

Highlights of the Quarter

Protectionist measures on the rise – The latest quarterly WTO monitoring shows that protectionist measures are still being pursued and many are taking the form of measures permitted by the WTO. The use of safeguard investigations is on the rise; investigations have been mainly initiated by developing countries, with India accounting for half of new investigations. Use of WTO-consistent safeguard instruments (SG) is a preferred policy measure to adopt in times of crisis because (i) the WTO rules require SG protection be applied on a nondiscriminatory (MFN) basis; (ii) SG have a built-in time process for scaling back and ultimately eliminating the protection over time; and (iii) SG involve an economy-wide assessment of the pro's and con's of temporary assistance for a domestic import-competing industry. More countries—developed and developing—have adopted trade liberalizing or export promoting measures. Mexico introduced simplification of trade procedures (complementing its tariff reductions earlier in the year); Australia is reducing its applied tariffs on textiles, clothing and footwear; Ecuador eliminated tariffs on hybrid cars.

Trade continues to decline but appears to be bottoming out. – The World Bank projects the global trade of goods and services to decline by about 10 percent in 2009, and grow by 3.8 percent in 2010 and 6.9 percent in 2011, versus an average growth rate of 6.9 percent over the past 15 years. Developing countries and countries in Asia in particular are projected to drive the rebound. China's trade is picking up and benefiting other developing countries, and China may become the largest exporter in the world when the world economy recovers. African countries exports have recently benefited from an increase in commodity prices. World Bank research indicates that trade is especially responsive to income during a recession, but tends to rebound sharply when growth picks up. The elasticity of global trade volumes to real world GDP has increased gradually from around 2 in the 1960s to above 3 in 2008, mainly as a consequence of production-sharing networks and lean retailing. This leads to a faster drop in trade when output declines, but will also lead to a faster trade recovery as the recession ends. Historically, output declines resulting from a financial crisis last 2 years as compared with about 4 years for employment.

WTO 2nd Global Review of Aid for Trade, July 6-9 Geneva – this 2nd Global Review aimed to evaluate progress made since the First Review held in November 2007 and to scrutinize how Aid for Trade is being operationalized on the ground, and complemented prior regional workshops that aimed to disseminate good practices among Members (More information on the WTO website). The World Bank Group (WBG) disseminated a booklet on WBG efforts in support of the Aid for Trade and President Robert Zoellick gave a speech on global prospects, the risk of rising protectionism, the importance to conclude a Doha deal and the WBG's commitment to increased Aid for Trade. (More information under the Publications section and on the World Bank trade website: www.worldbank.org/trade)

Toolkits

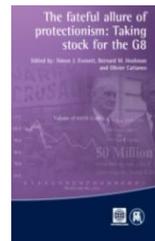
Global Trade Alert (GTA) – a web-based tool that draws upon expertise from independent research institutes around the world, and provides real-time information on government measures taken during the current global economic downturn that are likely to affect trade. This database could be of significant help to people engaged in dialogues with governments on subjects ranging from trade, business climate, to regulatory reform. (More information at www.globaltradealert.org)

UPCOMING! Trade and Transport Facilitation Audit Toolkit (TTFA), September 2009 – TTFA 2009 updates the original edition of the TTFA 2001. It aims to develop a comprehensive diagnosis of operational and procedural constraints to external trade and the transportation services that support it. The revised edition will also factor in the experience of implementing actual audits using the original edition.

Forthcoming Learning Events

For World Bank Staff and External Participants
Trade Policy for Development Executive, September 28 – October 9, Washington DC
(Details available at <http://go.worldbank.org/LQ55DTOUC0> for World Bank staff or www.worldbank.org/wbi/trade for external participants)

Publications



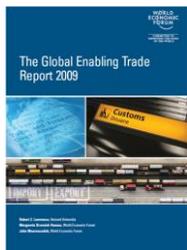
The fateful allure of protectionism: Taking stock for the G8 edited by Simon Evenett, Bernard Hoekman, and Olivier Cattaneo – the e-book summarizes the views of leading researchers and trade policy practitioners who met at a CEPR-World Bank conference to assess the cross-border impact of policy responses to the crisis. (Free download at <http://www.voxeu.org/index.php?q=node/3728>)



Unlocking global opportunities: the aid for trade program of the World Bank Group by the International Trade Department (PREM) – the report provides a full and updated picture of the Bank's multifaceted aid for trade program in the larger context of the Bank's trade agenda to help developing countries, particularly at the time of the financial crisis and global slowdown. (More information at: <http://go.worldbank.org/CJVEJIR2J0>)

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The World Economic Forum Global Enabling Trade Report 2009 features a chapter by World Bank staff on *Implementing Trade Facilitation*. Trade facilitation can play an important role in achieving national development objectives because it enhances countries' competitiveness, and allows them to trade goods and services on time and with lower transaction costs.

Working Papers

The ASEAN free trade agreement: impact on trade flows and external trade barriers (WPS 4960) by Hector Calvo-Pardo, Caroline Freund, and Emanuel Ornelas

Labor skills and foreign investment in a dynamic economy: estimating the knowledge-capital model for Singapore (WPS 4950) by Gnanaraj Chellaraj, Keith E. Maskus, and Aaditya Mattoo

The better you are the stronger it makes you: evidence on the asymmetric impact of liberalization (WPS 4930) by Leonardo Lacovone

A special safeguard mechanism for agricultural imports and the management of reform (WPS 4927) by J. Michael Finger

International migration, transfers of norms and home country fertility (WPS 4925) by Michel Beine, Frederic Docquier, and Maurice Schiff

The crisis-resilience of service trade (WPS 4917) by Ingo Borchert and Aaditya Mattoo

Beyond the information technology agreement: harmonization of standards and trade in electronics (WPS 4916) by Alberto Portugal-Perez, Jose-Daniel Reyes, and John S. Wilson

Weathering the storm: investing in port infrastructure to lower trade costs in East Asia (WPS 4911) by Kazutomo Abe and John S. Wilson

Services in Doha: what's on table? (WPS 4903) by Batshur Gootiiz and Aaditya Mattoo

Does tougher import competition foster product quality upgrading? (WPS 4894) by Ana M. Fernandes and Caroline Paunov

Career placement of skilled migrants in the U.S. labor market: a dynamic approach (WPS 4891) by Ileana Cristina Neagu

Professional services and development: a study of Mozambique (WPS 4870) by Ana Margarida Fernandes and Aaditya Mattoo

For the Record

Experts meeting on the Services Trade Restrictiveness Index (STRI), Paris, July 2-3 – the meeting marked the culmination of the pilot phase of an OECD project that aims at quantifying barriers to trade in services by developing the services trade restrictiveness indices (STRI). The key purpose of this meeting was to present and discuss the final STRI for specific sectors.

World Customs Organization Meeting, Brussels, June 25-27 – Bernard Hoekman, World Bank Director of the International Trade Department made a presentation on border management modernization and trade facilitation in a panel discussion on "the foundations for coordinated border management".

Valuing International Trade Rules, Pfäffikon, Switzerland, June 17-19 – The event was co-organized by the World Bank and Swiss National Science Foundation. Little is known about the incentives created by - let alone the empirical impact - of fundamental trade rules such as the Most Favored Nation (MFN) provision, the binding of tariffs and subsidies, provisions to promote transparency, and National Treatment obligations. The conference sought to redress this lacuna, bringing together theoretical and empirical academic economists, trade policy officials and analysts, political scientists, and legal experts.

Lunch meeting with WTO developing country delegations, Geneva, June 11 – Bernard Hoekman, World Bank Director of International Trade Department, and Carlos Braga, Director of the Economic Policy & Debt Department met with high representative of country delegations to look at the financial crisis and at its impact on developing countries on the possible policy responses available to developing countries to ensure a fast recovery from the global distress.

The Cross-Border Effects of Policy Responses to the Crisis, Brussels, May 26-27 – the World Bank and CEPR jointly organized a conference on the trade implications of policy responses to the crisis, with the objective to assess the state of play regarding the use of the different policy instruments to either restrict or support trade. The e-book will be made available for the G8 in the second week of July.

Data Day - WTO, Geneva May 18 - 19 – an inter-agency initiative promoted by the World Bank, ITC and UNCTAD aiming to raise awareness on data-related issues. The event covered topics related to trade policy, including services, tariffs and trade, non-tariff measures, agriculture-specific issues, trade facilitation, and other technical information on available tools.

For more information and download of papers, please visit our website at www.worldbank.org/trade