

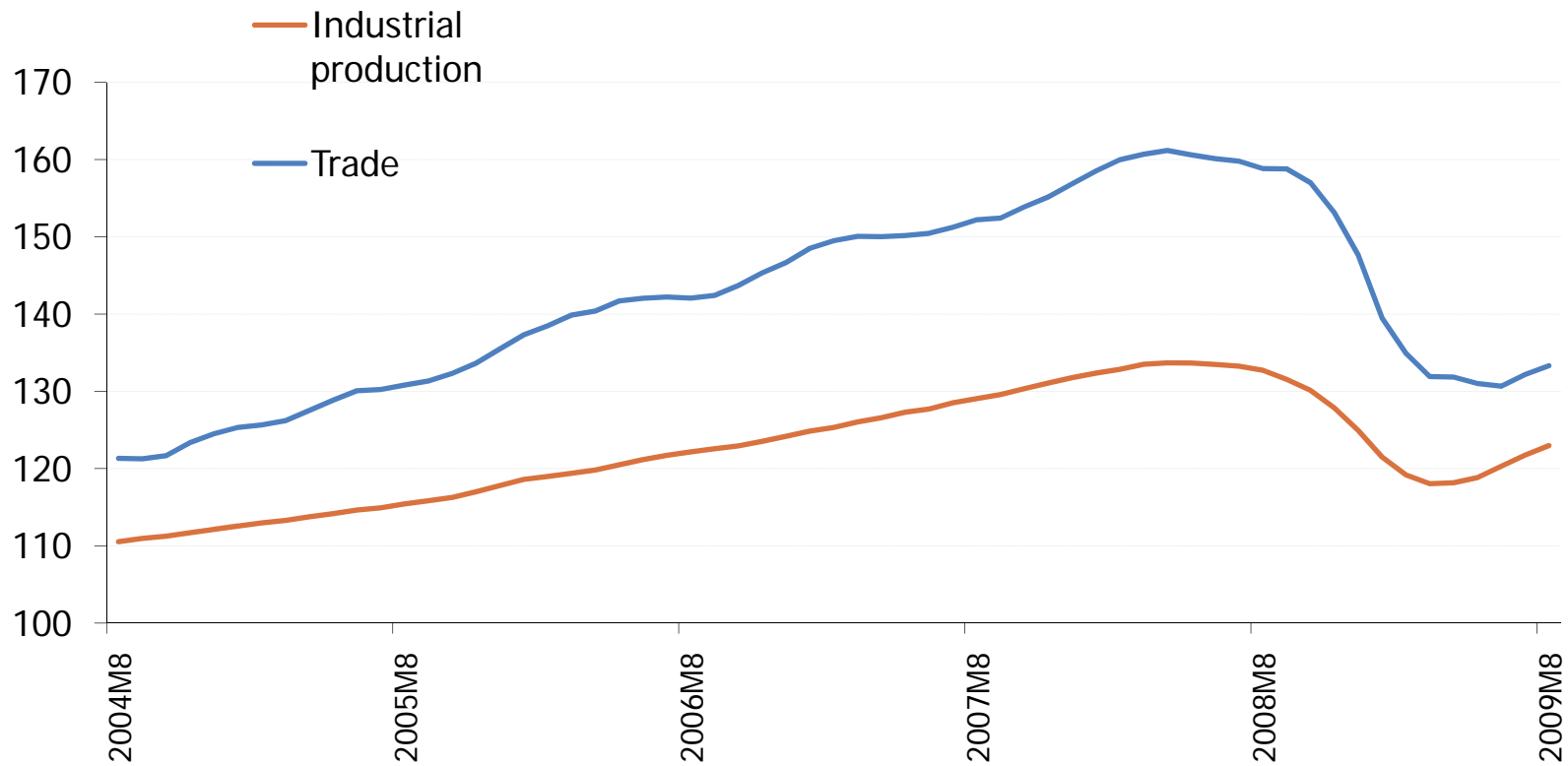
Developing countries' trade & financial crisis

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November 26, 2009

A spectacular drop of World trade

World: Past 3 months average, 2000=100



A spectacular drop of World trade

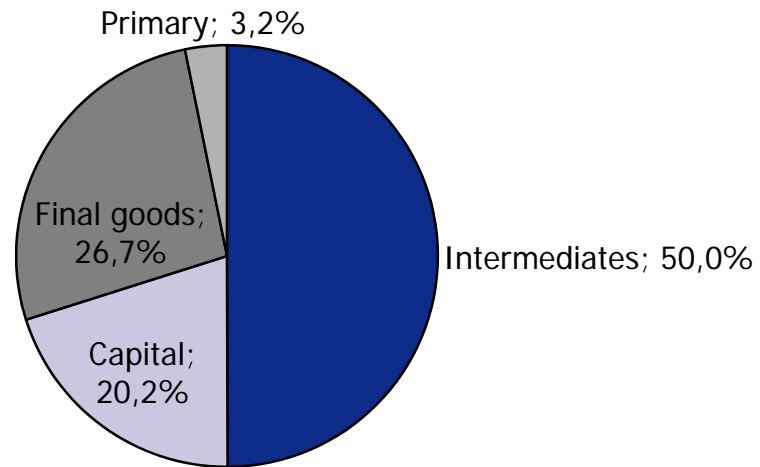
- As compared to World GDP fall, World trade fall is much steeper
- Also steeper than industrial production
- 4 years of World trade growth cancelled out

Causes: reduction of World demand

- A reduction of GDP does not translate into a proportional reduction of all kinds of demand
- Investment by far more affected
 - Capital demand follow final demand
 - As an adjustment variable, investment variations much stronger
- Durable expensive goods also more affected

The role of intermediate demand

World trade by types of use (oil excluded, 2006)



BACI, BEC classification

The role of intermediate demand

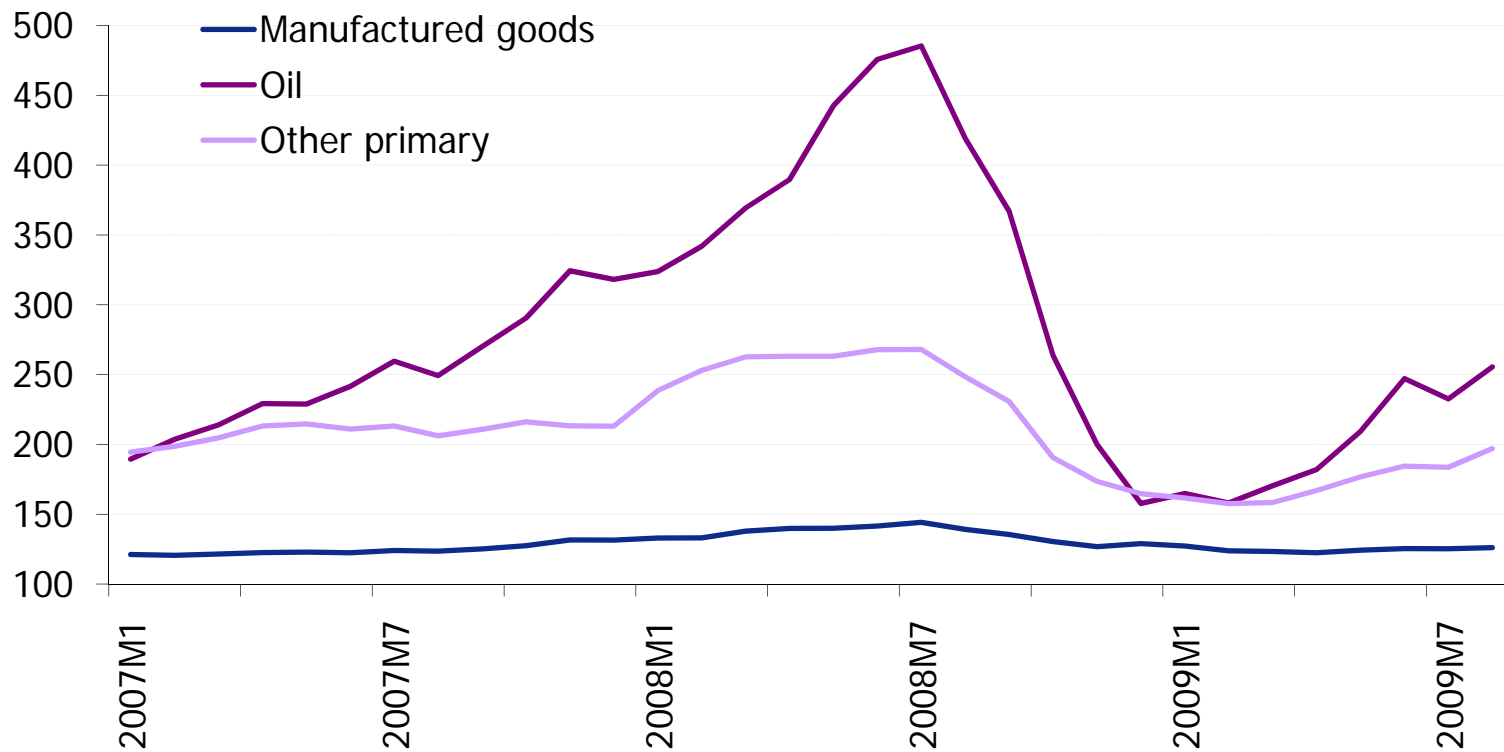
- No such thing like an amplification mechanism, for a given product (in percentage terms)
- But: production of final goods implies more or less trade
 - Overall: World trade smaller than World final demand
 - For some goods, implied World trade can be larger than the value of the good
- Composition effect

A specific crisis: credit restrictions

- Amplified investment reduction
- Strong reduction of inventory
- Lack of trade finance
- Reduction of demand for expensive goods (e.g.: car demand in the US), that imply more trade

Trade prices

World trade prices (unit values, US\$)



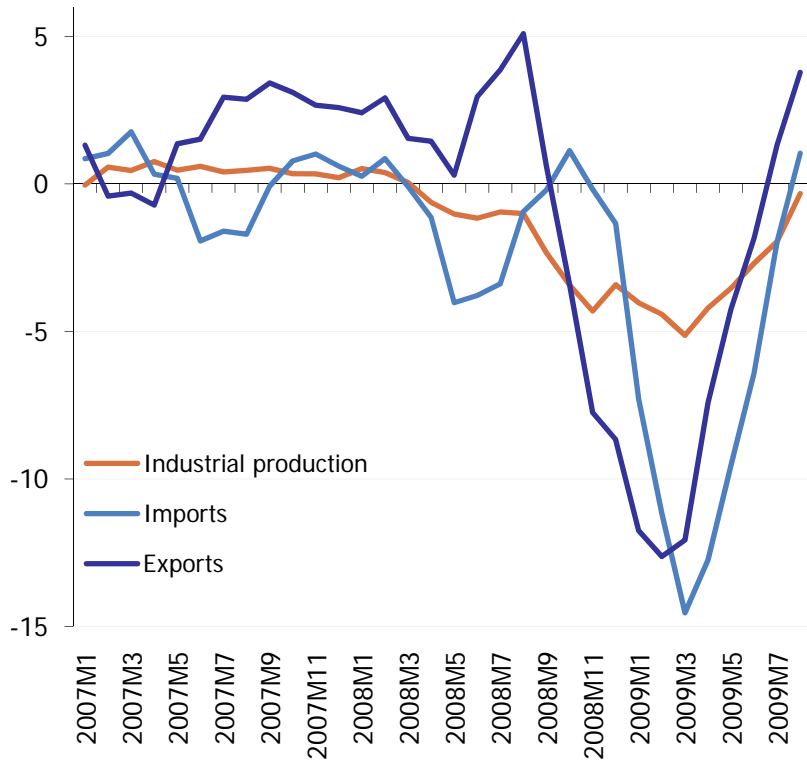
Source: CPB

Protectionism

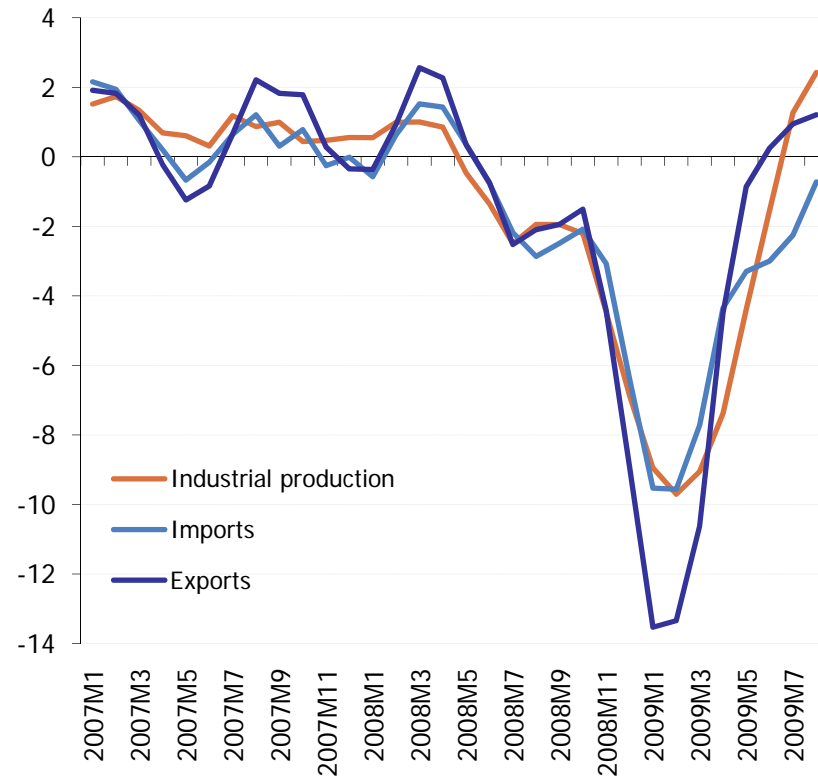
- Few tariff increase
- Less visible measures

Impacts by region

US: Past 3 months compared to previous period, % change

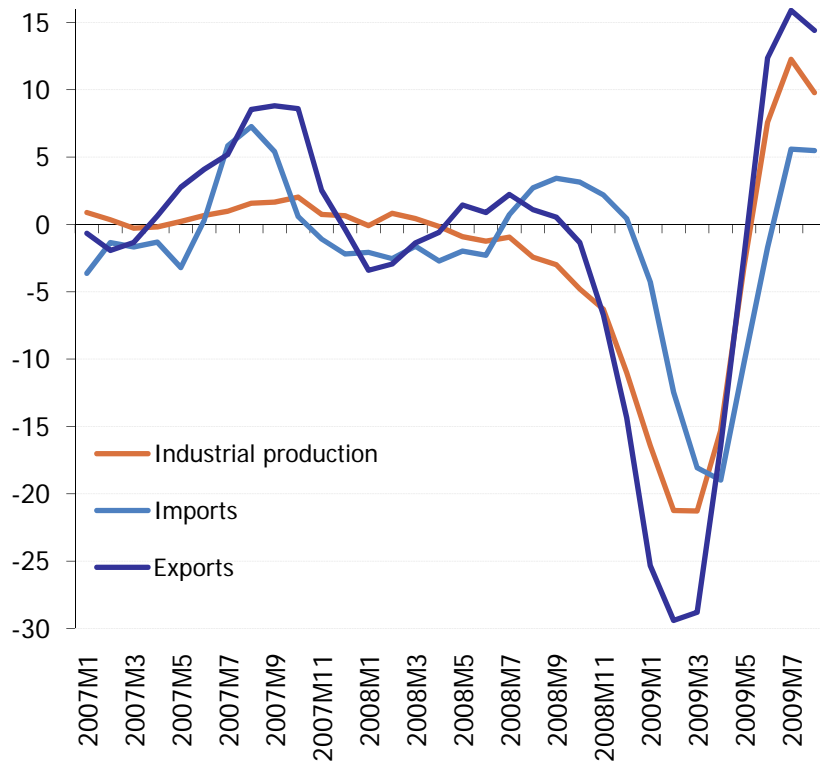


EU: Past 3 months compared to previous period, % change

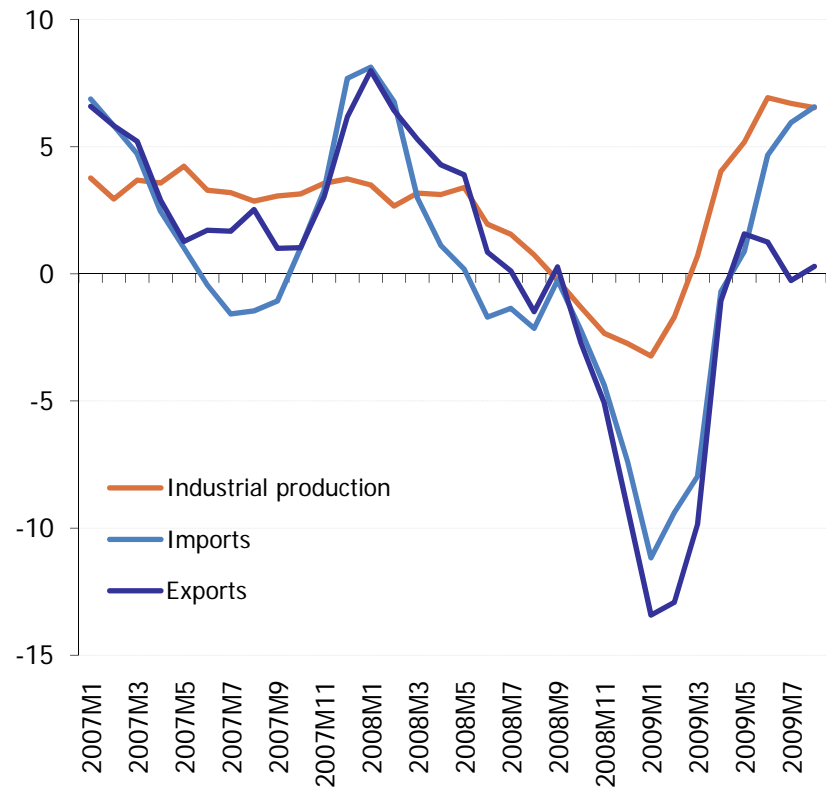


Impacts by region

Japan: Past 3 months compared to previous period, % change

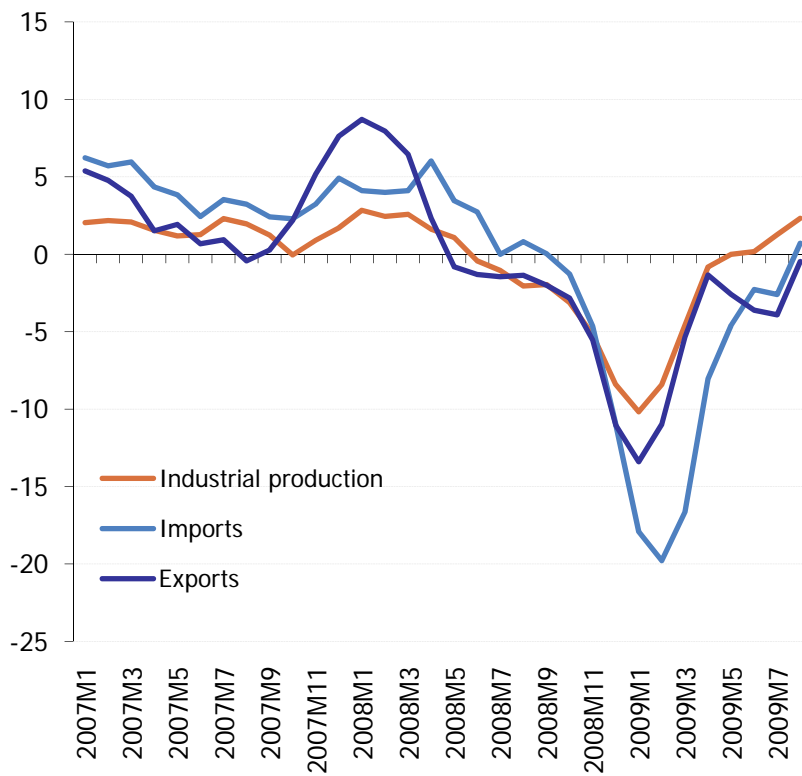


Asia: Past 3 months compared to previous period, % change

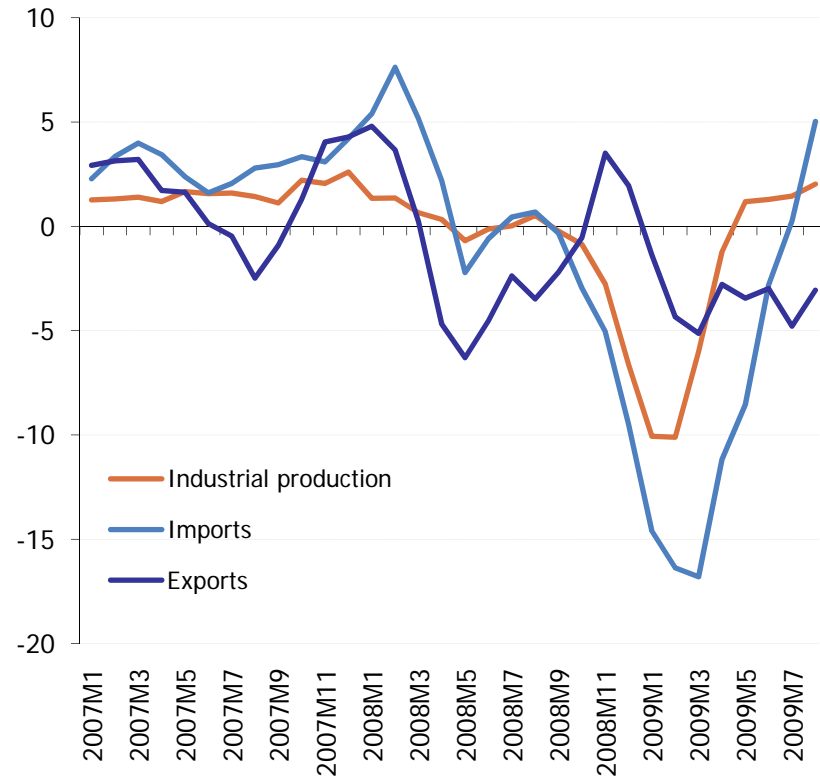


Impacts by region

CEE: Past 3 months compared to previous period, % change

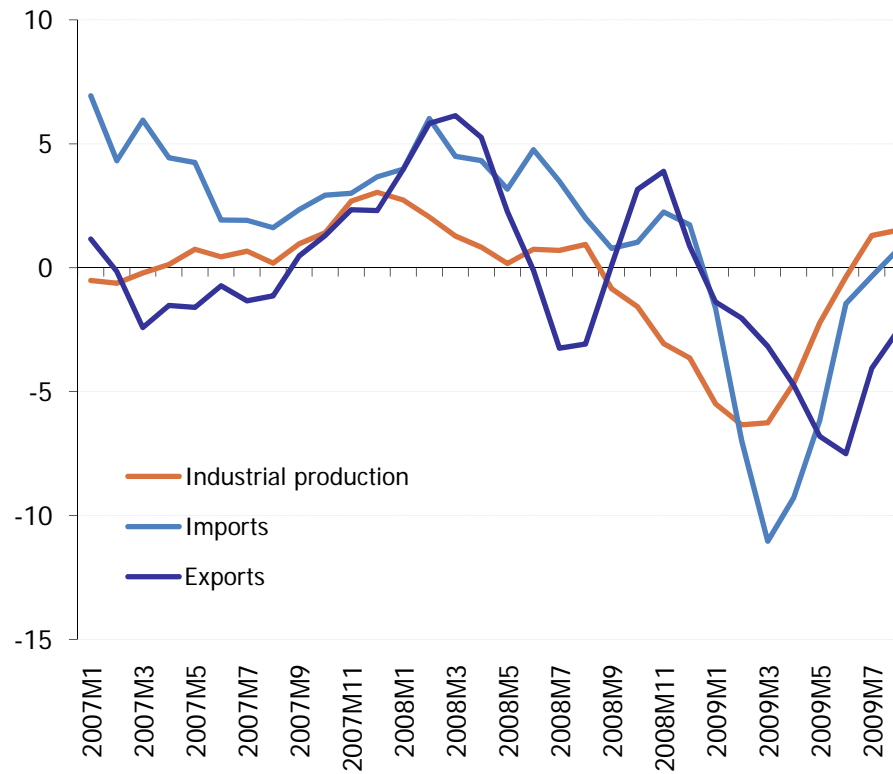


Latin America: Past 3 months compared to previous period, % change



Impacts by region

Africa & Middle East: Past 3 months compared to previous period, % change

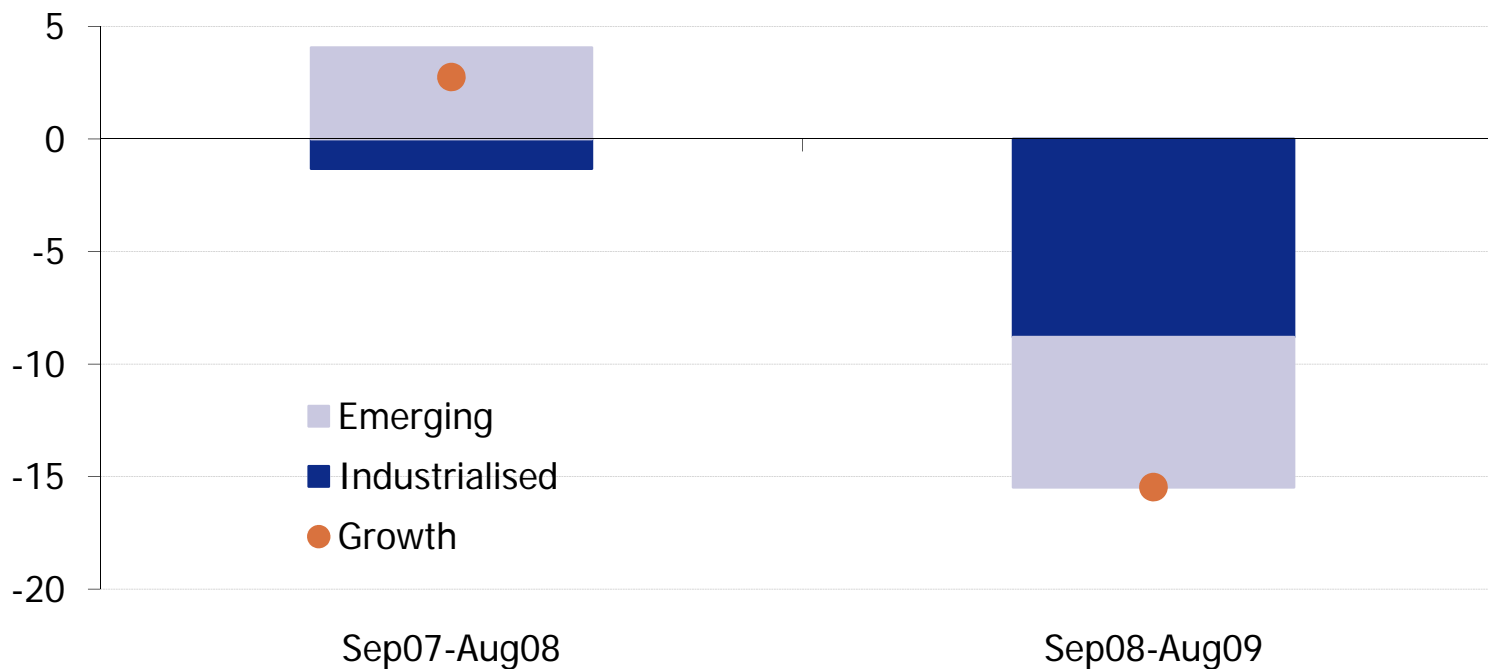


Impacts by region

- Impact on developing countries exports slightly smaller overall
- Eastern Europe strongly hit
- World trade recovery due to emerging countries imports

A crisis that started in industrialised countries

World trade growth: Contribution of industrialised and emerging countries



Source: CPB

Developing countries advantages

- Berthou & Emlinger (Crisis and Trade: Bad Times for High Quality, Lettre du CEPII 293)
 - Significantly higher revenue-elasticity for goods in the higher price range
 - Cheaper countries relatively advantaged in a context of crisis
- Overall, developing country exports tend to grow faster

Danger: protectionism

- Demand for protection in industrialised countries
- Competition by emerging countries considered as the first menace
 - In the 80's: Japanese technology
 - Now: developing countries' cheap labour

Danger: protectionism

- Until now: little done against developing countries' exports
- Crisis may trigger a protectionist process
 - Unemployment still to come
 - Emerging countries share in World exports have increased

Good and bad news

- Current recovery driven by emerging countries
- World cooperation against the crisis not yet broken
- Doha still stalled