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Factors Contributing to Export Performance in the Aftermath of Global Economic Crisis Clovis Freire & Mia Mikic

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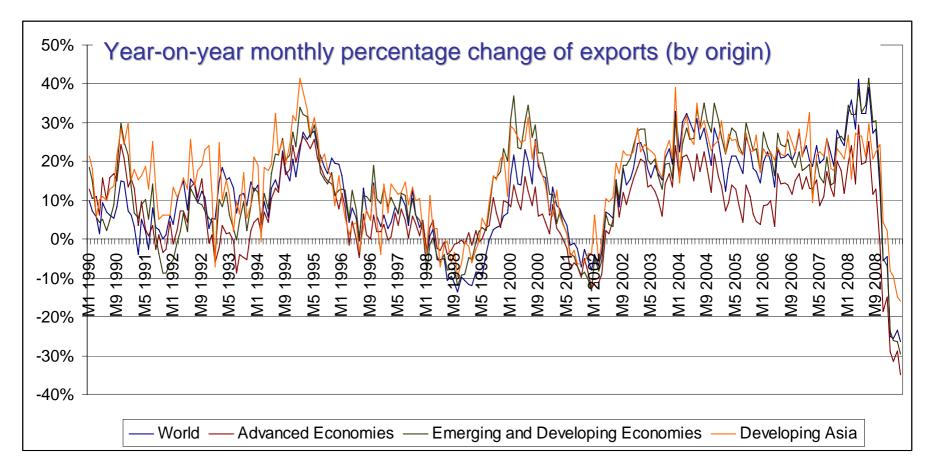
ARTNet 5th Anniversary Conference Trade-Led Growth in Times of Crisis

Factors Contributing to Export Performance in the Aftermath of Global Economic Crisis

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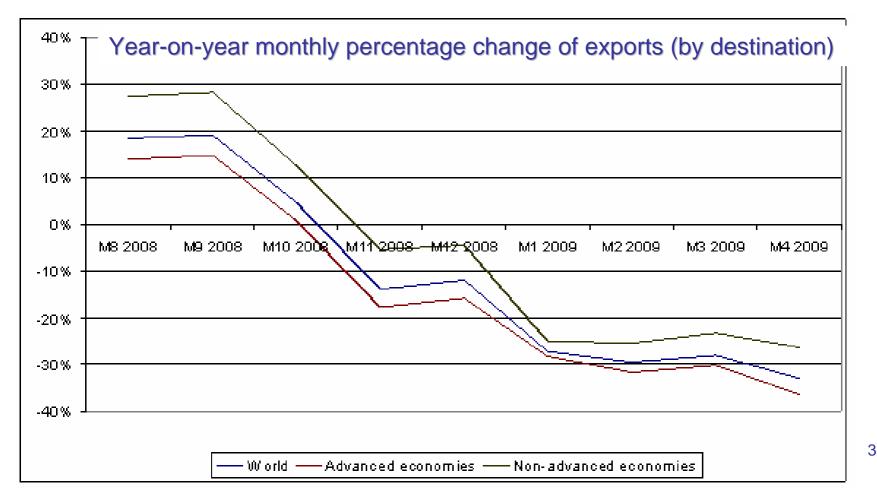


After a period of six years of steady export growth, exports were in a "free fall" – contraction much deeper than in any other recent crisis episode...





Contraction of exports was deeper for exports directed to *advanced* economies. However, even the exports to *non-advanced* economies were affected...





Which factors contribute to export performance in times of economic crisis?

Exploring a simple model...

Total effect on demand for exports = income effect + substitution effect + e

Fall in consumption owing to income reduction Change in the pattern of consumption & demand for cheaper varieties or products increases

Sophistication of exports - Hausmann, Hwang and Rodrik (2007)



Country A



Basket of exports A is more sophisticated than Basket of exports B

Result: Exports of Country A are more vulnerable than exports of Country B to reduction of demand for exports

EXPY index - Hausmann, Hwang and Rodrik (2007)

$$PRODY_{j} = \sum_{j} \frac{(x_{jk} / X_{j})}{\sum_{j} (x_{jk} / X_{j})} Y_{j}$$

$$EXPY_{j} = \sum_{l} \frac{X_{jl}}{X_{j}} PRODY_{l}$$

Y – GDP per Capita

 x_{jk} – value of exports of product k of country j



Country A

Country B

Basket of
exports Ais as sophisticated asBasket of
exports BGDP per capita Ais lower thanGDP per capita B

Result: Country A is able to produce at a lower price than Country B and it may be less affected by the drop in demand for exports

Index of advantage of countries competing in terms of export prices:

EXPY / GDP per capita





HS 1992 (2004 – 2007) – COMTRADE

GDP per capita (2005 PPP-adjusted) - World Development Indicators (WDI) (2004 – 2007)

JУ

Capita

tent sample of 128 countries - HS1992 - period 2004-06

144 countries – year 2007