**United Nations Conference
on Trade and Development**

Trade and Development Board
Trade and Development Commission
Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development
First session
Geneva, 16–17 April 2013
Item 3 of the provisional agenda

Prospects for building resilience to external shocks and mitigating their impact on trade and development

Note by the UNCTAD secretariat

Executive summary

World growth has slowed significantly after the global financial crisis, especially in developed countries. The crisis showed how strong economic interrelations are between different countries and regions; it highlighted the need for developing countries to reduce their vulnerability to external shocks and restate their development strategies.

Policies aimed at reducing external vulnerability will not only have to enlarge the policy space for counter-cyclical measures but also implement a development strategy based on stronger domestic and regional markets on the demand side and productive upgrading and diversification on the supply side.

The structure of global demand and trade has been changing significantly in the last few years, posing new challenges and opening new opportunities to developing and transitional countries. In this context, the role of domestic demand as an engine of growth would make many developing countries more resilient to external shocks propagated via trade links. This could help boost domestic investment opportunities. It could also support diversification in the domestic economies and increase the resilience to sector-specific shocks.

As the international financial system remains prone to instability and presents a procyclical bias, a number of developing countries have applied policies to reduce their exposure to external financial shocks and mitigate their domestic impact. These include the accumulation of foreign reserves, the reduction of the ratio of foreign debt to gross domestic product (GDP), capital flows management, the development of domestic debt

Please recycle

markets and the broadening of the investor base. However, multilateral arrangements and internationally coordinated financial regulation would strongly contribute to the prevention of financial shocks.

The availability of timely, accurate and consistent statistical data is crucial for analysing the rapidly changing global economy. Now more than ever, there is a critical need for both consistency between short-term indicators and also macroeconomic measures on the state of a country's economy. This note examines the statistical tools (in particular those related to international trade) that are needed to improve the understanding of external shocks and their economic impact, and help design appropriate policy responses.

Contents

Introduction

1. UNCTAD XIII reaffirmed that development-centred globalization sets the stage for inclusive growth and development, and contributes towards reducing poverty and creating jobs. It was agreed that continued efforts to strengthen and improve the functioning of the global economy are needed, and that while sustained economic growth is important, it is also necessary to broaden the basis of growth through an enabling environment at all levels.

2. The Trade and Development Board, at its fifty-fifth executive session held on 15 October 2012, approved the following topic for a multi-year expert meeting: "Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development". The first meeting will address "Prospects for building resilience to external shocks and mitigating their impact on trade and development".

3. The global financial crisis has evidenced how strong the economic linkages in our globalizing world are. No country or region was spared by the shock that originated in the financial system of developed economies, leading to an economic slowdown in some of them and to outright recessions in others. The recent crisis calls for a thorough examination of the channels through which economic shocks spread and the factors that determine the varied degree of resilience of different economies. Such an analysis should provide guidance to policymakers seeking to increase the economic resilience to shocks.

4. However, in order to identify effective policies to reduce vulnerabilities and increase resilience to shocks it is not sufficient to look at the past crises. It is also necessary to assess the impending challenges imposed by the prospects of the world economy and the development strategies envisaged by all countries.

I. The world economy: recession or transformational growth challenges?

A. Global growth performance in the 2000s: from rapid growth to stagnation

5. All world regions grew at a rapid pace between 2004 and 2007, although that growth was associated with unsustainable internal and external imbalances. Such imbalances, which had been building up since the 1990s, were linked to rising flows of credit – internal and external – that eventually led to over-indebtedness and the financial crisis.

6. In most developed economies, the negative impact of lowering shares of labour income and restrained public sectors on demand were more than compensated by an extraordinary expansion of private credit. It was mostly on these premises that growth in the developed world reached a yearly average of 2.7 per cent.

7. During the four years preceding the crisis, growth of developing countries and economies in transition exceeded 7 per cent per annum. For some countries, this was an export-oriented model based on the demand for manufactures in major developed economies. For other countries the dominant driver was a respecialization in commodity exports, often sustained by capital inflows. Finally, in many countries there was a revival of public policy including social transfers, physical infrastructure investment and industrial policy, suggesting a restoration of the developmental state. To a degree, these public policies were funded by the revenues of their export-oriented sectors. Overall, the combination of these growth models was intrinsically vulnerable as these relied heavily

upon external trade demand, financial flows and their interrelated formation of credit bubbles.

8. By the end of 2012, the pace of global economic growth remained disappointing. Global growth during the last five years has been a mere one 1.5 per cent on average, barely above the annual growth of the world population, which means the global economy is nearly stagnating in per-capita terms.

9. Such a performance runs counter to the expectations built upon the first successes in averting a new "Great Depression". The immediate policy reaction to the crisis was quite effective, as policymakers applied expansionary policies accompanied by measures to protect employment and income. However, the premature withdrawal of fiscal stimulus and the shift to fiscal austerity in developed countries in 2010 strongly affected global demand and economic recovery. This was further aggravated by extended wage compression and labour flexibility.

10. By contrast, some economies in the developing world continued their stimulus programmes for longer, even if more moderately. Their rising demand for primary commodities provided an opportunity for other economies in the developing world to re-focus towards the external markets, even to the detriment of more diversified strategies.

11. These dissimilar growth performances between developing and developed countries could indicate a gyration of global growth, where developing economies would be called upon to pull the world economy into a more robust pace. However, the mediocre pace of global growth may also turn into an impending global recession, particularly if developed economies remain unable to revive growth stimuli and the perverse impact on other regions prevails.

B. The changing regional structure of global growth over the last two decades

12. The growth performance of developing and developed economies has changed significantly in the last two decades. During the 1990s, the average growth of developing countries was about 2.5 per cent above that of developed economies; that difference widened to about 4 or 5 per cent in the subsequent periods (table 1). In addition, in the last decade all developing and transition economies showed strong growth, while in the 1990s it was concentrated in East, South and South-East Asia.

13. As the economies of the developing world grew, their faster growth had a much stronger weight in global growth. The contribution of the group of developing countries evolved from an annual average of 0.9 per cent in the 1990s to 1.6 per cent during 2004–2007 and 1.4 per cent during 2008–2012. This signifies approximately 33 per cent of global growth in the 1990s, 43 per cent in the years 2004–2007, and almost 90 per cent during the crisis and post-crisis years.

14. If such trends could be sustained, there would be no question about the potential for developing countries as growth performers, departing from the unsatisfactory performance of developed countries. Furthermore, there could be scope to hypothesize a role for the former group in pulling developed countries out of their stagnant state.

15. However, growth fluctuations in the developing world during these periods have been heavily influenced by the growth dynamism and the instabilities triggered by the developed countries. To the extent that many developing countries continue to rely on export-specialization models oriented to developed countries and have to cope with unfettered capital flows generating boom and bust cycles, their economies will remain

subject to exogenous shocks and fallacy of composition dynamics, not significantly different from those of the past.

Table 1
Growth performance of world regions over the last two decades
(Percentages)

	The decade of the 1990s			The period of fast growth 2004–2007			The crisis and post-crisis 2008–2012		
	Annual average growth	Contribution to global growth	Share over total growth (% region/world)	Annual average growth	Contribution to global growth	Share over total growth (% region/world)	Annual average growth	Contribution to global growth	Share over total growth (% region/world)
World	2.7	2.7	100.0	3.9	3.9	100.0	1.7	1.7	100.0
Developed economies	2.5	1.9	75.8	2.7	2.0	52.8	0.3	0.2	11.4
Economies in transition	(5.9)	(0.2)	(9.2)	7.7	0.2	4.5	1.8	0.0	2.9
Developing economies	4.9	0.9	33.5	7.4	1.6	42.7	5.3	1.4	85.7
Africa	2.5	0.1	2.0	5.9	0.1	3.3	3.6	0.1	5.3
East and South Asia	7.0	0.5	20.3	8.7	1.0	26.8	6.7	1.0	61.0
Western Asia	4.1	0.1	3.8	6.9	0.2	4.6	4.1	0.1	7.4
Latin America and the Caribbean	3.1	0.2	7.3	5.3	0.3	8.0	3.1	0.2	11.8

Source: UNCTAD secretariat calculations, based on United Nations Department of Economic and Social Affairs; National Accounts Main Aggregates database; World Economic Situation and Prospects, 2013 (United Nations, 2013); Economic Commission for Latin America and the Caribbean, 2012; OECD.Stat database; and national sources.

16.   Alternatively, for developing countries to make further progress along the road of convergence, they should assume the transformational challenges that are indicated by the experience of the last decades. Active policies should be applied in order to promote industrialization, investment and welfare, including appropriate instruments of demand and credit management, which should be strengthened by international and regional coordination.

II. International trade, vulnerability and changing patterns of global demand

A. Countries remain exposed to shocks affecting trade volume and prices

17.   Trade integration can help promote economic growth and industrial development but increasingly open markets have also become a primary channel of transmission of external shocks. External trade shocks for developing countries and economies in transition usually result from economic downturns in advanced economies that cause sharp contractions in global demand.

18.   The size of such shocks varies considerably across regions and individual countries, depending on their pattern of export specialization. The incidence of external trade shocks

may be assessed on the basis of the decline in export volume and the change in a country's terms of trade, that is, the change in a country's average export price relative to that of its imports (see chart 4).

19. Applying this measure to the most recent sizeable external trade shock, that is, the collapse of world trade in 2008–2009, indicates that countries whose exports are heavily concentrated in energy experienced a significant deterioration in their terms of trade, while exporters of manufactures predominantly faced negative demand effects (United Nations Department of Economic and Social Affairs, 2009).

20. Changes in real final expenditure were responsible for most of the collapse of international trade in 2008–2009 (see, for example, Bems et al., 2012). Such changes play a crucial role more generally in terms of the measures needed to foster resilience to external trade shocks.

B. A larger role for domestic and regional demand

21. Continued weaknesses in the major developed economies cause significant uncertainty for developing countries and economies in transition regarding their external demand (United Nations, 2013). Such uncertainty suggests that in order to increase their resilience to external economic shocks and continue rapid growth, developing countries and economies in transition will need to reduce their export orientation to developed economies and rely to a larger extent on domestic, regional and South–South trade (for example, see Bank for International Settlements, 2012, p. 24–26).

22. World trade structure has changed, mirroring the shifts in the relative weight of developing and developed economies in global product. The share of developing regions in global trade expanded from 29 per cent in 1995 to 42 per cent in 2011. In particular, South–South trade doubled from 12 per cent to 24 per cent of world trade in that period.

23. Increased domestic demand in countries with a current account surplus would also help reduce global imbalances, thereby improving resilience of the global economy as a whole, even though measures to that effect taken by major advanced economies would be more effective in attaining a durable rebalancing of global demand. In particular, it would avoid global rebalancing being led by demand compression in deficit countries with the attendant risk of a global economic downturn (UNCTAD, Trade and Development Report 2010).

24. From a longer-term perspective, strengthened domestic demand would also appear crucial for avoiding the so-called "middle-income trap", according to which developing countries need to turn increasingly to innovation and domestic demand in order to foster resilience and continue catching up with the levels of income and standards of living in advanced economies.

25. A growing share of investment will play a key role for some developing countries to spur domestic demand. But in most cases rising consumer spending will take centre stage. There are already signs of an emerging consumer middle class in developing countries (International Labour Office, 2013). The growing number of such consumers may begin substituting for some of the consumption slowdown in advanced economies, provided that their purchasing power continues to rise, for example through average real wages rising at the same rate as average productivity (UNCTAD, Trade and Development Report 2012).

26. A consequence of the emerging middle class in developing countries is the shift in spending power from consumers in advanced economies towards those in developing countries. This shift implies a decline in the per capita income of the median consumer in the world economy, with attendant changes in preferences and the emergence of a wide

variety of new spending patterns. The greater importance of emerging-market economies as drivers of consumer goods markets and diversification of developing countries should tend to create large new markets and provide new opportunities for employment, production and exports.

27.   A crucial question for the resilience of developing countries' production and employment patterns is whether domestic enterprises can capture the newly arising business opportunities. A related question concerns the impact that the shift, from advanced to developing countries, of major parts of the end markets for manufactures has on the functioning of global supply chains.

28.   Industrialization through joining and upgrading within global value chains has played a crucial role in many countries' export-oriented development strategies over the past two decades. However, empirical evidence suggests that supporting exporters' domestic embeddedness, rather than favouring the inclusion into supply chains, is crucial for product upgrading and the attainment of profitability and value added (Jarreau and Poncet, 2012; Manova and Yu, 2012).

29.   The existence of such backward linkages may become even more important for the resilience of developing countries as some parts of the end markets for consumer goods are moving towards their domestic economies and thus also increase the forward linkages of such production sites. This may eventually provide an opportunity for developing country enterprises to lead supply chains, rather than merely integrate into existing chains, and develop by trying to increase the value-added content of their activities.

30.   To sum up, increasing the role of domestic demand as an engine of growth would make many developing countries more resilient to external shocks propagated via trade links. This could help boost domestic investment opportunities. It could also support diversification in the domestic economies and increase the resilience to sector-specific shocks. Such diversification could be particularly valuable for economies whose growth model remains heavily oriented towards natural resources.

III.   Coping with economic instability originating in the international financial system

A.   A system prone to economic instability and with a recessionary bias

31.   At present, the international monetary and financial system (IMFS) does not properly fulfil its original mission as stated in the Bretton Woods agreements, this being to smoothly manage international payments, avoid large and persistent current account imbalances, and conduct the needed adjustments minimizing the costs in terms of economic activity and welfare. Instead, it has been unable to restrain destabilizing capital movements and organize an exchange rate system that would reasonably reflect economic fundamentals.

32.   The IMFS has been basically powerless to deal with global imbalances since it can only induce policy changes in countries with financial needs, which is not the case of any of the major actors: economies with large surplus do not need financing, and the country with the greatest deficit issues the international currency. This introduces a recessionary bias to the IMFS action, because it tends to reduce demand in the less powerful deficit countries, but is unable to expand demand in surplus countries.

33.   The IMFS has also failed to avoid the disorderly expansion of short-term capital movements, which are a major factor of economic instability. Countries wishing to avoid the procyclical impact of capital flows can implement capital controls; such measures have

been relatively successful in curbing undesired capital movements. However, a multilateral arrangement (similar to a "Tobin tax") would probably be more effective.

34. The global financial crisis showed that unregulated capital flows generate a risk not only in the recipient country, but also in the source economy, since in the latter, bank solvency may be undermined if banks get involved in foreign countries' asset bubbles. Financial supervision should be applied at both ends of capital movements.

B. The stronger resilience in developing countries and its causes

35. Developing countries currently appear in much better condition than in previous decades to withstand shocks originating in international capital markets. In particular, foreign reserves accumulation, lower debt to GDP ratios and improved debt management have been effective strategies to shield these countries from the volatility of capital flows and international financial shocks.

36. During the 2000s most developing countries accumulated large external reserves both as a result of sterilization of large capital inflows and as a self-insurance strategy against the risk of sudden stops and liquidity crises. While sterilization prevented capital inflows from fueling lending booms and overheating the economy, foreign exchange accumulation enabled developing countries to withstand the massive deleveraging in the months following the failure of Lehman Brothers. More recently, foreign reserves have provided developing countries with valuable resources to implement countercyclical policies in response to the global recession.

37. In the absence of an international lender of last resort, foreign reserves offer a natural protection against financial market shocks. However, as past accumulation has been uneven across countries, some of them are now left with little reserves to cope with future needs that may arise in international financial markets and are vulnerable to external shocks.

38. The greater resilience of developing countries to adverse financial events has also resulted from lower levels of external debt and their improved currency composition. Prior to the global financial crisis, most developing countries had managed to sharply reduce their average debt ratios and to develop or expand domestic markets for the issuance of debt instruments denominated in local currencies.

39. Increased reliance on domestic markets for government funding is an effective strategy to reduce vulnerability to lending booms and exchange-rate valuation effects implied by excessive capital inflows followed by sudden stops and capital reversals. Debt denominated in local currency also increases the policy space because it allows external shocks to be countered with currency devaluations.

40. Moreover, de-dollarization of sovereign and private debts allows the monetary authority to run a countercyclical monetary policy without seeing its impact jeopardized by the balance-sheet effects associated with exchange rate depreciation. Finally, local currency debt endows the government with the last-resort option of debt monetization to be used in a time of crisis. The possibility of monetizing debt reduces dramatically the risk of insolvency, and consequently lessens the risk premium in market interest rates.

41. Domestic debt markets are also important in that they mobilize domestic saving, and favour a stronger base of local and regional institutional investors who are most likely inclined to make long-term stable investments in local currency debt. For all these reasons, over the last decade many countries have switched from external to domestic borrowing, even if the latter may imply a higher ex ante interest rate.

42.   Against this general trend, a number of resource-rich countries have recently been able to borrow on international bond markets at a relatively low cost. While private capital markets may provide developing countries with more resources to finance development, they make funding more uncertain and expose countries to shifts in market sentiment and to the risk of borrowing on unsustainable terms.

IV. Trade indicators and economic resilience

A. Economic globalization and external shocks – a challenge for statistics

43.   Globalization, the financial crisis and the Great Recession further underscore the importance of the availability of timely, accurate and consistent data. Information on real GDP, balance sheets and international trade are essential for the assessment of cross-country effects and effectively coordinating countercyclical and development policies. Now more than ever, there is a critical need for consistency between short-term indicators as well as macroeconomic measures on the state of a country's economy.

44.   The identification and development of the indicators that capture the growing interdependence of national economies are central to help build resilience to external shocks and mitigate their impact on trade and development. The calculation of those indicators relies on various basic economic statistics reported by national statistical agencies. Thus, their data quality very much depends on the national statistical system to collect, compile and disseminate timely accurate data according to international recommendations and standards.

45.   In this regard, UNCTAD and other international organizations are working to improve data consistency among countries for comparability and data comprehensiveness. This is required to enable calculation of various geographical regions and economic groupings, and to strengthen national statistical capacity through various technical assistances.

46.   The following section reviews some key trade and development indicators that point to the impact of external shocks, and the extent to which countries may be gaining – or losing – resilience.

B. Structure of trade

Trade integration

47.   The extent to which domestic producers are dependent on foreign export markets is an important indicator of potential vulnerability or resilience. One frequently used measure is the share of exports in GDP. As shown in chart 1, for least developed countries not only is the dependence of domestic producers on foreign markets (export flow) growing, but also consistency of importing foreign goods to satisfy domestic demands (import flow). This shows that least developed countries are increasingly integrated into the global economy through international trade.

Chart 1
Least developed countries' trade in goods and services, 2000–2011
(Percentage of GDP)
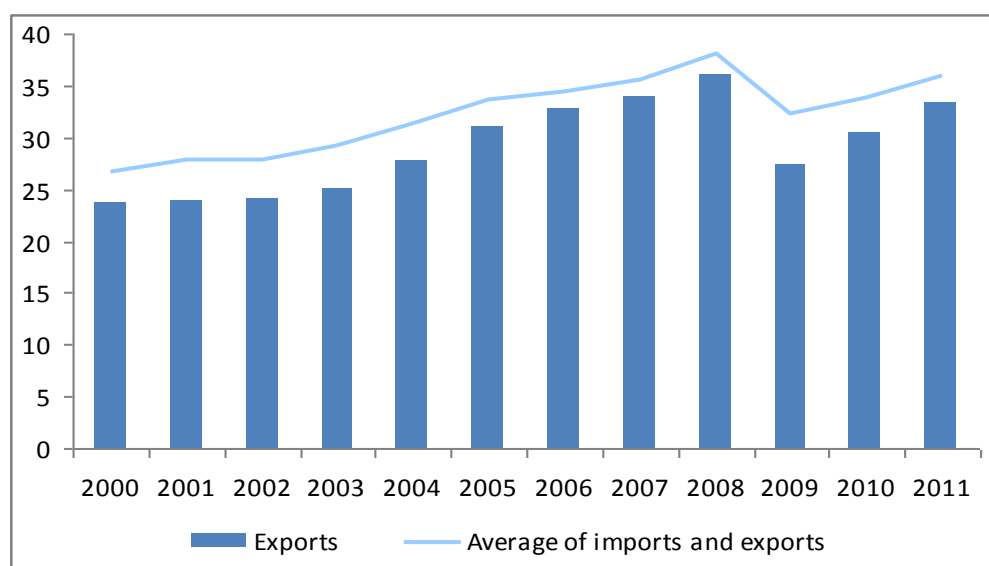
Source: UNCTAD, UNCTADstat.

Trade matrix

48.   Merchandise trade matrix is defined as a complete trade data by partner and by product (currently up to 3-digit Standard International Trade Classification or about 260 items). The term "complete" implies the need to compile all available official reported data (through United Nations Comtrade) and to estimate data gaps due to late data submission or unavailability of data. The trade matrix is indispensable input in order to derive trade indicators and indices such as intra-trade or concentration indices. In addition, it is also used to estimate terms of trade indices.

49.   Intra-trade among economies is commonly used as the indicator for monitoring the progress of regional trade integration (see chart 2). In 2011, trade among developing economies (also known as South–South trade) stood at 55.2 per cent, which indicates that developing economies are trading more between themselves than with the rest of the world. Following further analysis at product level, it is observed that the high share of intra-trade, especially in developing Asia, is due to the rising phenomenon of trade in intermediate goods.

50.   To better assess vulnerability, it is important to know how the trade is distributed by product or by trading partner. The high dependence on a few products for exportations or few destination countries can amplify impact during a crisis to national economy.

51.   The concentration index measures the degree of market concentration. An index value close to 1 indicates a very concentrated market, while values closer to 0 reflect a more equal distribution of market shares among products, exporters or importers. As the concentration index assesses vulnerability, it is included in the Economic Vulnerability Indices, which is one of the criteria used by the United Nations Committee for Development Policy for the identification of least developed countries (United Nations, 2008).

Chart 2
**Intra-trade share in total exports, selected regional groups, 2001 and 2011**
(Percentage)
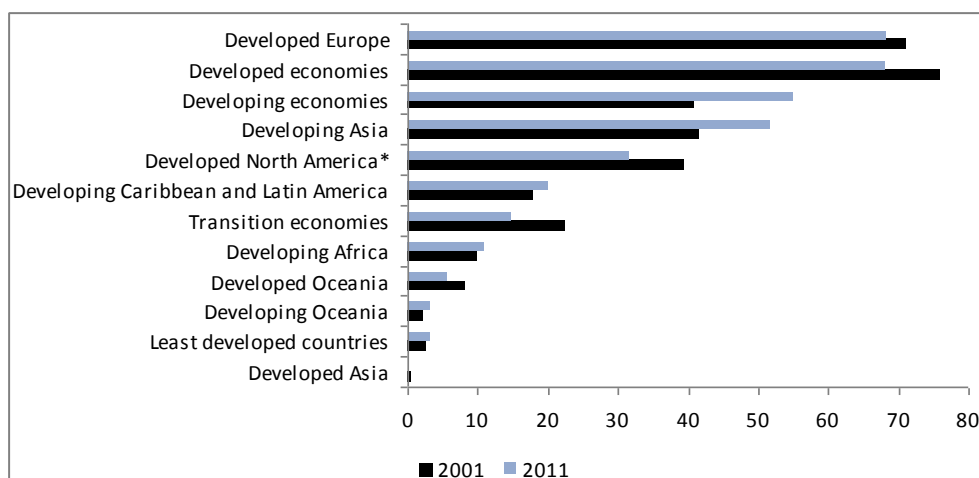
Source: UNCTAD, UNCTADstat.
* Bermuda, Canada, Greenland, United States of America.

Trade concentration

52.   The concentration index for least developed countries has been increasing, which indicates a higher reliance on the export of few products, notably primary commodities (see chart 3). These figures imply the need to diversify products for exportation by moving up in the value chain – producing more manufactured goods in addition to exploiting primary commodities.

Chart 3
Least developed countries market concentration index, 2000–2011
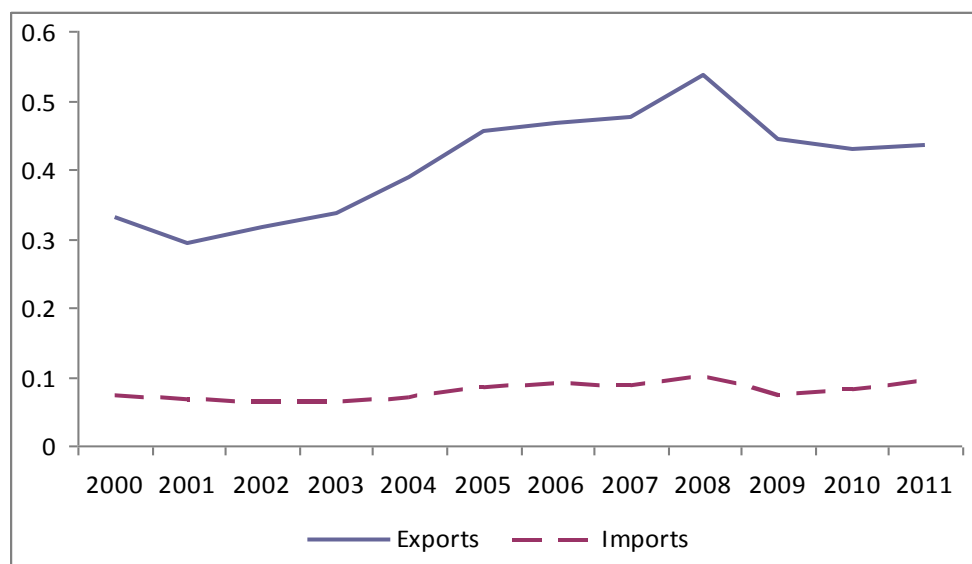
Source: UNCTAD, UNCTADstat.

Terms of trade

53.   As described in chapter II A, the terms of trade is a key indicator of the impact of external shock, especially in countries with a high share of external trade relative to GDP. The instability of the terms of trade also plays an important role in determining a country's growth performance (Easterly et al., 1993).

54.   In recent years, trends in terms of trade have increasingly diverged across different groups of countries (chart 4). Since 2002, developing economies with a high share of oil, and minerals and mining products in their total merchandise exports have gained the most from developments in international product markets.

55.   Most of these countries are developing countries located in Africa, Latin America or West Asia or transition economies. By contrast, developing economies with a high share of manufactures in their exports, many of which are located in Eastern or South-Eastern Asia, have experienced deteriorating terms of trade. The reason is likely to be not only the increase in their bill for commodity imports, but also the decline in the price of manufactures exported by developing countries relative to manufactures exported by developed countries.
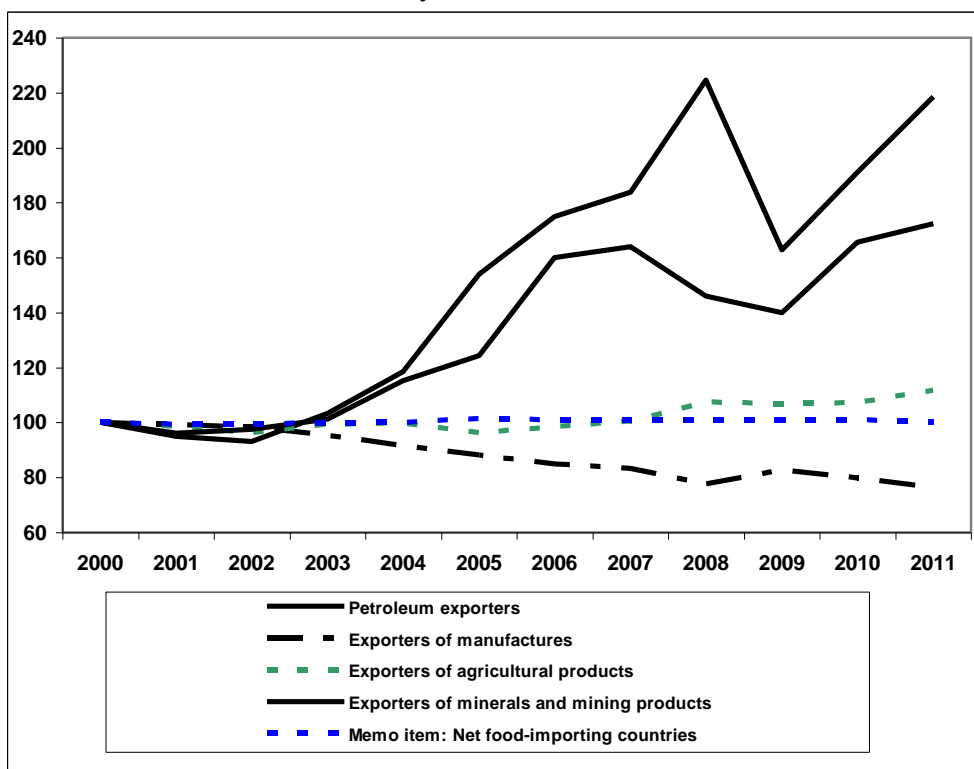
Chart 4
Terms of trade of country groups, 2000–2011, index numbers (2000 = 100)

A. By region and economic group
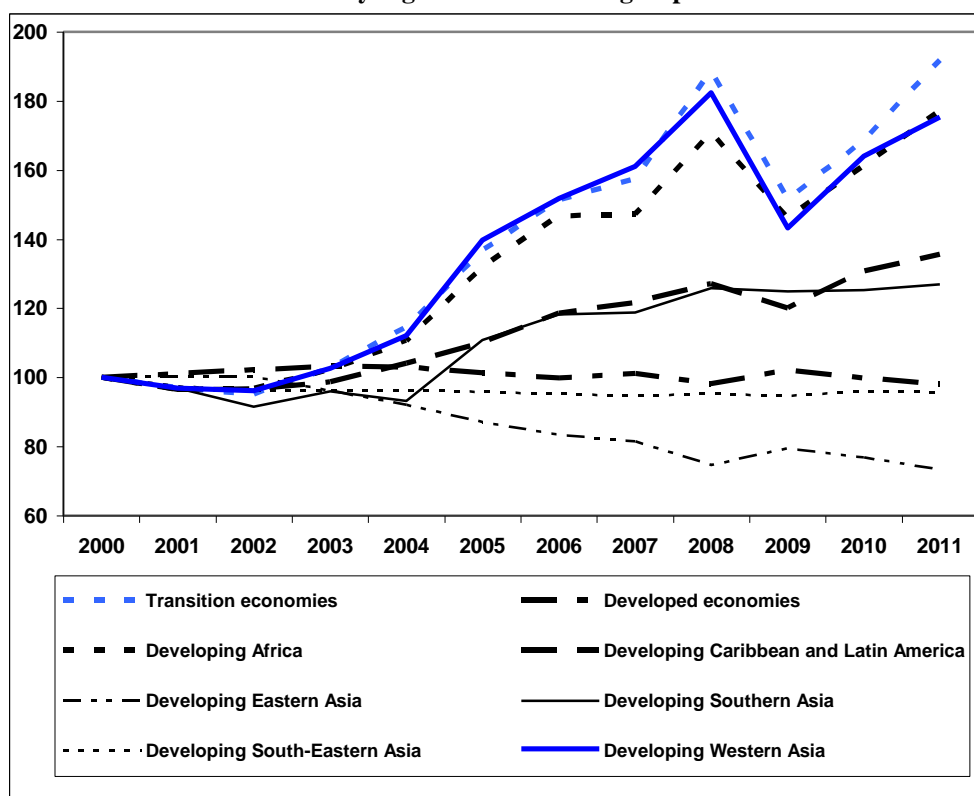
B. By trade structure[a]

Source: UNCTAD secretariat calculations based on UNCTADstat.

Note: (Memo item) Net food importers are low-income food-deficit countries, excluding exporters of fuels, metal and mining products.

[a] Data refer to developing and transition economies.

56.   Furthermore, UNCTAD pursues more disaggregated terms of trade by estimating the contribution of different product groups to changes in terms of trade. These estimates show the diversity in the impact of recent international price movements on the terms of trade of countries, as indicated by the examples of Brazil and India in chart 5.

Chart 5
Estimated contribution of different product categories to terms-of-trade changes, 1996–2011 – examples of Brazil and India
(Percentage)
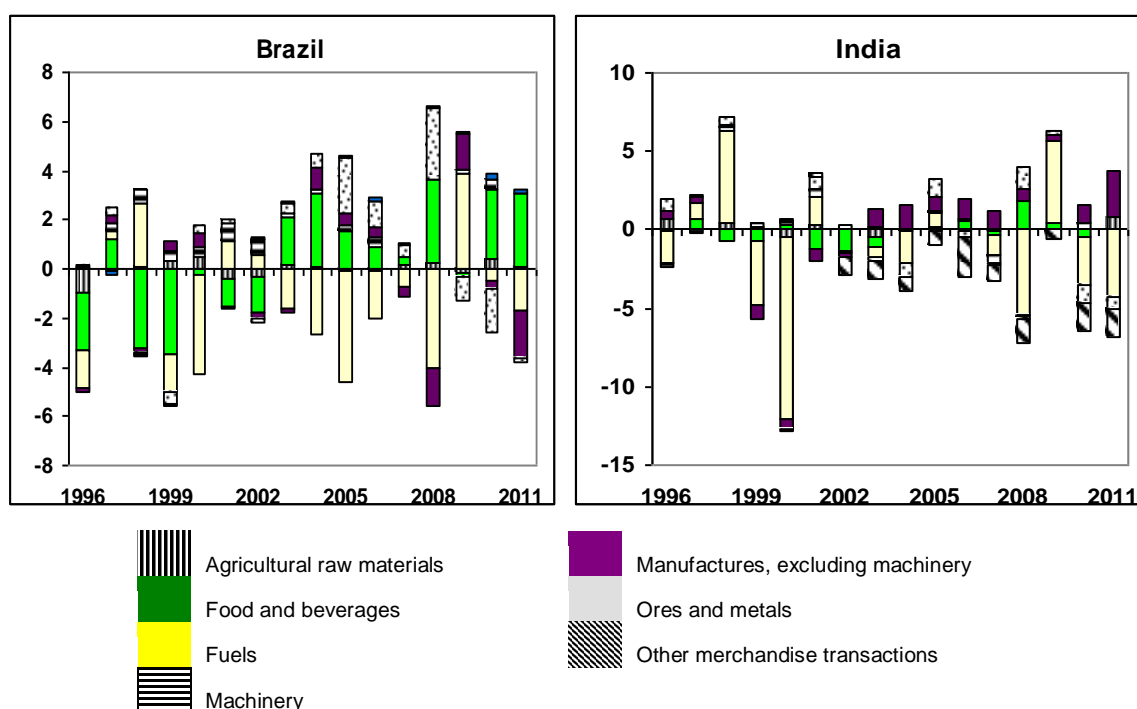
Source: UNCTAD secretariat calculations based UNCTADstat.

C. Short-term trade trends

57. In the fast-changing economic situation, annual trade statistics are insufficient to monitor the current situation. Monthly and quarterly data releases are better in this case, although this poses a compilation challenge. Consequently, the global trade statistical community seeks a closer cooperation between national data providers, the use of a computerized system in data collection and compilation (for example, UNCTAD Automated System for Customs Data (ASYCUDA) and Eurostat EUROTRACE) and the use of standard data format in data exchange and dissemination (Statistical Data and Metadata Exchange – SDMX).

58. Even though short-term statistics are usually available for total trade (both in value and volume terms), it is desirable to also have monthly/quarterly detailed trade data. In addition, in order to increase efficiency and reduce duplication of work, UNCTAD has established cooperation with other organizations to jointly produce and release short-term statistics.

59. The data provided by chart 6, covering the years 2005–2012, includes the period of global crisis 2008/2009, during which the volume of trade was down significantly, and the period of recovery of 2010. It can be observed that trade growth remains below its pre-crisis rates.

Chart 6
World merchandise export volume growth, Q1 2005–Q3 2012
(Percentage change, over corresponding quarter of previous year)
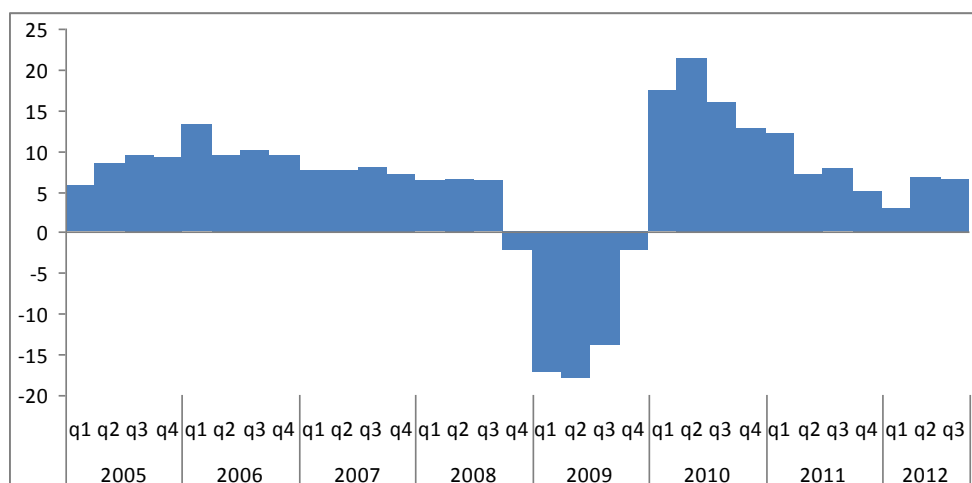
Source: UNCTAD, UNCTADstat.

D. Research agenda

60.   The needs of users are constantly evolving as there are an increasing number of emerging phenomena to measure. Some of these new indicators are not only purely based on trade data but also require input from other statistical domains, such as those linking business and trade statistics to reveal more about the integration of enterprises in the global economy through trade. The most prominent research agendas are the following:

       (a)   Expansion of trade matrix: As the basis of the calculation of derived indicators, expansion of the trade matrix to include more detailed products, longer time series and inclusion of trade in services will benefit researchers and analysts as the basic trade data will be consistent, comprehensive and available in a timely fashion;

       (b)   Terms of trade decomposition: Estimating the contribution of different product groups to terms-of-trade changes can better explain the impact of recent international price movements on countries' terms of trade;

       (c)   Combining market concentration and commodities prices instability: Many developing countries depend on primary commodities exports or on imports of food products. However, commodity prices are unpredictable due to various reasons. Therefore, it is important to have an indicator that combines both aspects to measure exposure to volatile commodity price movements;

       (d)   Linking business and trade statistics: In the era of globalization, enterprises are the agents of international trade and it is important to have a clear understanding of the trade integration among enterprises. A better knowledge of trading enterprise characteristics would help policymakers design mitigation policies during a crisis. In addition, it can provide a link to creation or loss of jobs due to global trade integration.

V. Questions for the experts

61.   Experts may address the following questions:

(a)   To what extent can developing regions maintain sustained growth if developed economies remain in quasi stagnation?

(b)   What ways and means could countries use to mitigate adverse impacts of global changes in real final expenditure on their trade and development perspectives?

(c)   What policies could countries use to maximize the benefits from a potential shift of some parts of the end markets for manufactures from advanced to major emerging economies?

(d)   How might the functioning and governance of global value chains be affected by potential rapid growth in domestic consumption in developing countries and economies in transition?

(e)   How can national measures aimed at reducing vulnerability to external financial shocks be reinforced by action at the regional and global levels?

(f)   Amongst existing data, what are the most relevant and needed trade statistics and indicators to assess the impact of external shocks and to build prospects for mitigating their impact?

(f)   What are the missing statistics whose availability would drastically improve the ability to formulate sound scenarios and recommendations to limit the negative effects of external shocks on country development?

References

Bank for International Settlements (2012). *Eighty-second Annual Report*. Bank for International Settlements. Basle.

Bems R, Johnson RC and Yi KM (2010). The great trade collapse. Working Paper 18632. National Bureau of Economic Research. Cambridge. Massachusetts.

Easterly W, Kremer M, Pritchett L and Summers LH (1993). Good luck or good policy? Country growth performance and temporary shocks. *Journal of Monetary Economics*. 32(3): 459–483.

International Labour Office (2013). *Global Employment Trends 2013 – Recovering from a Second Jobs Dip*. International Labour Office. Geneva.

Jarreau J and Poncet S (2012). Export sophistication and economic growth: evidence from China. *Journal of Development Economics*. 97(2): 281–292.

Manova K and Yu Z (2012). Firms and credit constraints along the value-added chain: processing trade in China. Working Paper 18561. National Bureau of Economic Research. Cambridge, Massachusetts.

UNCTAD (various years). *Trade and Development Report*. United Nations publication. New York and Geneva.

United Nations Department of Economic and Social Affairs (2009). Global vulnerability to trade shocks. *World Economic Vulnerability Monitor No.1*. United Nations publication. New York.

United Nations (2008). *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures*. United Nations publication. Sales No. E.07.II.A9. New York.

United Nations (2013). *World Economic Situation and Prospects 2013*. United Nations publication. Sales No. E.13.II.C.2. New York.