



TRADE, GROWTH, AND DEVELOPMENT

Trends and Linkages

ERIN ENDEAN
Nathan Associates Inc.
eendean@nathaninc.com

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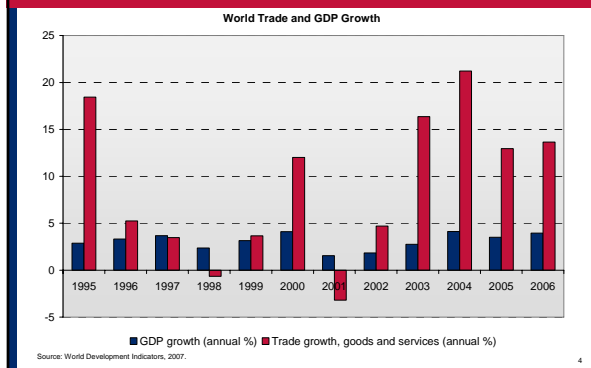
Outline of Presentation

- Trade trends
 - Developing countries
 - Low-income developing countries
- Trade-growth linkages: three things that matter
 - Openness
 - Variety
 - Time
- Implications and applications

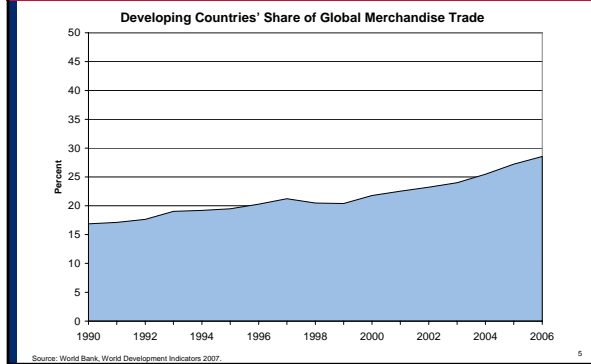
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Trade trends

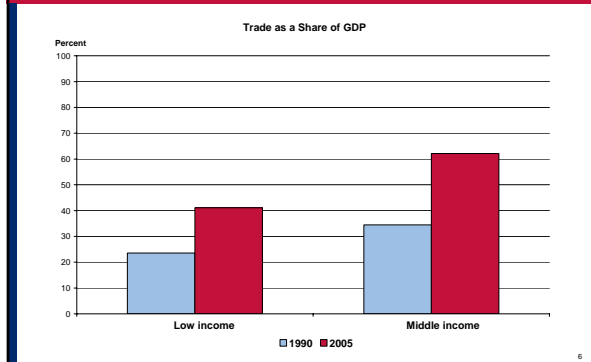
Global trade is growing faster than GDP



Developing countries account for a growing share of global trade ...



Trade is becoming more important to developing countries



A few developing countries dominate

Top 10 developing country exporters, 2005

	% of developing country exports
1. China	25
2. Russia	8
3. Mexico	8
4. Malaysia	5
5. Brazil	4
6. Thailand	4
7. India	3
8. Poland	3
9. Indonesia	3
10. Czech Republic	3

Top 10 account for 64 %

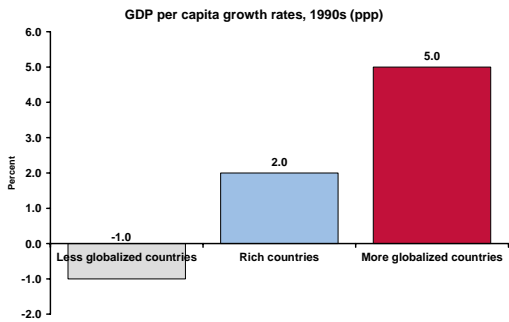
LOW INCOME COUNTRIES ACCOUNT FOR LESS THAN 1% OF DEVELOPING COUNTRY TRADE (0.3% OF GLOBAL TRADE)

Source: World Development Indicators, 2007

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Trade *liberalization* matters to growth!

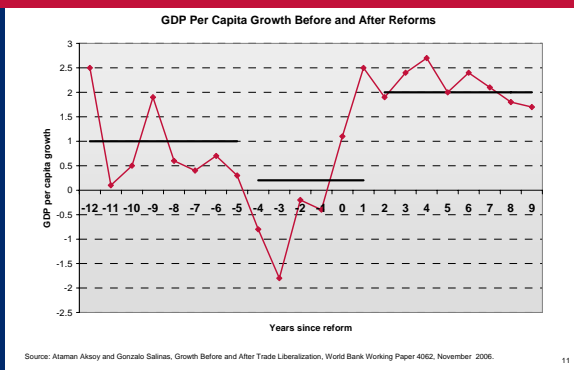
Trade is associated with higher growth: Cross-country comparisons



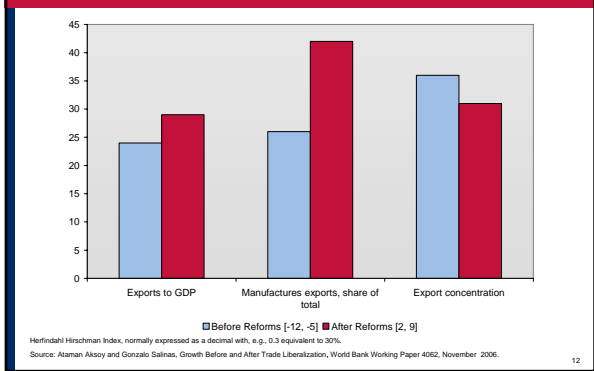
Source: David Dollar and Art Kraay, Globalization, Growth, and Poverty, World Bank 2001

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Trade liberalization is associated with higher growth: country experiences

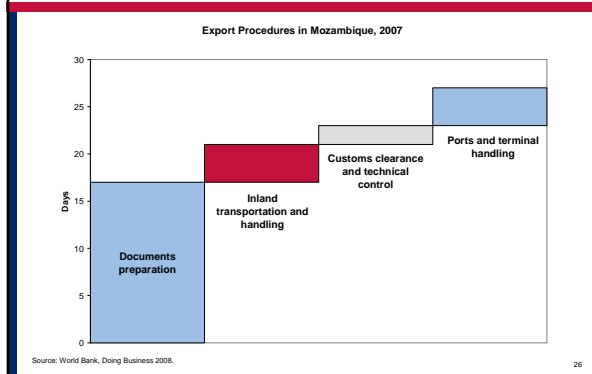


Trade liberalization helps exports, not just imports

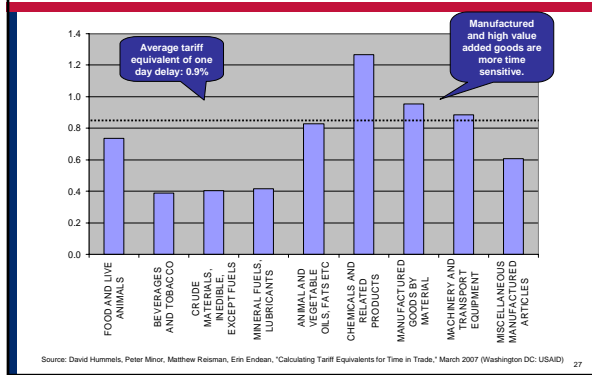


Trade diversification matters to development!

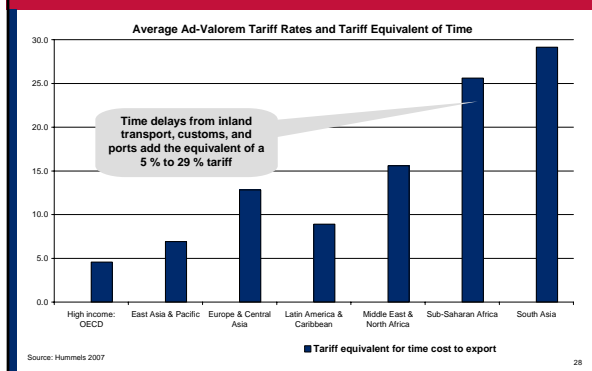
“Time to trade” data available for 178 economies



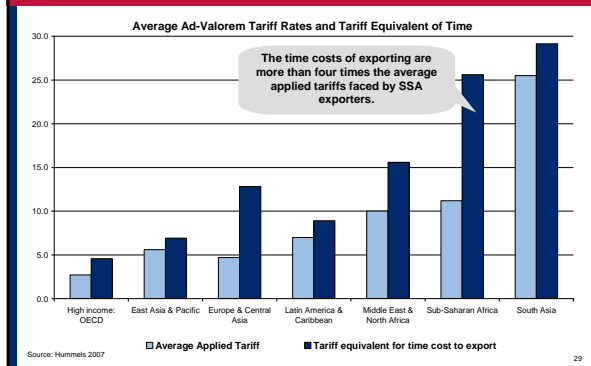
Average per-day value of time savings varies by product



Average applied tariffs vs. time cost of crossing borders faced by exporters



Average applied tariffs vs. time cost of crossing borders faced by exporters



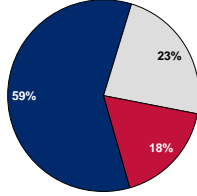
Implications and applications

Trade liberalization matters!

- Implications for measurement
 - Change the way you benchmark and assess progress
 - MCC (Heritage Foundation index)= cross-country rankings, indicators slow to shift
 - Country-specific measures of progress may be quicker to see, more relevant anyway
- Implications for assistance
 - Build trade liberalization in to trade promotion programs

Trade diversification matters!

Export Dependence, percent LMICs



- Dependent on primary products
 - Dependent on manufactures
 - Dependent on Textiles and Apparel
- “Resource curse” makes it harder for resource-abundant countries to be cost-competitive exporters of manufactures
 - Additional efforts at firm/industry level required to reduce competitive disadvantages (productivity, market awareness)
 - Focus on enabling environment; conditions must be good to attract investment

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Time in trade matters!

- Help traders without “picking winners”
- Implications for measurement
 - Focus on impediments that affect the physical shipment of goods, maintenance of inventories
 - Look more closely at specific country context/impediments; DB indicators are not always relevant
- Implications for assistance
 - Build trade facilitation into competitiveness programming
 - As countries move up the value chain and become more diversified traders, the time in trade matters more and more

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