Trade as an engine for poverty reduction

SDG 1 - Expert Group Meeting

Lee Ann Jackson
Head of Agro-food Trade and Markets Division
Trade and Agriculture Directorate, OECD

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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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Ease of trade</th>
<th>Trade policy</th>
<th>Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business services</td>
<td>19</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>24</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>Utilities</td>
<td>11</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>Primary sector</td>
<td>27</td>
<td>53</td>
<td>4</td>
</tr>
</tbody>
</table>

Trade facilitation can help lower costs of participation

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

Best practice

Current practice

Reforms are needed to address performance gaps

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

Digital tools can have important trade facilitating impacts

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

<table>
<thead>
<tr>
<th>Product</th>
<th>After 1 year</th>
<th>After 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal products</td>
<td>3.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Vegetable products</td>
<td>19.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Processed food</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

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

Source: Lopez Gonzalez, Sorescu and Kaynak (2023), Of bytes and trade: Quantifying the impact of digitalisation on 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!

Contact us

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tad.contact@oecd.org

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