

**Economic and Social Commission for Western Asia (ESCWA)**

Committee on Trade Policies in the States Members of the Economic  
and Social Commission for Western Asia

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Item 12 of the provisional agenda

## **Costs to Trade Platform**

### **Summary**

The present document provides an overview of the [Costs to Trade Platform](#), developed by the Economic and Social Commission for Western Asia (ESCWA) as part of the [Arab Trade Gateway](#). It also discusses possible extensions to turn the platform into an intricate mapping tool between policy instruments and trade costs at the product-partner level.

The Committee on Trade Policies in the States Members of ESCWA is invited to review the present document and provide comments on the platform and the way forward.

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## Introduction

1. Despite great strides made in transport, information and communication technologies and in the dismantling of tariff barriers, trade costs remain sizable and constitute a major impediment to greater trade flows and economic integration. Trade costs, which broadly cover all costs incurred in delivering goods to final consumers (other than the marginal cost of producing goods), remain an important topic closely linked to economic policy.
2. Intraregional trade volumes in the Arab region have not increased appreciably despite a number of regional and subregional trade agreements and, as a result, tariff barriers remain high. Consequently, trade costs remain significant, so estimating the full extent of and identifying the underlying sources of trade costs are of paramount importance to achieve a more integrated Arab region. However, work on trade costs associated with different trade policy measures is rather limited in the region.
3. As a first step to address the gap in assessing various trade costs, ESCWA has developed the Costs to Trade Platform, as part of the Arab Trade Gateway.

### I. Costs to Trade Platform

4. The Costs to Trade Platform provides data on time and monetary costs associated with the overall process of exporting or importing a shipment of goods in an interactive manner, for a user-specified exporting country and its selected partner(s). The interface allows multiple selections for both importing and exporting countries, though limiting them to three countries is recommended to achieve a more visually appealing results table. This tab summarizes the time and monetary costs of documentary and border compliance in trade, based on the World Bank's Doing Business Indicators considered under the topic "Trading across borders".<sup>1</sup> More specifically, the following eight original Doing Business Indicators form the basis of the cost-to-trade assessment presented in the tab:

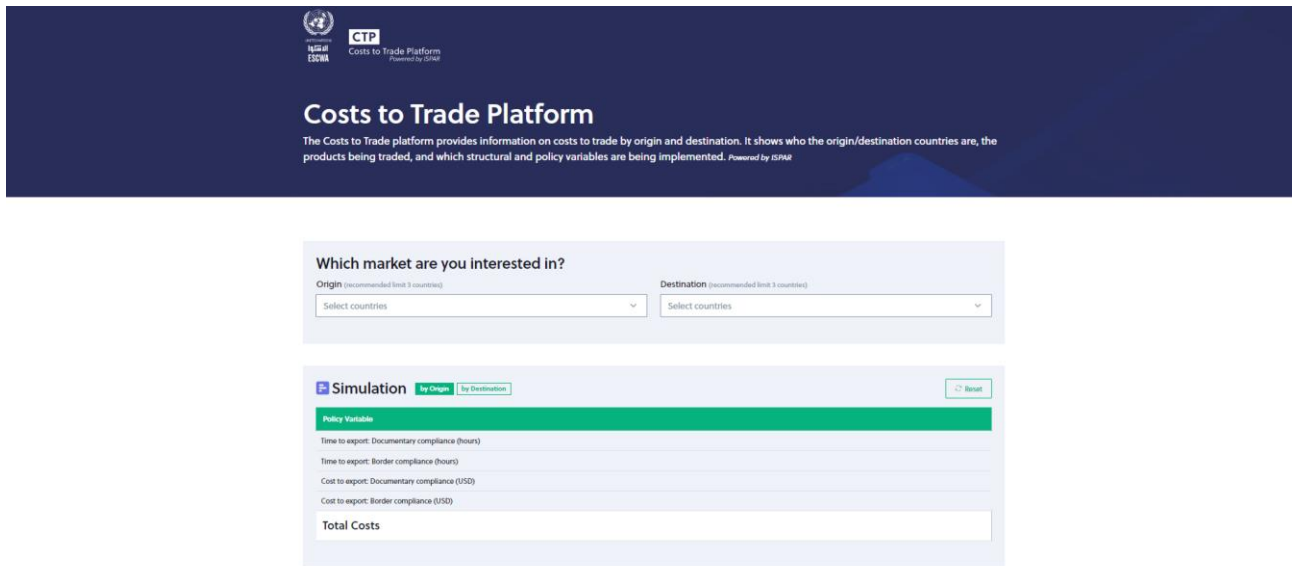
- Time to export: border compliance (hours).
- Cost to export: border compliance (dollars).
- Time to export: documentary compliance (hours).
- Cost to export: documentary compliance (dollars).
- Time to import: border compliance (hours).
- Cost to import: border compliance (dollars).
- Time to import: documentary compliance (hours).
- Cost to import: documentary compliance (dollars).

5. Six indicators are featured in the platform in each trade flow direction (figure 1). Two additional indicators are generated for each direction of trade flows to summarize time and monetary costs separately. In other words, an additional time cost variable is created by summing up the border compliance and documentary time costs of exporting/importing. The same is done for monetary costs. These sums are displayed as "Total costs" with the dollar sign and a clock icon for the monetary and time costs, respectively.

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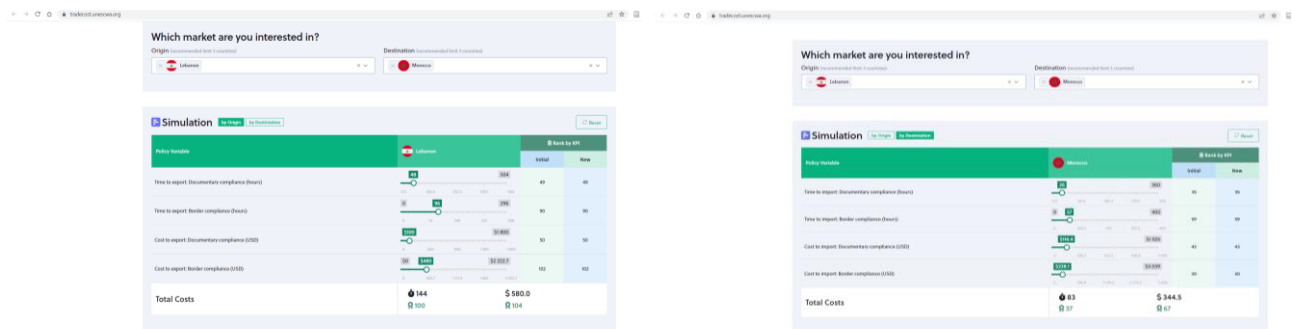
<sup>1</sup> Under this topic, data on the time and cost (excluding tariffs) associated with documentary compliance, border compliance, and domestic transport in the process of exporting or importing a shipment of goods are collected through a questionnaire administered to local freight forwarders, customs brokers, port authorities and traders. The latest data collection round was completed in May 2019.

**Figure 1. Costs to Trade Platform user interface**

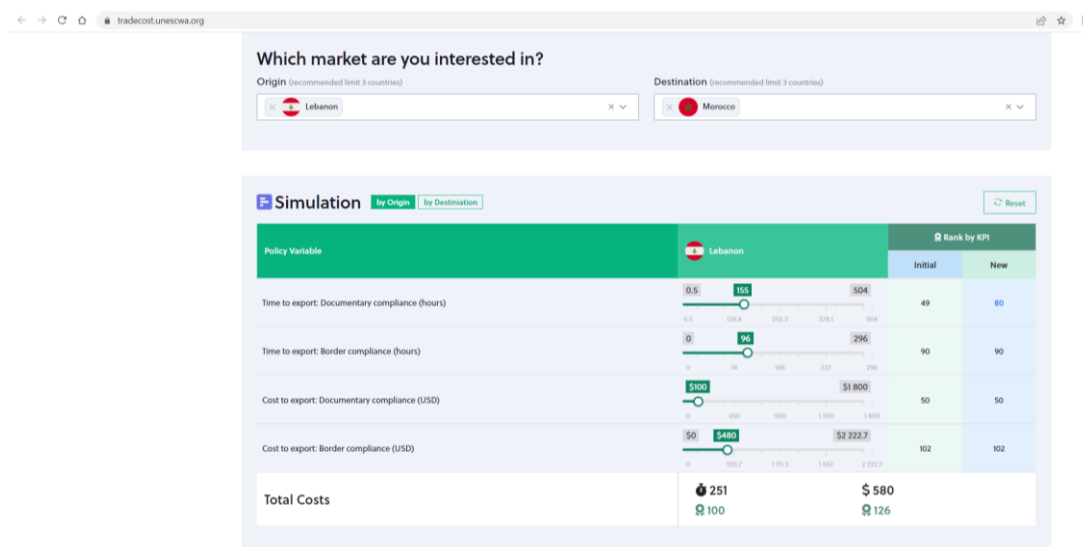


6. Once the exporting and importing countries are selected from a drop-down menu, the values of the four original indicators are displayed in a range of all possible values of a given indicator across all countries worldwide, as well as the total time and monetary costs (figure 2). Separate tabs exist for exporting and importing countries, and users can switch between those tabs by selecting them in the fields next to the heading “Simulation”.

**Figure 2. Example of a populated Costs to Trade tab**



7. In addition, the global rank of the exporter or importer is also provided in the tab. The rank is provided in two columns: initial and new. The “Initial” column shows the rank of the country in question, based on actual data. The “New” column is reserved for simulation exercises. Users can change the value of any one of the four Doing Business Indicators by sliding the indicator values in the range. The resulting global rank in the respective indicator is calculated and given in the column with the heading “New” in a different colour. Total costs and the corresponding global ranks are recalculated and displayed. The tool allows simulation in multiple indicators simultaneously but, for the sake of expositional clarity, a single indicator is simulated in figure 3.

**Figure 3. Example of a simulation in the tab**

## II. Way forward

8. This platform represents a first step in examining and identifying broader trade costs. It is however a somewhat blunt tool in its current form. Particularly, it does not allow an assessment of trade costs at the partner-product level. For example, border compliance time cost could have a substantially different bearing on a perishable good than on an ore, for which lead times to import or warehousing costs may not matter much.

9. It is feasible to infer trade costs from readily available trade flow data at the importer-exporter level and at the product level. It is possible to quantify trade costs by product, policy and structural factors and in terms of different partners, thus developing a more complete picture of how different trade cost sources contribute to overall trade costs for a particular product and market.

10. A major constraint on this type of analysis is the lack of product-specific trade barrier measures. This issue is particularly severe for Arab countries. For example, data on non-tariff measures for Arab countries are limited, making it impossible to assess how restrictive non-tariff measures are for most of these countries. It is imperative that Arab countries produce such data in a timely manner, and are integrated in related databases to ensure that they benefit from the richer evidence-based policymaking that this approach could offer.

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