Global trade, regional trade and emerging Europe

Presentation to the

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Outline

1. Recovery in global trade – main trends
2. Three emerging regions – different dynamics
3. Role of the EU, China and emerging markets
4. Trade prospects for Emerging Europe
Global trade collapsed during the crisis …

- By 20% from April 2008 until May 2009
- ‘Great synchronization’ of slump in world trade
- Main drivers:
  1. sharp drop in demand;
  2. composition of demand;
  3. vertical supply chains;
  4. trade finance.
... but global trade rebounded quickly and strongly

- The recovery has been quick and strong
- Trade reached pre-crisis levels in mid-2010
- Characteristics of the recovery
- The trade to GDP ratio is still below its long term level
- Demand composition effects
- Trade recovery is uneven among countries / groups of countries
Exports from emerging and advanced economies
Imports of emerging and advanced economies

[Graph showing the imports of advanced economies, emerging market economies, and emerging Europe from January 2007 to July 2011. The graph indicates a comparison of the import levels among these economies, with May 2009 set as the base year (100).]
Emerging regions: Exports during the crisis and recovery

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<th>Intra-regional</th>
<th>Extra-regional</th>
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<td>2008-09</td>
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<td>CESEE</td>
<td>-26.9%</td>
<td>16.9%</td>
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<td>Mercosur</td>
<td>-21.4%</td>
<td>35.3%</td>
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<td>ASEAN</td>
<td>-20.9%</td>
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- Intra-regional exports rebounded more strongly than to outside the region. But had also declined more in ASEAN and emerging Europe.
- Export recovery in Emerging Europe is slower than others.
Emerging regions: Imports during the crisis and recovery

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<td>-27.5%</td>
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<td>ASEAN</td>
<td>-22.8%</td>
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- Impressive import recovery in both Mercosur and ASEAN
- Emerging Europe’s imports recovered relatively less
China as an engine of growth for other emerging economies

Different growth model: export volume of goods and services

Different trend growth: gross domestic product

Different reaction to the crisis: current account balance & investment
Exports to China and the EU

Exports to mainland China

Exports to the EU

2007 vs 2010
Imports from China and the EU

- **Imports from mainland China**
  - CESEE: 4% in 2007, 6% in 2010
  - Mercosur: 12% in 2007, 14% in 2010
  - ASEAN: 10% in 2007, 12% in 2010

- **Imports from the EU**
  - CESEE: 60% in 2007, 50% in 2010
  - Mercosur: 20% in 2007, 10% in 2010
  - ASEAN: 10% in 2007, 5% in 2010
CEE outperformed SE/CIS due to higher structural change

Source: OeNB Focus on European Economic Integration Q3/2011

Source: ECFIN Economic Paper no 366, March 2009
Trade prospects for Emerging Europe

- Emerging Europe’s exports closely linked to developments in EU GDP growth, and EU trade policy
- Emerging Europe has benefitted from EU proximity
- Long term process of upscaling of exports
- But the EM EUR region faces challenges related to limited diversification, and increased competition from EMEs
- Other emerging regions offer potential export destinations; but they can also become competitors in the high value added segment