

International trade and economic diversification: patterns and policies in the transition economies

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Paper prepared for the conference 'Strengthening integration of the economies in transition into the world economy through economic diversification'

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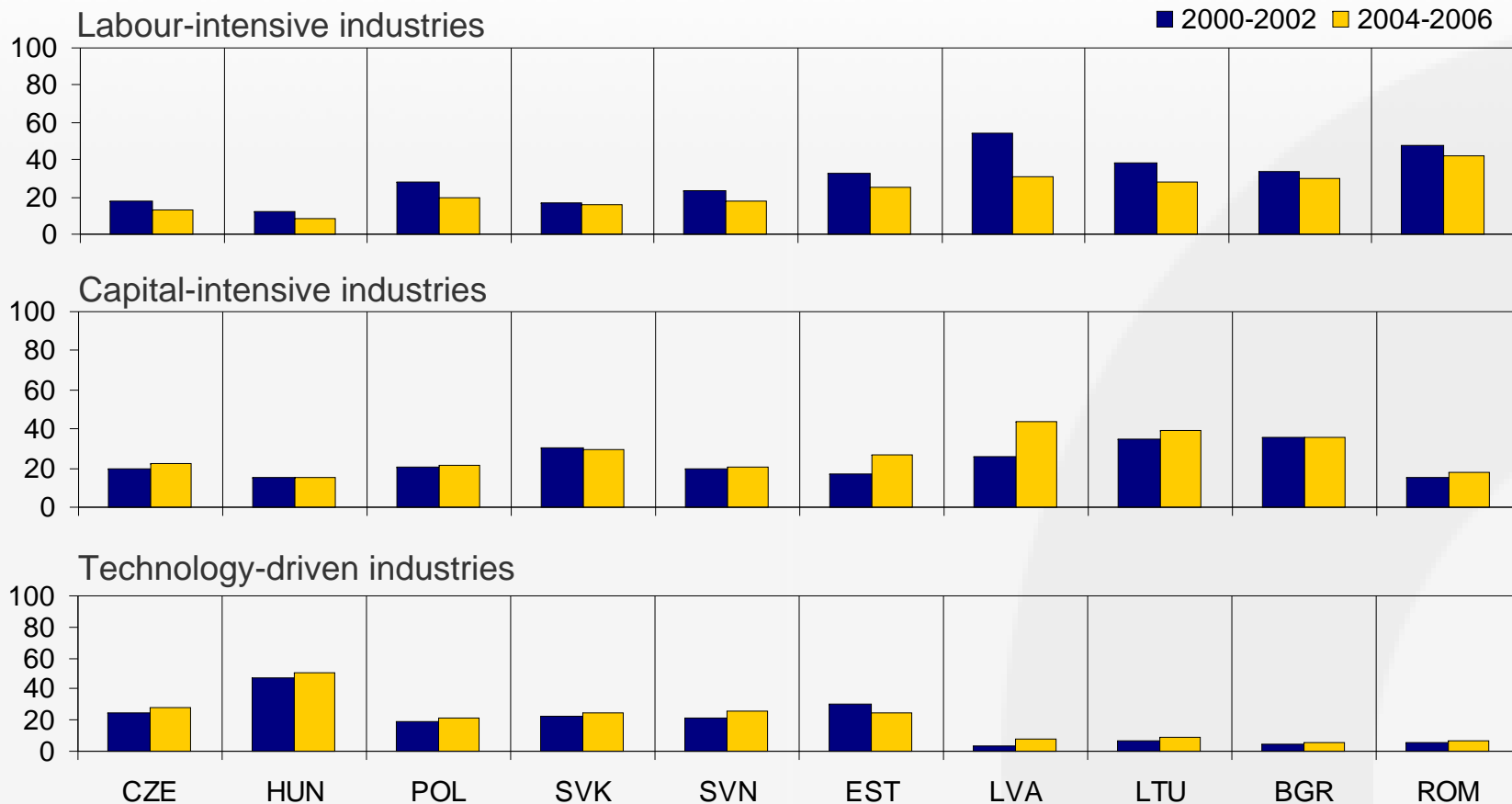
Topics to be covered

- Trade patterns of CEE and CIS transition economies
- Trade specialisation and export concentration
- Natural resource/commodity based trade specialisation
- Market orientation and differences in trade patterns
- Reform context and EU accession anchor affect trade specialisation and patterns of FDI
- The policy options: what have/can NMS and CIS pursue(d)?

Trade specialisation and export concentration: NMS and CIS

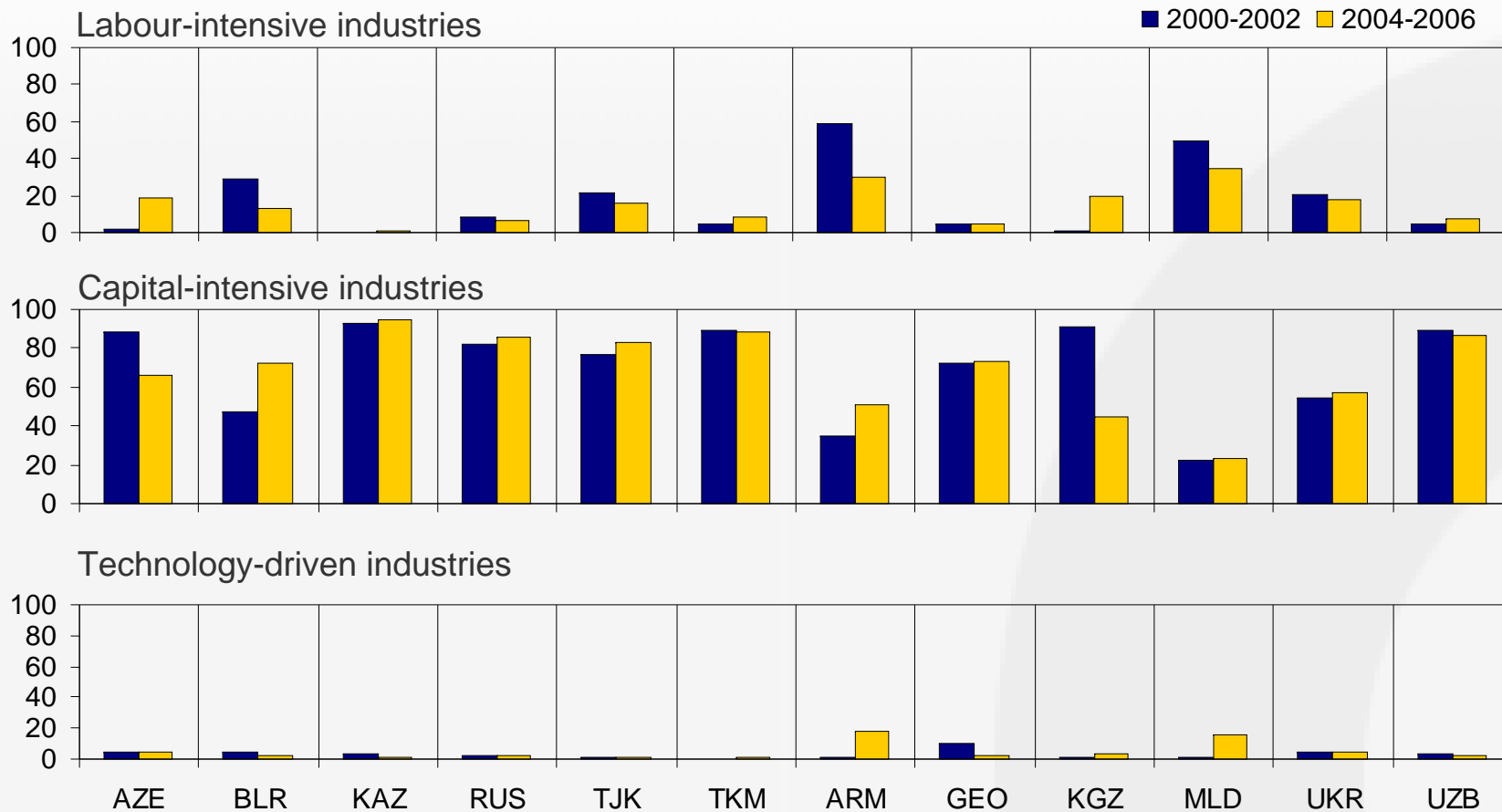
- Using two taxonomies by factor intensity and skill intensity
- By broad commodity groupings
- Export structures and RCAs
- Differences in export structures on different markets (EU-25, CIS, RoW)
- Concentration indicators

Exports of NMS to EU-25, 2000-02, 2004-06 by industry groupings, average shares



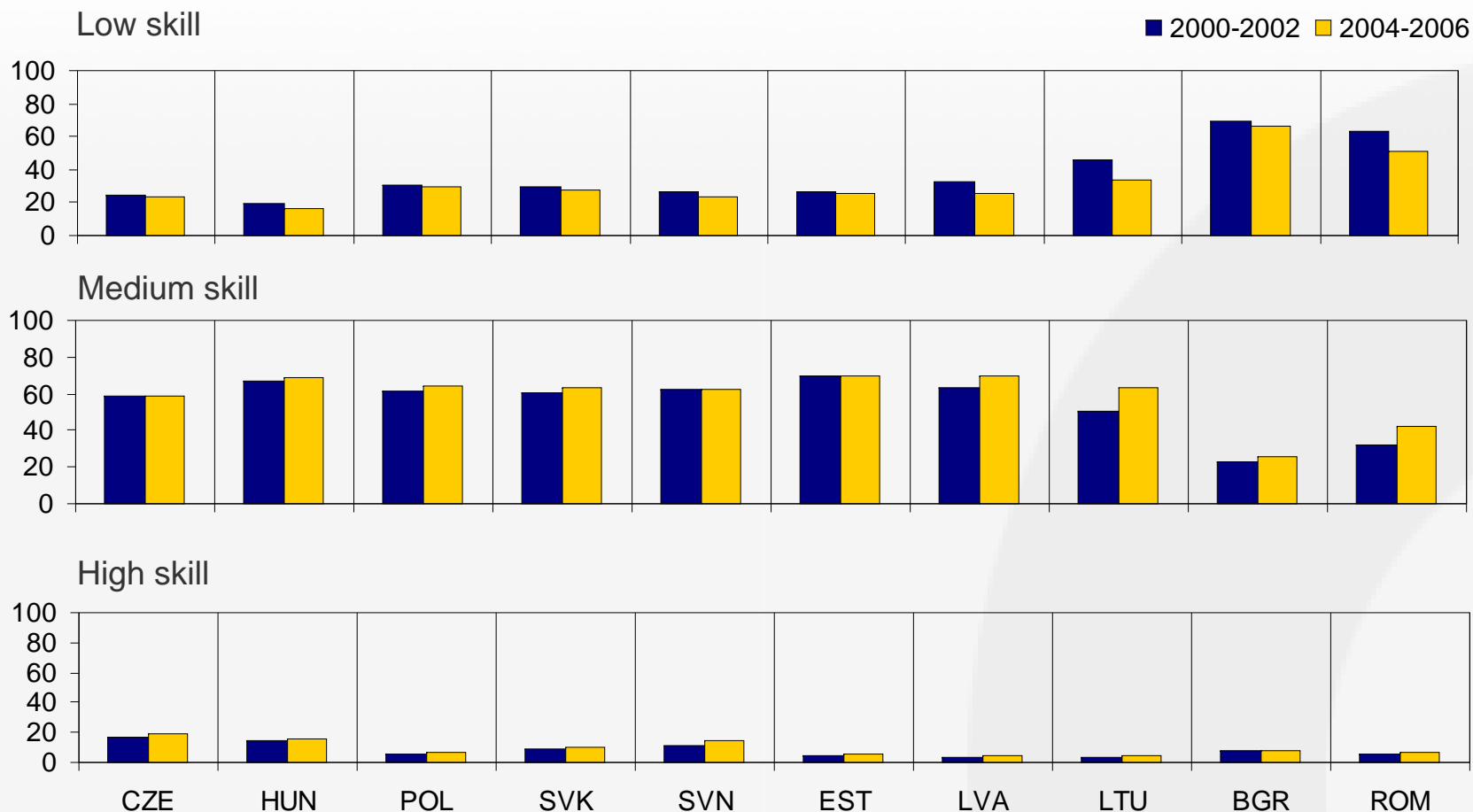
Source: COMEXT, wiiw calculations.

Exports of CIS to EU-25, 2000-02, 2004-06 by industry groupings, average shares



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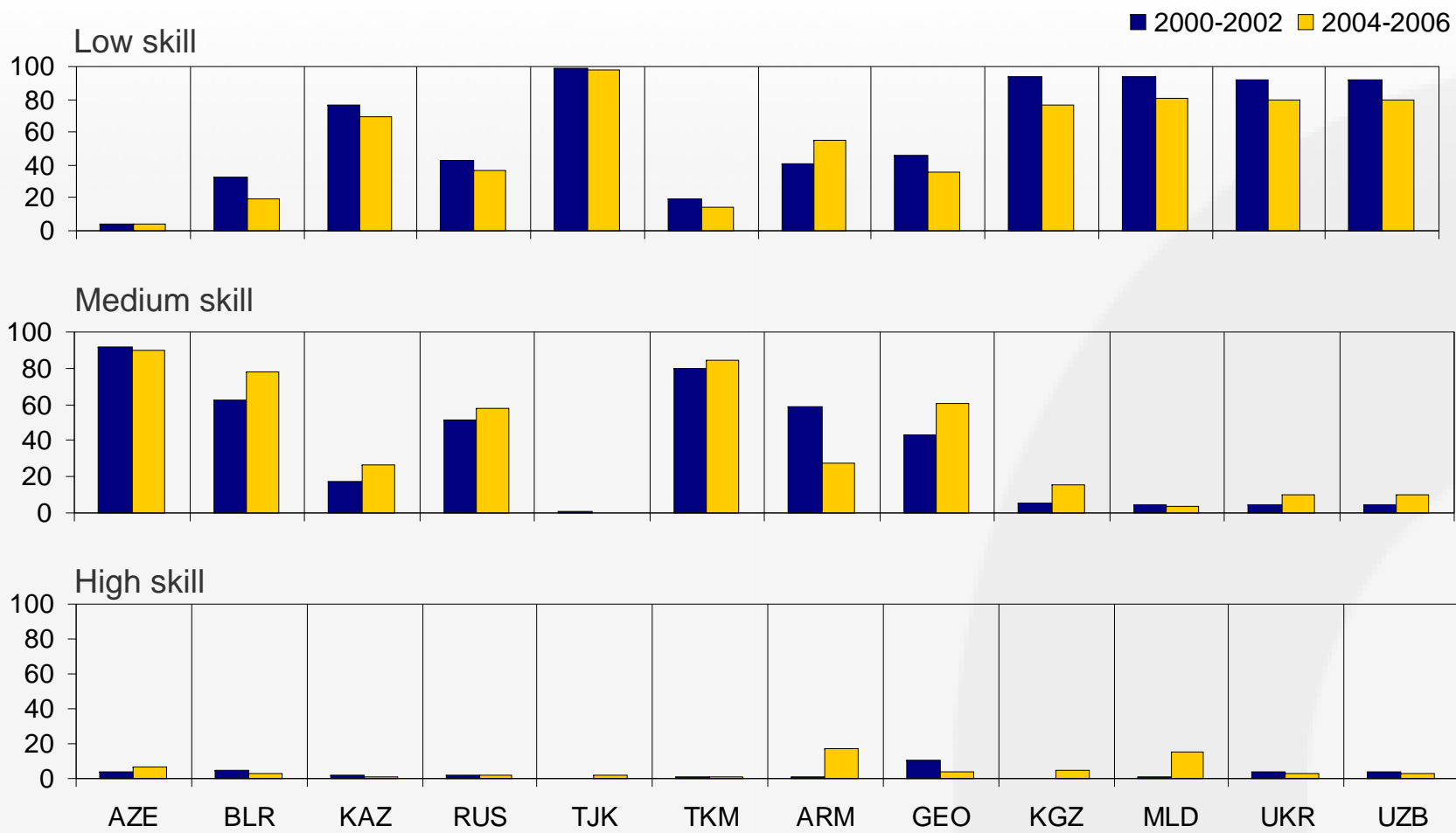
Exports of NMS to EU-25, 2000-02, 2004-06 by skill categories, average shares



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Export of CIS to EU-25, 2000-02, 2004-06

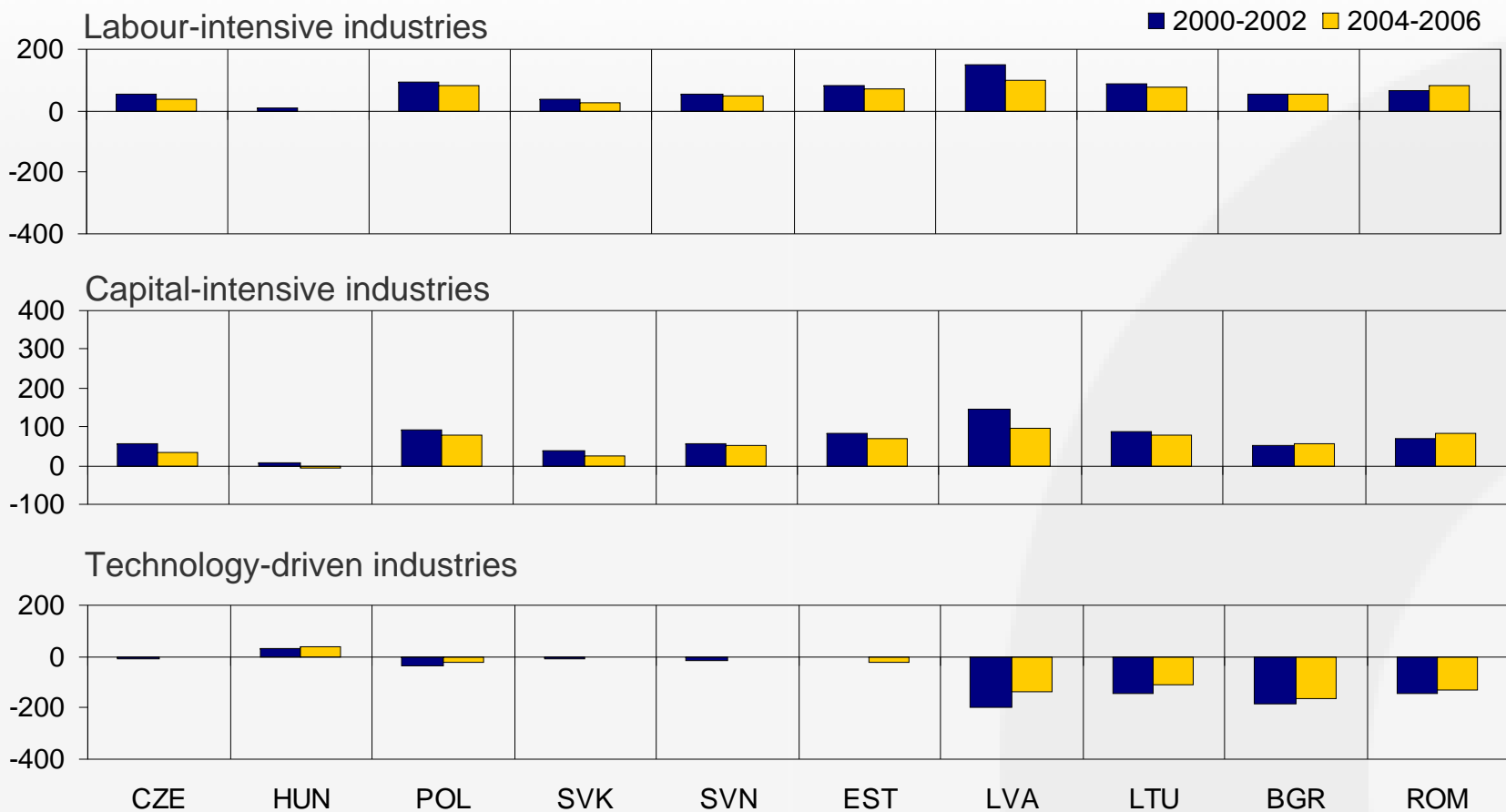
by skill categories, average shares



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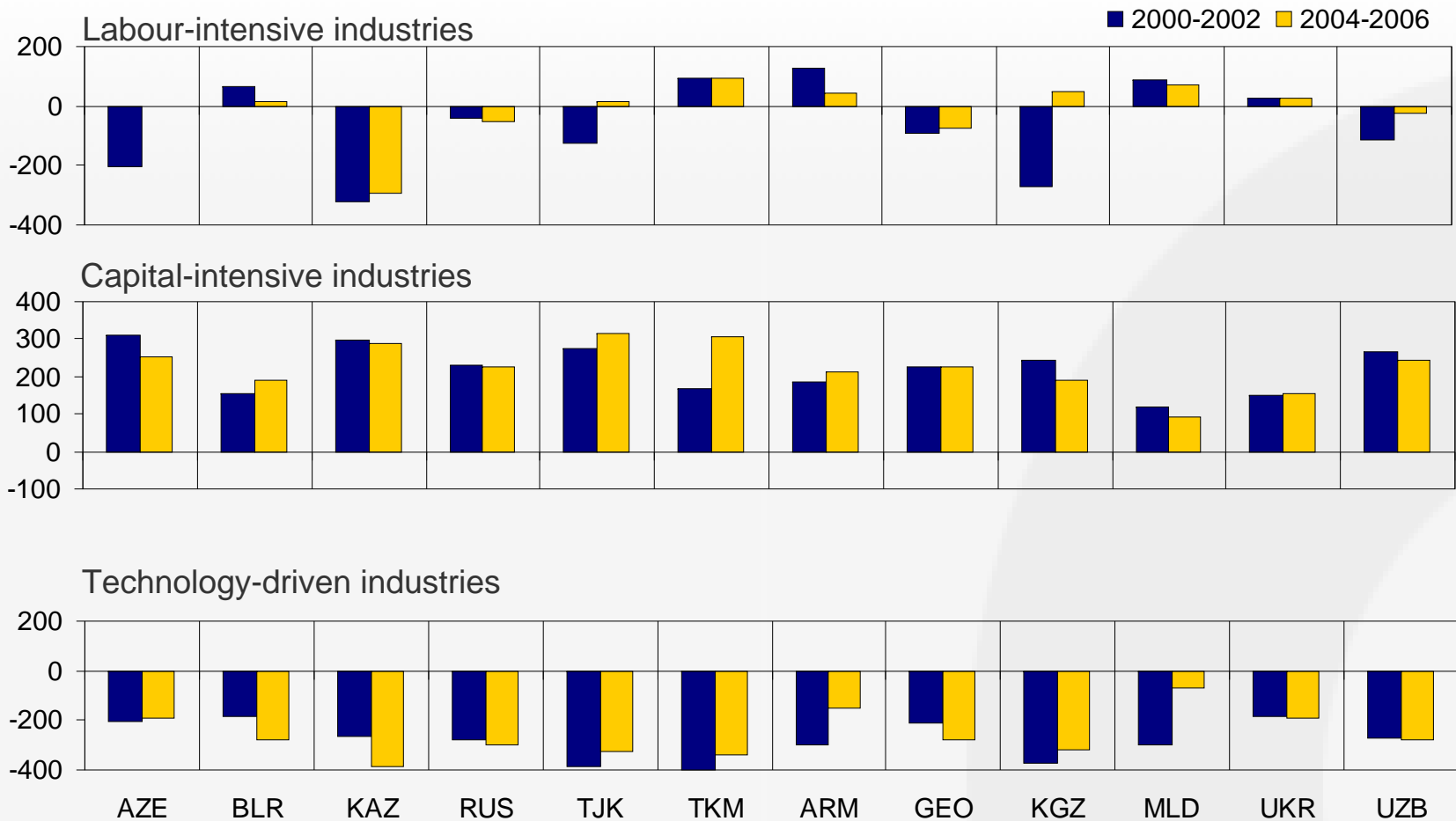
RCA of NMS with EU-25, 2000-02, 2004-06

by industry groupings, average shares



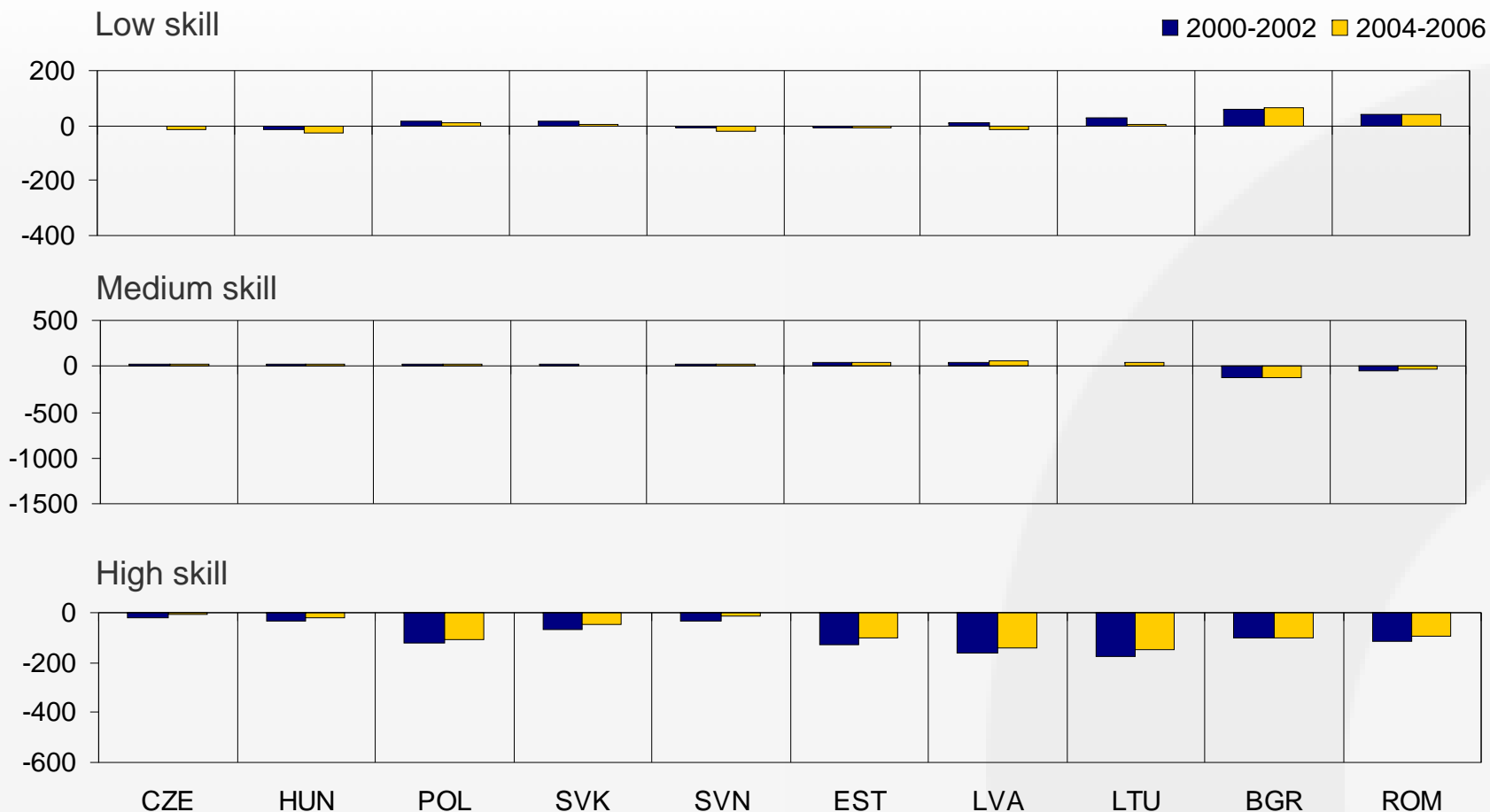
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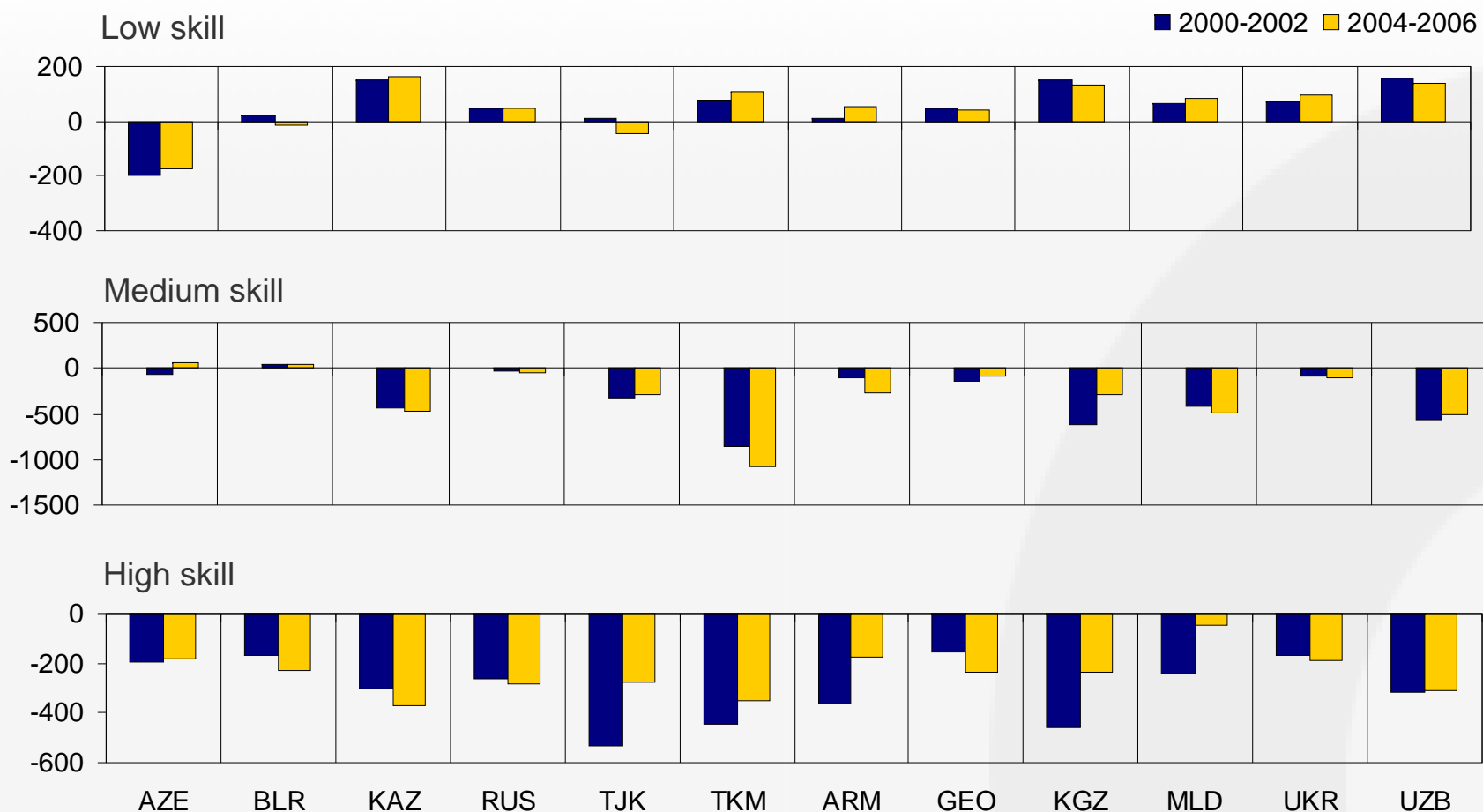
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RCA of NMS with EU-25, 2000-02, 2004-06 by skill categories, average shares



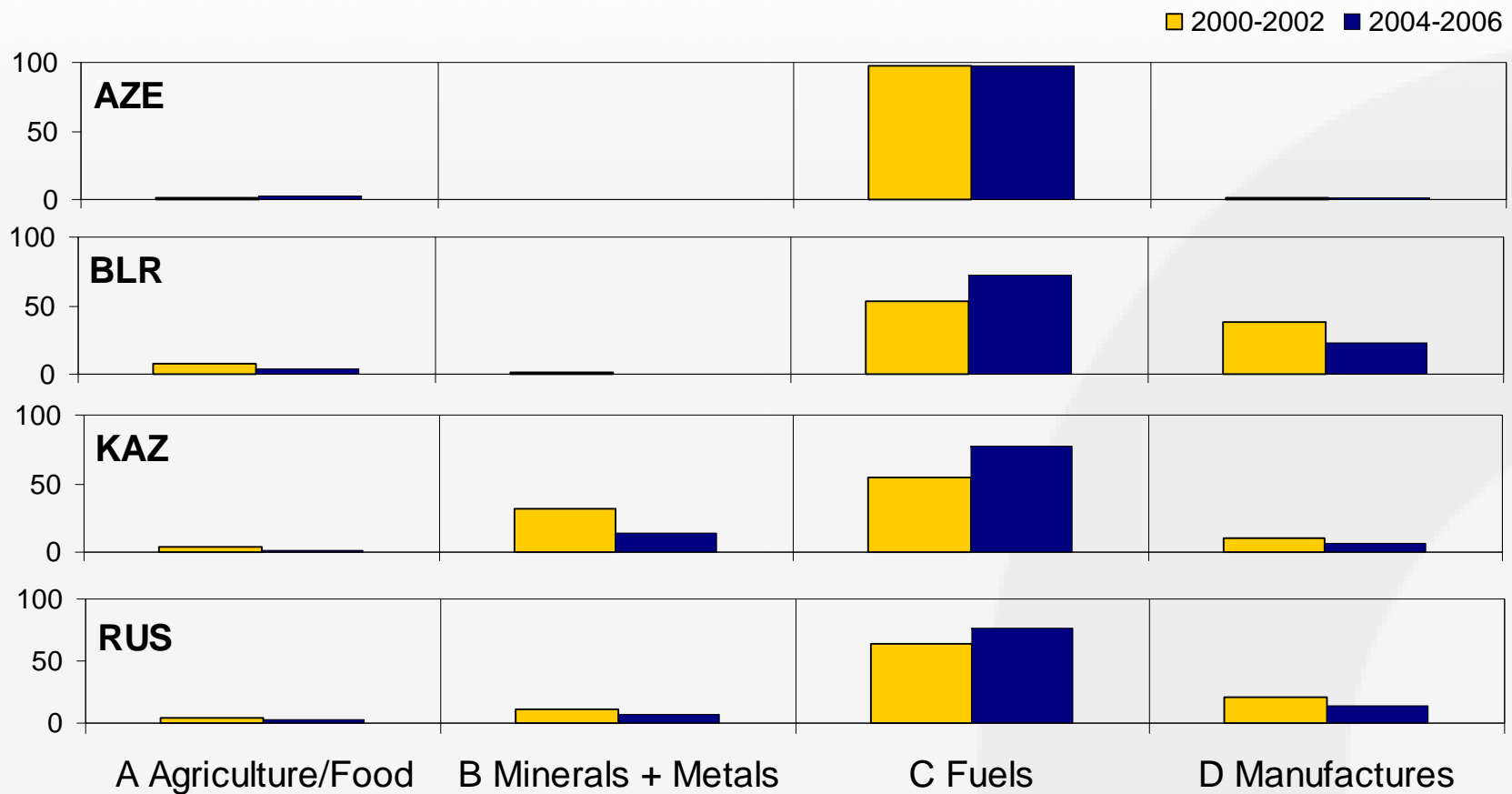
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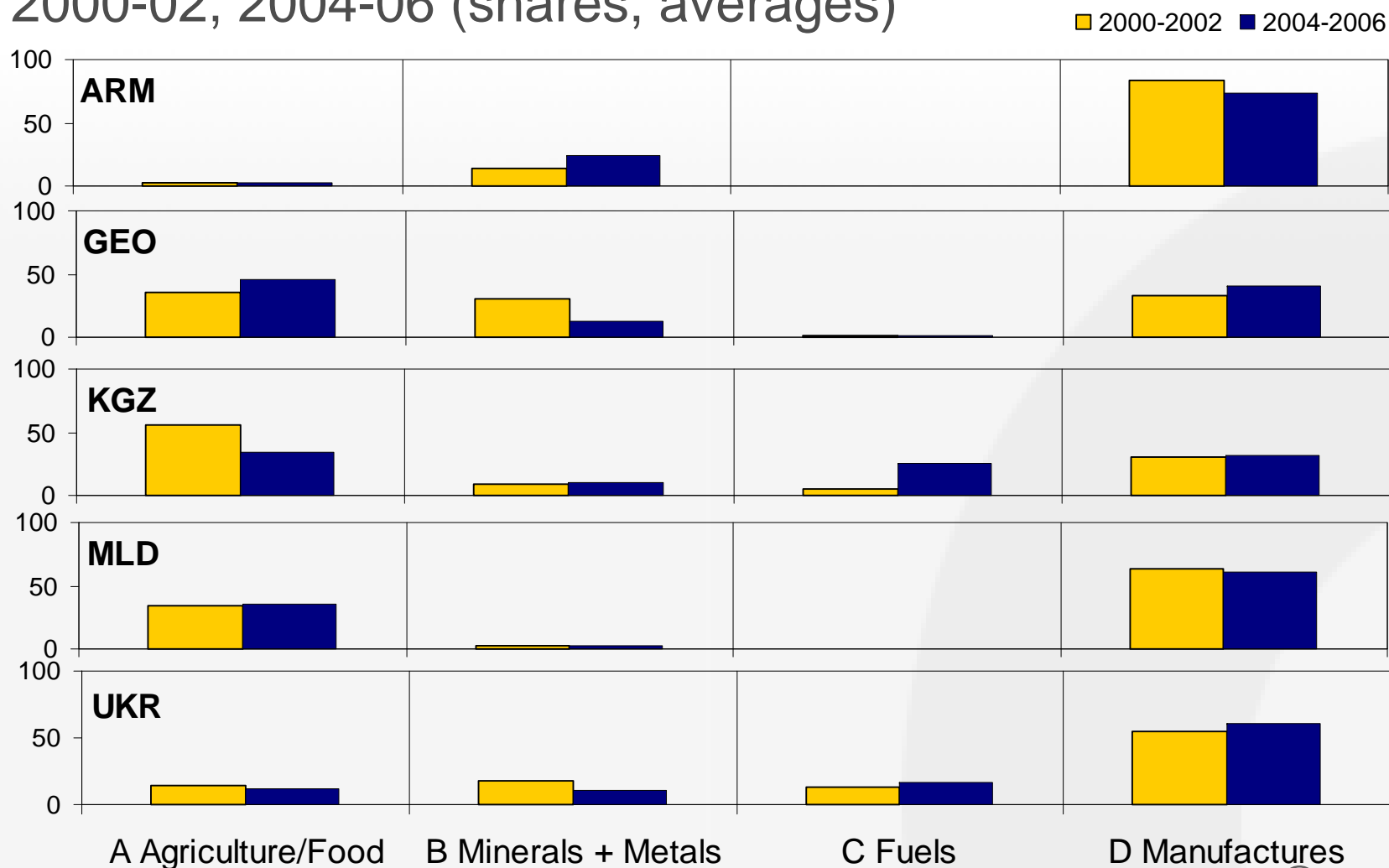
Export structure, CIS countries with EU-25 2000-02, 2004-06 (shares, averages)



Source: WITS-database, wiiw calculations.

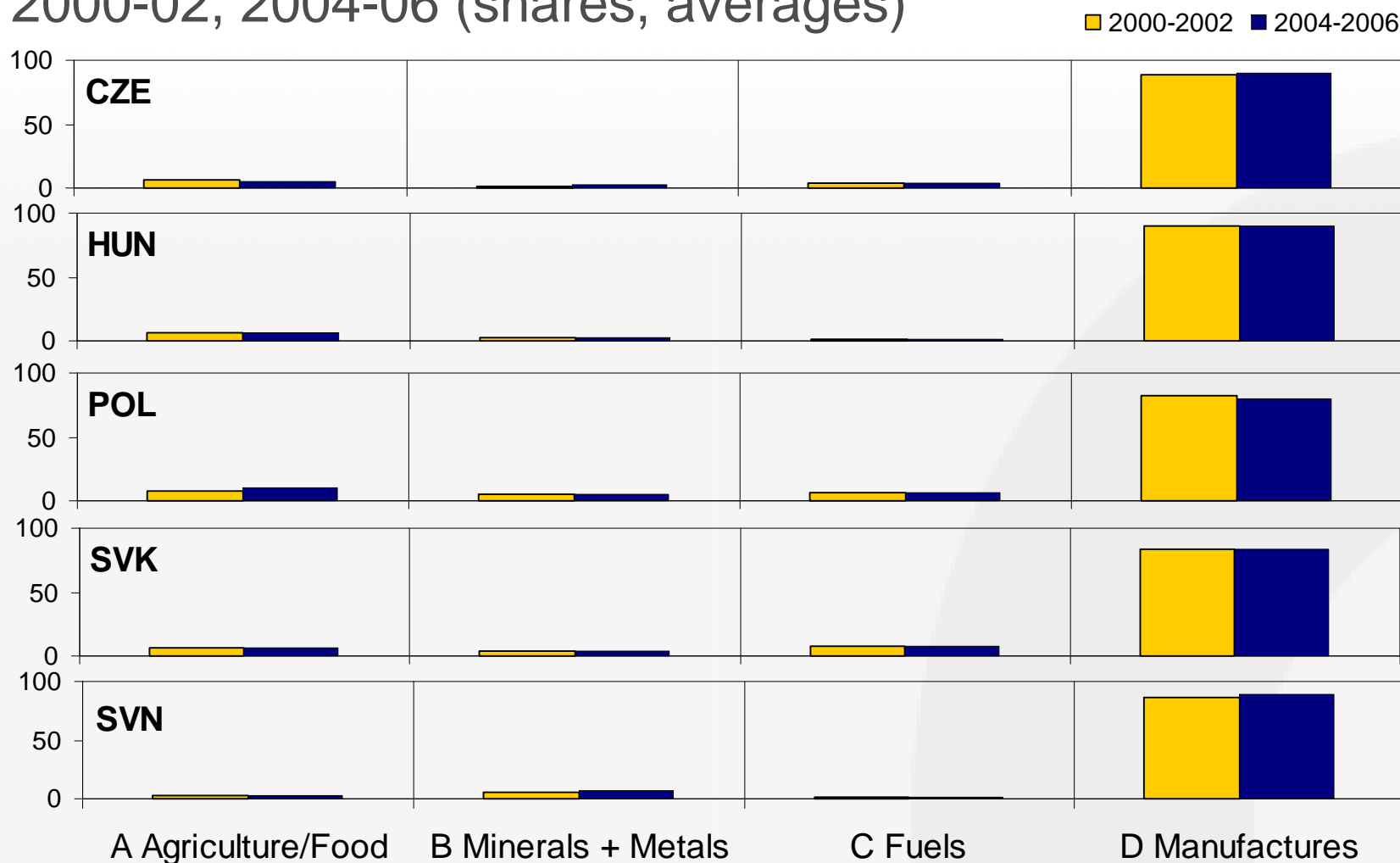
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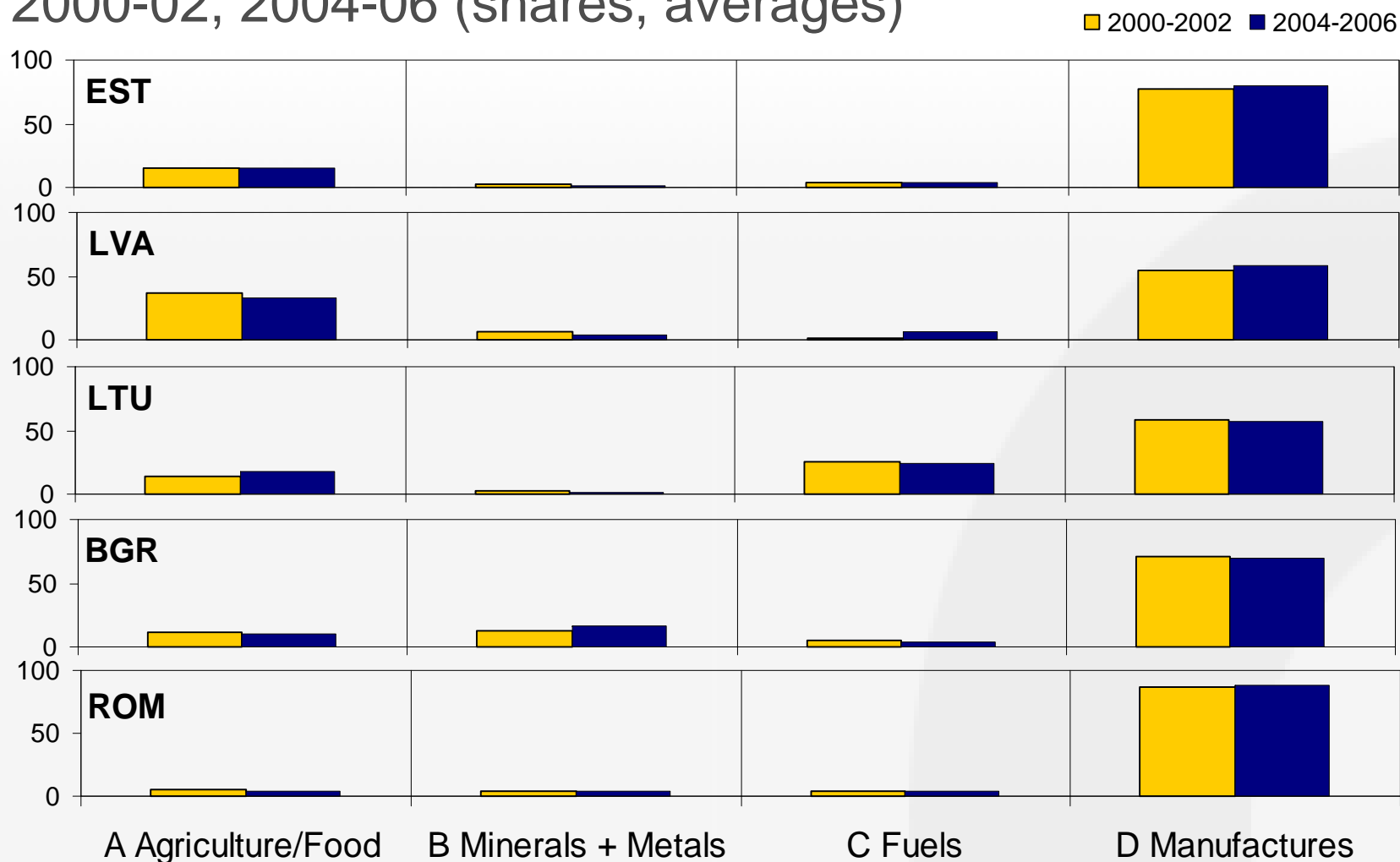
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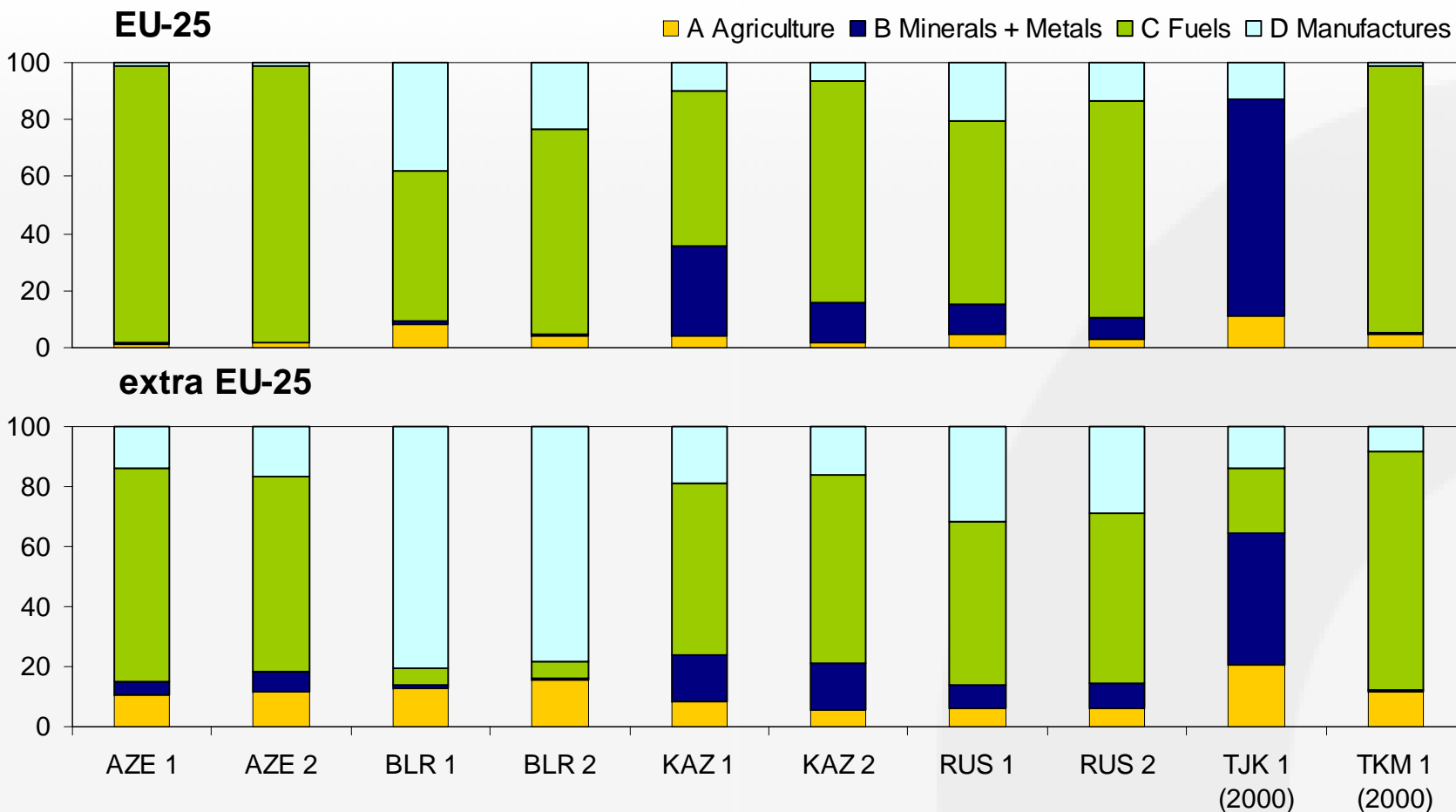
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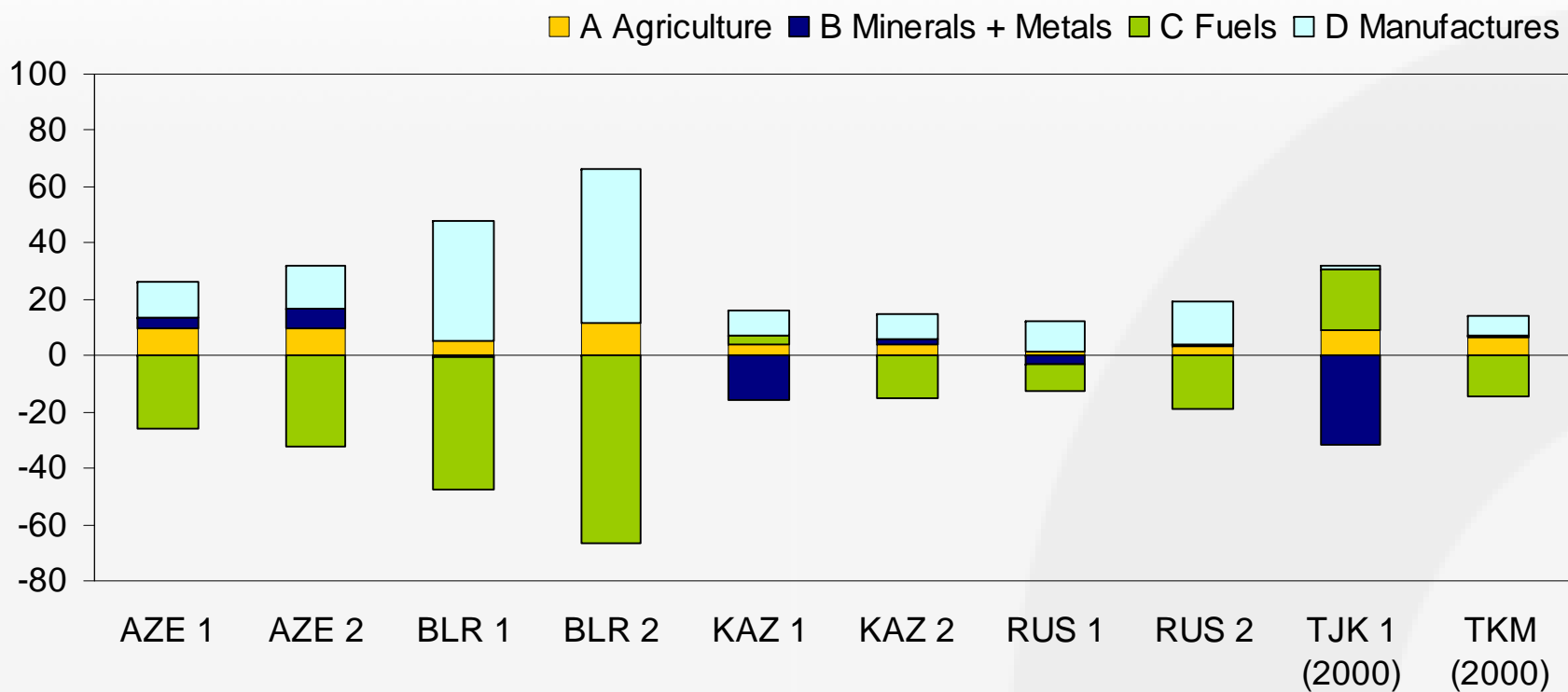
Exports of CIS-countries to EU and extra-EU, 2000-02, 2004-06 average shares



Legend: 1: 2000-02; 2: 2004-06

Source: COMEXT, wiiw calculations.

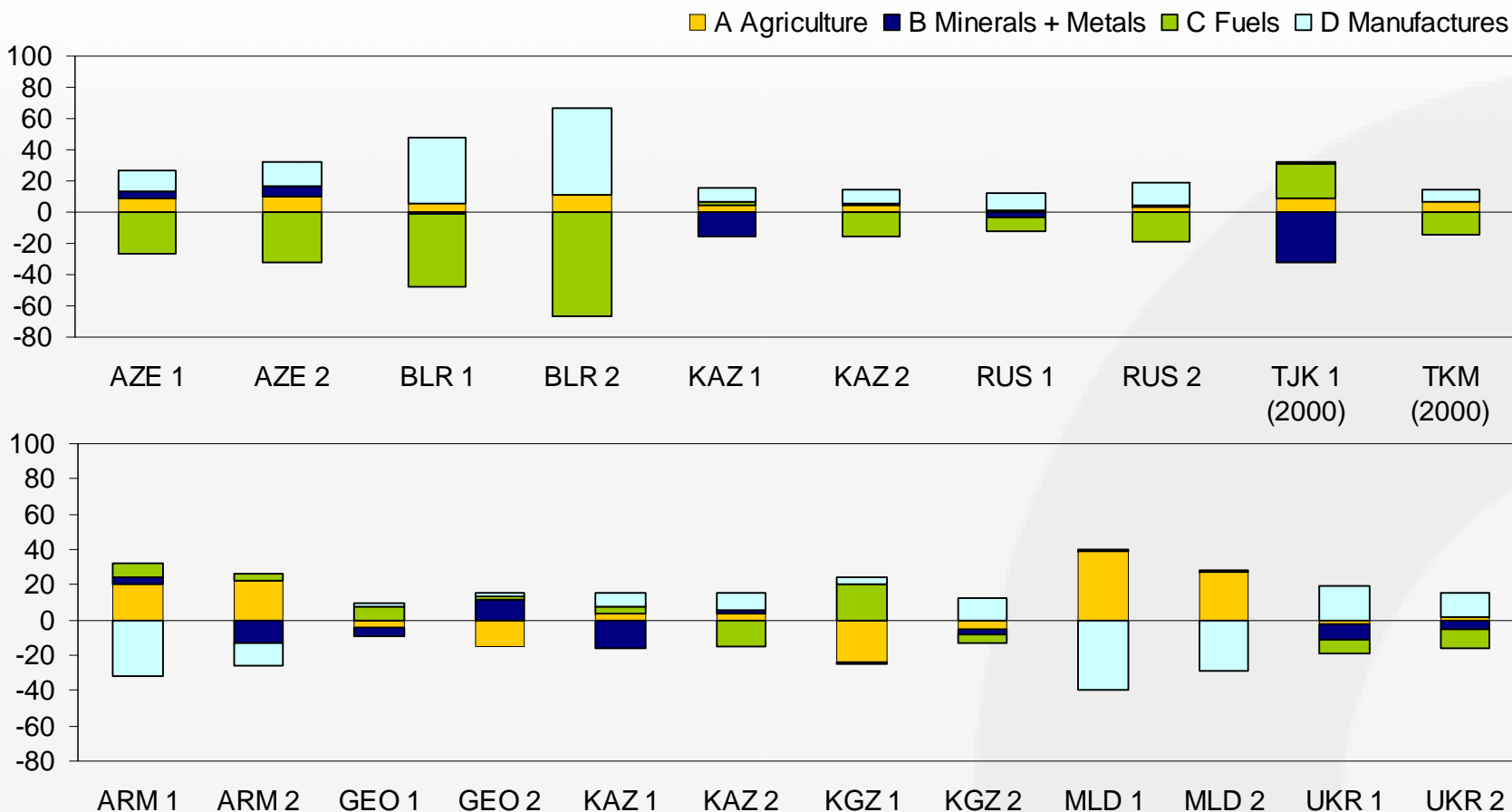
Export structure, CIS countries; difference **extra EU-EU** 2000-02, 2004-06



Legend: 1: 2000-02; 2: 2004-06

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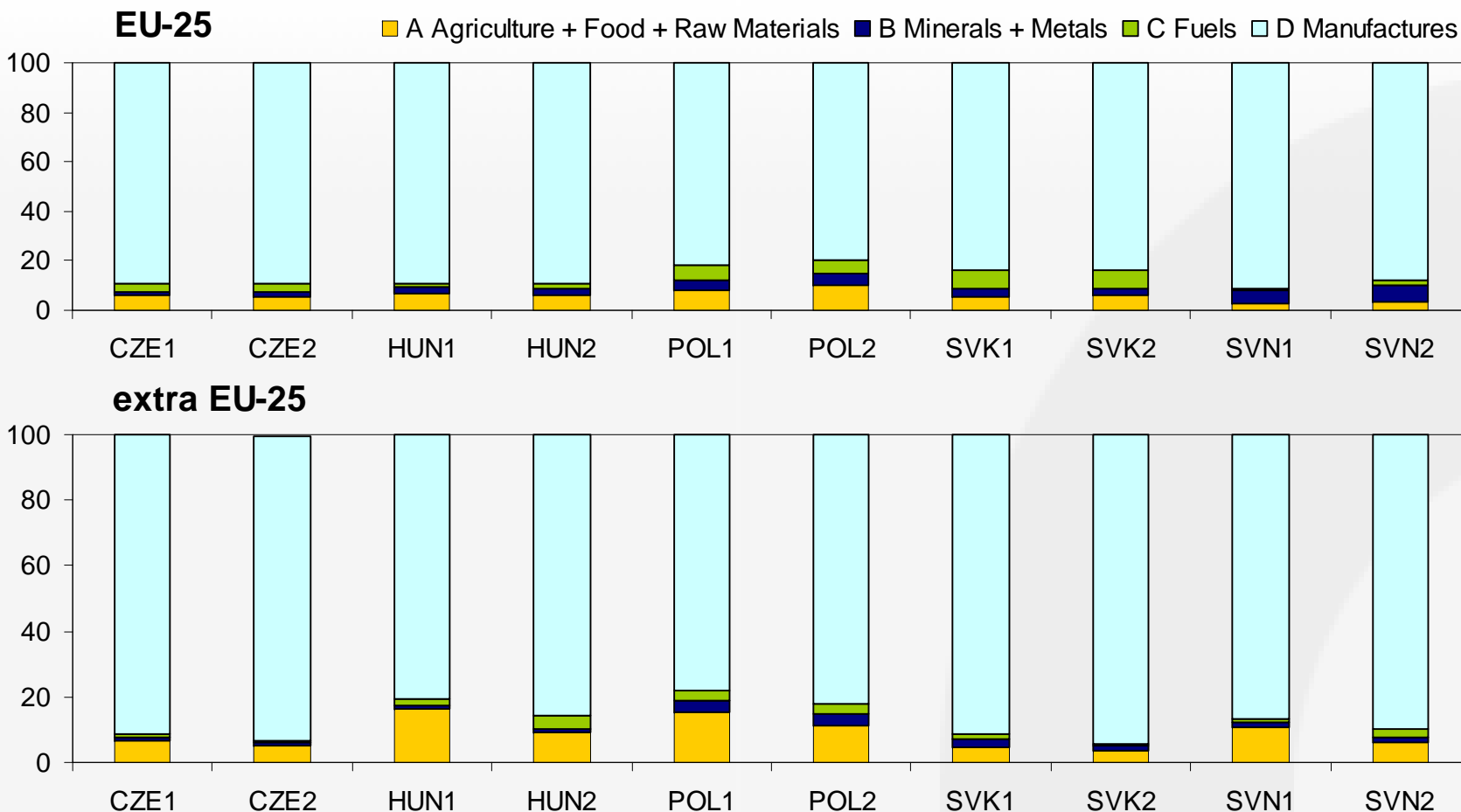
Export structure, CIS countries; extra EU-EU 2000-02, 2004-06



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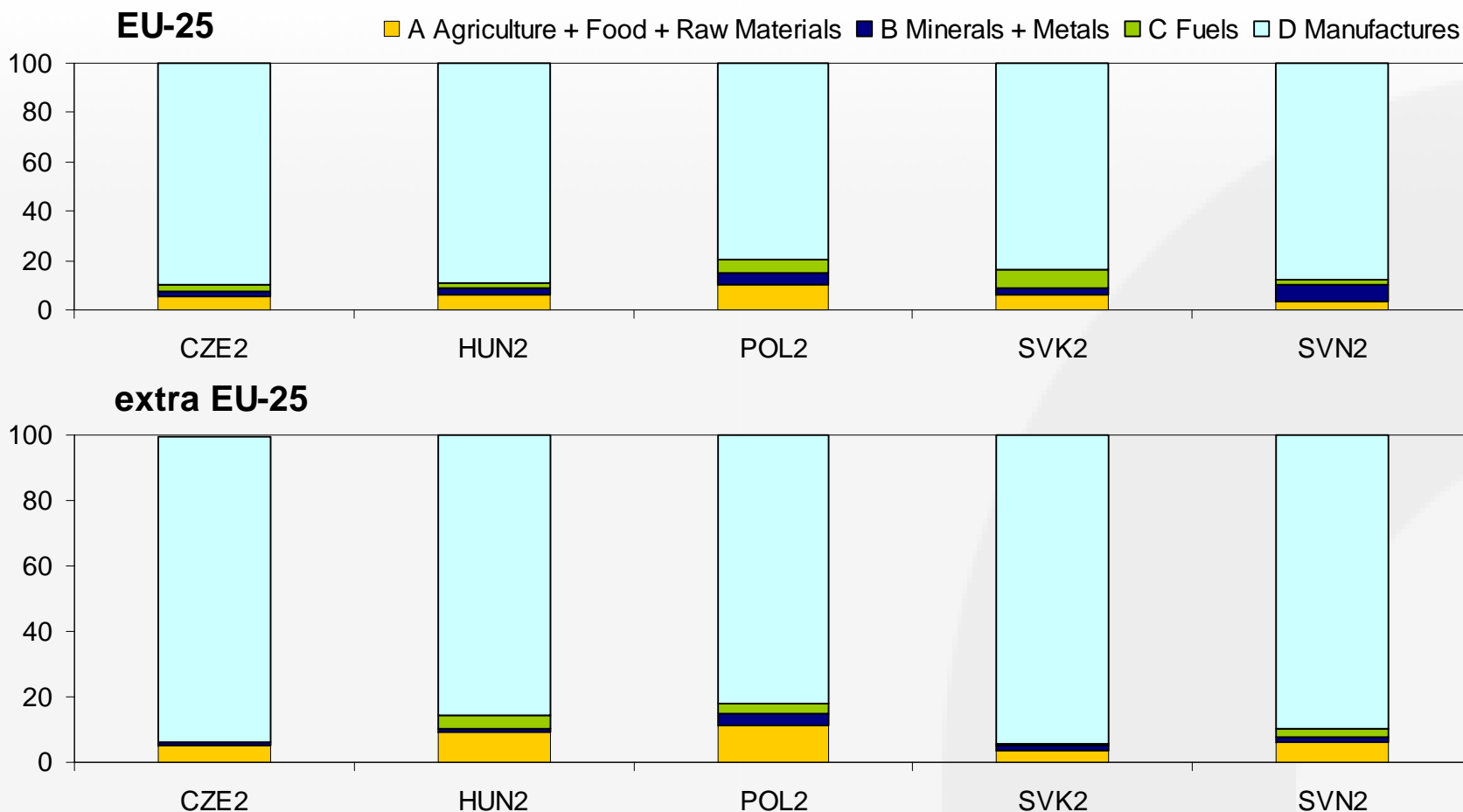
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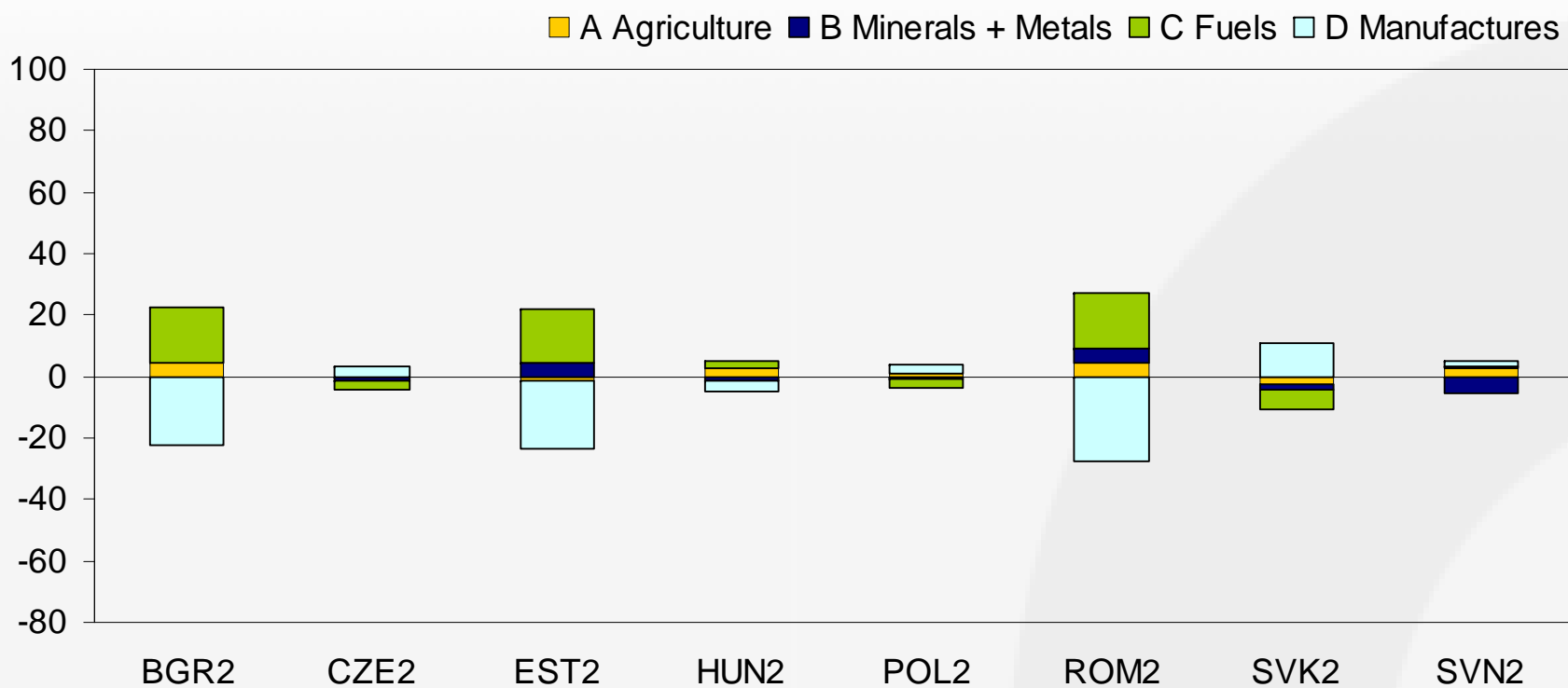
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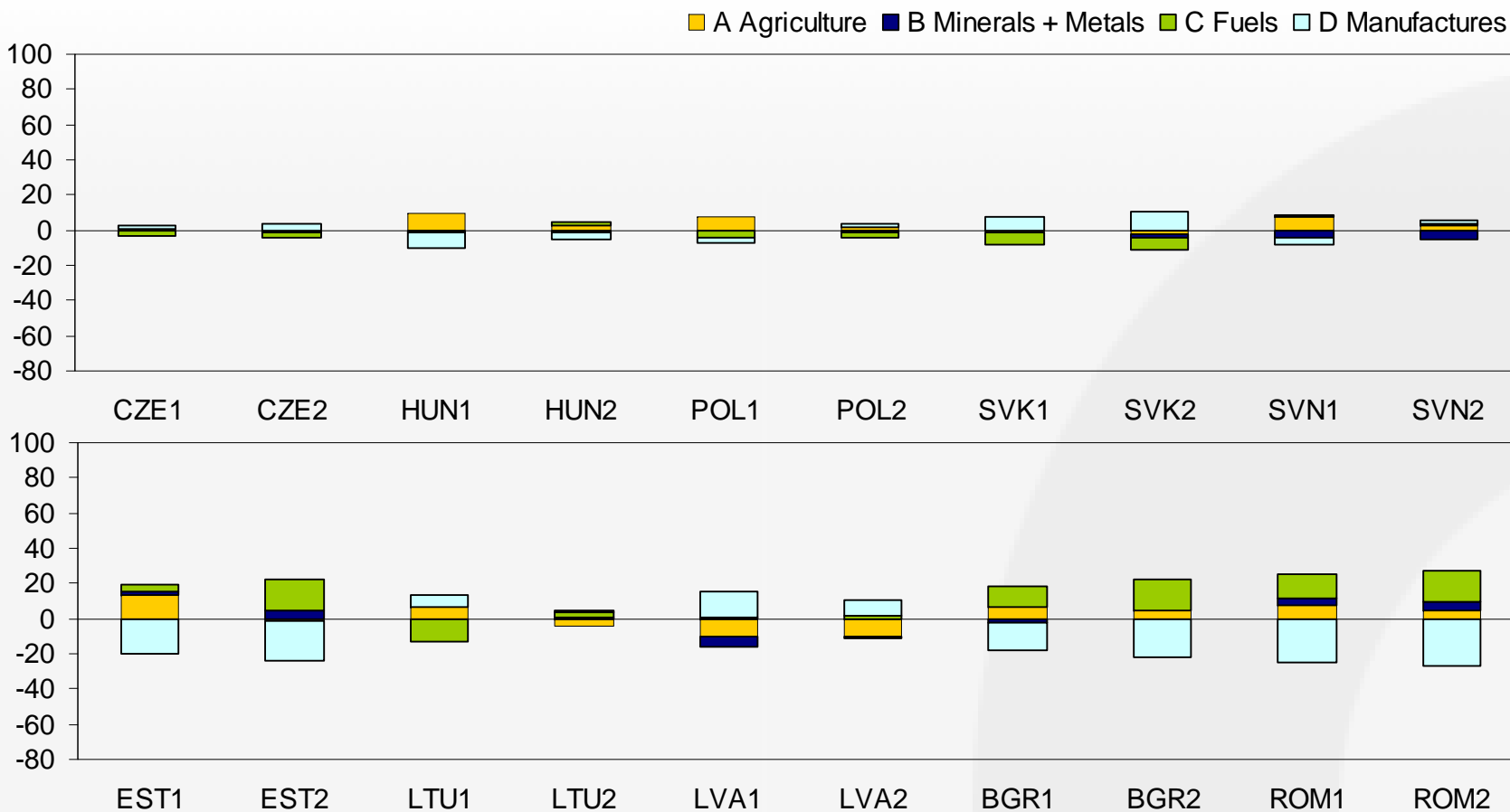
Export structure, NMS-countries; extra EU-EU25 2004-06



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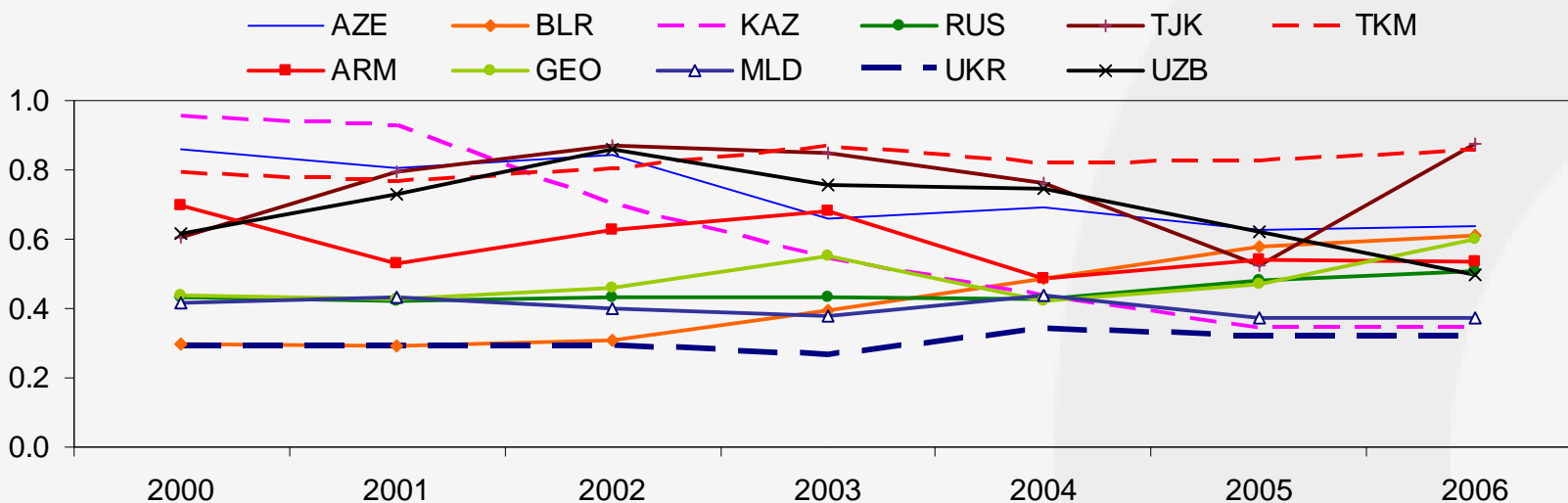
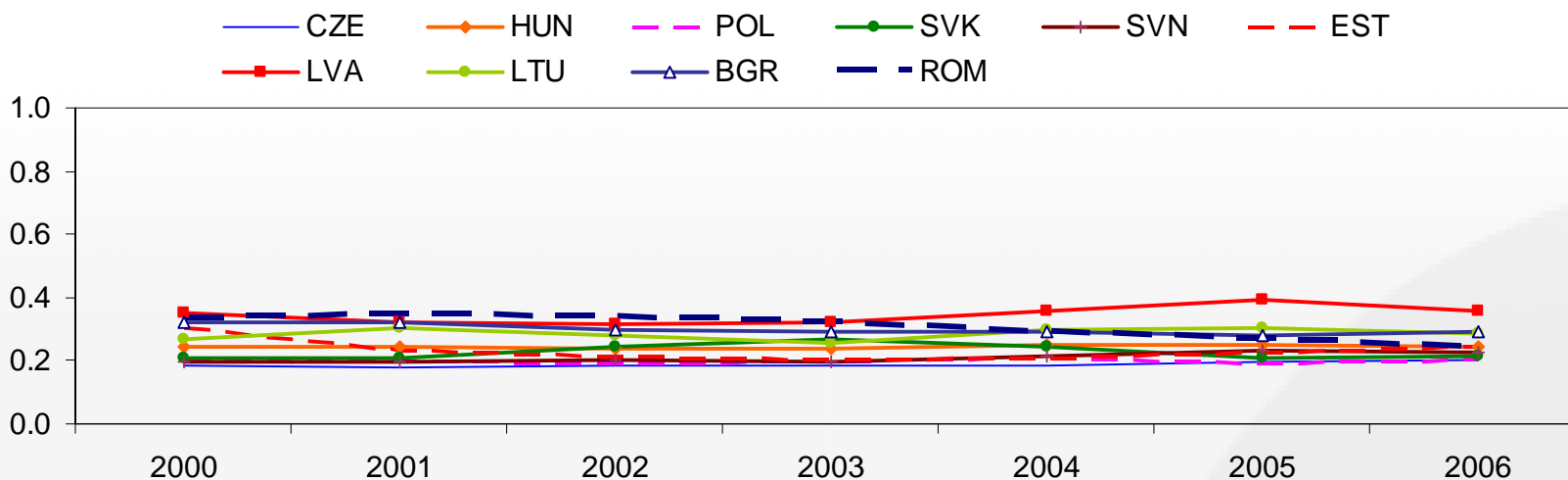
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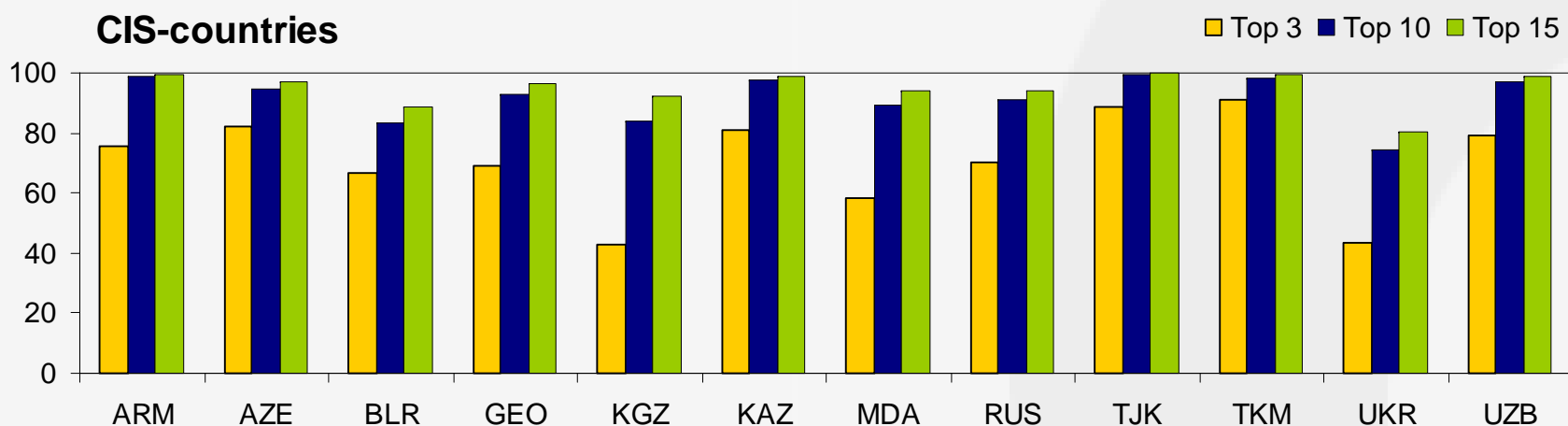
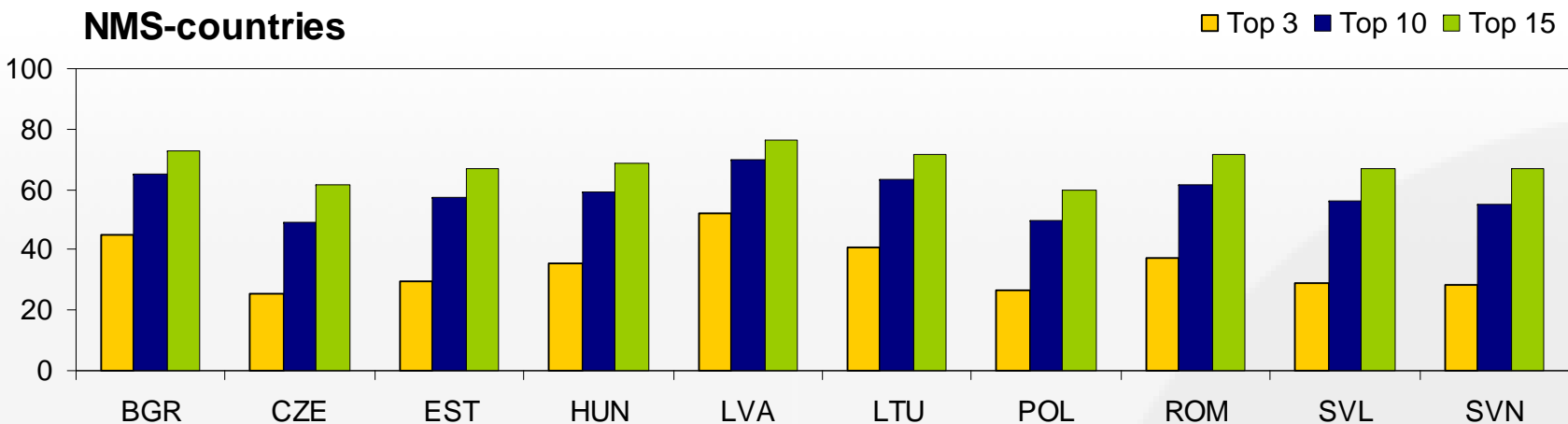
Hirschmann-Index – Indicator of concentration - exports



Source: COMEXT, wiiw calculations.

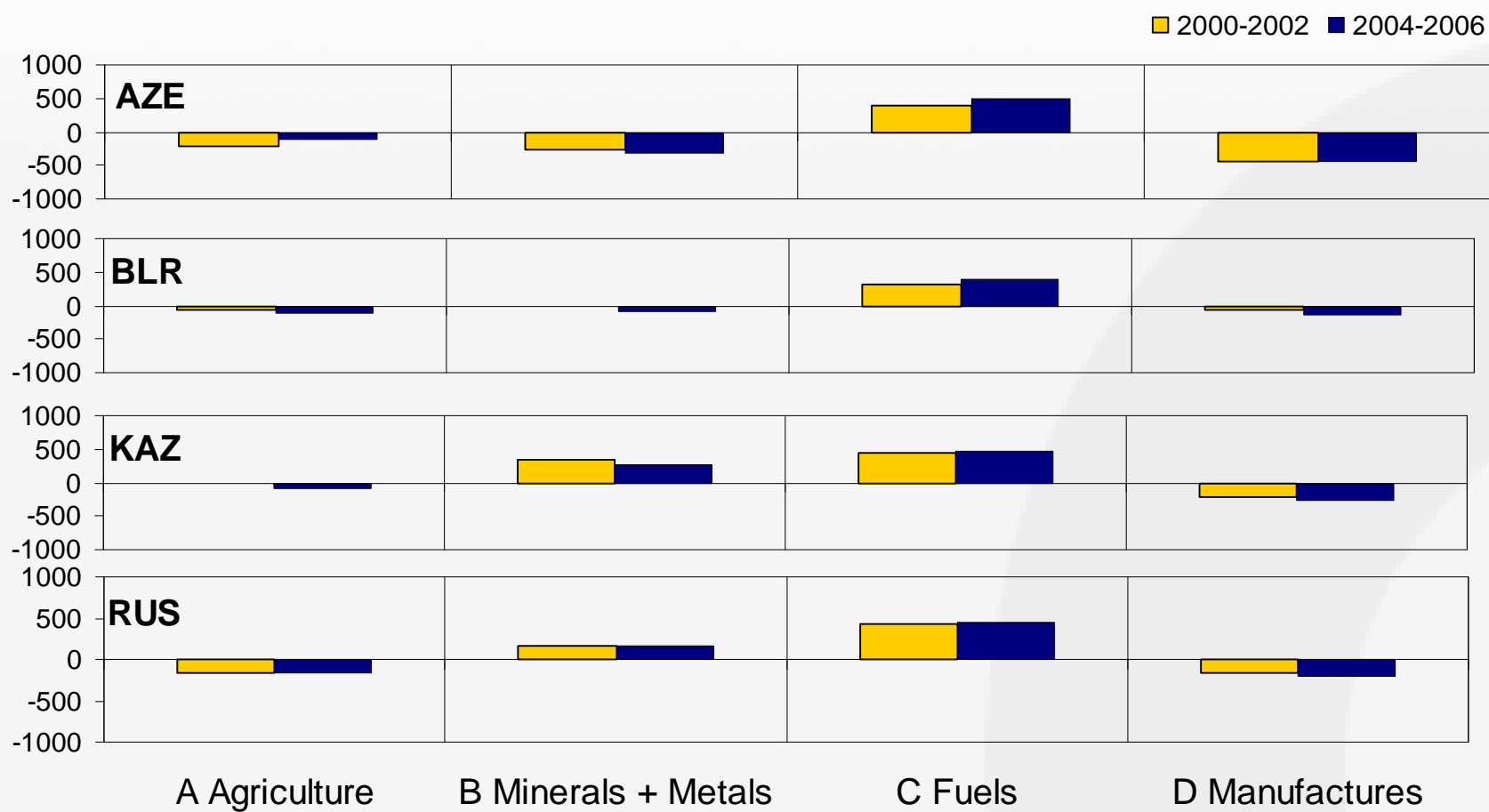
Export structure – shares of top 5, 10, 15 industries (%)

Exports to EU-25 – 2004-6



RCA, CIS countries with EU-25

2000-02, 2004-06 (shares, averages)

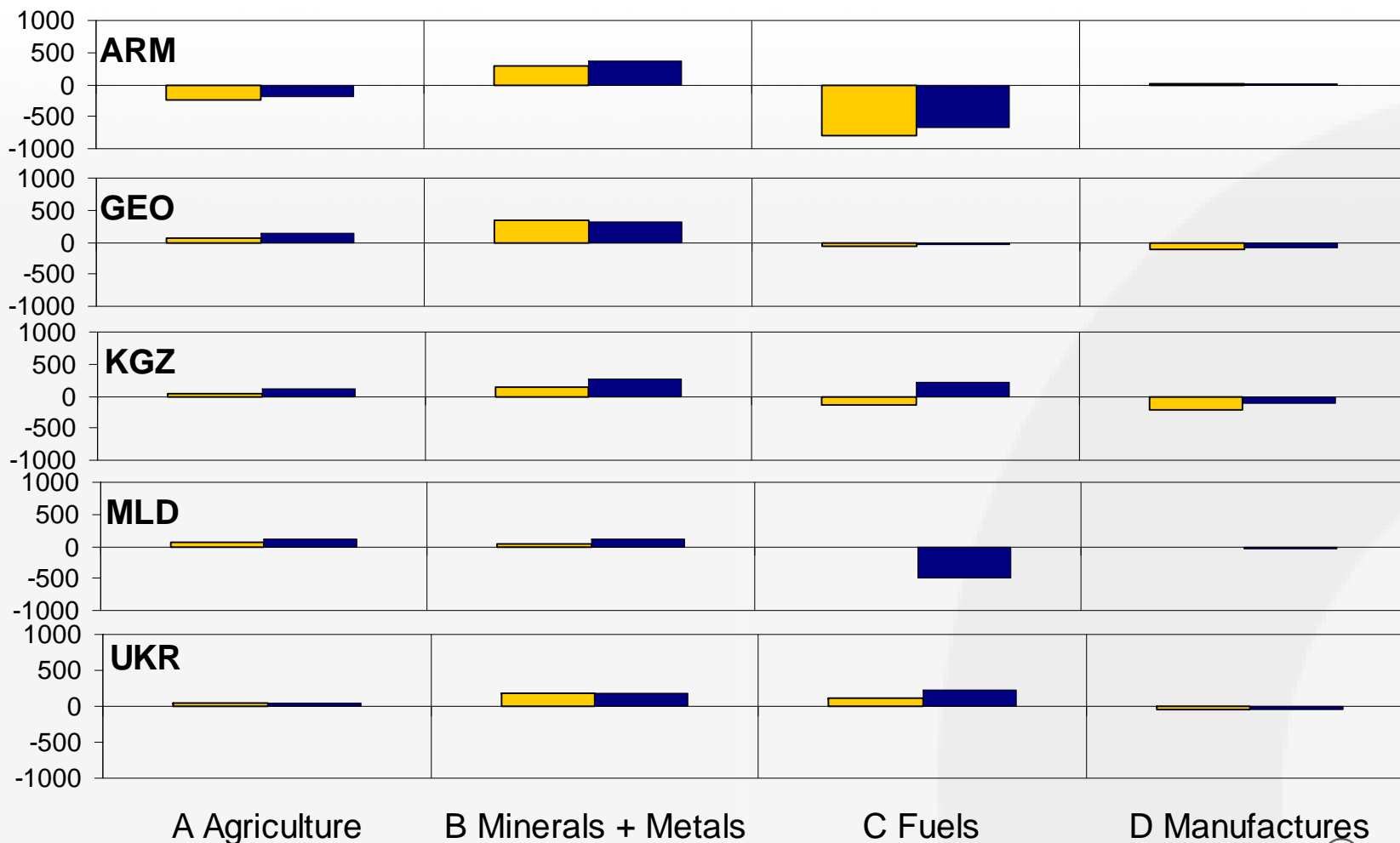


Source: WITS-database, wiiw calculations.

RCA, CIS countries with EU-25

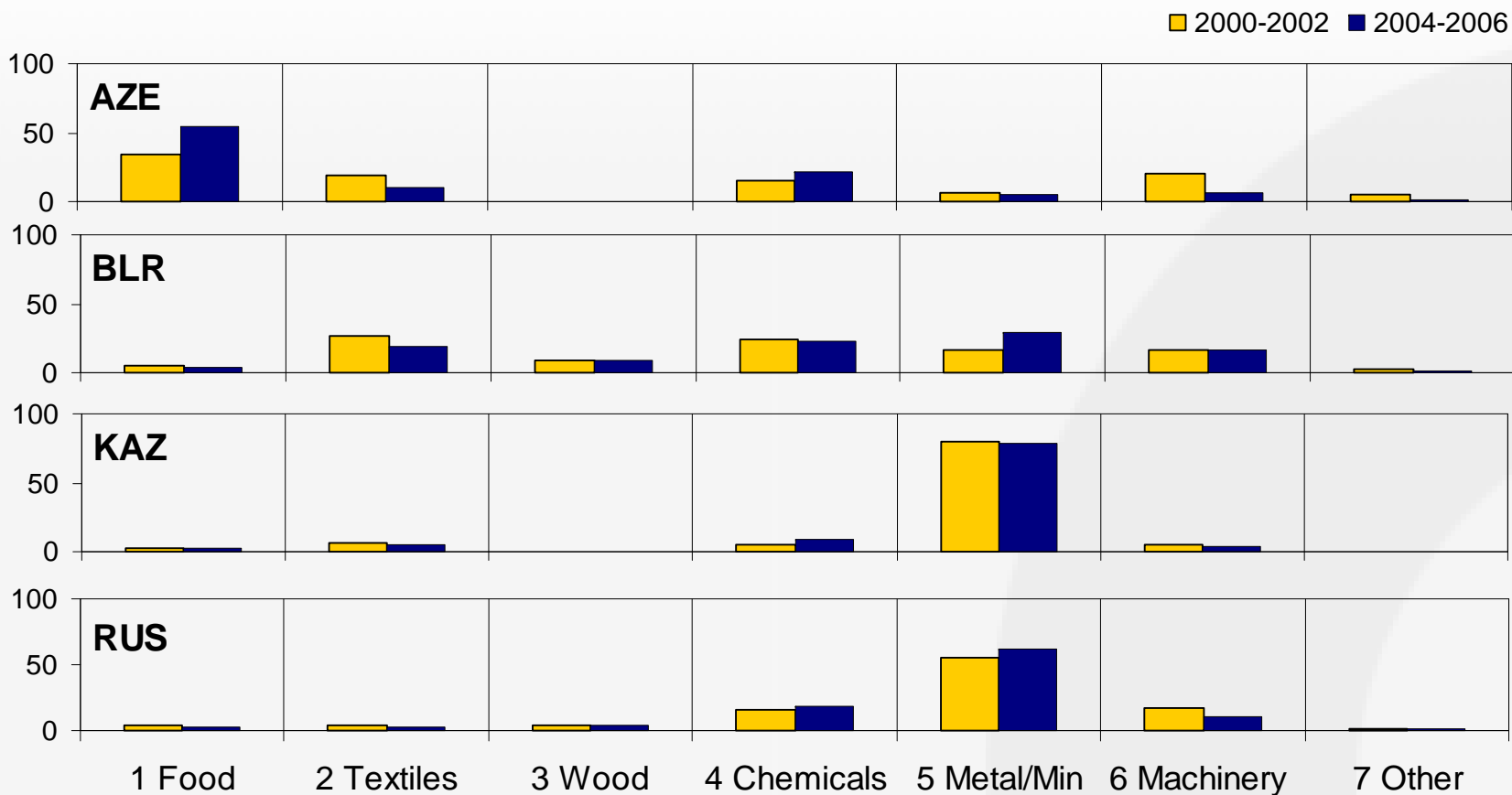
2000-02, 2004-06 (shares, averages)

■ 2000-2002 ■ 2004-2006



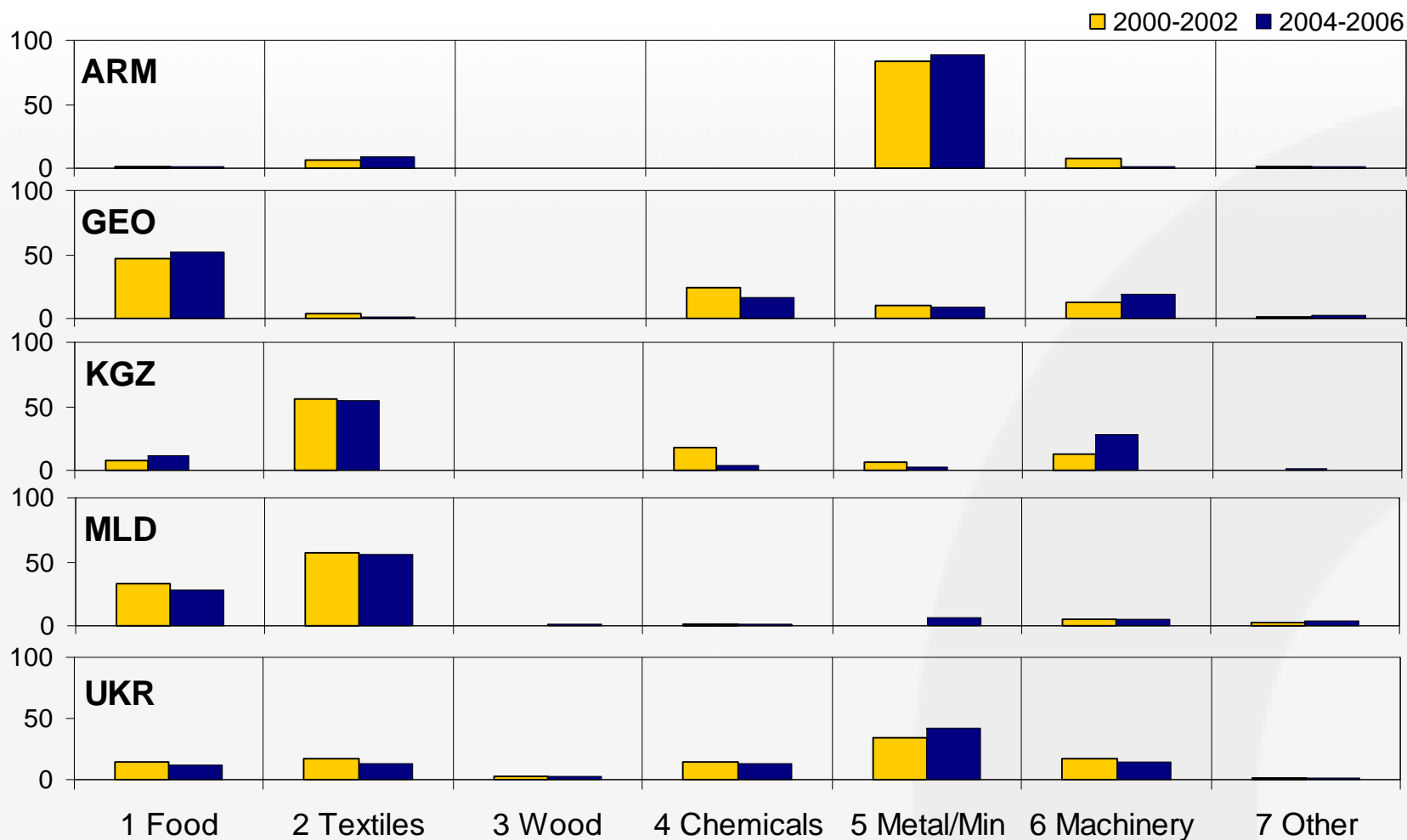
Source: WITS-database, wiiw calculations.

Export structure in **manufacturing**, CIS countries with EU-25 2000-02, 2004-06 (shares, avg.)



Source: WITS-database, wiiw calculations.

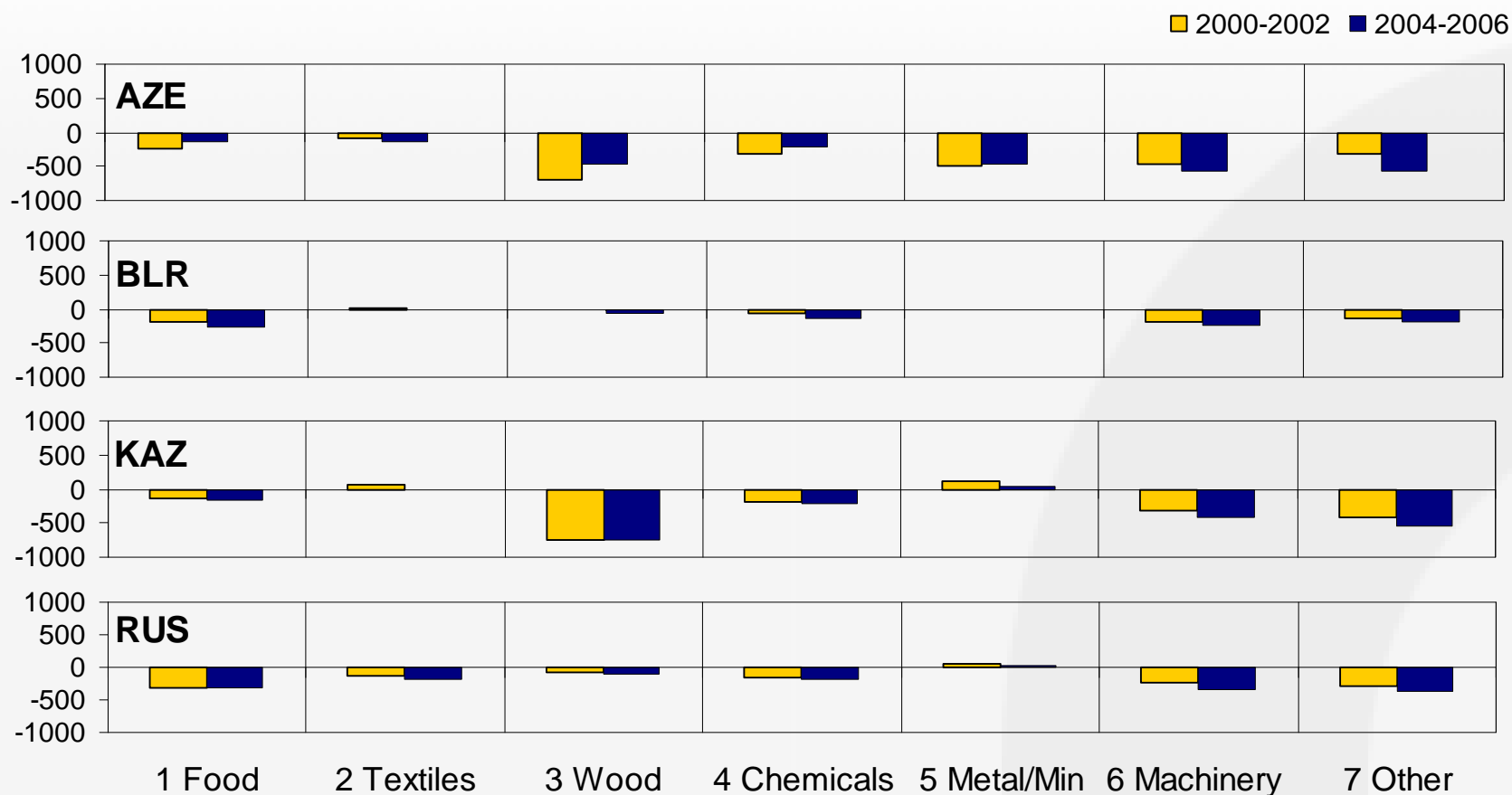
Export structure in **manufacturing**, CIS countries to EU-25 2000-02, 2004-06 (shares, avg.)



Source: WITS-database, wiiw calculations.

RCA in manufacturing, CIS countries with EU-25

2000-02, 2004-06 (shares, averages)

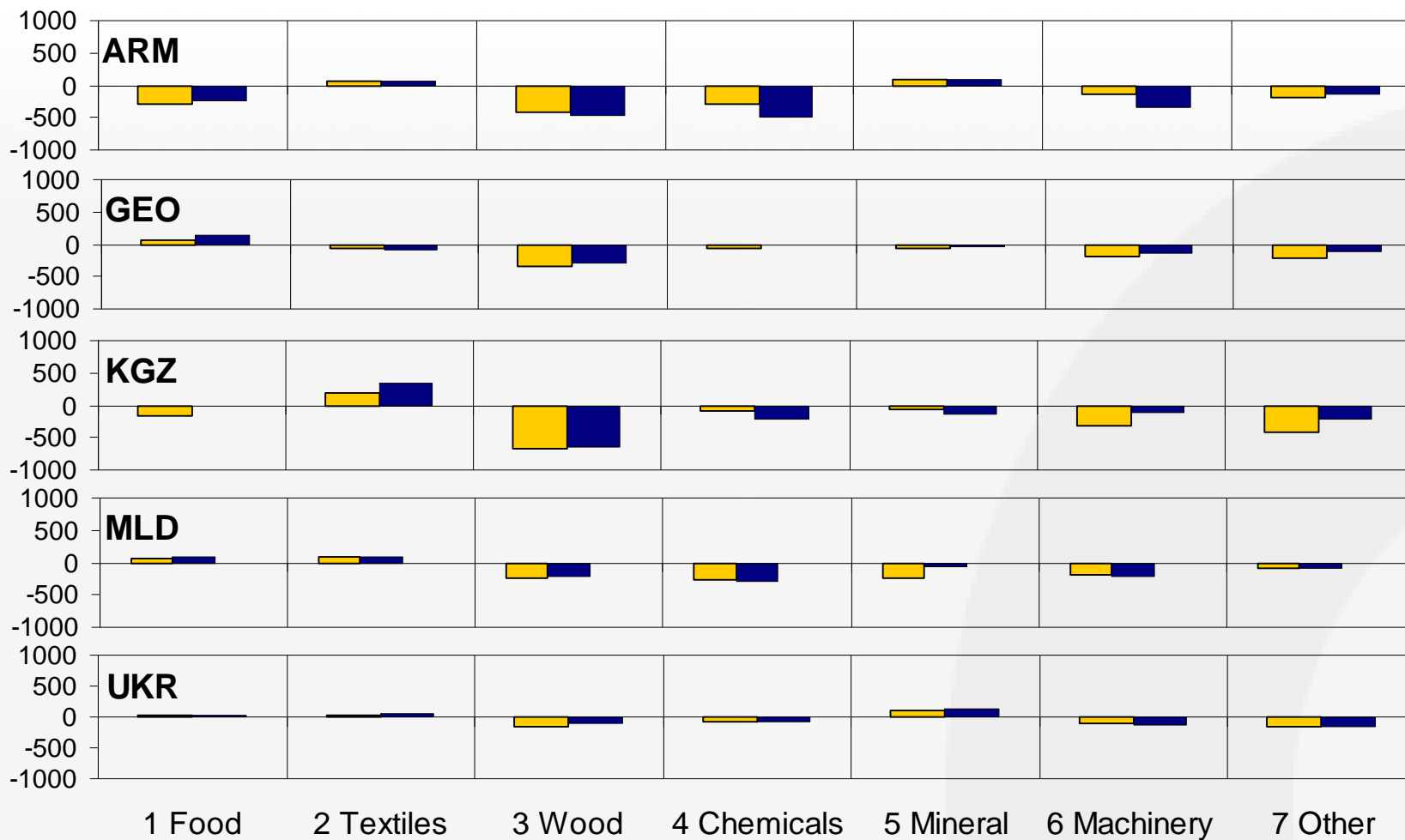


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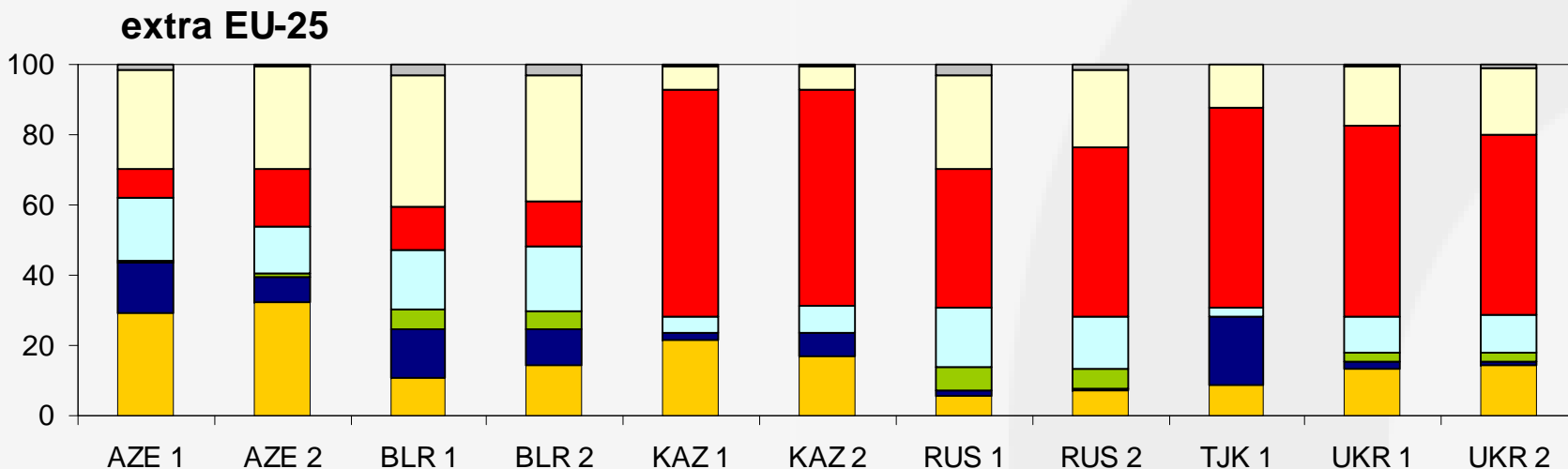
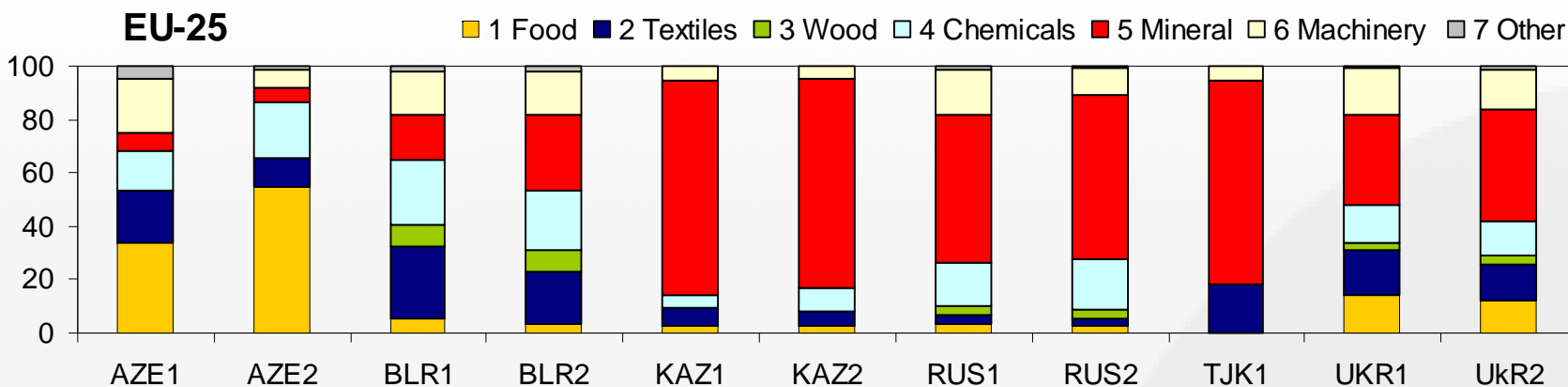
2000-02, 2004-06 (shares, averages)

2000-2002 2004-2006



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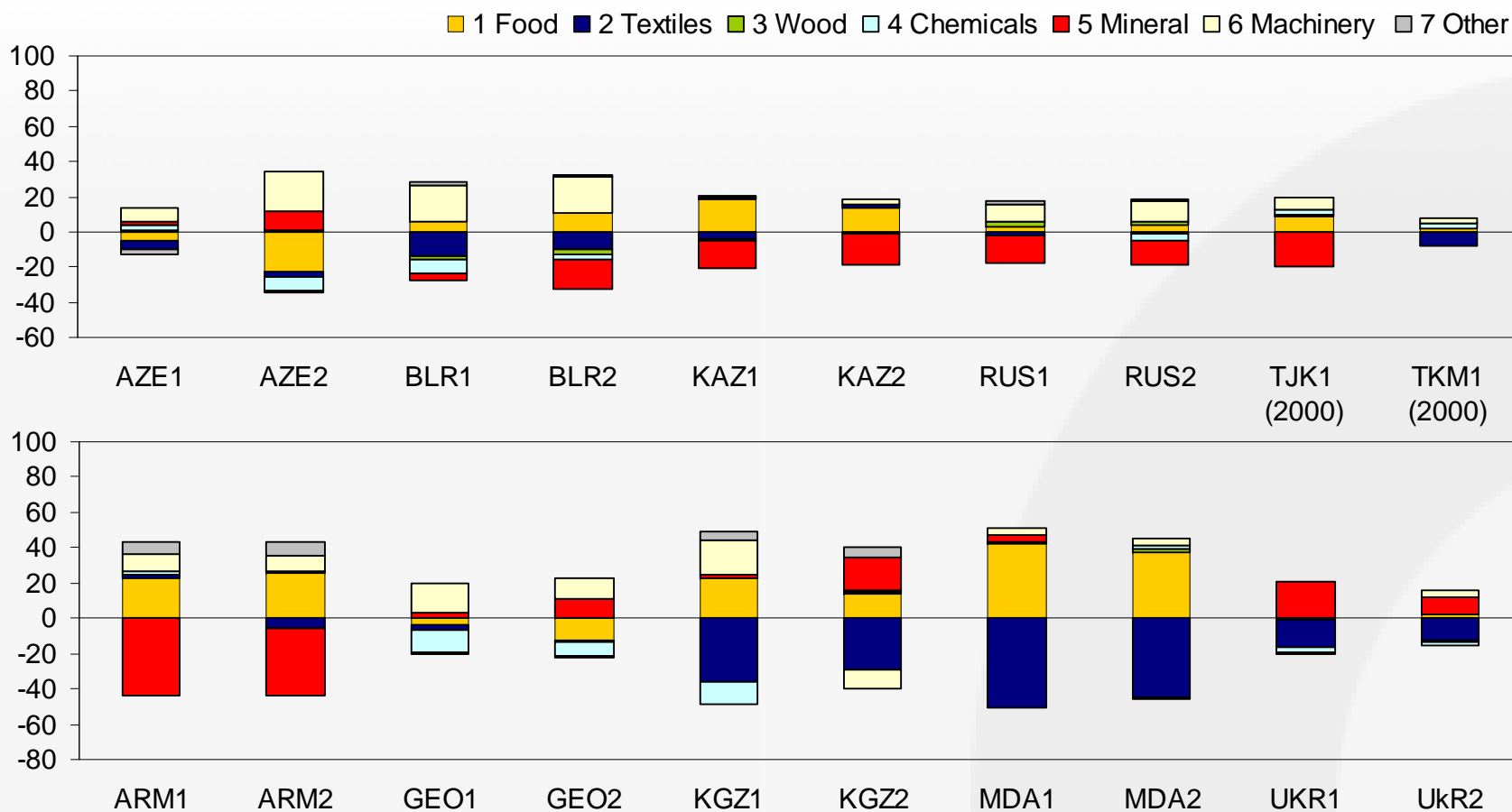
Exports of manufacturing goods of CIS, 2000-02, 2004-06 average shares



Legend: 1: 2000-02; 2: 2004-06

Source: COMEXT, wiiw calculations.

Export structure of manufacturing goods, CIS countries; extra EU-EU 2000-02, 2004-06



Legend: 1: 2000-02; 2: 2004-06

Source: COMEXT, wiiw calculations.

Export structure – shares of top 5, 10, 15 industries (%)

Exports to EU-25 – 2004-6

NMS

	BGR	CZE	EST	HUN	LVA	LTU	POL	ROM	SVL	SVN
Top 3	44.7	25.7	29.7	35.5	52.3	40.6	26.9	37.2	28.9	28.6
Top 10	65.3	49.3	57.2	59.4	69.8	63.5	49.6	61.7	56.1	55.0
Top 15	72.7	61.5	66.7	68.9	76.3	71.4	60.0	71.4	67.0	66.7

CIS

	ARM	AZE	BLR	GEO	KGZ	KAZ	MDA	RUS	TJK	TKM	UKR	UZB
Top 3	75.4	82.4	66.9	68.9	42.7	80.9	58.2	70.3	88.7	90.9	43.7	79.2
Top 10	99.0	94.4	83.3	92.8	84.0	97.8	89.2	91.1	99.7	98.5	74.5	97.3
Top 15	99.4	97.0	88.5	96.3	92.5	98.9	94.0	94.0	99.9	99.6	80.4	98.7

Summary on trade specialisation

- Distinctly different specialisation structures of NMS and CIS (using two types of taxonomies and goods categories)
- Extremely high concentration indicators for CIS
- 2 groups of CIS: fuel (& fuel pds) exporters, others
- Some differences of export structure on EU-25 and extra-EU25 markets; also in this respect differences between NMS and CIS

The argument about trade specialisation and diversification

- Who are the outliers: NMS or CIS?
- Reasons for the different paths
- Detailed country studies of INDEUNIS project
- The important roles of progress of reform process and of EU accession anchor: what is the relationship to trade specialisation and patterns of FDI?
- Why diversification and which type?

The argument about commodity based trade specialisation

- Other countries started (and some still have) a commodity based form of trade specialisation: Netherlands, Canada, New Zealand, Finland, Sweden
- Important to move towards processing and ancillary industries
- Volatility of terms of trade
- Learning potential limited?

Why the slow speed of diversification and of up-grading into processing stages ?

- **Up-grading into processing** requires relation to differentiated customers – export-orientation helps; develops customer-oriented products/technology (and marketing know-how); most progress takes place when orienting towards high income markets
- The extent and speed of **diversification** is also affected by the sophistication of the market one supplies (domestic, international); benefits from cross-market and cross-industry spillovers; monopolistic structures are a hindrance for such spillovers

Possible future scenarios:

- **A.** Lock-in in commodity-based, undiversified export (and production) structure; continued repercussions on income distribution and domestic political economy
- **B.** Commodity-based trade specialisation persists but moves into processing stages and production of specialised inputs; up-grading takes place; export-oriented FDI plays role
- **C.** Fuel/commodity price boom supports continued growth; domestic demand growth generates diversification in production; market-seeking FDI plays role

Conclusions

- The experience of the NMS is rather special and cannot be (fully) replicated by CIS
- Policy should follow the path towards more processing and development of input supplying activities
- Diversification will be helped by more outward orientation and higher degree of competition amongst suppliers
- Pattern of FDI and trade structure can be influenced by framework improvement and this will assist diversification