

Making Trade Work for the World's Poor

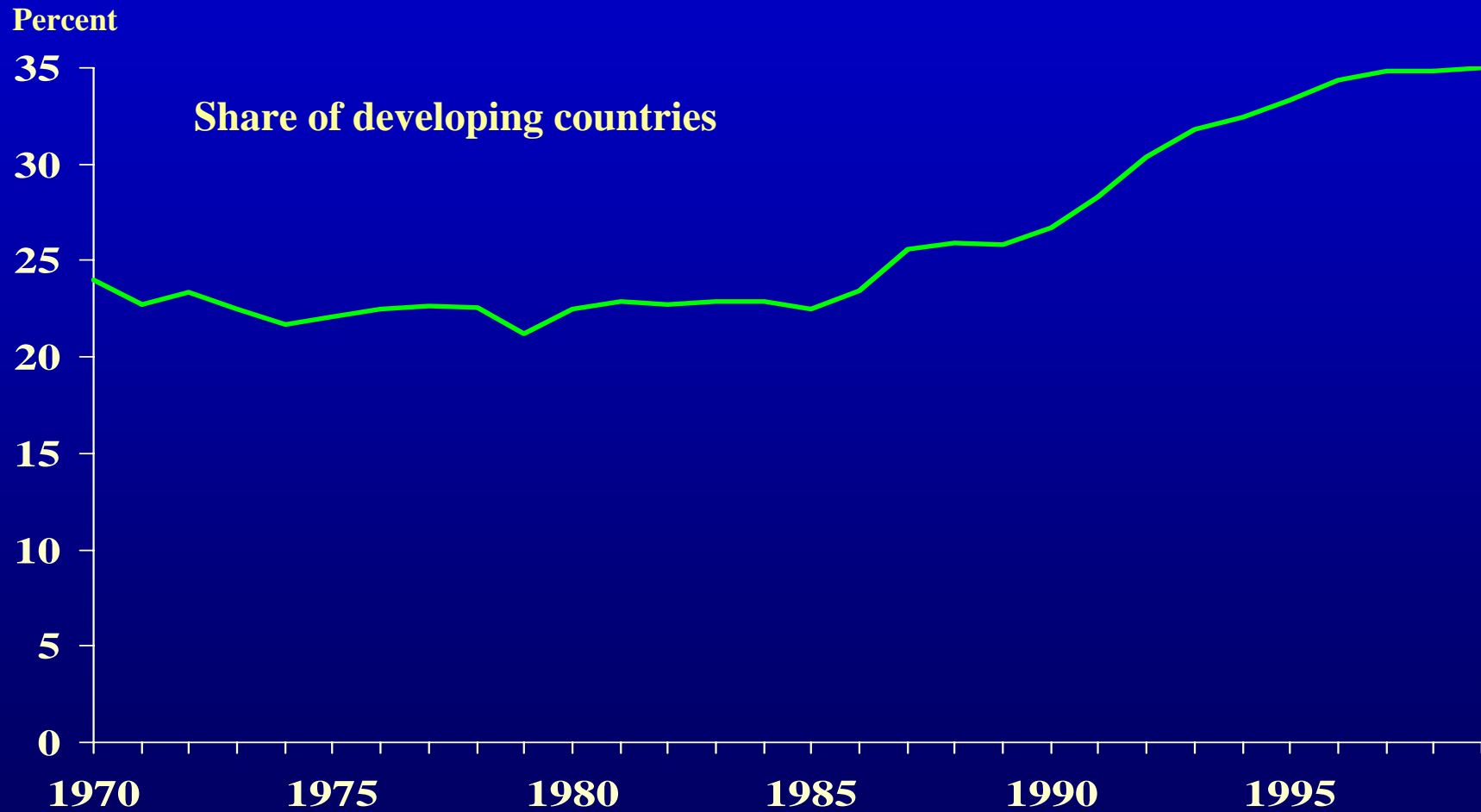
Richard Newfarmer
World Bank

July 2, 2004

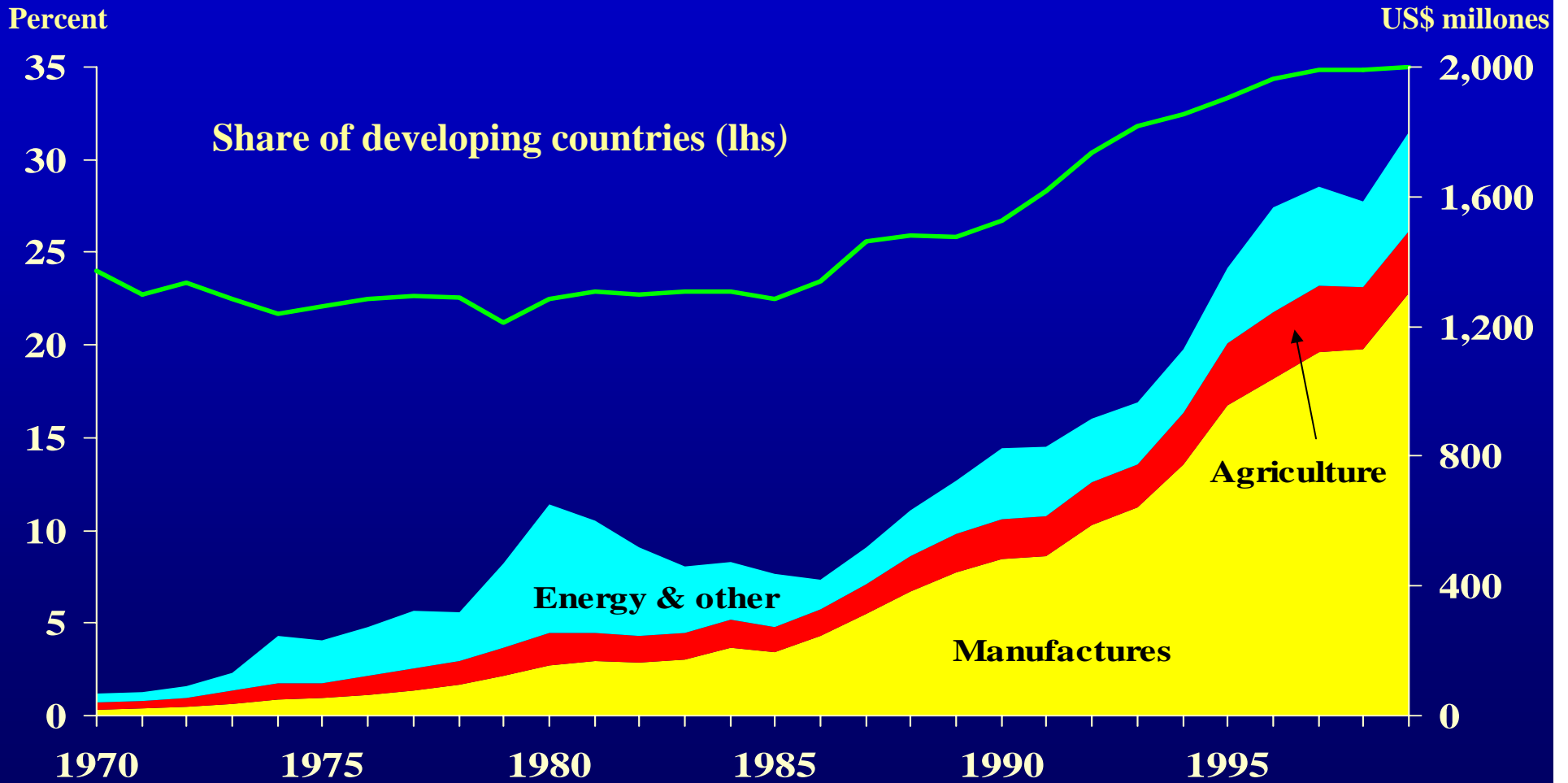
Main messages...

- Many developing countries have done well in the 1990s, but poorest countries have lagged.
- The Doha Agenda has the potential to speed growth, raise incomes, and reduce poverty, and all countries have an interest in its success.
- But to realize this potential, governments have to tackle inequities in the world trading system – and to forge an agreement than benefits the poor.

Developing countries have increased their share of the global market...



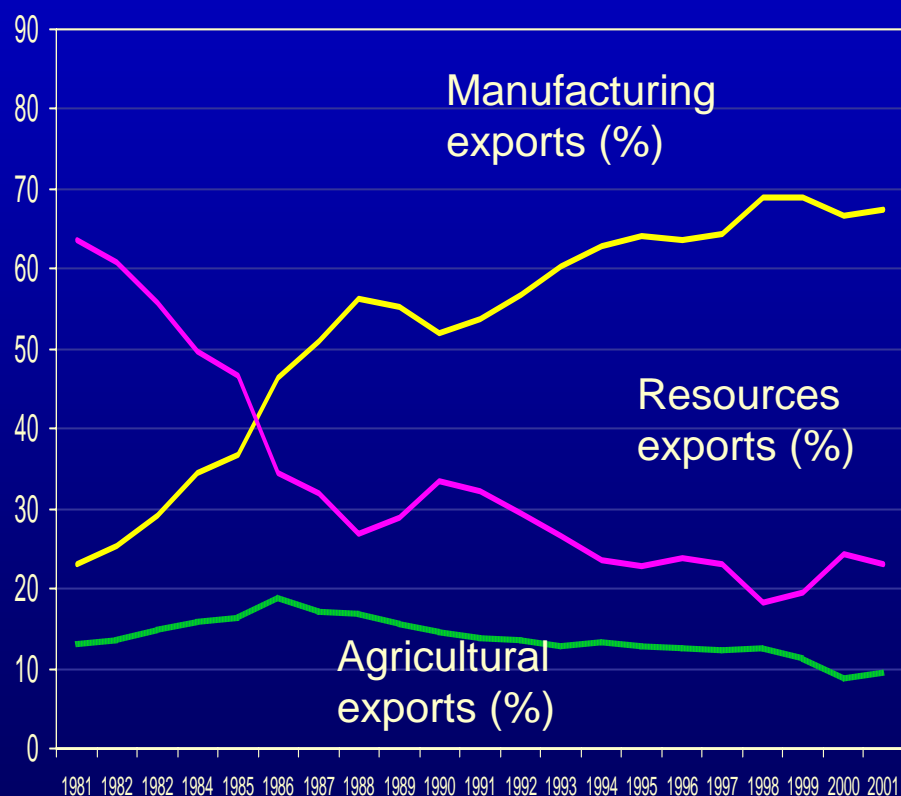
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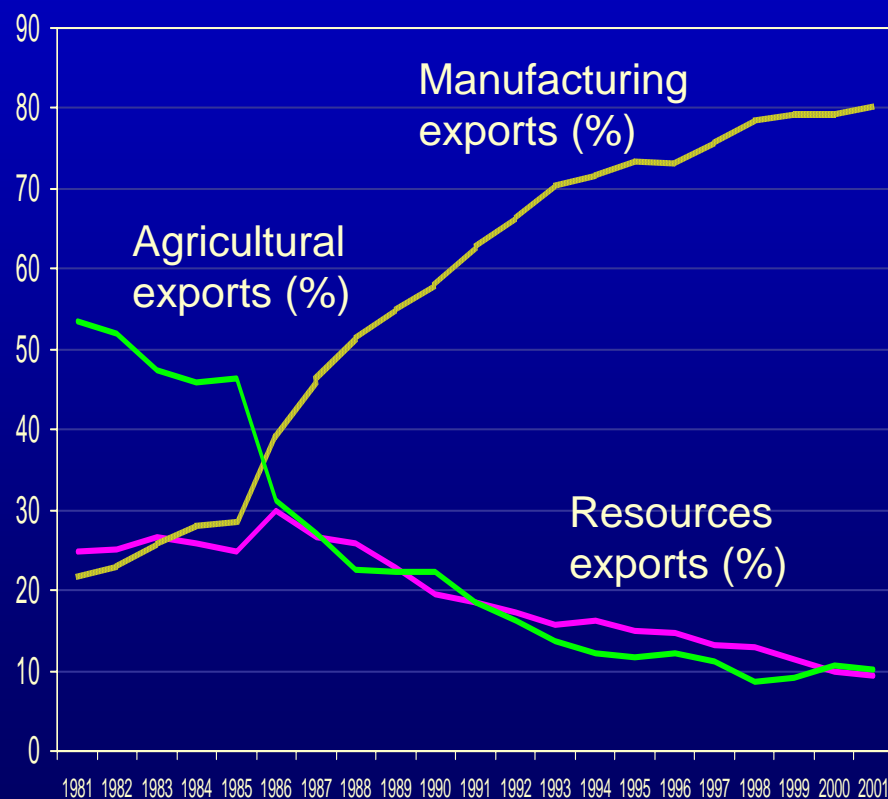
Developing countries are exporting more manufactures...

Composition of exports: 1981-2001

Middle- income countries

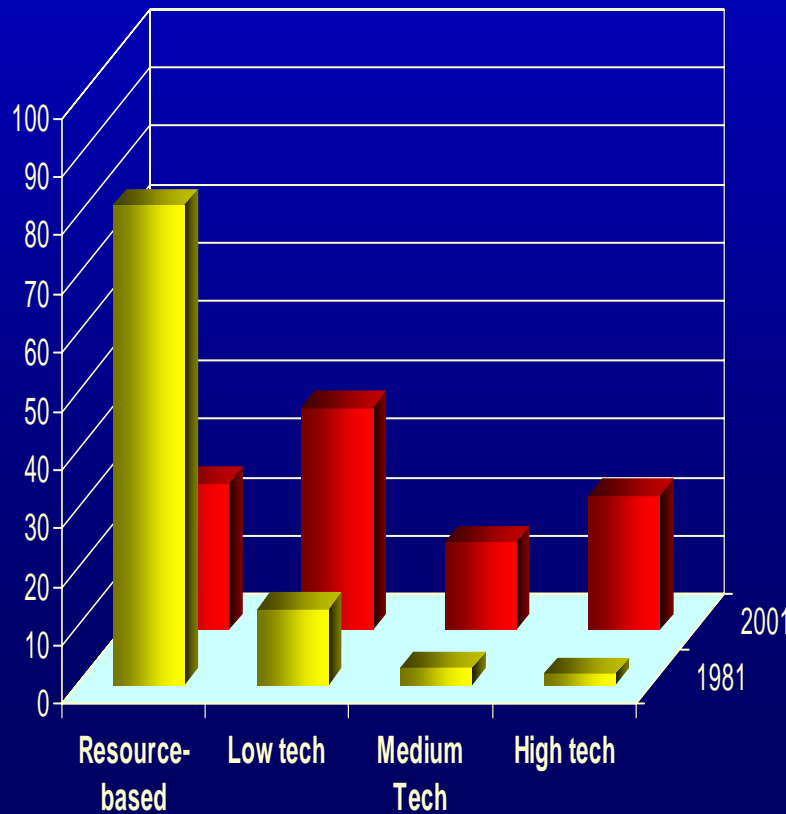


Low- income countries

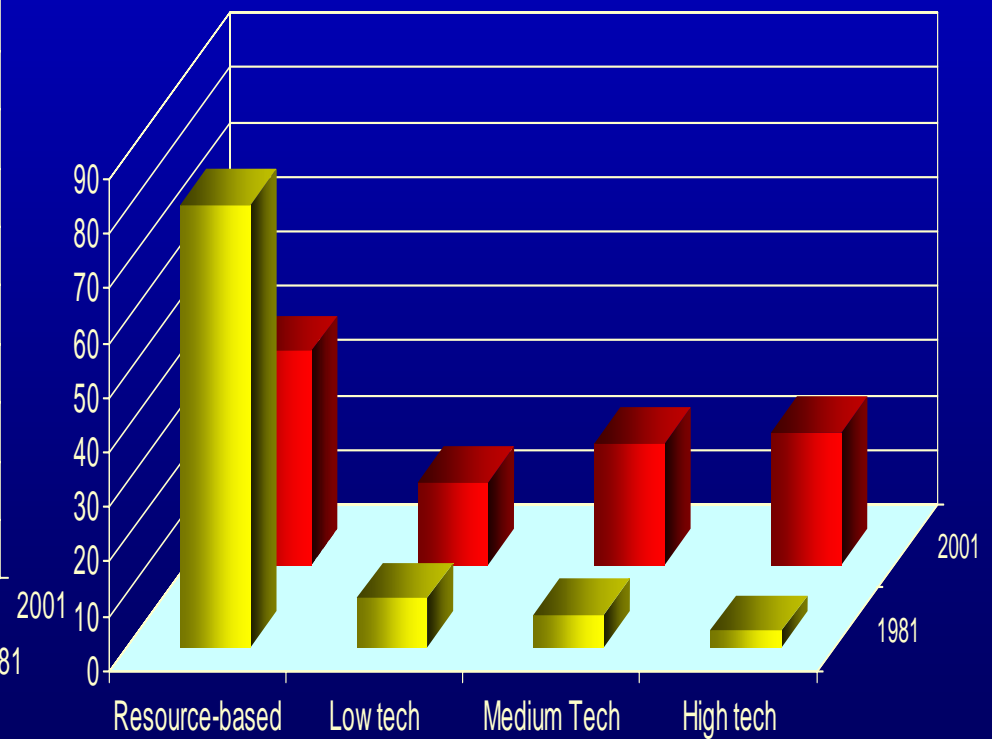


...and they are moving up the technology ladder

Low income countries: Share of exports, 1981-2001 (percent)



Middle income countries: Share of exports, 1981-2001 (percent)



...but the poorest countries have fared badly

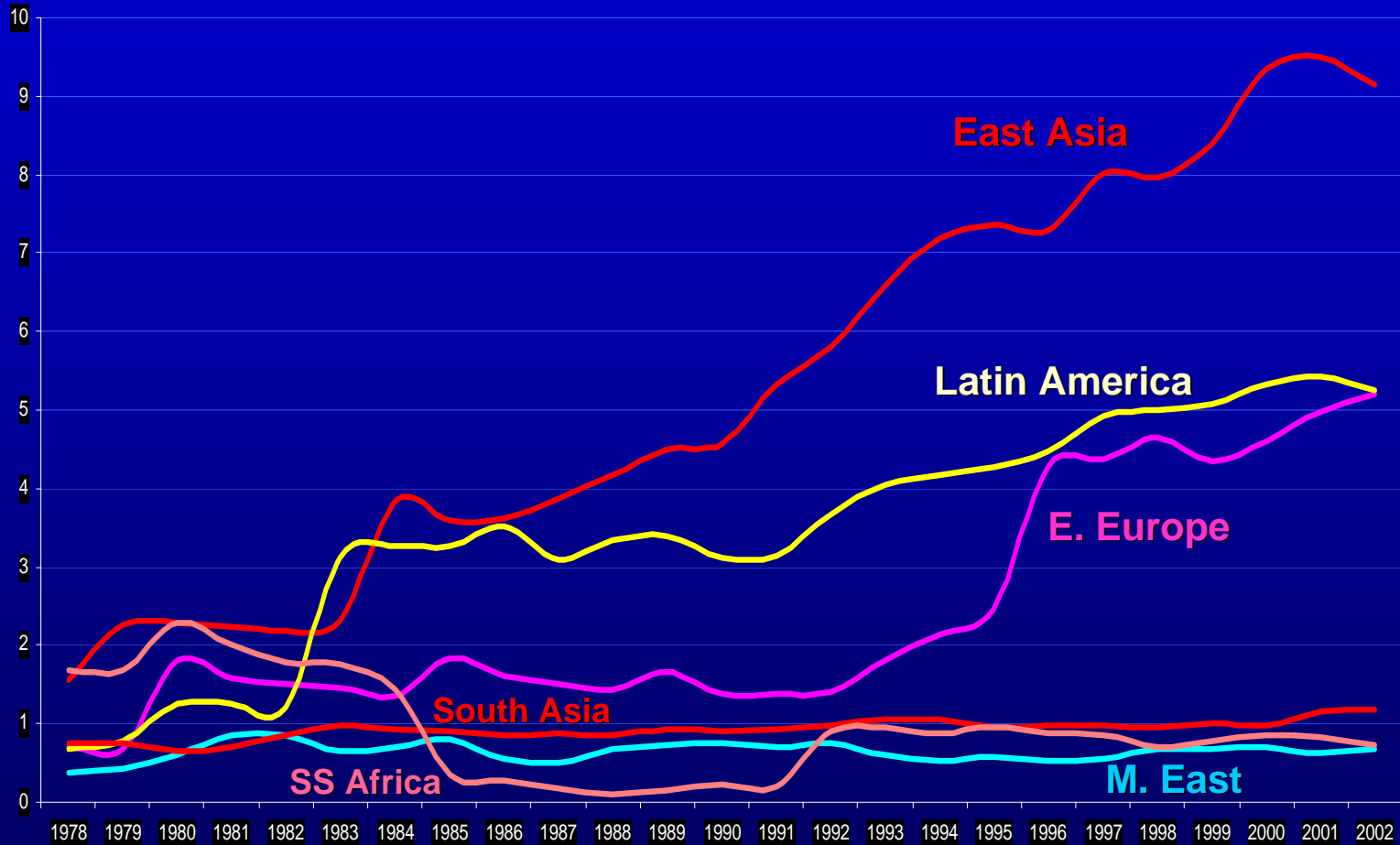
Increase in world market share, percentage points, 1991-99
Exports of non-energy goods



In fact, 1/3 of developing countries have not benefited significantly from growth in international trade.

...but the poorest countries have fared badly

Regional exports as percent of world market, 1978-2002

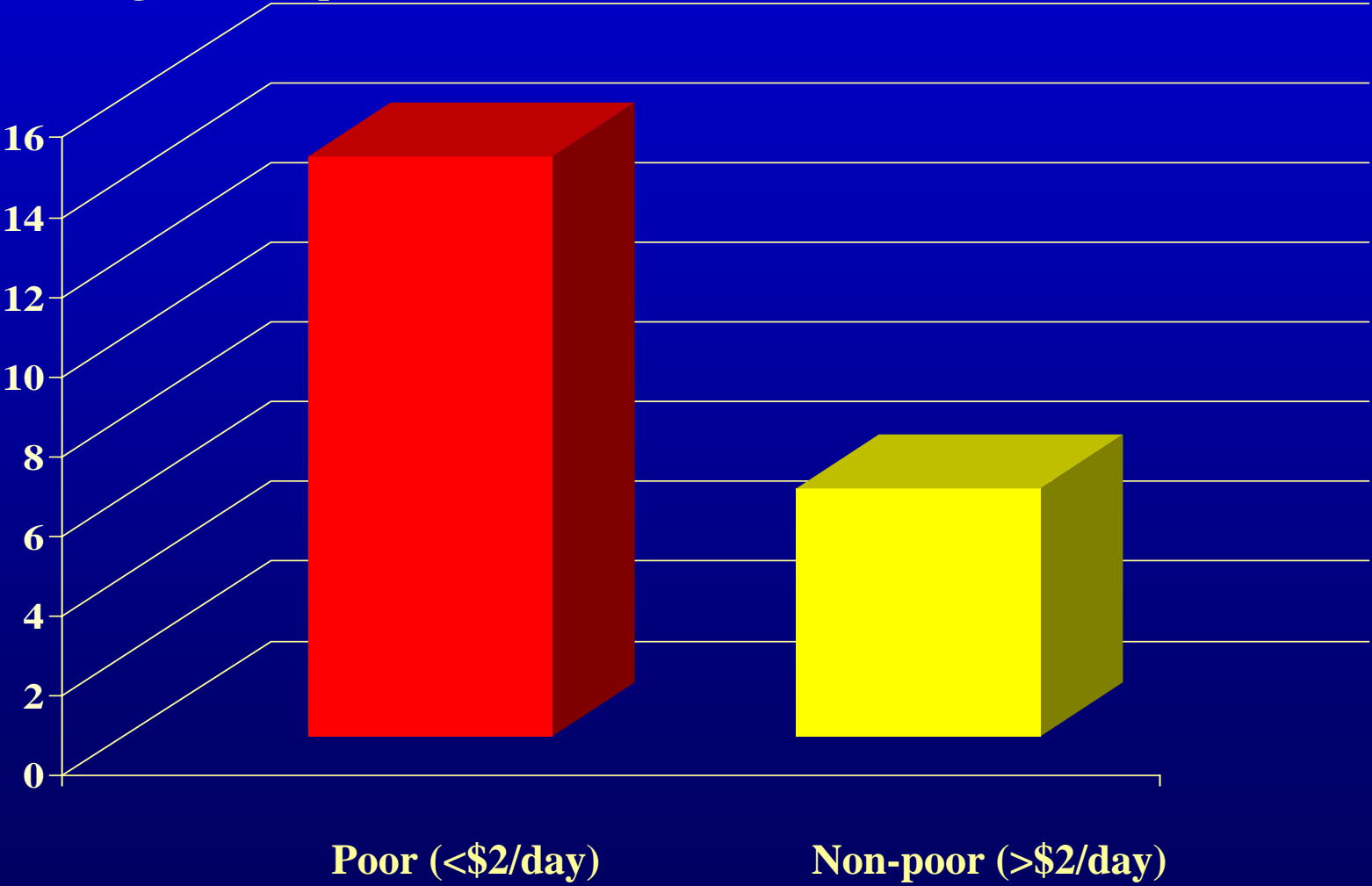


Reasons for poor performance vary...

- Dependence on primary commodities and/or persistent conflicts.
- Domestic trade policies and trade-related institutions, macroeconomic instability, and poor governance.
- Obstacles and inequities in world trading system.

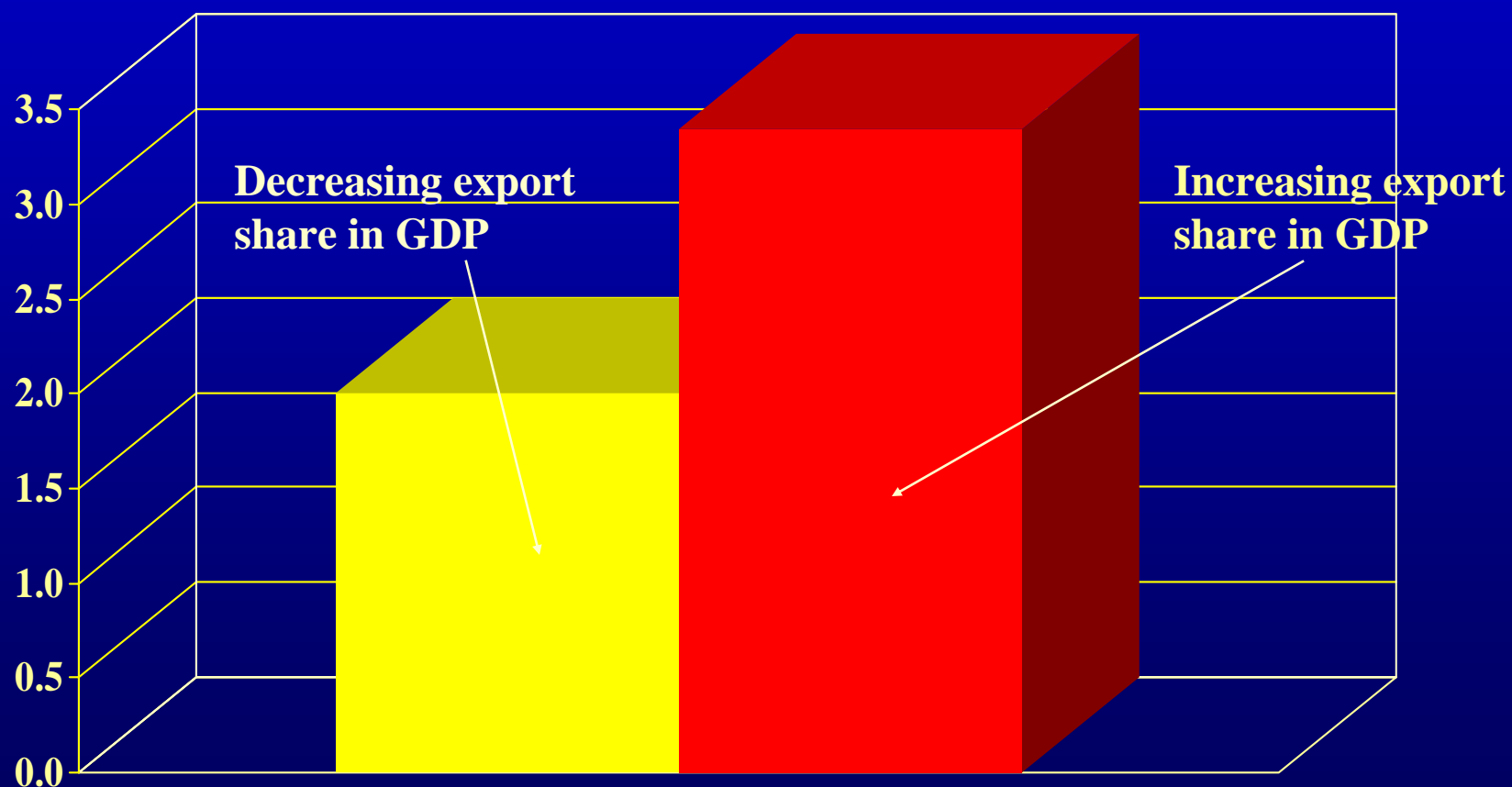
Global trading system penalizes the poor

Average tariff, in percent, 1997-98

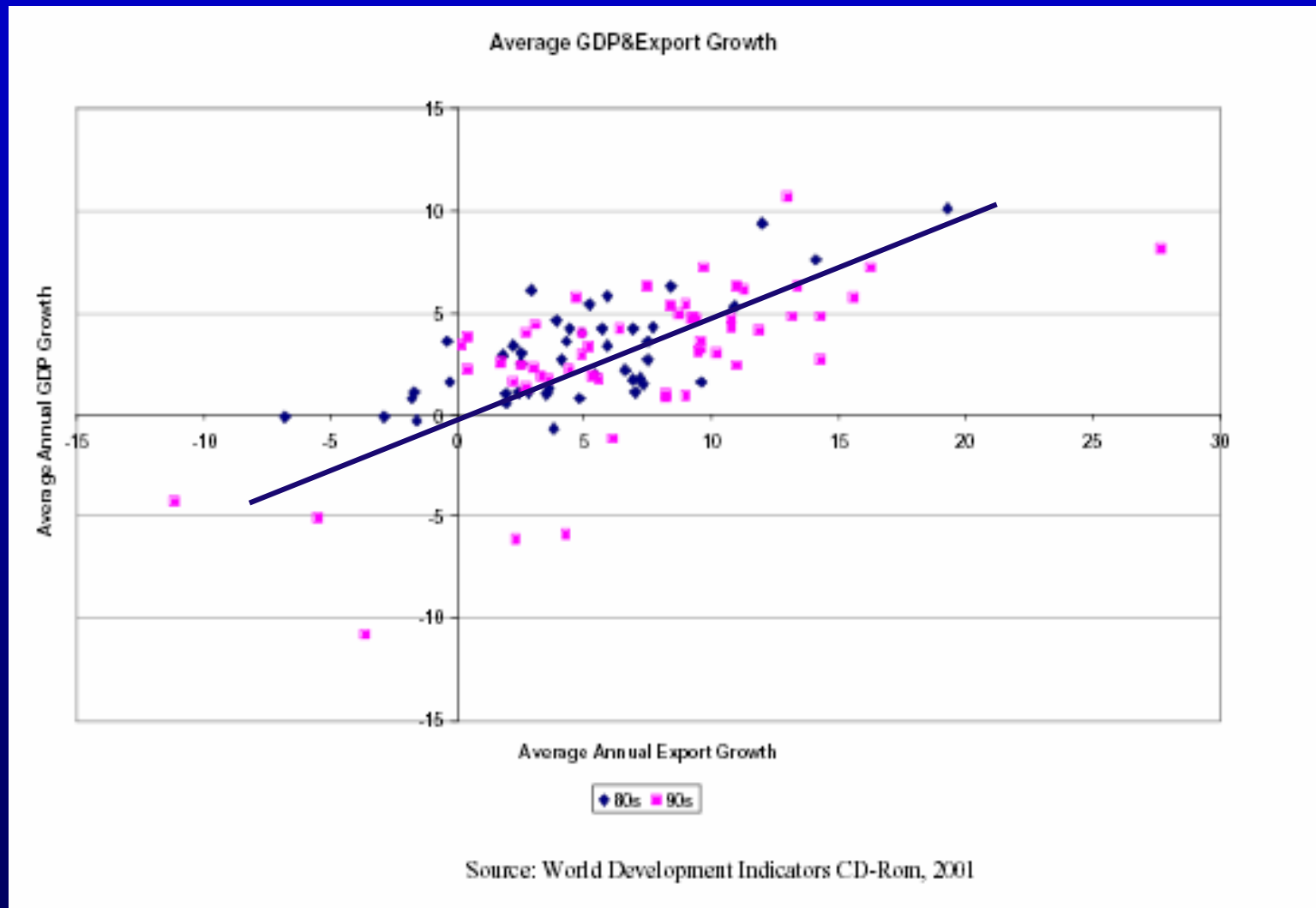


Why does it matter? Integration with global markets is associated with faster growth

Average annual per capita growth, 1980-99



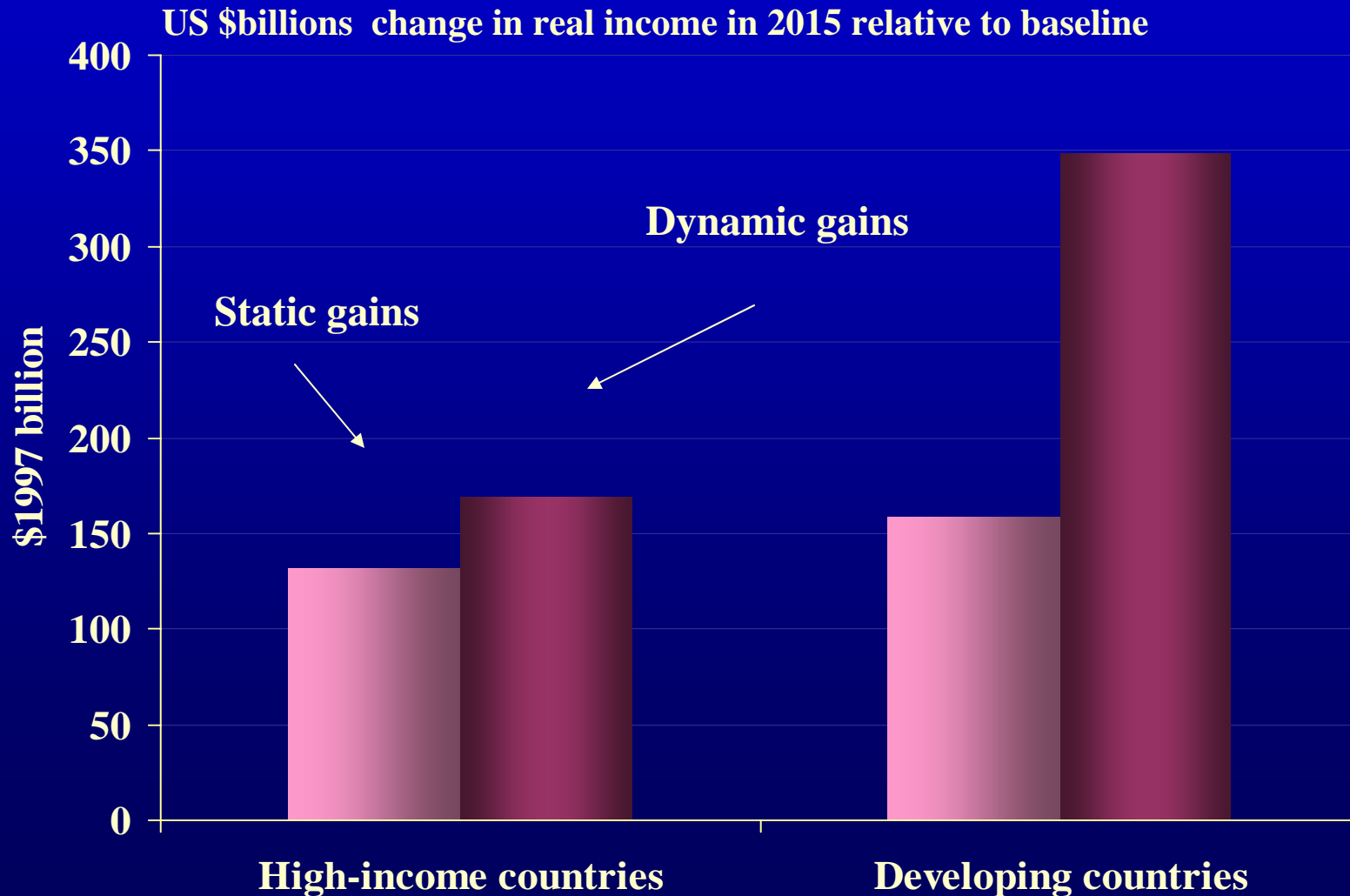
Export growth is associated with rapid income growth



Source: Cline, 2003, from WB data

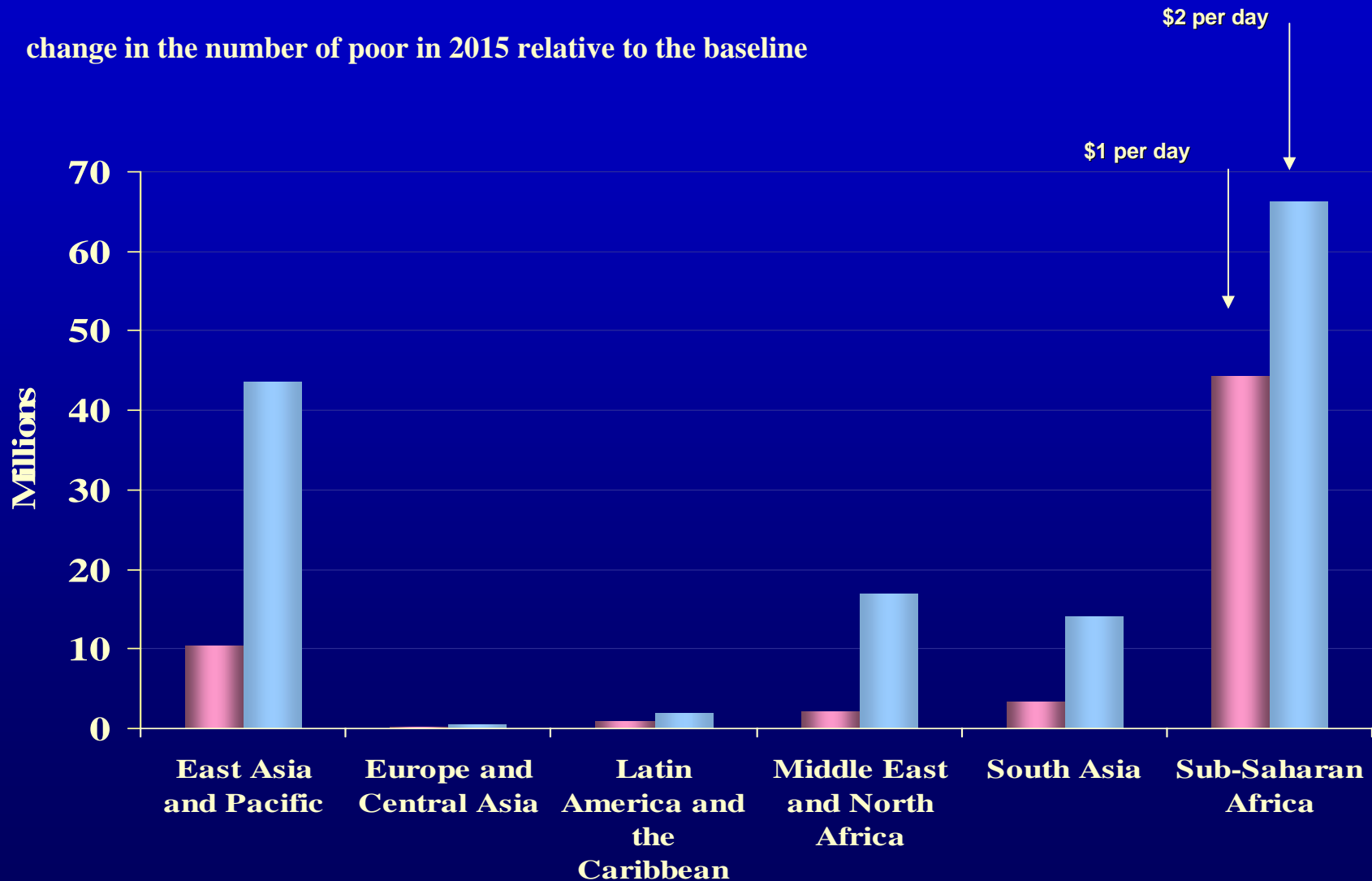
The Doha Agenda could redress some inequities and accelerate growth

A “good” agreement could boost incomes \$270-520 b.



More people would be lifted above the poverty line...140 million...many in Africa

change in the number of poor in 2015 relative to the baseline



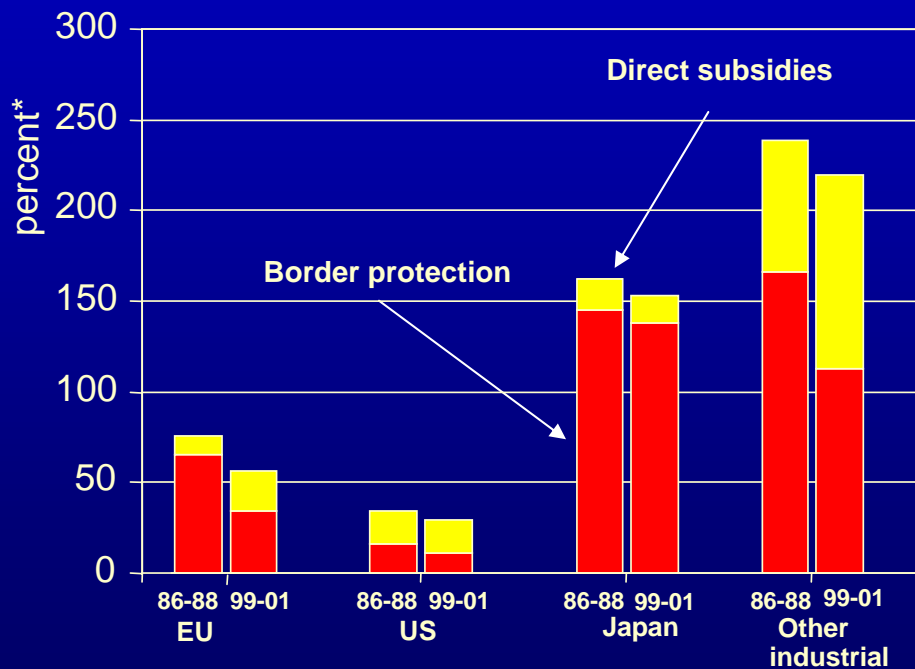
Source: World Bank staff simulations.

But to realize development promise, an agreement has to reduce barriers to the products the poor produce

- Agriculture is a priority, particularly reducing border protection and subsidies in rich countries
- Reducing protection on manufactures and services, particularly in the South
- Helping low-income countries reduce reliance on trade preferences, increase competitiveness, and reform institutions to facilitate trade

Protection in rich countries is high and unchanged since the Uruguay round...

Industrial countries: Producer Support

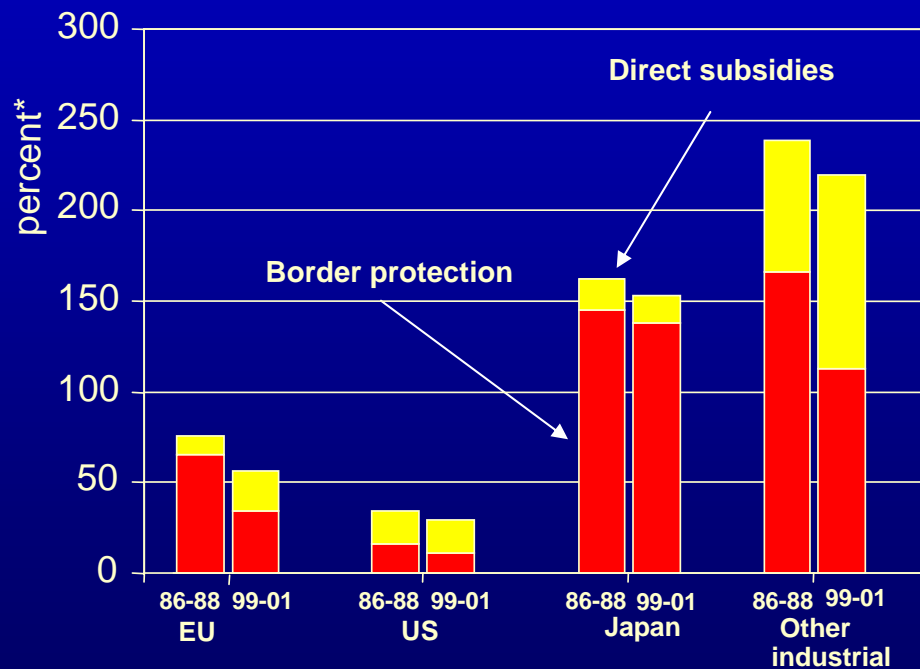


* As a percent of output at world prices

Source: OECD

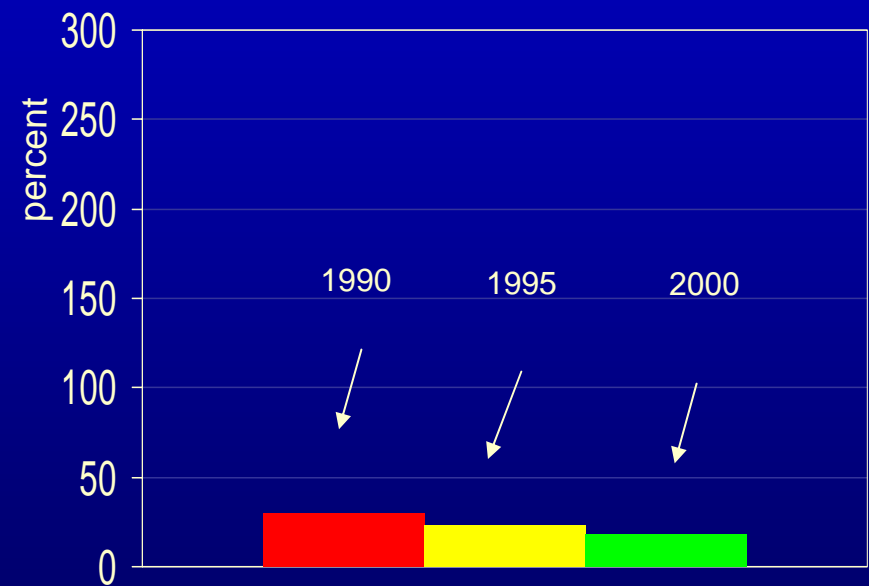
Protection in rich countries is high and unchanged since the Uruguay round...and developing countries have reduced barriers only slightly

Industrial countries: Producer Support Estimate



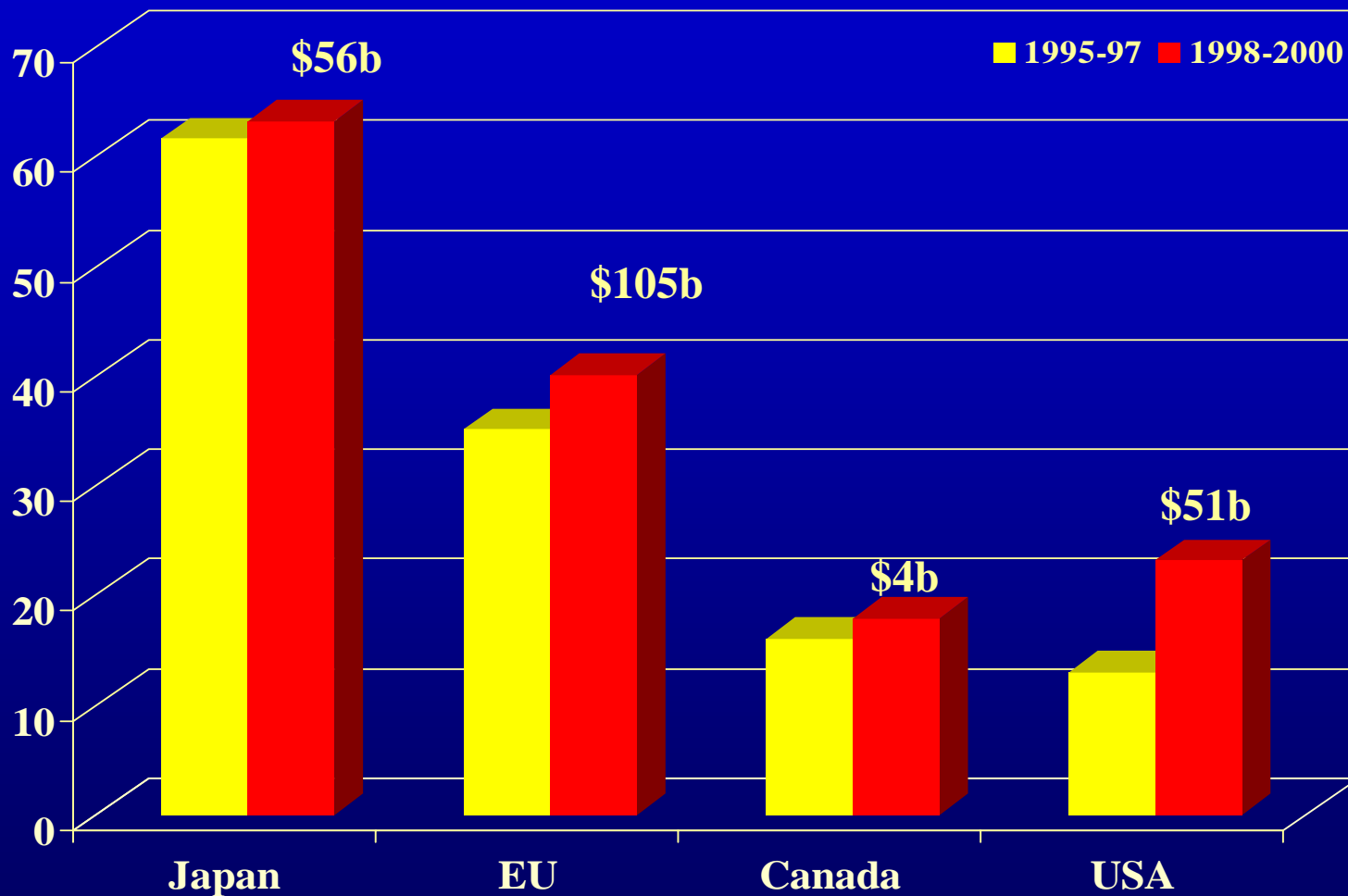
* As a percent of output at world prices
Source: OECD

Developing countries: average tariffs for agriculture



Source: TRAINS

Growing agricultural subsidies in the Quad also limit market access for poor countries



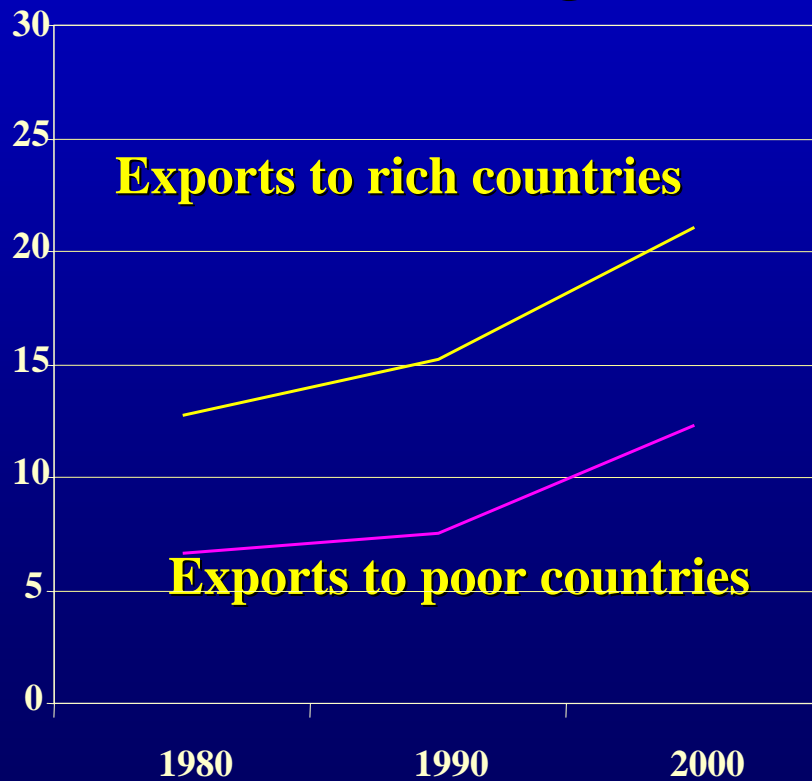
Note: Equivalent support to producers in % of gross income (in US\$ billions).

Source: OECD.

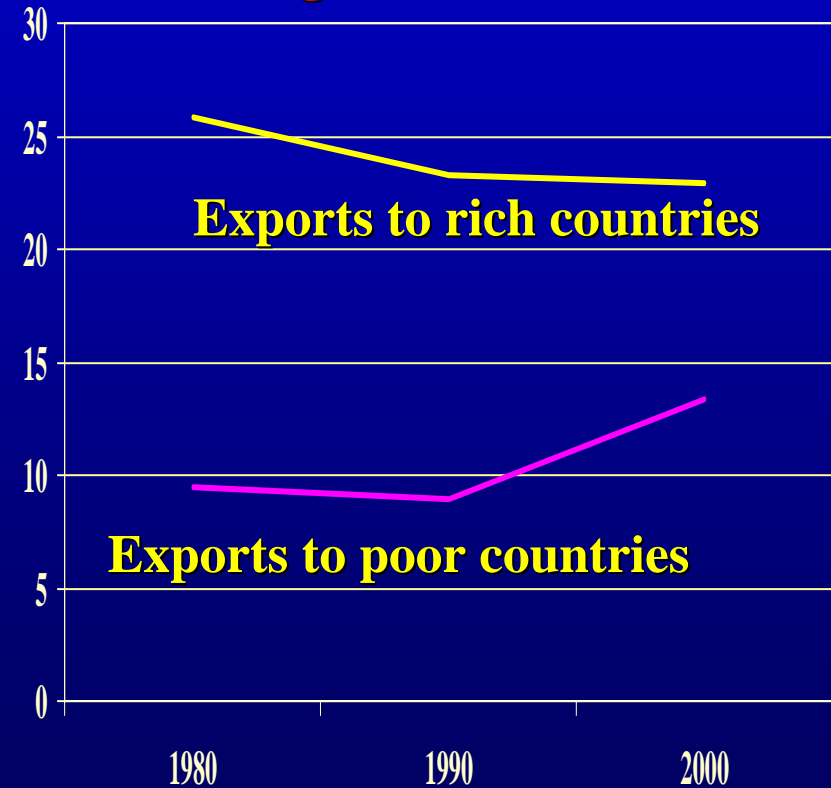
Developing countries have failed to penetrate agricultural markets of rich countries

Developing countries' share of total world exports

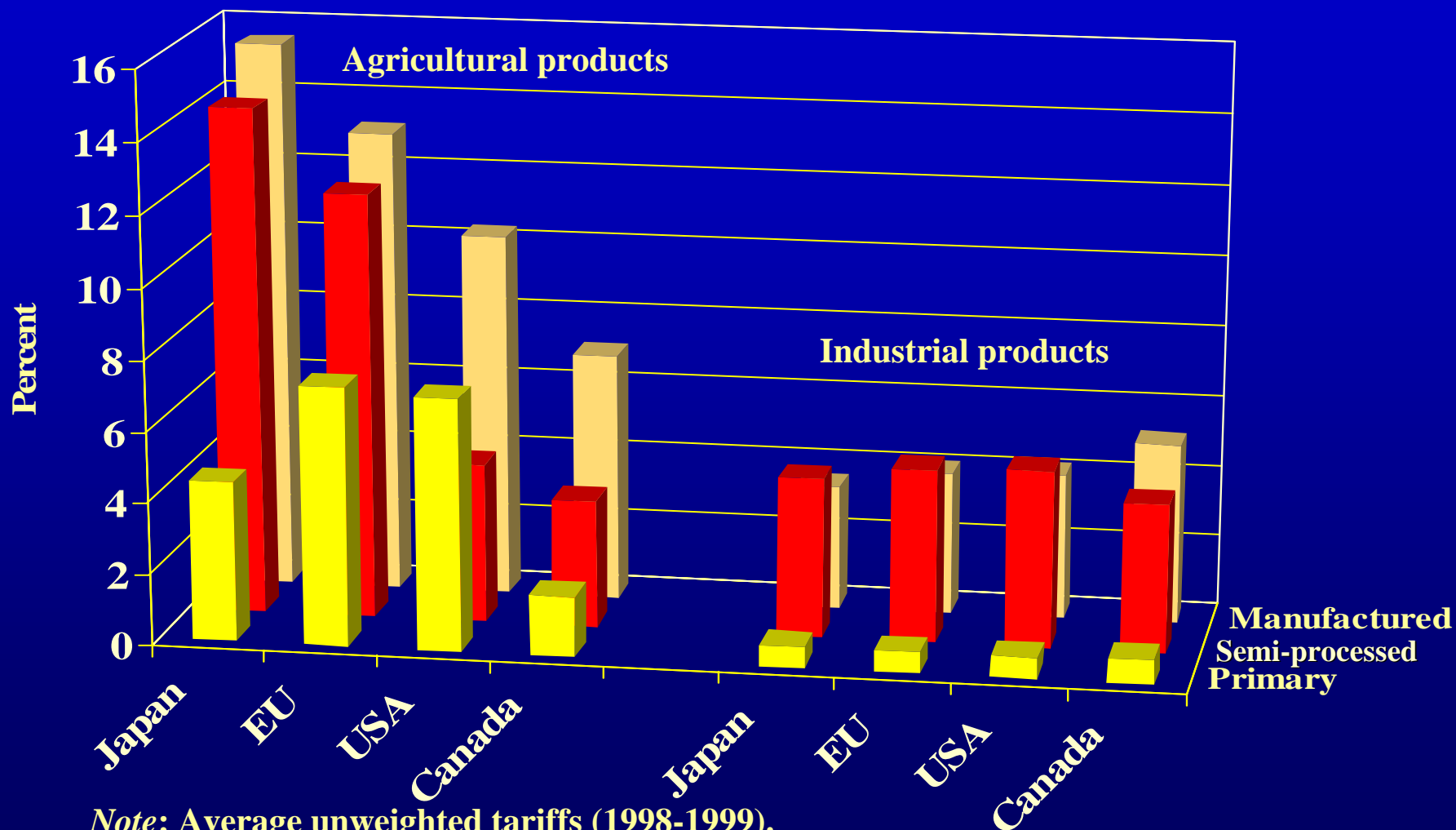
Manufacturing



Agriculture



...and escalating tariffs discourage efforts to add value

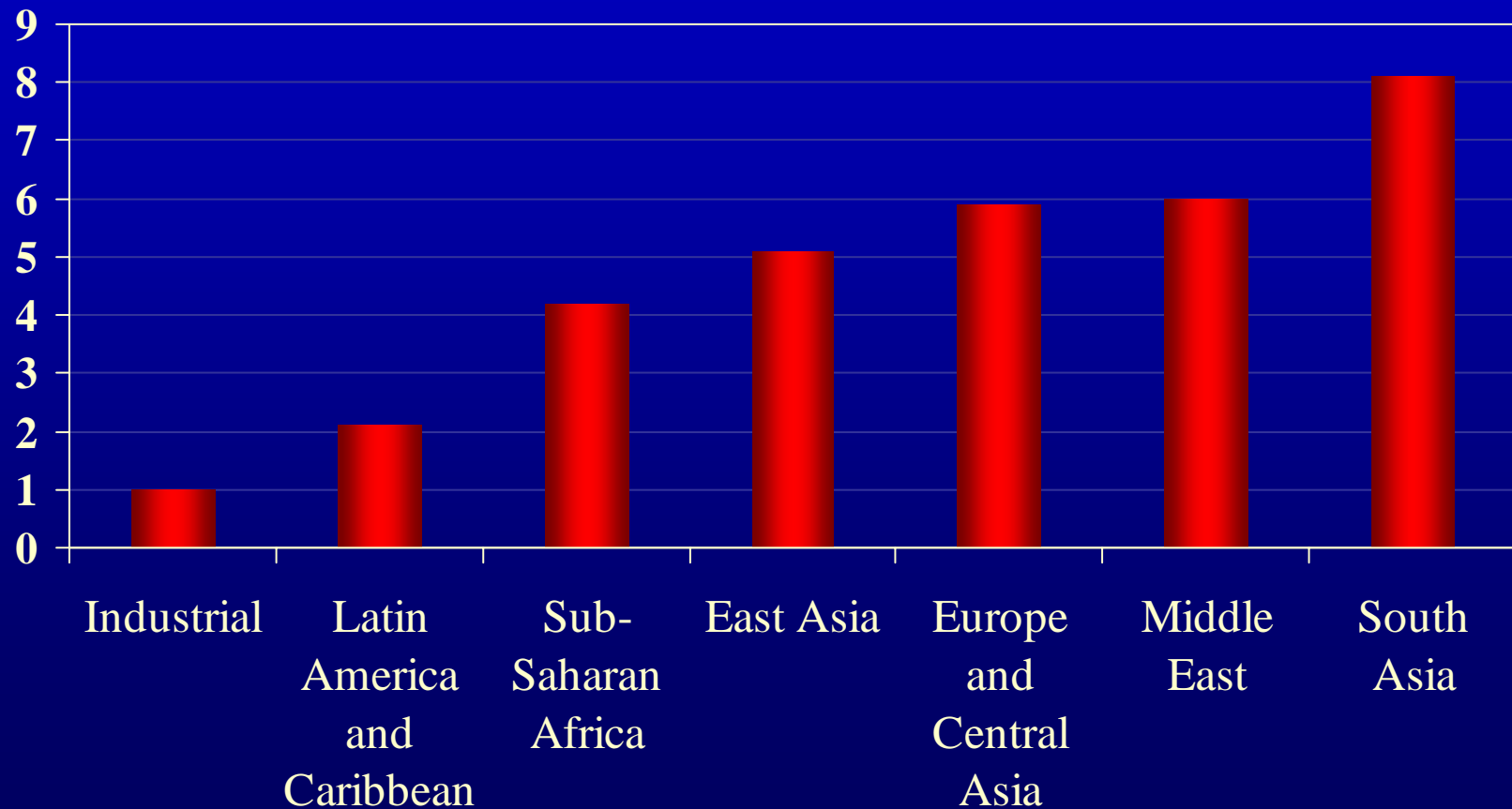


Note: Average unweighted tariffs (1998-1999).

Source: World Bank, based on WTO data.

Market access in manufactures is important ...because rich countries charge poor countries more

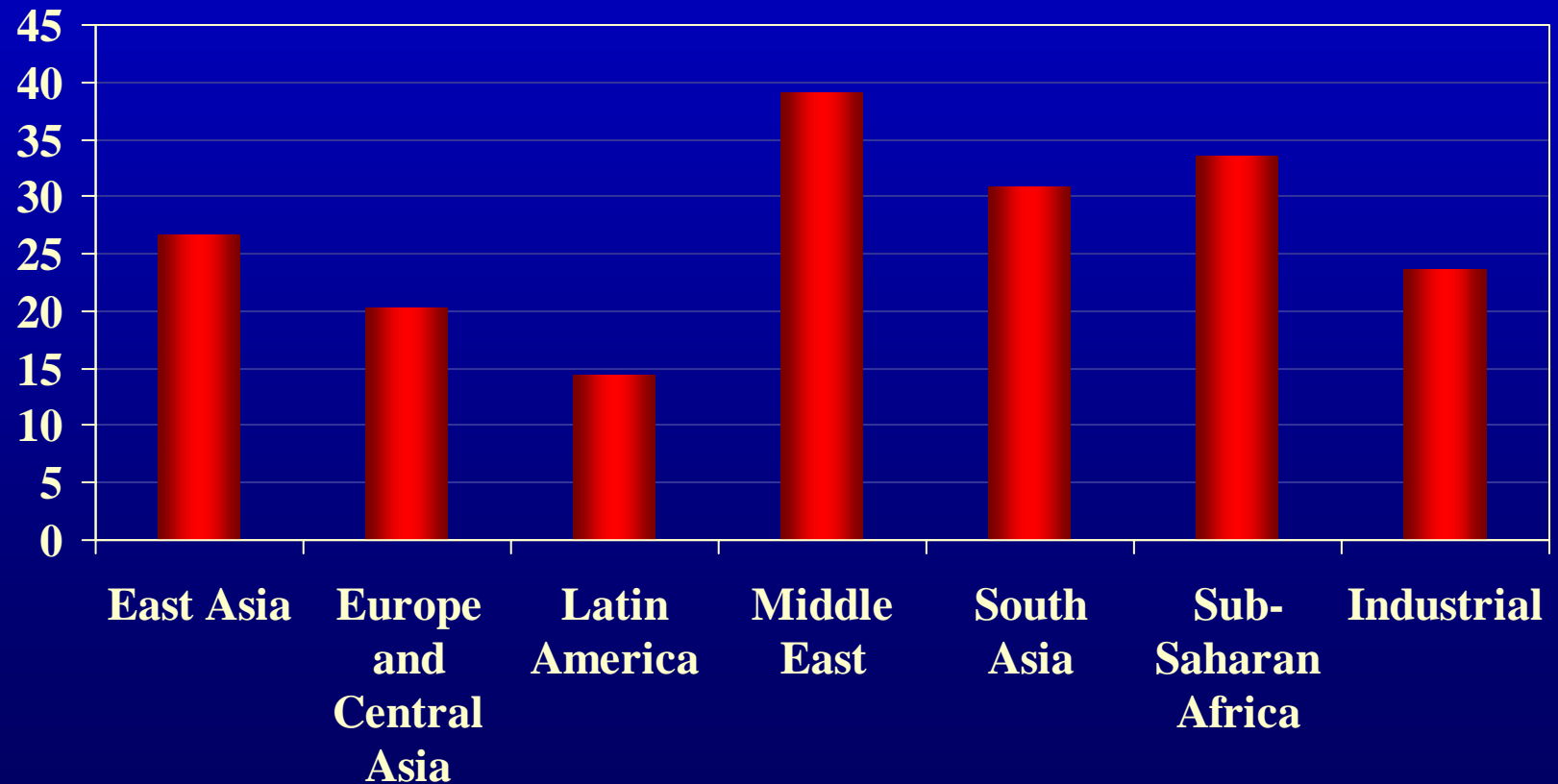
Av tariffs of industrial countries charged to exporters
from various regions, 1997 (percent)



...and their own barriers also hurt other developing countries

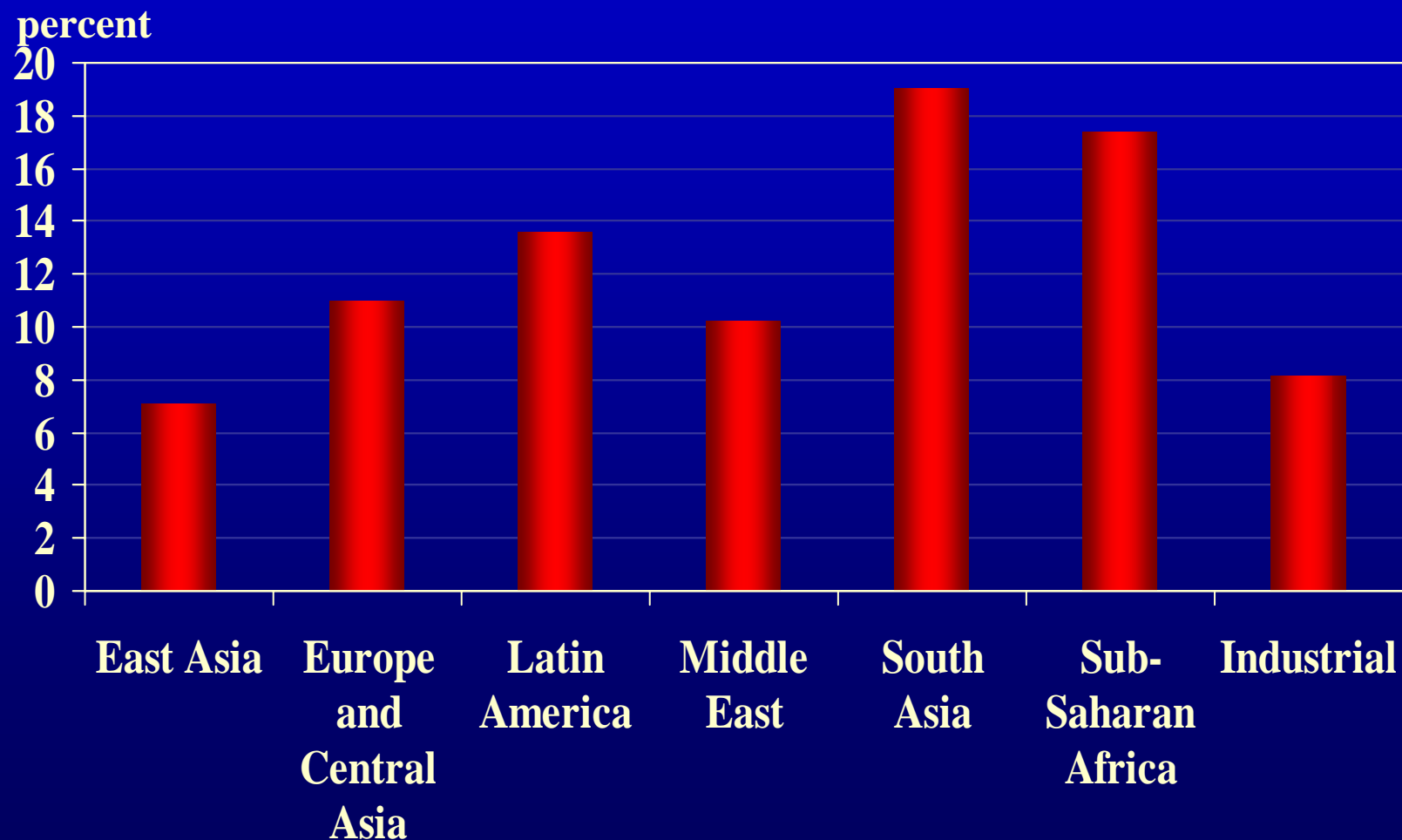
Protection faced by African exporters of agricultural goods, 1997

percent



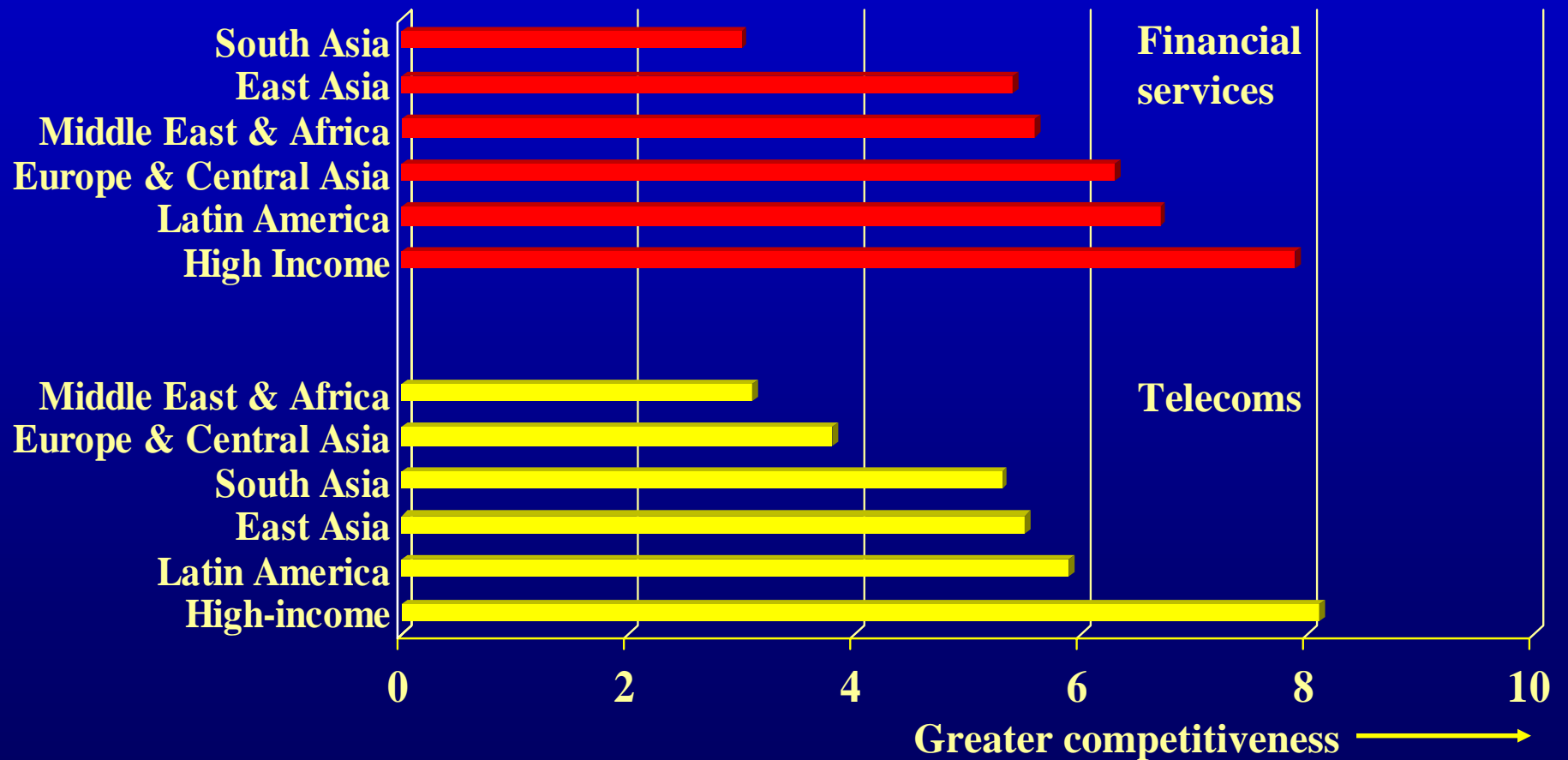
...and so do other developing countries

Protection rates faced by South Asian exporters of manufactures, 1997



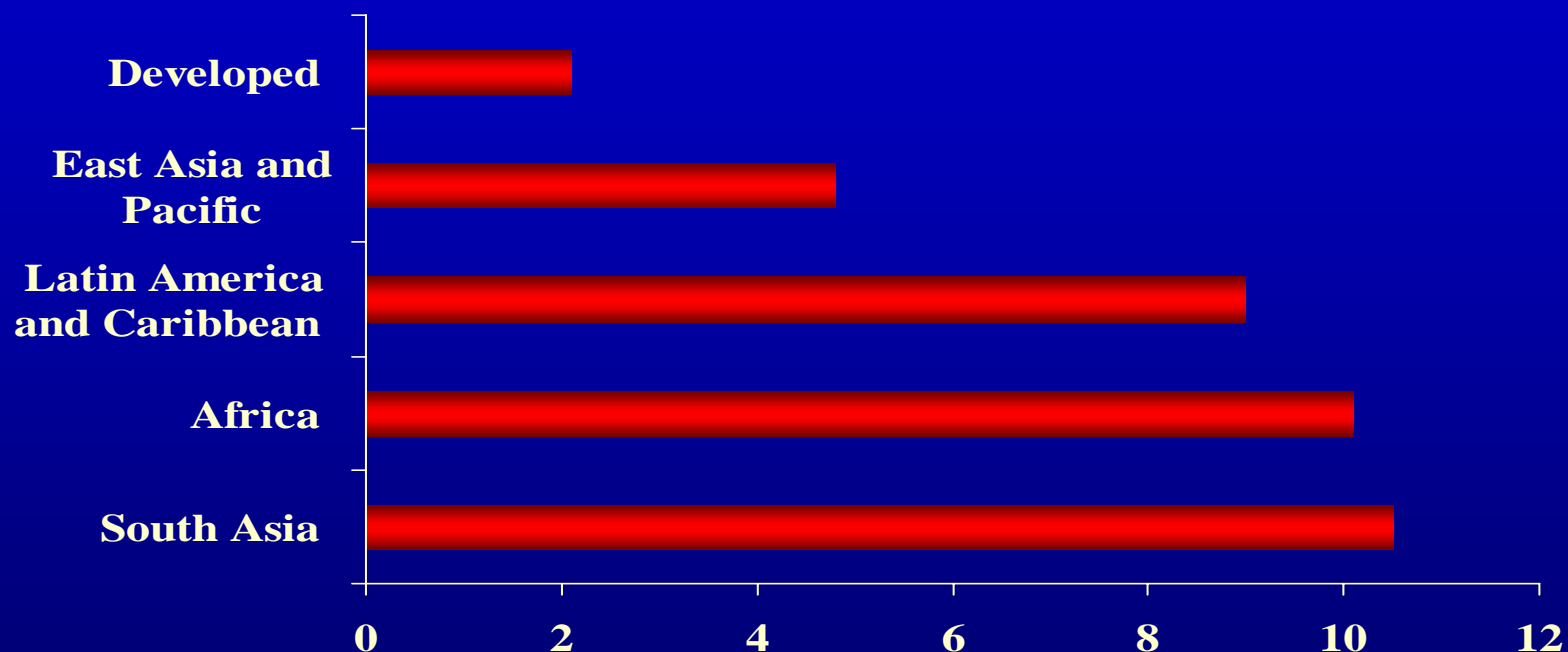
Trading market access for liberalization of services may be key to Doha success

Services liberalization index



Improving trade facilitation can be as important as cutting tariffs...ports, customs, transport

Average number of days to clear customs for sea cargo



...including trade facilitation in the Doha Agenda could have development benefits

Source: International Exhibition Logistics Associates, based on a sample of countries in each region

Moving forward on Doha Development Agenda is urgent...because collapse would mean:

- Impetus to bilateral and regional agreements...
 - But these produce small market access
 - Puts developing countries in weakest negotiating positions with big players
 - Many countries excluded
 - No way to discipline most injurious practices that hurt poor people... e.g., agricultural subsidies or antidumping
- Upsurge in protectionism...anti-dumping
- Lost opportunity to accelerate growth and poverty reduction

...so all countries have to take responsibility and work hard to avoid this fate

For the development promise of the Doha agenda to be realized, all countries have to take responsibility

- Rich countries have to lead in agriculture, labor-intensive manufactures, and development assistance
- Middle-income countries have to be willing to lower high external tariffs—benefiting themselves and their neighbors— to get better access and lock in services access
- Low-income countries have to rely less on preferences and reform trade-related institutions.

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