

Economic Growth, Trade, and LDCs: Factors Affecting Success Ahead

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Outline

- Challenges and Opportunities for LDCs
- Focus on Trade and Aid
- World Bank Agenda
- Critical Role of Analysis to Inform Action

Key Goal to 2020

Achieve “sustained, equitable and inclusive economic growth in least developed countries, to at least the level of 7 percent per annum” ?

Istanbul Declaration - Programme of Action (2011-2020)



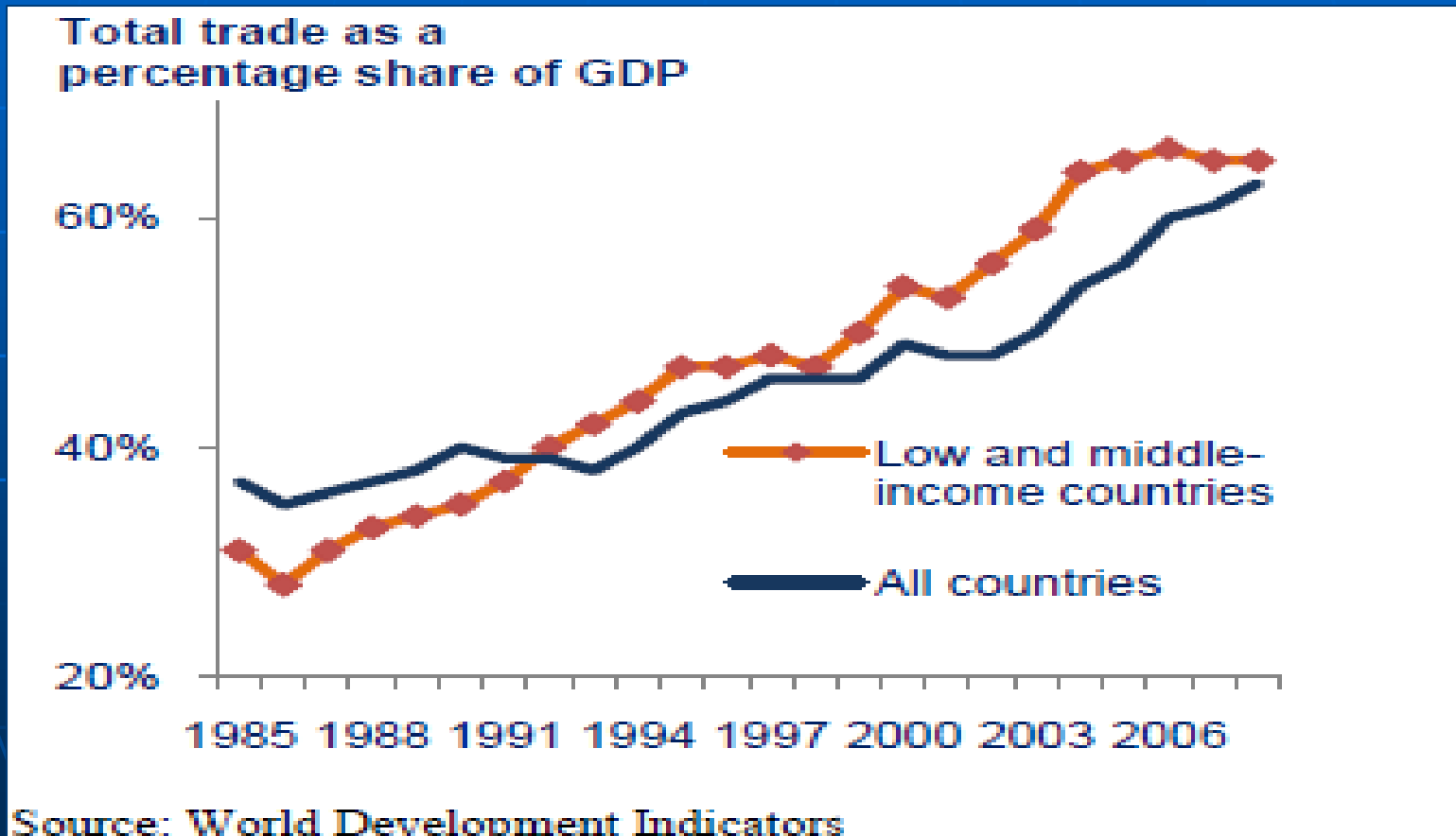
1. UN, Bank, Bilateral Donors, others - and LDCs.
2. Trade a Key Factor in Moving up the Ladder
3. Need to Link New Analysis to Action

Summary - Key Challenges for LDCs

Economic	Structural	Global
<ul style="list-style-type: none">• Low contribution to global GDP; Limited participation in Trade; Low FDI• Post-crisis jobless growth• Domestic barriers; governance, regulation	<ul style="list-style-type: none">• Reliance on commodity exports, remittances, and ODA• Poverty and inequality limiting human development• Limited Technology Availability	<ul style="list-style-type: none">• Vulnerability to natural disasters• Global macroeconomic factors• Small size and voice

Opportunities for LDCs in Trade

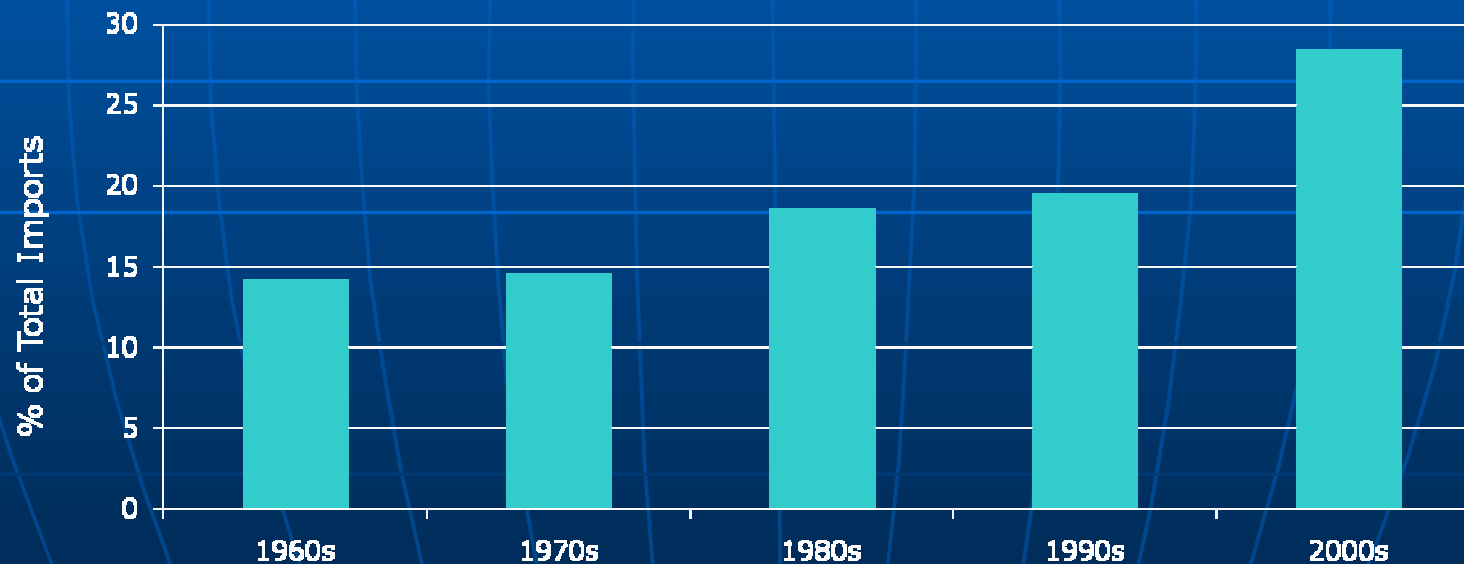
Trade increasingly important share of GDP for LDCs



Trade As Engine of Growth

- Rise of **South-South Trade** – Harnessing growth from emerging markets

Developing Country Imports from Other Developing Countries
(% of Total Imports)



Source: WDI

The World Bank and Trade

MULTIDIMENSIONAL AND CROSS-CUTTING

Technical Assistance and Capacity Building	WBI South-South knowledge transfer programs Investment climate advisory services, Trade Facilitation Facility
Financing, Loans and Credits	IDA – least developed (grants), focusing on export competitiveness and trade facilitation (IBRD) IFC investments and trade finance facilities
Global Programs and Partnerships	Participation in the Aid for Trade initiative and Enhanced Integrated Framework, New public – private partnership on trade
Data, Indicators, Tools and Research	World Integrated Trade Solution (WITS), TBT Database, Trade Facilitation Indicators Working papers, reports, books, flagship reports

World Bank Trade Assistance

- In FY 2011, the World Bank provided US\$2.6 billion in trade-related lending to help developing countries.
- FY 2011 represents an almost five-fold increase from FY 2003 levels – 42% of lending for trade facilitation.



Source: PREM-Trade, 2011.

Key Challenges in Trade for LDCs

- Lowering trade costs - trade facilitation.
- Hard and soft reform measures needed.
- Domestic reform and aid for trade.

LDCs - Cut Trade Costs to Advance



- High trade costs create “thick” borders
- Domestic barriers (corruption, etc) and external barriers
- Capacity Constraints
- Hard and Soft Reform

Export Performance and Trade Facilitation

Portugal-Perez and Wilson 2010

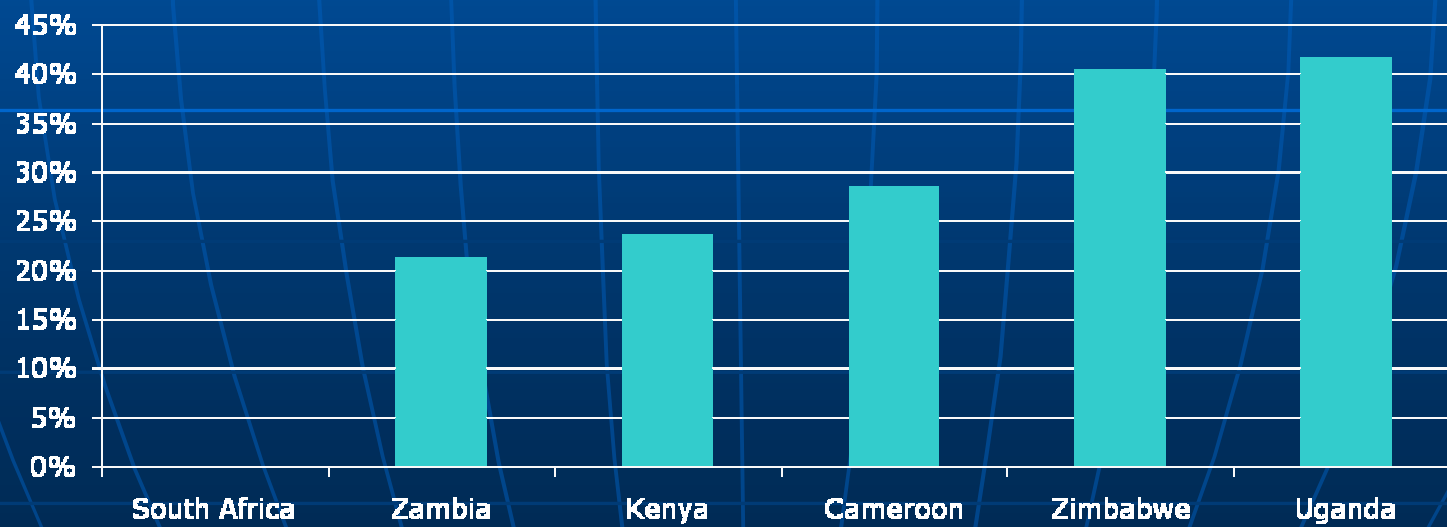
- Estimate the impact of aggregate indicators of “soft” and “hard” infrastructure on the export performance of LDCs
- Estimates show that trade reforms improve export performance of LDCS
 - Particularly physical infrastructure and business environment
 - *Improvements in infrastructure quality of Chad halfway to the level of South Africa, trade levels of the former would increase by 79.3 percent (Portugal-Perez, Wilson 2010)*

What About Regulatory Reform?

- Research would help prioritize interventions: e.g. roads or ports or customs?
- E.G. Portugal Perez and Wilson (2010) – investments to improve the business environment would reduce trade costs and boost exports

Tariff cut equivalent rise in trade


Business Environment



What About Aid for Trade?

Aid to Trade Facilitation (trade policy reform and regulatory reform)


Helble, Mann, Wilson 2011



One percent increase
in aid to trade
facilitation
associated with

..an increase of \$ 290
million in recipient
countries' exports

OR



Or \$1 of additional
aid to trade
facilitation
associated with...

...\$1.33 of additional
exports

Concluding Remarks

- Changing patterns of international integration offer new opportunities for LDCs;
- Need expanded information, data, and analysis.
- Strategy for LDC advance – trade and FDI focused.
- Develop LDC Aid for Trade Research Partnership - to support research, data, and analytical tools to support Istanbul Programme of Action/UNLDC IV (trade, investment, regulatory reform, and technology)

Thank You

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