News Release

WORLD ECONOMIC FORUM

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Supply Chain Reforms: The Right Path to Increased Global Trade

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- New report calls for action by governments and business to cut supply chain barriers with detailed analysis of food and automotive trade
- Business leaders call to build on recent WTO negotiations in Bali with supply chain reforms
- Global food loss a tragic symptom of supply chain barriers
- Border delays most urgent trade priority for automotive executives
- Download the full report at http://wef.ch/etva14full

Davos-Klosters, Switzerland, 21 January 2014 – Urgent implementation of the Bali trade accords and deeper behind-the-border reform is needed to sustainably meet world food demand, and foster industrial development, according to Enabling Trade: From Valuation to Action, a new report released today by the World Economic Forum, in collaboration with Bain & Company.

Government leaders need to step out of traditional ministerial silos to lead value-chain reforms and reap the benefits in domestic investment and global trade.

The report finds that supply chain inefficiency contributes significantly to the 1.3 billion tons of food lost each year.

Attacking these barriers would help improve the livelihoods of billions of the world ' s poorest people, and cut

emissions, energy and water use. Lost or wasted food costs over $750 billion per year. Yet, agriculture and

consumer policy remains focused on production and retail improvements, with insufficient action on supply chain

and trade connections.

Major manufacturing investments could be unlocked by accelerating cross-border connectivity. Overcoming deep competitive differences, automotive executives align around the trade priority of faster and simpler border crossing. According to the report, roughly US$ 6 billion is spent each year by the automotive industry on inventory-carrying costs at borders. If redirected into product development, this could pay for up to 6 new car launches every year.

" The report highlights an important new opportunity for trade liberalization and economic growth, combining border and behind-the-border reforms to strengthen the competitiveness and job-creating potential of key economic sectors, " said Richard Samans, a Managing Director of the World Economic Forum. " Such a strategy has the potential to help countries and regions translate the recent WTO agreement on trade facilitation into tangible economic gains. "

The report ' s call for implementing supply chain reform builds upon earlier Enabling Trade findings, that reducing supply chain barriers could increase global GDP six times more than eliminating all tariffs.

The report highlights bright spots of political will, including the Pacific Alliance in Latin America, where deeper economic integration and supply chain facilitation are being prioritized at the presidential level. Improved border management, a primary focus of recent negotiations at the World Trade Organization ' s Ministerial Conference in Bali, is emphasized in the report ' s call for accelerated co-development of e-logistics and smart customs systems.

" The WTO agreement announced in December in Bali was a tremendous step toward trade liberalization and efficiency, " said Mark Gottfredson, a Partner at Bain & Company and co-author of the report. " Now is the time for governments and businesses to take action on the detailed and difficult work ahead. "

The Enabling Trade: From Valuation to Action report is based on pilot agricultural programmes in India, Kenya and Nigeria, an automotive CEO dialogue requested by the WTO, and supply chain surveys and case studies conducted with business and customs administrations. It illustrates:

- In poorer regions, 94 percent of food loss and waste stems from supply chain inefficiencies. Yet only 5% of agricultural funding goes to postharvest improvements.
- Supply chain improvements increase flexibility and early-stage value for food – and cut loss.
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Overly strict product standards, poor transportation infrastructure, border delays, and poor business climates are the main supply chain barriers for agriculture.
- Border crossing processes are priorities for automotive trade reform. For example, pallets shipped wet from Western Europe need reweighing when dry at the Russian border.
- Simplifying parts re-export is another automotive trade priority, notably for pooled equipment.
- Consistent safety and environmental standards in the EU/US would save billions – an important goal for the TTIP negotiations.
- The Pacific Alliance, representing Chile, Mexico, Colombia and Peru, promises to create a 200 million people, $2 trillion market, if supply chain reforms continue.
- Better border management – " smart borders " – can dramatically improve supply chain efficiency. In Thailand and Kenya, process improvements have more than halved export times.

Each year, the World Economic Forum ' s Global Enabling Trade Report series focuses on measuring whether economies have in place the necessary attributes for enabling trade and where improvements are most needed.

Notes to Editors

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