

The Impact of the Economic Crisis on Trade

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UNITAR Seminar

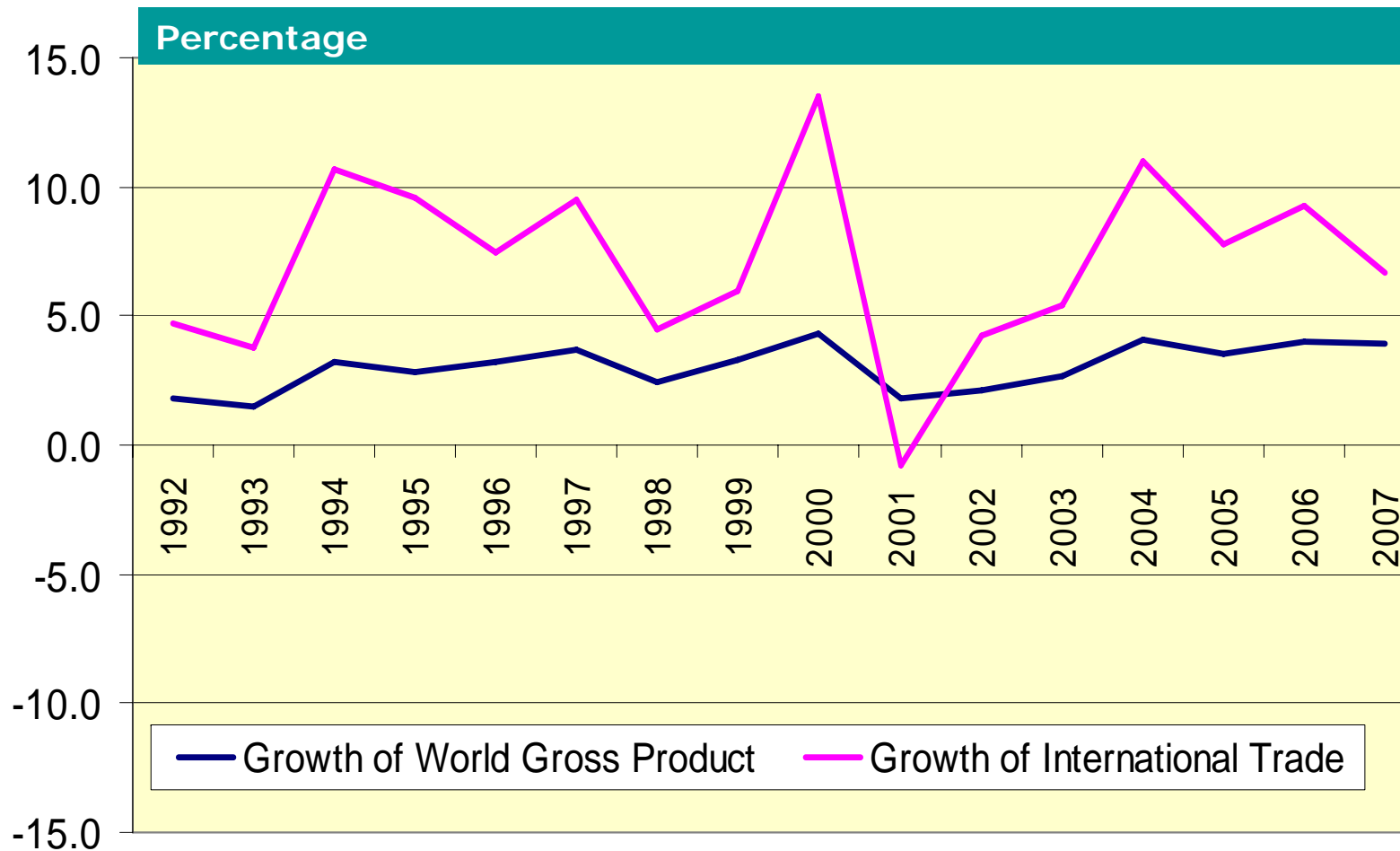
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Outline

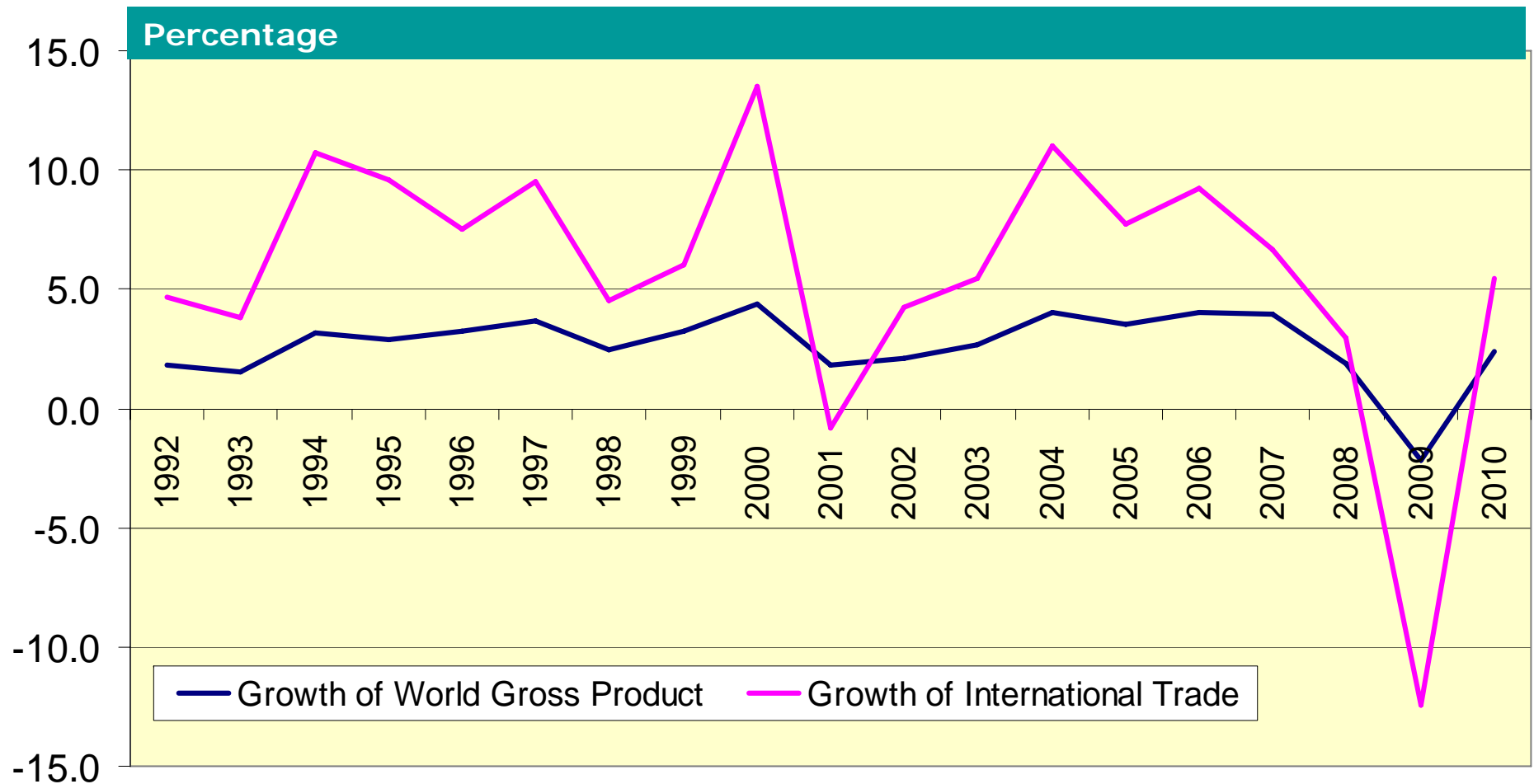
- Trade and economic growth patterns
 - Main factors behind the recent decline of trade activity
 - Decomposition of trade shocks
 - Diversification matters
 - Conclusion
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Growth of World Gross Product and of International Trade



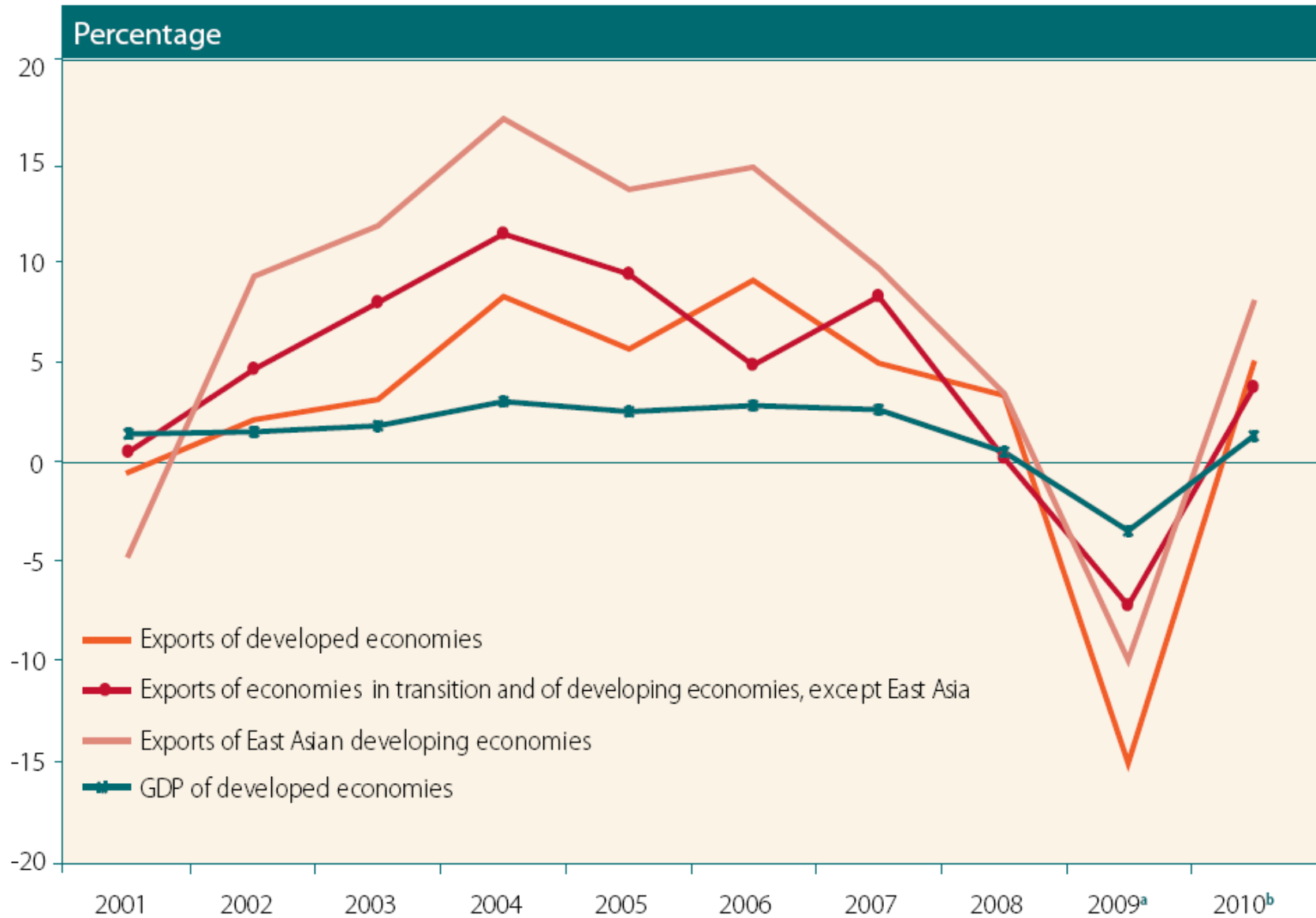
Source: UN-DESA, *WESP 2010*

Growth of World Gross Product and of International Trade



Source: UN-DESA, *WESP 2010*

Growth of GDP of developed economies and of exports per group of countries



How the crisis affected trade?

- ❑ Severe fall in global aggregate demand and its impact on commodity prices
 - ❑ Strain in global financial markets affecting credit flows and borrowing costs
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Other contributing factors

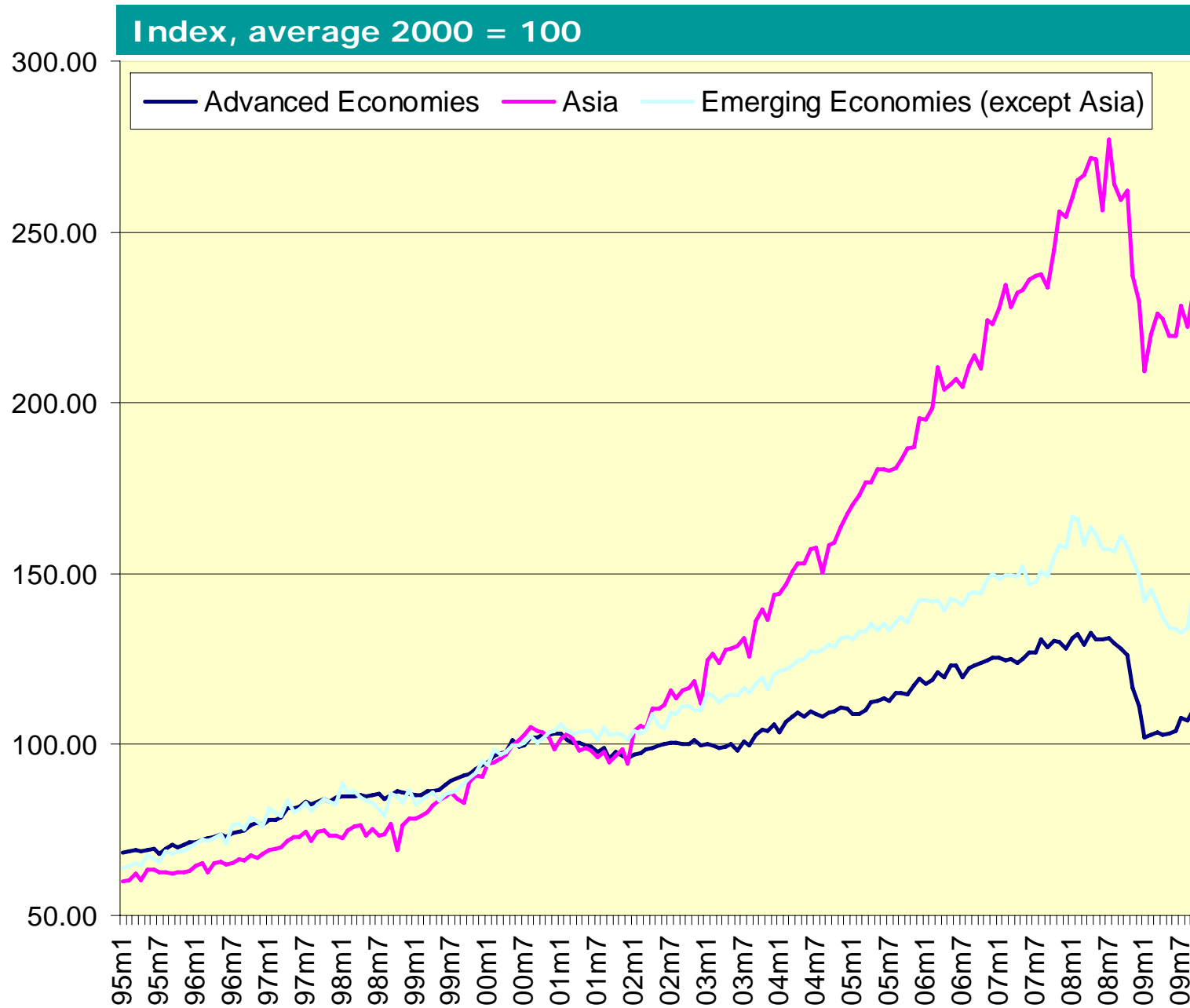
- Low-intensity protectionism in response to the crisis
 - Uncertainty and speculation
 - Inventory cycles
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Trade shocks

□ Export volume → Demand

□ Export price
□ Import price } → Terms-of-trade

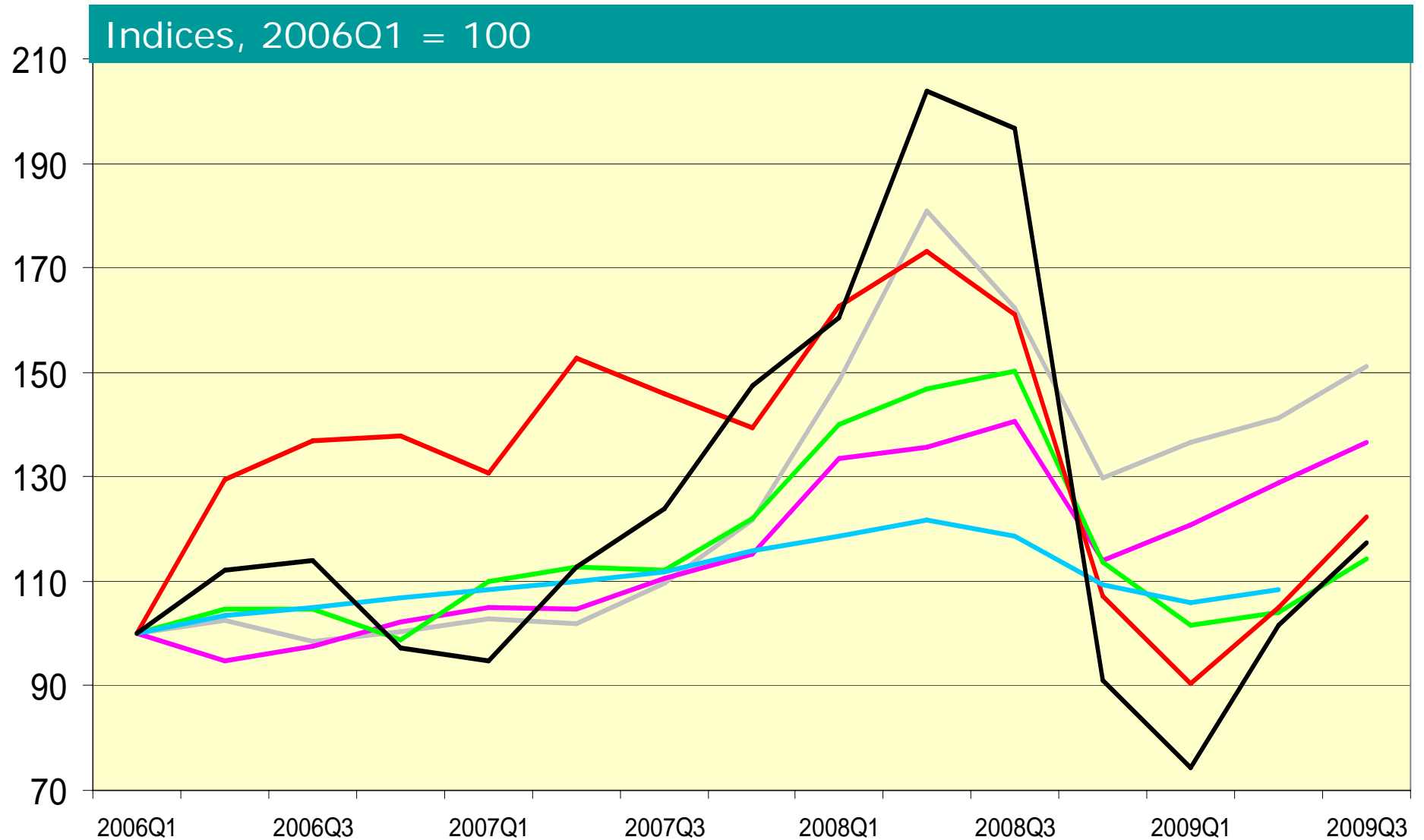
Monthly merchandise trade (volume)



Export volume shock per “region”

Percentage of gross domestic product		
		<i>Demand shock: change in export volume</i>
World	2008	0.5
	2009	-3.5
Developed economies	2008	0.2
	2009	-3.5
United States of America	2008	0.5
	2009	-1.3
Japan	2008	0.1
	2009	-4.4
EU-15	2008	-0.2
	2009	-4.4
Economies in transition	2008	2.3
	2009	-5.1
Developing countries	2008	2.1
	2009	-3.3
Africa	2008	2.1
	2009	-2.2
East and South Asia	2008	2.9
	2009	-4.2
Western Asia	2008	3.4
	2009	-3.3
Latin America and the Caribbean	2008	-0.4
	2009	-1.7
Least developed countries	2008	1.4
	2009	-1.6

Evolution of commodities prices

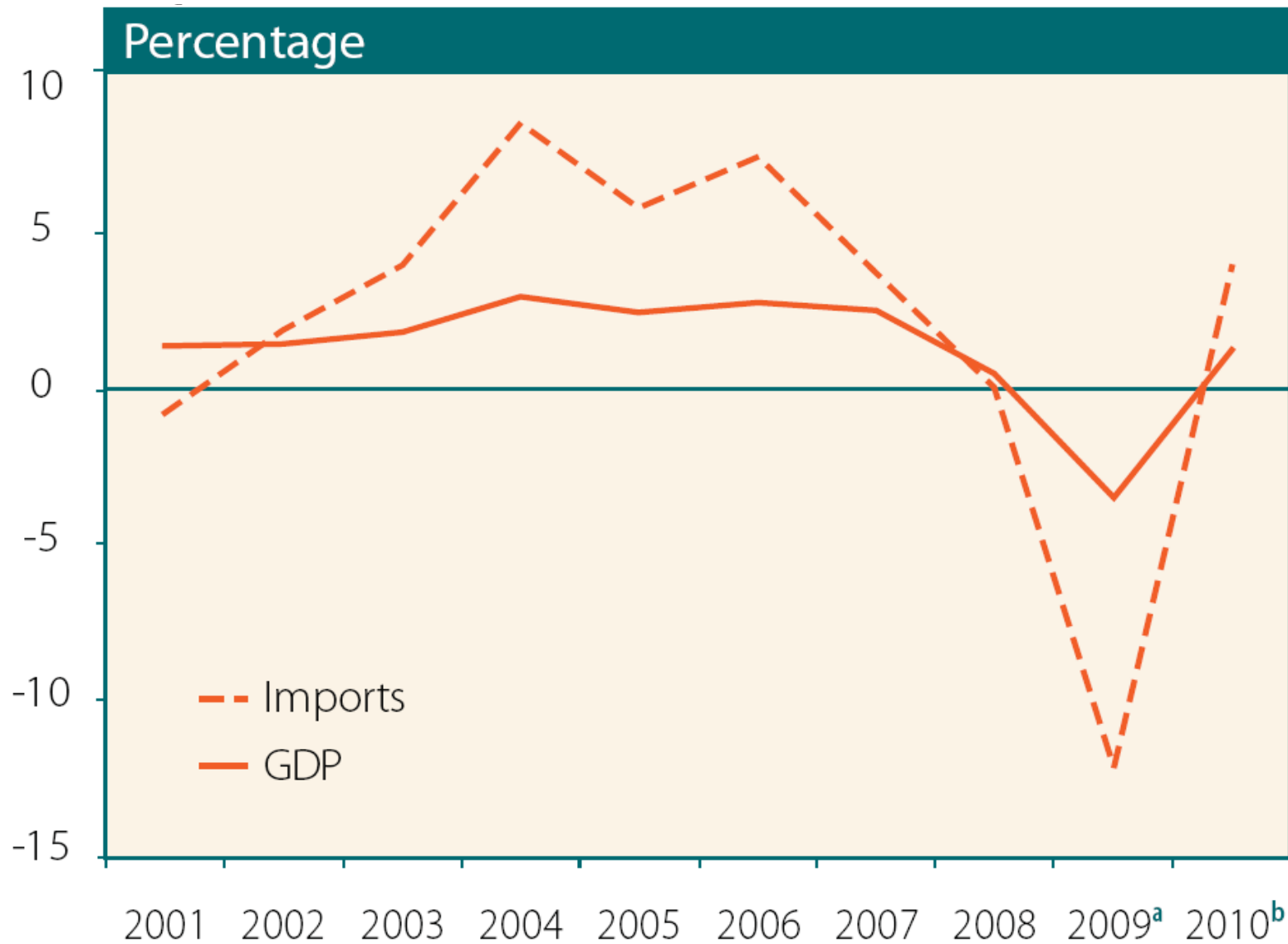


— Food — Tropical beverages — Agricultural raw materials
— Minerals and metals — Manufactured export prices — Crude petroleum

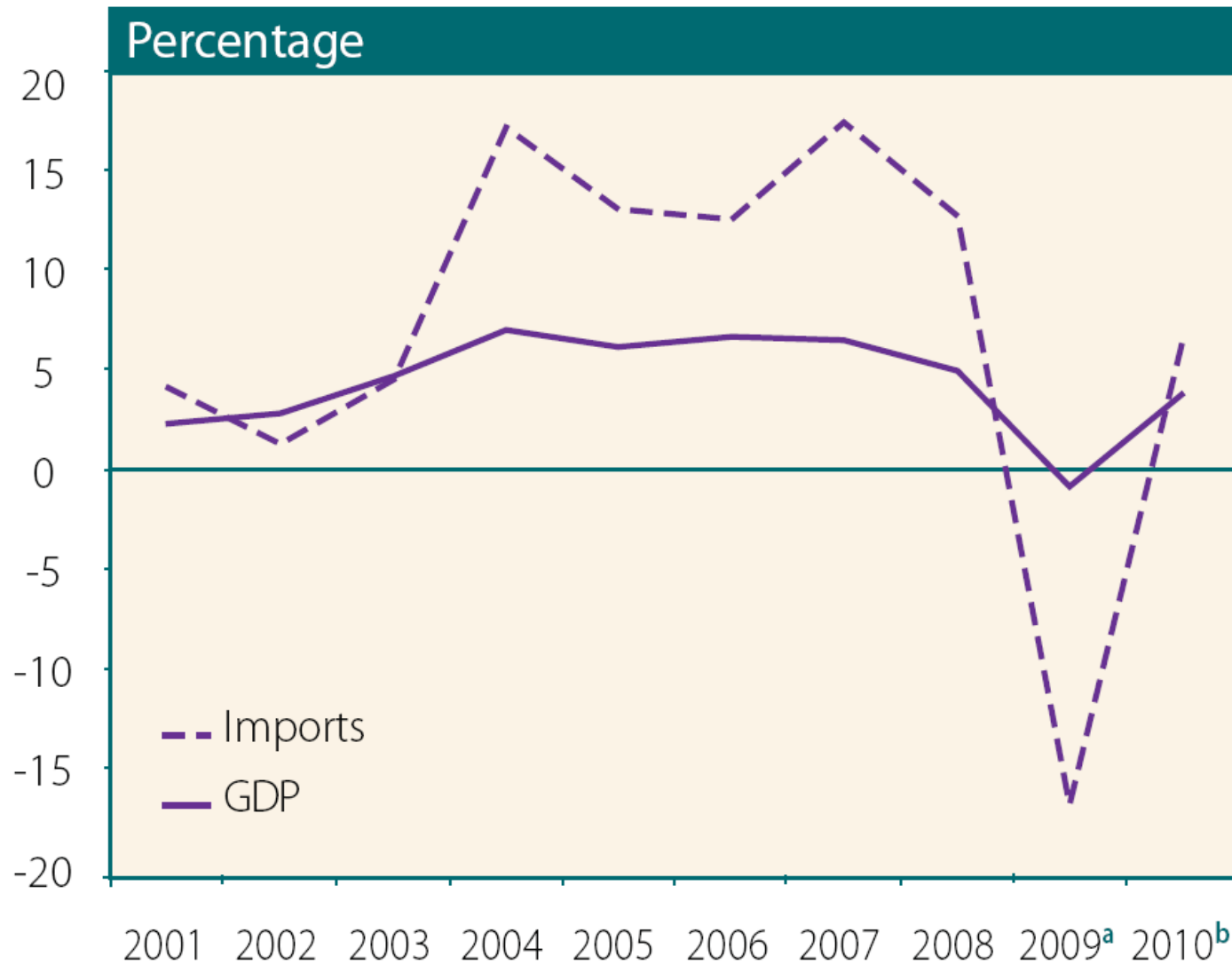
Demand and terms-of-trade shocks per country or “region”

Percentage of gross domestic product				
		<i>Demand shock: change in export volume</i>	<i>Terms-of-trade shock: net value change</i>	<i>Total trade shock</i>
World	2008	0.5	0.0	0.5
	2009	-3.5	0.0	-3.5
Developed economies	2008	0.2	-0.7	-0.5
	2009	-3.5	0.8	-2.7
United States of America	2008	0.5	-1.1	-0.6
	2009	-1.3	1.2	-0.1
Japan	2008	0.1	-1.3	-1.2
	2009	-4.4	1.5	-2.9
EU-15	2008	-0.2	-0.6	-0.8
	2009	-4.4	0.7	-3.7
Economies in transition	2008	2.3	4.7	7.0
	2009	-5.1	-5.7	-10.8
Developing countries	2008	2.1	1.1	3.2
	2009	-3.3	-1.1	-4.4
Africa	2008	2.1	2.9	5.0
	2009	-2.2	-3.3	-5.5
East and South Asia	2008	2.9	-0.6	2.3
	2009	-4.2	0.9	-3.3
Western Asia	2008	3.4	7.7	11.1
	2009	-3.3	-8.8	-12.2
Latin America and the Caribbean	2008	-0.4	1.0	0.7
	2009	-1.7	-0.6	-2.3
Least developed countries	2008	1.4	-2.1	-0.7
	2009	-1.6	1.3	-0.2

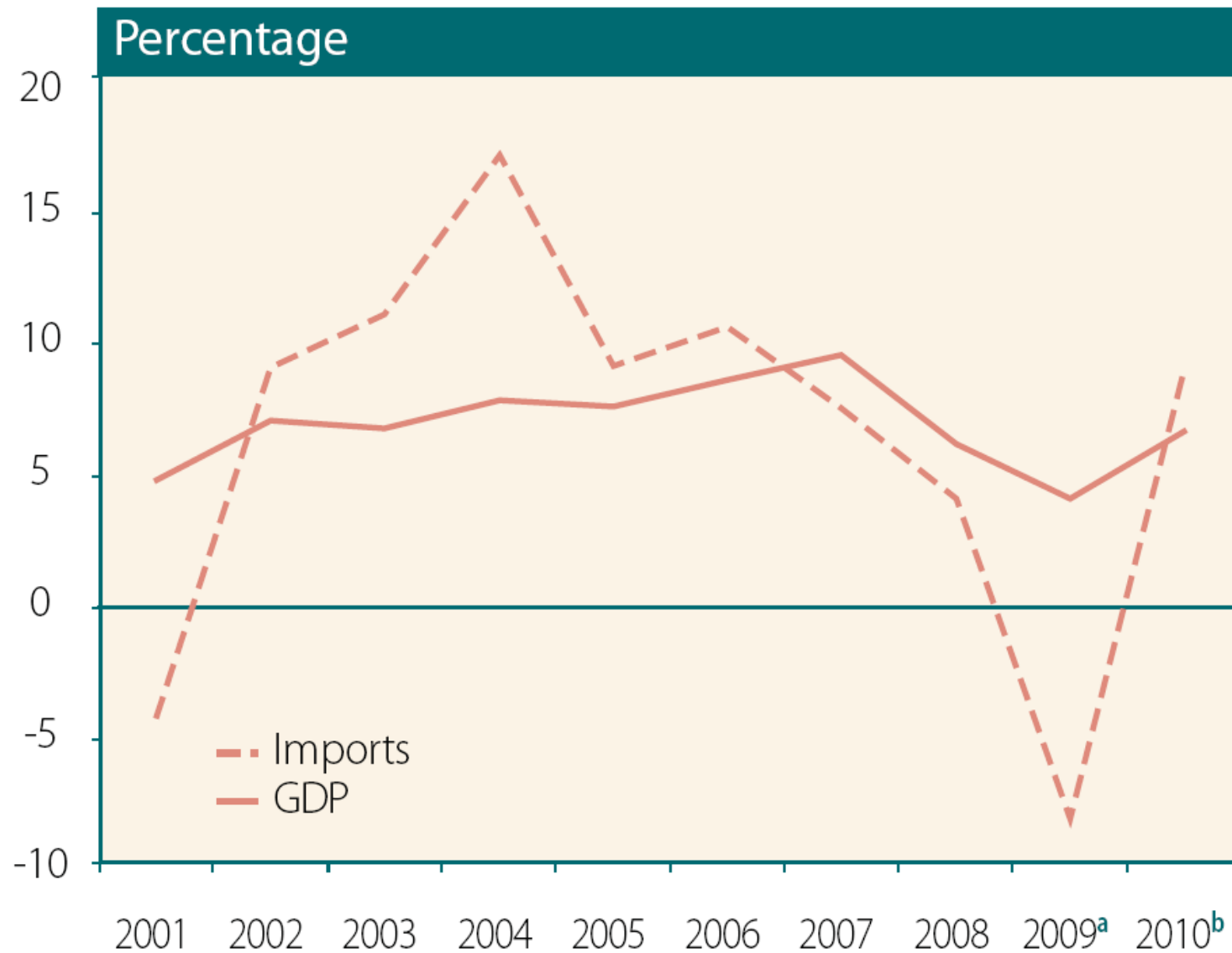
Growth of gross domestic product and import volume: *developed economies*



Growth of gross domestic product and import volume: *economies in transition and developing economies (excluding East Asia)*



Growth of gross domestic product and import volume: *East Asian developing economies*



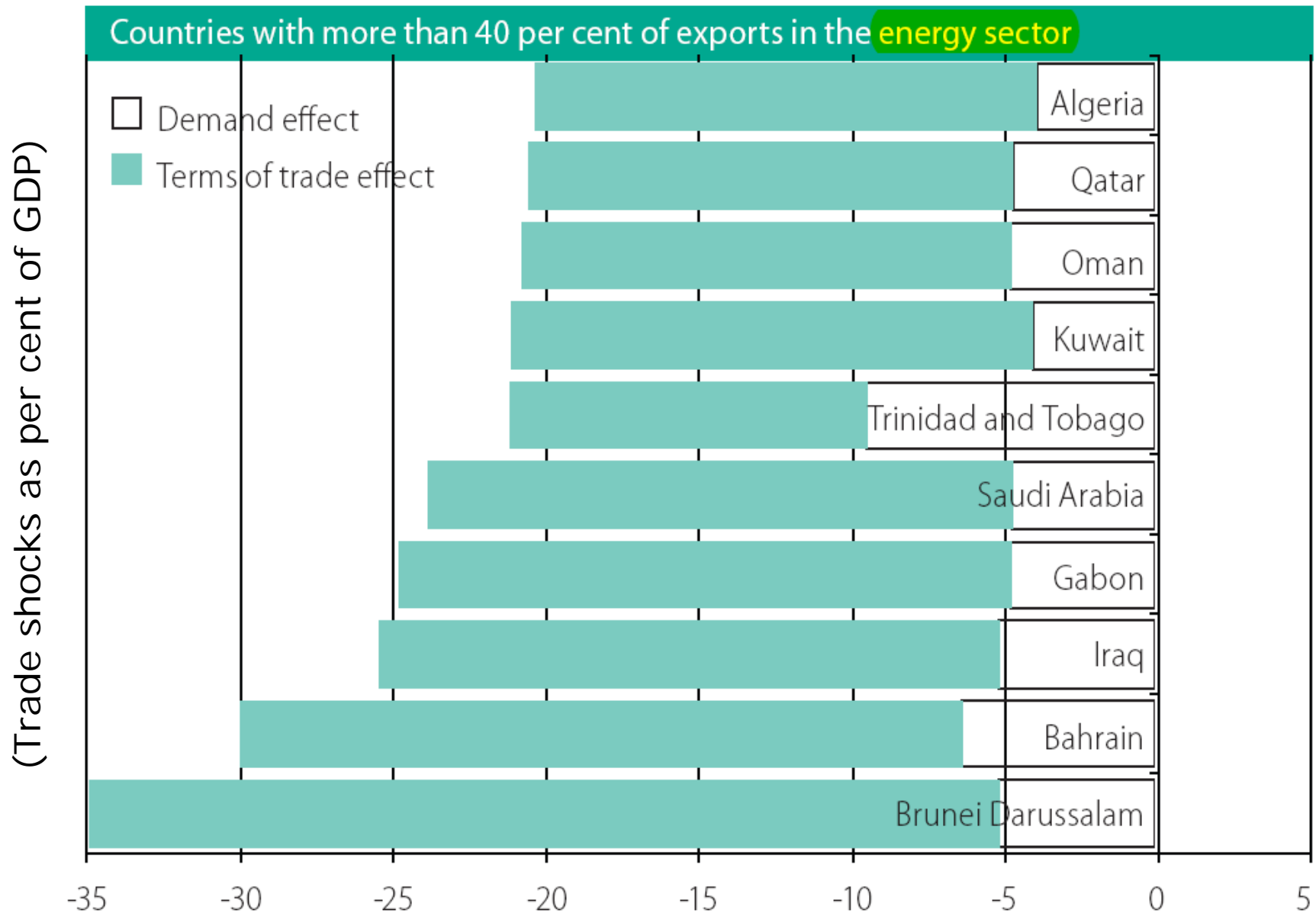
Trade shocks and changes in trade balances per country or “region”

Percentage of gross domestic product						
		<i>Demand shock: change in export volume</i>	<i>Terms-of-trade shock: net value change</i>	<i>Total trade shock</i>	<i>Change in import volume</i>	<i>Total change in trade balance</i>
World	2008	0.5	0.0	0.5	0.5	0.0
	2009	-3.5	0.0	-3.5	-3.5	0.0
Developed economies	2008	0.2	-0.7	-0.5	-0.3	-0.1
	2009	-3.5	0.8	-2.7	-3.7	1.0
United States of America	2008	0.5	-1.1	-0.6	-0.5	-0.1
	2009	-1.3	1.2	-0.1	-2.6	2.5
Japan	2008	0.1	-1.3	-1.2	-0.1	-1.2
	2009	-4.4	1.5	-2.9	-2.1	-0.8
EU-15	2008	-0.2	-0.6	-0.8	-0.6	-0.2
	2009	-4.4	0.7	-3.7	-4.3	0.6
Economies in transition	2008	2.3	4.7	7.0	2.0	5.0
	2009	-5.1	-5.7	-10.8	-5.3	-5.5
Developing countries	2008	2.1	1.1	3.2	2.6	0.6
	2009	-3.3	-1.1	-4.4	-2.7	-1.7
Africa	2008	2.1	2.9	5.0	4.2	0.8
	2009	-2.2	-3.3	-5.5	-2.1	-3.4
East and South Asia	2008	2.9	-0.6	2.3	2.4	-0.1
	2009	-4.2	0.9	-3.3	-2.2	-1.1
Western Asia	2008	3.4	7.7	11.1	4.9	6.2
	2009	-3.3	-8.8	-12.2	-2.3	-9.9
Latin America and the Caribbean	2008	-0.4	1.0	0.7	1.4	-0.7
	2009	-1.7	-0.6	-2.3	-4.1	1.8
Least developed countries	2008	1.4	-2.1	-0.7	3.6	-4.3
	2009	-1.6	1.3	-0.2	-2.2	1.9

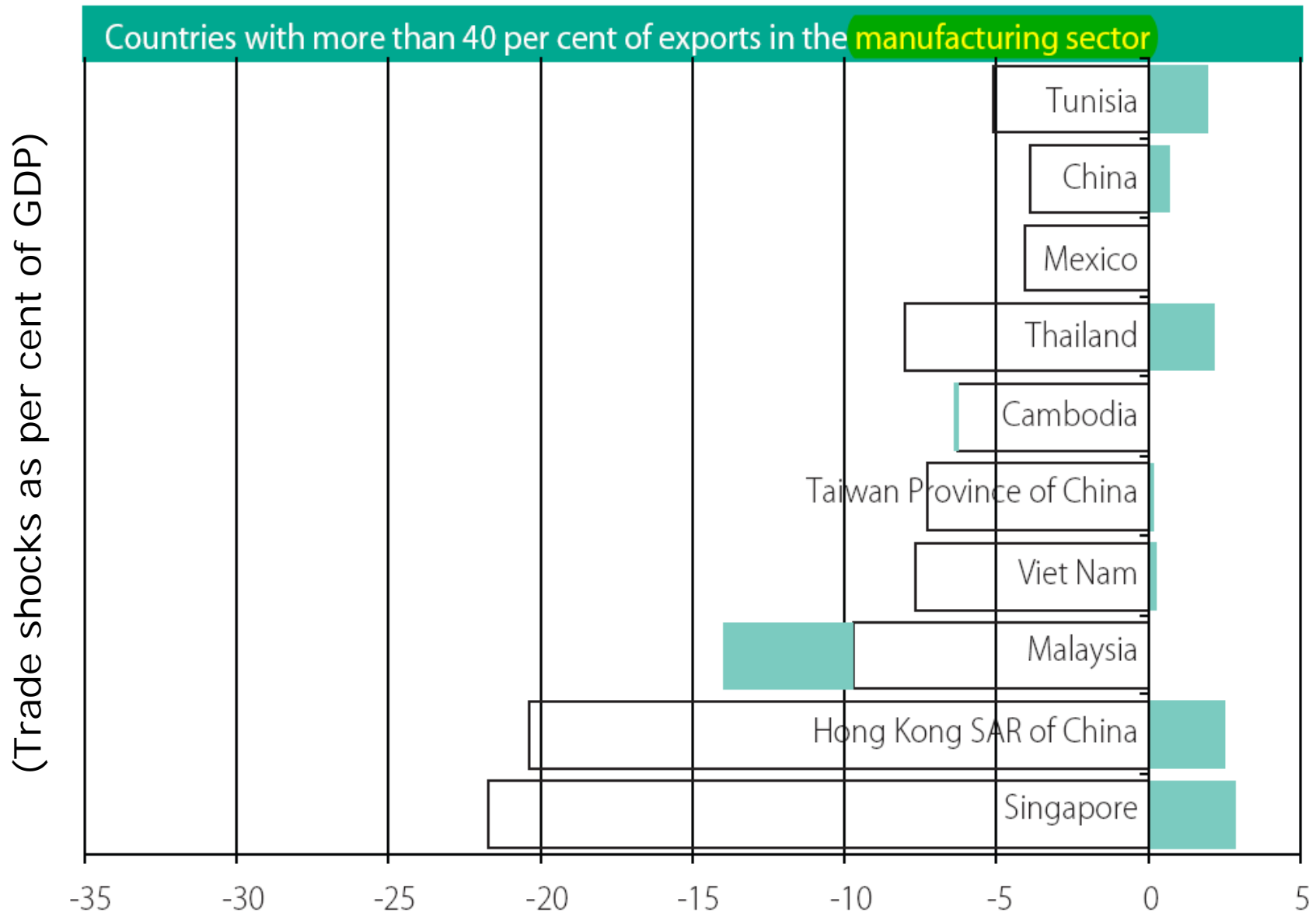
The degree of export specialization matters

- So far we know that demand and terms-of-trade combined led to dramatic regional shocks
 - Differences from country to country are explained by trade structure:
 - Trade Openness
 - Export/import specialization
 - Policy decisions
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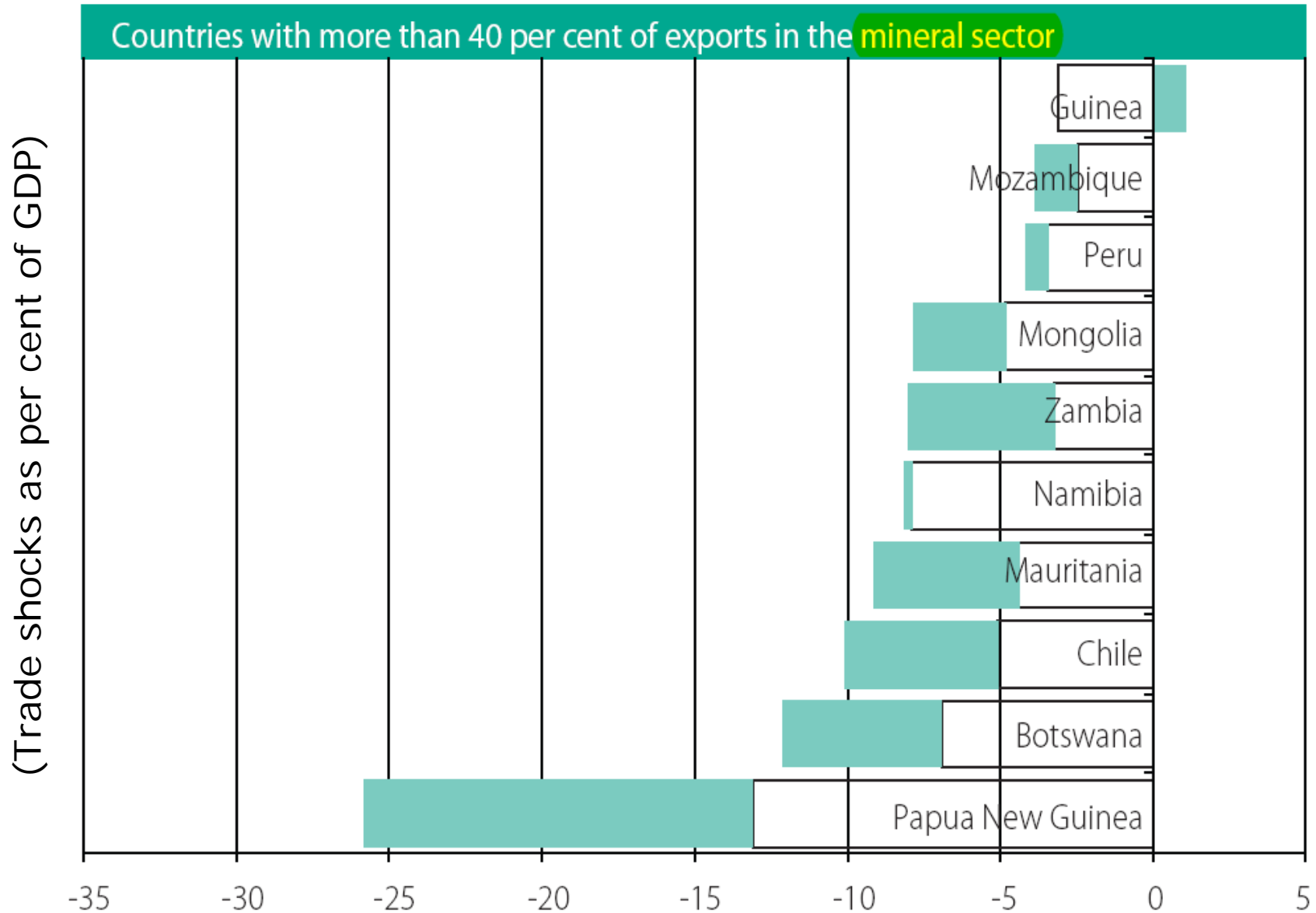
Most severely affected countries grouped by sector of export specialization:



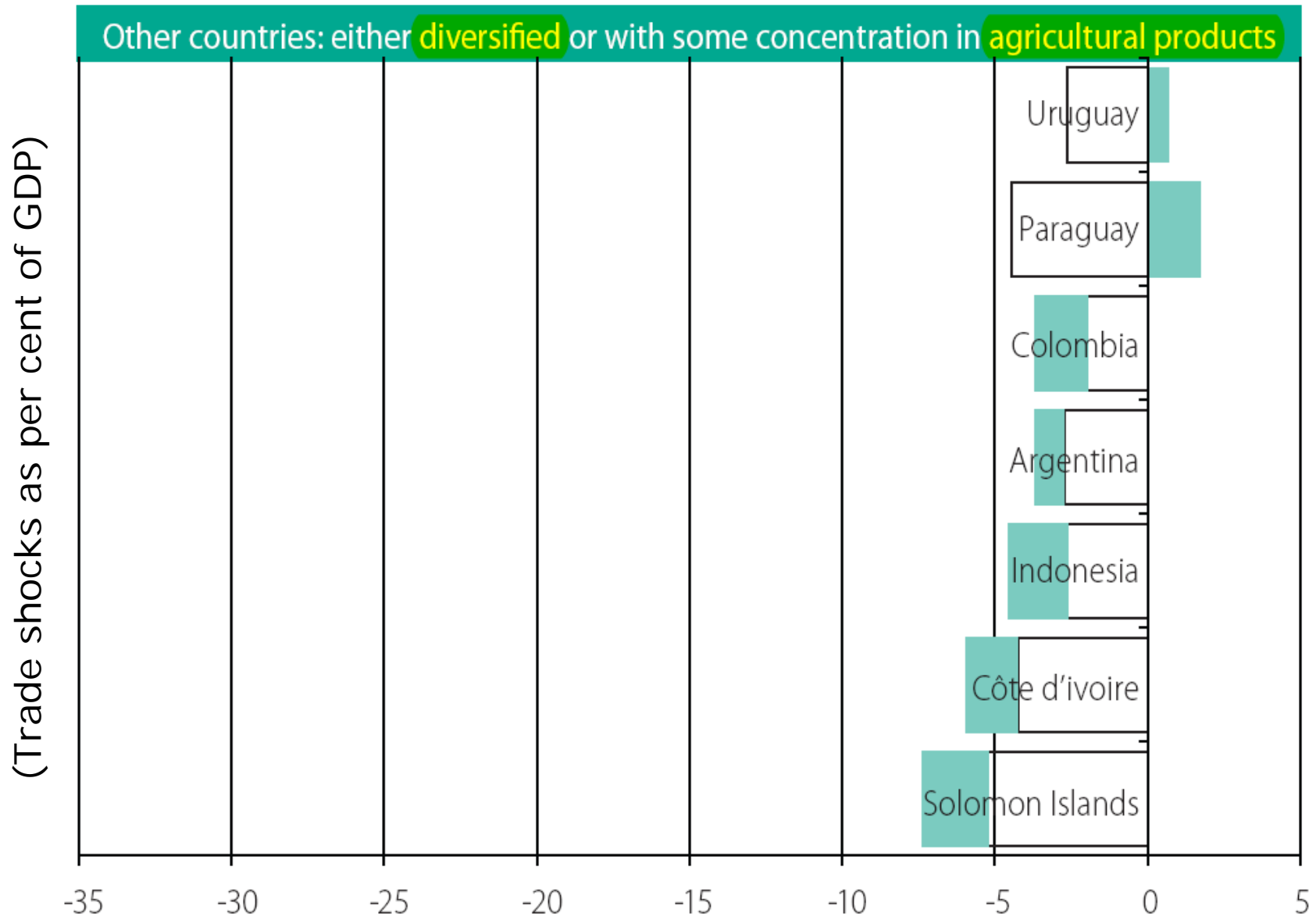
Most severely affected countries grouped by sector of export specialization:



Most severely affected countries grouped by sector of export specialization:



Most severely affected countries grouped by sector of export specialization:



Conclusion

- ❑ World economic performance matters for the evolution of trade
 - ❑ Trade is more volatile than GDP
 - ❑ Conversely, trade can have lasting effects on economic performance
 - ❑ Crisis are likely to become more global if trade growth continues at the current pace
 - ❑ Robust domestic demand and trade diversification may contribute to greater economic stability
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