

Trends in Global Trade

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Outline

- A long term perspective on trade and growth. (60-80, and 80-200).
- The surprising experience: 2000 – 2008.
- The current crisis:
- Implications for Africa.

I: Growth and Inequality

- **Anti-Globalizers:**
 - For developing countries recent period of globalization and liberalization worse than earlier period with more protection.
 - Inequality is rising everywhere as well.
- **Pro-Globalizers:**
 - For developing countries recent period of globalization and liberalization is better than earlier period.
 - World is becoming less unequal.
- **They Are Both Right!**

Trade and Growth: Miracles 1960-1980

Table 1: Miracles of 1961-80*

Growth Rates			
Country	GDP per capita	Exports	Imports
Botswana	8.5		
Malta	7.3		
Singapore	7.2		
Hong Kong, China	6.9	10.8	10.6
Gabon	6.6	10.6	12.1
Taiwan, China	6.4		
Korea, Rep.	6.3	23.7	18.0
Lesotho	4.8	7.6	11.8
Trinidad and	4.7	3.8	9.1
Thailand	4.6	9.3	9.6
Brazil	4.6	8.1	7.6
Malaysia	4.4	6.9	7.2
Barbados	4.4		
Israel	4.2	10.8	8.1
Georgia	4.1		
Cote d'Ivoire	4.1	7.6	7.9
Seychelles	4.0		
Tunisia	4.0	8.3	7.2
Bermuda	4.0		
Ecuador	3.7	8.2	8.0
Dominican	3.6	5.6	10.6
Ireland	3.6	8.0	7.8
Egypt, Arab Rep.	3.5	5.4	8.1
Indonesia	3.5	6.5	10.2

Miracles 1960-1980 (cont)

Paraguay	3.5	3.0	10.6
Mauritius	3.5	2.4	3.8
Mexico	3.4	8.6	7.8
Panama	3.4		
Belize	3.4		
Togo	3.2	9.9	8.8
Fiji	3.0	7.6	7.7
Mauritania	3.0	11.3	7.7
Kenya	3.0	3.3	3.6

Debacles - 1960-1980

Table 2: Debacles of 1961-80*

		Growth Rates			
Country		GDP per capita	Exports	Imports	Population in Million (1961)
Central African		-0.1			1.6
Zambia		-0.3	1.0	0.4	3.2
Somalia		-0.4			2.9
Madagascar		-0.4	1.2	1.8	5.5
Dominica		-0.4			0.1
Ghana		-0.4	-2.7	-3.0	7.1
Guinea-Bissau		-0.5			0.5
Niger		-0.5	3.5	7.8	3.1
Senegal		-0.6	-0.1	1.2	3.3
Iran, Islamic Rep.		-0.7			22.1
Congo, Dem. Rep.		-0.9	2.8	5.7	15.7
United Arab Emirates		-1.0			0.1
Chad		-1.9	1.4	0.8	3.1
Kuwait		-3.6			0.3

*All developing countries with negative growth rates (14 countries with a total population of 68.6 million). Exports and imports include goods and services and are measured at constant prices.

Source: Author's calculations from the World Bank GDN databases.

Miracles 1980-1999

Table 3: Miracles of 1980-99*

Country	Growth Rates			Population in Million (1980)
	GDP per capita	Exports	Imports	
China	8.3	10.4	8.0	981.2
Korea, Rep.	6.6	12.9	10.5	38.1
Equatorial Guinea	6.4			0.2
Taiwan, China	6.1			17.6
Singapore	5.9			2.3
St. Kitts and Nevis	5.9	2.9	2.9	0.0
Thailand	5.5	11.9	8.0	46.7
Indonesia	4.7	2.6	3.7	148.3
Botswana	4.7			0.9
Hong Kong, China	4.5	11.0	10.8	5.0
Antigua and Barbuda	4.4	5.4	4.8	0.1
Dominica	4.2	9.1	1.8	0.1
Bhutan	4.1			0.5
Malta	4.1			0.4
Chile	3.9	7.7	5.5	11.1
Malaysia	3.9	11.1	9.6	13.8
India	3.8	8.5	6.5	687.3
St. Vincent and the	3.7	4.4	2.6	0.1
St. Lucia	3.7	4.0	3.1	0.1
Mauritius	3.7	7.4	6.8	1.0
Grenada	3.4	6.0	3.8	0.1
Maldives	3.3			0.2
Vietnam	3.2			53.7
Sri Lanka	3.1	6.0	5.6	14.7
Cape Verde	3.1			0.3
Pakistan	3.0	5.8	1.4	82.7

Debacles 1980-1999

Table 4: Debacles of 1980-99*

Country	Growth Rate			Population in Million (1980)
	GDP per capita	Exports	Imports	
Afghanistan	-0.1			16.0
Gambia, The	-0.1	2.7	-1.1	0.6
Estonia	-0.1			1.5
Guatemala	-0.2	1.5	3.4	6.8
Ecuador	-0.2	4.9	-1.7	8.0
Samoa	-0.2			0.2
Namibia	-0.2	2.5	2.6	1.0
El Salvador	-0.3	3.6	5.7	4.6
Latvia	-0.3			2.5
Gabon	-0.3	2.8	0.1	0.7
South Africa	-0.4	2.9	2.5	27.6
Honduras	-0.5	0.8	1.6	3.6
Bolivia	-0.5	2.7	4.3	5.4
Netherlands Antilles	-0.5			0.2
Croatia	-0.5			4.6
Togo	-0.5	-0.8	0.0	2.6
Yemen, Rep.	-0.6			8.5
Sao Tome and	-0.6			0.1
Rwanda	-0.7	-1.0	5.5	5.2
Albania	-0.7			2.7
Algeria	-0.7	3.5	-2.1	18.7
Suriname	-0.7	-5.6	-6.4	0.4
Cameroon	-0.7	4.8	4.0	8.7
Romania	-0.8			22.2

Debacles 1980-1999 continued

Mali	-0.9	6.9	4.0	6.6
Somalia	-0.9			5.9
Nigeria	-0.9	0.0	-3.0	71.1
Vanuatu	-0.9			0.1
Comoros	-1.0	11.3	0.1	0.3
Lithuania	-1.0			3.4
Micronesia, Fed. Sts.	-1.0			0.1
Belarus	-1.0			9.6
Russian Federation	-1.1			139.0
Bahrain	-1.1			0.3
Burundi	-1.2	7.7	2.6	4.1
Venezuela, RB	-1.2	3.3	2.1	15.1
Uzbekistan	-1.2			16.0
Central African	-1.3			2.3
Angola	-1.4			7.0
Kuwait	-1.5			1.4
Zambia	-1.6	-0.1	-2.3	5.7
Djibouti	-1.6			0.3
Madagascar	-1.9	0.8	-1.9	8.9
Nicaragua	-1.9	2.7	3.2	2.9
Kyrgyz Republic	-1.9			3.6
Cote d'Ivoire	-1.9	2.9	0.1	8.2
Liberia	-2.0			1.9
Marshall Islands	-2.1			0.0
Armenia	-2.2			3.1
Haiti	-2.2	2.7	5.6	5.4
United Arab Emirates	-2.4			1.0
Kiribati	-2.4			0.1
Kazakhstan	-2.5			14.9

Debacles 1980-1999

Saudi Arabia	-2.6			9.4
Niger	-2.6	0.1	-5.1	5.6
Brunei	-2.8			0.2
Sierra Leone	-2.9	-4.8	-5.2	3.2
Moldova	-3.6			4.0
Tajikistan	-4.1			4.0
Ukraine	-4.3			50.0
Libya	-4.5			3.0
Congo, Dem. Rep.	-4.5			27.0
Georgia	-4.7			5.1
Azerbaijan	-5.1			6.2
Iraq	-9.5			13.0

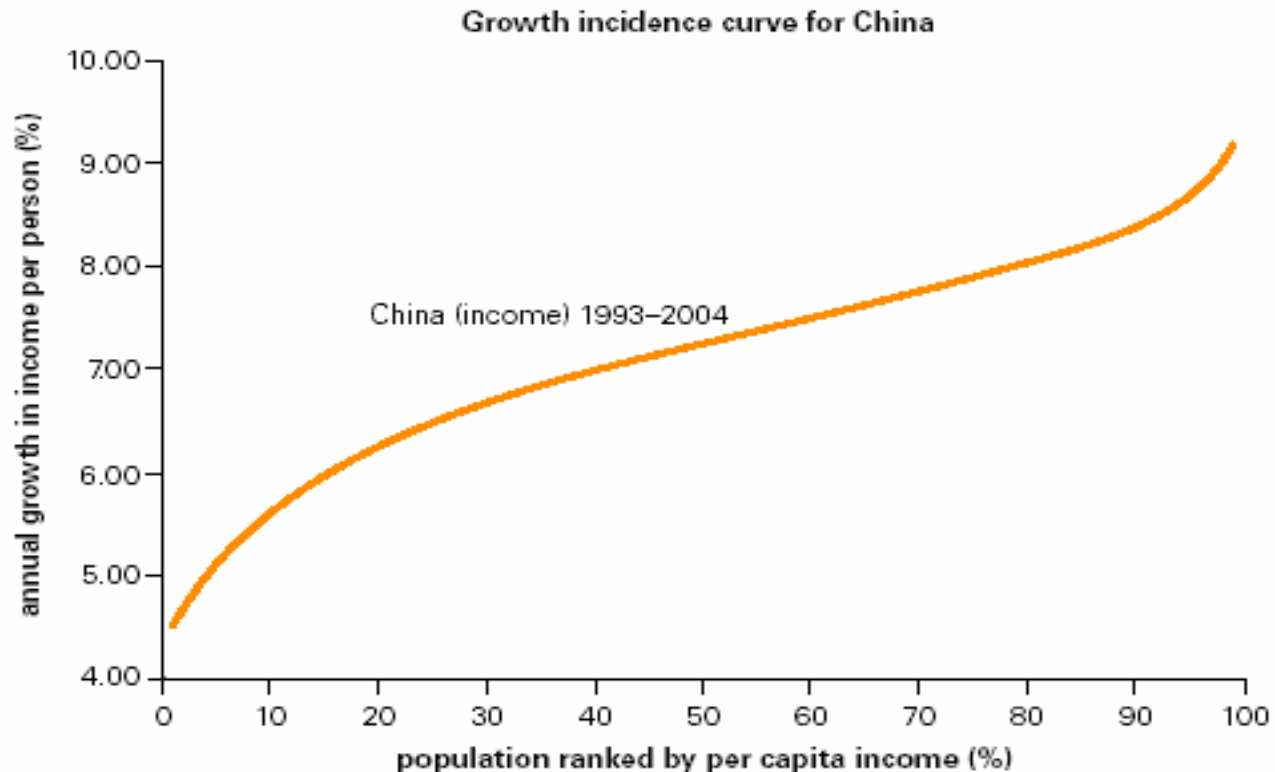
*Developing and Transition economies with negative growth rates (65 countries with combined population of 621.4 million). Exports and imports include goods and services and are measured at constant prices.

Above data from: Arvind Panagariya: "Miracles and Debacles: In Defense of Trade Openness," *World Economy* 27, No 8, (special issue on Global Trade Policy), August 2004.

Growth 1960-2000: How Widespread

- 1960s and 1970s:
 - **33 Miracles** “per capita growth > 3.0 percent: total pop 357 million.
 - 14 Debacles 69 million (loss of incomes)
- 1980s and 1990s
 - 26 Miracles pop: 2.1 billion.
 - 65 debacles pop 621 million.

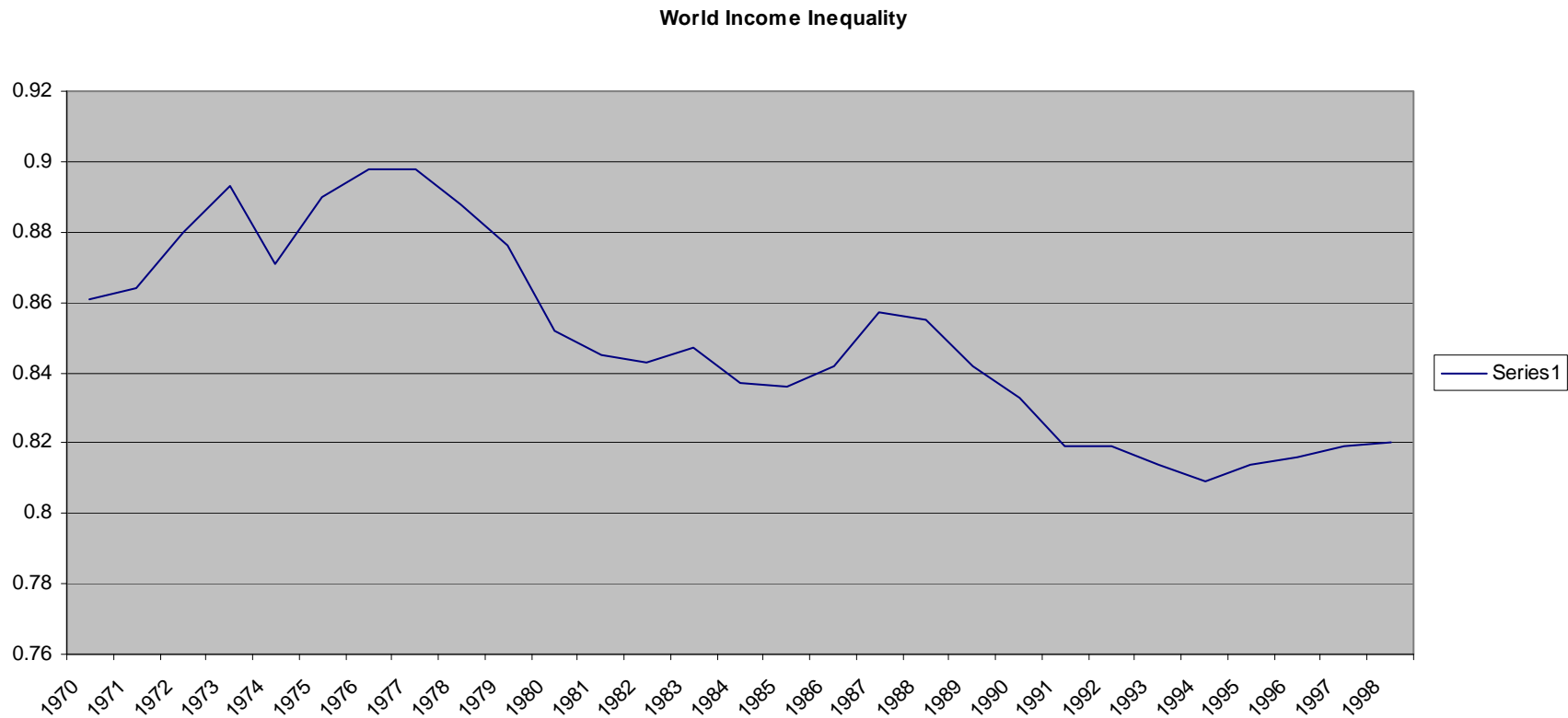
Growth Incidence in China



Source: World Bank, World Development Indicators 2007.

Note: Per capita income has been adjusted by the cost of living difference between the rural and urban areas.

But imagine there's no country!



Mean Logarithmic Deviation - from Xavier Sal-i-Martin

Growth and Inequality: Global versus National Perspectives.

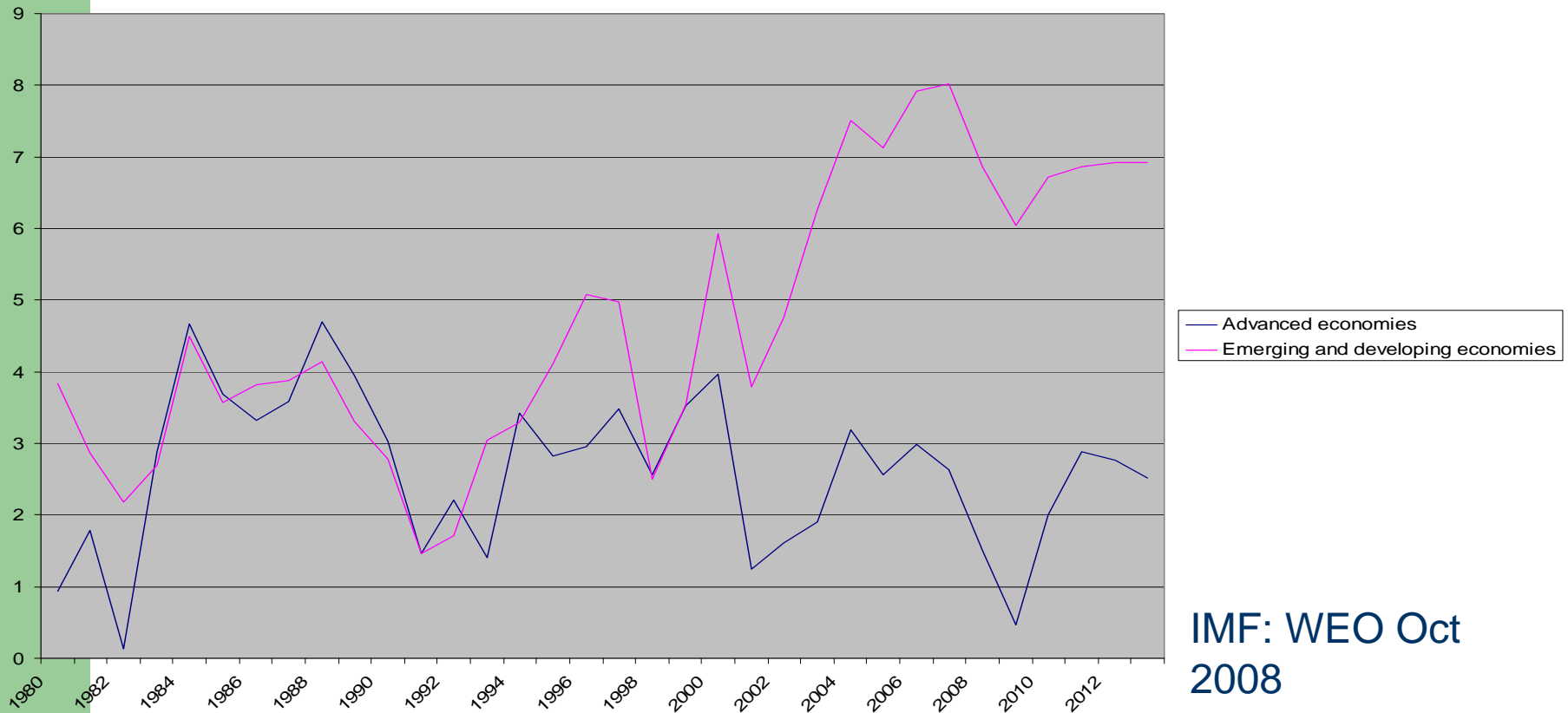
- Growth:
 - Over the past two decades (through 2000) growth has become more concentrated *nationally* but more people have been affected.
- Inequality:
 - The emergence of the middle class in India and China may increase inequality in these countries but actually decrease inequality in the world as a whole.

So what did “we” think we knew in 2000?

- A New Economy based on information technology and finance.
- Declining importance of commodities.
- A system that benefited the Most Developed Economies.
- So the Doha Round was launched: Aim to boost developing countries by raising global farm prices.

Global Growth Since 2000: The Great Divergence.

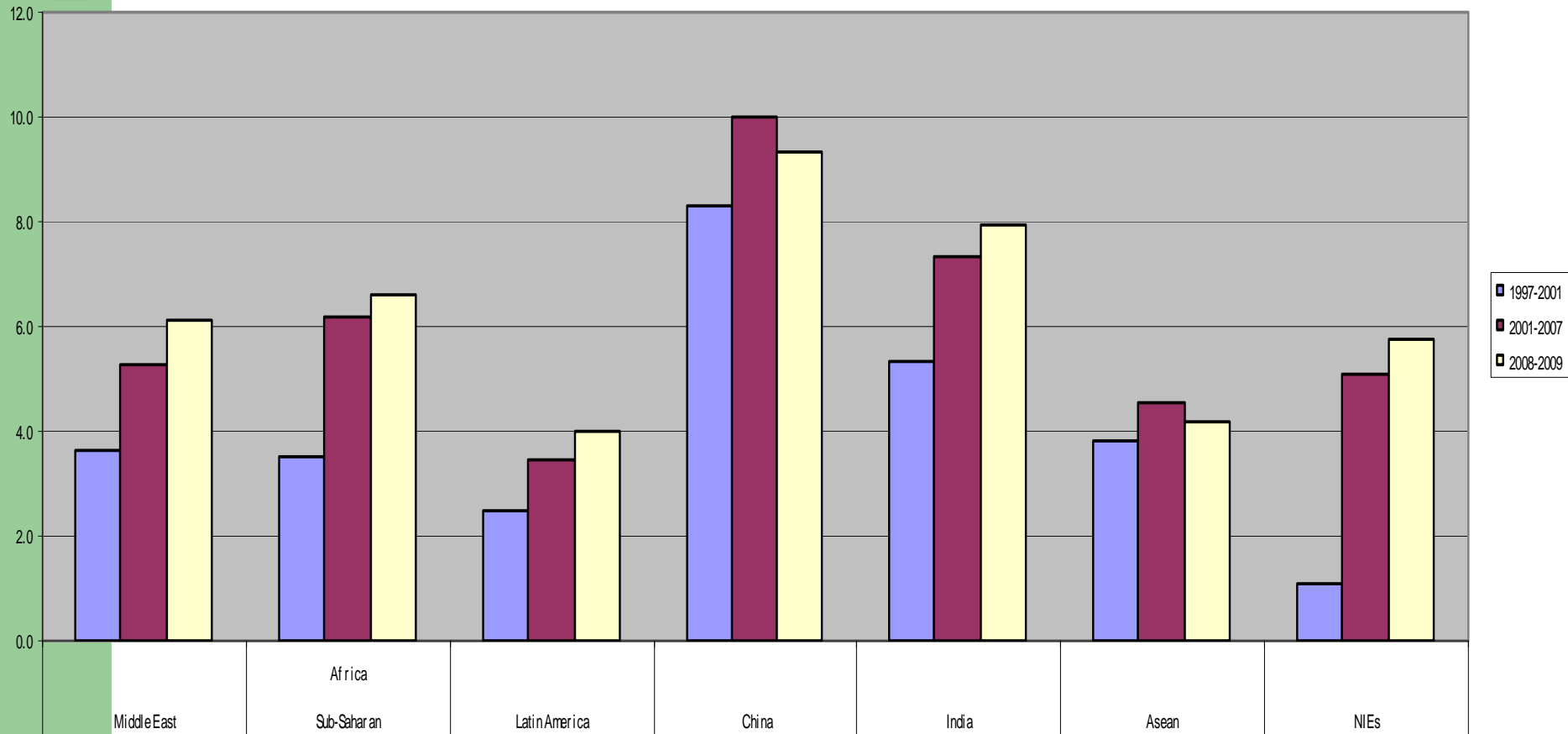
GDP Growth 1980-2013



IMF: WEO Oct
2008

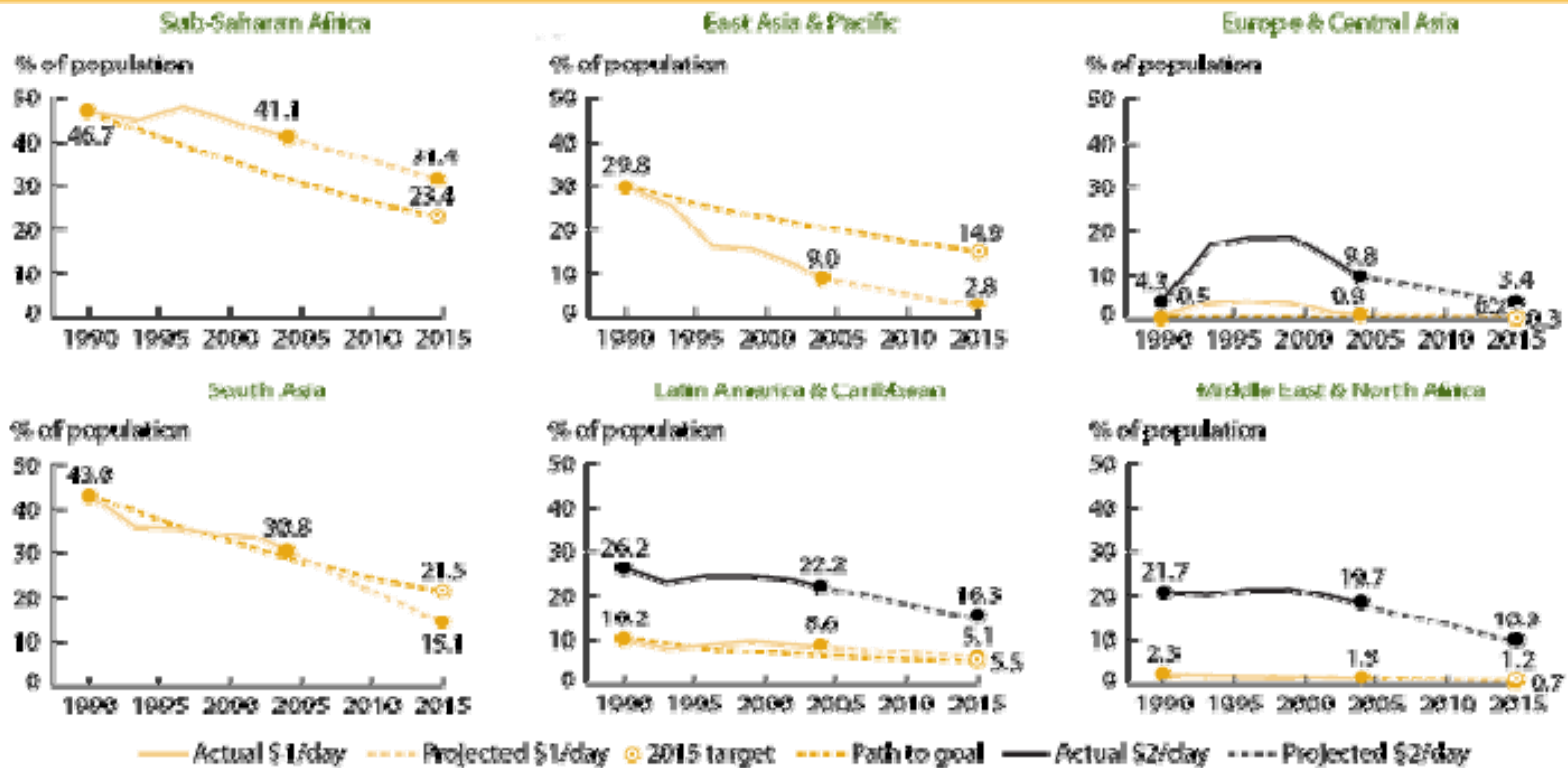
April 2008 Developing Countries Just Keep Growing

Developing Country Growth



And (Finally) Real Progress on Poverty reduction

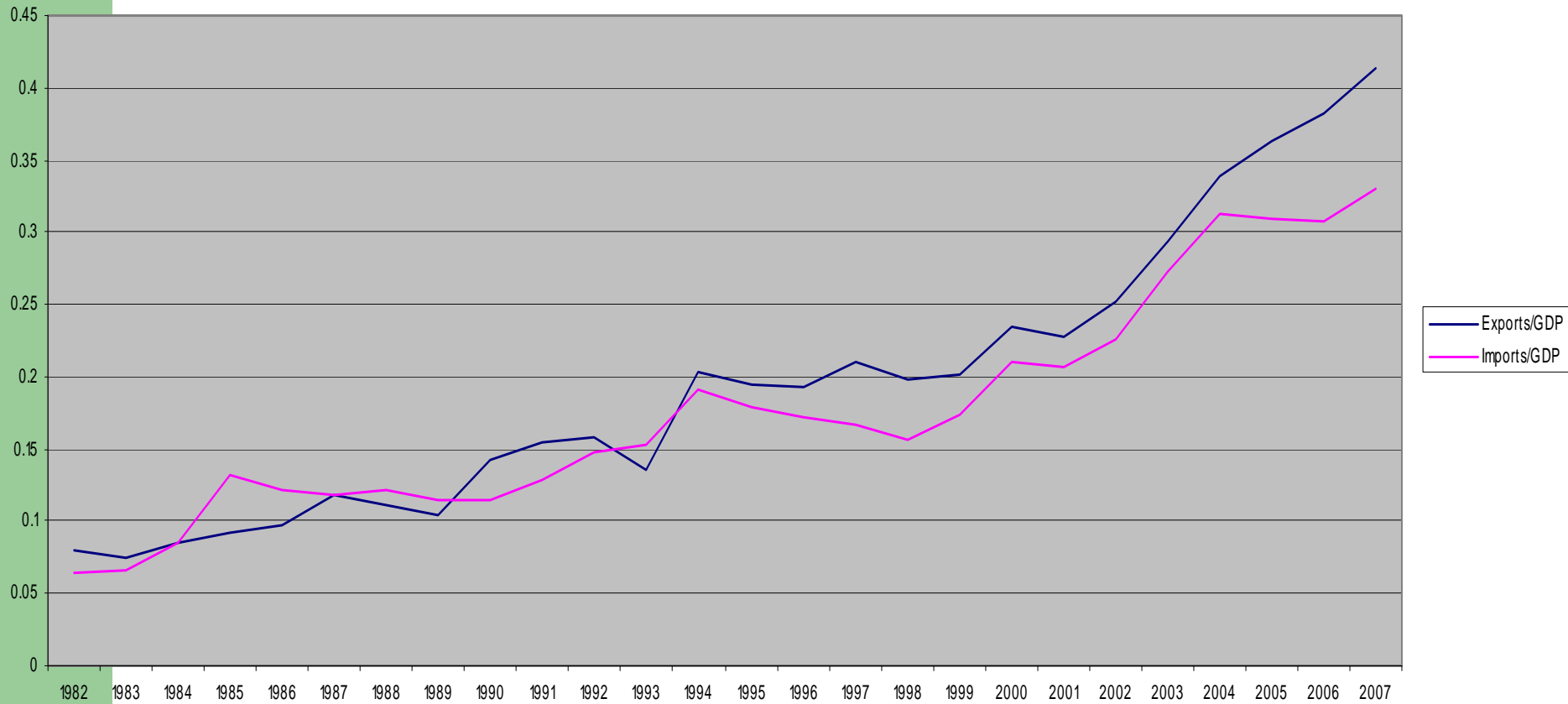
Share of people living on less than \$1 or \$2 a day in 2004, and projections for 2015



Source: World Development Indicators.

Flawed Trading System? China: Ever More Open

China : Ratio of Exports of G&S to GDP 1981-2007

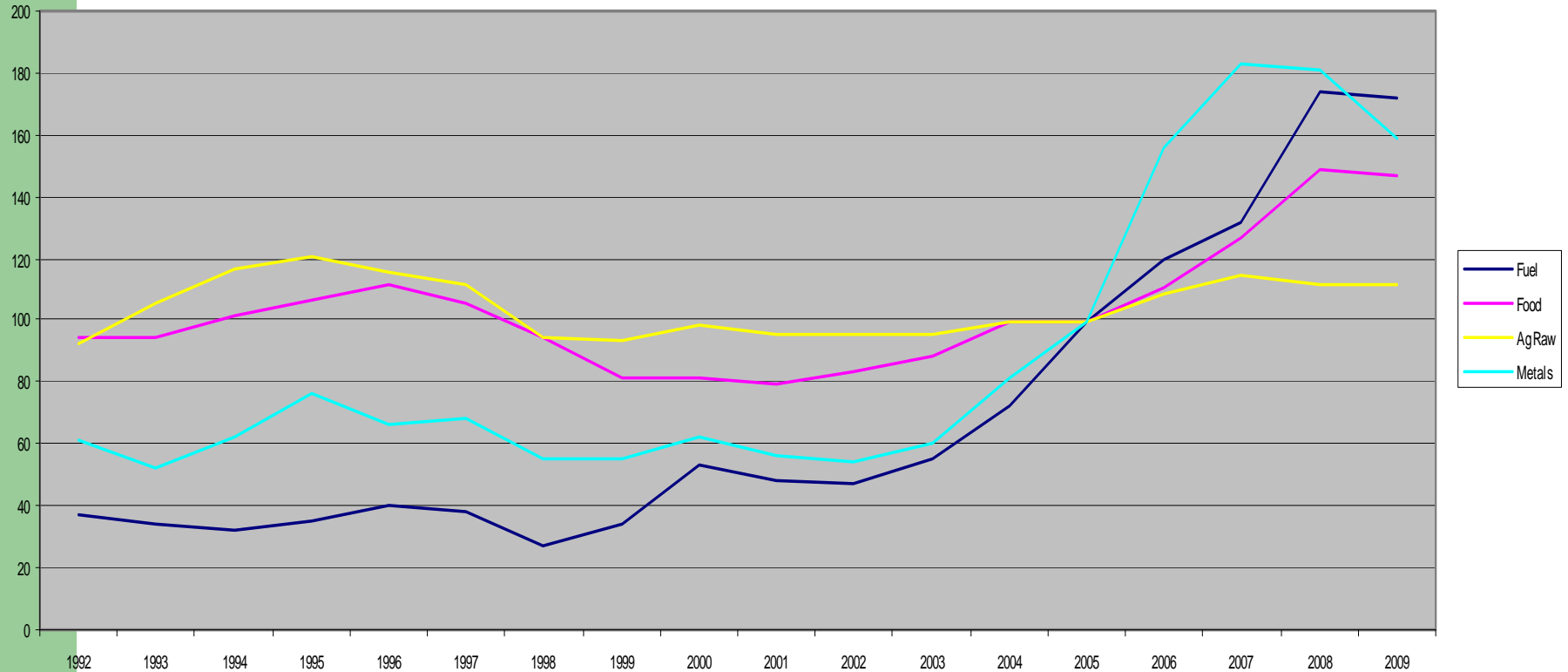


How About the Developed Countries?



New Economy? Commodities booming

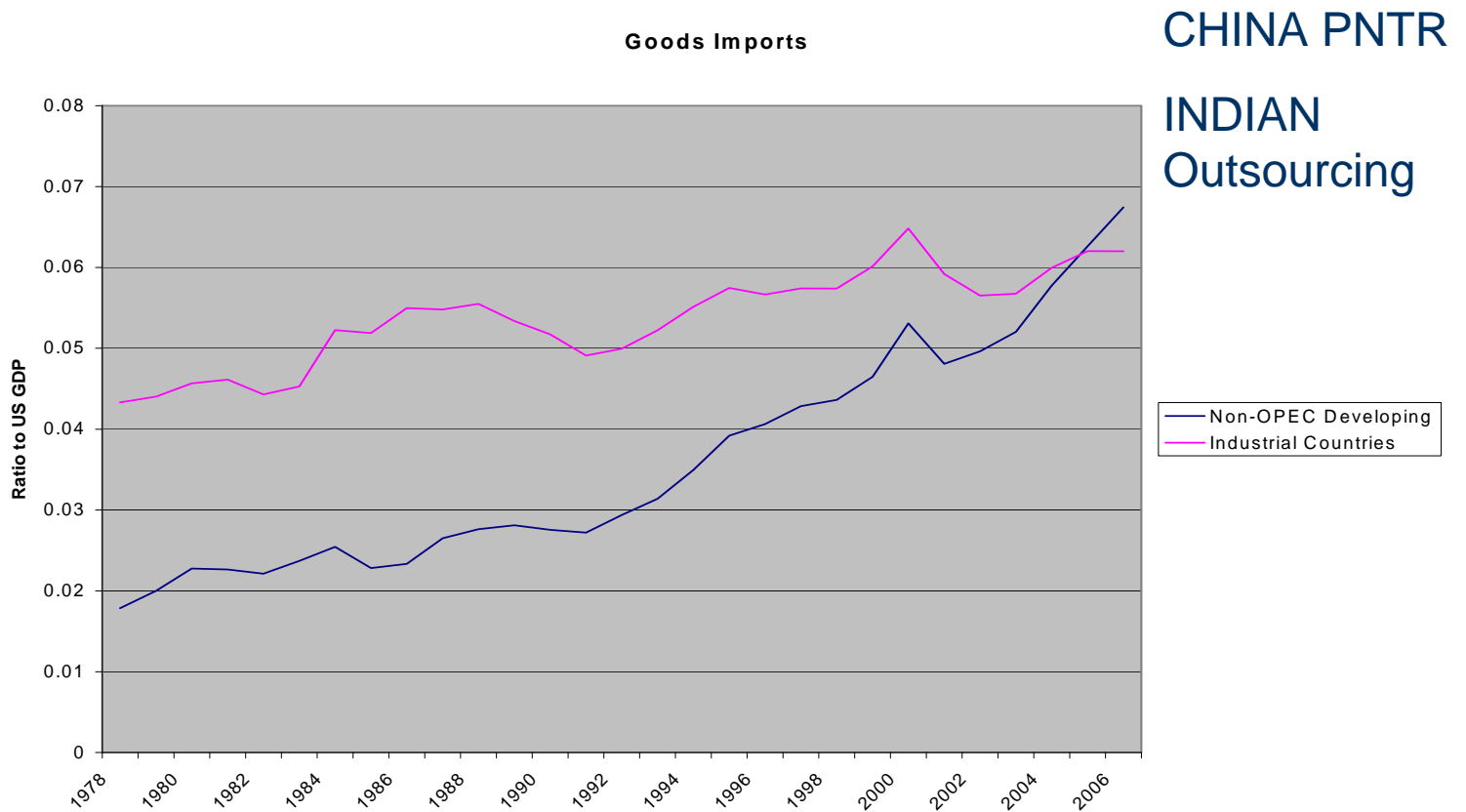
Commodity Prices 2005=100



Source: IMF

Imports from Developing Countries to the USA growing especially rapidly

TA 1995



Developed Countries and Globalization? Leading Economists Question if Developed Countries Benefit from Developing Country Growth

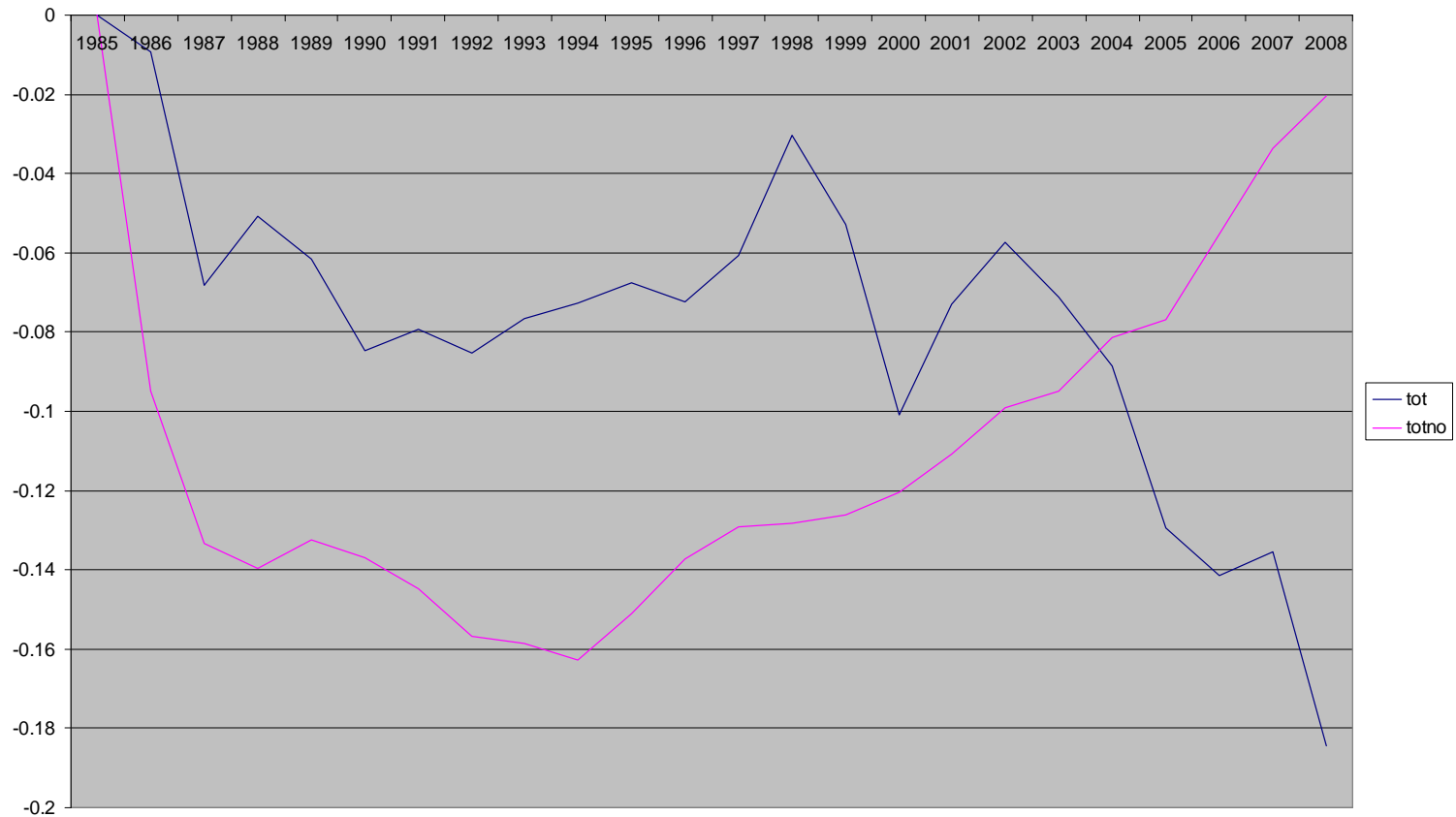
- the policy debate in the US, and probably in some other countries as well, will need to confront a deeper and broader issue: the gnawing suspicion of many that the very object of internationalist economic policy – the growing prosperity of the global economy – may not be in their interests.
- As Paul Samuelson pointed out several years ago, the valid proposition that trade barriers hurt an economy does not imply the corollary that it necessarily benefits from the economic success of its trading partners
- Lawrence Summers Financial Times April 27th

Is Trade to Blame? Americans Say Yes (Fortune Poll January 2008)

- Many economists, but not all, believe the U.S. economy is slowing down. Here are some reasons that some say are responsible for the slower economy. Tell me which in your view is the most important reason for the slowdown?
 - U.S. companies sending jobs to countries where labor is cheaper 28%
 - Higher prices at the gas pump and for other energy 28%
 - The slowdown in the housing market and problems people are having in paying their mortgages 24%
 - The economic competition that the U.S. is facing from foreign countries 8%
 - Just the usual business cycle, where the economy naturally goes up and down 7%
- As you may know, international trade has increased a great deal in recent years. Do you think that the growth in international trade has made things better or made things worse for...?
 - 1) For the United States as a whole
 - Made things better 28%
 - Made things worse 63%
 - Depends/neither 4%
 - No Answer/ Don't Know 5%

US Terms of Trade beside oil

Terms of Trade Total and Non-oil

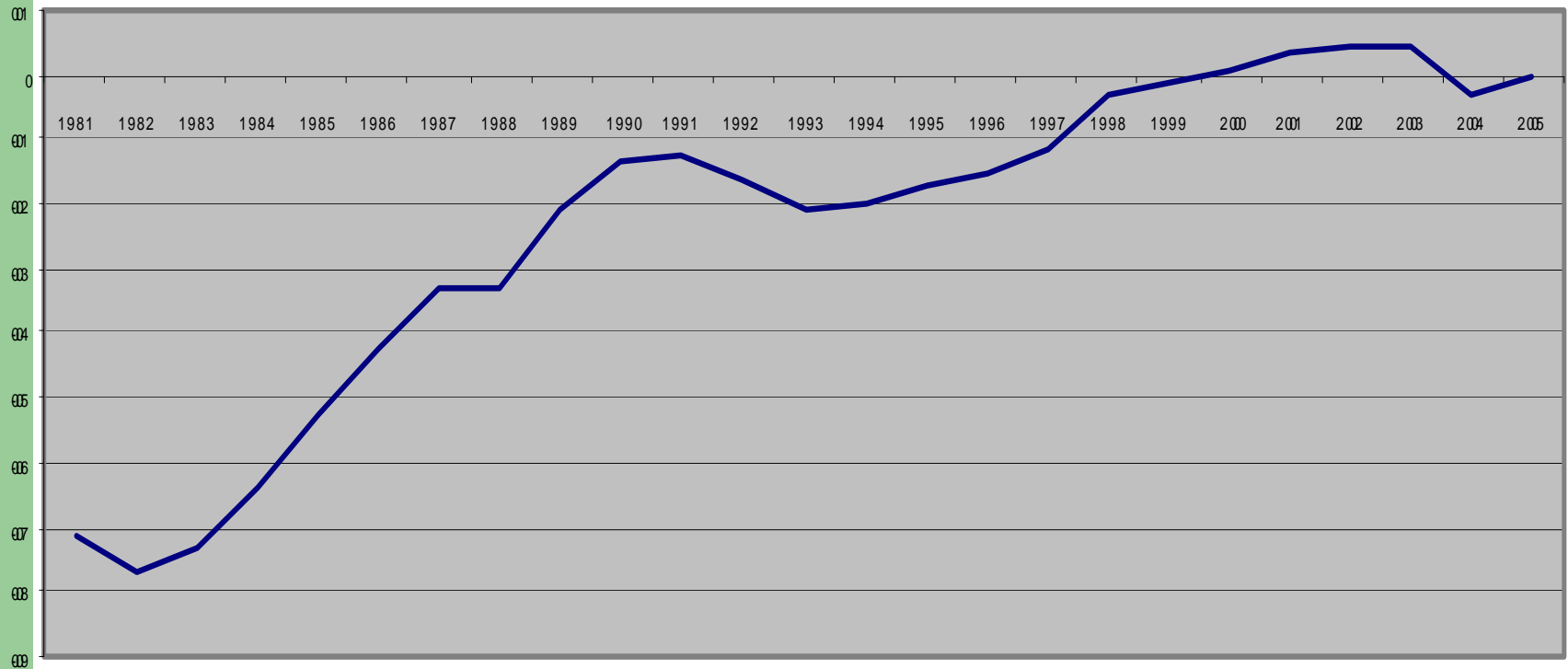


Is Trade to Blame for Recent Inequality?: Again Some Economists Agree

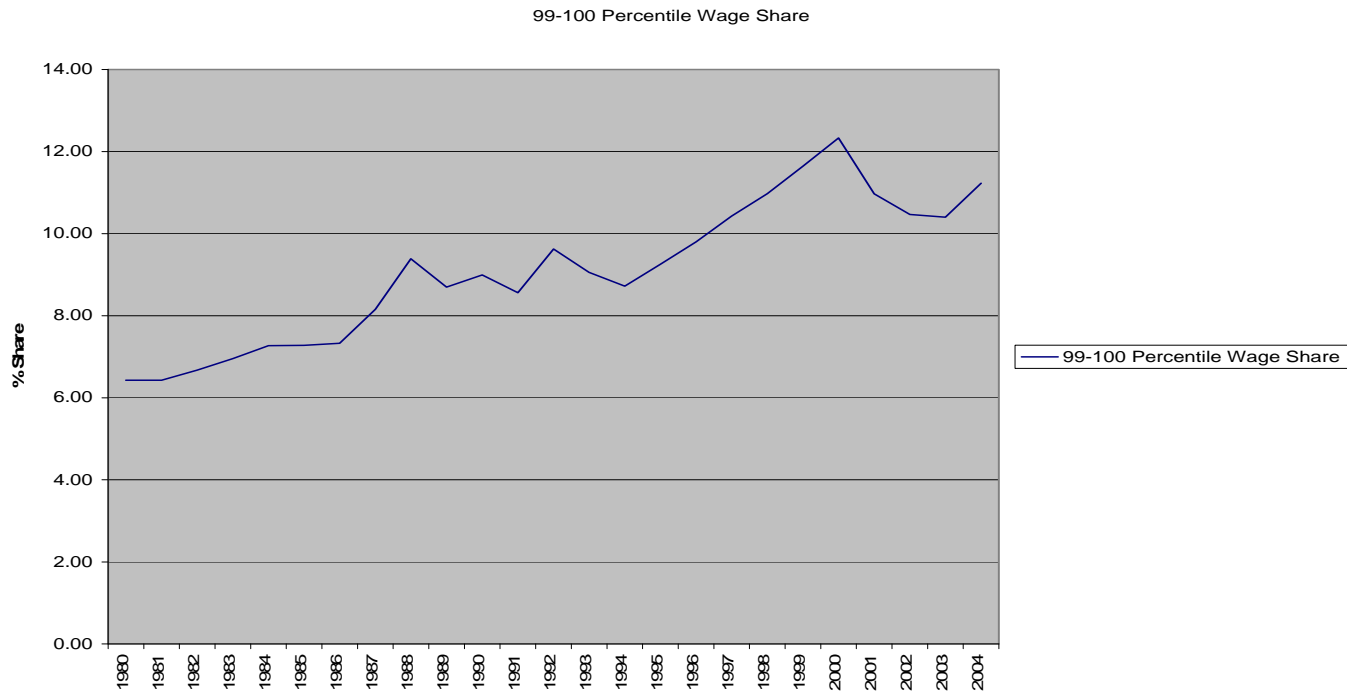
- "Its no longer safe to assert that trade's impact on the income distribution in wealthy countries is fairly minor. There's a case that it is big and getting bigger"“
- **Paul Krugman**
- Globalization hasn't exactly lived up to its win-win" billing. While the developing world has benefited from the first win, in the rich countries the spoils of the second win have gone mainly to the owners of capital." "The global labor arbitrage has put unrelenting pressure on employment and real wages in the high-cost developed world"
- **Stephen S. Roach,**
- **Morgan Stanley Research Global December 2006.**

Ratio of White to Blue Collar Compensation: Stopped Rising!

Ratio of White to Blue Collar ECI Compensation



The US Super-Rich become even Richer! And do it through "wage increases"



Source: Saez and Pikerty

**Is there any wonder the Doha Round at
an impasse**



Why did developing countries do so well?

- Commodity Prices.
- Capital Inflows.
- Export-Led Growth.
- Domestic Reforms and Internal Dynamic Processes?

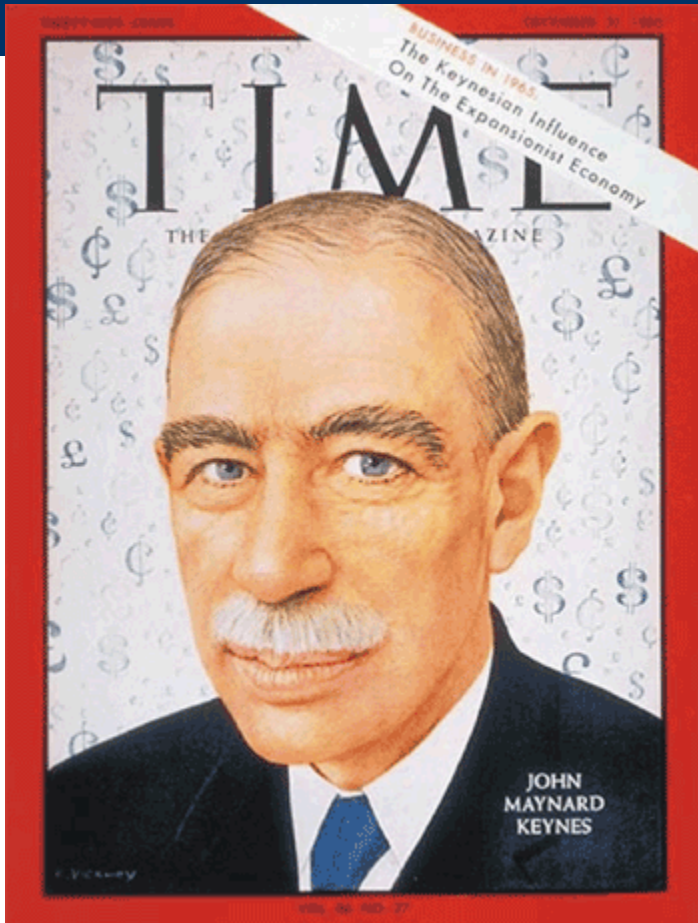
Global Crisis: End of an Era (2000-2008)

- Developing Countries were major beneficiaries of:
 - Booming Commodity Prices.
 - Underpricing of Risk.
 - Rapidly Growing Export Markets
- And some: undervalued exchange rates

Global Crisis: The need to temper self-interest

- Markets work well by harnessing self-interest under normal conditions.
- But such behavior can be destructive under abnormal conditions.

The Paradox of Thrift



- Under depression conditions efforts by individuals to save can depress income and result in less total savings.

The Current Crisis: Vicious Circles.

- As their houses decline in value, homeowners stop paying their mortgages and the markets for assets and institutions predicated on such payments have seized up.
- As their wealth plummets because of falling equity and housing prices, consumers are rationally reducing their spending;
- as their loans become increasingly troubled, banks cut back on their new lending;
- as credit becomes more difficult to obtain and the outlook shrouded with uncertainty, firms postpone and cancel their investment decisions,
- as revenues fall, state and local governments, most of whom are obliged to balance their budgets, cut back their spending.
- And the effects also cumulate globally: There is a flight to safety. Capital has moved especially rapidly out of emerging markets and back to the US and Japan.
- As they intervene in their individual economies, countries try to keep demand at home.

The Crisis will impact Africa

- Slower growth in export markets.
- Reduced commodity prices (still above trend)
- Fewer Remittances.
- Reduced capital inflows and possibly aid
- IMF growth (2008 5.25) in 2009: Marked down to 3.25 percent 3 less than in October.
- Current account widen by 4 percent of GDP to a deficit of 6.75 percent

SA has potential resilience

- Infrastructure Spending.
- Declining inflation.
- Weak Rand.
- World Cup.
- Fiscal strength and potential for stimulus.

But also weakness

- Current account deficit: expansion already was unsustainable.
- Election uncertainty.