

Mapping the global partnership for development



Trade template¹

The global context

The total value of merchandise exports in 2006 was nearly \$12 trillion, with trade in services valued at \$2.6 trillion. Developed countries were responsible for 59% of these exports in 2006, a decrease from the 66% share they enjoyed in 2000. Developing countries have seen their share of merchandise exports rise from 31% to 37% over the same time period, with much of this increase accounted for by China. Africa, by contrast, has seen its share of merchandise exports rise from only 2.3% to a still tiny 2.5% (UNCTAD Handbook of Statistics, 2006-07).

Trade has the potential to be one of the most important sources of growth, employment and finance for developing countries. But for this potential to be achieved, developing countries need to be integrated into the world trading system in a way that is sensitive to their development needs. Successive rounds of multilateral trade negotiations at the WTO and its forerunner, the GATT, have made considerable progress with dismantling trade barriers and liberalising trade. The latest round – the “Doha Development Agenda” – set out to place the needs and interests of developing countries at the heart of its work programme, but progress has been slow. The Monterrey Consensus welcomed the start of the so-called Development Round, but highlighted a number of issues of particular concern to developing countries in respect of trade including: trade barriers; tariff peaks and escalation; trade-distorting subsidies, including in relation to agriculture; the abuse of anti-dumping measures; technical and non-tariff barriers to trade; aspects of trade liberalization; the movement of natural persons; inadequate or overly-restrictive agreements on intellectual property rights, particularly in relation to public health; and, the need for special and differential treatment provisions which are more precise, effective and operational. More recently, developed countries have – at the G8 – made commitments to provide enhanced aid-for-trade and to give priority to the infrastructure necessary to allow countries to take advantage of improved trading opportunities.

Pathways to development

Trade enables countries to specialise in the production of goods and services in which they have a comparative advantage as a result of their resource endowments and capacities. Such specialisation, and the improved allocation of resources which it can deliver, can promote growth, productivity and employment, increase wages and reduce consumer prices, and, ultimately, generate the resources necessary for poverty reduction. Trade liberalisation is likely to lead to

¹ This template is based on our understanding of the complex and keenly contested relationships between trade liberalisation, trade, development and poverty reduction. In making our assumptions about these relationships explicit, and attempting to map how trade issues play out in particular country contexts, we aim to contribute to, and clarify such debates.

increased volumes of trade, which should, particularly in the longer-run, deliver development benefits. That said, liberalization which goes too far, or too fast, and which forces countries, industries and workers to compete on an uneven playing field, when they are ill-equipped to do so, can be harmful for development.

The extent to which trade will achieve its developmental potential depends upon the volume and nature of the trade. In short, high volumes of high value-added exports, with exports diversified rather than focused on a small number of commodities, which generate profits for the exporters, and taxes for the government, are better for development. Tariff revenues from imports can also play an important role in generating resources for public spending. The volume and nature of trade is itself shaped both by the external policy environment and the domestic context and capacity of the country to produce competitively goods for export, and to make good use of the revenues generated.

Tariff barriers and non-tariff barriers, including restrictive sanitary and phyto-sanitary standards, play an important role in restricting the export opportunities of producers in developing countries. Similarly, production and export subsidies – particularly for agricultural products – can price developing country producers out of potentially lucrative export markets, lower world prices and hence export earnings, reduce incentives for investment, and leave domestic producers unable to compete against artificially cheap imports. It should be noted however, that for net food-importing developing countries, lower world prices and cheap imports can be – in the short-run at least – beneficial. Other countries' policies also shape the relationship between trade and development through establishing bilateral, regional or multilateral (WTO) trade agreements and rules. These rules – including rules which drive liberalisation in a manner which is insensitive to the needs of (particular) developing countries – have distributional consequences both between and within countries. As such, they have an important impact on development. Developed countries have in recent years made commitments to provide aid-for-trade to help developing countries to build up their capacity to trade and to take advantage of the opportunities which liberalisation brings. Developed countries have also made commitments to help developing countries cope with the costs of adjustment resulting from preference erosion – for instance, in relation to changes in the sugar regime – and from other dynamics such as import surges resulting from trade liberalisation.

Country context, including both the more static and unchangeable aspects of physical geography and the more dynamic and changeable aspects of policy and institutions, also makes a difference to the impact which trade and trade liberalisation have on development. For example, countries that can produce for export will benefit from the enhanced trading opportunities which liberalisation brings. Countries that rely on cheap food imports may suffer in the short-run from the reduction of agricultural subsidies in the developed world. And countries which have enjoyed preferential access to markets will face additional challenges in exporting their products once their preferences have been eroded.

In terms of physical geography, proximity to major markets and access to the sea are highly advantageous. Access to natural resources, and an appropriate environment/climate are important too, with the caveat that too great a reliance on a small number of commodities or resources can be risky. Infrastructure and communications – including roads, ports, and power systems – are important in translating trading opportunities into trade, as is the capacity to produce goods of sufficient quality and at a competitive price for export. Further along the spectrum towards aspects of country context that are amenable to policy influence in the short run, effective systems for collecting tariff revenues on imports, efficient customs procedures, flexible labour markets which enable the reallocation of labour in response to exogenous shocks, an effective export promotion agency, a state which is able to collect and make good pro-poor use of trade revenues from tariffs and taxes, and carefully-established rules to restrict the imports of sensitive products, can also play important roles in shaping the developmental impact of trade. In terms of bilateral, regional and multilateral negotiations, trade's developmental impacts are likely to be enhanced – to say nothing of the legitimacy of the rules – if a country is able to ensure that its interests are taken account of in the process of rules-setting.

Components of the model	Proxy indicators and data sources
<p><u>External Policies and Actions</u></p> <ul style="list-style-type: none"> • Subsidies for key imports into country X ▲ (Global data) • Tariffs imposed on key exports from country X ▲ • Tariff peaks ▲ • Non-tariff barriers ▲ • Preferential access and erosion ▲ 	<p>NB: See also World Bank Market Access Overall Trade Restrictiveness Index (MA-OTRI)</p> <ul style="list-style-type: none"> • Export subsidies and trade distorting support given by OECD countries on: a) top 5 import products; b) top 5 import products of importance to poor people; c) top 5 import products of importance to women <i>Data sources: WTO agricultural trade policy commitments database and OECD Producer and Consumer Support Estimates NB: For data on top 5 imports see indicator in “Key flows”, below.</i> • MFN tariff rates and specifically bound and applied tariff rates facing (a) the top 5 export products by total value; (b) the top 5 export products of importance to poor people; (c) the top 5 export products of importance to women <i>Data sources: MACMAP for applied tariffs, WTO Comprehensive Tariff Data for bound tariffs. Other options are UNCTAD TRAINS, GTAP.</i> • Tariff peaks facing (a) the top 5 export products by total value; (b) the top 5 export products of importance to poor people; (c) the top 5 export products of importance to women <i>Data sources: UNCTAD TRAINS</i> • Non-tariff barriers (NTBs) - including Rules of Origin and Sanitary and Phyto-Sanitary Standards (SPS) - facing: a) top 5 export products by total value; b) top 5 export products of importance to poor people; c) top 5 export products of importance to women <i>Data sources: UNCTAD TRAINS, WTO Annual Report, re SPS, World Bank Trade Restrictiveness paper</i> • ACP, EBA, AGOA, Brazil, India, China etc. preferences; extent of duty and quota-free access for all exports (divergence from 97% LDC target agreed at Hong Kong); degree of preference erosion

<ul style="list-style-type: none"> • Intellectual property ▲ <p>- Health related IP</p> <ul style="list-style-type: none"> • Adjustment assistance re implementation, tariff revenue losses, preference erosion, support to Net Food-Importing Developing Countries ▲ ▼ (Local data) • Trade-diagnostic study ▲ ▼ • Aid for trade ▲ ▼ 	<p>Data source: MACMAP; ODI Aid for Trade database</p> <ul style="list-style-type: none"> • Number of Regional or Bilateral Free Trade or Investment Agreements that have Intellectual Property (IP) clauses that go beyond what is required by the WTO TRIPS Agreement <p>Data source: UNCTAD IIA Monitor</p> <ul style="list-style-type: none"> • Whether or not country X has been designated by pharmaceutical companies as one which (a) is automatically eligible for differentially priced Anti-Retro-Virals (ARVs), Artemisinin-based Combination Therapies (ACTs), or other high value drugs; and / or (b) has negotiated bilateral agreements with pharmaceutical companies for access to differentially priced products <p>Data source: <i>To be identified</i></p> <ul style="list-style-type: none"> • Sector/product-specific adjustment assistance provided to the country as a proportion of the total value of its exports <p>Data source: <i>To be identified, but check OECD-DAC Creditor Reporting System</i></p> <ul style="list-style-type: none"> • Whether a trade diagnostic study has been carried out and implemented <p>Data source: Integrated Framework</p> <ul style="list-style-type: none"> • Aid-for-trade provided to the country as a proportion of the total value of its exports, and what it is used for <p>Data sources: OECD-DAC Creditor Reporting System and OECD/WTO Annual Reports NB: See indicator in “Key flows” for total value of exports. And local data sources.</p>
<p><u>Key flows</u></p> <p>Exports</p> <ul style="list-style-type: none"> • Volume and importance ▲ • Composition ▲ 	<p>NB: Use five-year averages</p> <ul style="list-style-type: none"> • Total value of exports as proportion of GDP and per capita <p>Data source: <i>World Development Indicators</i></p> <ul style="list-style-type: none"> • Top 5 exports by value – all products,

<ul style="list-style-type: none"> • Destination ▲ <ul style="list-style-type: none"> • Concentration/specialization of exports, by products and countries ▲ <p>Imports</p> <ul style="list-style-type: none"> • Volume and importance ▲ <ul style="list-style-type: none"> • Composition ▲ <ul style="list-style-type: none"> • Origin ▲ ▼ <ul style="list-style-type: none"> • Concentration/dependence of imports, by products and countries ▲ ▼ <p>IP / health ▲</p>	<p>products of importance to poor people, products of importance to women</p> <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Top 5 destination countries - all products, products of importance to poor people, products of importance to women <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Proportion of value of all exports accounted for by top 5 exports; proportion of value of all exports accounted for by exports to top 5 export-destination countries <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Total value of imports as proportion of GDP, per capita and as proportion of consumption <p><i>Data source: World Development Indicators</i></p> <ul style="list-style-type: none"> • Top 5 imports by value <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Top 5 origin countries for all imports <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Proportion of value of all imports accounted for by top 5 imports; proportion of value of all imports accounted for by imports from top 5 import-origin countries <p><i>Data sources: UN COMTRADE, WTO Trade Profiles, WTO International Trade Statistics</i></p> <ul style="list-style-type: none"> • Number of voluntary licenses negotiated or compulsory licenses issued under the WTO TRIPS Agreement in order to support the importation of essential medicines to protect public health
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	<i>Data source: Local data sources</i>
<p><u>Country Context (of relevance to trade)</u></p> <ul style="list-style-type: none"> • Restrictions on imports ▲ • Physical geography & natural resources ▲ • Hard infrastructure ▼ • Soft infrastructure ▼ • Trade and poverty policy ▲ ▼ • Safety nets ▼ • Economic/industrial structure ▲ 	<p>NB: Economist Intelligence Unit country reports, Bertelsmann Transformation Index country reports and national statistical offices</p> <ul style="list-style-type: none"> • Tariffs and other restrictions imposed on top 5 imports <i>Data sources: MACMAP for applied tariffs, WTO Comprehensive Tariff Data for bound tariffs. Other options are UNCTAD TRAINS, GTAP.</i> • Maritime access, proximity to major markets, quantity/quality of major resources (oil, gas, minerals) <i>Data source: Standard country profiles</i> • Capacity of ports, railways, trunk roads and power systems <i>Data sources: Diagnostic Trade Integration Studies, World Bank economic sector work, African Development Bank, World Bank Logistics Performance Index</i> • Quality of export promotion agencies, customs procedures, tariff revenue collection systems <i>Data sources: World Bank Doing Business; Diagnostic Trade Integration Studies</i> • Coverage of trade in poverty reduction/national development strategy <i>Data source: PRSP or national development strategy</i> • Extent to which the government has an explicit industrial policy, including efforts to move up the value chain and/or diversify <i>Data source: PRSP or national development strategy</i> • Existence and implementation of safety net <i>Data source: To be identified</i> • Percentage of employment in agriculture, manufacturing and services

<ul style="list-style-type: none"> • Tax structure ▼ • Labour market flexibility ▲▼ • Bilateral, regional and multilateral agreements ▲ 	<p><i>Data source: World Development Indicators</i></p> <ul style="list-style-type: none"> • Income, sales and trade taxes as % of Government revenue <p><i>Data source: National statistical offices</i></p> <ul style="list-style-type: none"> • To be determined <p><i>Possible data sources: World Bank Doing Business, ILO</i></p> <ul style="list-style-type: none"> • Nature of agreements with countries which are main export destinations, including whether and how they restrict country X's policy space <p><i>Data source: Country trade profiles</i></p>
<p><u>Impacts</u></p> <p>Trends in:</p> <ul style="list-style-type: none"> • Tax/tariff revenues (high attribution, short time-lag) ▲▼ • Productivity (medium attribution, medium time-lag) ▲▼ • Employment (medium attribution, medium time-lag) ▲▼ • Wages (medium attribution, medium time-lag) ▲▼ • Consumer prices (medium attribution, medium time-lag) ▲ • Economic growth (medium attribution, 	<ul style="list-style-type: none"> • Customs duties as % of government revenue for 2006, 2001 and 1996 <p><i>Data source: World Development Indicators</i></p> <ul style="list-style-type: none"> • Productivity estimates for 2006, 2001 and 1996 <p><i>Data source: ILO Key Indicators of the Labour Market Programme via UN Common Database</i></p> <ul style="list-style-type: none"> • Unemployment levels for 2006, 2001 and 1996, including sectoral (un)employment <p><i>Data source: ILO Key Indicators of the Labour Market Programme via UN Common Database</i></p> <ul style="list-style-type: none"> • Wage rates for 2006, 2001 and 1996, including sectoral and gender variations <p><i>Data source: ILO Key Indicators of the Labour Market Programme via UN Common Database</i></p> <ul style="list-style-type: none"> • Consumer prices for 2006, 2001 and 1996 <p><i>Data source: IMF International Financial Statistics</i></p> <ul style="list-style-type: none"> • GNI growth rates in 2006, 2001 and 1996

longer time-lag) ▲

Data source: World Devt. Indicators