

USAID ECONOMIC GROWTH OFFICERS CONFERENCE
OCTOBER 15-19, 2007
WASHINGTON, D.C.

Session Title: Role of Trade in Growth and Trade Trends

Date and Time: October 15, 2007, 10:45 a.m. – 12:15 p.m.

Type of Session: Plenary

Speaker(s): Erin Endean, Nathan Associates

Moderator: Bob Aten

Overview of Session:

Ms. Erin Endean's presentation, "Trade, Growth, And Development: Trends and Linkages," predicted the continuing growth of importance and centrality of developing countries in global trade and growth. She demonstrated that trade is unequivocally associated with higher economic growth, that trade liberalization will bring about higher growth rates, that the liberalization of trade helps improve exports as well as imports and that these increased exports are increasingly manufactures. Trade diversification matters and countries with diversified exports do better than those with concentrated exports. Time, in terms of how long it takes to get products into and out of a country, matters to trade competitiveness, and there have been some very interesting and useful measures of the impact of delays on the cost of exports. In terms of "time to export" it is particularly important to look at the amount of time that is taken in movement of products as opposed to simple processing of documents.

Speaker's Remarks:

Ms. Endean articulates USAID's role as being to link all "cars" to the trade globalization and development "train", based on the clear assessment that trade liberalization matters, trade diversification matters, and time-in-trade matters. She spoke of trends, linkages to growth and implications for trade.

With respect to trends, trade growth has outpaced GDP growth over the last 25 years, especially in poorer countries. LDCs' share of global trade has grown dramatically (16% in 1990s to 30% in 2005), trade has become more important to LDCs, and the top 10 developing country exporters account for 2/3 of all exports (with China as the main engine). In terms of linkages, there is an increasing body of evidence that trade liberalization is growth-fostering and that liberalization does not just grow imports, but also exports. This is a key finding because there has been a tendency to resist trade liberalization because of the fear that it will have a negative impact on exports. It is also clear that trade diversification matters. Primary producer countries are more vulnerable than countries with more diversified exports. The most concentrated countries are those in the Middle East and North Africa, followed by Sub-Saharan African countries. 80 of 137 countries depend on primary products for 50% or more of their exports (one indicator of concentration). Of those who are slightly more diversified, many LDCs depend heavily on textile and apparel exports. These are only slightly less vulnerable.

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To highlight the vulnerabilities of concentration, Ms. Endean pointed out that agricultural exporters have seen deterioration in their terms of trade (TOT). Fuel exporters TOT have, however, increased. However, these face the Dutch Disease problem of rapid currency appreciation and decreasing competitiveness of other manufactured exports.

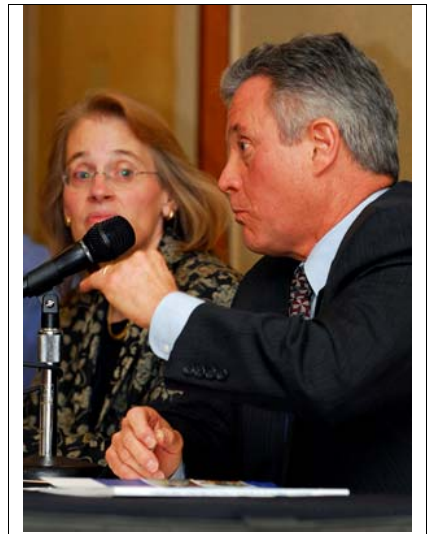
Time matters to trade competitiveness. And this relates primarily to documentation preparation, transportation, customs processing, and port and shipping handling and logistics. Of these, the main focus should be in measuring (and reducing time spent) in factors affecting inventory time. Note that Jankov found that a 1 day delay in any of the above four leads to a 1% drop in the value of exports. Ms. Endean points out that this is of course an average and will vary depending on the time sensitivity of the export or product in question.

The Tariff Equivalents (TE) of days spent waiting to export is very high in developing countries compared to developed countries (e.g. 5% in high income countries vs. 29% in South Asia). In Sub-Saharan Africa TE can reach as much as a multiple of four of actual, explicit tariffs.

Implications of this analysis is: trade liberalization matters, trade diversification matters, and time in trade matters. We have to get better at measuring these developing country-specific programs over time.

General Remarks or Comments Worth Noting:

Ms. Endean emphasized that her research and experience strongly cautions her against picking winners. That it is better to establish the broader environment for trade and investment.



Mike Crosswell answers a question while Erin Endean looks on. Photo by Paul Goodman.