



**USAID**  
FROM THE AMERICAN PEOPLE

# TRADE, GROWTH, AND DEVELOPMENT

## Trends and Linkages

ERIN ENDEAN  
Nathan Associates Inc.  
eendean@nathaninc.com

October 15, 2007

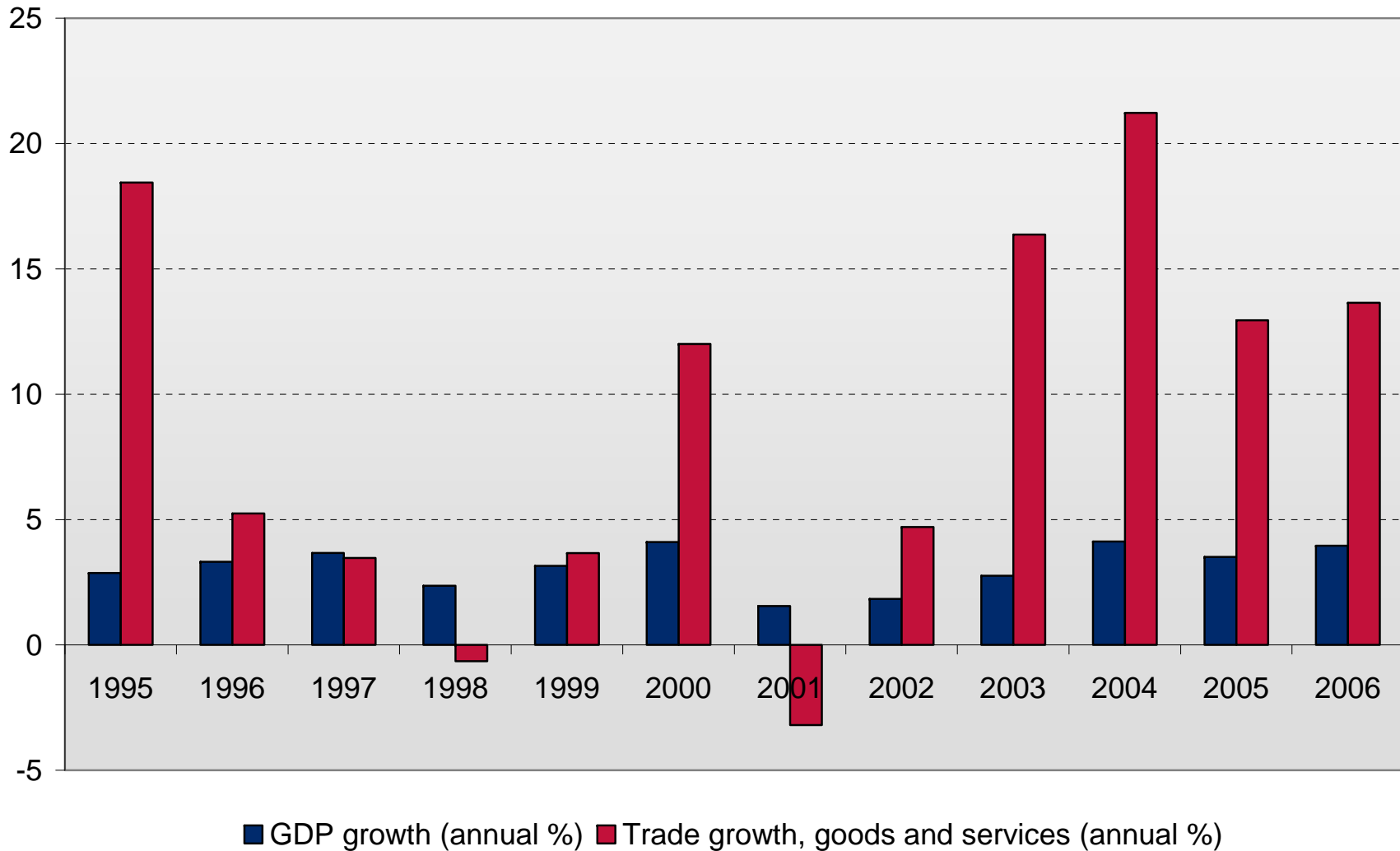
# Outline of Presentation

- Trade trends
- Trade-growth linkages
  - Openness
  - Variety
  - Time
- Implications and applications

# Trade trends

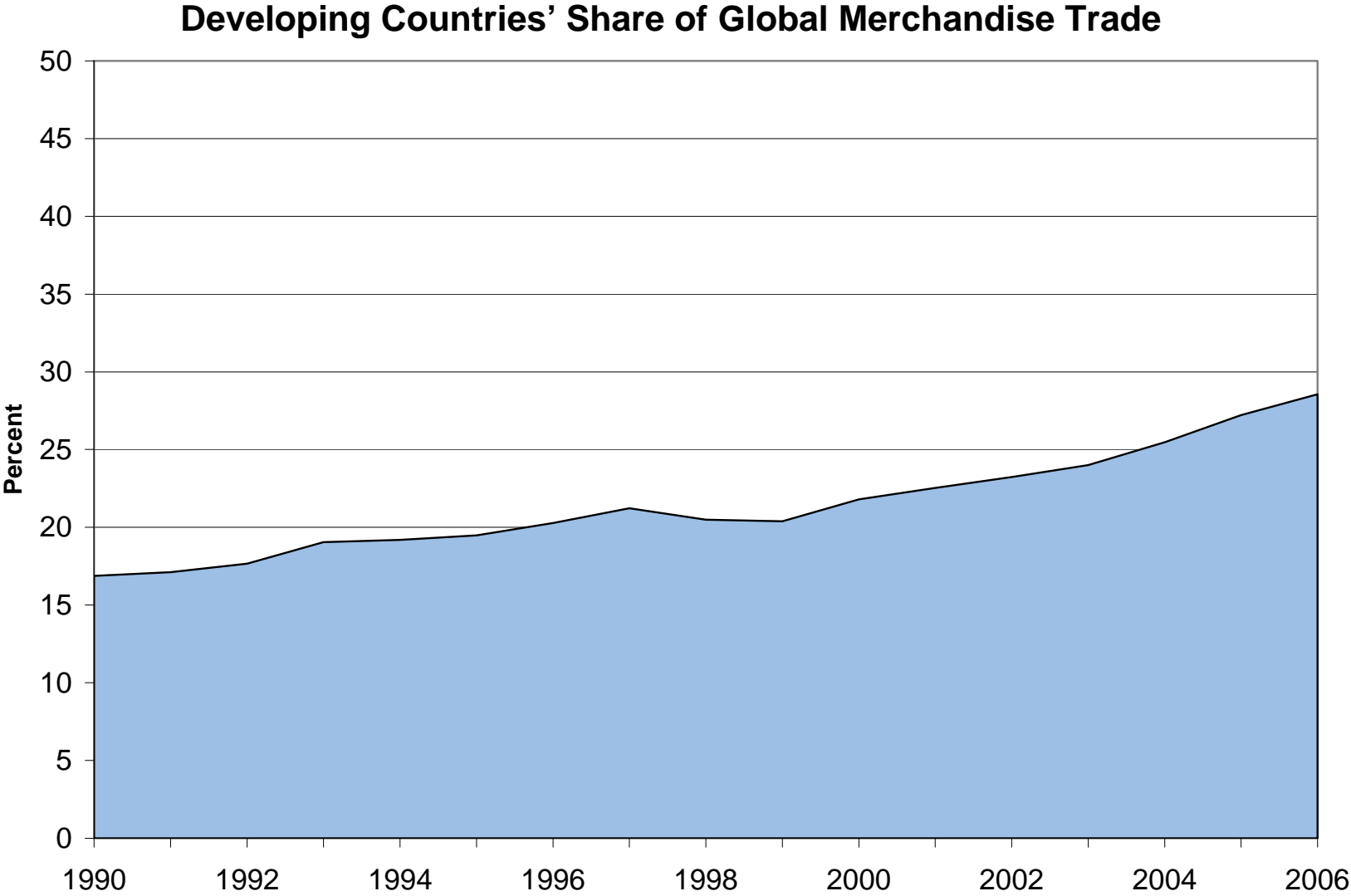
# Global trade is growing faster than GDP

World Trade and GDP Growth



Source: World Development Indicators, 2007.

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



Source: World Bank, World Development Indicators 2007.

# 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 %

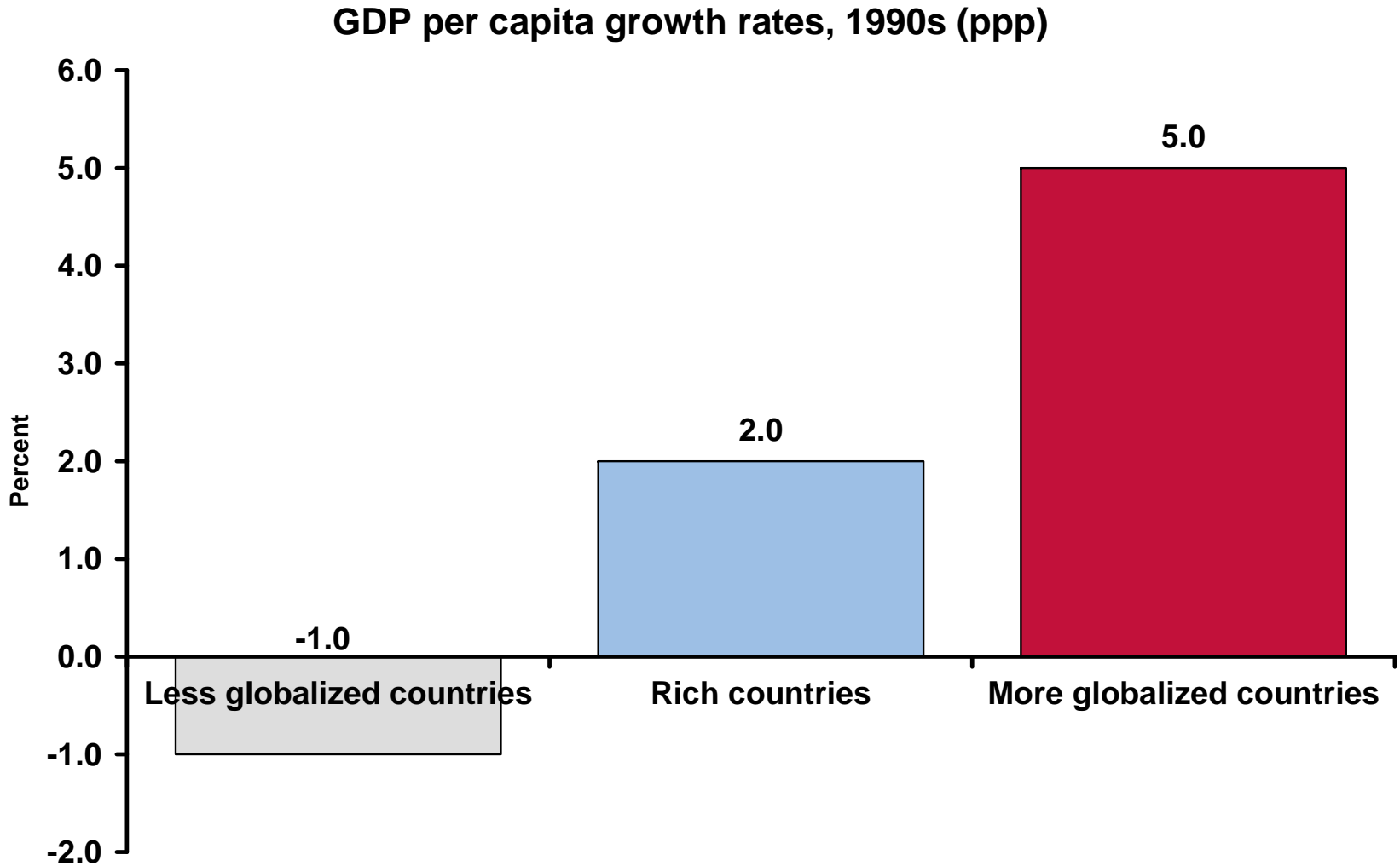
**46 LOW INCOME COUNTRIES ACCOUNT FOR LESS THAN 1% OF DEVELOPING COUNTRY TRADE (0.3% OF GLOBAL TRADE)**

Source: World Development Indicators, 2007

Note: Low income countries as defined by World Bank, but excluding India.

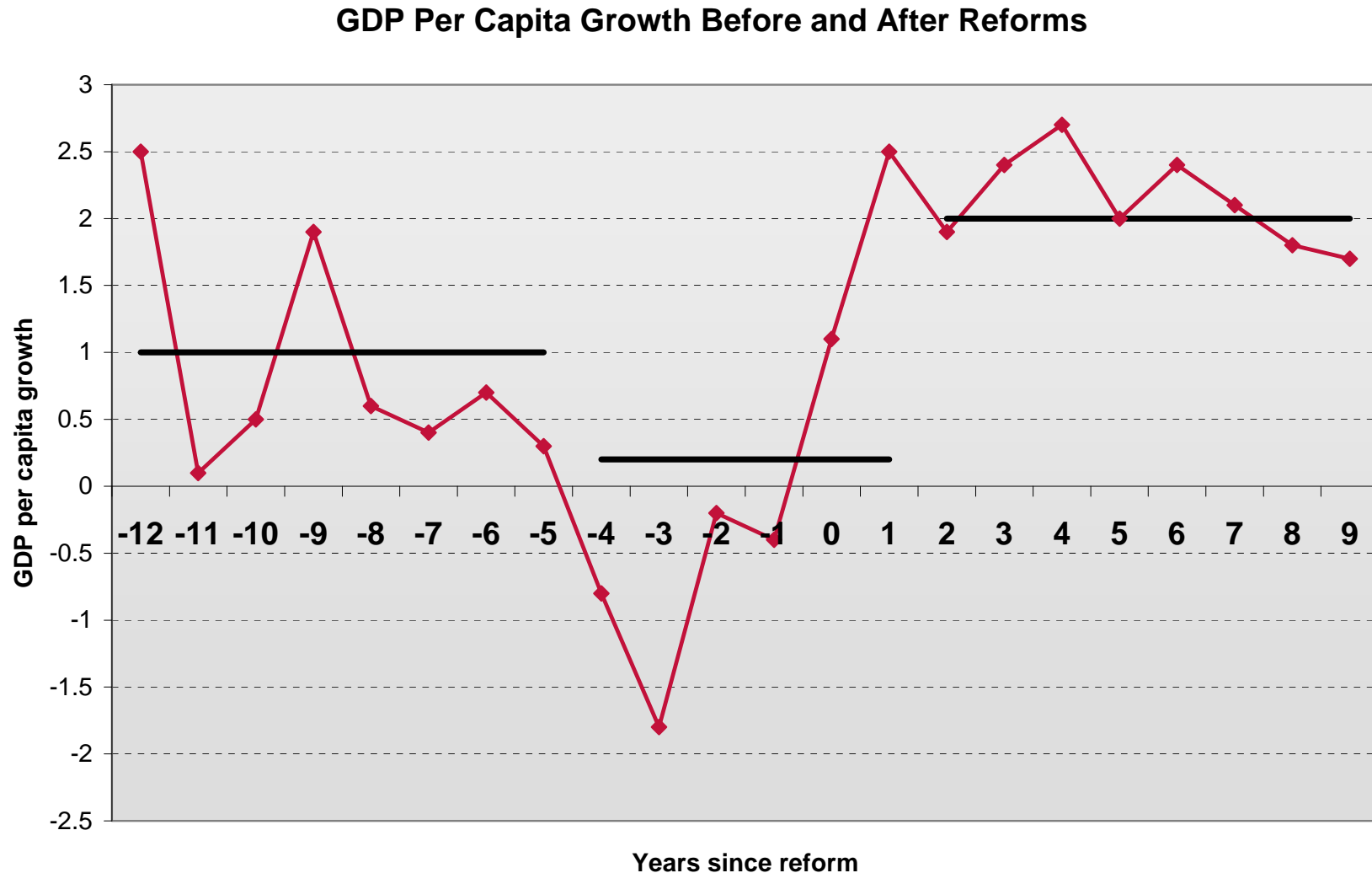
Trade *liberalization*  
matters to growth

# Trade is associated with higher growth: Cross-country comparisons



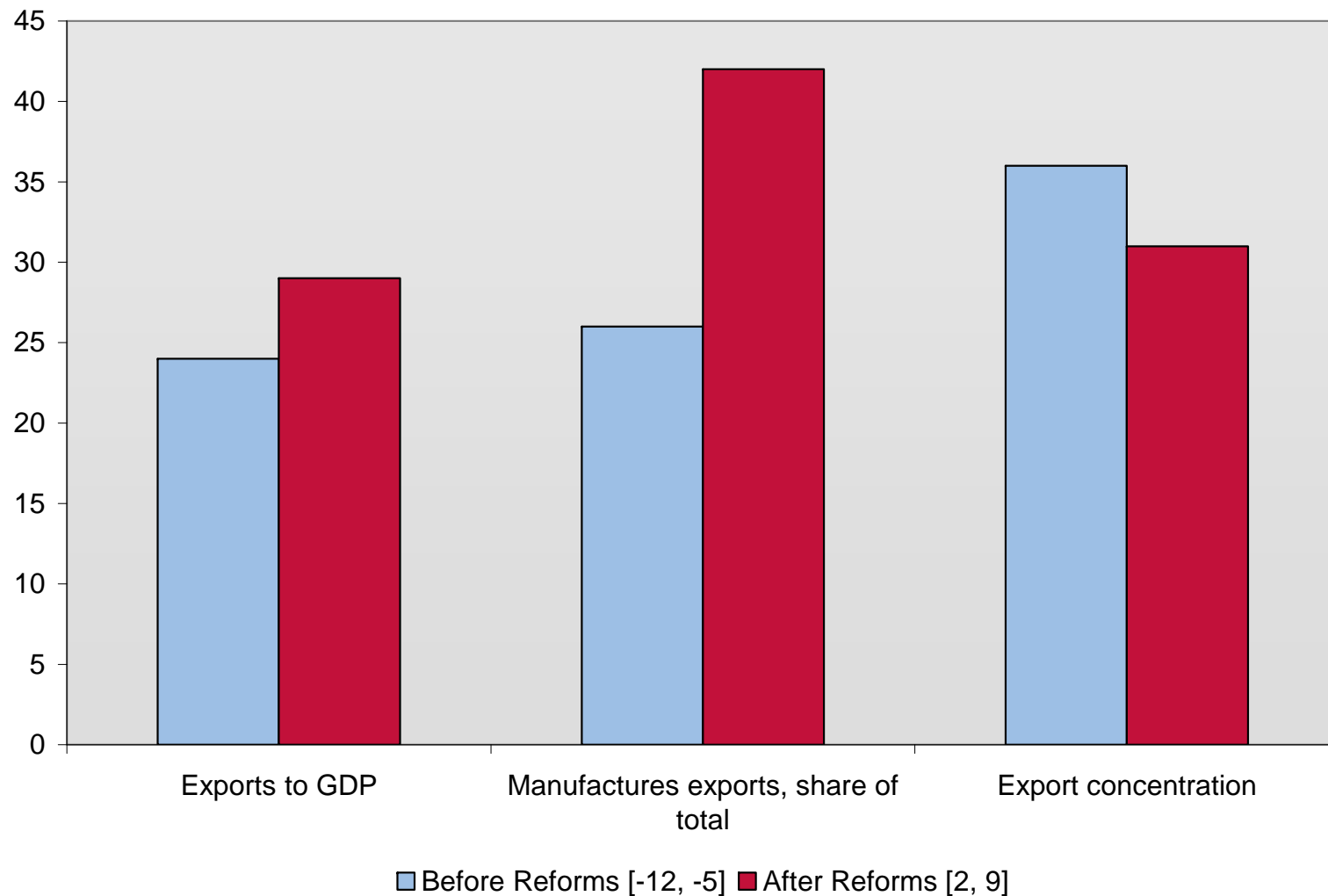
Source: David Dollar and Art Kraay, Globalization, Growth, and Poverty, World Bank 2001

# Trade liberalization is associated with higher growth: country experiences



Source: Ataman Aksoy and Gonzalo Salinas, Growth Before and After Trade Liberalization, World Bank Working Paper 4062, November 2006.

# Trade liberalization helps exports, not just imports

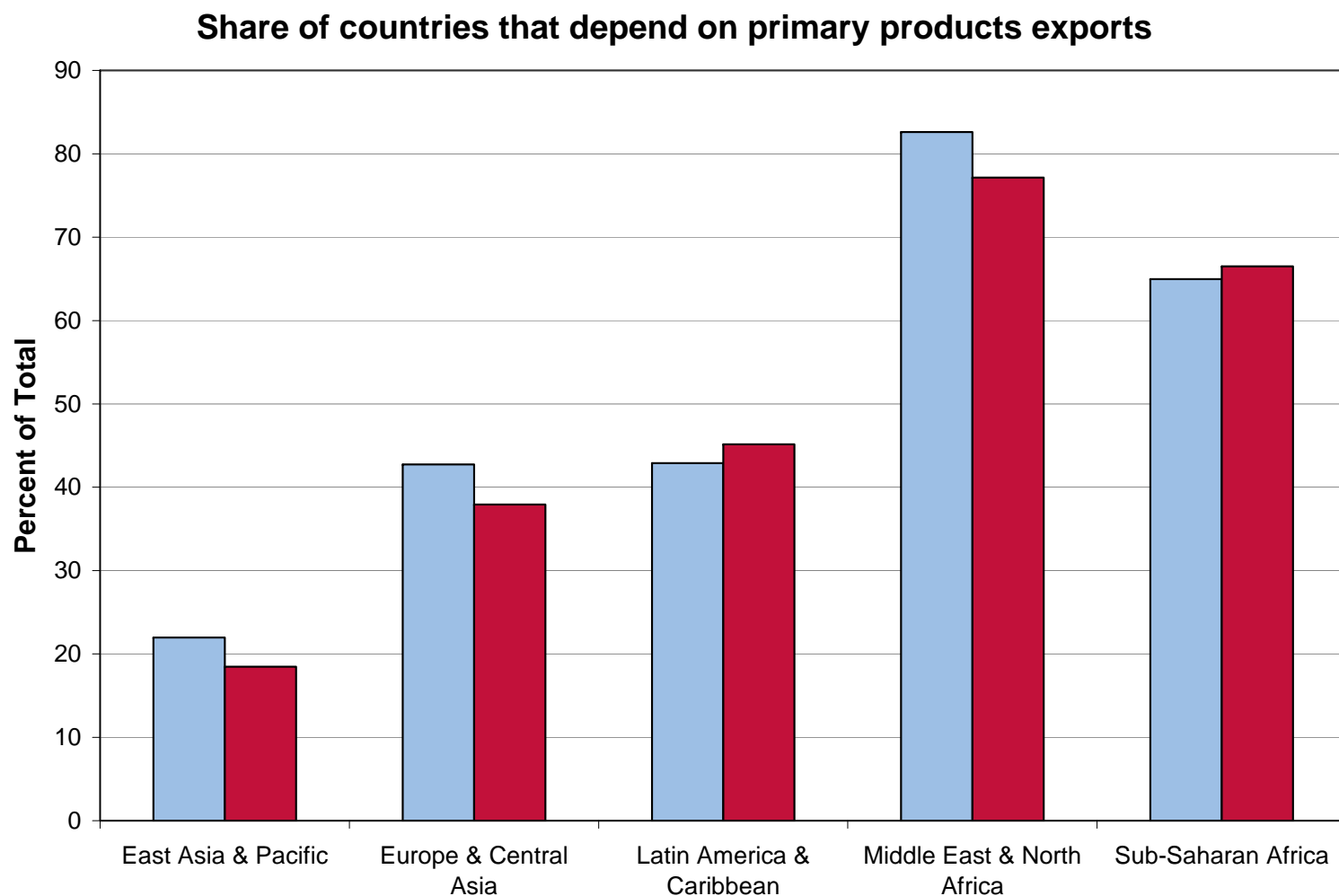


Herfindahl Hirschman Index, normally expressed as a decimal with, e.g., 0.3 equivalent to 30%.

Source: Ataman Aksoy and Gonzalo Salinas, Growth Before and After Trade Liberalization, World Bank Working Paper 4062, November 2006.

Trade *diversification* matters  
to development

# Vulnerability—Most developing countries still rely on primary products exports

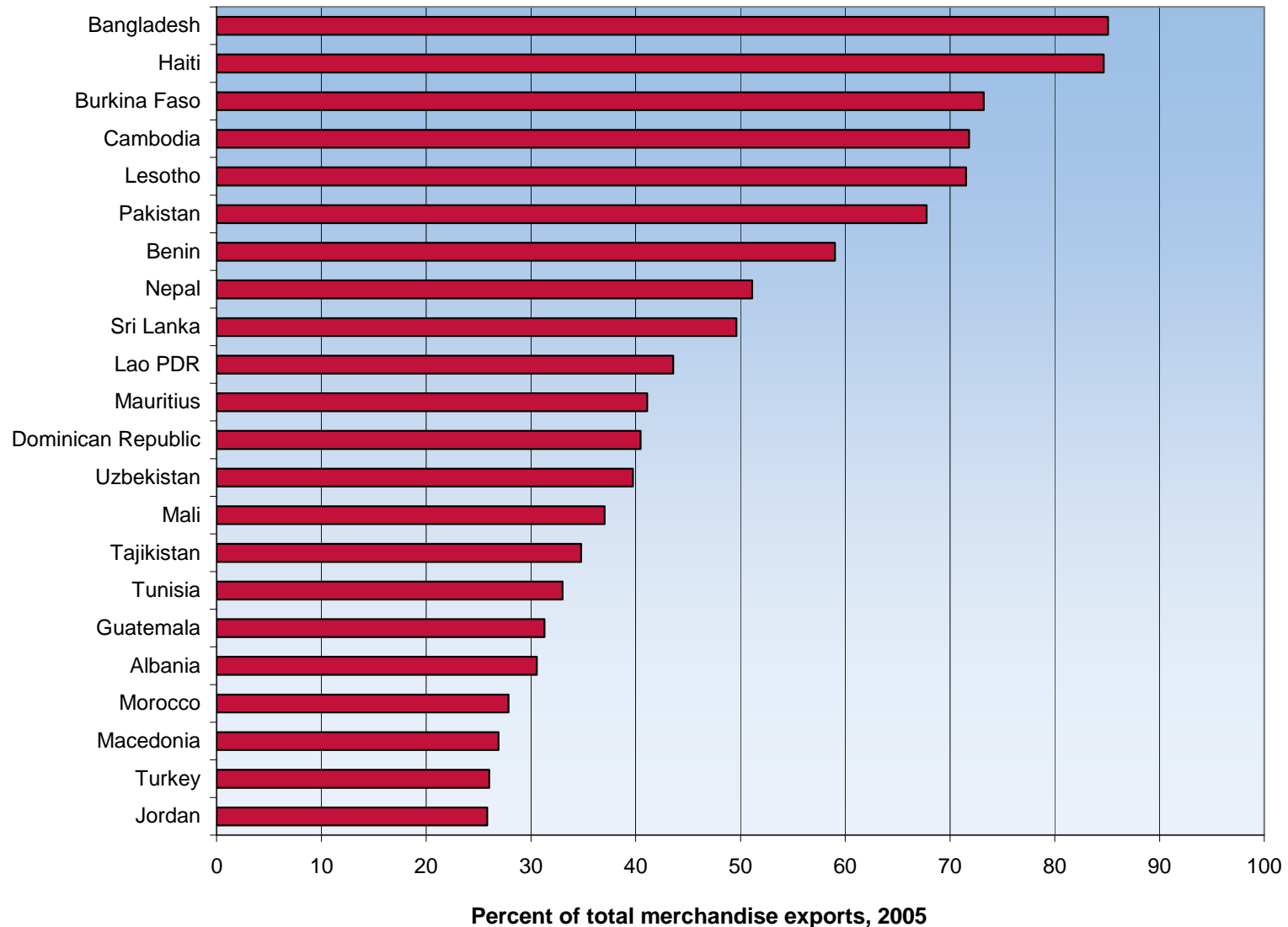


Note: Primary products exports are defined as SITC 0, 1, 2, 3, 4, and 68.

■ 1997 ■ 2005

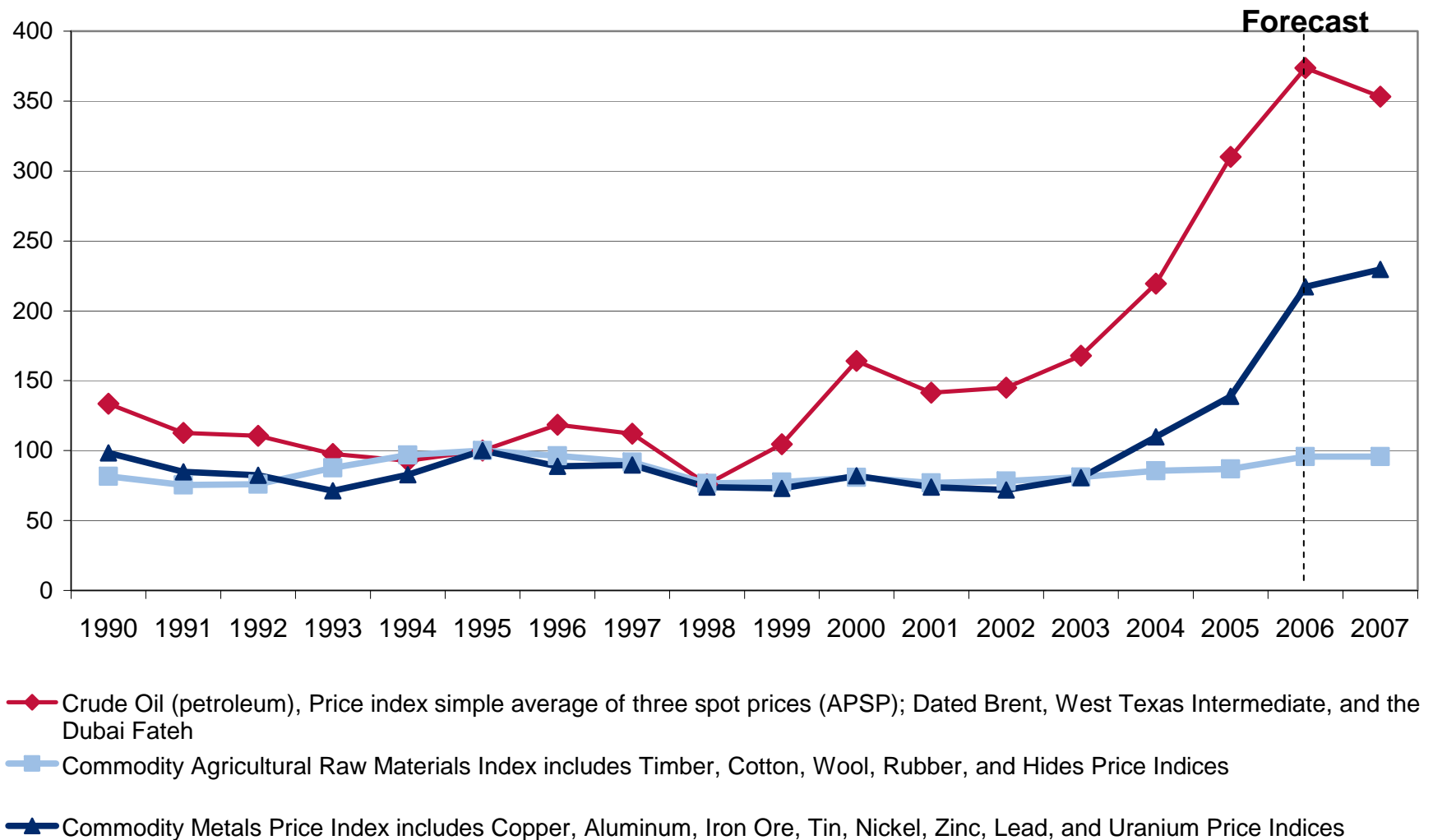
Source: World Development Indicators, 2007 as analyzed by Nathan Associates Inc.

# Many developing countries are dependent on textile/apparel exports



Source: UNCTAD, World Report 2007.

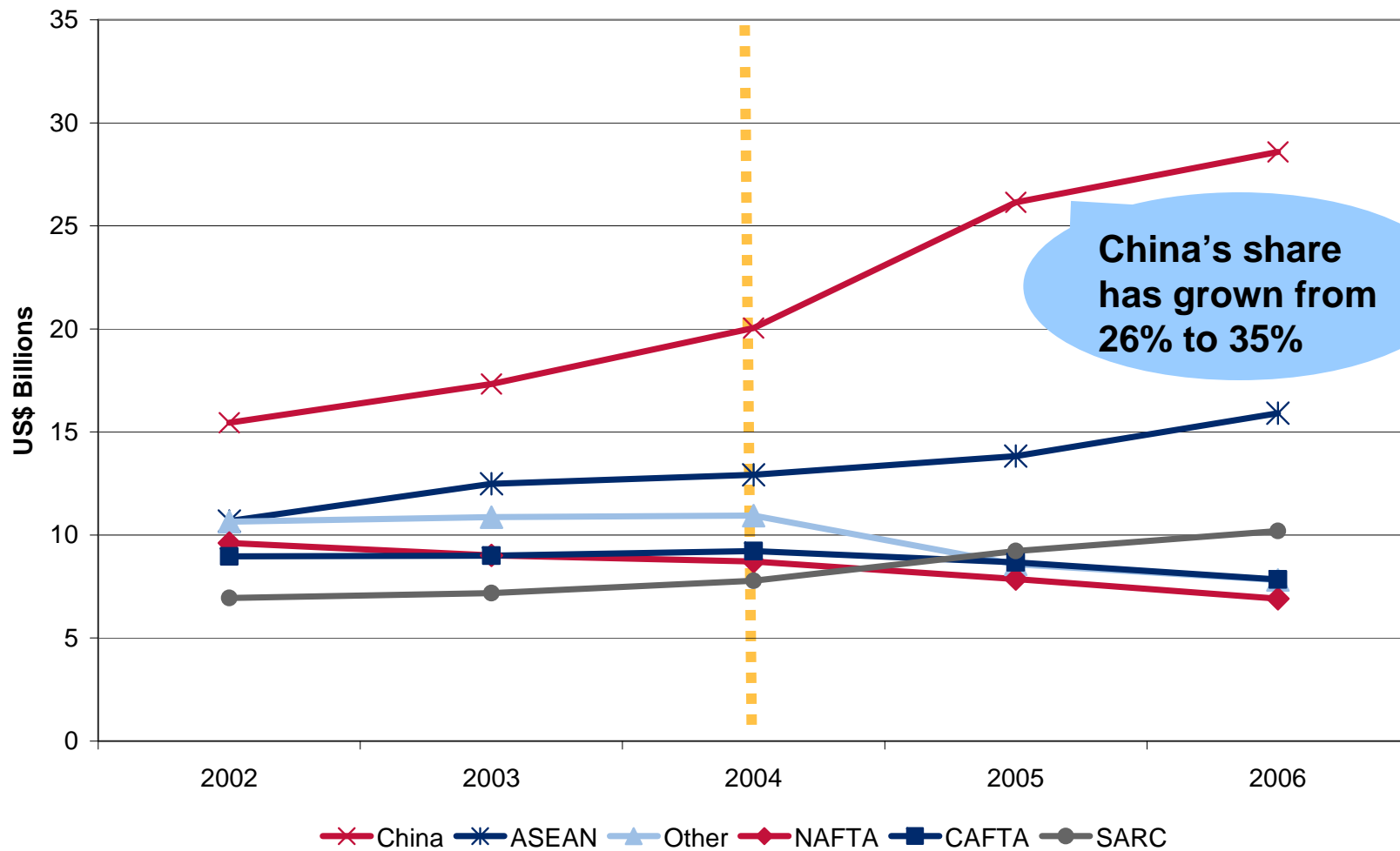
# Prices for fuels and minerals commodity exports are strong now, but...



Source: UNCTAD 2007.

# Heightened competition among developing country apparel exporters in the post-quota world

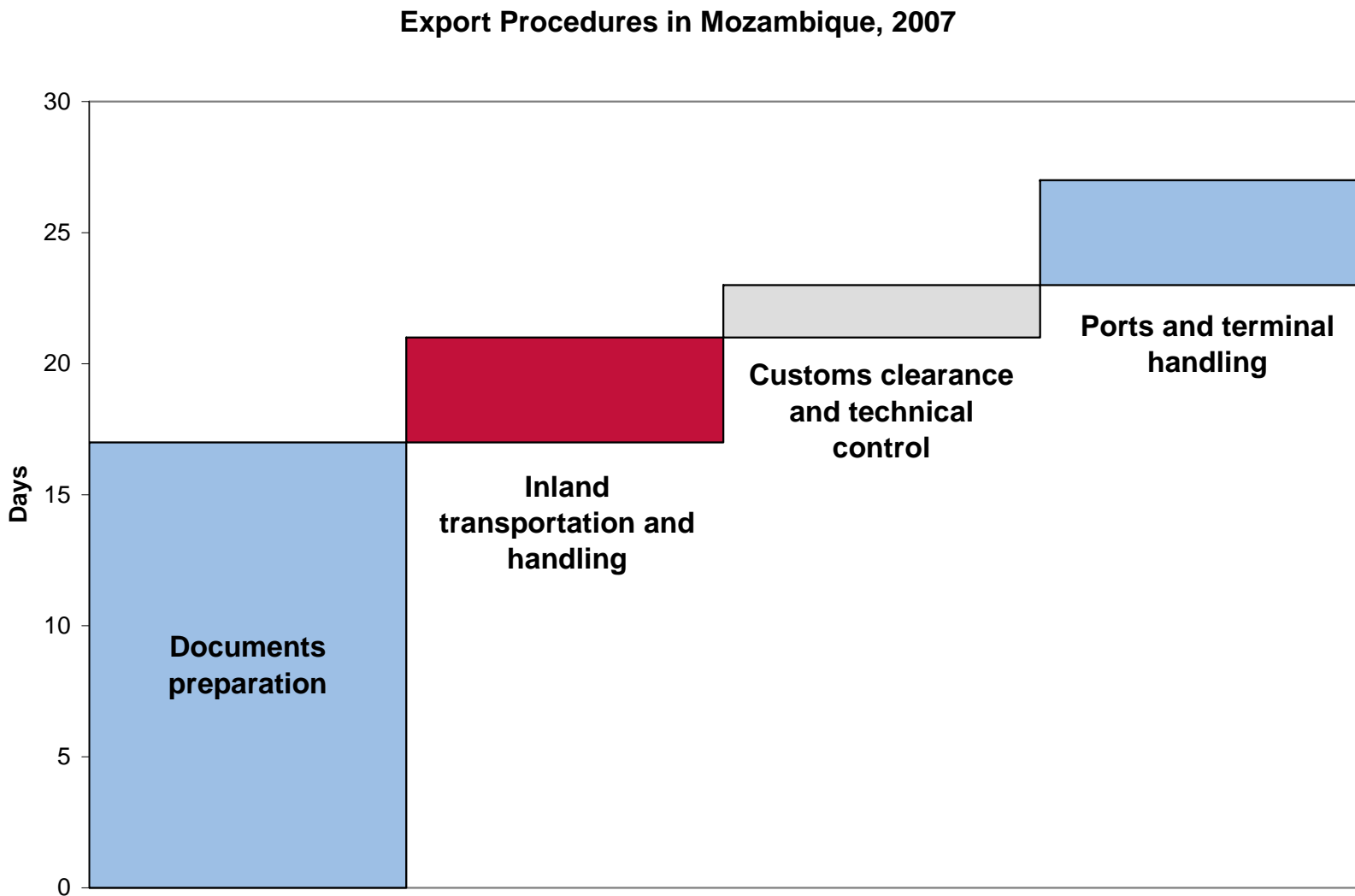
## U.S. Apparel Imports by Major Exporting Region



Source: UN COMTRADE and analysis by Nathan Associates. China includes Hong Kong and Macao.

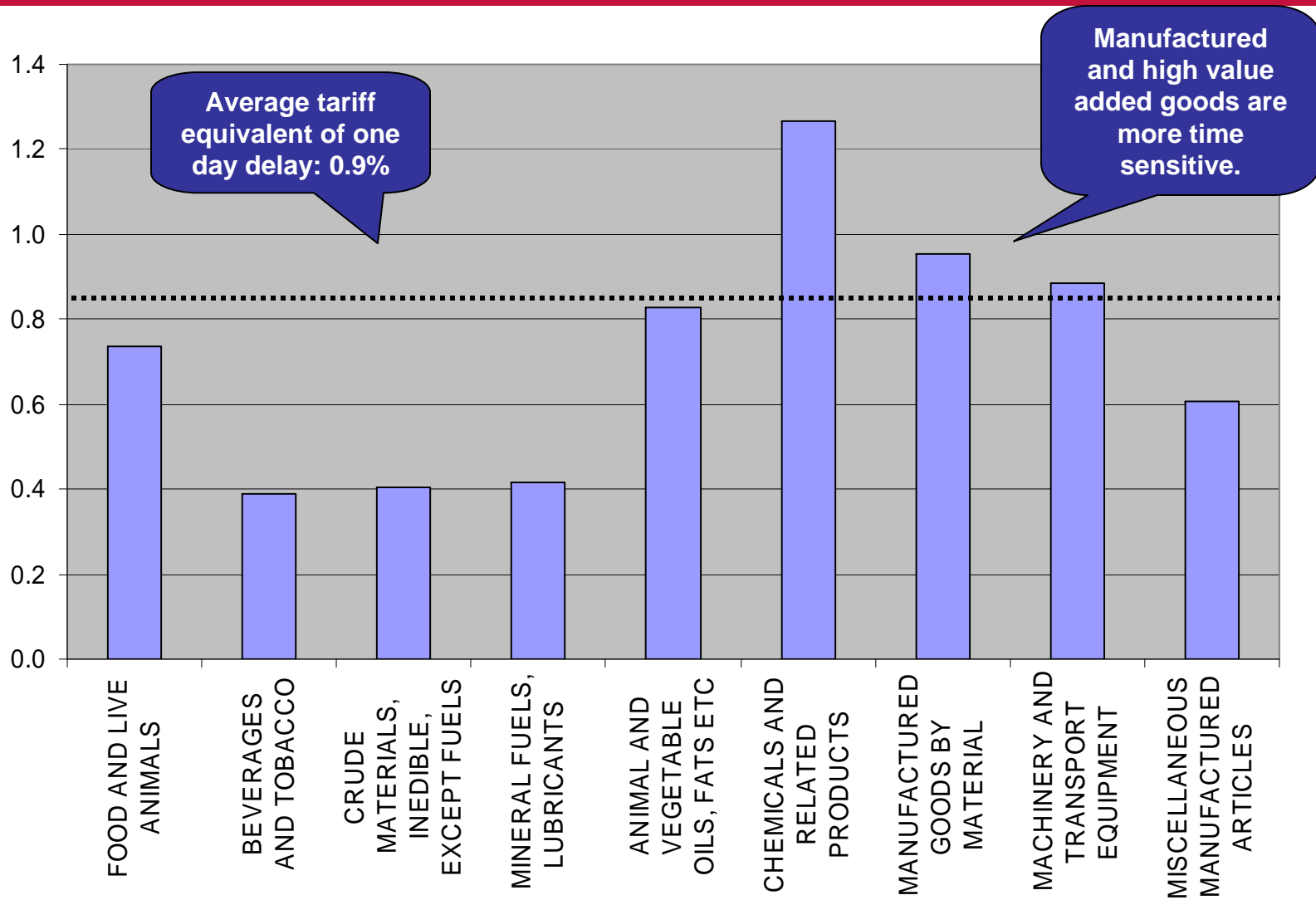
*Time* matters to trade  
competitiveness

# “Time to trade” data available for 178 economies



Source: World Bank, Doing Business 2008.

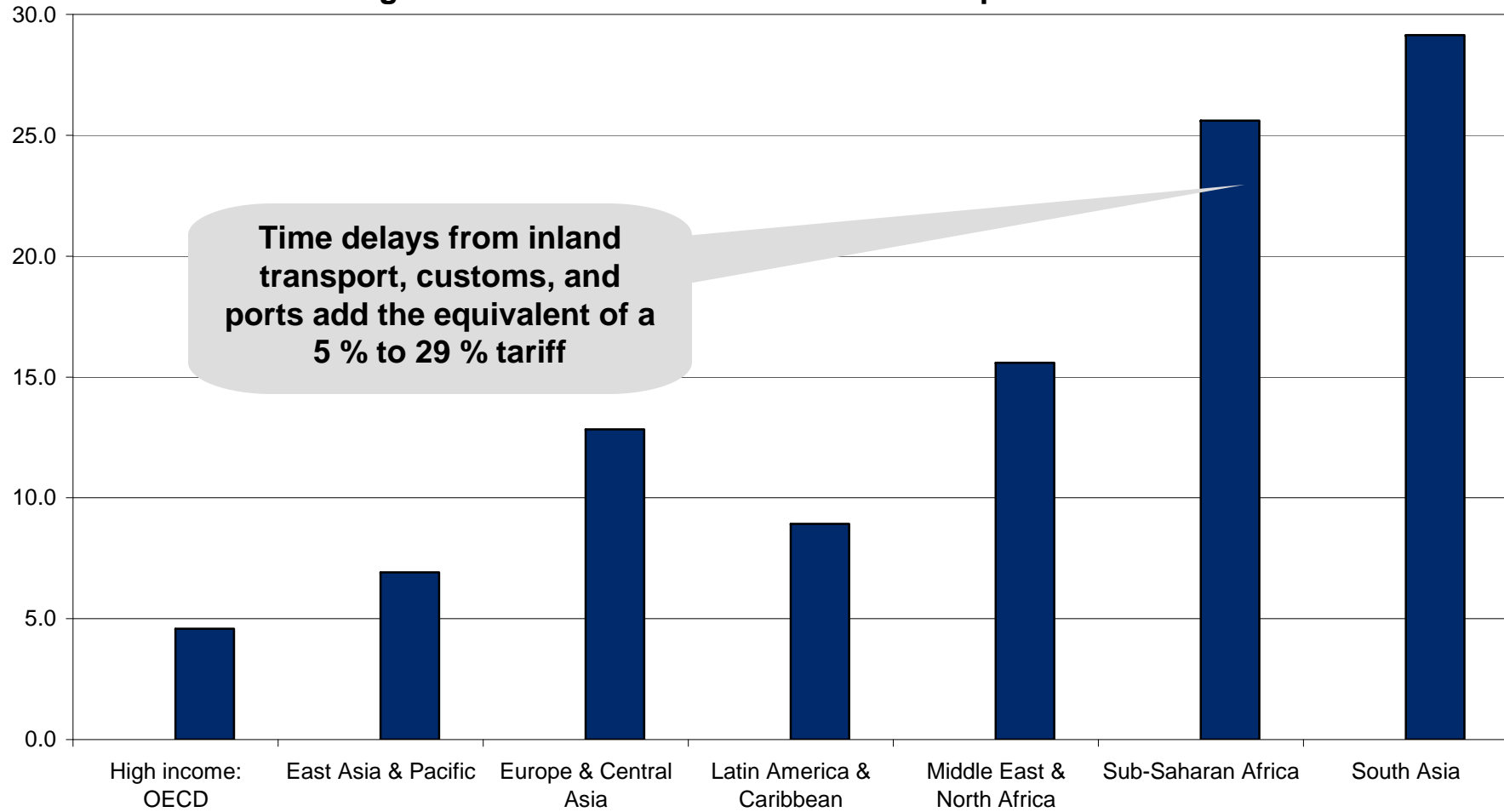
# Average per-day value of time savings varies by product



Source: David Hummels, Peter Minor, Matthew Reisman, Erin Endean, "Calculating Tariff Equivalents for Time in Trade," March 2007 (Washington DC: USAID)

# Average time cost of crossing borders faced by exporters

Average Ad-Valorem Tariff Rates and Tariff Equivalent of Time



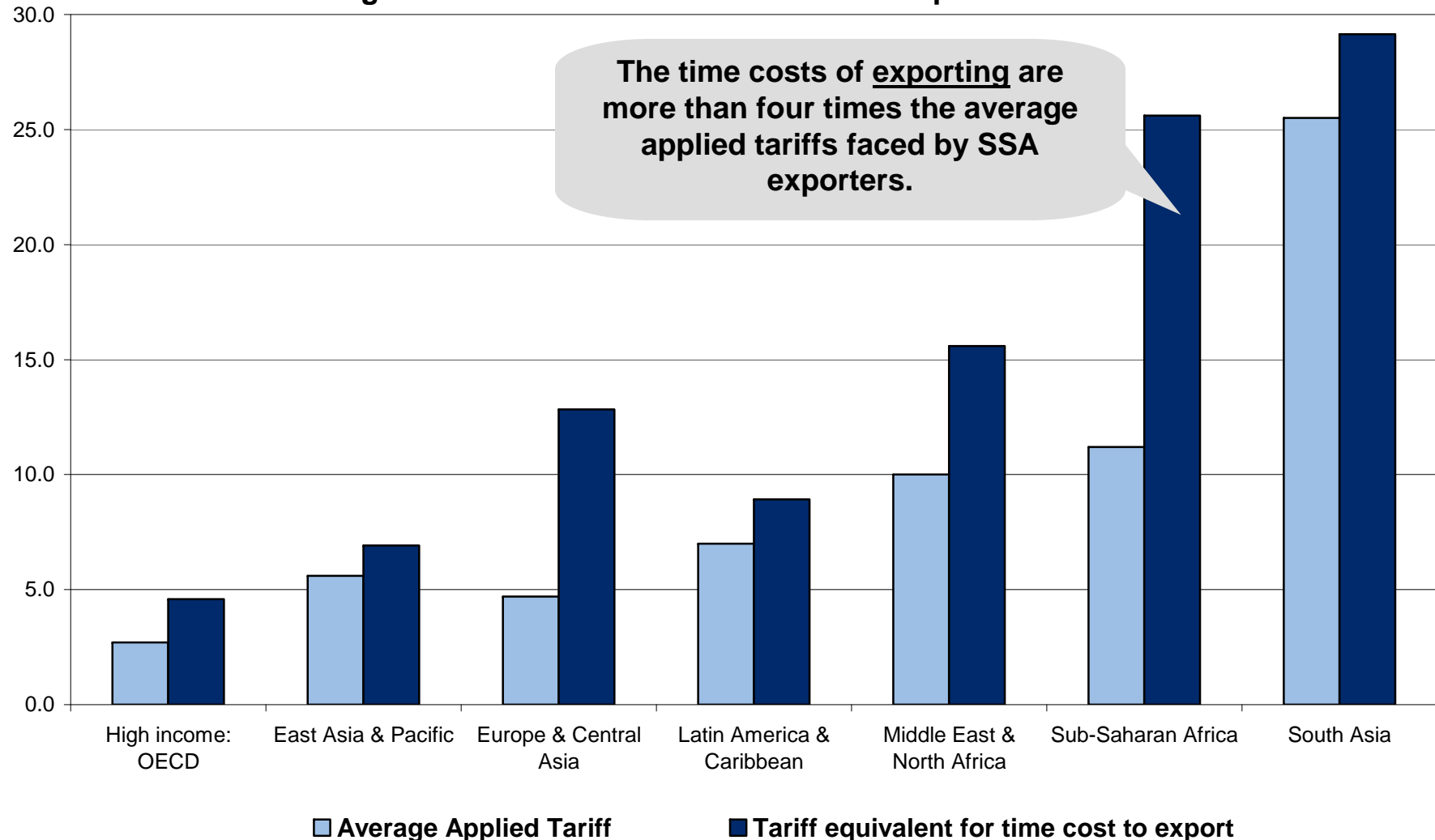
Time delays from inland transport, customs, and ports add the equivalent of a 5 % to 29 % tariff

■ Tariff equivalent for time cost to export

Source: Hummels 2007

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

Average Ad-Valorem Tariff Rates and Tariff Equivalent of Time



Source: Hummels 2007

# 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!

- “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

## *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