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

John S. Wilson
Lead Economist
Development Economics Research Group
Trade and International Integration
World Bank
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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
### Key Challenges for LDCs

<table>
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<tr>
<th>Economic</th>
<th>Structural</th>
<th>Global</th>
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<tbody>
<tr>
<td>• Low contribution to global GDP; <strong>Limited participation in Trade</strong>; Low FDI</td>
<td>• Reliance on commodity exports, remittances, and ODA</td>
<td>• Vulnerability to natural disasters</td>
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<td>• Post-crisis jobless growth</td>
<td>• Poverty and inequality limiting human development</td>
<td>• Global macroeconomic factors</td>
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<td>• Domestic barriers; governance, regulation</td>
<td>• <strong>Limited Technology Availability</strong></td>
<td>• Small size and voice</td>
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Opportunities for LDCs in Trade

Trade increasingly important share of GDP for LDCs

Source: World Development Indicators
Trade As Engine of Growth

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

![Bar chart showing developing country imports from other developing countries from 1960s to 2000s.](chart)

*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 |
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.

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

South Africa  Zambia  Kenya  Cameroon  Zimbabwe  Uganda
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

John S. Wilson
Lead Economist, Development Economics
Research Group
Trade and International Integration
The World Bank

Email: jswilson@worldbank.org
http://econ.worldbank.org/projects/trade_costs