

Acceptance of open markets is of great importance. But there is a growing public concern about some aspects of trade liberalization that need to be carefully studied. For those who believe that global integration is reducing costs, it would not be wise to ignore these issues. Perhaps, the answer lies in the balance between open markets and complementary policies alongside international initiatives that better manage the risks posed by globalization. However, it's the best to draw conclusions through research reviews and thus analyze the results.

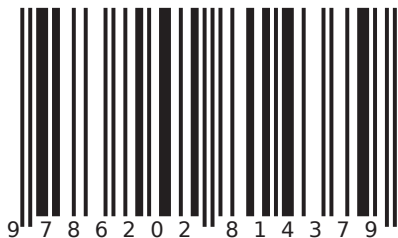


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Globalization, Trade Liberalization and Business Dynamism



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CHAPTER V

TRADE FACILITATION - FACTOR FOR BUSINESS DYNAMISM

High trade costs are an obstacle in trading and have impact in the realization of the benefits from trade liberalization. Trade profits depend not only on tariff liberalization but also on the quality of infrastructure and related services. Improved infrastructure and logistics services play an important role in international trade flows. On the one hand, they generate enormous wealth by reducing the cost of trade due to their non-discriminatory and non-competitive characteristics. On the other hand, they integrate production and trade across the country. These aspects are important to consider in order explaining the importance of trade facilitation, as it enables the smooth advancement and business dynamization.

Thus, very often trade costs are cited as an important determinant of trade volume. There is also a growing literature on concerns about the impact of trade costs on trade volume. Most studies of this nature show that integration is a result of reduced transport costs for individual and all infrastructure services in general. The common goal of economic interaction is to reduce trade barriers - visible and invisible. Direct evidence of border costs shows that tariff barriers are now low in most countries - on average less than 5% of the average measured in rich countries, with a few exceptions, and in developing countries at an average between 10 and 20%.

As world follows a dramatic drop in tariffs over the past two decades, many barriers remain to "punish" trade, between existing weaker and heavier barriers. An example of softer barriers is trade tackling and business facilitation measures. The heavier set of barriers commonly referred to physical or infrastructural barriers, deal with transport facilitation measures. The costs created by these barriers can be grouped together and referred to as trade costs which are estimated as difference

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In principle, the exporter or importer generates trade costs at all stages of the exports or imports process, starting with the receipt of market information in any other given foreign market and ending with the receipt of the final payment. One part of trade costs is the specificity of the trader and the dependence on his/her operational efficiency. The intensity of this part of the trade costs decreases with the increase of efficient level of the trader, depending on the economy.

2. Trading on time and institutional barriers

The other part of the trade costs is specific to the trade and its environment that arise from traders due to the lack of efficiency in the trade environment. These include institutional barriers (transport, regulation and other logistics infrastructure), asymmetric information and administrative power. This provides an opportunity to request action from government officials at various stages of the transaction. Or, it can cost traders or the state time and money, including overdrafts. This makes the transaction more expensive. Trade costs are high, with the exception of the degree of trade barriers between highly integrated economies. In explaining trade costs,

effective protection rate relating to transport costs is in many cases higher than that of customs.³⁷ According to the World Bank for 168 US trading partners, transport barriers are heavier than tariff barriers. It is estimated that doubling the distance increases all transport rates between 20 and 30%.³⁸

Delay also affects international trade. Research shows that on average, each additional day when the delivery product is late reduces trade by at least 1%.³⁹ Therefore, the conclusion is that the profits from trade will be higher if disagreements and conflicts in trade are reduced.⁴⁰

The details of trade costs are also a matter of economic geography. For example, the market effect hypothesis (a large country produces more goods with economies of scale) depends on differentiated goods in economies of scale having higher trade costs than homogeneous goods.⁴¹ Cross-production structure as a political barrier is important for well-being.

3. The impact of infrastructure on trade volume and business dynamism

Weak institutions and poor infrastructure are seen as barriers to trade and business, differentially across countries. Facing barriers often emphasizes the quality of trade-related infrastructure for cross-border trade. A country's infrastructure plays a vital role in the realization of trade. Traffic and communication infrastructure as well as institutional quality are important determinants not only for the export level of a country but also for the opportunities ahead for exports and business dynamism. The quality of the infrastructure is an important factor for the performance of the

³⁷ World Trade Organisation, 2004. *World Trade Report 2004*. Geneva. Available at <http://www.wto.org>.

³⁸ 199b. Have international trade costs declined? Working paper. Chicago, University of Chicago Business School, Chicago.

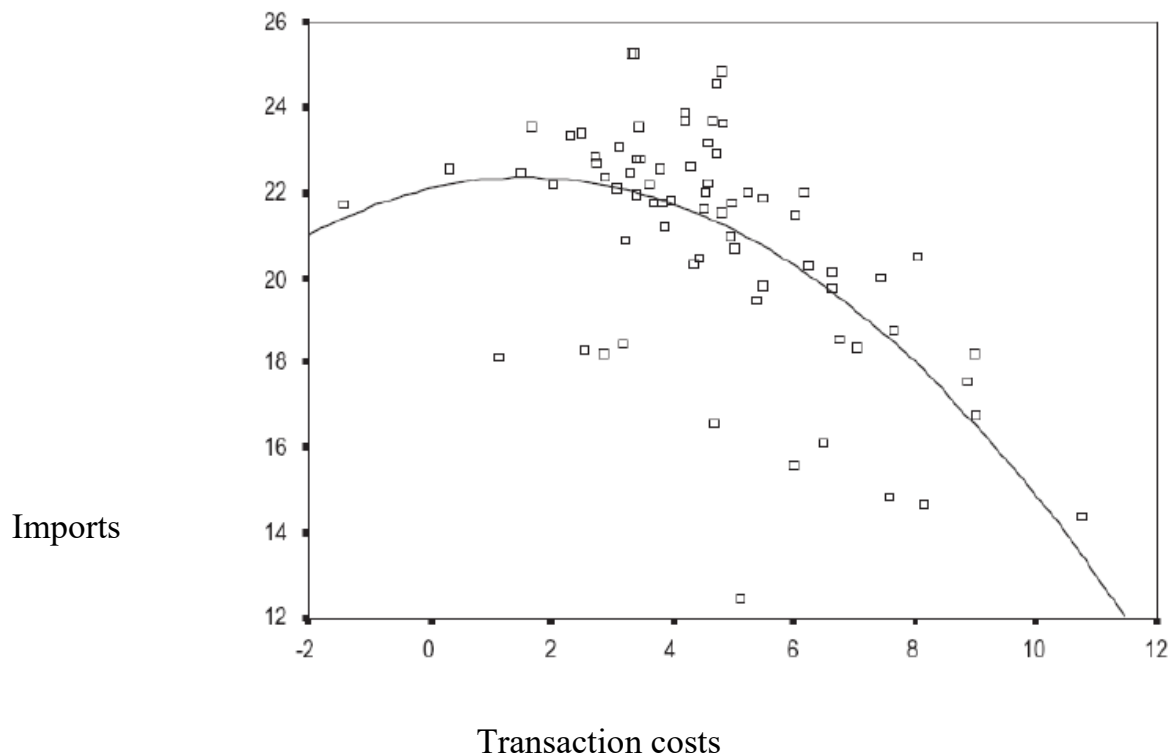
³⁹ Djankov, S., C. Freud and C.S. Pham, 2006. Trading on time, working paper, World Bank, Washington. D.C.

⁴⁰ Chaturverdi, S. 2006. Selected trade facilitation measures: Implications for the WTO negotiations on trade facilitation, Working paper

⁴¹ Anderson, J.E., 1994. Surveys in International Trade, working paper, Oxford

trade when the efficiency of the ports itself has the greatest impact on the trade. Studies and research provide evidence that transaction costs are statistically significant and important in explaining the trade variations that exist in Asia.⁴²

Figure 1. Relative importance of trade transaction costs in Asia



Source: P.De., 2013

Infrastructure as a variable has the power to predict the volume of trade and the prospects for business dynamism. The dependence of trade costs on the level of infrastructure is also emphasized, where the infrastructure is measured as an average of the density of the road network, railway network, and asphalt road network and telephone lines per person. Neglected infrastructure increases costs by 12% and does not contribute to attractiveness in the context of investment.

⁴² 2005. Affect of transacton costs on international integration in the Asian economic community, in Asian Economic Cooperation and Integration: Progress, Prospects, Challenges. Asian Development Bank, Manila.

production and marketing. Today, governments towards liberalization process usually approach in accordance with some major criteria, namely:

- 1) developmental level,
- 2) strategic direction,
- 3) international status,
- 4) priority rating,
- 5) acceptance of the rules,
- 6) diversity tolerance ,
- 7) industrial competitiveness
- 8) ideological separate mission and so on. In addition to government agencies and international organizations have their own business agenda.

Agenda of international economic organizations include:

1. transparency in the performance of investment markets
2. harmonization of standards,
3. links between market goods, services, information and human resources
4. resolve trans-boundary disputes
5. standardized procedures,
6. input sense of security in the community.

Yet, in turn, will create a stable business environment that will contribute to successful business ventures. Therefore, all the interests of businesses, governments and international organizations need to comply. The challenge is to maximize the interests that coincide with negotiations for trade liberalization. Macedonia has

and information technology, but logistics needs to match the requirements for quality physical infrastructure in Macedonia. Modernizing the customs service, with the coordination of border procedures between it and other agencies remains inadequate logistical needs which are increasingly determined by the availability, quality and competitiveness of private services (transportation, customs brokerage and warehousing).

In this context Macedonia should focus on improving road infrastructure and information technology in customs, and reforms the logistical services market to reduce errors in public agencies, as active stakeholders in border control. It requires an integrated and comprehensive approach to reform in the supply chain.⁴⁵ Trade facilitation in the context of the World Customs Organisation means avoiding unnecessary trade restrictions. This can be achieved by applying modern techniques and technology, by improving quality control and acceptance of internationally harmonized way of clearance. The mission of the WCO is to improve efficiency and effectiveness of customs administration, through simplification and harmonization of customs procedures. Macedonia needs to be admirers of the conventions, standards and programs. Here are thinking of providing technical assistance and capacity building support. Through these instruments and activities, the Customs Administration of Macedonia will be able to offer appropriate stakeholders trade incentives, combined with effective controls. Linking Macedonia and other countries must be realized due to competitive match, which should be a challenge. If Macedonia manages to increase the participation in global production, there will be a powerful strategic resource for achieving competitive advantage. To intensify the relief and to ensure security in these regulatory trends and impacts should be considered permanent use of intensive technological change. So necessary information for managing international transactions from product origin to destination should be generated, shared, recorded and processed. The business involves group and quickly go. Therefore Macedonian customs has no choice but to

⁴⁵ www.seeurope.net/files2/pdf/.../7_SEEEconom icOverviewMacedonia.pdf

5. Conclusion

Besides the modernization, implementation of procedures in the Customs Administration of Macedonia requires further monitoring and new efforts to facilitate trade and transport activities. In that sense, we should constantly strengthen contacts with stakeholders. Namely, to allow timely reporting of changes in the legal system and regulation, the customs regulations specifically for law enforcement at border crossings, and coordination among border agencies. Meanwhile, the management of the Customs Administration takes action on improving the relationship and responsibilities of customs and border police. In this context, here are efforts to provide necessary training to accept the changes and legal procedures by commercial operators and customs officers. Customs facilitation involves improving physical infrastructure and equipment at border crossings, mainly to prevent delays. So the necessary activities are upgrading with appropriate equipment for improving the quality of inspection and data processing at the main border stations, and in that sense communication equipment to be complement with national customs network.⁴⁷ Here should be mentioned that enhancement of customs ethics is a major goal in the Customs Administration of Macedonia. Customs Administration with the help of World Bank, IMF and the EU Code of Conduct develops the basic principles of ethical behavior (as specified in the Arusha Declaration on Integrity in Customs), then communication with customers and the introduction of disciplinary procedures. Customs Administration in Republic of Macedonia is the first in the region that implement a training program on ethical application of this module. This act reduces the opportunities for smuggling and corruption by customs staff. It must be emphasized that it is especially important to improve private-public interactions. Limited or late consultation with the trade community contribute for congestion in contacts and interaction. It is expected that customs reform and reduction of trade costs contribute for increasing the quality of customs procedures, providing safer business environment and economic development, on the basis of lower prices of

⁴⁷ GATT docs. Let/1793, TAR/M/34

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