The impacts of non tariff barriers economics essay

Economics

Name:

Filippos Vavakis

Student Nr.:

Proposed Thesis Title:

An analysis of the impacts of non-tariff barriers in the Greek ports' trade flows

Problem Statement:

Main Research Question

The main research question of the proposed thesis paper is going to be: Which are the non-tariff barriers of the Greek economy and which will be their impact on Greek ports' trade flows? The basic notion behind this research question is to identify which non-tariff barriers affect maritime transport and trade the most. It is obvious that ports attract trade flows and contribute to the movement of the goods. In addition to this, the majority of the European ports such as Rotterdam, Antwerp and Hamburg are clusters for the economic and regional development. That's why industrial zones have been created around the biggest ports in Europe. Policy makers must acknowledge that Greek ports could become really important points of the global supply chain. Their significance becomes even bigger nowadays because of the transhipment of goods and services from Asia to Europe. However, Greek ports have not managed to take advantage of their strategic position near the Asian markets. Thus, emphasis must be given in reducing not only tariffs but non-tariff barriers as well. To sum up, efficiency in maritime transportation is the path to success. Since maritime transportation facilitates the movement of people, goods and services, it can be easily

referred that the removal or the reduction of non-tariff barriers will generate more value added.

Scope of the Research

The research addresses the effects of the existence of non-tariff barriers into the global and the Greek welfare, as well as into the trade flows imported and exported to/from Greece. More specifically, Greek seaborne trade is reduced due to a number of indirect barriers. The current research aims at finding out the factors influencing the Greek seaborne trade with other countries and pointing out their effects over the Greek welfare and the Greek trade flows.

Relevance to business

The definition and the analysis of the impacts of the barriers to trade is a widely discussed topic. Due to the low competitiveness and other structural problems, the Greek ports have not managed to attract vast cargo flows. Furthermore, transhipment of cargo flows from the Greek ports is rather limited, in full contrast to the passenger flows. In general, this study is linked to Greek port industry. Given the importance of Port Reform Tools, most Greek Port Authorities aim at internationalizing their activities, as well as establishing connections with developing markets. However, the existence of barriers to trade causes serious limitations in developing connections with other markets. As a matter of fact, most Greek ports are not considered as parts of the global supply chain. Passenger transportation is their major activity to generate value added. Last but not least, Greek Port Authorities have been also affected by the Greek crisis. Given the fact that attracting more cargo flows could increase their revenue, their integration in the Trans-

European network offers a really good chance to the Greek ports become a gate from Asia to Europe. This integration can increase the significance of them and make Greece a logistics' cluster.

Research Objectives:

Based on the research question, the proposed research will be divided into the following sub-questions: 1. Which are the non-tariff barriers of the Greek economy, especially related to the various Greek ports' trade flows? 2. In which way will the non-tariff barriers be quantified for the ports under examination? 3. How will the elasticities and subsidies over the various products be derived? 4. Which is going to be the impact of a possible abolition or limitation of non-tariff barriers? To begin up with, a necessary assumption which needs to be made for the current research is that the transport costs will be shared between the importer and the exporter. Although this hypothesis is unrealistic, transport costs as a barrier have equal importance for both importers and exporters. Apart from transport costs, emphasis will be given on the following categories of non-tariff barriers: government participation on trade and restrictive practices, technical barriers to trade, charges, quotas, technical barriers to trade and time costs. This assumption is also heroic, but a number of non-tariff barriers cannot be easily quantified. Last but not least, the outputs of the model will be extracted and presented in a separate chapter of the paper, followed by a number of proposed solutions to the research problem.

Research Design:

The research needed for the paper will be conducted via the use of a partial equilibrium model. More specifically, the Global Simulation Model (GSIM) will

be the tool used to calculate the outputs in terms of cargo flows. The author also intends to take into the 5 last years of the ports' imports/exports into consideration. Passenger transportation will not be taken into account. Normally, the following steps to be made are described below. 1. Definition of variables, parameters and Global Simulation Model (GSIM)2. Seeking for information about the Greek ports' trade flows (imports/ exports) in the databases or through interviewing the Port Authorities' representatives3. Calculating the various categories of non-tariff barriers using as benchmarks the freight rates' prices of moving 1 container from a foreign country to a Greek port. This simplification is necessary as the cost of moving 1 TEU is a good unit of measuring the value of a container transport. 4. Assigning values from the Databases and the Sources used into the GSIM model. 5. Calculating the outcomes by solving the model more than once or twice. 6. Running 3 simulations of the model (full removal, removal of NTB by 30%, 70%)7. Reaching the final conclusions. Before running the model, the findings about the existence or not of non-tariff barriers in Greek ports (according to the literature list) will be summarized and presented in the Theoretical Framework. Additionally, the advantages, disadvantages and possible opportunities of the Greek ports of Piraeus, Thessaloniki, Patras, Volos, Heraklion, Igoumenitsa and Alexandroupoli will be analysed. It must be also referred that the author will try his best to provide a full analysis for every category of cargo (Container, Dry Bulk, Liquid Bulk, Ro-Ro etc.).

Nature and form of results:

The advantages, disadvantages and opportunities of Greek ports will be based on reviewing previous literature (qualitative). On the opposite, the

results of the GSIM model will concentrate on the Greek welfare, the changes on imports and exports of ports, as well as on the monetary cost saved by removing/reducing non-tariff barriers (quantitative).

Time Schedule:

Deadlines provided by the MEL Board

Provisional thesis titles: 2013, April the 15thCompleted thesis proposals: 2013, May the 6thThesis Final Version: 2013, August the 22ndSupervisor Opinion: 2013, August the 30th

Allocation of the time during the research

Time limitations force the author to allocate the time needed for the thesis paper research as good as possible. Given the deadlines provided by the MEL Board, we assume that approximately 3 months are available to conduct the research and write the paper. To begin up with, a literature review of the relevant staff the author has gathered will require approximately 2 weeks. Although the author has already made a literature review of a number of relevant articles, books etc., a second one is needed after being given the feedback from the MEL Board, as well as from the supervisor. After finishing the literature review, the author will start writing the introduction and the theoretical framework, a process which will take about 2-3 weeks. Furthermore, gathering the necessary data to build the model will take approximately 3 weeks. These data include the major Greek ports' imports and exports, as well as the calculation of non-tariff barriers for every port. Since the author has already used the GSIM model once, he estimates that 1 week will be necessary to run the model. It must be referred that the paper

will be written in parallel with the conducted research. Last but not least, the author believes that he will need about 1-2 weeks to report the results and make the necessary conclusions and proposals for further research. As a consequence, the overall project requires about 12 weeks to be completed (3 months).

Facilities and resources (data sources):

Databases

WITS database, Comtrade database, Clarksons Intelligence Network, Maritime Database, World Port Source, Equasis database, Container Trade Statistics database, Eurostat, Hellenic Statistical Authority, UN Statistical Office, Global Economic Monitor

Personal Contacts

A number of data may be provided via face-to-face company interviews. Ports' Authorities Representatives can be a useful source for the data needed for the GSIM model. However, interviewing them depends on their willingness to ' reveal' the secrets of the port authority they govern, as well as on their availability.

Your motivation to do this research:

Barriers to trade are a really important issue nowadays, as they distort competition and prevent Greece from becoming a logistics cluster. Due to the Greek financial crisis, the need for creating value generated (resulting to financial return) in my country is much more than obvious. Ports could really play an important role in the revival of the Greek economy via the maritime and logistics sector. As a matter of fact, the current paper will provide us the

positive effects of removing non-tariff barriers. The final motivation of the author is to make a number of suggestions and proposals at an academic level in order to transform Greece into a gate to Europe. This fact will provoke multiple positive effects in the Greek economy.

Literature Review:

The literature review of the proposed research ' An analysis on the impact of non-trade barriers on Greek ports' trade flows' aims to provide data, as well as to examine the relevance of the literature list's papers on it. Non- tariff barriers are examples of protectionist policy and formulate restrictions on international trade (Coughlin, Cleins and Wood, Geoffrey 1989). They cause similar impacts in trade and growth with tariffs on goods imported (Fliess, Barbara and Busquets, Carlos 2006). To start up with, Hummels, David (2001, 2007) considers time saving as a facilitator of manufactures' international trade. International trade could also be facilitated through increased efficiency in customs' operation (Widdowson, David 2007), which can reduce technical barriers to trade. It can be also referred that technical barriers mainly refer to testing, standardizing and providing certificates to products (Kirk, Ronald 2011). These procedures are conducted on ports' customs. In addition to this, the European Union is moving towards liberalization and the removal of state intervention. (Haralambides, Hercules 2006). This research is also interested in the significance of transport costs as barriers to trade. Clark, Ximena et. all (2001) claim that transport costs and inefficiency heavily affect trade growth. Furthermore, maritime transport costs and port efficiency are important factors which affect regional development and trade flows (Micco and Perez 2001). Micco and Perez

(2001) also believe that this shift can be explained by the removal of trade barriers during the last years. The proposed paper will analyse the Greek ports of Piraeus, Thessaloniki, Patras, Volos, Heraklion, Igoumenitsa and Alexandroupoli as benchmark ports. However, it must be referred that these ports have not managed to gain benefits from their strategic position in the Mediterranean Sea due to their public sector control (Vaggelas, Georgios 2007). In addition to this, a number of other problems have been appeared in Greek ports. According to Lioukas, Spyridon (1995), the ports of Patras and Igoumenitsa own inadequate infrastructure, whereas road and rail access to the port of Piraeus is limited. These inefficiencies can cause delays in storage and packaging of the goods. Thomopoulos, Nikolaos (2002) also believes that the ports facilitate global trade and optimize the logistics' system. According to him, maritime transport reduces the time for moving goods and services, whereas the Greek sea routes should be integrated into the European ones. That's why transit trade facilitations are expected to be enlarged through the Trans-European Network (Siousiouras, Petros et. all. 2005). He also claims that the Trans-European Network will develop in parallel with the existence of free-trade zones, which reduce tariffs on imported goods. Such free-trade zones are the areas around the ports of Piraeus, Thessaloniki and Heraklion (Pallis, Athanasios and Vaggelas, Georgios 2005). Although Krugman, Paul et. all.(2011) believe that free-trade areas distort competition and intensify trade diversion in theory, he admits that these effects are rather negligible in practice. Last but not least, the final impacts of non-tariff barriers in Greek ports will be quantified via the GSIM model. The analysis of our research in terms of ' non-tariff revenue' and social optimum will be based on the paper of Francois, Joseph (2007).

However, the definition and quantification of trade flows, non-tariff barriers, elasticities and subsidies is the most important part of the forthcoming research.