

Standards and Trade: The Development Dimension

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The World Bank

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Outline

- Introduction
 - The World Bank Group

- Why Standards Matter
 - Economic context
 - Bank research

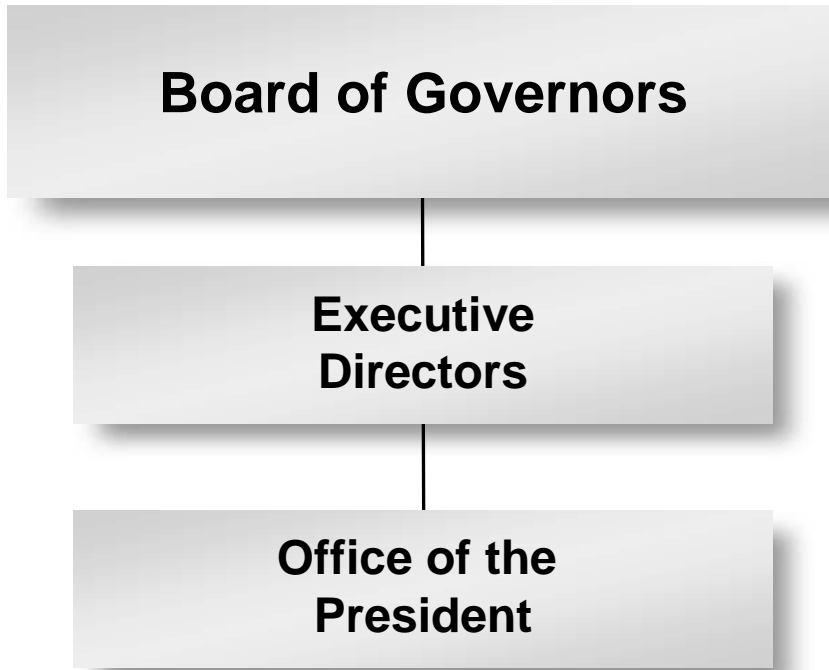
- Concluding remarks

The World Bank

- International Bank for Reconstruction and Development established July 1944, along with IMF and GATT
- Its mission?
To rebuild Europe after World War II.
“Reconstruction”



How the World Bank Operates



- 185 Member Countries appoint Governors
- Governors delegate duties to Executive Directors
- President of the World Bank reports to Board of Directors
- Current President Robert B. Zoellick

The World Bank Today

- Total Assets - \$208 billion. In FY 2007, commitments totaled \$24.7 billion.
- Financial instruments: policy lending, investment, and technical assistance.
- Context today - growth, private capital, savings, this is the good news part of the story

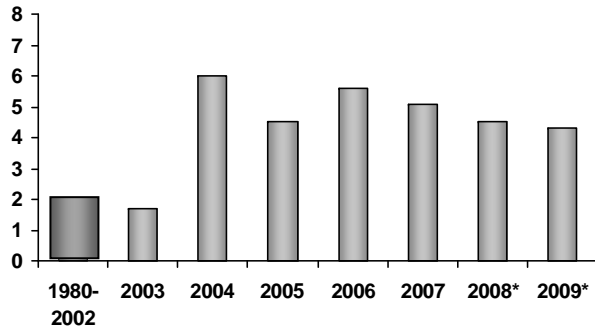
Bank Trade-related lending

- Bank trade-related lending grew threefold over FY2003-2007 - from \$600 million in FY 2003 to about \$1.6 billion in FY06-07.
- In FY 2007, lending for trade and integration \$1.57 billion up from just \$301 million in FY 2002.
- Standards part of this; quality, labs, technical assistance.

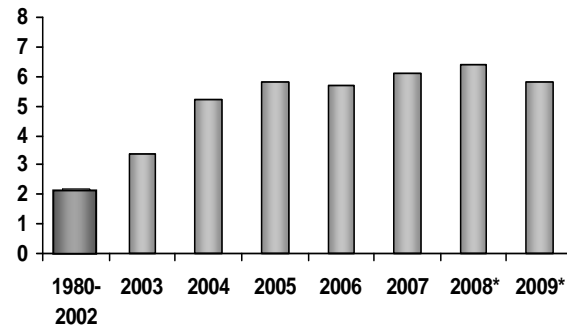
Good News on Global Growth.....

GDP change from previous year

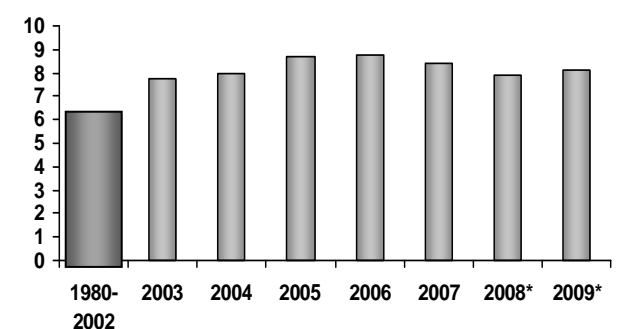
Latin-America Caribbean



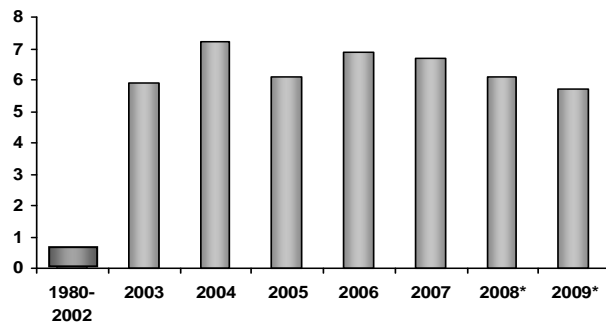
Sub-saharan Africa



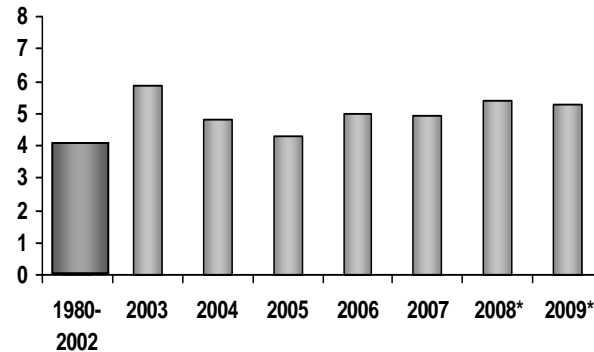
South Asia



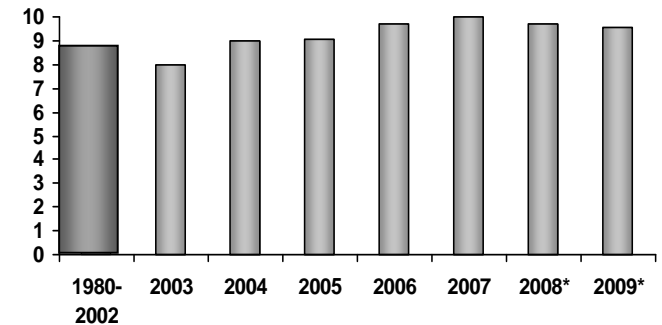
Europe & Central Asia



Mid-East North Africa



East-Asia Pacific



* estimate

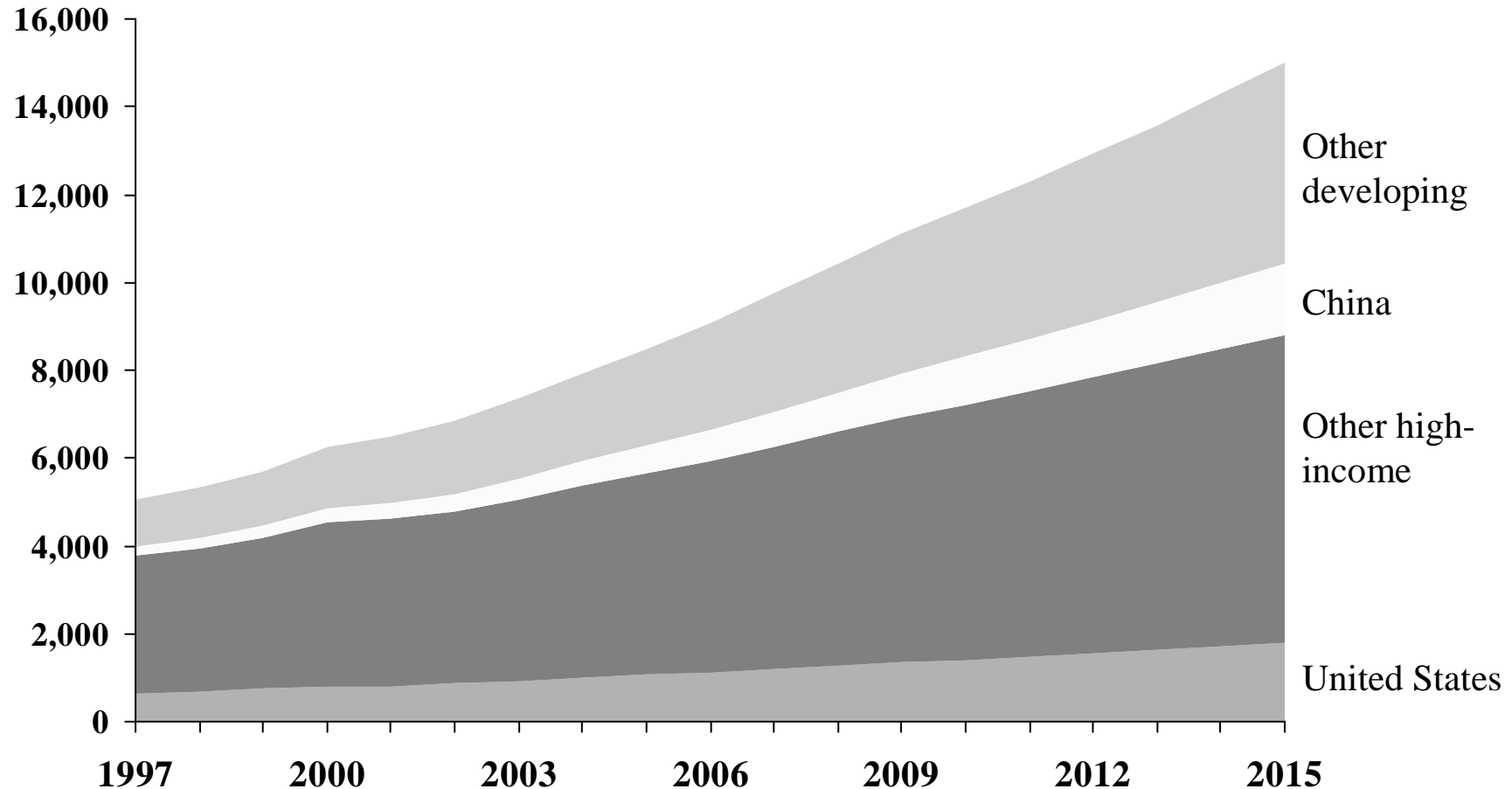
Source: World Bank Global Economic Prospects 2008



DEVELOPMENT PROSPECTS

World trade as a driving force.....

Merchandise exports (\$billion)



Barriers to Global Growth

- Trade Costs, and Regulation

- **Narrow context**
 - Logistics of moving goods through ports or more efficient custom rules for cross-border trade

- **Broad context**
 - Environment in which trade transaction take place; regulation, harmonization of standards, and infrastructure.

Trade Costs Matter

- Distance
- Time (exports and imports)
- Cost of crossing borders
- Regulation and Standards

How Do Trade Costs Matter?

■ Distance and Time

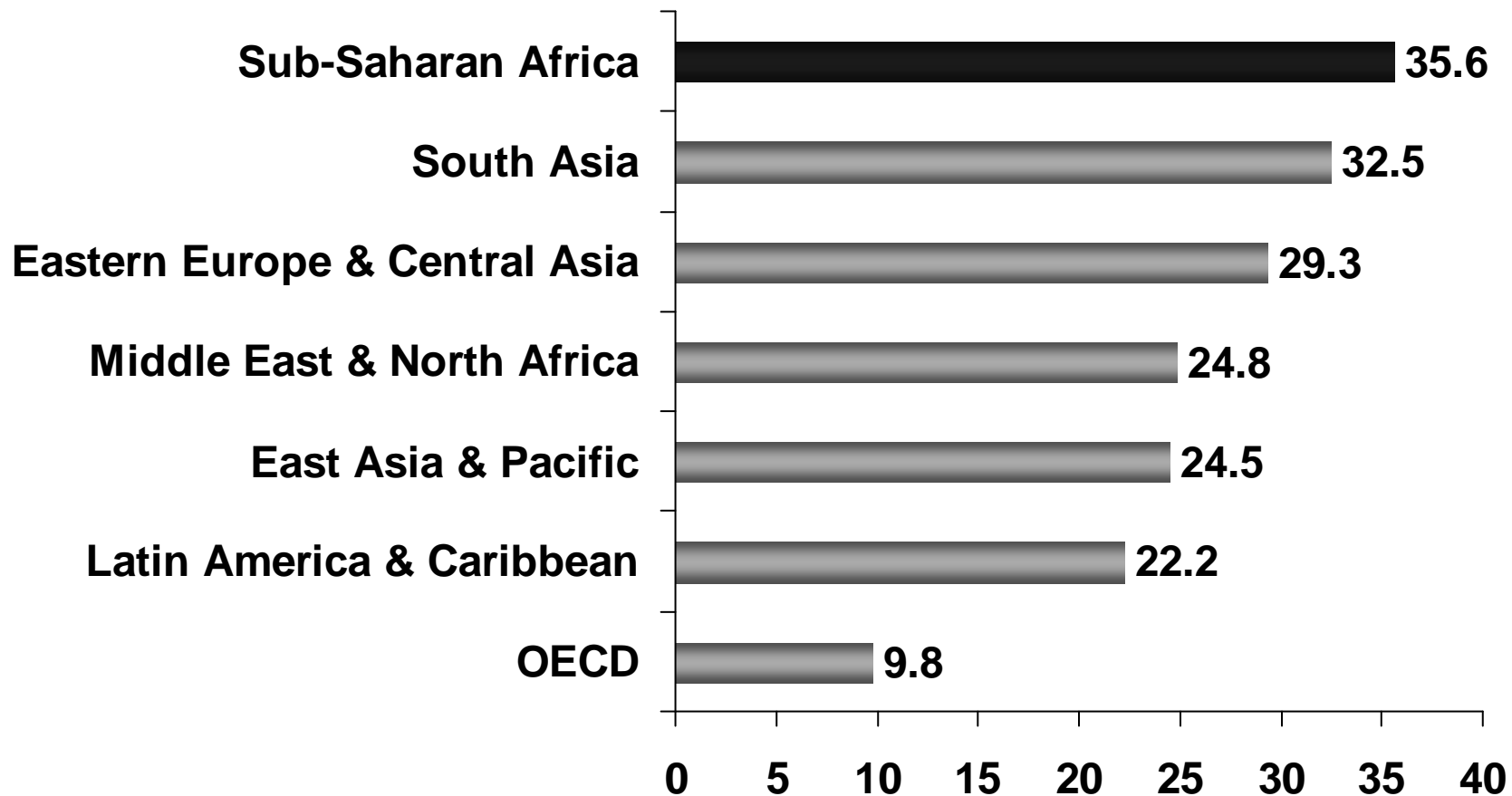
- Additional day of delay in shipping reduces trade by 1 percent. Equivalent to 70 km.

Djankov, Freund and Pham (2006)

- Impact of distance on trade has increased over time for low income countries (total sample 138 countries 1962-2006).

Carrere, De Melo and Wilson (mimeo)

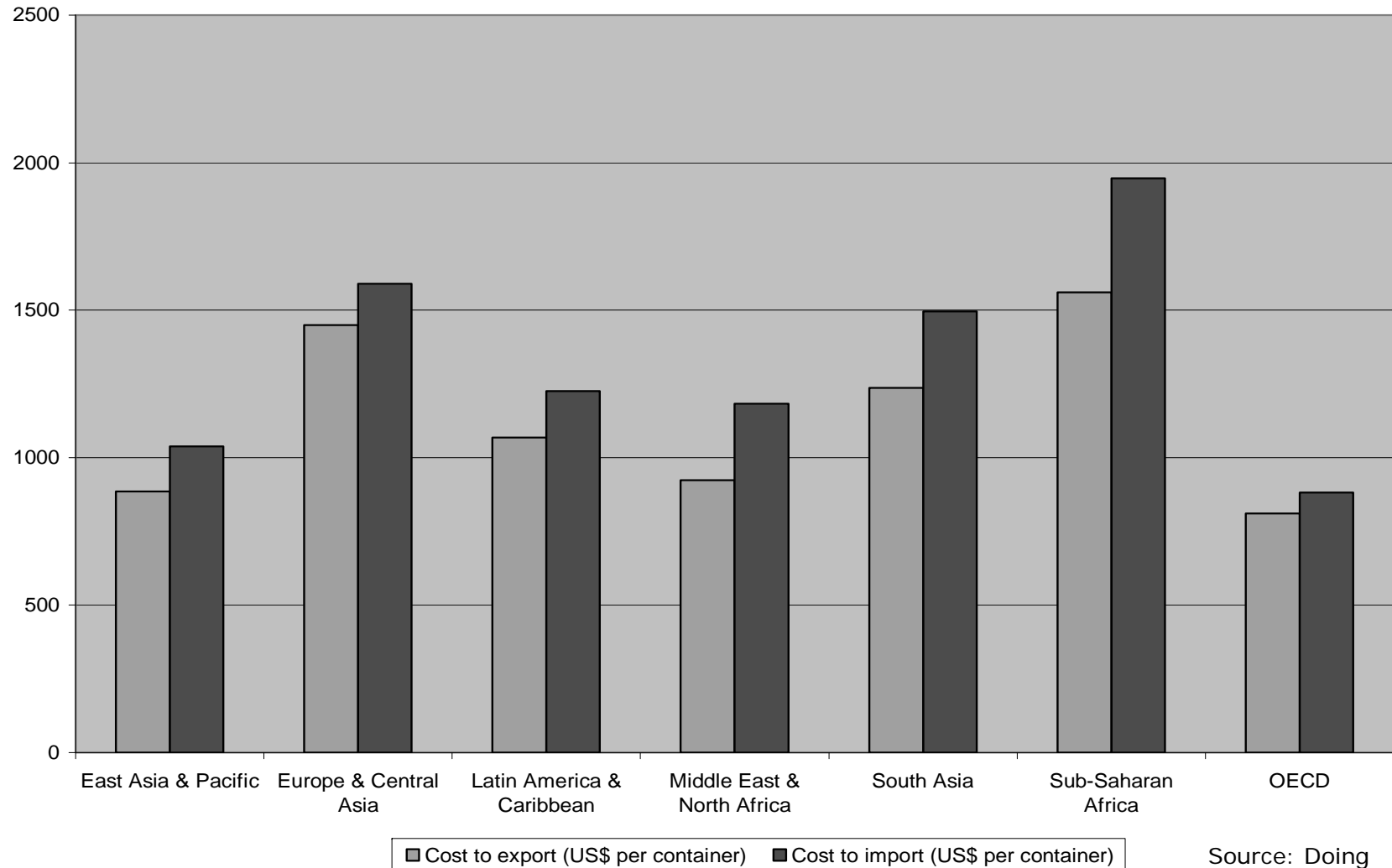
Average Time to Export (# of days)



Source: Doing Business Report (2008)

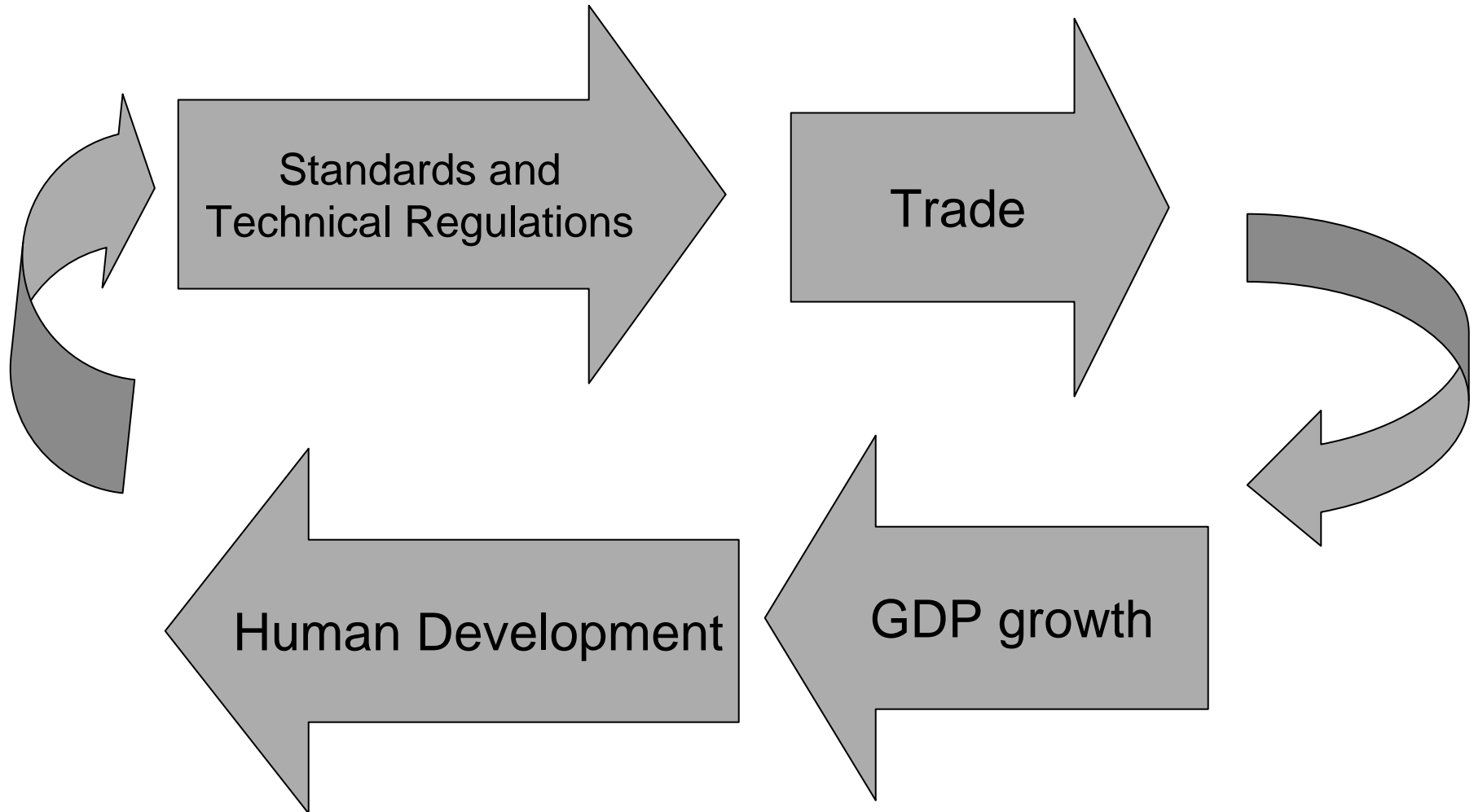
The Price of Crossing a Border

Export and Import cost in USD



Source: Doing Business

Standards and Regulation in Context



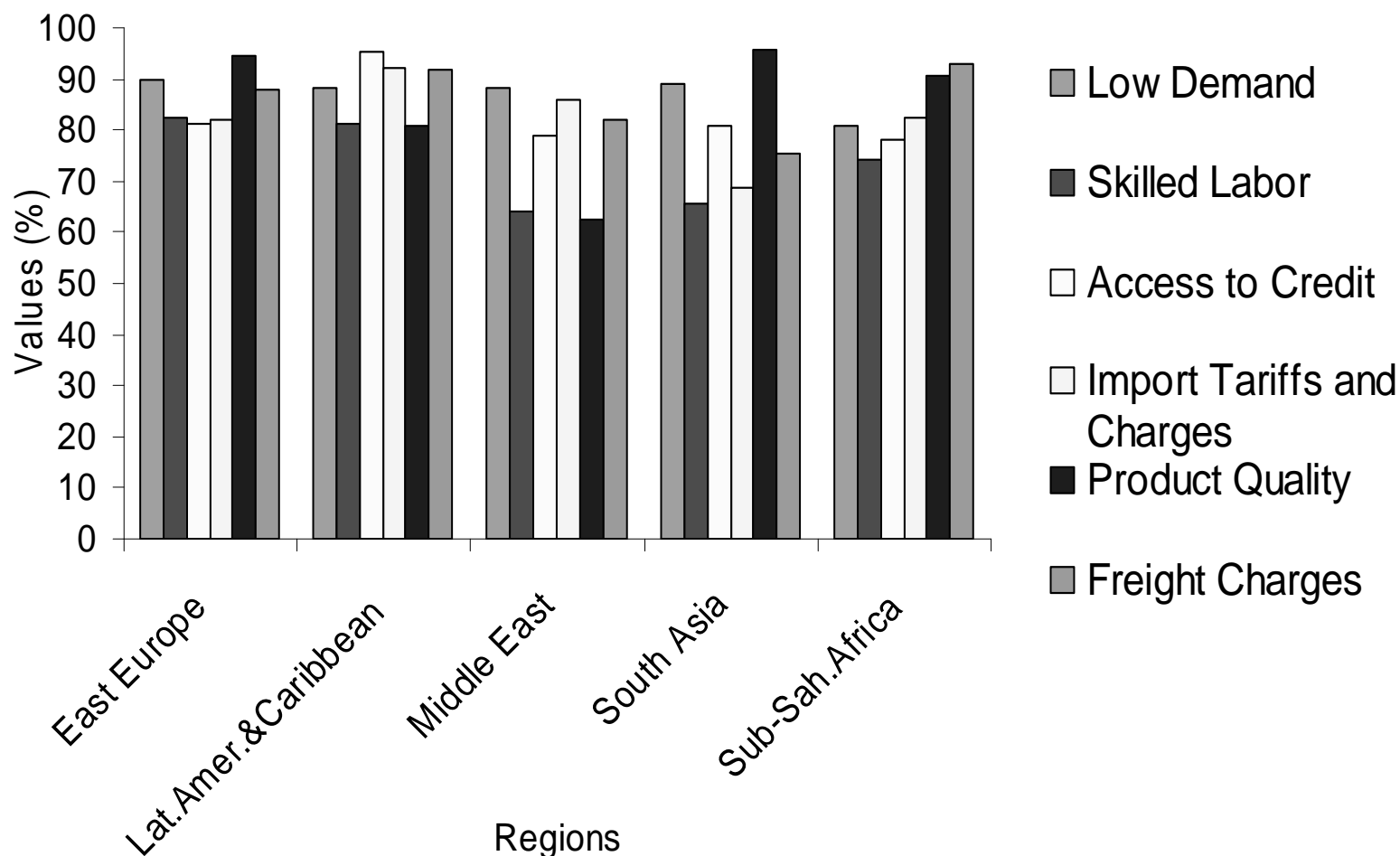
Standards: Good and Bad

- Benefit of standards
 - Quality, information exchange, technology transfer, health, safety

- Technical regulations as protection
 - Non-transparent rules
 - Import specific testing, certification rules
 - “Domestic” science / standards government driven

Factors Important for Export Success

World Bank TBT Database



Standards Matter to Trade

- “The Costs of Complying with Foreign Product Standards for Firms in Developing Countries” Maskus, Otsuki and Wilson (2005)
- “Do Standards Matter for Export Success?” Chen, Otsuki and Wilson (2006)
- “MRA’s and Trade” Chen, Suzuki, Wilson (preliminary)
- “Trade Facilitation: Global Perspective” Wilson, Mann, Otsuki (2005)

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j1

some description of the EUESDB here?

jreyes, 08/15/2008

Standards and Export Success

- Data from World Bank TBT Database
- Estimate impact of standards and technical regulations on firms' export performance
- Do technical requirements affect firms' ability to export and market diversification?

Standards and Competitiveness

- **Technical regulations affect export share:**
 - Duplicative testing procedures cut export share by 9%

- **Standards affect market diversification:**
 - Multiple testing procedures reduce likelihood of exporting to multiple markets by 3%

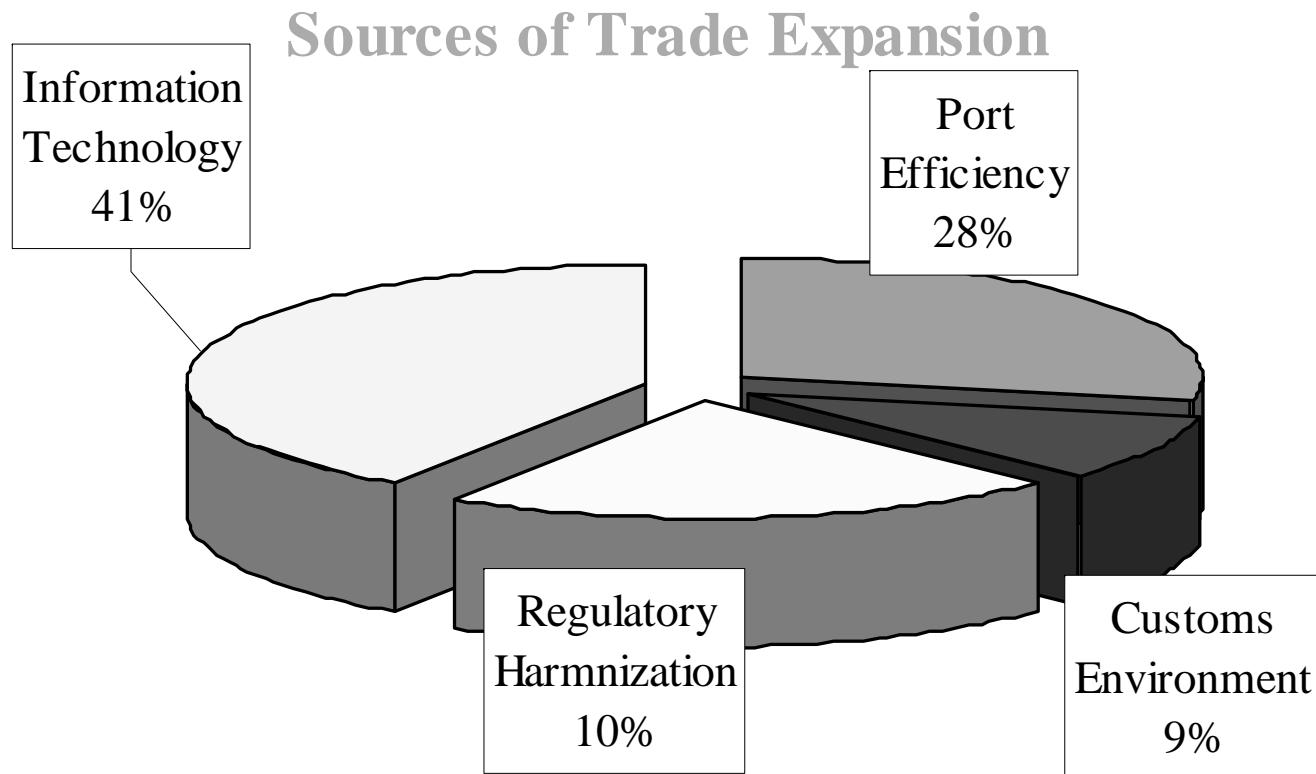
Mutual Recognition Agreements

- MRA do affect firms' export decision (whether to export) :
 - The probability of firms in developing countries entering export markets is 52.3% higher if MRA is in place.

Global Benefits to Reform

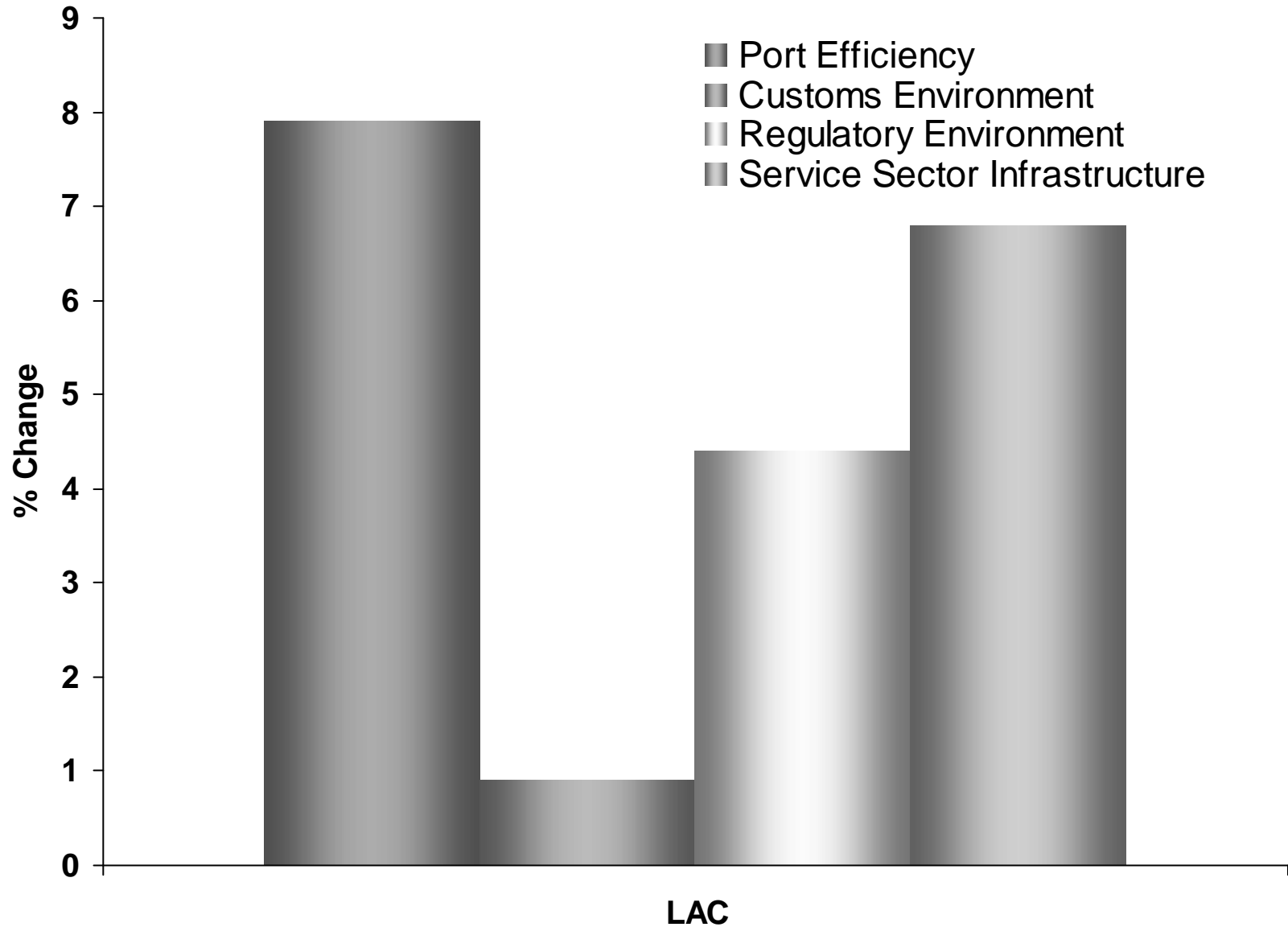
\$377 billion increase in 75 countries

Raising capacity half-way to world average



Source: Wilson, Mann and Otsuki (2004)

Changes in Total trade by Region



World Bank Strategy

- Institution building and capacity
 - Government standards bodies
 - Legal metrology, calibration, testing.

- Private sector competitiveness
 - Information on standards - access
 - Export diversification
 - Quality enhancement

Summary

- Standards matter great deal to trade and development.
- Growth, wealth creation, poverty reduction tied to standards and regulatory reform.

Key Challenges Ahead

- Make regulatory reform, standards, quality part of broader agenda.
- Unilateral and collective action both matter.

The Future and Next Steps

- Latin America's future depends on trade expansion, and lower barriers
- Strong opportunity for progress ahead
- Aid for trade facilitation
- "Standards and Competitiveness Facility?"

Thank You

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www.econ.worldbank.org/projects/trade_costs