EFFECTS OF TRADE FACILITATION MEASURES ON GDP, EXPORTS AND IMPORTS IN DEVELOPING COUNTRIES

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by

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AEO	Authorized Economic Operator
CFI	Corporate Finance Institute
ECCAS	Economic Community for Central African States
ECOWAS	Economic Community of West African States
EDI	Electronic Data Interchange
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
IDB	Inter-American Development Bank
OECD	Organization for Economic Co-operation and Development
SADC	Southern African Development Community
SME	Small - Medium Enterprise
TFP	Trade Facilitation Principles
UN	United Nations
UNCTAD	United Nations Conference for Trade and Development
UNECE	United Nations Economic Commission for Europe
WEDC	Wisconsin Economic Development Corporation
WTO	World Trade Organization

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KESAN LANGKAH PEMUDAHCARAAN PERDAGANGAN TERHADAP KDNK, EKSPORT DAN IMPORT DI NEGARA - NEGARA MEMBANGUN

ABSTRAK

Kajian ini menjelajahi kesan langkah-langkah pemudahcaraan perdagangan terhadap pembangunan ekonomi negara membangun, dengan fokus khusus pada pengaruh mereka terhadap KDN, import, dan eksport. Dengan menggunakan data sekunder dari 40 negara membangun yang merentasi tempoh dari 2015 hingga 2019, penyelidikan ini menggunakan teknik Generalized Method of Moments (GMM) yang ketat dalam Stata 16 untuk menganalisis 11 pembolehubah utama. Keputusan mengungkapkan kesan positif langkah-langkah pemudahcaraan perdagangan yang terstruktur dengan baik yang sejajar dengan amalan terkini, terutamanya dalam bidang Penerbitan dan Ketersediaan Maklumat, Peluang untuk Memberi Komentar, Maklumat Sebelum Kuatkuasaan dan Perundingan, Formaliti Berkaitan dengan Import, Eksport, dan Transit, serta Automasi. Langkah-langkah ini secara konsisten menunjukkan impak positif di semua tiga dimensi: KDN, import, dan eksport. Prosedur Rayuan atau Semakan, Pelepasan dan Pelesenan Barang, Pergerakan Barang Di Bawah Kawalan Kastam untuk Tujuan Import, dan Tadbir Urus dan Ketidakberpihakanan menunjukkan impak positif dalam dua daripada tiga kerangka, manakala langkah-langkah pemudahcaraan perdagangan lainnya memperlihatkan impak positif dalam hanya satu daripada tiga. Perlu diperhatikan bahwa sembilan penunjuk menunjukkan korelasi positif dengan KDN, sepuluh dengan peningkatan import, dan lima dengan peningkatan dalam jumlah eksport. Temuan yang kukuh ini menggariskan kepentingan pihak berkuasa mempertimbangkan penggunaan langkah-langkah pemudahcaraan perdagangan seperti ini sebagai cara untuk merangsang pertumbuhan ekonomi dalam negara-negara membangun. Selain itu, data menekankan

hubungan yang signifikan dan menguntungkan antara langkah-langkah pemudahcaraan perdagangan ini dan kemajuan ekonomi negara membangun, terutama dalam hal meningkatkan aktiviti import dan eksport. Dengan hasil ini, kajian ini menggesa peranan proaktif pertubuhan antarabangsa dalam menetapkan dan mengharmonikan langkah-langkah pemudahcaraan perdagangan, dengan memberikan rujukan tunggal kepada negara membangun untuk mengejar aspirasi ekonomi mereka dengan lebih efisien.

EFFECTS OF TRADE FACILITATION MEASURES ON GDP, EXPORTS AND IMPORTS IN DEVELOPING COUNTRIES

ABSTRACT

This study delves into the impact of trade facilitation measures on the economic development of developing nations, with a specific focus on their influence on GDP, imports, and exports. Utilizing secondary data from 40 developing countries spanning the period from 2015 to 2019, the research employs the rigorous Generalized Method of Moments (GMM) estimation in Stata 16 to analyze 11 key variables. The results reveal the positive effects of well-structured trade facilitation measures that align with contemporary best practices, particularly in the domains of Publication and Availability of Information, Opportunity to Comment, Information Before Entry Into Force and Consultations, Formalities Connected with Importation, Exportation, and Transit, and Automation. These measures consistently demonstrated a positive impact across all three dimensions: GDP, imports, and exports. Appeal or Review Procedures, Release and Clearance of Goods, Movement of Goods Under Customs Control Intended for Import, and Governance and Impartiality showed a positive impact in two out of three frameworks, while other trade facilitation measures exhibited a positive impact in only one out of the three. Notably, nine indicators exhibited a positive correlation with GDP, ten with increased imports, and five with enhanced export volumes. These robust findings underscore the significance of authorities considering the adoption of such trade facilitation measures to stimulate economic growth in underdeveloped nations. Moreover, the data highlights the substantial and beneficial link between these trade facilitation measures and the economic advancement of developing nations, particularly in terms of boosting import and export activities.

Given these results, the study advocates for the proactive role of international organizations in establishing and harmonizing trade facilitation measures, providing developing countries with a unified reference to efficiently pursue their economic aspirations.

CHAPTER 1

INTRODUCTION

1.1 Overview

Economic development is a crucial aspect of human progress that refers to the sustained improvement in the economic well-being of a society (Dimitriou & Sartzetaki, 2020). It encompasses various indicators such as income growth, poverty reduction, employment generation, and social development. Economic development is essential for achieving sustainable and inclusive growth, reducing inequality, and improving living standards. In the world, economic development has been uneven, with some regions achieving significant progress while others lag. Developed countries, mainly in North America and Europe, have enjoyed high levels of economic development, driven by factors such as technological innovation, strong institutions, and effective governance (Khan et al., 2022). In contrast, developing countries, primarily in Africa, Asia, and Latin America, have faced numerous challenges in their pursuit of economic development (Jahanger et al., 2022).

Economic development in developing countries is a comprehensive and complex process involving a variety of economic, social, and political issues (Kwilinski et al., 2022). In accordance with Clemente-Suarez et al. (2022), underdeveloped nations are often characterized by low levels of economic development, high levels of poverty and inequality, and restricted access to essential amenities such as education, healthcare, and clean water. However, there are countless examples of developing nations that have successfully moved from low-income to middle-income status via continuous economic growth and development.

Several factors can contribute to economic development in developing countries, including physical and human capital investment, improvements in infrastructure as well as

technology, trade liberalization, and good governance. However, the specific mix of policies and strategies required for economic development varies depending on the country's unique circumstances. The importance of economic development in developing countries cannot be overstated. Economic growth can help to reduce poverty, improve health and education outcomes, and increase access to basic services (Uddin et al., 2014). Moreover, sustained economic growth can contribute to social and political stability, which is critical for long-term development.

An undeniable fact that every country aims at sustainably improving the standards of living of every citizen. Economic growth is a critical step in this development staircase, as well as achieving an elevated and steady pace of growth in the economy continues to be a prominent subject for many global economies. Agarwal (2019) highlights that a rise in inhabitants' quality of life is typically indicative of a country's economic progress. This occurs when there is a rise in real income per person, a rise in educational and literacy standards, a surge in housing quality and availability, an upgrade in environmental standards, and an increase in the average lifespan.

Several economic development indicators are employed; however, the most meticulously monitored aggregate indicator is Gross Domestic Product (GDP), which is defined as an estimate of the commercial activities of a country. Since the millennium, the global economy has been improving, and the global Gross Domestic Product (GDP) has increased at an average of 2.5% per annum World Bank (2019), growing global demand for goods and services has led to a consistent rise in the world trade and output. It is for this reason that trade is important to the complete eradication of poverty around the globe. Countries with economies receptive to foreign trade tend to grow more rapidly, innovate, boost efficiency, as well as provide their population with higher salaries and more opportunities. This similarly benefits low-affluent consumers by making products and services cheaper for them. Integrating

through trade and globalization into the global economy value chains supports both local and global economic growth and poverty eradication (World Bank, 2018).

Trade helps drive the country's inclusive growth and contributes to poverty reduction. Trade among countries particularly developing countries involves goods and services imports and exports among different countries in this case developing countries. Hence the trade activities that involve the importation and exportation of goods and services among the developing countries affect GDP which is an indicator of economic development as it allows foreign direct investments, the exchange of foreign currency among traders from different countries, and the movement of goods and service in and out of the countries and from one country to another adds up to GDP through the customs and tariffs charged on goods and services coming in and out of the country at the border. The customs and tariffs revenue collected at the border because of trade activities affects import volume, prices, production and consumption, the trade tariffs and customs add to the cost of production which then causes the drop in production of goods and services and the price of goods and services go up as demand for the good and services goes down. The custom and tariffs revenue collected at the border because of trade activities affect a country's GDP such that import volume, prices, production, and consumption can be affected, the trade tariffs and customs adds to the cost of production which then causes the drop in production of goods and services and the price of goods and services go up as demand the good and services goes down. For the world at large, trade-related activities with high value-added contribute to economic growth. According to ADB (2017), global trade helps reallocate capital and labor toward industries with comparative advantage. Trade enables small businesses to join global supply chains, get access to raw materials, and learn how to develop their markets while reaching economies of scale and lowering their per-unit costs, in turn, maximizes the profit and revenue of local entrepreneurs as they go global

with their trade activities and widen their market which improves their standard of living and alleviates poverty in developing countries.

Businesses often seek to enhance the quality and cut the price of what they are selling as well as services, as well as to provide such products and amenities on time, to keep and build an international consumer base. The international customer base for businesses from different countries keeps on expanding thereby increasing the trade volumes and trade activities despite of the difficulties encountered because of the trade. Therefore, the practice of simplifying trade procedures and processes, such as upgrading transportation and communication infrastructure, is known as trade facilitation (Pak, 2016).

Trade facilitation is a vital component of economic growth in the globalized world of today, particularly from the standpoint of poor countries. Developing nations often have more burdensome trade processes and are more reliant on a healthy environment for Small - Medium Enterprises (SMEs), and it levels the playing field for SMEs in comparison to bigger enterprises, allowing them to expand and trade more effectively as explained by UNCTAD (2016). Banking, licensing, Electronic Data Interchange (EDI), and customs processes are all based on universally acknowledged guidelines, standards, and methodologies. Trade facilitation can possibly contribute decidedly to the growth of the economy through its improvement and streamlining of trade systems as well as paperwork, synchronization of international trade practices and laws, more clear and transparent data and procedures of global streams, use of new technologies and advancing worldwide exchange and safer methods for installment for global trade which is more dependable and faster (Perera et al, 2017). However, the purpose of this research is to look at the impact of trade facilitation policies on economic growth in developing economies.

1.2 Background of Study

The study's context will investigate the link between trade facilitation measures and economic development in developing nations. Trade facilitation policies and initiatives attempt to simplify and harmonize international trade procedures and laws, as well as reduce trade costs and improve trade efficiency. The study will look at how trade facilitation measures affect GDP growth, trade volumes, and competitiveness in developing nations. Furthermore, the study will examine the challenges and opportunities for implementing trade facilitation measures in developing countries, such as inadequate infrastructure, limited institutional capacity, and financial constraints. The research will also give suggestions to policymakers and stakeholders on how to strengthen trade facilitation measures in developing nations to boost economic growth. Overall, the study will lead to a better understanding of the relevance of trade facilitation in encouraging economic growth in developing countries.

1.2.1 Gross Domestic Product (GDP)

The classification of countries into high-income, low-income, developed, or developing nations is a foundational framework in economics and policy development (World Bank, 2021). This classification is instrumental in comprehending a country's economic status and its developmental requisites. It aids policymakers, international organizations, and researchers in tailoring policies, aid programs, and studies to address the distinctive circumstances and prospects encountered by these nations.

Classical economics, championed by luminaries like Adam Smith and David Ricardo, emphasizes the efficiency of free markets and the invisible hand of supply and demand in resource allocation (Smith, 1776; Ricardo, 1817). This foundational theory has significantly influenced economic policies and practices, including the measurement and analysis of Gross Domestic Product (GDP). In contrast, Endogenous growth theory, as expounded by Romer

(1986), posits that factors such as technological innovation and human capital are endogenously generated within an economy, driving sustained growth. This theory has become increasingly important in understanding how GDP can be affected by internally developed resources, shedding light on the intricate relationship between economic development and endogenous factors.

The foundation of this GDP model is rooted in the recognition that economic growth and development are intricate processes influenced by a multitude of determinants (Smith & Ricardo, 1776; Romer, 1990). Variables such as Export and Import reflect a nation's engagement with the global economy, aligning with economic theories such as Comparative Advantage (Ricardo, 1817) and Endogenous Growth (Romer, 1990), which underscore the importance of international trade and human capital in propelling economic advancement. Foreign Direct Investment (FDI) and Capital are pivotal elements in line with Classical economics (Smith, 1776), underscoring the significance of investment and efficient resource allocation. The inclusion of Labour and Manufacturing variables corresponds to the Classical theory's emphasis on production and resource utilization efficiency (Smith, 1776). Education variables capture the role of human capital in fostering long-term growth, as advocated by Endogenous Growth theory (Romer, 1990). Lastly, Institutional factors, as emphasized by North (1990), recognize the importance of governance and policy frameworks in shaping economic outcomes. By incorporating this array of variables, the GDP model aims to offer a holistic understanding of economic development, aiding policymakers in crafting effective strategies to foster sustained growth and enhance overall welfare.

Gross Domestic Product (GDP) is an account of the value of all products and services generated within a country's boundaries in each period. It is a critical indication of a country's economic success and is used to gauge the amount of economic development and growth (Roser, 2013). The importance of GDP varies for developing and developed countries. For

developing countries, GDP is essential as it serves as a tool for measuring progress towards economic development goals (Valverde and Avilés-Palacios, 2021). It allows policymakers to identify areas of the economy that need improvement and prioritize investments to achieve sustainable growth. In addition, GDP helps to attract foreign investments and financing, as it provides potential investors with a better understanding of a country's economic performance and potential.

For developed countries, GDP is also crucial as it gives an indicator of the general wellness of the economy (Geng et al., 2012). It helps policymakers to identify areas of economic weakness and to make informed decisions about monetary and fiscal policy. GDP is also a useful tool for businesses and investors, as it provides them with information on the size and growth potential of markets. Moreover, GDP can also influence the political and social climate of a country. Higher GDP can contribute to increased standards of living, improved access to education and healthcare, and reduced poverty and inequality. It can also result in higher degrees of political stability and social cohesion.

The Economist (2020) simply defines GDP as a metric for the assessment of the nation's economic activity. resonating with principles from Classical, Endogenous, and Comparative Advantage theories. GDP has evolved across centuries and has been found to be the biggest measure of the countries' economic development and welfare. At the set-up of the Bretton Woods meeting in 1944 by the global associations that is World Bank and IMF GDP was perceived to be the standard instrument for evaluating the nation's economy (Assa, 2019). In 2019, most developed economies produced output for everyone more noteworthy than US$ 30,000, with economies in Eastern Europe as the fundamental exemption. Paradoxically, practically 50% of the developing economies in Africa – a per capita output of less than US$1 000. Most developing economies in America, Asia, and Oceania arrived at per capita output

higher than US$ 3,000 (UNCTAD, 2020). However, GDP is a critical indicator for both developing and developed countries. It serves as a measure of economic performance, progress, and potential and can help policymakers to identify areas of the economy that require attention. It is also an essential tool for attracting investment, improving living standards, and promoting political and social stability.

At the point when the economy is growing, GDP is growing at a good rate. If it's developing, so will organizations, occupations, and individual pay. According to MGM Research (2019), the GDP growth rate of the developing countries' economies has remained somewhere in the range of 4% and 5% UNCTAD (2019). The GDP growth rate target set by the 2020 Agenda for Sustainable Development for low-income developing countries is 7% UNCTAD (2019). If it extends much past that for a long time, it hits the pinnacle, by then, the air pocket blasts, and the growth of the economy slows down. Table 1.1 shows the GDP growth rates of 40 developing countries for 2015, 2019 and the average, that is, Ethiopia with an average GDP growth rate of 9.38%, Ivory Coast with an average GDP growth rate of 7.54%, Cambodia with an average GDP growth rate of 7.08 and Rwanda with an average GDP growth rate of 9.19 which is in the range of the target set of 7%. Table 1.1 indicates the slow increase and decrease of the GDP growth rate in some developing countries lower than the GDP growth rate target set by the 2020 Agenda for Sustainable Development for developing countries of 7% UNCTAD (2019), with reference to Table 1.1 the growth rate of most of the developing nations are way below the target set of 7% such as Albania with average growth rate of 3.12%, Angola with -0.88%, Egypt with 4.99%, Mauritius with 3.24%, Maldives with 3.98% and many more developing countries. The developing countries having low GDP growth rates have trade balance due to import volumes that are more than their exports.

Table 1.1 GDP growth rate (in %) for the selected developing countries

Country	2015	2019	Average 2015-2019	Country	2015	2019	Average 2015-2019
Albania	2.22	2.17	3.12	Liberia	0	-2.28	-0.04
Angola	0.94	-0.62	-0.88	Madagascar	3.13	4.4	3.73
Argentina	2.73	-2.09	-0.24	Maldives	2.88	6.99	6.31
Bangladesh	6.55	8.13	7.39	Mauritius	3.55	3.01	3.6
Bolivia	4.86	2.22	3.95	Mexico	3.29	-0.05	2.04
Bosnia and Herzegovina	3.09	2.83	3.2	Morocco	4.54	2.48	3.1
Cambodia	7.12	7.05	7.08	Nepal	3.98	6.66	5.36
Chad	2.77	3.25	0.38	Nicaragua	4.79	-3.52	1.42
Côte d'Ivoire	4.37	5.56	4.75	Oman	4.63	-0.83	2.03
Egypt	2.4	2.64	2.45	Pakistan	4.73	0.99	4.53
El Salvador	8.13	8.13	7.87	Papua New Guinea	6.58	5.86	4.24
Ethiopia	4.5	-0.45	3.13	Philippines	6.35	6.12	6.58
Fiji	3.02	4.98	4.12	Qatar	4.75	0.77	1.67
Georgia	8.13	6.23	7.16	Republic of Moldova	-0.34	3.58	3.33
Ghana	2.12	6.51	5.27	Rwanda	8.13	8.13	6.87
Indonesia	4.88	5.02	5.03	Sri Lanka	5.01	2.26	3.72
Jamaica	0.92	0.89	1.22	Thailand	3.13	2.27	3.44
Jordan	2.5	1.96	2.09	Tunisia	1.17	1.04	1.61
Kazakhstan	1.2	4.5	3	Uruguay	0.37	0.35	0.9
Kenya	5.72	5.37	5.62	Zambia	2.92	1.44	3.14

Source: World Bank (2020)

1.2.2 Trade

Trade development is a pivotal driver of economic growth and prosperity in nations across the globe. It encompasses a broad spectrum of activities, policies, and initiatives aimed at facilitating the exchange of goods and services between countries, regions, and continents. Trade serves as an engine for economic development, as it can bolster GDP growth, generate employment opportunities, and foster innovation and technological advancement (WTO, 2021). As nations engage in international trade, they can tap into diverse markets, access a broader array of goods and services, and capitalize on their comparative advantages, leading to increased productivity and efficiency (Baldwin, 2017).

The promotion of trade development is not a recent phenomenon but has evolved over centuries, with globalization and advancements in transportation and communication playing instrumental roles (Bhagwati, 2002). In contemporary times, trade development strategies encompass trade agreements, trade facilitation measures, and initiatives that aim to reduce trade barriers and enhance the flow of goods and services (WTO, 2021). These efforts have the potential to drive economic growth not only by increasing trade volumes but also by improving the overall business environment, encouraging foreign direct investment, and fostering sustainable development (UNCTAD, 2019). In essence, trade development is a multifaceted endeavor that remains central to the economic ambitions and development aspirations of nations around the world.

The construction of the Import model is underpinned by economic theories and policy considerations aimed at comprehensively assessing a nation's import dynamics. Inflation, as a variable within the model, is aligned with macroeconomic theories, particularly the Quantity Theory of Money, highlighting the relationship between money supply and price levels (Fisher, 1911). Productivity level is informed by theories of comparative advantage (Ricardo, 1817),

emphasizing a nation's efficiency in producing goods and services. Money supply, a key component of the model, resonates with monetary policy principles, such as the Quantity Theory of Money (Friedman, 1963), highlighting the importance of controlling the money supply to manage inflation and exchange rates. Lastly, the Exchange rate variable captures the impact of currency values on import dynamics, reflecting international trade theories like the Purchasing Power Parity theory (Cassel, 1918). By integrating these variables, the Import model seeks to provide insights into the interplay of inflation, productivity, money supply, and exchange rates in shaping a nation's import policies and economic outcomes, guiding policymakers in formulating effective strategies for trade and monetary policy management.

The structuring of the Export model is rooted in foundational economic theories and policy considerations aimed at comprehensively assessing a nation's export dynamics. Capital and Labour variables within the model correspond with classical economic theories, emphasizing the importance of production factors in driving exports and aligning with concepts of comparative advantage (Ricardo, 1817). The Institution variable recognizes the role of governance and policy frameworks in shaping trade activities and economic outcomes, resonating with theories of institutional economics (North, 1990). Manufacturing, as a variable, reflects the significance of industrial production in export-oriented economies and is informed by economic theories emphasizing production efficiency (Smith, 1776). The Exchange rate variable captures the impact of currency values on export dynamics, reflecting international trade theories like the theory of absolute advantage (Smith, 1776). By integrating these variables, the Export model seeks to provide insights into the interplay of capital, labour, institutions, manufacturing, and exchange rates in shaping a nation's export policies and economic outcomes, guiding policymakers in formulating effective strategies to promote export-led growth and economic development.

Within an economy, trade can take between manufacturers and customers. Trade between countries helps governments to open markets for goods and services that might otherwise be closed to them. It is the reason why an American buyer may choose between a Japanese, German, or American automobile. According to Hayes (2020), because of international commerce, the market has more competition and hence more competitive prices, resulting in a cheaper product being delivered to the consumer. Foreign trade is the entire world's leading economic activity as well as a key component of global collaboration among the economies of different nations. Global trade volumes are expanding faster than gross domestic product in most nations, and the vitality of global trade to nations' economies is growing. Governments are reducing protectionist policies that include tariffs on imports and non-tariff impediments (import quotas, export restrictions, and bans) to protect their economy from foreign competition as trade as well as capital markets liberalize (UNCTAD, 2017). The gross domestic product comprises the net exports and net imports which are the assessment of the nation’s absolute estimation of exports less the complete estimations of imports with the end goal that a positive value of net exports demonstrates trade surplus for a nation while negative value of net exports demonstrates import/export imbalance which mirrors a nation's equilibrium of exchange that shows if the nation is either a net exporter or importer according to CFI (2021). However, table 1.2 below shows the trade activities across the 40 developing countries.

Table 1.2 Trade Volumes (USD) in the selected countries

Country	Trade Activity	2015 (Billions)	2019 (Billions)	Average 2015-2019	Country	Trade Activity	2015 (Billions)	2019 (Billions)	Average 2015-2019	Country	Trade Activity	2015 (Billions)	2019 (Billions)	Average 2015-2019
Albania	Export	1.92	2.72	2.32	Georgia	Export	11.7	12.5	12.1	Morocco	Export	22.3	29.1	25.7
	Import	4.30	5.90	5.10		Import	9.53	10.5	10.0		Import	38.1	50.7	44.4
Angola	Export	33.2	34.7	34.0	Ghana	Export	10.3	15.7	12.9	Nepal	Export	0.72	0.97	0.84
	Import	20.7	14.1	17.4		Import	13.5	13.4	13.4		Import	6.65	12.3	9.50
Argentina	Export	56.8	65.1	61.0	Indonesia	Export	150	167	159	Nicaragua	Export	4.84	5.27	5.06
	Import	60.2	49.1	54.7		Import	142	167	155		Import	7.06	6.99	7.02
Bangladesh	Export	32.4	39.3	35.86	Jamaica	Export	1.26	1.59	1.42	Oman	Export	31.9	38.7	35.3
	Import	42,0	59.1	50.6		Import	4.99	6.34	5.67		Import	29.0	23.5	26.3
Bolivia	Export	8.73	8.76	8.74	Jordan	Export	7.83	8.32	8.08	Pakistan	Export	22.1	23.3	22.7
	Import	9.77	9.78	9.78		Import	20.57	19.2	19.8		Import	44.2	50.3	47.3
Bosnia and Herzegovina	Export	5.10	6.58	5.84	Kazakhstan	Export	46.0	57.3	51.6	Papua New Guinea	Export	8.45	11.4	9.93
	Import	8.99	11.2	10.1		Import	30.6	37.8	34.2		Import	2.55	3.93	3.24
Cambodia	Export	8.54	14.8	11.7	Kenya	Export	5.91	5.84	5.87	Philippines	Export	58.8	70.9	64.9
	Import	13.3	20.3	16.8		Import	16.1	17.7	16.9		Import	74.8	117	96.1
Chad	Export	2.43	3.21	2.82	Liberia	Export	0.28	0.53	0.41	Qatar	Export	78.0	72.9	75.5
	Import	3.70	2.67	3.18		Import	1.69	1.14	1.42		Import	32.6	29.2	31.0
Côte d'Ivoire	Export	21.3	2.90	25.2	Madagascar	Export	2.05	2.70	2.37	Rwanda	Export	0.68	1.17	0.92
	Import	63.6	70.9	67.2		Import	2.79	3.94	3.37		Import	2.38	2.70	2.54
Egypt	Export	5.51	5.94	5.73	Maldives	Export	0.28	0.36	0.32	Sri Lanka	Export	10.5	11.9	112
	Import	10.3	12.0	11.2		Import	1.90	2.89	2.39		Import	18.9	19.9	19.4
El Salvador	Export	2.91	2.79	2.85	Mauritius	Export	2.66	2.33	2.49	Thailand	Export	214	246	230
	Import	16.7	14.65	15.6		Import	4.79	5.60	5.19		Import	202	236	219
Ethiopia	Export	0.90	1.03	0.96	Mexico	Export	18.0	180.1	180.1	Tunisia	Export	14.1	14.9	14.5
	Import	2.08	2.73	2.41		Import	188.0	188.7	188.7		Import	20.2	21.6	20.0
Fiji	Export	2.20	3.80	3.00	Moldova, Republic of	Export	1.97	2.78	2.37	Uruguay	Export	7.69	7.68	7.68
	Import	7.30	9.52	8.41		Import	3.99	5.84	4.91		Import	9.49	8.25	8.87
										Zambia	Export	6.61	7.05	6.83
											Import	7.94	7.18	7.56

Source: WTO (2021)

With reference to Table 1.1 and Table 1.2, it can note that low GDP growth rates have export volumes that are lower than the import volumes. Countries like Albania with an average GDP growth rate of 3.12% have an average export volume of USD 2.32 billion with is lower than the import volume of USD 5.10 billion, Pakistan has an average GDP growth rate of 4.53% with an import volume of USD 47.3 billion more than export volumes of USD 22.7 billion, DRC with average GDP growth rate of 5.66% has import volumes of USD 6.94 billion and export volume of USD 8 billion, Ethiopia with average GDP growth rate of 9.70% with import volume of USD 14.35 billion higher than the export volume of USD 2.50 billion. The exports are decreasing while the imports are increasing with the low GDP growth rates like Liberia with a GDP growth rate of -1.25% has import volumes of USD 7.79 billion which is higher than the export volume of USD 1.21 billion and Madagascar with a GDP growth rate of 3.96% with average import volume of USD 12.18 billion more than the export volume of USD 2.50 billion.

The data from Table 1.1 and Table 1.2 unequivocally demonstrate that low GDP growth rates coincide with trade imbalances, where exports fall short of imports. This trend is particularly evident in countries like Albania, Pakistan, and Ethiopia, reflecting economic challenges and trade deficits. Nations with negative GDP growth rates, such as Liberia, further underscore the pressing need for addressing trade imbalances and fostering economic development.

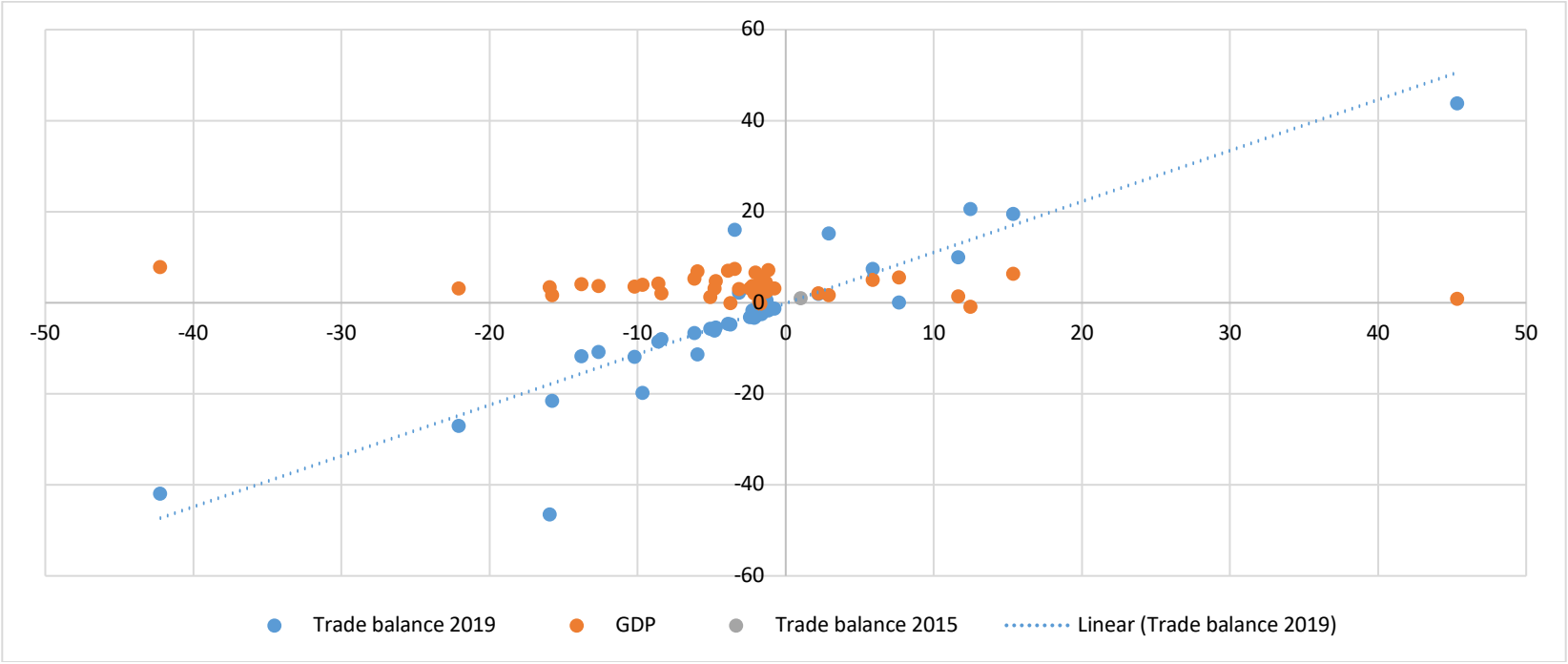

Figure 1.1 The correlation between trade balance and GDP growth in Selected Developing Countries

Source: ITC (2019)

Table 1.2 shows the trade volumes of the 40 developing countries involving imports and export volumes in million USD. From the table Egypt has the average trade volumes of USD30 million for exports and USD78 million for imports, Mauritius has USD2 million export trade volumes and USD5 million for import trade volumes, Oman has USD35 million export volumes and USD27 million import trade volumes, DRC has USD8 millions of exports and USD7 millions of imports.

Based on our analysis of trade data from a sample of developing countries (Table 1.2), we found that a significant portion of these nations consistently experienced trade deficits over the study period. Trade deficits occur when a country's imports exceed its exports, indicating a greater reliance on foreign goods and services. Out of the selected developing countries, approximately 75% consistently reported trade deficits, signifying that they were importing more than they were exporting. This trend can be attributed to several factors, including high demand for foreign goods, limited domestic production capacity, and a reliance on specific imports such as machinery and technology. These findings underscore the need for these countries to explore strategies to improve their trade balance and reduce their dependence on imports to ensure long-term economic stability.

Figure 1.1 illustrates the scatter diagram demonstrating the association between developing nations' trade balance and GDP growth rate in the sample countries of the study. Figure 1.1 shows a positive relationship between the trade balance and the GDP growth rate, indicating that a rise in the trade balance is followed by an increase in the GDP growth rate. This shows there is a recognizable positive slope that is a straight line that is drawn in Figure 1.1 as shown in the scatter plots rising from the left and moving to the right.

1.2.3 Trade Facilitation

Trade facilitation has measures and indicators aimed at updating protocols and standardizing customs guidelines to lower the costs and time involved in exporting and importing products. It is critical because commerce expenses in high-income nations might be equivalent to a 134% ad valorem product tax and a 219% tariff equivalent in developing nations as explained by WTO (2015). Transparency, modernity, simplicity, harmonization, and standardization are the five pillars of trade facilitation. OECD (2015) acknowledges that trade facilitation enhances the international movement of products via streamlining and simplifying trade processes. Transparency encourages transparency and accountability by making clearly understood regulations available to stakeholders' beforehand execution. Simplifying mitigates insignificant features and replications, allowing us to focus on vital parts of commerce and critical processes. Integration is the alignment of national procedures, activities, and documentation among trade partners. Furthermore, standardization strives to create worldwide best practices according to UNECE (2012).

Trade facilitation is an important development strategy in the foreseeable future as it facilitates free trade with simplified trade transaction procedures and customs clearance. Countries with larger import and export numbers plus more prominent monetary assets are in a superior situation to put resources into changes that make trade faster, simpler, and more straightforward. Simultaneously, if a developing nation puts resources into programs that modernize customs organizations and trade techniques, it might receive the rewards of more noteworthy trade, income assortment, and institutional and economic development. Furthermore, trade facilitation levels have a critical impact on trade, but with distinctive extents of impact for developing nations at distinctive income levels and for diverse trade divisions. Overall, trade

facilitation appears to have more impact on increasing trade at the broad edge which is the increased trade assortments instead of at the intensive edge which is the increased market share of existing products. In any case, more progressed exchange facilitation levels, measured through each country's international and household coordination performance levels, have differing impacts depending on trade division and income level of nations. The improved and streamlined customs methods because of trade facilitation would have a noteworthy positive impact on trade streams (Amoako-Tuffour, Balchin, Calabrese, & Mendez-Parra, 2016).

Facilitating commerce can help to close the price gap between imports and exports. When trade costs fall, prices for consumers and businesses that import inputs for production fall, and real disposable income and/or profits rise. According to empirical research, the additional cost of delays, administrative irregularities, and, in certain situations, corruption can add up to 15% to the cost of items, reducing commodity competitiveness among nations. National income benefits from improved trade facilitation can be up to two or three times as great as those from abolishing all tariffs on manufactured goods globally (Hoekman & Shepherd, 2013a).

Table 1.3 summarizes the trade facilitation measures for WTO that are used to facilitate trade practices. There are 13 TFA articles used to facilitate the international trade used by the WTO which includes freedom of transit where the existing transit rules are improved and there is member cooperation to ensure transit freedom, availability of information and transparency is also another TFA article 1 aimed at publishing trade information and ensuring transparency to as to increase and improve efficiency.

Table 1.3 Trade Facilitation Agreement

Articles	**Details**	**Benefit**
Article 1: Information Availability and transparency	Enquiry points; trade information dissemination, especially on the Internet; openness in needed documents; user manuals; accessible legislation	Increasing the efficiency, improving trade compliance, easing the logistic procedures.
Article 2: Opportunity to Comment, Information Before Entry into Force and Consultations	Consult with merchants and other interested parties on new or updated rules and regulations governing the movement, release, and clearance of products.	provide significant benefits by promoting stakeholder engagement, improving regulations, reducing uncertainty, increasing transparency, and enhancing cooperation between governments and traders.
Article 3: Advance Rulings	Prior statements made by the administration to asking merchants on the classification, origin, value method, and other factors applied to specific products at the time of importation; the rules and procedures governing such statements	Improve cross-border commerce certainty and predictability.
Article 4: Appeal or review Procedures	The ability and procedures for appealing administrative judgments made by border administrations	Quick and effective Resolution of disputes hinges on bringing together and present the material facts of cases.
Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency	Members who offer notices or guidelines to improve border controls for foods, drinks, or feedstuffs must comply.	Lower the price of consumer products and enhance the competitiveness of domestic production and improve access to imported intermediate input
Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	Not request payment before the information on the application of fees and charges has been published; Review the fees and charges on a regular basis; Limit customs processing fees and taxes to the cost of services delivered.	Increased efficiency of export procedures
Article 7: Release and Clearance of Goods	Members must create or maintain processes for the release and clearance of products for import, export, or transit, such as pre-arrival processing, electronic payment, and separation of release from final determination of customs duties, taxes, fees, and charges:	Effective implementation of modern custom procedures, uniform application national laws and regulations

Article 8: Border Agency cooperation	Members are required to guarantee internal cooperation and coordination among their border authorities and agencies.	Improving the coordination and cooperation between different border agencies responsible for trade-related processes.
Article 9: Movement of Goods Under Customs Control Intended for Import	To the greatest degree practicable, requires members to enable items intended for import to be transported under customs supervision from one customs office to another inside their jurisdiction.	For efficient clearance and security purposes.
Article 10: Formalities Connected with Importation, Exportation and Transit	Aims to reduce the frequency and complexity of import, export, and transit formalities, as well as to reduce and simplify import, export, and transit paperwork requirements.	Reducing the costs and complexity associated with cross-border trade, improving efficiency and compliance, and increasing participation in international trade.
Article 11: Freedom of transit	This article details laws on regulating restrictions and formalities on traffic in transit, with the goal of enhancing existing transit rules.	Improving transit cooperation and trade for the landlocked nations
Article 12 : Customs cooperation	Members are required to provide information that will improve customs cooperation while also maintaining the confidentiality of shared information.	Improving risk management, reducing costs for governments and traders.
Article 13: National Committee on Trade Facilitation	Consult with merchants and other interested parties on new or updated rules and regulations governing the movement, release, and clearance of products.	Improving stakeholder engagement, enhancing capacity building, and improving monitoring and evaluation of trade facilitation efforts.

Source: WTO (2019).

Table 1.4 depictions show the performance of trade facilitation indices of the selected developing nations. The performance of trade facilitation indicators shown in Table 1.4 is based on an OECD database and is calculated using information from the OECD's trade facilitation indicators database. The range for trade facilitation indicator performance is between 0 and 2, with 2 labelings the best trade facilitation

performance countries can achieve as explained by OECD (2020). Therefore Table 1.4 shows the highest trade facilitation indicators performance being Mauritius with an index of 1.63 while the lowest is Venezuela with a 0.70 index on average most countries such as Kenya are ranked at number 7 as the seventh best performing countries with trade facilitation, Tunisia ranked at number 9, Angola at 25 with trade facilitation of 0.78, thus the performance is ranked in ascending order. This indicates the positive effects of trade facilitation and economic improvement of the stated countries.

Table 1.4 Trade Facilitation Performance of the selected countries

COUNTRY	**2017**	**2019**	**Average**	**COUNTRY**	**2017**	**2019**	**Average**
Mauritius	1.5545	1.5545	1.5545	Qatar	0.907	1.29	1.0985
Georgia	1.552	1.5545	1.55325	Kazakhstan	0.979	1.103	1.041
Mexico	1.486	1.549	1.5175	Moldova, Republic of	0.994	1.076	1.035
Morocco	1.408	1.5545	1.48125	Sri Lanka	0.986	1.072	1.029
Uruguay	1.39	1.488	1.439	Cambodia	0.916	1.132	1.024
Thailand	1.377	1.439	1.408	Jordan	0.929	1.024	0.9765
Argentina	1.314	1.477	1.3955	Madagascar	0.893	0.998	0.9455
El Salvador	1.278	1.403	1.3405	Ghana	0.9	0.925	0.9125
Nicaragua	1.245	1.319	1.282	Bolivia	0.939	0.852	0.8955
Albania	1.153	1.371	1.262	Bangladesh	0.783	0.951	0.867
Oman	0.967	1.5545	1.26075	Rwanda	0.839	0.887	0.863
Pakistan	1.166	1.346	1.256	Zambia	0.811	0.825	0.818
Kenya	1.211	1.284	1.2475	Jamaica	0.785	0.829	0.807
Indonesia	1.126	1.34	1.233	Angola	0.751	0.801	0.776
Tunisia	1.132	1.258	1.195	Maldives	0.699	0.824	0.7615
Egypt	1.192	1.194	1.193	Côte d'Ivoire	0.699	0.776	0.7375
Papua New Guinea	0.819	1.5545	1.18675	Ethiopia	0.714	0.736	0.725
Fiji	1.192	1.082	1.137	Nepal	0.69	0.701	0.6955
Philippines	1.028	1.229	1.1285	Liberia	0.471	0.534	0.5025
Bosnia and Herzegovina	1.049	1.198	1.1235	Chad	0.321	0.355	0.338

Source: OECD (2020).

Table 1.5 shows the OECD's table 1.4 is used to assess developing nations' 11 trade facilitation performance. Customs procedures, transportation costs, and delays are among the major factors preventing developing countries from integrating into global value chains, trade facilitation reforms are aimed at assisting a country's inclusion in global value chains, integration into global logistics networks, productivity growth, and increased employment levels, and diversification of developing countries' exports. OECD (2020).

Table 1.5 OECD Trade Facilitation Indicators

Indicator	Description
(a) Information Availability	Enquiry points; trade information dissemination, especially on the Internet; openness of needed documents; user manuals; accessible legislation
(b) Involvement of the Trade Community	Structures for consultations; developed consultation rules; draft publishing; presence of notice-and-comment procedures
(c) Advance Rulings	Previous declarations made by the administration to asking traders about the categorization, origin, valuation technique, and so on applied to specific products at the time of importation; the regulations and process governing such statements
(d) Appeal Procedures	The ability and procedures for appealing border agency decision-making
(e) Fees and Charges	Fees and charges imposed on imports and exports; openness and frequent review of fees and charges; transparency and execution of penalty procedures;
(f) Formalities – Documents	Acceptance of copies, simplification of trade documentation, and harmonization in conformity with international standards
(g) Formalities – Automation	Data sharing via electronic means; automated risk management; border processes; electronic payments; automated pre-arrival processing; digital signatures
(h) Formalities – Procedures	Border control simplification; single points of entry for all needed papers (single windows); post-clearance audits; authorized operators; perishable products measures; risk management systems; accelerated shipping
(i) Internal Co-operation	Border control simplification; single points of entry for all needed papers (single windows); post-clearance audits; authorized operators; perishable products measures; risk management systems; accelerated shipping

(j) External Co-operation	Partnership with adjacent and third-party nations
(k) Governance and Impartiality	Structures and functions of customs; accountability; and ethical policy

Source: OECD (2020).

The World Bank rates and evaluates the ease of doing business on a global scale. The ease of doing business score investigates undeniably the level of regulatory performance over time. As indicated in Table 1.6 below, these scores represent the simple average of the timeframes and costs for documented compliance and border compliance for export and import. The ease of conducting international commerce score for a country is measured on a scale of 0 to 100, with 0 signifying bad performance and 100 representing good performance.

Data on cross-border commerce are acquired by a survey of local freight forwarders, customs brokers, port officials, and merchants (World Bank, 2020). A score of 80 in 2020 would demonstrate the economy is improving. The high scores are the best trade facilitation performance while when the rank is 180 it means trading across the world is very bad (World Bank, 2020). The trade facilitation performance of trading across the border ranks and scores among the 40 countries is shown on Appendix A, where Albania is shown performing well with an average score of 96.3, and Herzegovina is performing well trading across borders with a score of 93. The best performance is followed by El Salvador with scores of 89.1, then Morocco with trading across borders score of 83.

Table 1.6 Ease of Doing Business Trading in Selected Countries

Country	2015	2019	Average	Country	2015	2019	Average
Albania	97	96.3	96.65	Cambodia	67.3	67.3	67.3
Bosnia and Herzegovina	95.7	95.7	95.7	Kazakhstan	64.1	70.4	67.25

Moldova	92.4	92.3	92.35	Indonesia	64.2	69.3	66.75
El Salvador	88.5	89.8	89.15	Kenya	65.8	67.4	66.6
Georgia	85.5	90.1	87.8	Pakistan	62.8	68.8	65.8
Thailand	84.1	84.6	84.35	Argentina	63.1	67.1	65.1
Nepal	82.5	85.1	83.8	Papua New Guinea	60.5	65.8	63.15
Morocco	81.2	85.6	83.4	Jamaica	59.6	61.5	60.55
Mexico	82.1	82.1	82.1	Madagascar	59.4	61	60.2
Oman	77.3	84.1	80.7	Uruguay	56.8	58.4	57.6
Mauritius	78.7	81	79.85	Maldives	55.9	55.9	55.9
Jordan	78.9	79	78.95	Ethiopia	52	56	54
Nicaragua	80.5	77	78.75	Cote d'Ivoire	52.4	52.4	52.4
Fiji	77.6	77.9	77.75	Zambia	47	56.9	51.95
Tunisia	74.6	74.6	74.6	Ghana	43.7	54.8	49.25
Sri Lanka	70.7	73.3	72	Egypt, Arab Rep.	51	42.2	46.6
Qatar	70.5	71.5	71	Chad	37	37	37
Bolivia	68.4	71.6	70	Bangladesh	31.8	31.8	31.8
Philippines	70.6	68.4	69.5	Angola	17.2	36.2	26.7
Rwanda	61.1	75	68.05	Liberia	27.8	19.2	23.5

Source: World Bank (2020).

1.3 Problem Statement

The low trade export volumes are due to import quotas, export restrictions UNCTAD (2017), trade regulations, and high trade tariffs which result in a negative balance of trade. This is the dominant challenge that today's development countries face Holland (2020), It signals that the growth rate of GDP in the world particularly in developing countries is decreasing. Specifically, much of the decrease in GDP growth rates and GDP per capita can be traced to developing countries according to IMF