



# The Future of Economic Policy in the Developing World

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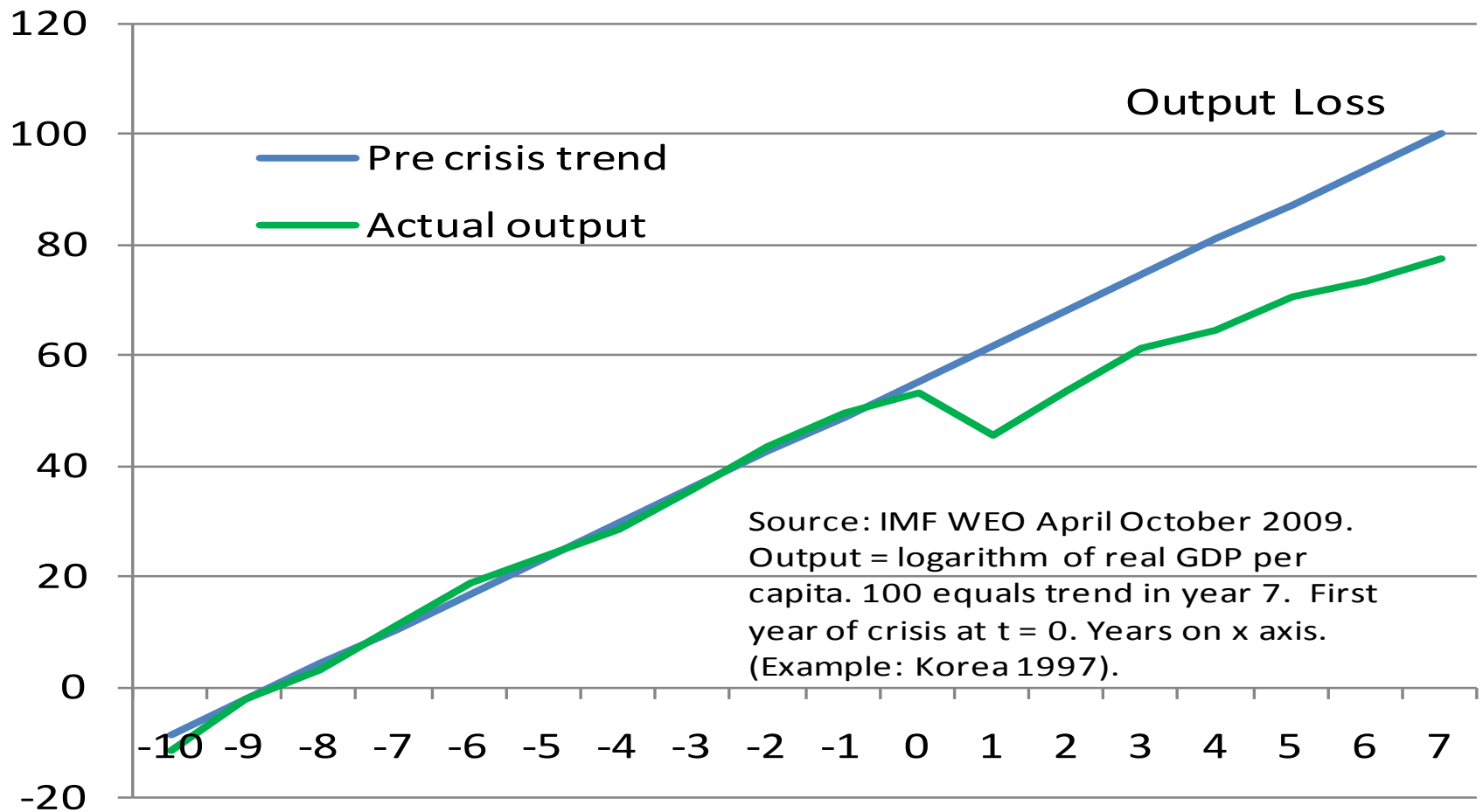
Vice President and Head of Network  
Poverty Reduction and Economic Management (PREM)  
The World Bank

*Trade and Employment Post-crisis: Global Shocks, Structural Changes and Policy Responses*

World Bank-ILO Conference, Washington, October 25, 2010

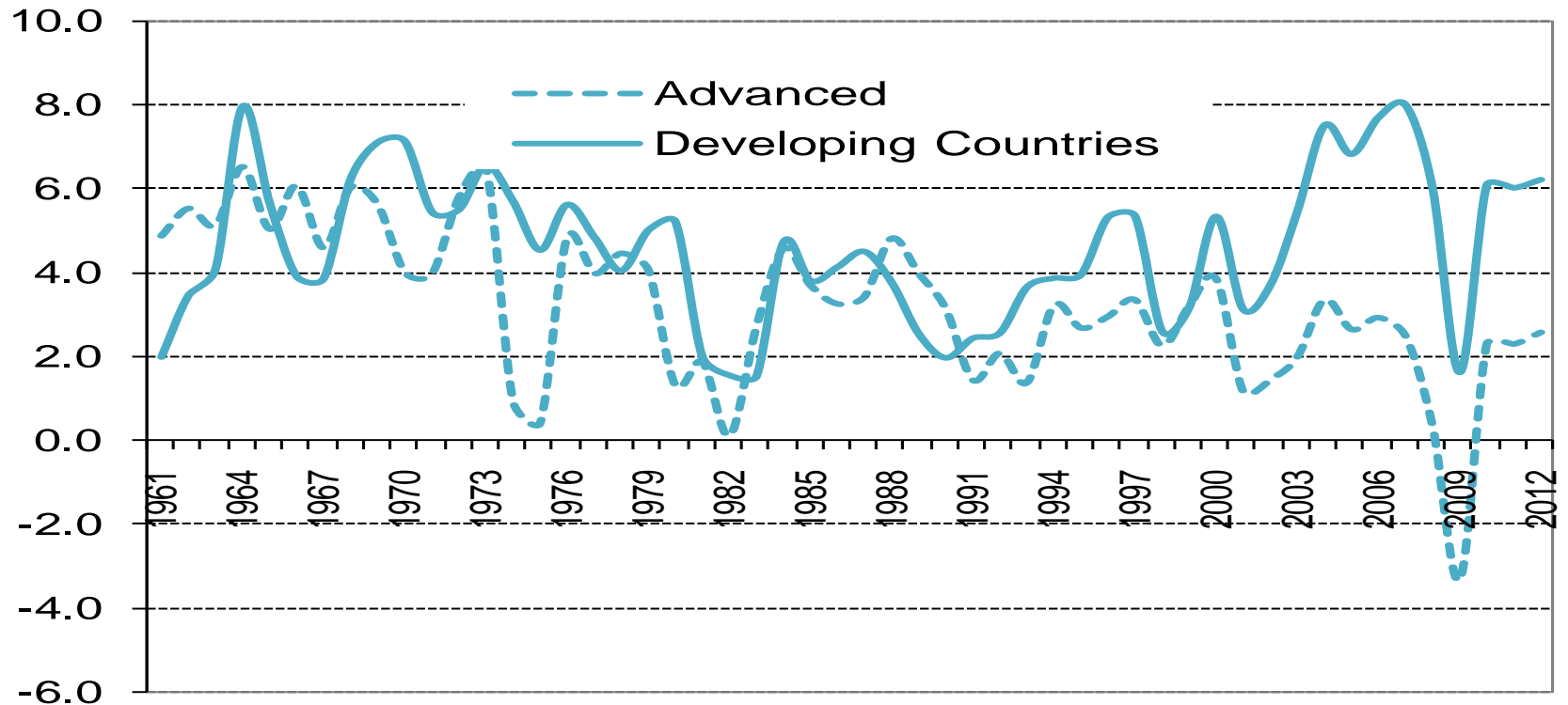


# Legacy of the crisis on growth trends of advanced economies



# Cyclical Coupling and Trend Decoupling

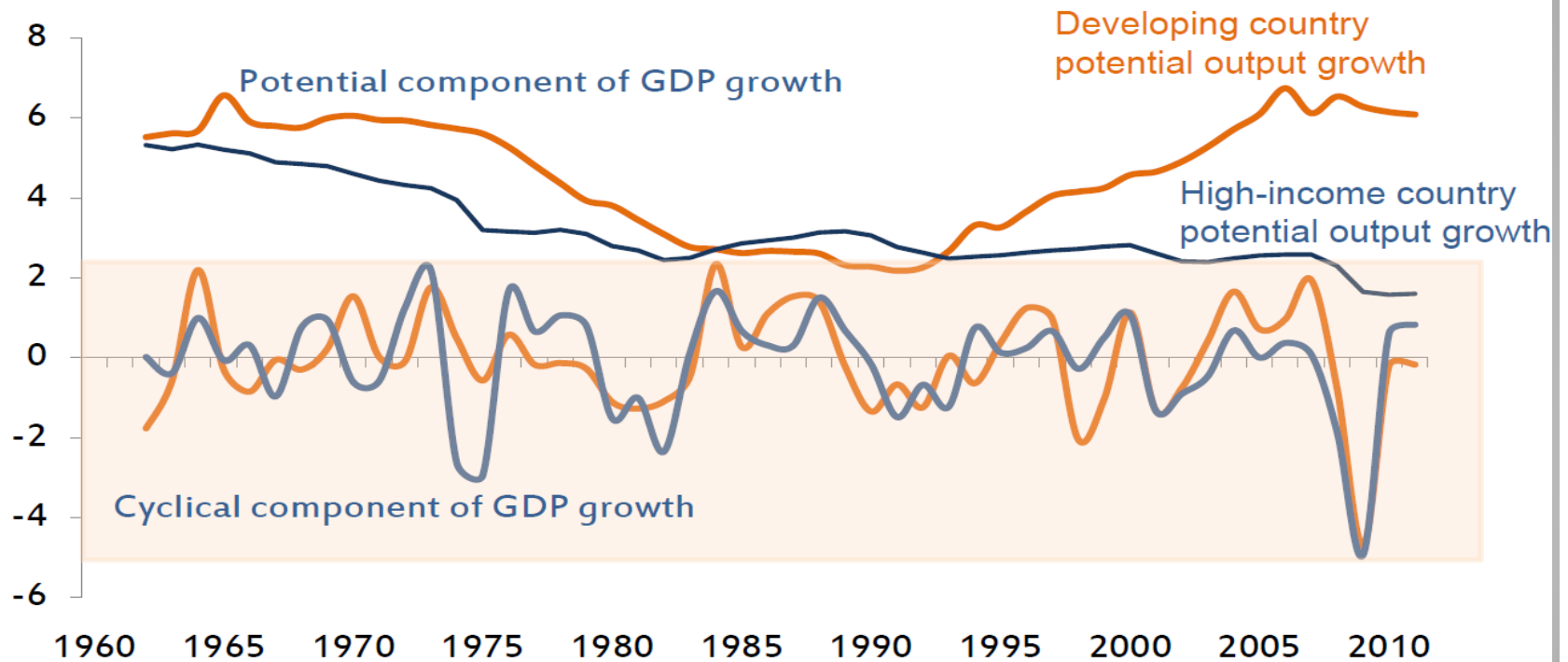
## World Output Growth 1961 - 2012 (% Change)



Source: World Bank WDI and DEC Interim Forecasts April 2010.

# Developing countries have been resilient in part because trend output remains decoupled

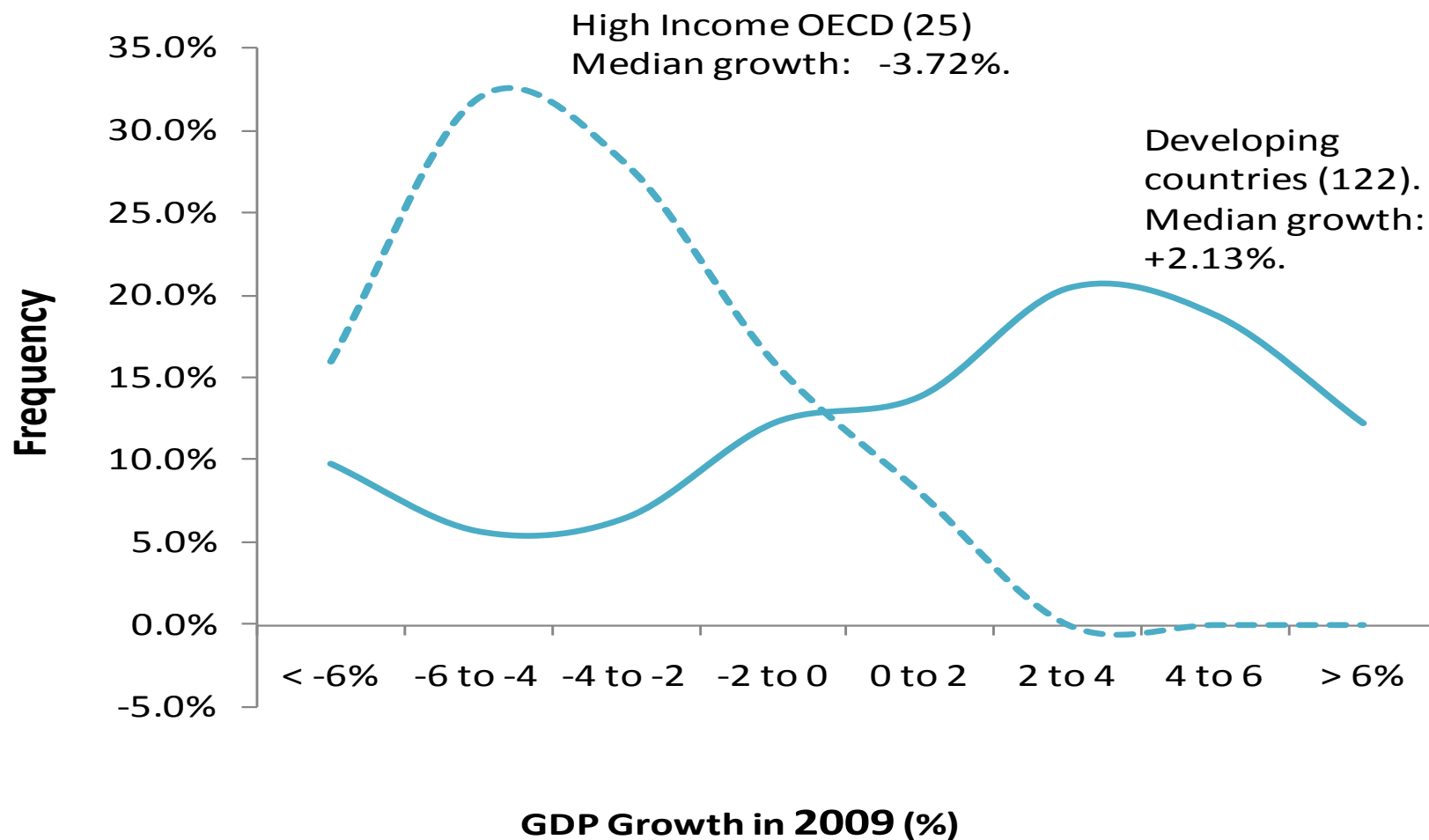
Potential and cyclical GDP growth, percent change



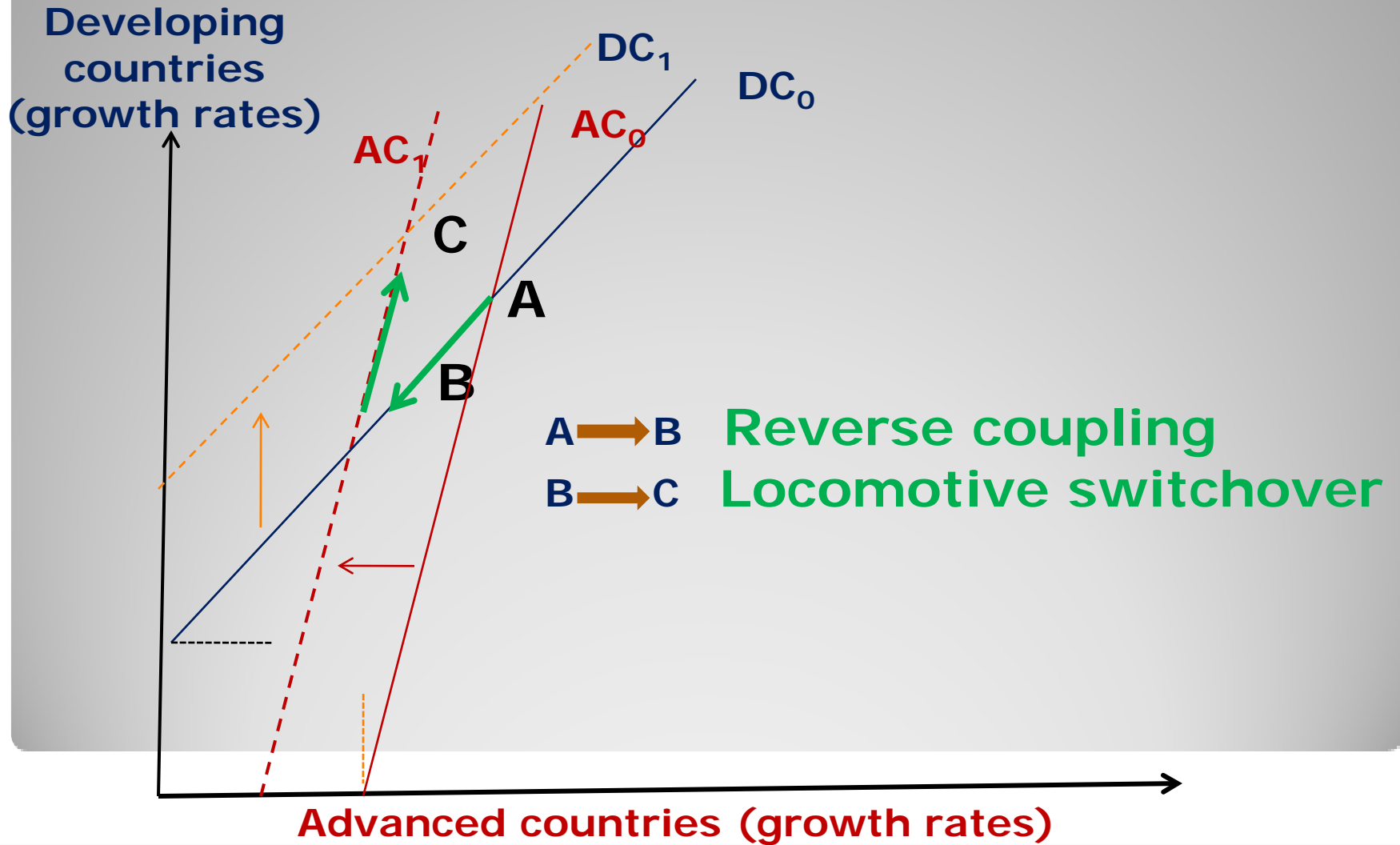
Source: World Bank, DEC Prospects Group.

# Beyond China and India...

## Frequency Distribution of GDP Growth in 2009 - Developed and Developing

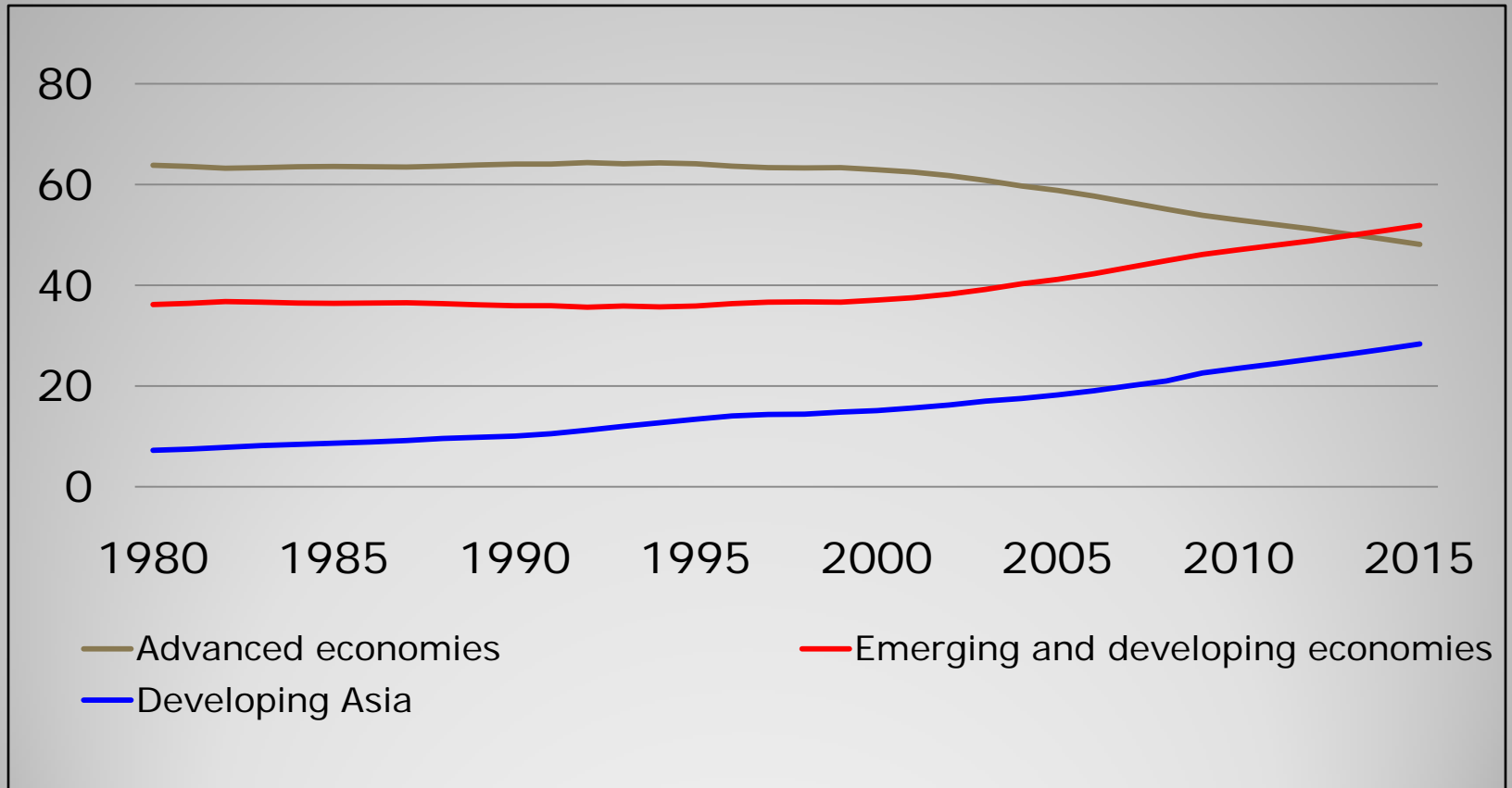


# Growth interdependence



# Toward a locomotive switchover?

## Share of global GDP - PPP (%)



Source: IMF (WEO, April 2010)

# **Scope for autonomous growth *versus* gravity forces toward a low-growth path**

- I. (Overall) low degree of leverage  
[public and private balance sheets in  
good shape]**
- II. Technological convergence gap**
- III. Trade, structural change and global  
rebalancing of demand and supply**
- IV. Social trickle-down of growth**
- V. Natural resources as a blessing or a  
curse**

## **Haddad & Hoekman – “Trading places: international integration after the crisis” (ch. 3 – DAT)**

- **Increasing South-South Trade**
- **Reducing volatility from openness**
- **Policies to promote trade: a competitive real exchange rate**
- **Deepening international cooperation**
- **Looking forward**

## **Reis & Farole – “Exports and the competitiveness agenda: policies to support the private sector” (ch. 4 – DAT)**

- **Old industrial policy or a new competitiveness agenda**
- **Targeting transport and trade facilitation**
- **Retooling export promotion to support improved export survival**
- **Special Economic Zones and clusters**
- **Competition policy and institutions**