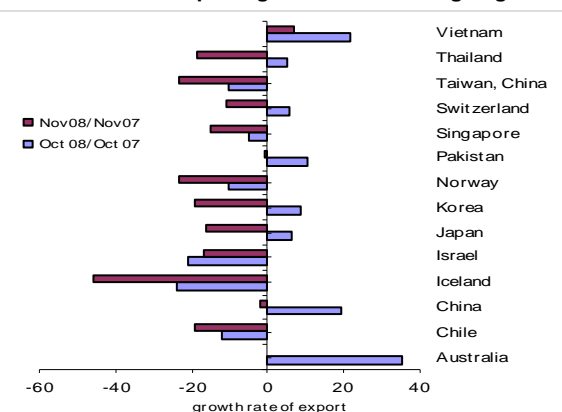


Highlights of the Quarter

The financial crisis is fast spilling over into developing countries' capacity to finance their international trade. Trade finance is critical to sustaining trade and there is growing evidence that the current credit crunch is affecting the volume and cost of trade financing. The cost of letters of credits is increasing for buyers in many countries, including China, Turkey, Pakistan, Argentina, and Bangladesh. Tight credit conditions are also driving up spreads for trade credits in many emerging markets. The effects on trade are also becoming visible. Air cargo traffic has registered its worst decline since the burst of the technology bubble in 2001. Available trade data for November 2008 also show double-digit declines in imports and exports for many countries.

November 2008 exports growth rates turning negative



Source: Datastream



International Trade Department (PRMTR) discussions held with international banks indicate that continued deleveraging, lack of liquidity, and lack of trust are having a major impact on trade finance. The weaker emerging countries seem to be hit first — e.g., Pakistan, Bangladesh, Russia, Ukraine, Belarus, Kazakhstan, Indonesia. Protectionism is also creeping up. While some countries are reducing tariffs or increasing subsidies as part of their fiscal stimulus package, others are contemplating or have already implemented increased protection which may be difficult to reverse and might slow down the global economic recovery. Non-tariff barriers, such as licensing requirements and tighter application of product standards, are also being introduced.

PRMTR will soon launch the Trade Facilitation Facility (TFF) to finance trade facilitation projects and technical assistance activities that help overcome constraints and bottlenecks in the trade supply chain and make immediate, direct, and effective improvements in trade facilitation systems and procedures. About 30 projects have already been identified, many in Africa.

Toolkits

Tariff Reform Impact Simulation Tool (TRIST) is an interactive easy-to-use Excel based tool to simulate the short term impacts of tariff reform on fiscal revenue, imports, protection and domestic output and employment. Its purpose is to allow policymakers to quickly evaluate the adjustment costs associated with trade policy decisions. It was developed by the International Department of Trade of the World Bank. **The COMESA Secretariat** has chosen to use TRIST to calculate the revenue losses from tariff and tax reforms by member states. This will inform decisions regarding allocations to countries under the COMESA Fund. Bank staff provided support to the COMESA Secretariat team and the 16 member states in the build-up and use of the framework with each country's specific tariff reform scenarios. **Tunisia** Ministry of Finance is using TRIST to simulate the reduction of MFN tariffs as planned in the government development plan and supported by the new DPL. In **Madagascar**, the Bank simulation of the impact of tariff changes on tariff revenue using TRIST helped convince the government to reduce tariffs on capital goods which had previously been delayed because of concerns over revenue losses. (For more information visit: <http://go.worldbank.org/2P8FPC0760>)



Logistics Performance Indicators (LPI) – Following a low ranking in the World Bank LPI on the competence of its local logistics industry, the **Indonesian government** set up a National Logistics Team and developed an action plan to facilitate national and regional trade. This has also developed into a Bank technical assistance and capacity building programs.

Forthcoming Learning Events

- ✚ Impact of Continued Financial Crisis and Global Demand Slump on the Cost and Availability of Trade Finance, Lunch Time Seminar, January 27, 12:00pm, J-7-044, Washington, DC
- ✚ Trade, Growth and Poverty E-Learning Course January 26 - March 20
- ✚ Trade and Gender E-Learning Course January 26 - February 20
- ✚ Services Trade, Outsourcing and Role of Multinationals Course, Washington DC, February 12 (for staff)
- ✚ Industrial Cluster Toolkit: An Introductory Course, Washington DC, March 18 (for staff)
- ✚ International Trade and Negotiations in Services Course Washington DC, March 23-31
- ✚ 3rd Trade Policy for Development Executive Course jointly offered with SIPA/Columbia University New York City and Washington DC, June 1-12

(For more information visit <http://www.worldbank.org/wbi/trade> for external participants or <http://wbi> for World Bank staff)

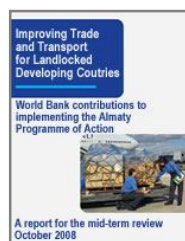
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Publications

Improving Trade and Transport for Landlocked Developing Countries

Launched on a recent High-level Meeting of the UN General Assembly on Oct 2-3, 2008 in NYC – a mid-term review on the implementation of the Almaty Programme of Actions (POA), the report offers the World Bank's perspective on progress in implementing the POA since 2003, highlighting new directions to reach the Almaty objectives. (Full text available at <http://go.worldbank.org/OC52QJ8Z00>)



Distortions to Agricultural Incentives in Latin America edited by Alberto Valdes and Kym Anderson in Oct 2008 provides an overview of the evolution of distortions to agricultural incentives caused by price and trade policies in South America, the Dominican Republic, Nicaragua, and Mexico that together constitute 80 percent of the region's population, agricultural output and overall GDP, and assesses policy options for the years ahead. (Full text available at <http://go.worldbank.org/17M8YX9YL0>)

Economic Partnership Agreements (EPAs) between Africa and the EU: What to do now Oct 2008 considers the extent to which EPAs will help to accelerate export growth and diversification in Africa. It aims to inform the implementation of the interim EPAs and further negotiations of full EPAs. (Full text available at <http://go.worldbank.org/PFKUE39RA0>)

Strengthening MENA's Trade and Investments Links with China and India, Sep 2008 provides a picture of the growing linkages between the MENA region and the rising economies of China and India, the opportunities and challenges in that for oil-producing and nonoil-producing MENA countries, and a reform agenda to accelerate productivity, trade and investment in the region. (Full text available at <http://go.worldbank.org/6ZK8UTFV10>)

Organization of Eastern Caribbean States (OECS) – Increasing Linkages of Tourism with the Agriculture, Manufacturing, and Service Sectors was released in Sep 2008 which analyzes the purchasing patterns and demand for agriculture, manufacturing and services by the tourism industry through a structured survey and in-depth interviews. (Full text available at <http://go.worldbank.org/H1TUBJS7B0>)

Trade and Transport Facilitation in South Asia provides a comprehensive regional audit of the current state of trade and transport facilitation in South Asia regarding both inter-regional and intra-regional trade. (Full text available at <http://go.worldbank.org/J6PBTYJ0Q0>)

Trade Working Papers

Trade Policy, trade costs, and developing country trade by Bernard Hoekman and Alessandro Nicita, Dec 2008

Expanding trade with Africa: the impact of trade facilitation by Dominique Njinkeu, John Wilson and Bruno Powo Fosso, Dec 2008

Foreign professionals and domestic regulation by Aaditya Mattoo and Deepak Mishra, Nov 2008

In Search of the missing resource curse by Daniel Lederman and William F. Maloney, Nov 2008

Does regionalism affect trade liberalization toward non-members? by Antoni Esteveadeordal, Caroline Freund, and Emanuel Ornelas, Oct 2008

Export surges: the power of a competitive currency by Caroline Freund and Martha Denisse Pierola, Oct 2008

Multilateralism beyond Doha by Aaditya Mattoo and Arvind Subramanian, Sep 2008

Market power and the matching of trade credit terms by Daniela Fabbri and Leora Klapper, Oct 2008

Governance, corruption, and trade in the Asia Pacific region by Kazutomo Abe and John Wilson, Sep 2008

Foreign direct investment in services and manufacturing productivity growth: evidence for Chile by Ana M. Fernandes and Caroline Paunov, Sep 2008

Multi-product exporters: diversification and micro-level dynamics by Leonardo Iacovone, Beata S. Javorcik, Sep 2008

Trade costs in Africa: barriers and opportunities for reform by Alberto Portugal-Perez and John S. Wilson, Sep 2008

Trade diversion under selective preferential market access by Ingo Borchert, Sep 2008

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

For the Record

International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, Doha, Qatar, Nov 29 - Dec 2, 2008 – The World Bank called for efforts in keeping international trade and finance flowing to limit the damage from the global downturn and a projected decline of world trade in 2009. By expanding the trade facilitation services (i.e. through the Trade Facilitation Facility, Aid for Trade activities, and the Global Trade Finance Program), the World Bank Group is strengthening its assistance to low-income countries to reduce their costs in engaging in international trade.

Discussion with 46 WTO Ambassadors and WTO senior staff, Nov 13 2008. The event was organized by the World Bank Geneva Office to facilitate exchange of views among developing countries directly involved in the WTO negotiations about the future of the negotiations and trade policies of the new U.S. administration.

Seminar of Breaking the Deadlock on the Special Safeguard Mechanism (SSM), Dec 1 2008. The event was organized by the World Bank Geneva Office together with the WTl and ICTSD focusing on perspectives and new analysis of the SSM to shape a dialogue among trade negotiators.

Dialogue on Aid for Trade – the World Bank continues to participate in the OECD policy dialogue on Aid for Trade (AFT), and is working with the WTO and the UN on AFT monitoring.

Trade and Environment Roundtable, Nov 11 2008 was the start of the inter-agency initiative on trade and environment issues, i.e. carbon labeling, facilitated by the Geneva Office.