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Enabling Trade in Ukraine

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ABSTRACT:

This note contains estimates for the effects of unilaterally improved trade facilitation in Ukraine, using the same methods and data as those in the World Economic Forum's report "Enabling Trade: Valuing Growth Opportunities." The estimates show that improved trade facilitation could lead to gains in Ukraine's GDP of 5.2 percent to 37.1 percent, and in Ukraine's exports of 15.9 percent to 52.8 percent, depending on the extent and depth of the reforms.

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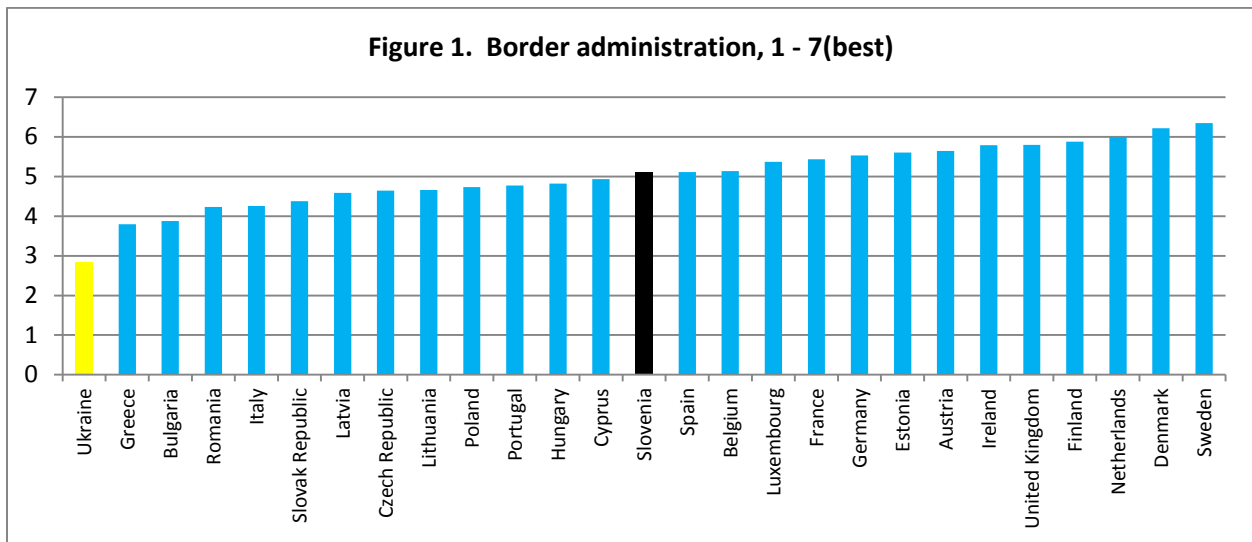
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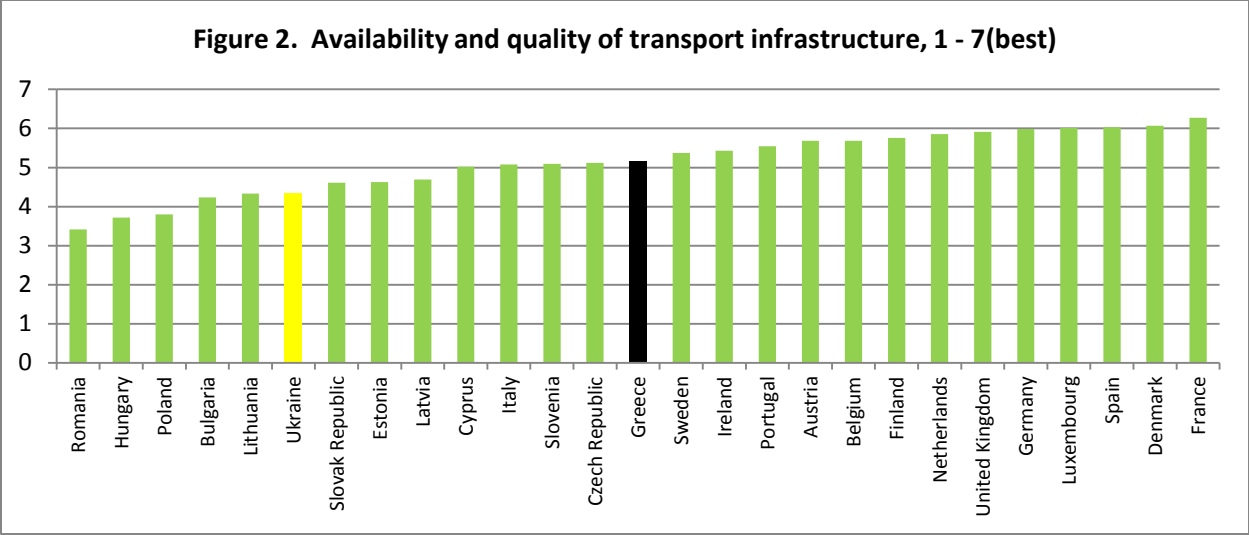
This note contains estimates for the effects of improved trade facilitation in Ukraine. It uses the same methods and data as those in the World Economic Forum’s report “Enabling Trade: Valuing Growth Opportunities” report (section 4, page 13, and Online Appendix). While *Enabling Trade* models a simultaneous worldwide reform, in this note, Ukraine has been disaggregated out of the “rest of the former Soviet Union” group and the reform simulations are focused on Ukraine, that is, we simulated unilateral improvements in trade facilitation conditions by Ukraine.

We perform three simulations – one which raises the Ukraine’s level of trade facilitation to the median level in the European Union, and two others comparable to the WEF “ambitious” and “modest” scenarios. The first scenario is somewhat more ambitious than the WEF “ambitious” scenario.

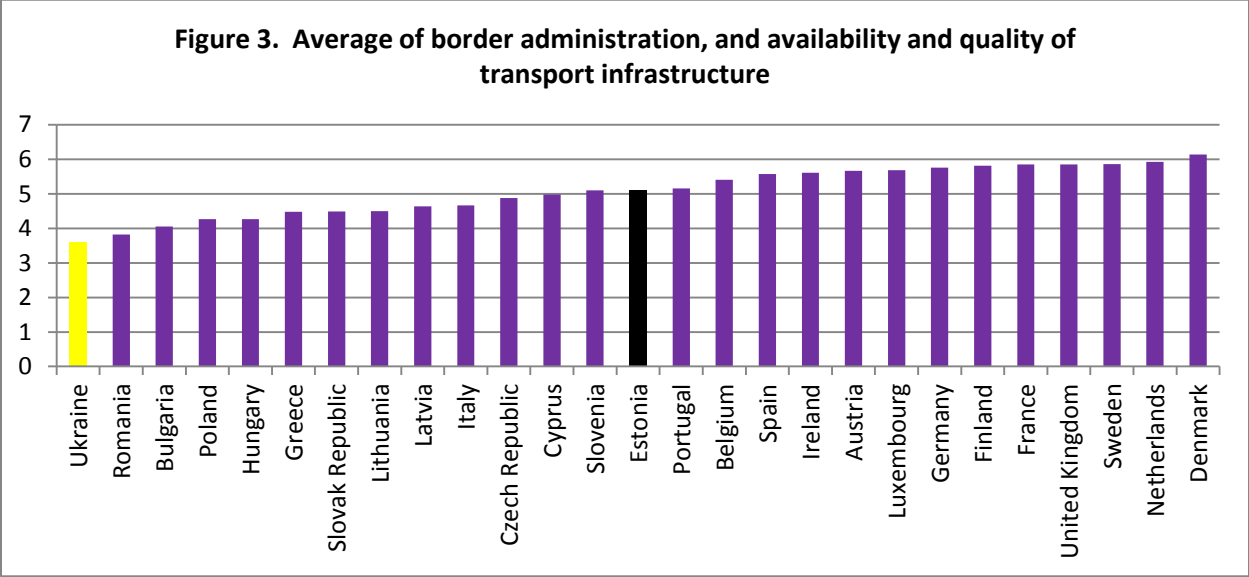
Figures 1 and 2 show scores for two measures from the GETR (global enabling trade report) database for European Union members and Ukraine. The two measures are “border administration” and “availability and quality of transport infrastructure”. These are the measures that we focused on in the “Enabling Trade” analysis.

Figure 1 shows that Ukraine’s score for “border administration” is the lowest when compared to European Union members and Slovenia has the median score (Malta is not in the GETR database). Figure 2 shows that Ukraine’s score for “transport infrastructure” is 6th from the low end of the distribution; Greece has the median score.





For the simulation of improved trade facilitation, we took the average of the two measures. Figure 3 shows that Romania has the lowest average score; Denmark has the highest average score; the average score for Ukraine is 2nd from the lowest score; and Estonia has the median score.



We run one simulation of improved trade facilitation by Ukraine where Ukraine’s average score improves all the way to the median in the distribution (Estonia in figure 3). In the second simulation (WEF ambitious) Ukraine’s score improves halfway to global best practice of Singapore. This is about equal to the current score of Cyprus. In the third simulation Ukraine’s score improves halfway to regional (Europe and Central Asia, other than high-income) best practice of Lithuania, about equal to the current score of Bulgaria. These can be summarized as follows:

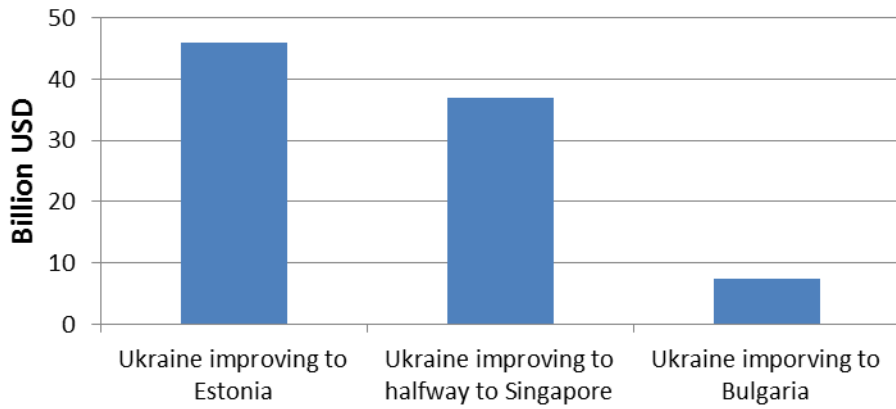
Scenario	Ukraine's trade facilitation score	Comparator country
Status quo	3.59	Ukraine
Halfway to regional best practice	4.06	Bulgaria
Halfway to global best practice	4.95	Cyprus
Median of European Union practice	5.12	Estonia

The gravity equation estimates (page 7, table 8 in the WEF appendix) suggest that the volume of Ukraine's exports and imports of goods (excluding oil and gas) would increase as follows:

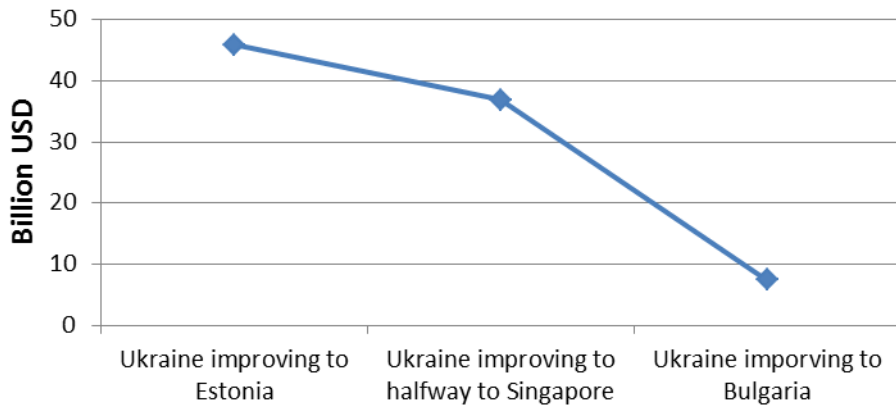
Scenario	Ukraine's increase in exports	Ukraine's increase in imports
Halfway to regional best practice (Bulgaria)	15.9%	8.1%
Halfway to global best practice (Cyprus)	47.0%	22.5%
Median of European Union practice (Estonia)	52.8%	25.0%

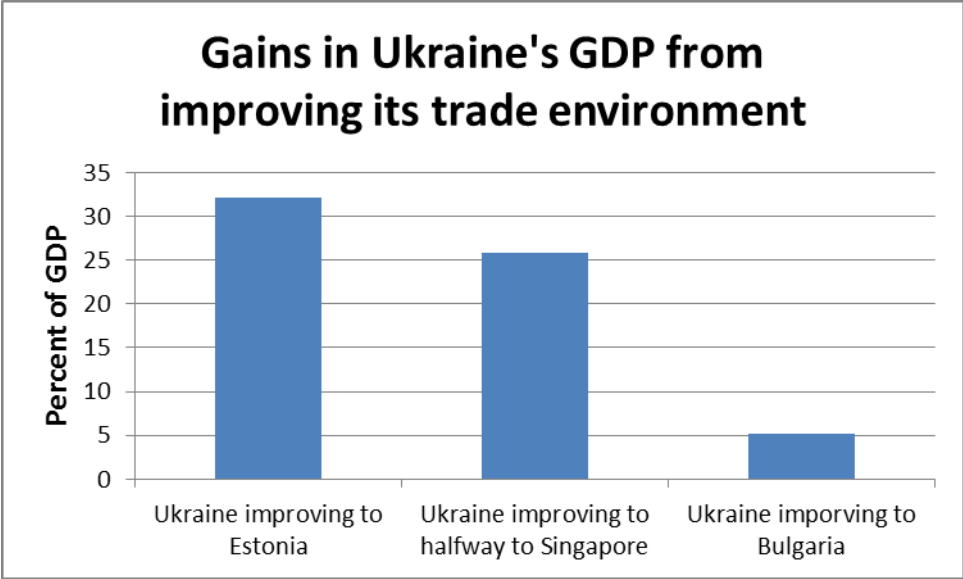
We then run the GTAP model to obtain that in the most ambitious scenario, Ukraine's GDP would expand by \$45.9 billion or 32.1% (in nominal terms and with respect to 2007; the GTAP data show that Ukraine's GDP in 2007 was \$142.719 billion). In the WEF ambitious scenario, Ukraine's GDP would expand by \$36.9 billion or 25.9 percent, and in the WEF modest scenario, Ukraine's GDP would expand by \$7.4 billion or 5.2 percent. This GDP improvement is consistent with the trade effects from the gravity analysis. These results are summarized in the figures below.

Gains in Ukraine's GDP from improving its trade environment



Gains in Ukraine's GDP from improving its trade environment





REFERENCES

World Economic Forum, *Enabling Trade: Valuing Growth Opportunities*. Geneva: World Economic Forum, 2013. Available at <http://www.weforum.org/reports/enabling-trade-valuing-growth-opportunities>. Online appendix available at http://www3.weforum.org/docs/WEF_SCT_EnablingTrade_OnlineAppendix_2013.pdf