The E7 in international trade: Dynamism and cooperation

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†The views expressed in this presentation are those of the author and do not necessarily reflect the views of the UNCTAD Secretariat or its members.

Outline

1. Introduction
2. Emerging seven (E7): Drivers of globalization
3. Dynamism in trade structure
4. Benchmarking: E7 and EU15-US
5. Increasing E7 intra-trade and cooperation
6. Conclusions

1: Introduction

UNCTAD XII 2008 in Ghana

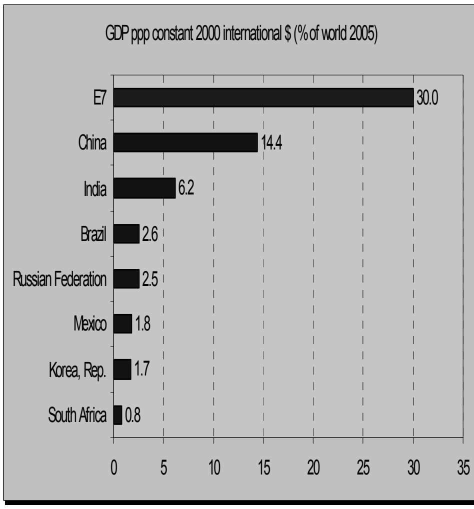
New realities in the geography of the world economy

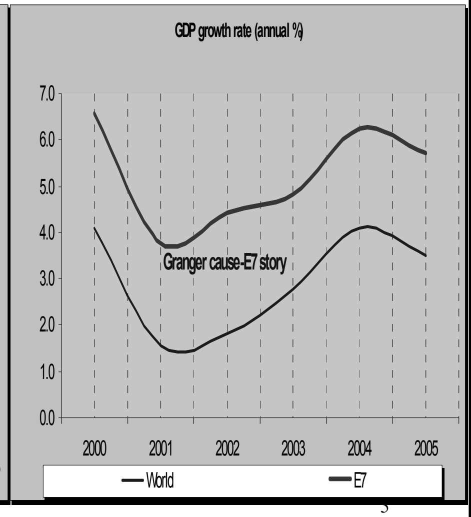
Brazil, India, China, Mexico,
Russia, South Africa and South Korea
Emerging seven (E7)

Introduction

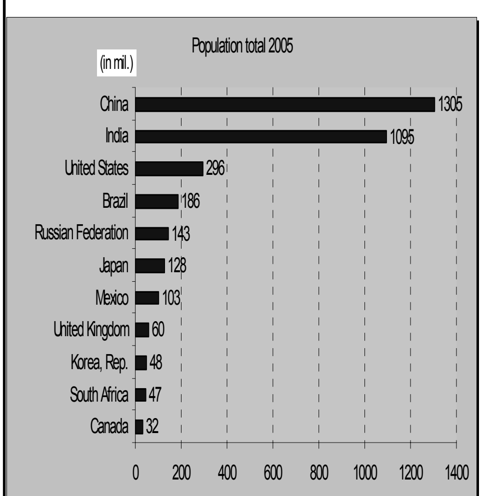
1. Impressive economic performance
2. Increasing population and labour force
3. Continuing accumulation of international reserves

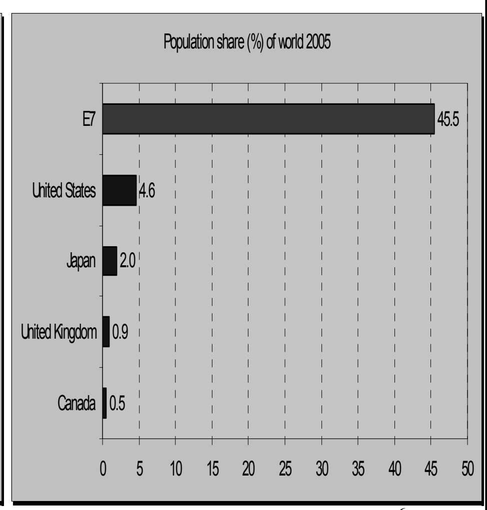
Impressive economic performance



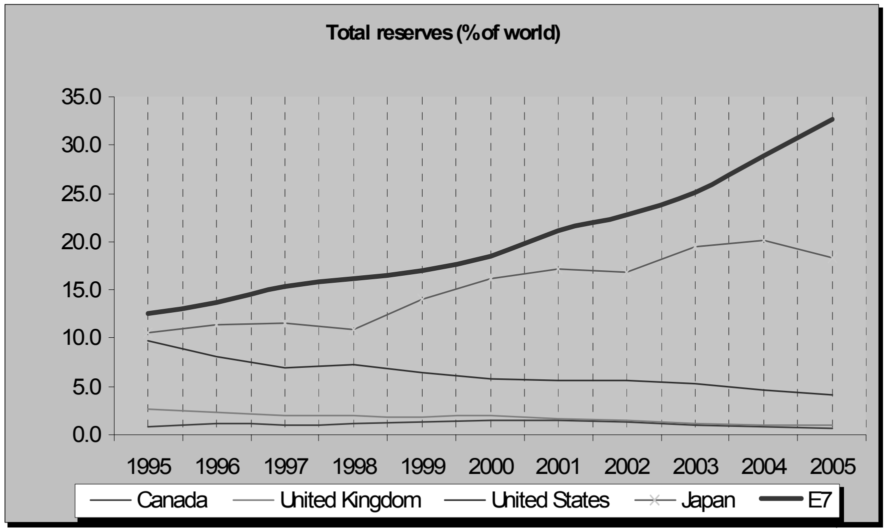


Demographic dividend





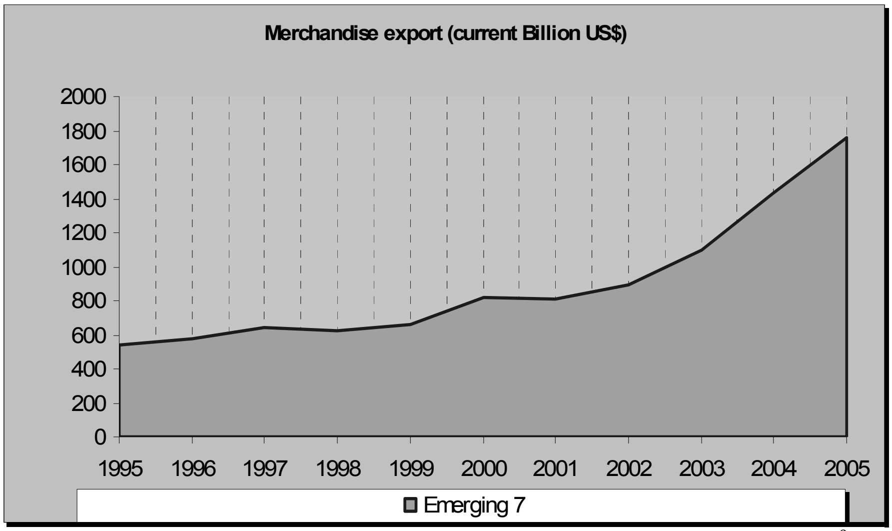
Continuing accumulation of international reserves



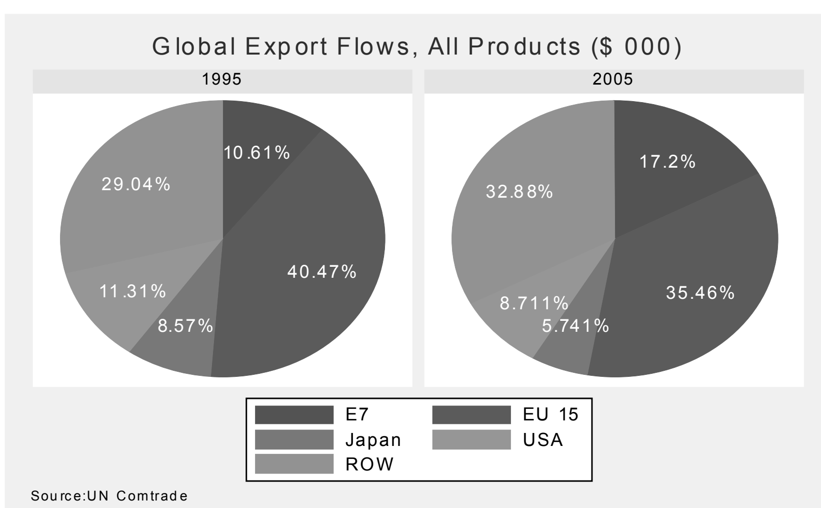
2: E7- Drivers of globalization

1. Rising merchandise trade
2. Increasing rate of service sector growth
3. Most sought after destinations for FDI

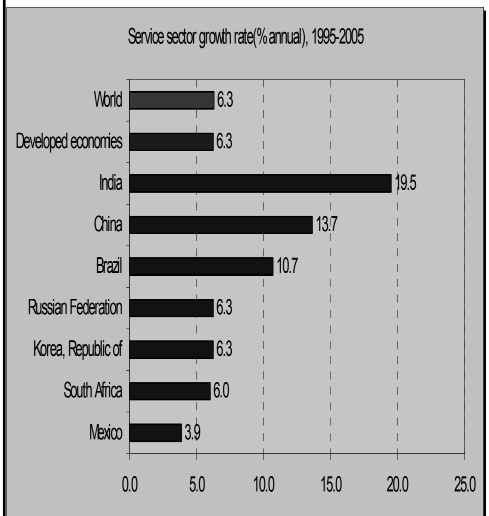
Rising merchandise trade

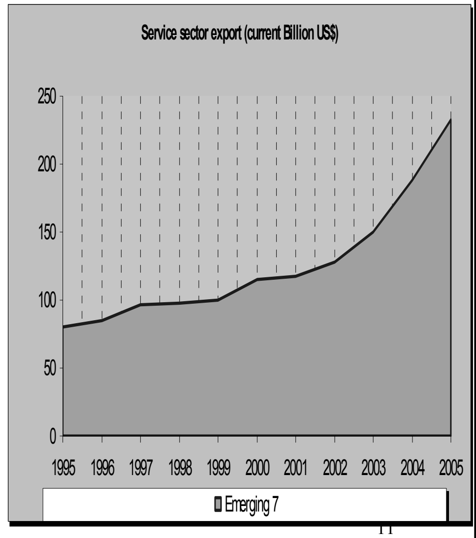


Rising world trade share

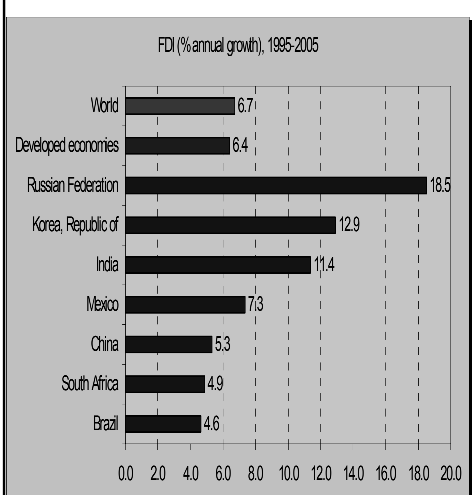


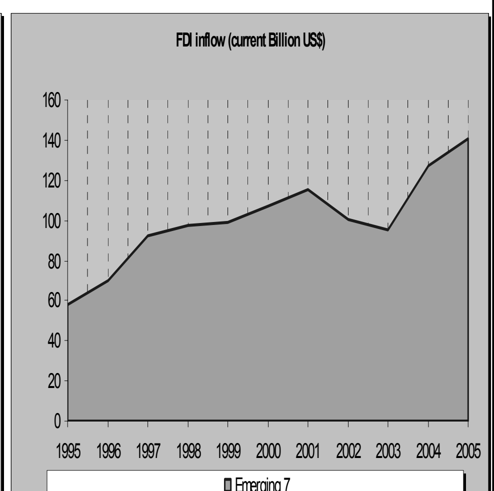
Service sector mantra





FDI destinations

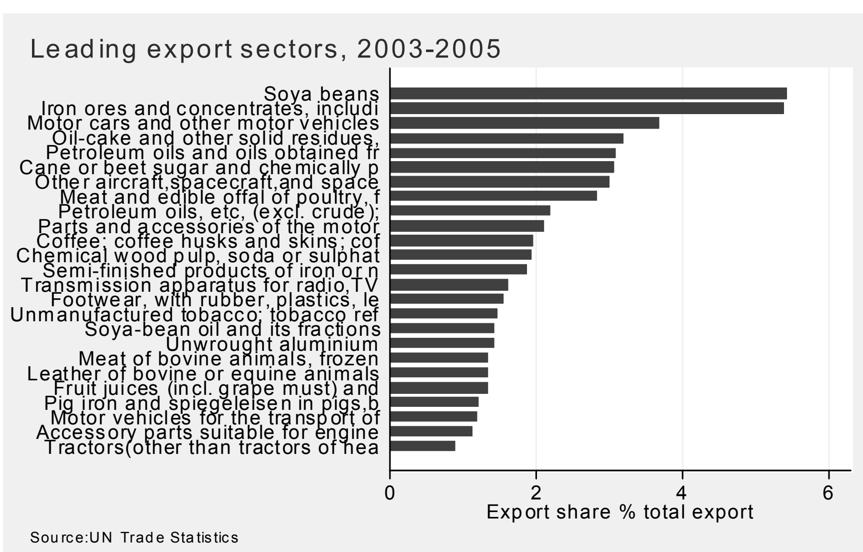




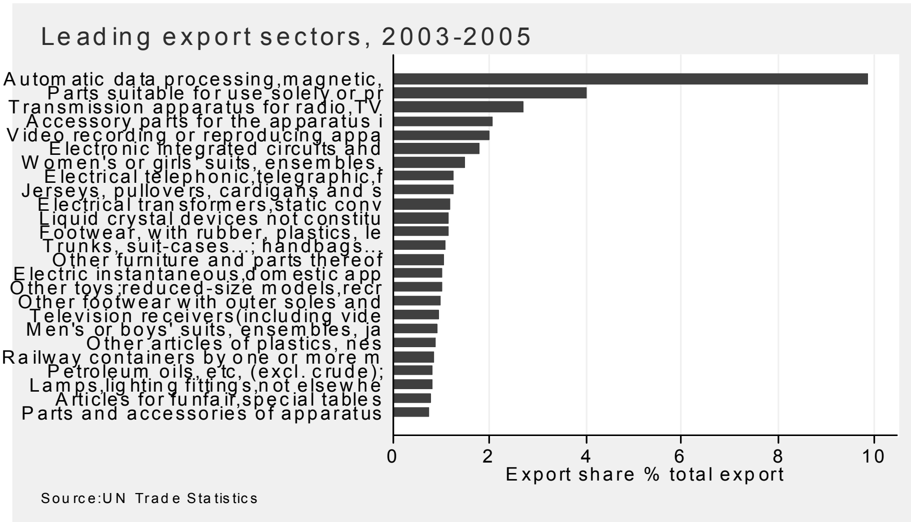
3: E7 Dynamism in trade structure

- Export structure varies across E7 countries
- Leading/dynamic sector (% of market share) contribute heavily
- Factor intensity effects

Brazil



China

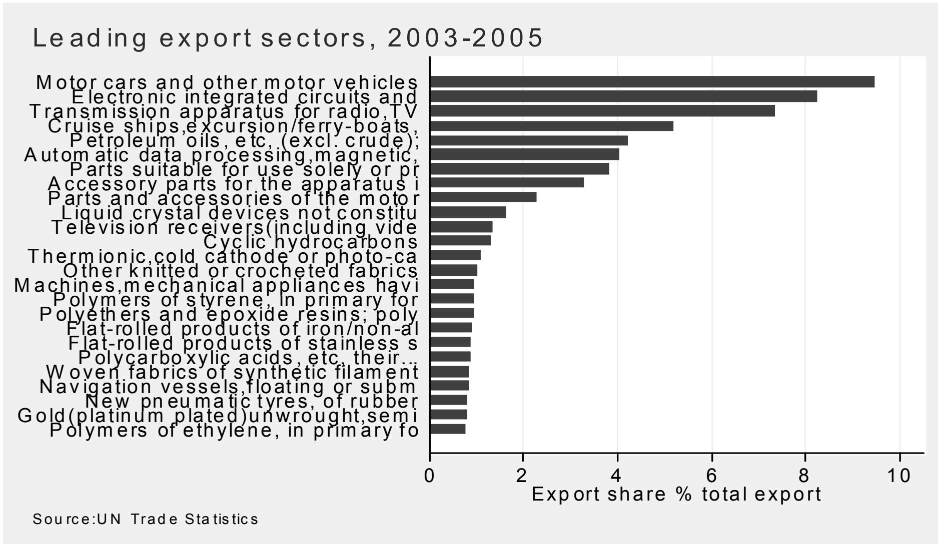


Leading export sectors, 2003-2005
Automatic data processing,magnetic,
Parts suitable for use solely or pr
Transmission apparatus for radio,TV
Accessory parts for the apparatus i
Video recording or reproducing appa
Electronic integrated circuits and
Women's or girls' suits, ensembles,
Electrical telephonic,telegraphic,f
Jerseys, pullovers, cardigans and s
Electrical transformers,static conv
Liquid crystal devices not constitu
Footwear, with rubber, plastics, le
Trunks, suit-cases...; handbags...
Other furniture and parts thereof
Electric instantaneous,domestic app
Other toys;reduced-size models,recr
Other footwear with outer soles and
Television receivers(including vide
Men's or boys' suits, ensembles, ja
Other articles of plastics, nes
Railway containers by one or more m
Petroleum oils, etc, (excl. crude);
Lamps,lighting fittings,not elsewhe
Articles for funfair,special tables
Parts and accessories of apparatus
0
2
4
6
8
10
Export share % total export
Source:UN Trade Statistics

India

Leading export sectors, 2003-2005
Diamonds worked/not worked but not
Petroleum oils, etc, (excl. crude);
Jewelles and parts of precious meta
Iron ores and concentrates, includi
Medicaments of mixed or unmixed pro
Rice
Other organic compounds, nes
Women's or girls' suits, ensembles,
Women's or girls' blouses, shirts a
T-shirts, singlets and other vests,
Other furnishing articles, nes (exc
Crustaceans,fresh,chilled or frozen
Cotton yarn, with >=85% cotton, not
Men's or boys' shirts
Motor cars and other motor vehicles
Parts and accessories of the motor
Oil-cake and other solid residues,
Flat-rolled products of iron/non-al
Woven fabrics of synthetic filament
Footwear, with rubber, plastics, le
Synthetic organic colouring matter
Cyclic hydrocarbons
Other made up articles (incl. dress
Articles of apparel and clothing ac
0
5
10
15
Export share % total export
Source:UN Trade Statistics

South Korea



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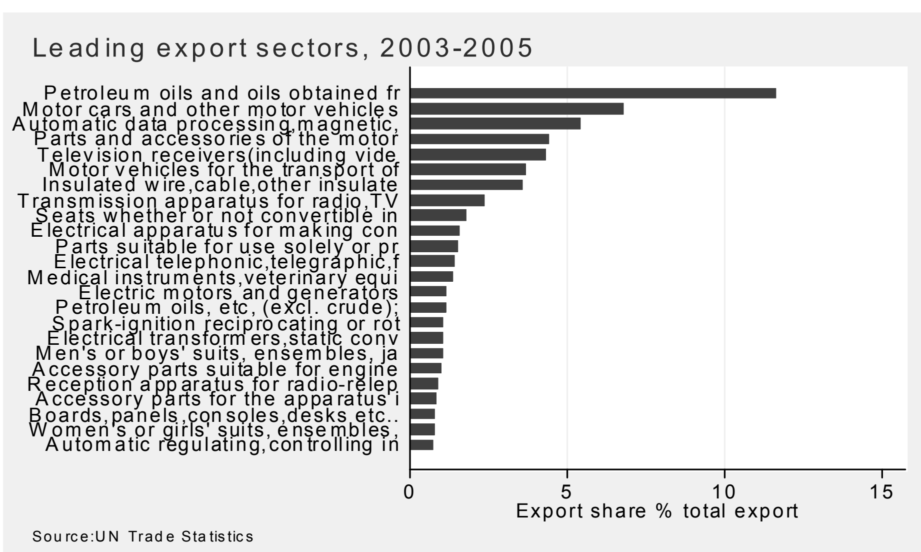
Mexico



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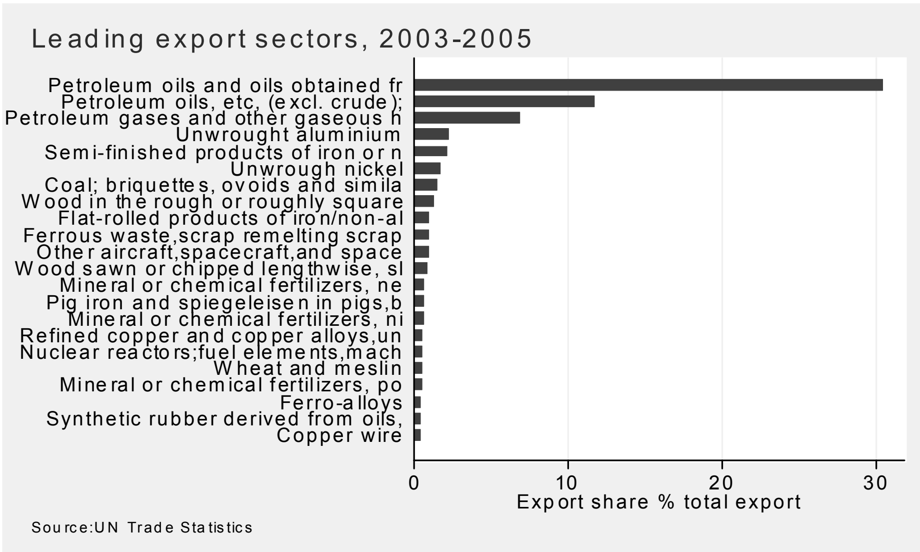
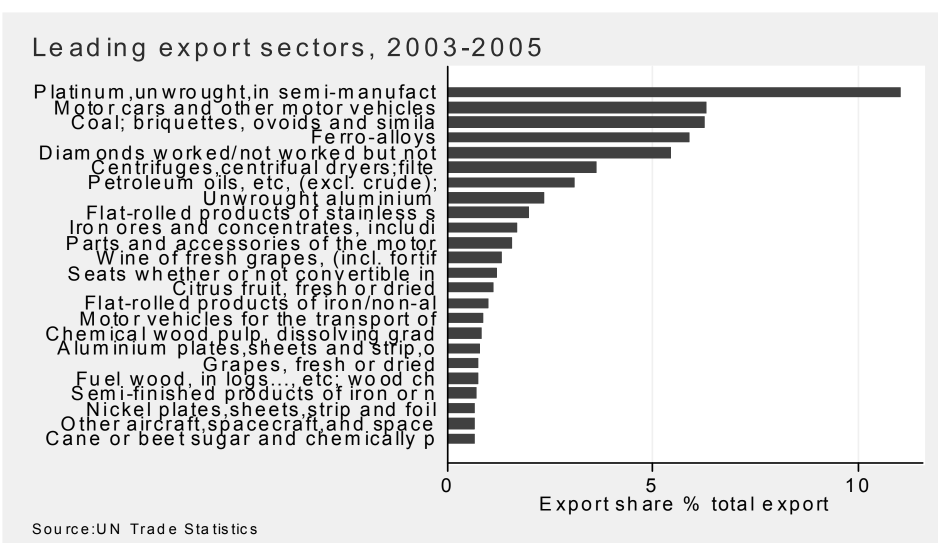
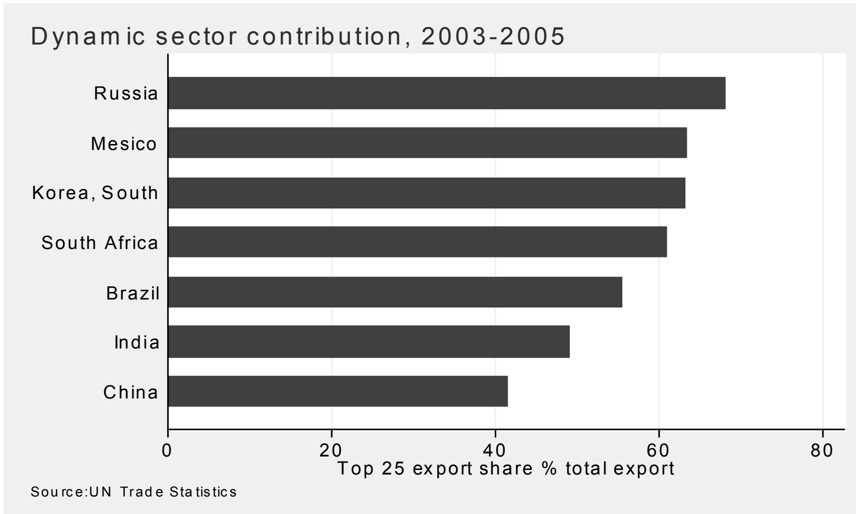
Russia



South Africa



Dynamic sector contribution



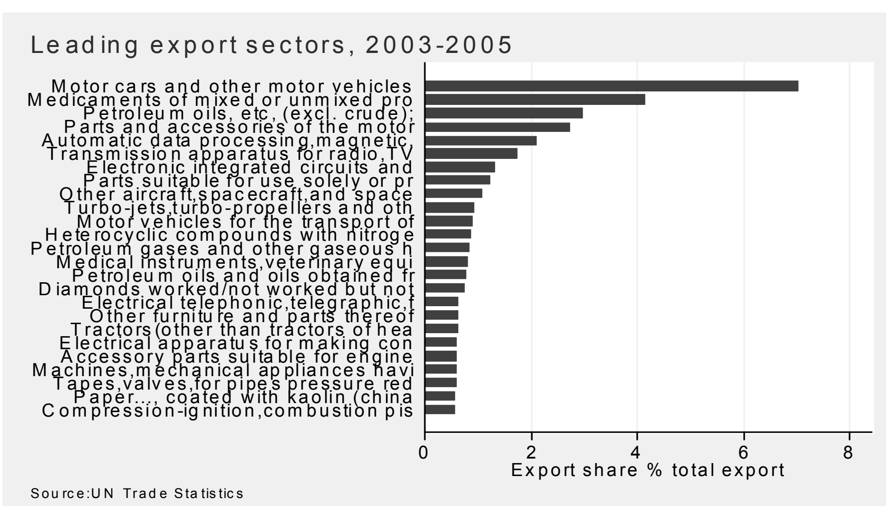
Factor intensity effects

	Primary commodities	Labour intensive and resource based commodities	Manufactures with low skill and technology intensity	Manufactures with medium skill and technology intensity	Manufactures with high skill and technology intensity	Mineral fuels	Unclasssified products
Brazil	12	2	2	5	2	2	
China		9	1	4	10	1	
India	4	11	2	2	4	1	1
Mexico		4		10	9	2	
Russia	10		6	1	4	4	
South Africa	11	2	5	4	1	2	
South Korea	1	2	4	4	13	1	

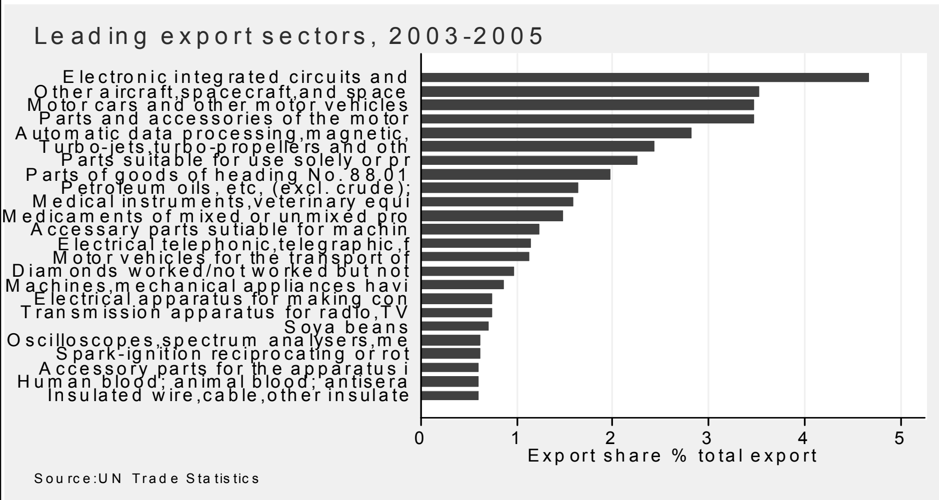
4: Benchmarking: E7 and EU15-US

- Benchmarking concept allows to provide support for catching up challenges for E7 countries
- ‘Gap’ and/or difference between export structure indicates level of their trade dynamism
- Future potential may be assessed through factor intensity patterns

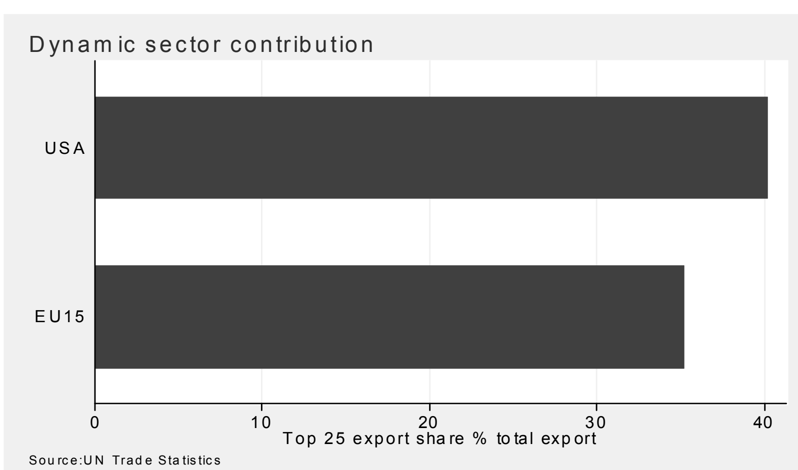
EU15



USA



EU15 and US



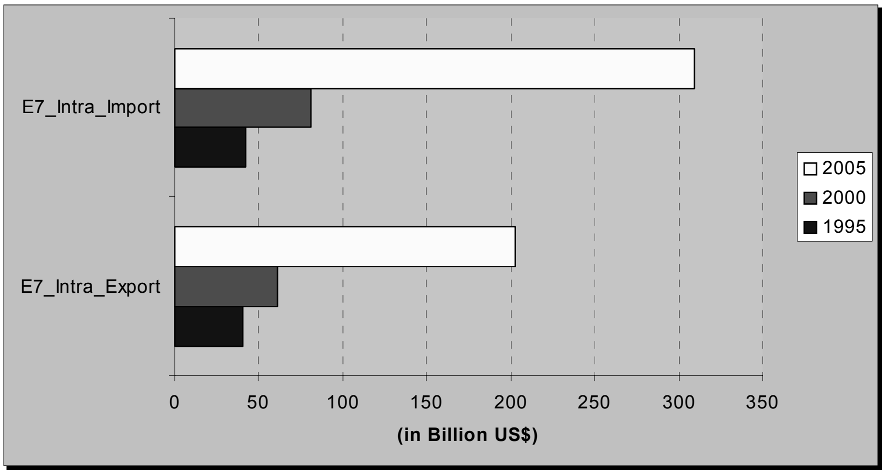
Factor intensity in EU15 and USA

	Primary commodities	Labour intensive and resource based commodities	Manufactures with low skill and technology intensity	Manufactures with medium skill and technology intensity	Manufactures with high skill and technology intensity	Mineral fuels	Unclasssified products
EU15		3		10	9	3	
USA	1	2		9	12	1	

5: E7 intra-trade and cooperation

- Rising phenomenon of E7 intra-trade
  - In 1995
    - E7 intra-trade = US$ 83 billion
  - In 2005
    - E7 intra-trade = US$ 512 billion
- Bilateral trade among E7 countries accelerates

E7 intra-trade



Market access conditions…

- Tariffs have decreased, but E7 dynamic exports still facing persisting "tariff bias"
- **Brazil:** Motor cars and other motor vehicles facing (Rank 2) 35% MFN simple average world tariff
- **China:** Parts and accessories of apparatus (Rank 25) facing 30.7%
- **India:** Parts and accessories of apparatus (Rank 16) facing 68.3%

High tariff continues

- **South Korea:** Other knitted or crocheted fabrics **(**Rank 14) facing 3.3%
- **Mexico:** Men's or boys' suits, ensembles (Rank 19) facing 35%
- **Russia:** Other aircraft,spacecraft,and space (Rank 12) facing 6.6%
- **South Africa**: Cane or beet sugar and chemically (Rank 23) facing 17.4%

NTBs remains critical

- Tariffs escalation evident against leading sectors of E7 countries
- Different forms of NTBs rising concern
- E7 countries tariffs declined steadily, however E7’s market access conditions remains critical

6: Conclusions

- Encourage negotiation to reduce tariff rates through the multilateral trading system (WTO)
- Reducing supply side constraints, e.g., building physical infrastructure and trade related institutions
- Increasing intra-E7 trade and cooperation among E7 countries, and strengthening bilateral trade potential

Thank you!