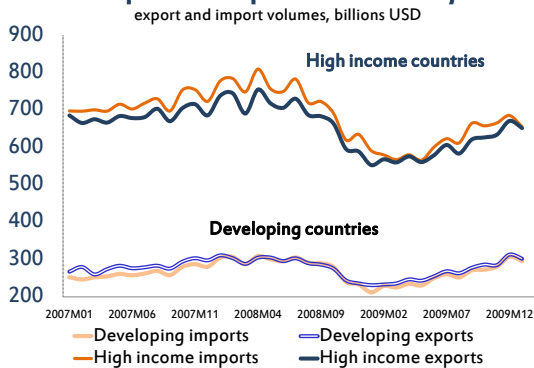


## External Environment for Developing Countries

### International Trade

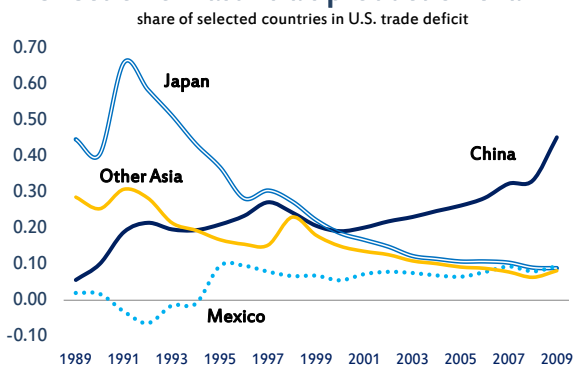
A recently released World Trade Organization report projects global trade volumes to grow 9.5% in 2010. Led by Asia, developing country volumes are already back to pre-crisis levels. Global imbalances are narrowing. China now tops the world exporters' list, and its share in the U.S. trade deficit is growing. Improved trade logistics are facilitating the cross border movement of goods in increasingly integrated regions.

#### Developing country trade increased above pre-crisis peaks as of early 2010



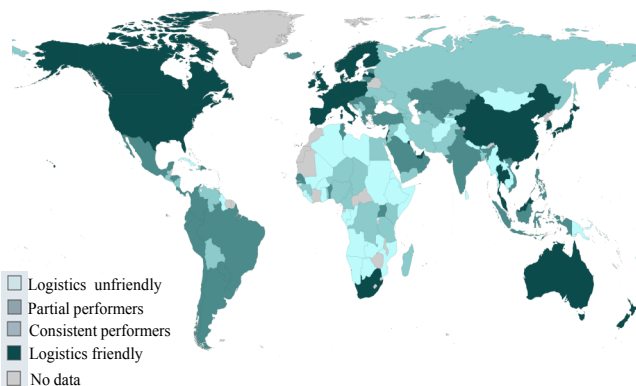
Source: World Bank, DEC Prospects Group

#### China's share in U.S. trade deficit in part a reflection of East Asia's production chain



Source: U.S. ITC data and World Bank calculations

#### LPI 2010 – performance varies around the world



Source: Connecting to Compete, World Bank, 2010

Developing country trade volumes back to pre-crisis levels. The World Trade Organization's report released in March projects world goods trade volumes to grow 9.5% in 2010 after a record 12% decline in 2009. At that projected pace, global trade should recover to pre-crisis levels by the end of 2010. Developing countries have already surpassed their 2008 peak levels, after posting strong growth in January and February 2010. In contrast, import and export volumes of high income countries have not fully recovered, standing some 20% and 14% below 2008 peaks respectively.

**Narrowing of imbalances.** China just reported its first monthly trade deficit since 2004, reducing its trade surplus to \$8.5 billion in the first quarter of 2010 from \$21 billion a year ago. But this deficit is likely to be temporary, based on months of stimulus-generated imports and strong export growth in 2009 (with China surpassing Germany as the world's top exporter). China's bilateral surplus with the United States reflects tight integration of East Asian trade, with China the last stage in the supply chain and- hence the final exporter to the U.S. market. Overall Asia's share in the U.S. trade deficit has been fairly stable since 1990. Though China's share in the U.S. deficit has been rising over the last 2 decades, this is partly a statistical artifact.

**Efficient trade logistics is key to facilitate cross border goods movements.** The World Bank's 2010 Logistics Performance Indicators (LPI) indicate that, for countries broadly at the same level of per-capita income, logistically friendly countries are more likely to have better global value chain integration and attract more export-oriented industries. Logistics "overachievers"—countries with a higher LPI score than income would predict—experience 2% more trade expansion, 1% more annual growth, or export 40% more variety of products than other countries at the same income level. It also shows that logistics overachievers are countries that have more consistently invested in comprehensive logistics reforms including efficient customs and border clearance processes, quality of logistics services, and timely and competitively priced shipments.