Trade as an engine for poverty reduction SDG 1 - Expert Group Meeting

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Many benefits from trade, Yet supply-side constraints persist

- Important benefits to be had from participation in trade:
 - enhanced productivity
 - sophistication
 - diversification of exports
- Both buying and selling activities in value chains can bring about economic benefits
- MSMEs can benefit from direct and indirect exporting



What is needed for trade to be an engine for poverty reduction?

- 1) Understanding trade costs
- 2) Trade facilitation
- 3) Digital solutions
- 4) Regulatory frameworks and trade policy

Trade policy and "ease of trade" are important drivers of bilateral trade costs

Determinants of bilateral trade costs by aggregate sector

Percentage of bilateral variation explained



Source: Jaax, A., S. Miroudot and E. van Lieshout (2023), "Deglobalisation? The reorganisation of global value chains in a changing world", https://doi.org/10.1787/b15b74fe-en.

Trade facilitation can help lower costs of participation

OECD Trade Facilitation Indicators (TFIs): Trade facilitation environment in LDCs

Best practice

2 1.8 1.6 1.07 1.13 1.52 1.11 1.30 1.4 1.2 1 0.8 Streamlining 0.6 of trade-Transparency Stakeholder and related engagement 0.4 Border Automating predictability documents border agency coand border 0.2 operation processes processes 0 **Current practice** LDCs average Best practice

Source: OECD Trade Facilitation Indicators, https://www.compareyourcountry.org/trade-facilitation .



Reforms are needed to address performance gaps

OECD Trade Facilitation Indicators (TFIs): Trade facilitation environment in LDCs

- Transparency and predictability
- Automating border processes
- Border agency co-operation

Stakeholder engagement
Streamlining trade-related documents and processes



Digital tools can have important trade facilitating impacts

Associated increase in export values from implementing SPS e-certificates (%)



Source: OECD (2021), Digital Opportunities for Sanitary and Phytosanitary (SPS) Systems and the Trade Facilitation Effects of SPS Electronic Certification.

Digital connectivity enhances domestic and international trade

Digital connectivity matters across all sectors of the economy

Impact of a 1% improvement in bilateral digital connectivity on domestic and international trade



Regulatory frameworks are key to meet new challenges from digitalization

Aid for Trade disbursements to LDCs

Selected categories, 2006-21 (2021 constant USD million)



Note: Preliminary data for 2021. Source: OECD (2023), Creditor Reporting System (CRS) database.

Key takeaways

- Trade policies are important drivers of trade costs
- Trade facilitation can help lower overall trade costs, but reforms are needed to address performance gaps.
 - Consultation processes
 - Streamlining procedures
 - Automating processes
- Digital connectivity can enhance domestic and international trade, and level the playing field for market access
 - Electronic documents
 - Information technologies for risk management
- Regulatory frameworks are key to meet new challenges from digitalization

Thank you for your attention!

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