

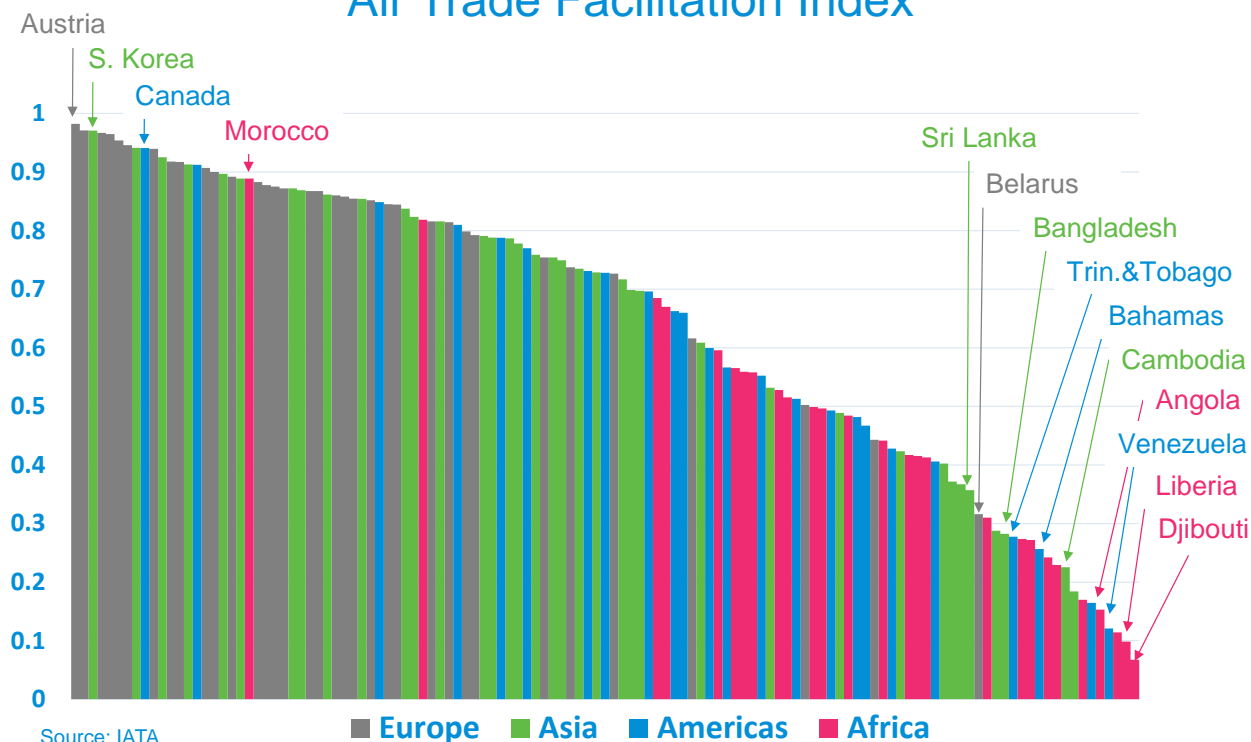


# IATA ECONOMICS' CHART OF THE WEEK

14 JULY 2017

## G20 LEADERS (AND IATA) CALL FOR ACTION ON TRADE FACILITATION

### Air Trade Facilitation Index



- G20 Hamburg declaration on July 8 called for improving trade facilitation. For air cargo that means countries need to ratify Montreal Convention 1999 (MC99) and implement related provisions of WTO Trade Facilitation Agreement (TFA).
- Countries that have better air connections also engage in more trade. According to a recent [IATA study](#), a 1% increase in air cargo connectivity is associated with a 6.3% increase in trade. But good air connections explain only part of the picture. Efficient customs processes also play an important role in supporting better trade performance.
- To measure effectiveness of customs processes the IATA study developed the Air Trade Facilitation Index (shown above). The index combines air cargo specific elements of the customs capabilities database of the Global Express Association and the trade facilitation indicators of the OECD. To evaluate the enabling policy environment it looks at ratification of relevant international conventions, such as MC99 and WTO TFA. The study found that a 1% point increase in the ATFI is associated with a 2.3% increase in the value of trade as well as higher integration into global value chains.
- Ratification of MC99 is the parameter that has the largest weighting (30%) in the ATFI. MC99 establishes the airline liability, including in cases of delay, damage or loss of baggage and cargo. It also creates the legal framework that allows airlines to use electronic documentation for shipments, thereby reducing costs and increasing efficiency.
- European countries tend to dominate the upper end of the index, Austria is the top performer while Belarus is the worst. Asian economies vary in performance, South Korea is the top performer and Bangladesh and Sri Lanka have the biggest opportunities from improvement. Similarly, the Americas region has diverse performance, Canada is the top performer while Venezuela is the worst. Africa has the largest opportunity for improvement, Morocco is on top while Djibouti and Angola are among the worst. An immediate policy response to improve poor performance can be the ratification of MC99.

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