

**Session 4**  
**Institutional Environment for Trade**

**Improving Institutions Affecting  
Trade in CAREC Countries:  
Illustrative Measures**

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# Outline

- I. Effect of global crisis on trade
- II. How institutions affect trade
- III. Delegates' submissions on institutional measures
- IV. Illustrative institutional measures

# I. Effect of Global Crisis on Trade

- Advanced economies will grow more slowly, absorb less imports from emerging markets
- Developing economies growing stronger, provide significant new opportunities for exports...
- ...but with high wage markets expanding less, high growth markets more competitive, export expansion for CAREC more challenging
- Increases need for good policies to promote exports, including new efforts to reduce institutional impediments

# II. How Institutions Affect Trade: International Experience

- Good institutional environment and trade facilitation conditions increasingly important
  - as traditional restrictions [tariffs and non-tariff measures (NTMs)] reduced
- Large trade expansion effects from improved institutions
  - often as large as effect of further tariff and NTM reductions.
- Traditional restrictions still high, especially NTMs and maximum tariff rates
  - Significant trade expansion effects from further reductions

# II. How Institutions Affect Trade: Asian and CAREC Experience

- Relative importance of institutions and trade facilitating measures increased in Asia; same as international experience
- Asian diversity:
  - East Asian economies far better ranking on trade-related institutions and trade facilitation
- Landlocked economies less advanced on institutional development
  - Some exceptions
- CAREC has wide variations
  - Overall middle range, significant improvements since 2006
  - Nevertheless “Trading Across Borders” rankings still high (Fig. 2 – most over 150)
- Benefits of improving institutions in CAREC towards OECD levels would be even greater than the 30% export increase estimated for all Asia

# FIG. 2. Components of Doing Business: CAREC 2010

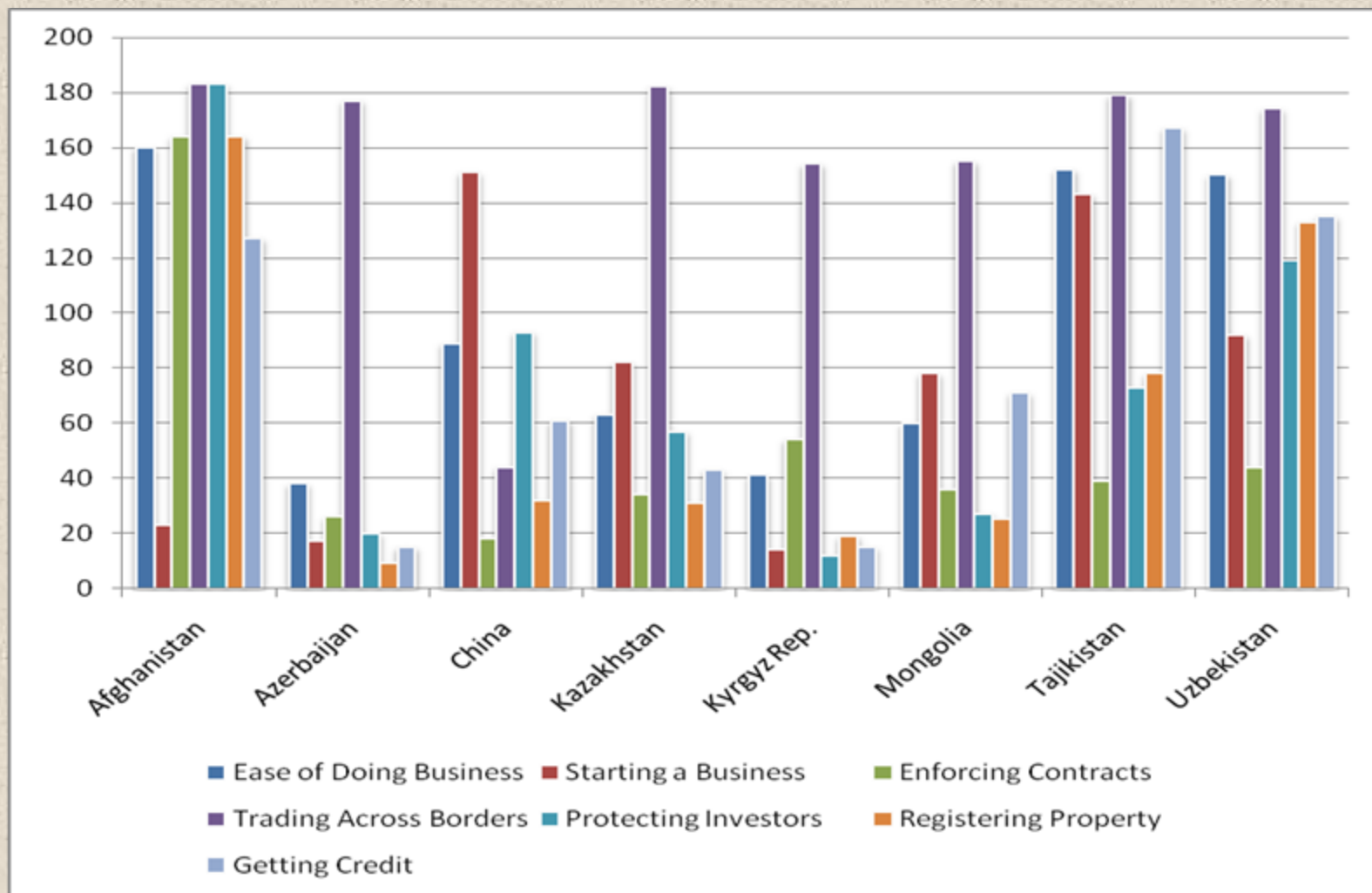


Figure 2. Selected Components of Doing Business Indicators: CAREC Countries, 2010

# III. Delegates' Submissions on Institutional Measures

- *Delegates' submissions reflected awareness of institutional impediments and commitment to address them*
- Simplify procedures for clearance, licensing, payment of duty, etc.
- Improve border facilities
- Establish single-window systems
- Better implementation of electronic processing of documents
- Strengthening behind-the-border services
  - e.g., banking, credit, insurance, and regulatory activities
- Maximum time limits for document processing

# IV. Illustrative Measures for Institutional Development

- Approach and key principles
- **Flexibility is essential**: institutional development takes time, many agencies involved, several steps needed, country priorities vary, starting point varies
- **Specific measures for each country**



## IV. Possible Measures

- Table 4: illustrate possible measures to be implemented by each country
- However, they reflect evidence of international good practice, as well as delegates' submissions
- ADB-UNESCAP 2009 report on trade facilitation gives extensive guidelines for developing an agenda

# IV.1. Measures to Simplify Import-Export Procedures

- Reduce time to export or import:
  - simplify border procedures
  - reduce number and complexity of documentation
  - eliminate submission of documents to multiple agencies
- Simplify procedures for import/export licenses:
  - single windows
  - reduce number of agencies for licensing and customs clearance
- Reduce response time by clearing agencies:
  - clarify document submission process
  - set maximum time for response
  - ensure enforcement by appropriate authorities through audits, reviews

## IV.2. Measures to Improve Business Environment

- Continue to simplify procedures for starting a business
- Improve investor protection for both domestic and foreign investors

## IV.3. Measures to Deepen Financial System

- Improve quality and availability of credit information
- Clarify legal rights of borrowers and creditors
- Improve access to finance for SME exporters