



TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

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THE TRADE SLOWDOWN, TRADE DISTORTIONS, AND THE TPP ***Implications for Developing Countries***

Session-4

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The Trade Slowdown, Trade Distortions, and the TPP

Implications for Developing Countries

Simon J. Evenett

October 2015

Agenda in this presentation

- What key recent developments in the world trading system are of interest to developing countries?
- Focus in this presentation on:
 1. The Global Trade Slowdown.
 2. Trade distortions as if the real world really mattered.
 3. The Signing of TPP.

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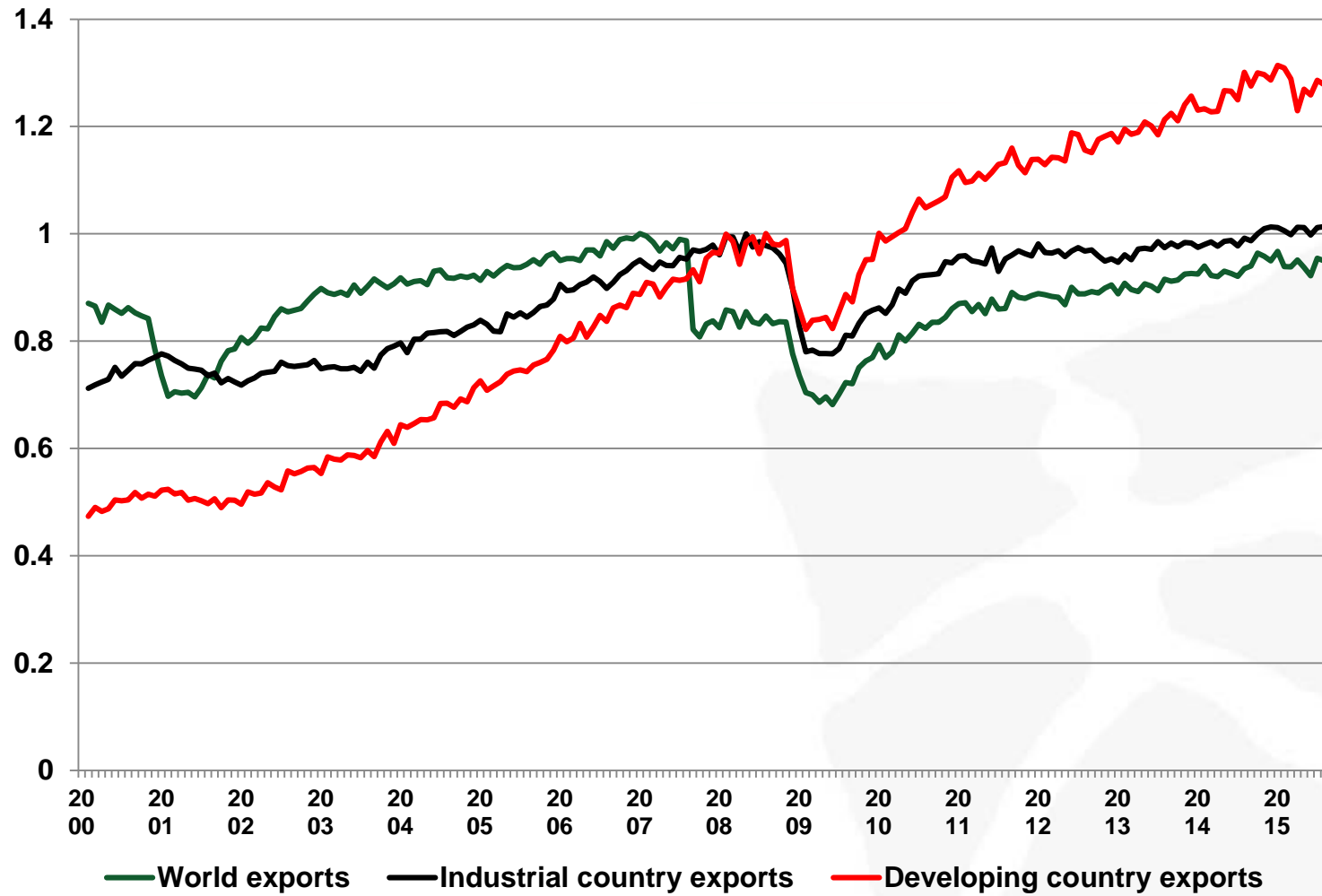


The Global Trade Slowdown

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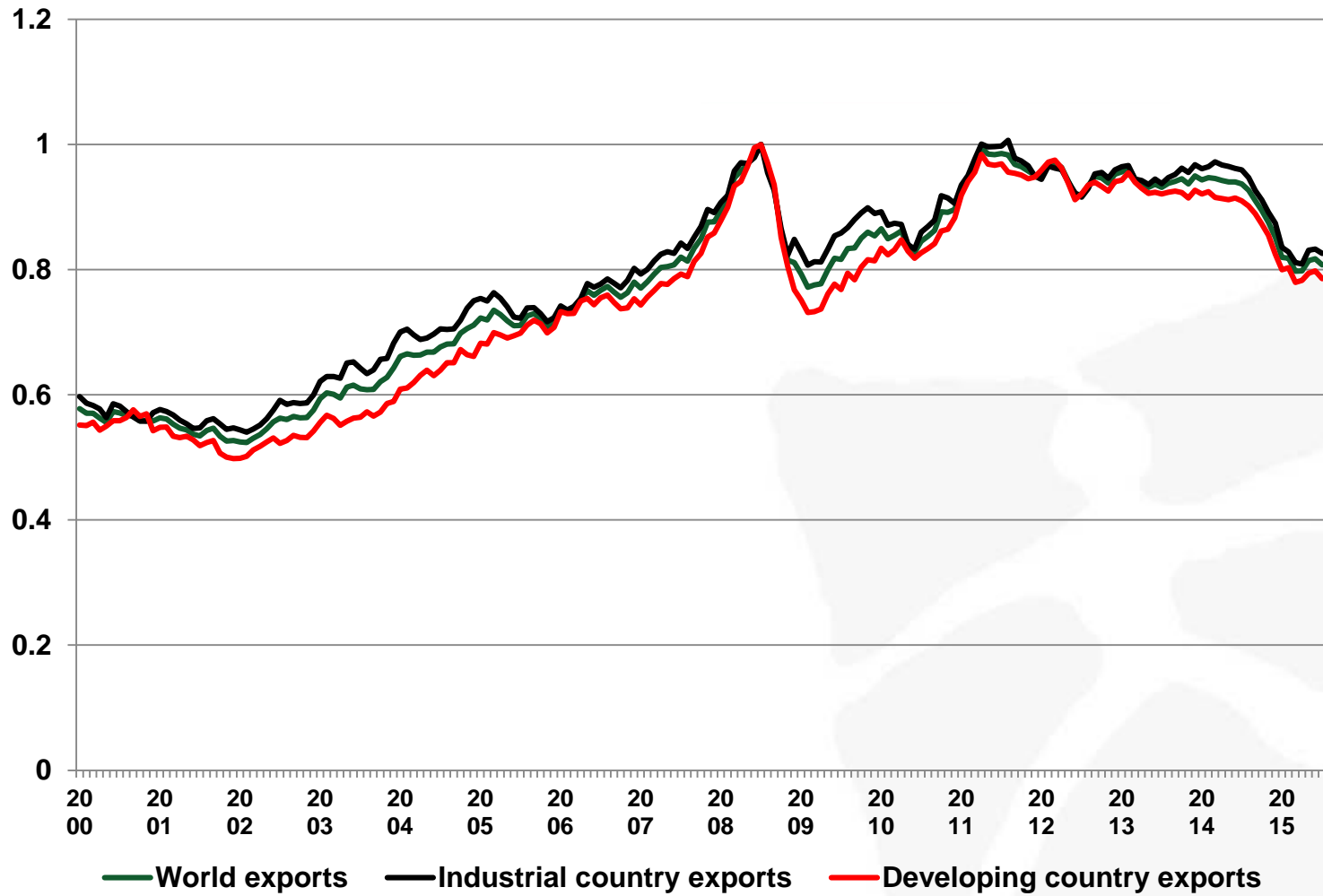
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Export volumes flat



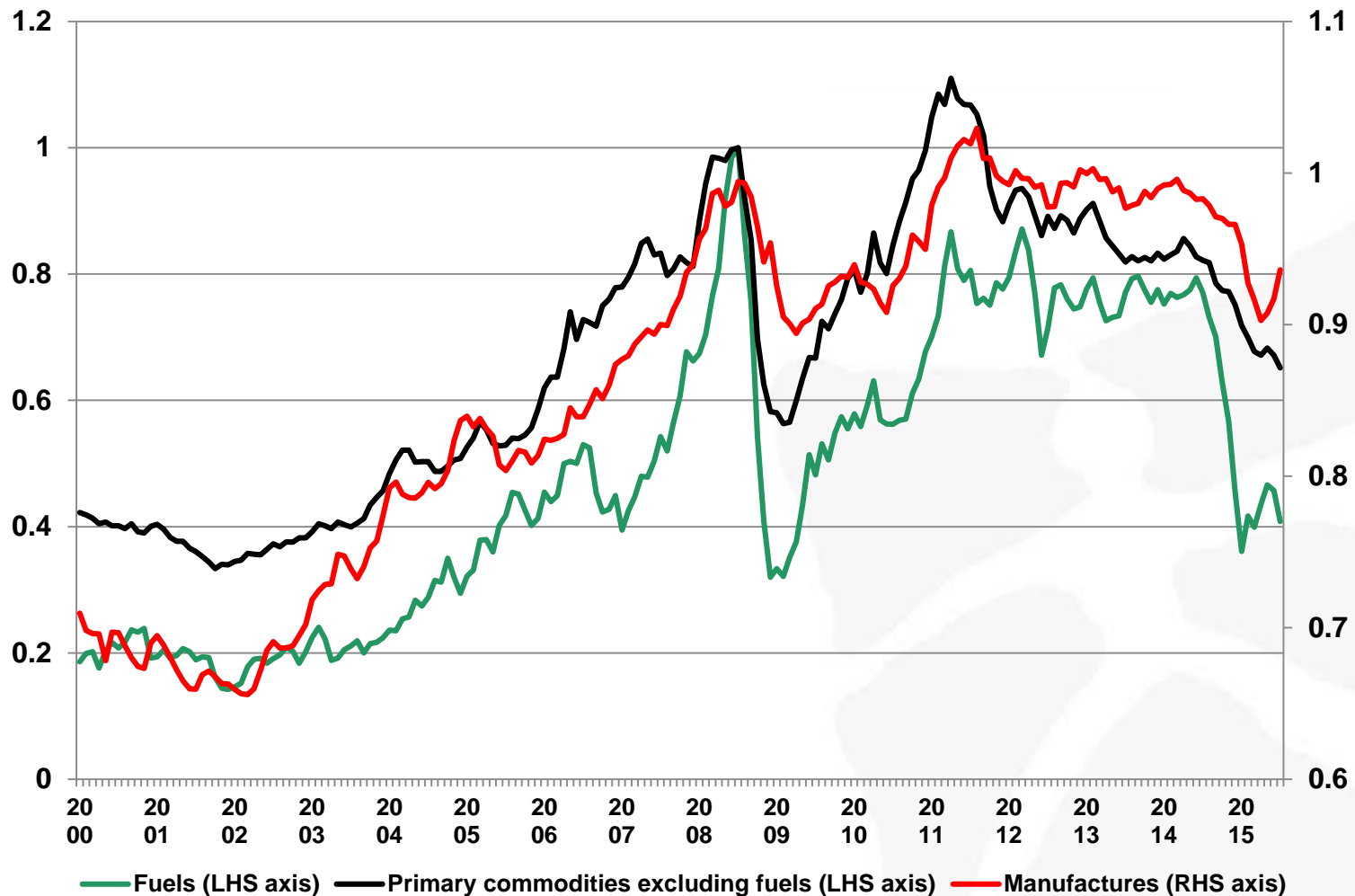
Source: CPB World Trade Monitor, latest data available (July 2015)

Export prices down



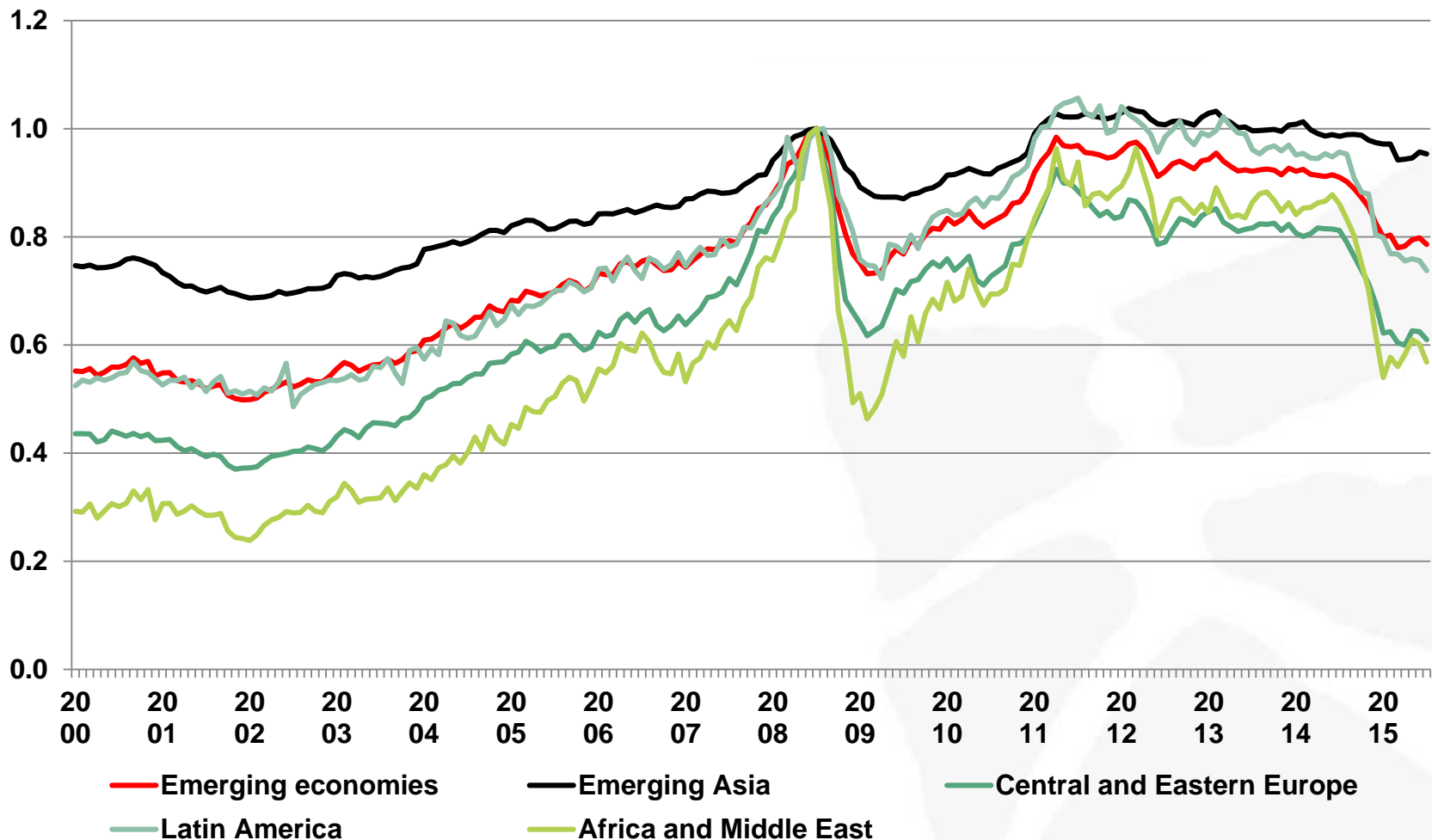
Source: CPB World Trade Monitor, latest data available (July 2015)

It's not just a commodity price story



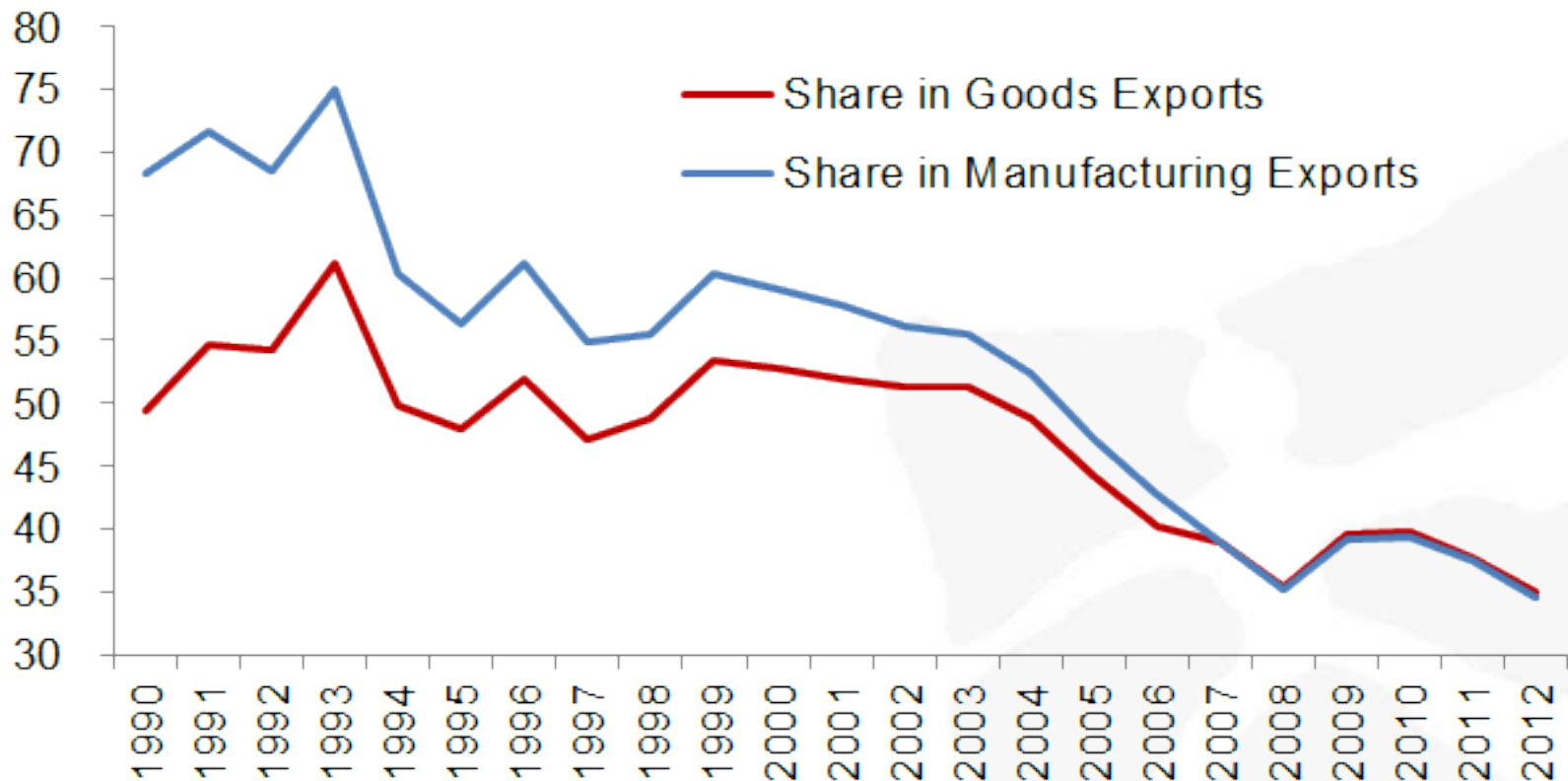
Source: CPB World Trade Monitor, latest data available (July 2015)

Regional price variation probably reflects commodity composition of exports



Source: CPB World Trade Monitor, latest data available (July 2015)

Doubts about one leading explanation: Changing Chinese sourcing patterns



Source: Constantinescu, Mattoo, and Ruta (18 January 2015).

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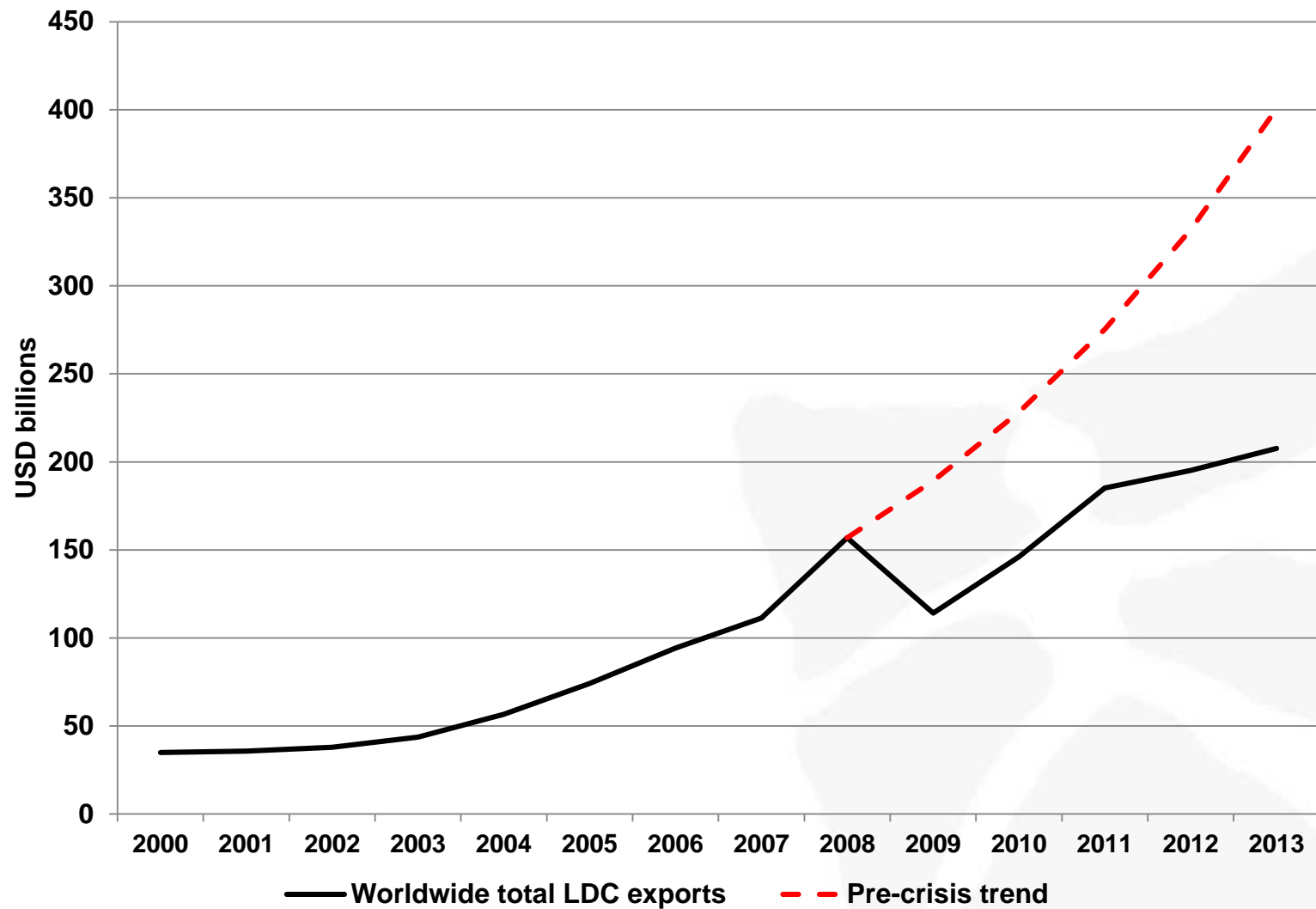


Trade Distortions—with a special focus on the LDCs

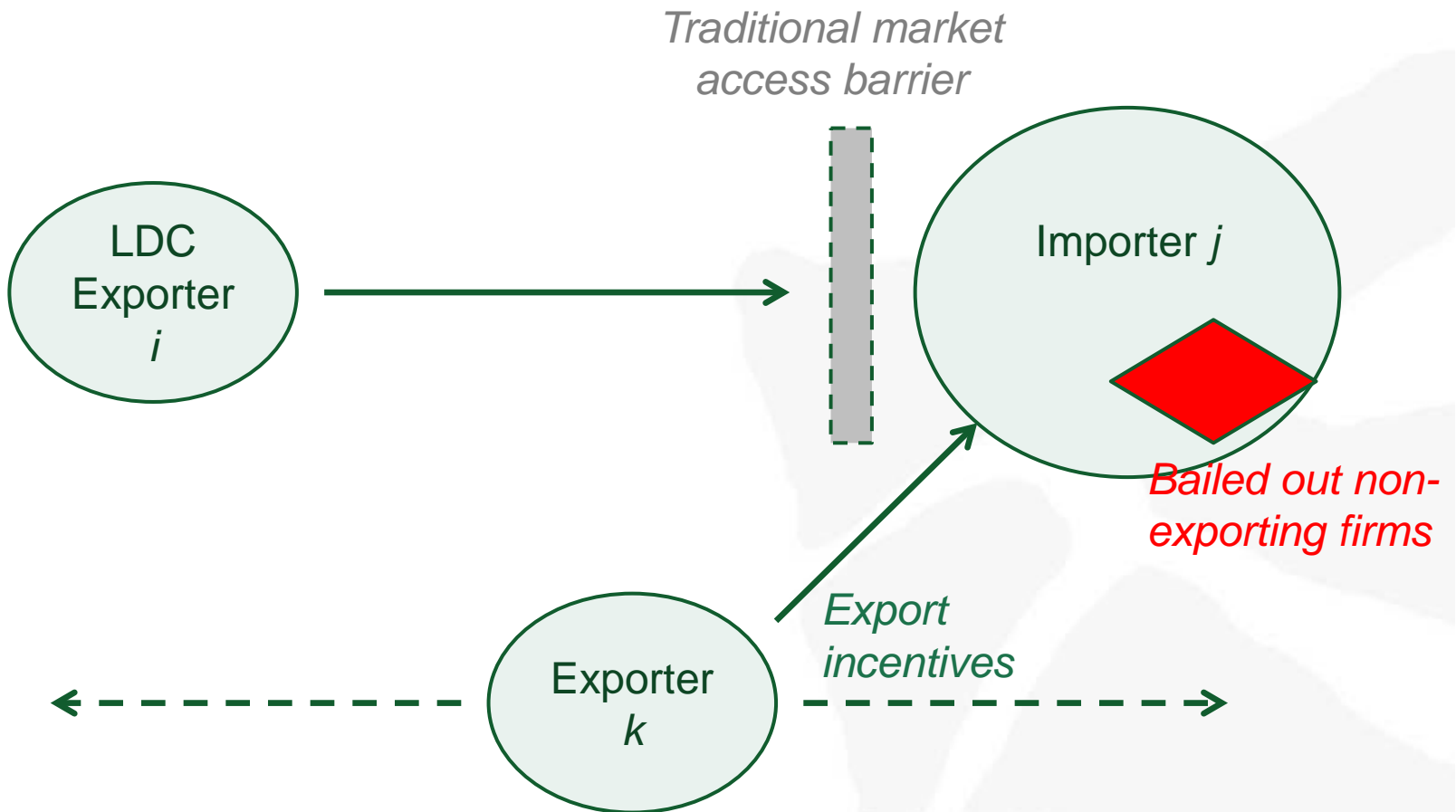
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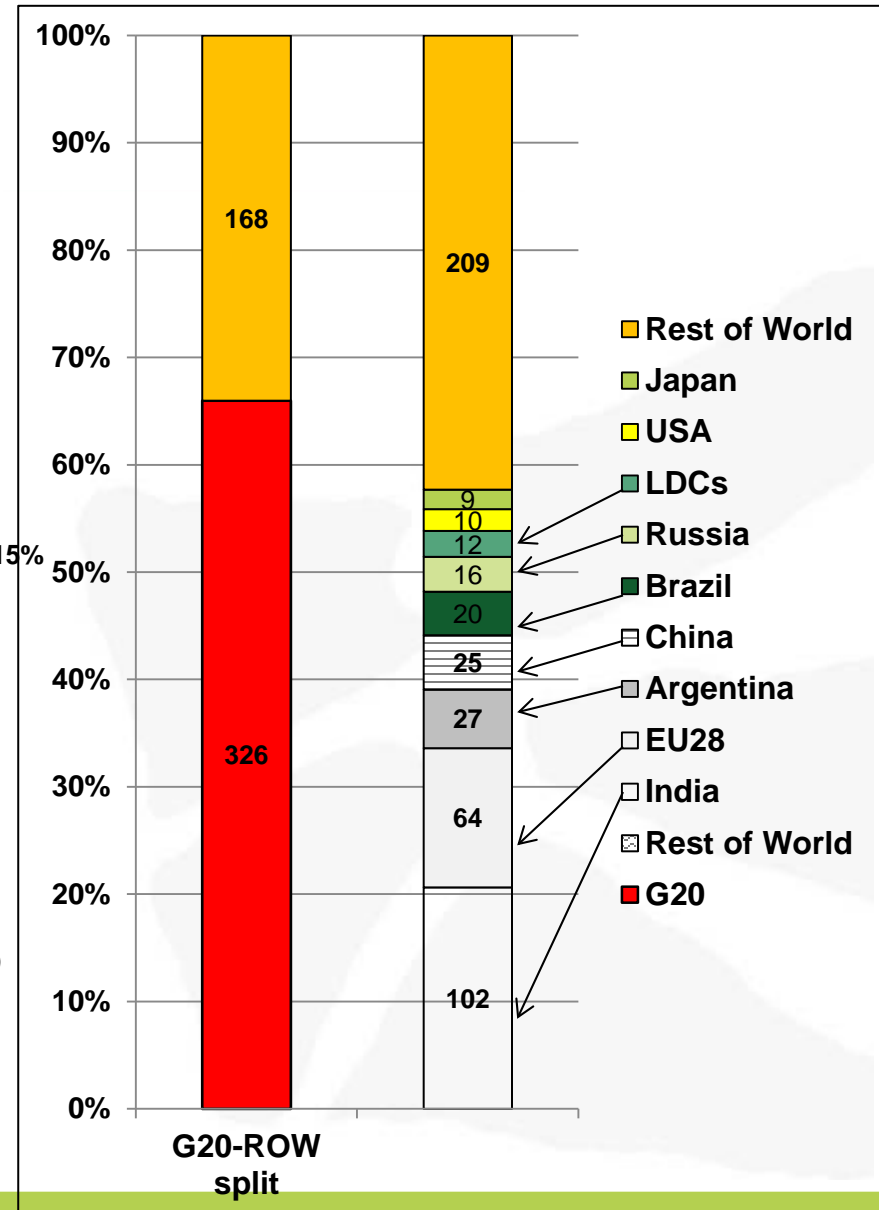
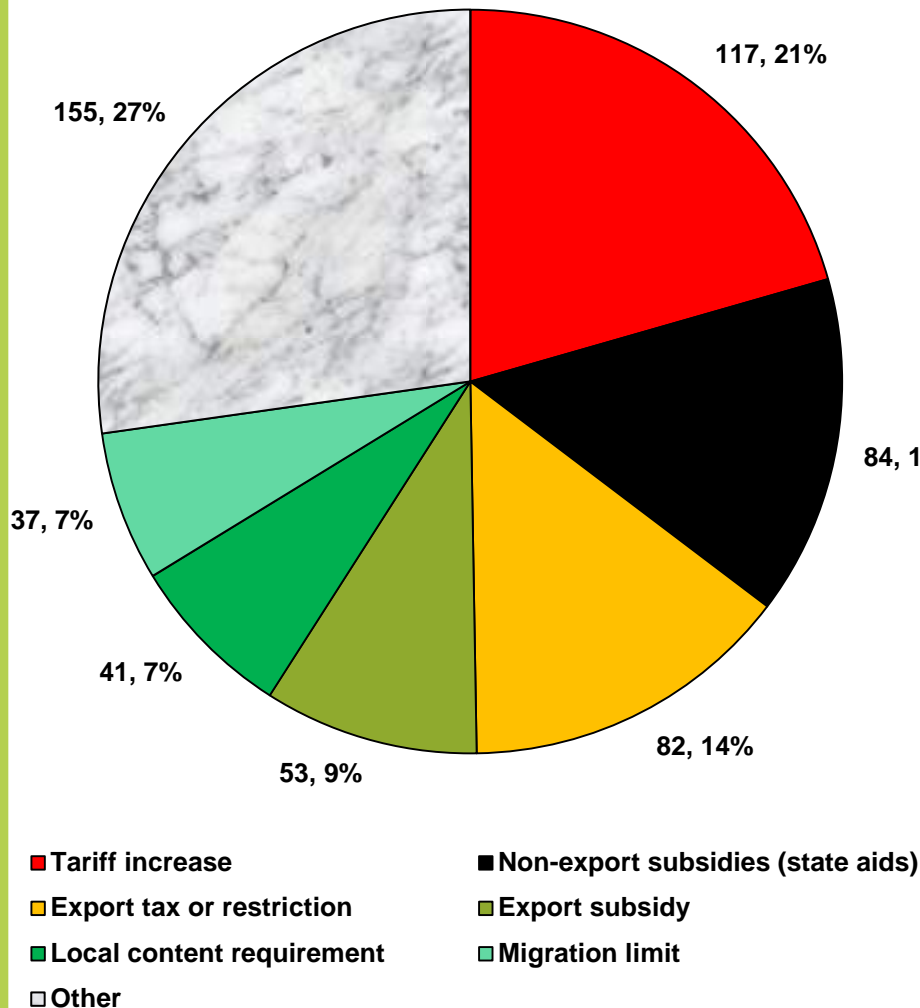
The LDC export boom before the crisis



Impact of foreign trade distortions and trade reforms on a LDC exporter

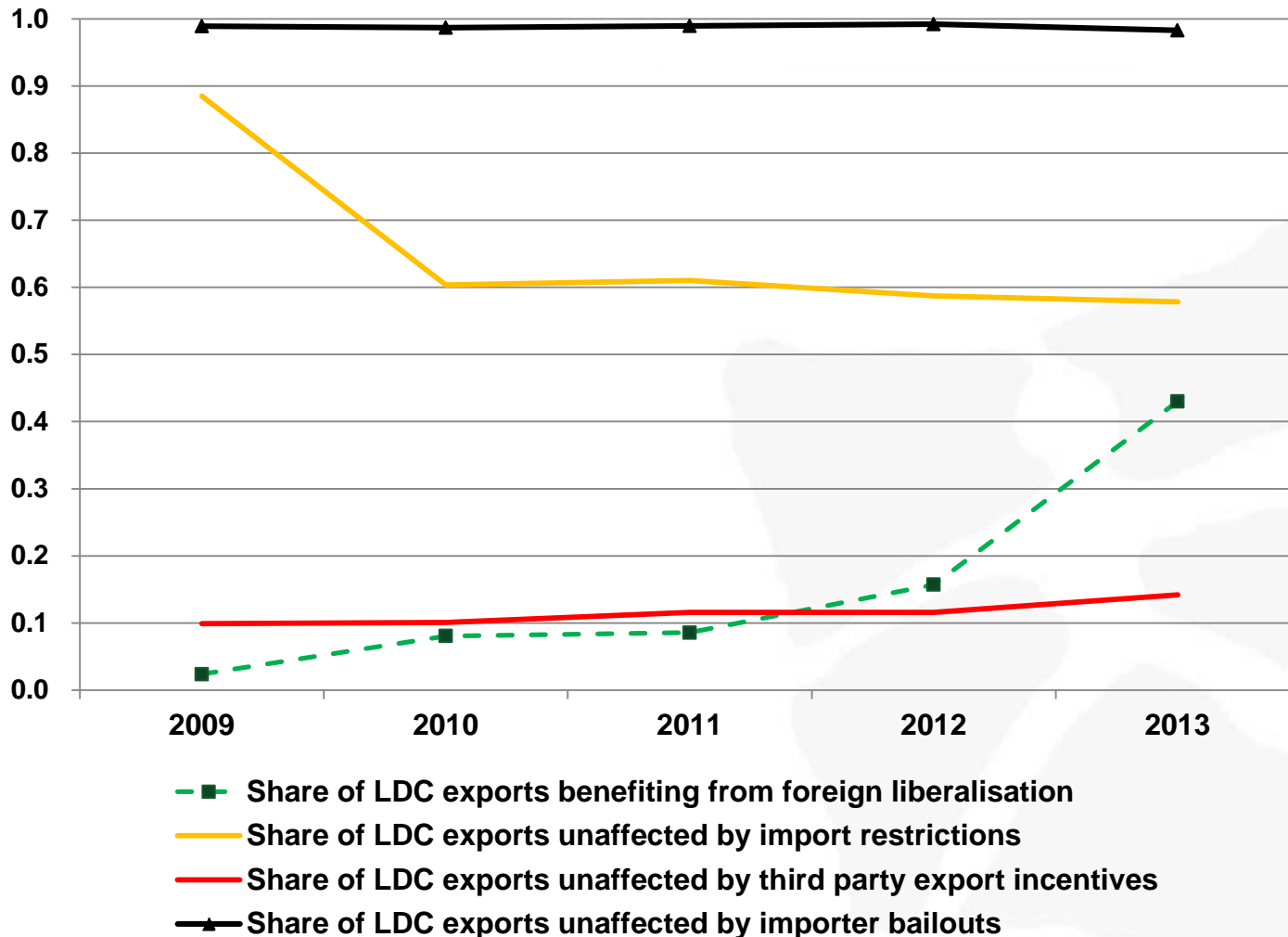


Trade distortions faced by LDC exporters



More LDC exports to third markets face subsidised foreign rivals

Higher share is better news for LDCs

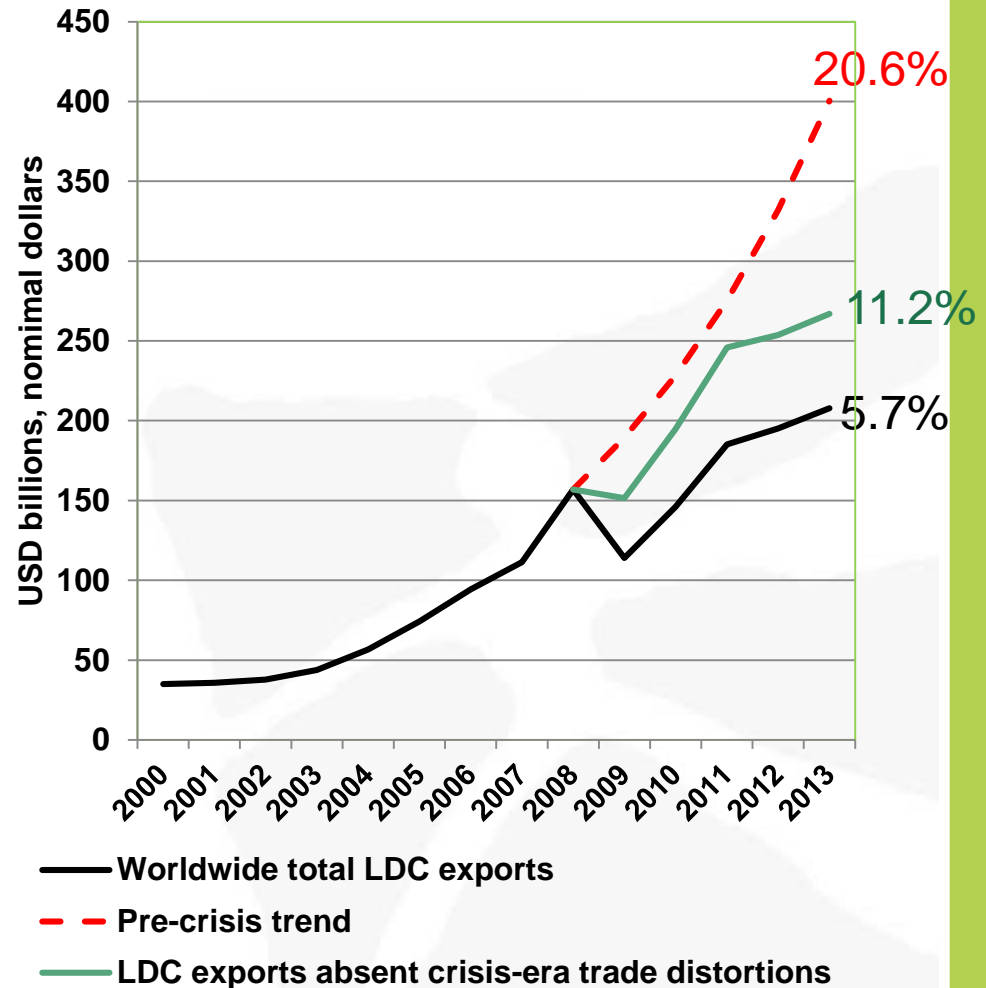
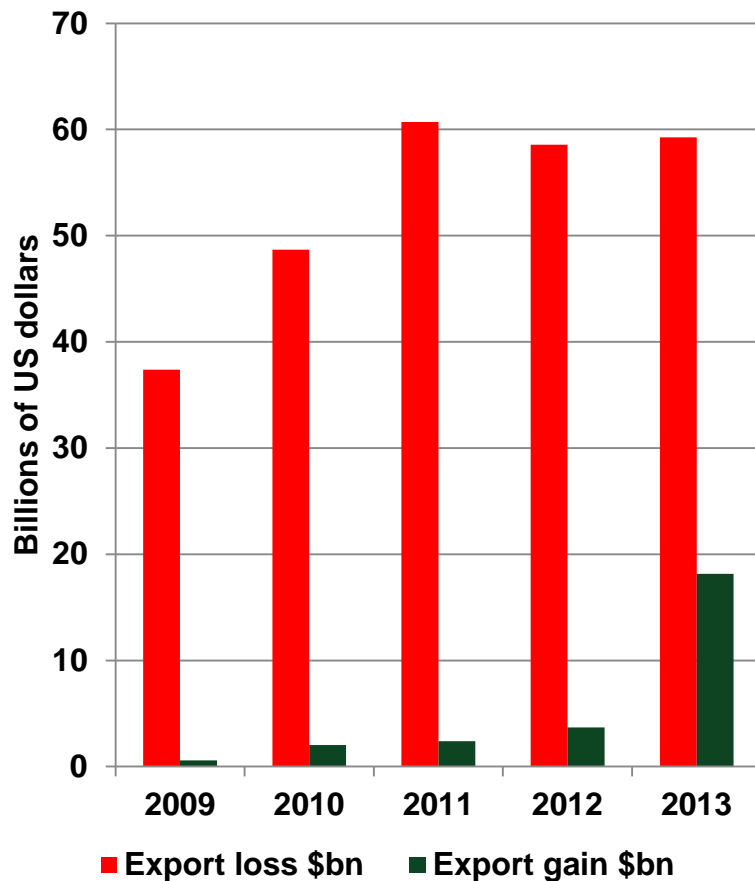


LDC trading partners responsible for most adverse export incentives

Rank	Trading partner	Number of adverse export incentives	Number of products (tariff lines) covered	% tariff lines exported by LDCs covered by these schemes
1	Brazil	3	347	75.93
2	China	6	262	57.33
3	India	23	239	52.30
4	Uruguay	7	89	19.47
5	Egypt	1	44	9.63
6	Thailand	1	33	7.22
7	Colombia	1	4	0.88
8	EC	1	3	0.66
9	USA	1	2	0.44
10	Switzerland	1	1	0.22

G-20 members indicated in red.

Foreign trade distortions reduced LDC exports by 31% during 2009-2013



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The Signing of TPP

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How should outsiders react to the signing of TPP.

Reasons not to panic:

1. We don't know all the details yet.
2. Ratification still has to take place.
3. Date coming into force is, even on the most optimistic accounts, not before 2017.
4. Long phase-in times for some products.
5. Lots of products enter major TPP members are zero tariffs and are bound there by WTO obligations (see next slide).

Many imports into the larger TPP members haven't faced tariffs for years

TPP member	Percent of imported merchandise goods where TPP member gave up tariffs after Uruguay Round	Percent of imported agricultural goods where TPP member gave up tariffs after Uruguay Round
Australia	18.8	31.3
Canada	35.8	46.1
Japan	55.9	34.1
USA	47.4	30.2

Source: WTO *World Tariff Profiles 2014*. Available at https://www.wto.org/english/res_e/booksp_e/tariff_profiles14_e.pdf

TPP inflicts small losses on outsiders

TPP Outsider	Loss in GDP (2007 US\$ billion)	Loss as % of GDP	Number of days of economic growth needed to make up loss
China	-34.7	-0.2	11.2
India	-2.7	-0.1	2.7
Indonesia	-2.2	-0.1	11.3
Korea	-2.8	-0.1	18.1
Thailand	-2.4	-0.1	63.6
Russia	-1.4	0.0	N.A.
Europe	-3.7	0.0	3.5

Sources: For second and third columns see figure 2.5 of

<http://www.pecc.org/state-of-the-region-report-2014/265-state-of-the-region/2014-2015/595-chapter-2-can-rcep-and-the-tpp-be-path-ways-to-ftaap> .

To calculate the data in the fourth column the GDP growth forecasts from this week's *World Economic Outlook* were used along with the baseline GDP reported in the source for columns two and three.

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Implications for Developing Countries

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Recommendations

1. Follow trade slowdown carefully. Key questions are:
 - How much of it is commercial policy-induced as opposed to other more macroeconomic drivers?
 - How much commercial policy will change as a result of the slowdown.
 - Will excess capacity in key commodity sectors trigger trade distortions as they are in steel?
2. Spread of state export incentives is worrying—suggests larger distortions on export side than previously thought.
3. Don't overreact to TPP—follow the signatories' performance to see if there evidence that binding behind-the-border policies pays.
 - Binding and reform are related but distinct policy choices.