



Trade-Development-Poverty Linkages and Aid for Trade:

Lessons from Sectoral Case Studies of
Developing Countries from Asia and Africa

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Background

- General policy reforms affect sectors. But, they can affect them differently
 - Sectors are different by many difference aspects –e.g. by their locality of operation, by their factor intensity, market orientation, size, etc. All these will have implications.
 - Some sectors might show good response to adjustment others might not.
 - Some sectors are directly linked to more vulnerable segment of population with poverty implications.
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Sectors	Export-oriented	Import-Substituting
Apparels (Bangladesh, Cambodia, Nepal, Sri Lanka, Vietnam)	√	
Textile (Sri Lanka, Tanzania, Zambia, South Africa)		√
Carpet (India)	√	
Home Appliances (China)	√	
Cutlery (Pakistan)	√	
Footwear (Vietnam)	√	
Agriculture (China)	√	
Fisheries (Bangladesh, Cambodia, Vietnam, Tanzania)	√	
Oil Seeds (India)		√
Cotton (Kenya)	√	
Dairy (Uganda)		√
Maize (Uganda)	√	
Tea (Nepal)	√	
Agro-processing (Zambia)	√	
Tourism (South Africa)		√
Telecomm (Bangladesh, Pakistan, Kenya)		√

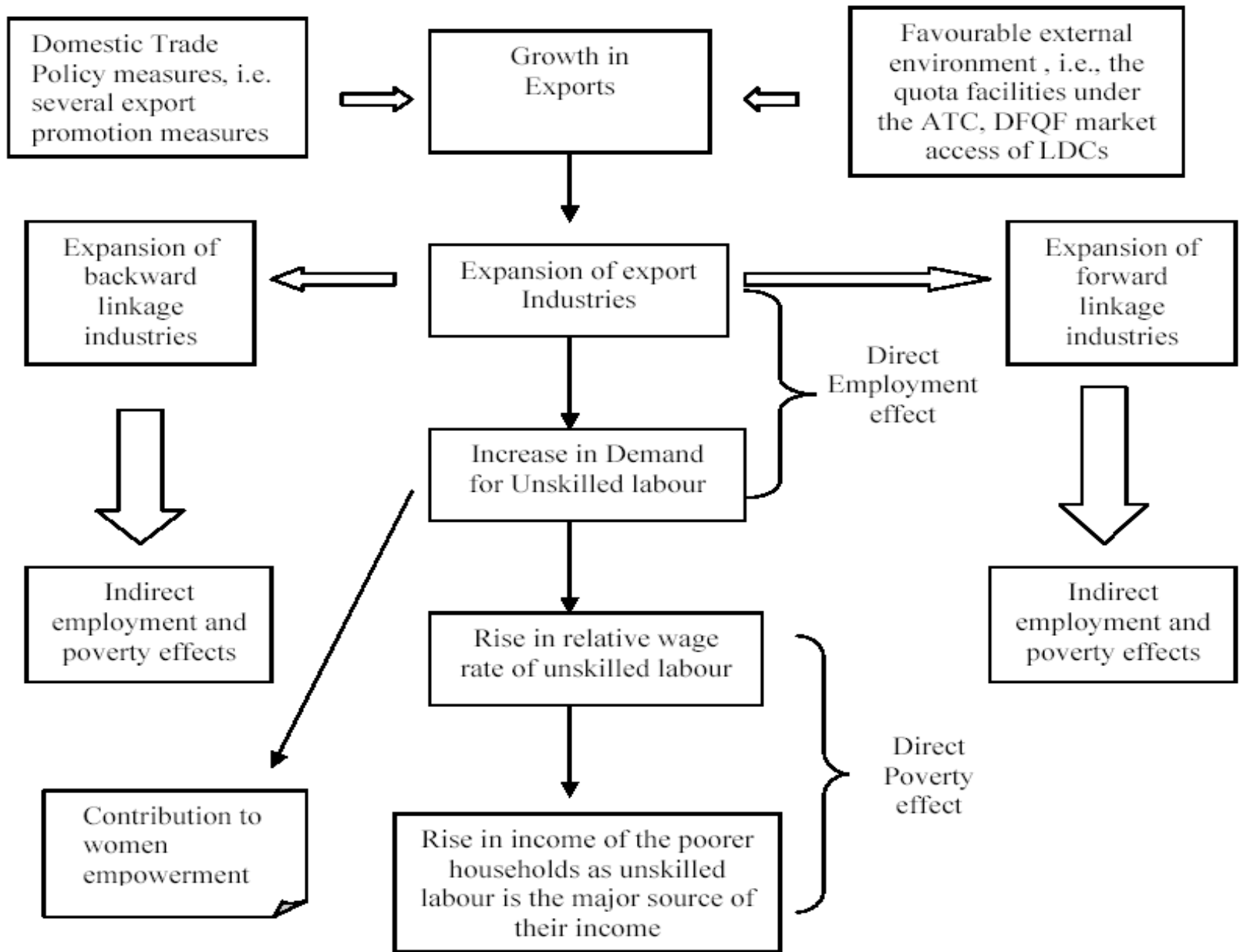
Lessons Learnt from the Sectoral Studies

- In general, export oriented sectors turn out to be gainers from trade liberalisation.
 - Favourable external environment for export growth
 - However, though trade liberalisation, in general, leads to reduction in anti export bias (AEB), not all the export-oriented sectors necessarily benefit from fall in AEB. Lack of export-diversification.
 - Important demand and supply side constraints
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Lessons Learnt from the Sectoral Studies...

- It is also important to understand that the import competing sectors, in general, suffer from trade liberalisation. However, inefficiency and weak management also contribute much to their poor performance during the liberalised regime
- Institutional and regulatory arrangements are important to gain from trade liberalization.

TDP Linkages in the Export-oriented Sectors



Supply-side Problems in the Export-sectors

- Supply-time (apparels): Average supply-time of export consignment:
 - Bangladesh: 90-120 days
 - Cambodia: 90-120 days
 - Nepal: more than 120 days
 - Envisaged ideal situation: 30-45 days

Supply-side Problems in the Export-sectors

- Inefficiencies in inland transportation and weak physical infrastructure
 - undermine the competitiveness of exporting enterprises
- There are two dimensions of poor infrastructure
 - unavailability of a certain service or utility (such as telephone, water, electricity, roads and highways, etc.), and
 - unreliability of the services provided.

AFT can help build

- Trade-related infrastructure
 - Trade support institutions e.g. customs, trade, finance, marketing and distribution facilities
 - Physical infrastructure e.g. roads, ports, telecommunications, energy and electricity, water supply, sanitation, etc; and

Other Supply-side Problems

- Access to capital and costs of financing investment
 - AFT can ensure availability of fund
 - Targeted support at enterprise and producer levels
 - Investment in new activities: Diversification of Export
- Shortage of skilled workers
 - AFT can help in skill development
 - Entrepreneurship development

Fisheries: Shrimp Cultivation

- Environmental concern
 - Shrimp cultivation in Bangladesh and Vietnam
 - Increased salinity of the soil
 - Affect poor people most
- SPS regulations in the developed countries:
Weak technical capacity to comply and to demonstrate compliance with the standards
 - AFT can help building capacities for SPS standards

Import substituting
textile industry

Removal of
domestic tariff and
quota restriction
on textile imports

Poor
management

Inefficiency

Lack of
technological
upgradation

Increased
competition from
imported textiles

Fall in domestic
production of
textiles

Rise in imports
of textiles

Closure of
domestic
textile factories

Significant loss in
employment

Negative
implications
for poverty

Concerns in the textile sector: The role of AFT

- Though liberalization is likely to increase welfare of the consumers, the workers in the textile sector may be hurt. Adjustment cost.
- AFT can mitigate the adjustment costs.



Thank you