

- The analysis suggests that trade barriers vary considerably across countries, sectors and trading partners.
- Destination countries:
 - Many obstacles to trade are experienced when trading regionally.
 - Many obstacles to trade are highly concentrated on specific sectors – sometimes, these sectors account for a major share in exports to this destination, sometimes only for a marginal share.
 - The affected goods often enjoy preferential tariff treatment by the destination country.
- The experienced obstacles to trade can be often associated with a lack of infrastructure and efficient procedures in the country of origin.

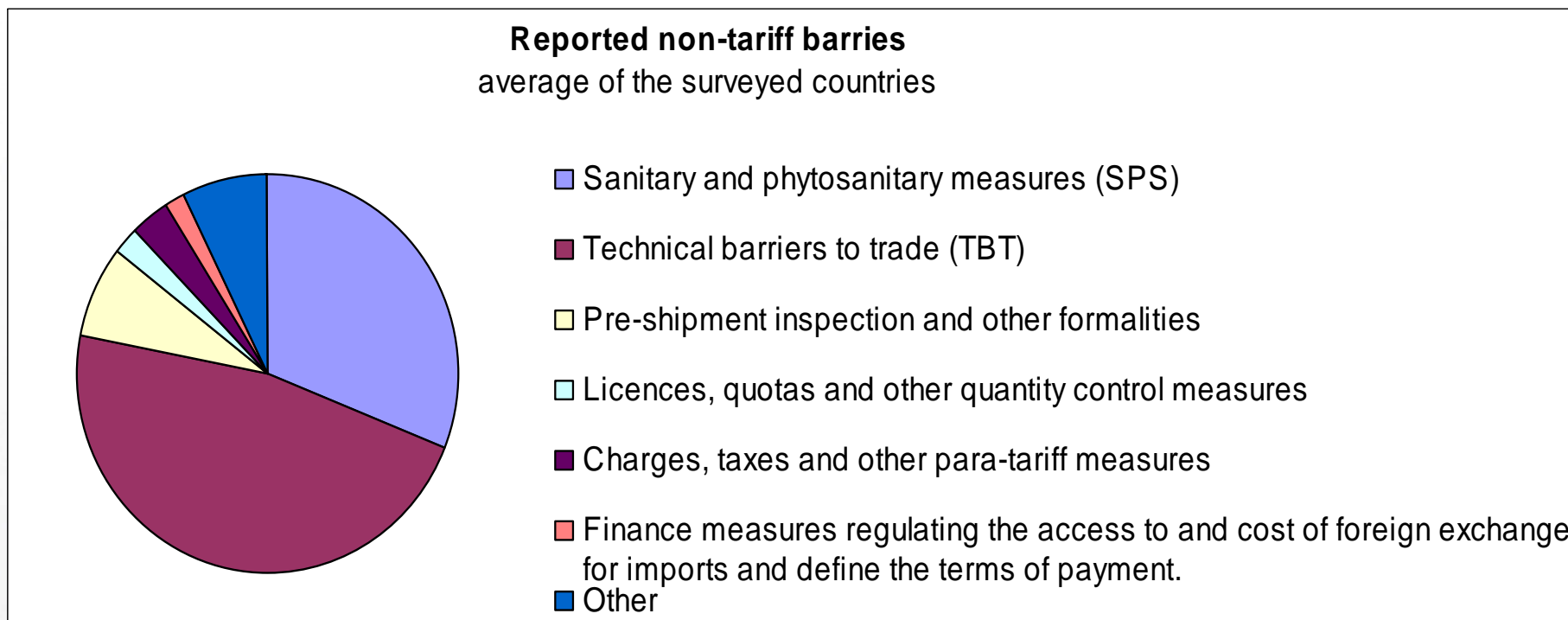
* Chile, The Philippines, Thailand, Tunisia, Uganda



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Survey I on NTBs

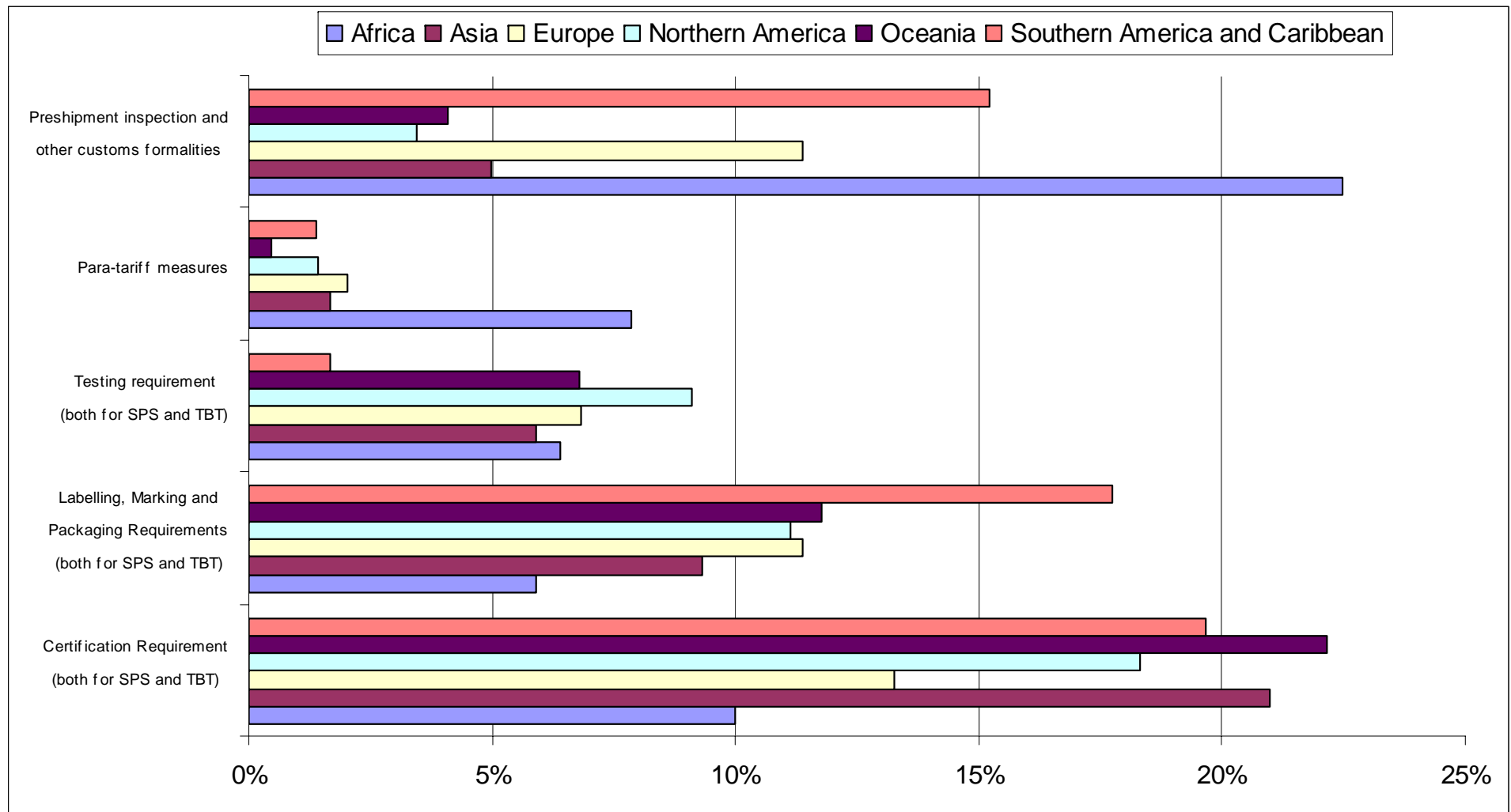
Types of Reported Barriers



*Based on the data analysis for 5 countries: Chile, the Philippines, Thailand Tunisia, Uganda

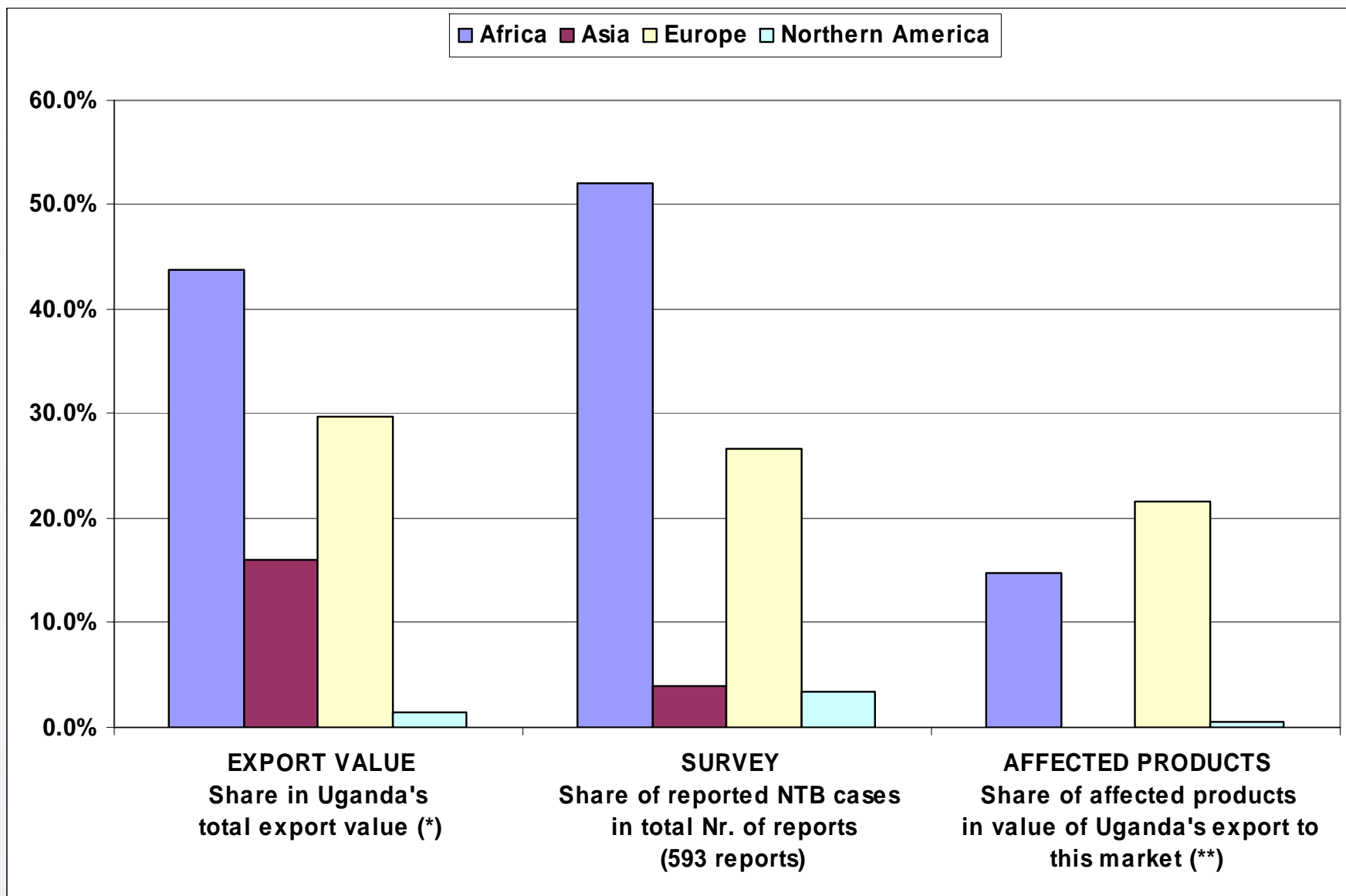
Survey I on NTBs

Types of Barriers by Export Destinations



Survey I on NTBs:

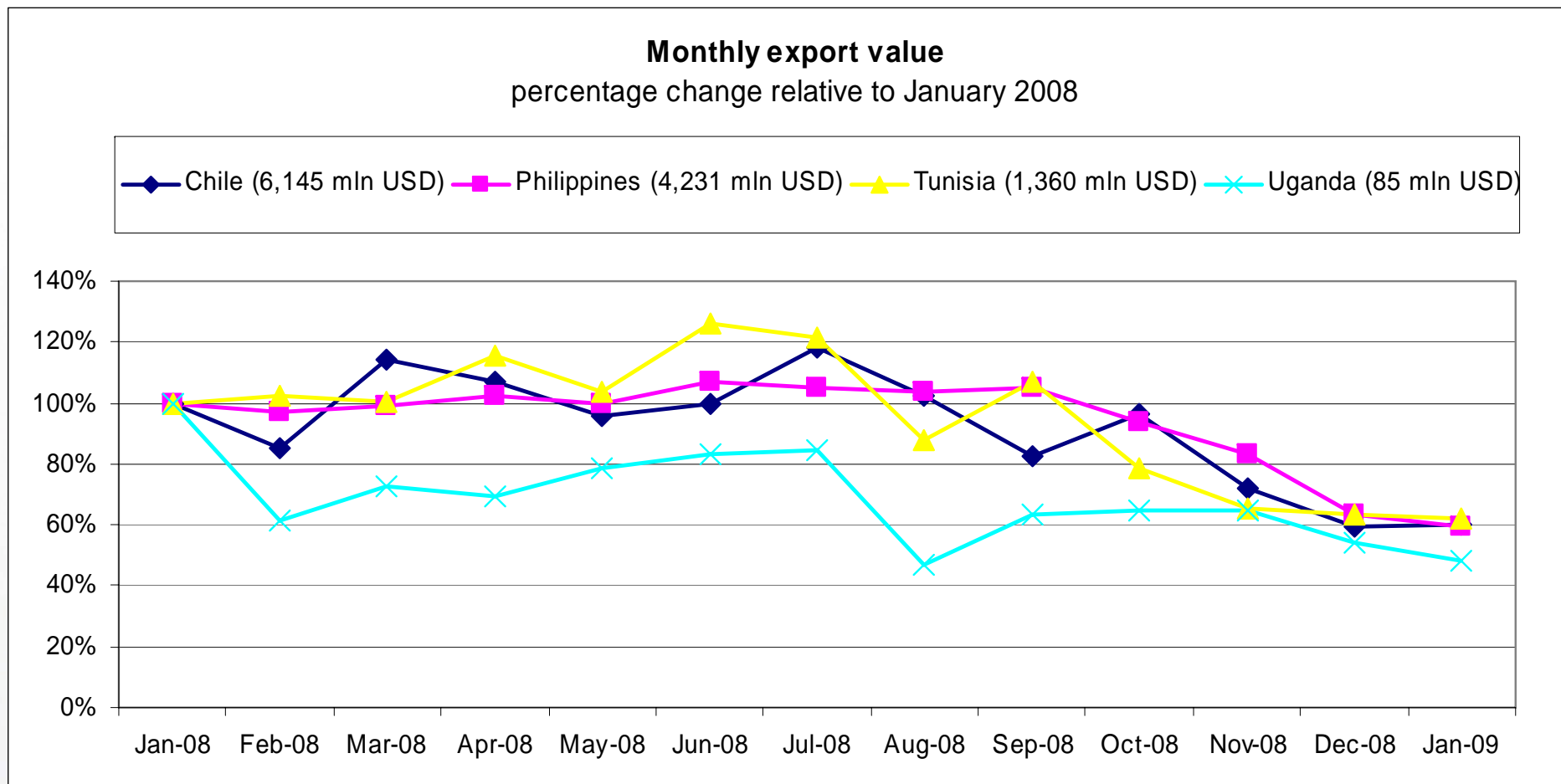
Intra-regional NTBs, example Uganda



Survey II

The impact of policy responses to the crisis
from the perspective of the business sector
in developing countries

Evolution of Trade in the Surveyed Countries



Tunisian and Ugandan trends are based on the mirror statistics.



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Survey II

Key facts

- 4 countries (3 developing and 1 least developed country) in different geographic regions: Chile, The Philippines, Tunisia, Uganda
- Interview period: May 2009 (Uganda: last interviews on Friday, 22 May)
- More than 2400 companies contacted
- Only goods, services excluded.
- All export sectors covered per country; some additional interviews with importers
- In total more than 980 interviews
- Between 190 to 300 phone interviews per country
- Interview duration: in average 15 minutes
- Questions based on a pre-defined questionnaire (English, French, Spanish), prepared in collaboration with the World Bank
- Including open questions to fully capture the experiences of the business sector



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Survey II

Main focus

- Companies were asked about policy changes during the last 6 months, and their impact on their day-to-day operations

- Questions focused on

Policy changes implemented by the partner country

- New measures to restrict trade
- Existing Measures that have been in place prior to the crisis, but that have been implemented more harshly/vigorously
- New measures to liberalize and facilitate trade

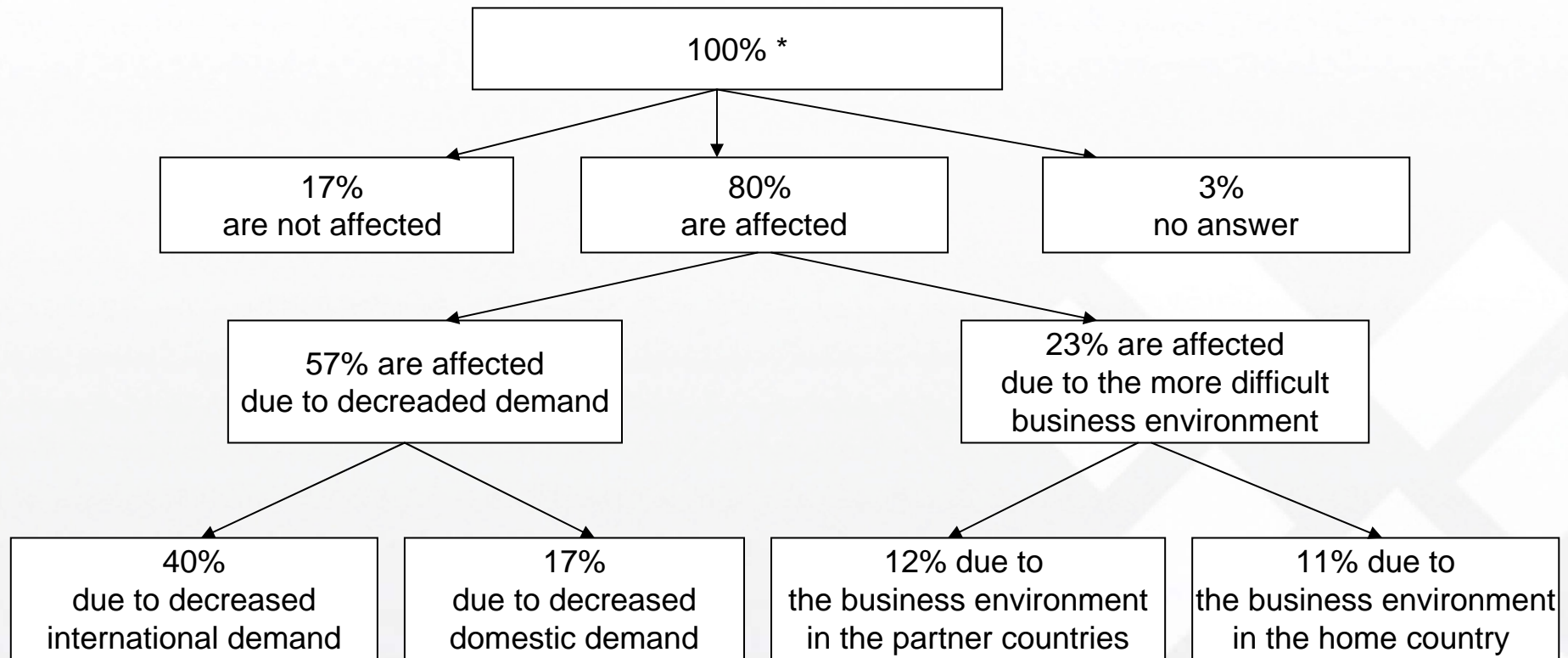
Policy changes implemented by their own country

- New measures to restrict trade
- Existing Measures that have been in place prior to the crisis, but that have been implemented more harshly/vigorously
- New measures to liberalize and facilitate trade

Survey II

Most serious effects

Survey Question: What have been the most serious effects of the current crisis on your company?



*) 1099 responses

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Survey II

Most serious effects by country

Survey question: What have been the most serious effects of the current crisis on your company?

	Chile	Philippines	Tunisia	Uganda	Simple average
No effects	31%	4%	29%	7%	17%
Decreased international demand	32%	44%	33%	49%	40%
Decreased domestic demand	15%	8%	18%	27%	17%
More difficult business environment in my own country	8%	24%	9%	3%	11%
More difficult business environment in the country where I do business	14%	19%	11%	4%	12%
No answer	0%	1%	0%	11%	3%
<i>Total</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
<i>Number of responses (multiple responses possible)</i>	<i>277</i>	<i>319</i>	<i>326</i>	<i>177</i>	

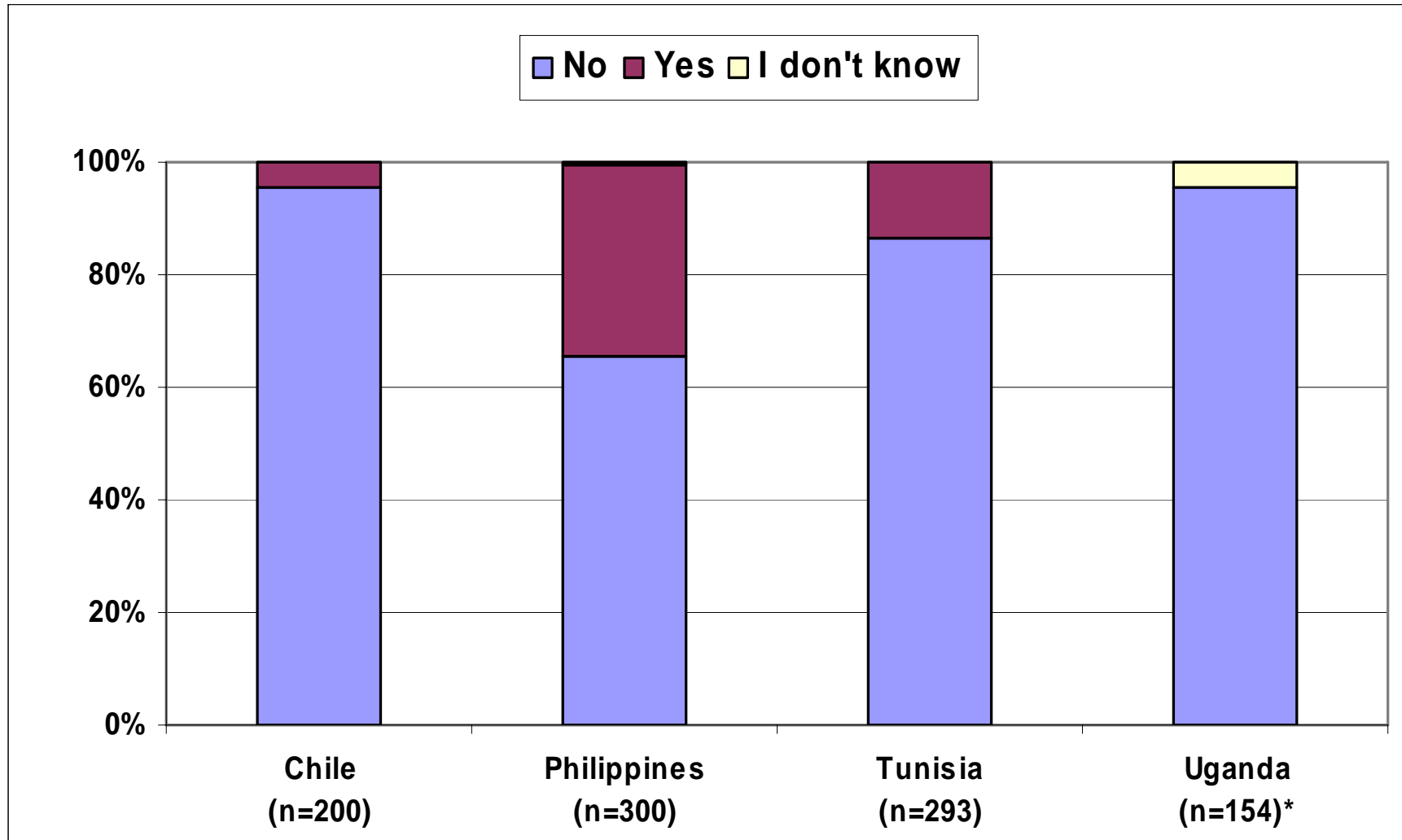
Survey II

Policy changes implemented by the partner country

- Almost 80% of the interviewed companies did not experience that their partner countries implemented new trade restrictions in response to the crisis – only 20% faced new restrictions
- About 23% reported that their partner countries implemented existing restrictions more harshly
- Only 3.7% reported that their partner countries implemented new measures to liberalise / facilitate trade (for example lower import tariffs)
- However, the results vary considerably across the 4 countries

Survey II

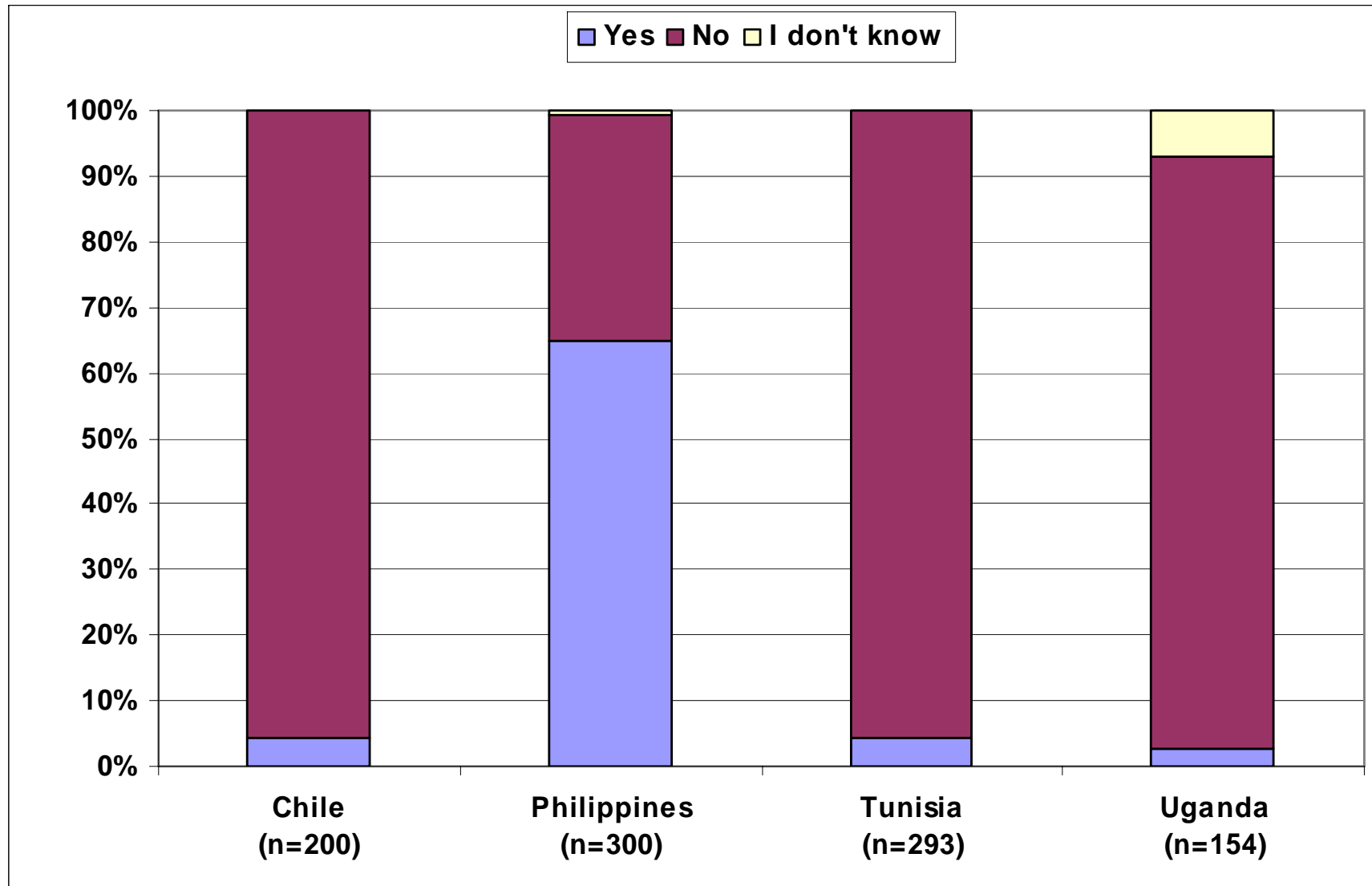
“Have you experienced any new restrictions that your partner country implemented during the last 6 months?”



*Only 154 of a total 200 interviews analysed to date.

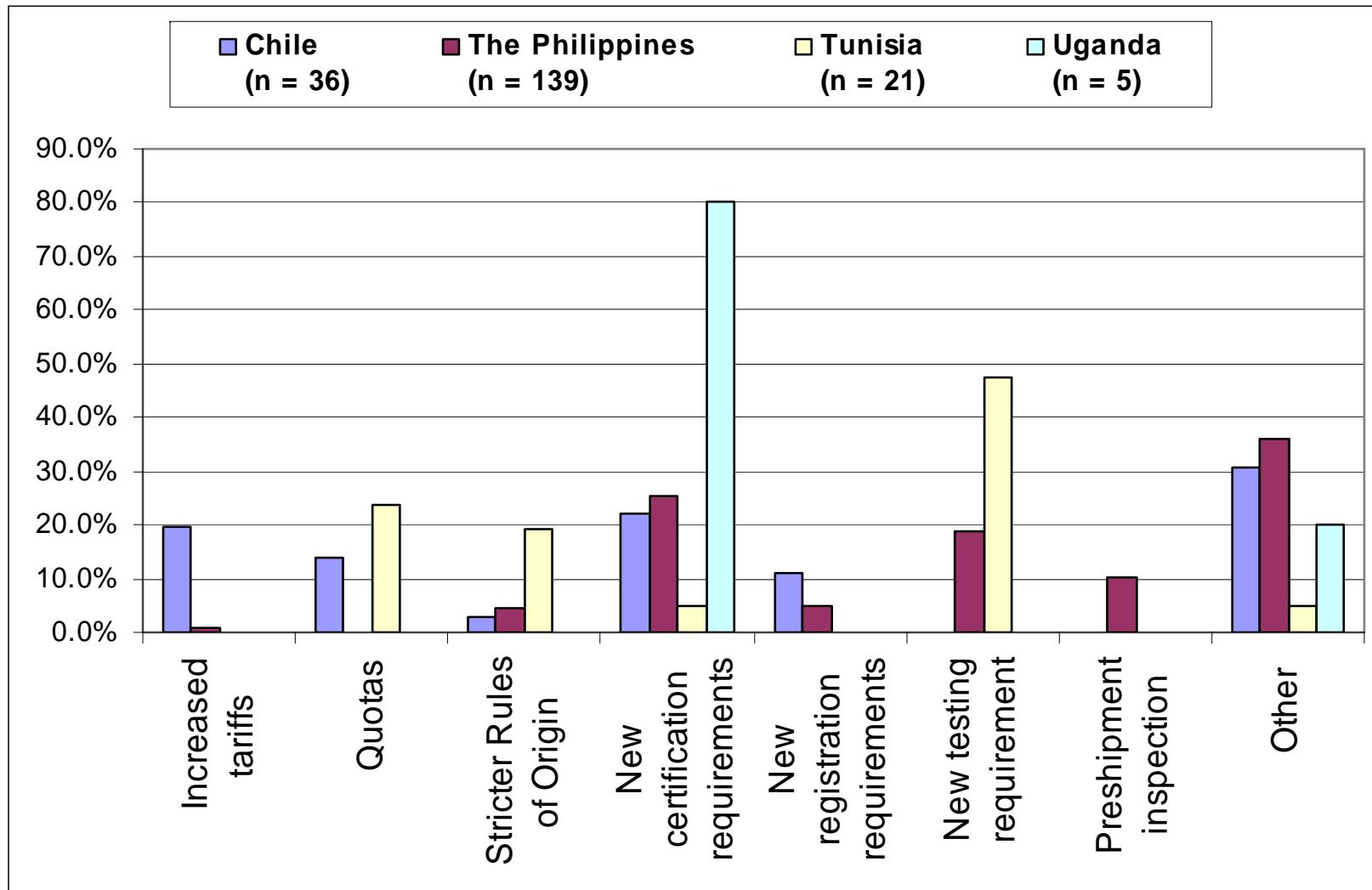
Survey II

“Have you experienced that existing restrictions have been implemented more harshly/vigorously by your partners countries?”



Survey II

Types of new restrictions that the partner countries implemented



Survey II

Example of the Philippines: types of new restrictions by partner country

- Interviewed companies in the Philippines reported most cases
- Reports mainly concern new certification requirements, new testing requirements, pre-shipment inspection and other. Under other, interviewed companies mainly mentioned customs procedures
- In the framework of the first survey, Philippine companies reported cases on similar measures, as well as similar destination countries and affected sectors – the global picture did not change.
- Companies did not directly attribute these new restrictions to the crisis, but they commented that their impact has heightened/increased. Their costs of compliance with the measures and transaction costs become relatively higher, because volumes of trade are decreasing.

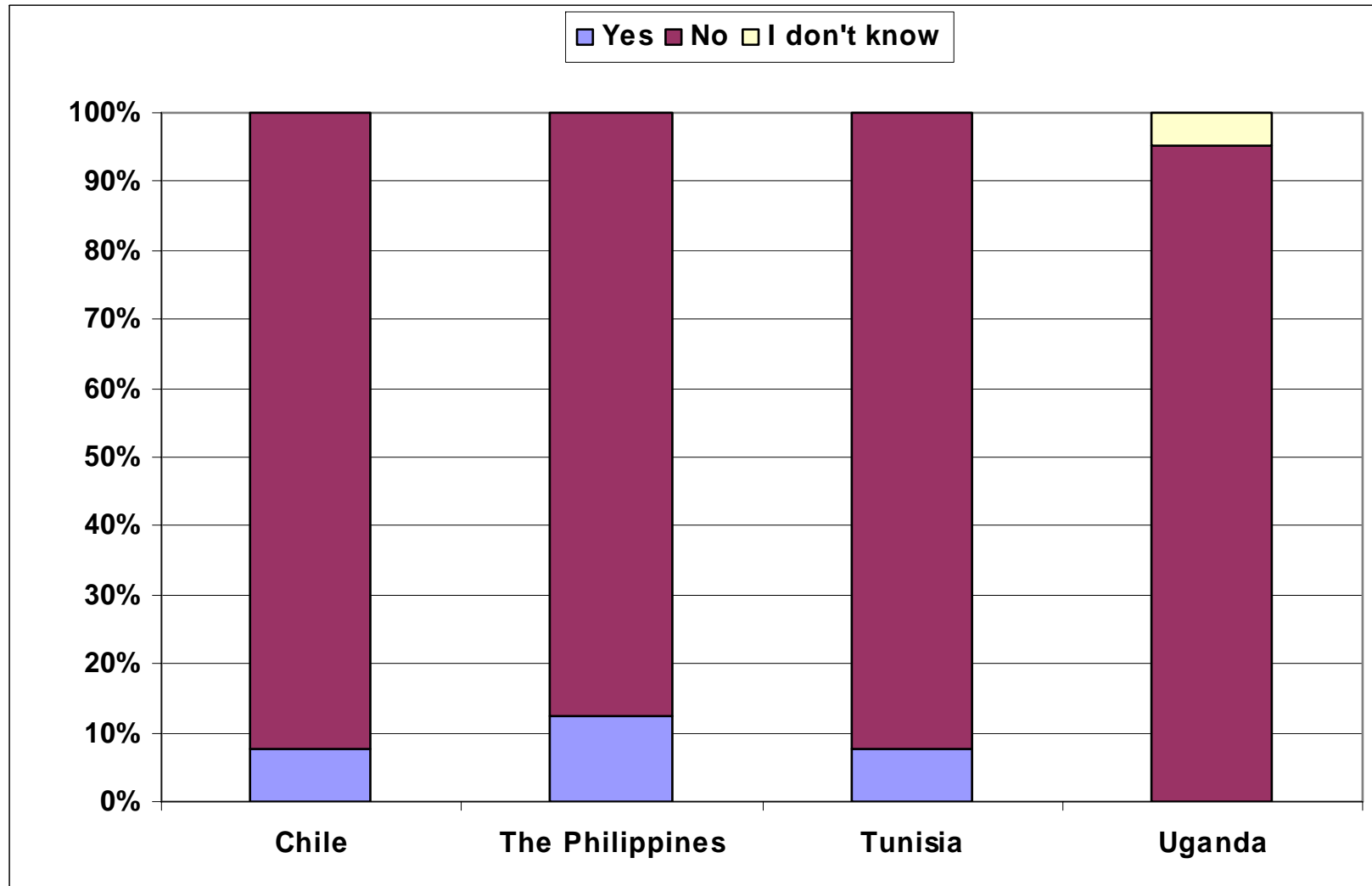
Survey II

Example of Chile: new restrictions faced when trading regionally

- Chilean companies reported in total 36 cases on new restrictions implemented by their partner countries.
- 20 of these cases concern regional partners. Other cases concern US (~8%), UK, (~8%), and Russia (~11%).
These findings confirm the results from survey I, where Chile mainly reported on regional barriers to trade, but also on the US (Chile's Top-2 export destination) and UK (Top-19). Also in survey I, significantly many companies reported on Russia.
- Measure type: Most of the 20 cases refer to increased tariffs (15%), quotas (20%), new certification requirements (20%), and new registration requirements (15%).

Survey II

“Have you experienced that the government of your country introduced measures to liberalize and facilitate trade, which are beneficial for you?”



Survey II

Example of the Philippines: Access to relevant information on new regulations of the partner country

- Philippine companies reported in total 30 cases of initiatives/measures to facilitate trade in response to the crisis.
- Only few cases refer to tariff reforms and simplification of procedures.
- The large majority of cases (2/3) refer to the provided information about new regulations and changes to regulations, in particular when exporting to the EU, Japan, US.

Being informed about new regulations prior to the export process seems to facilitate the compliance with new / changes regulations considerably.

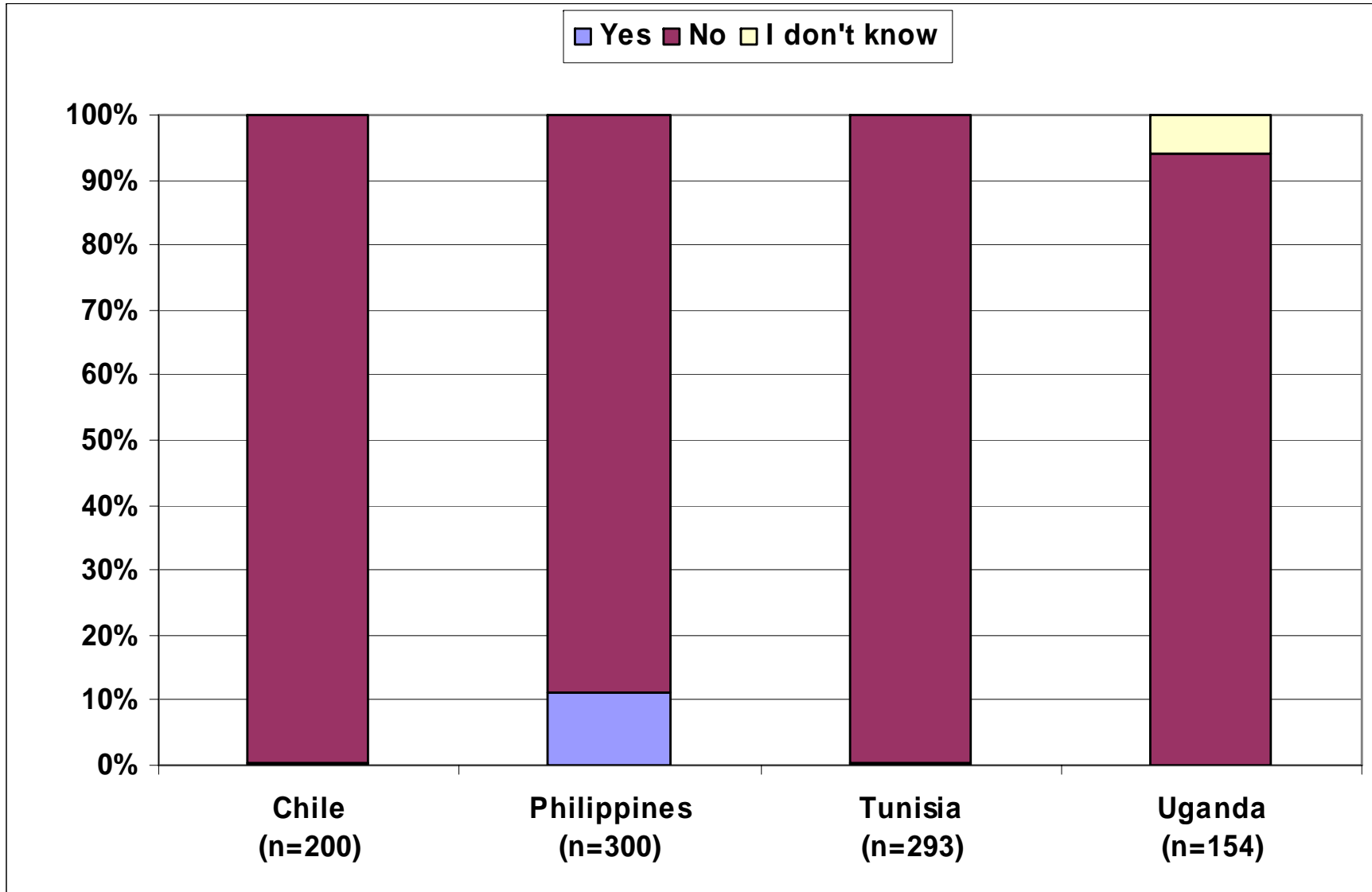
Survey II

Policy changes implemented by the companies' own country

- About 17% of the interviewed companies experienced that their own country implemented new import or export restrictions in response to the crisis – more than 82% did not experience any new restrictions
- About 11% of the interviewed companies reported that their own country implemented existing restrictions more harshly.
- Less than 8% of the companies experienced measures that their government introduced measures to liberalize and facilitate trade in response to the crisis
- However, the results vary considerably across the 4 countries

Survey II

Have you experienced any newly introduced initiatives to facilitate trade which were implemented by the government of your partner country?



Survey II

Types of measures

- In total 76 cases on measures implemented by the companies' own country to facilitate/liberalise trade have been reported across the 4 countries
- The majority of these types refer to export finance; in particular Tunisian companies reported that they benefited from export finance measures
- Chilean companies mainly reported that they experienced reductions of import tariffs
- Philippine companies refer to different issues, including the organisation of trade fairs which they experienced as beneficial

Conclusions

From the perspective of the business sector, countries have not reverted to protectionist measures ...

Some new measures have been reported in the survey but the majority of them cannot be attributed to the current crisis.

... but the negative impact of NTBs on companies is greater.

NTBs are becoming greater obstacles because the cost of compliance is fixed, but the volumes of trade are decreasing due to the shrinking demand.

Thank You



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Additional Slides



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Applied Tariff Rates

Overall, the changes in the applied tariff rates between 2008 and 2009 are insignificant.

- **Small increase in ad-valorem tariffs in several countries:**

- EU: 113 out of 13'707 tariff lines
- Argentina 74 out of 9'720 tariff lines; Brazil 322 out of 9'798 tariff lines
- Russia: 129 out of 11'177 tariff lines

- **Decrease in several countries:**

- Canada: 12 out of 8'418 tariff lines
- Mexico 4'940 out of 12'127 tariff lines (624 tariffs are higher)
- Peru 571 out of 7'358 tariff lines

- **No nominal increase in the applied tariff rates in most of the countries...**

- US, New Zealand, Nepal, Kyrgyz Republic

... but 70 countries are applying specific duties, and therefore have an increased protection when prices go down

specific duty depends on the price
commodity prices are decreasing

} → higher level of protection in ad-valorem terms



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Trade Remedies

- Frequency of antidumping and countervailing duty measures

	Antidumping		Countervailing	
	2007	2008	2007	2008
Number of applying countries	26	26	12	13
Number of facing partners	83	86	39	40
Measures ongoing:				
Investigations	177	274	8	21
Provisional duties	91	150	6	14
Definitive duties	1322	1444	108	118
Total	1590	1868	122	153

- An increase in the application of antidumping and countervailing duties is likely to continue in 2009.

Survey I on NTBs

Additional Comments

Uganda

- **Very few comments concern destination markets outside Africa.**
- **Overwhelming number of the interviewed exporters commented on poor infrastructure (roads and railway), high air freight charges, power shortages, access to loans, low skills on technology, low access to information.**

“Transport from Mombasa to Kampala is more expensive than transporting a container from China to Mombasa.”

The Philippines

- **Some of the problems associated with partner countries, are actually located at home.**

For example, certification and testing requested by the US are undertaken in the Philippines, where it is not done in the most efficient way.



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Survey II

“Psychology of the respondents”

- The general sentiment of many respondents is that they are willing to report about the crisis impact, but expressed doubts on how non-tariff measures which contribute to this can be resolved in a regime of open markets and worldwide trade.
- Survey II: In one country (Tunisia), many contacted companies refused to respond to the survey for two reasons:
 - they are so strongly affected by the crisis that they don't have the time to respond to the interview
 - they do not want to refer to any measure applied by their own government over the phone
- Survey I: In one country (Philippines), many contacted companies were not willing to share their experiences with non-tariff measures – as they consider these experiences (knowledge on applied regulations) as comparative advantage against their competitors