

# CAREC countries' Trade: Recent Developments and Trends

Dmitriy Rozhkov

International Monetary Fund

June 6 2011

# Outline

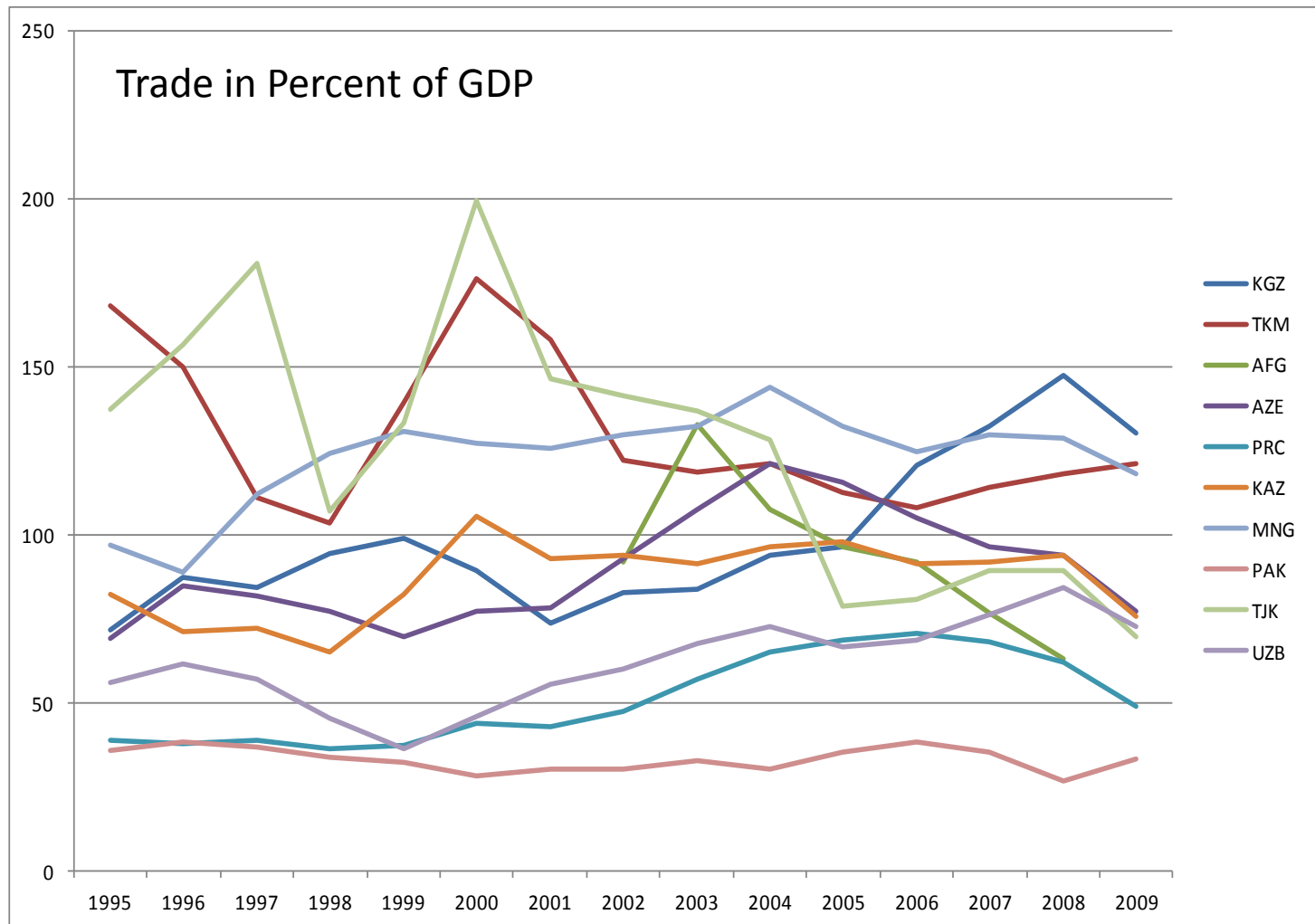
- Motivation
- Growth in Trade
- Direction of Trade
- Looking Ahead: Addressing Remaining Impediments to Trade

# Motivation

The link between economic development and trade has become more or less universally accepted

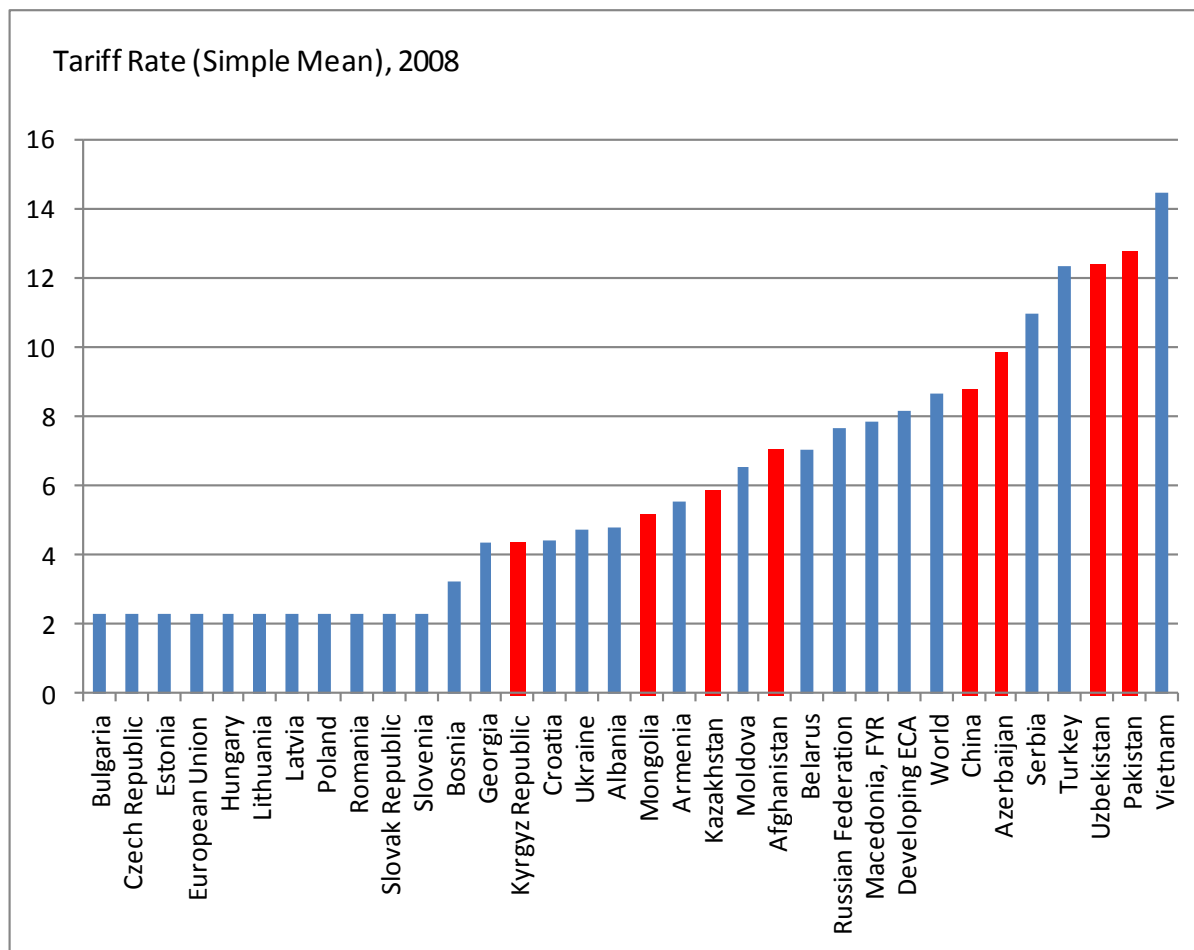
- 1950s: Import substitution
- Today: Outer-oriented trade policy
  - Theory
  - Empirical evidence

# Trade Openness increased in 2000s in some CAREC countries...



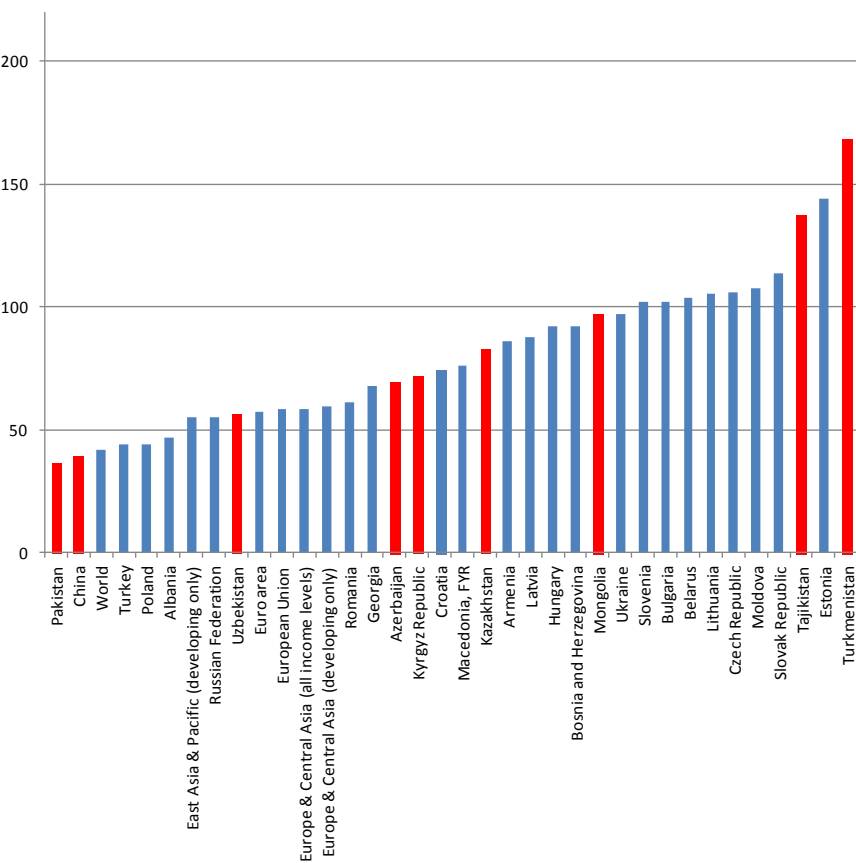
Source: World Development Indicators

...due at least in part to the liberalization of the trade regime

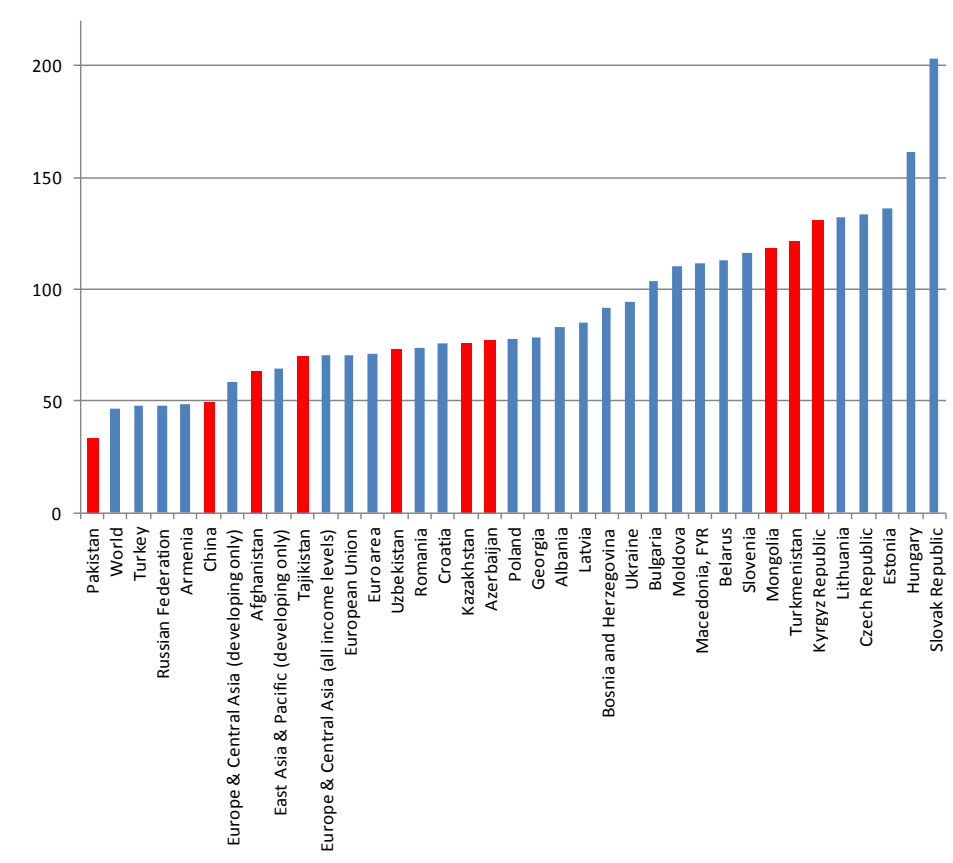


# Trade Openness Increased in the Rest of the World as Well

Total Trade in Percent of GDP, 1995

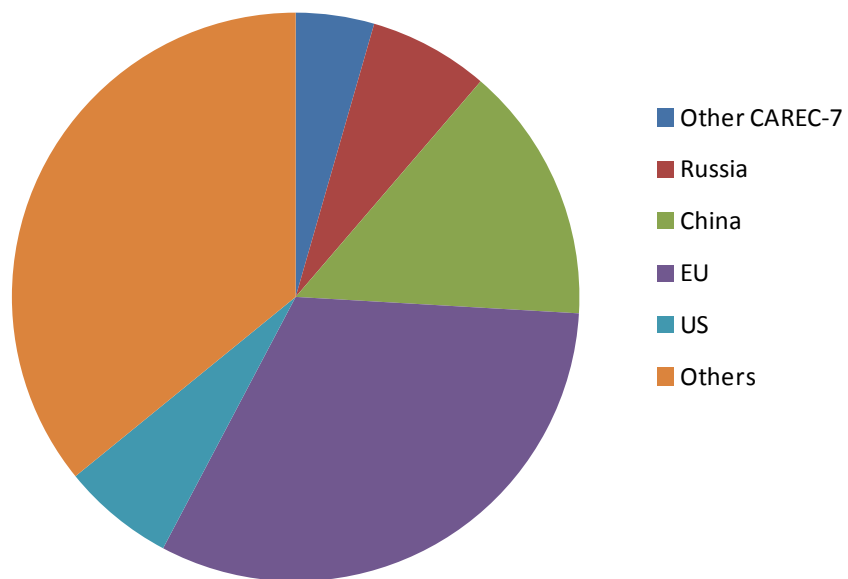


Total Trade in Percent of GDP, 2009

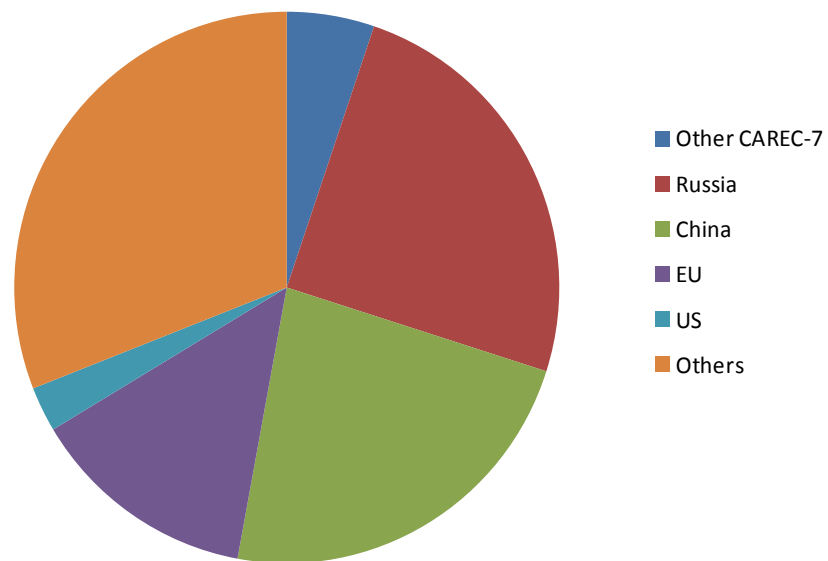


# Direction of Trade

Exports of "CAREC-7" countries, 2010 (Percent of total)



Imports of "CAREC-7" countries, 2010 (Percent of total)



Source: Direction of Trade Statistics

Note: CAREC-7 excludes Afghanistan, China and Pakistan

# Direction of Trade: Key Trends

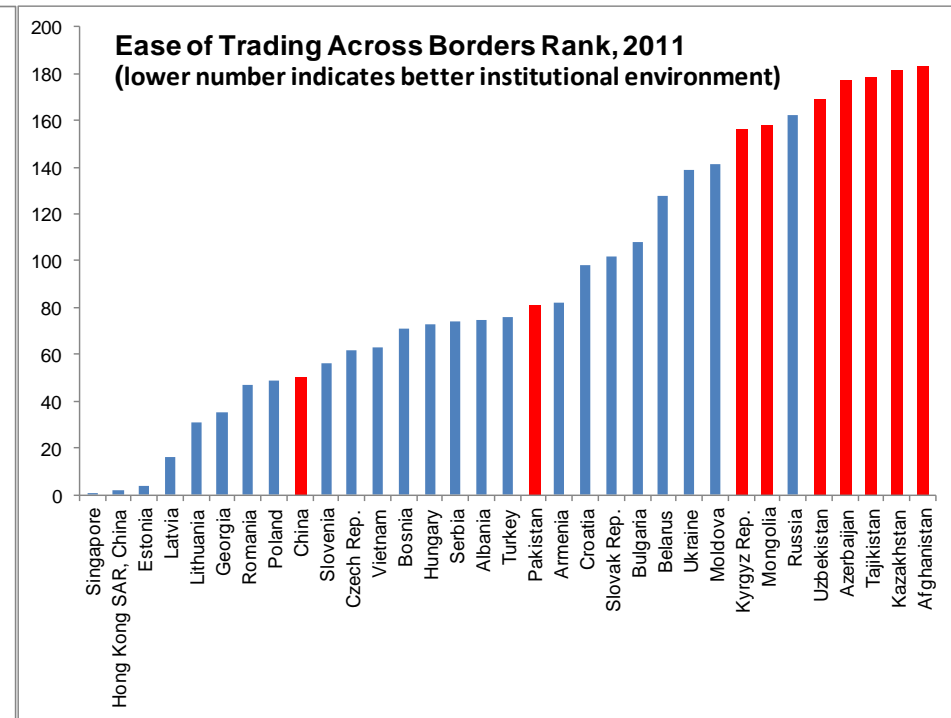
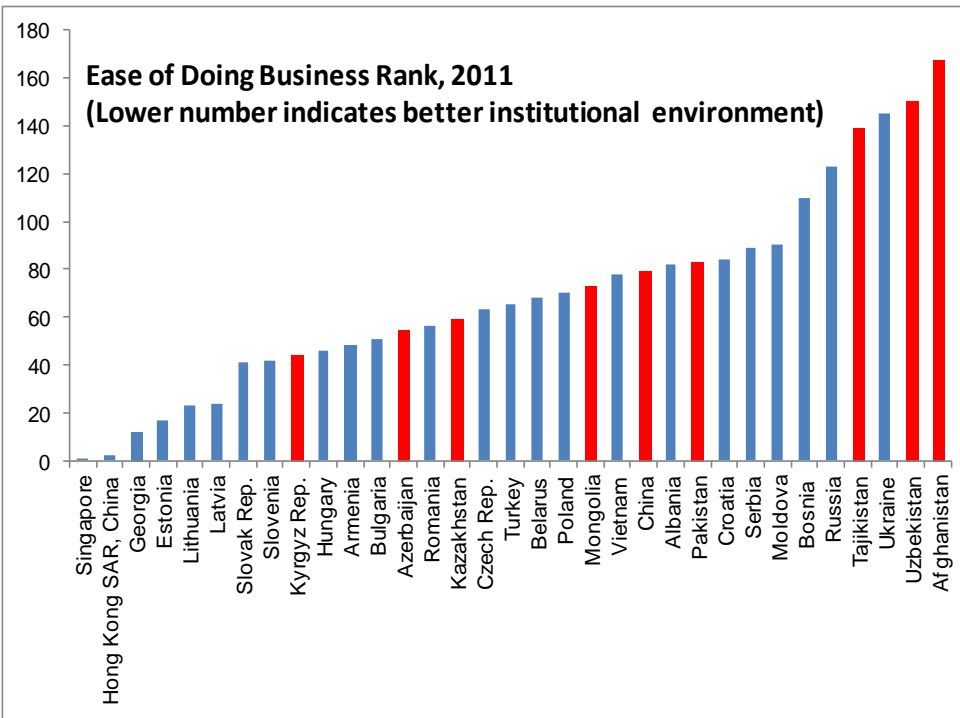
- China, EU and Russia remain important trading partners
- Growing role of China
- Small share of other CAREC countries
- Trade within Central Asia is especially low



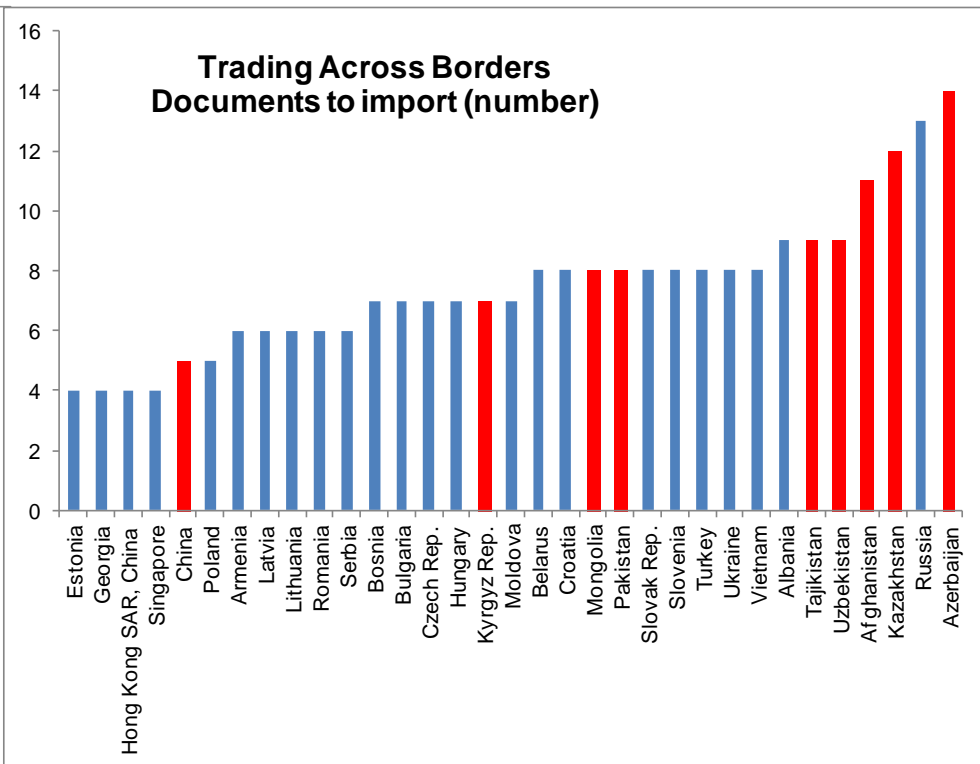
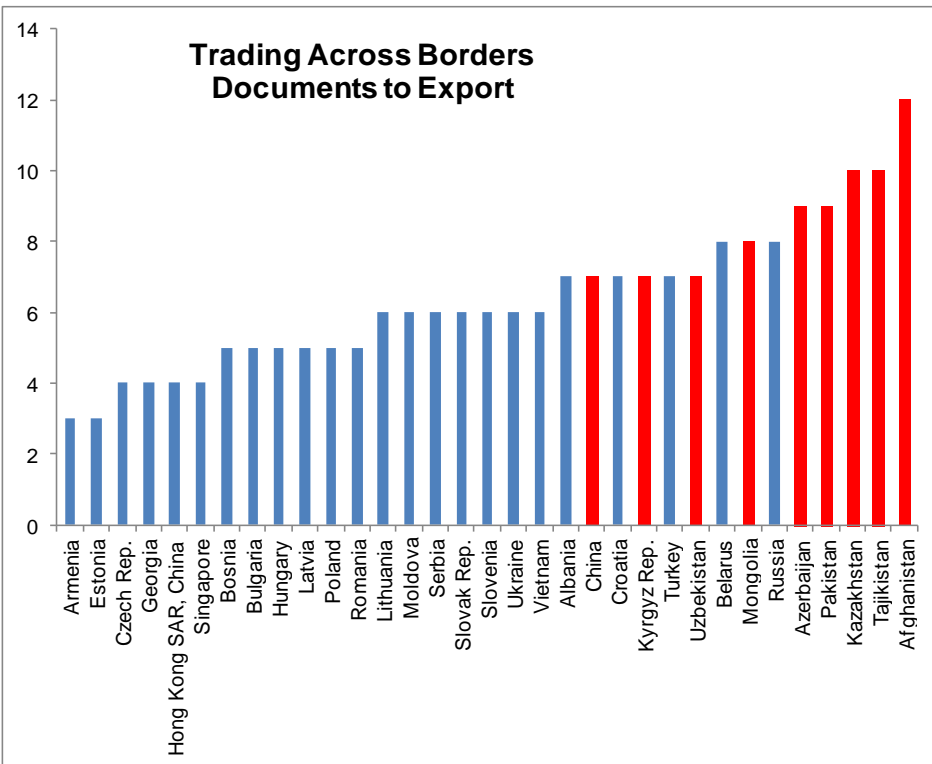
# Institutional Impediments to Trade

- Traditional tariff and non-tariff barriers substantially reduced
- Remaining impediments are likely institutional
- Literature suggests:
  - Institutional impediments are especially important for countries aiming to reduce dependence on natural resources and diversify manufacturing base

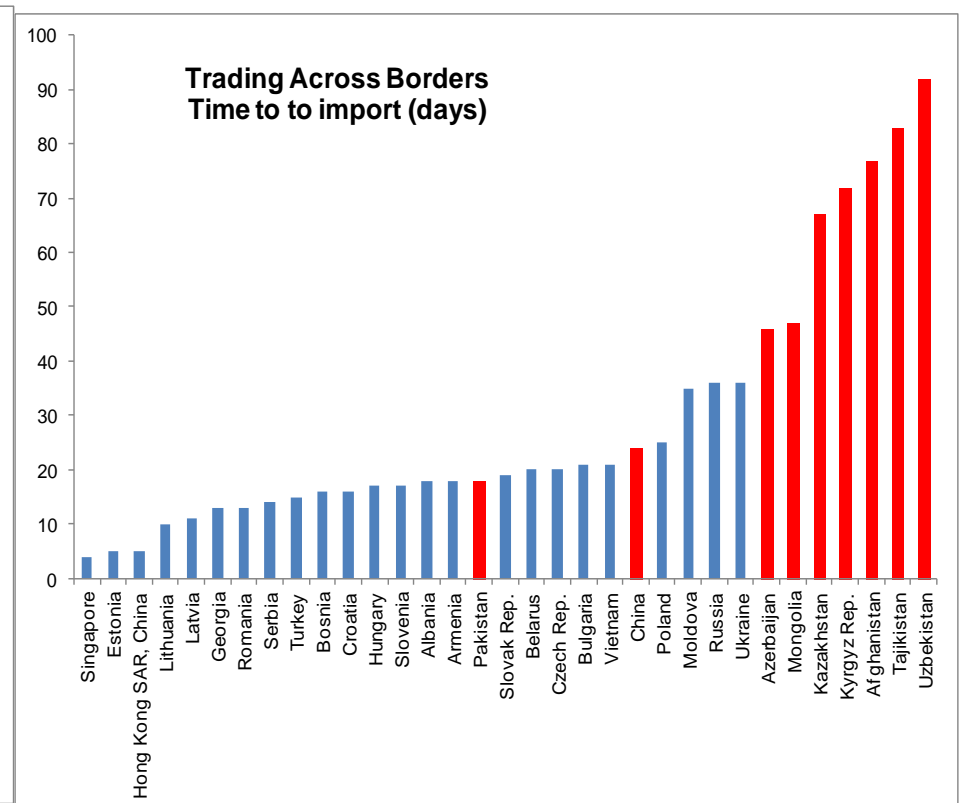
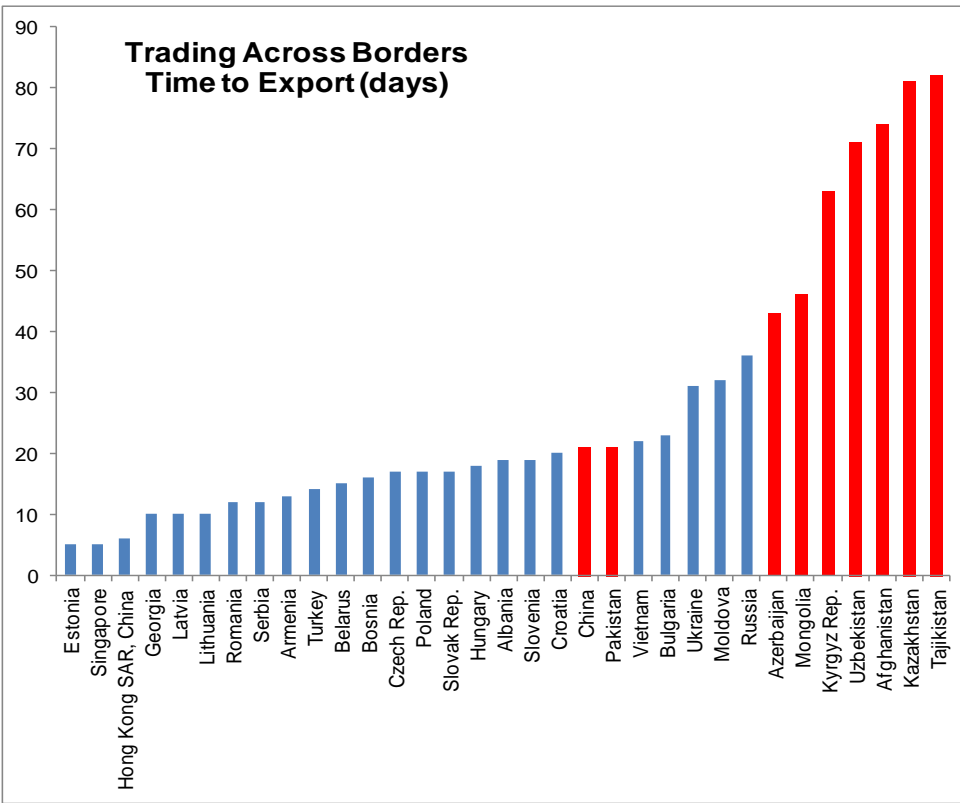
# Progress Has Been Less Than Desired



# Institutional Environment for Trade: Documents to Export/Import

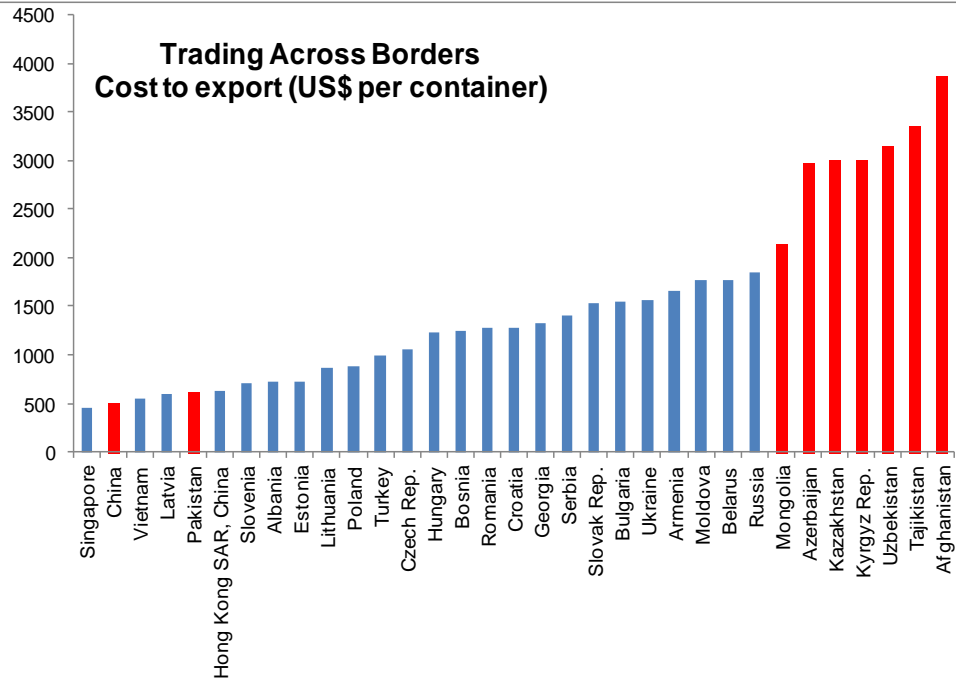


# Institutional Environment for Trade: Time Needed to Export/Import



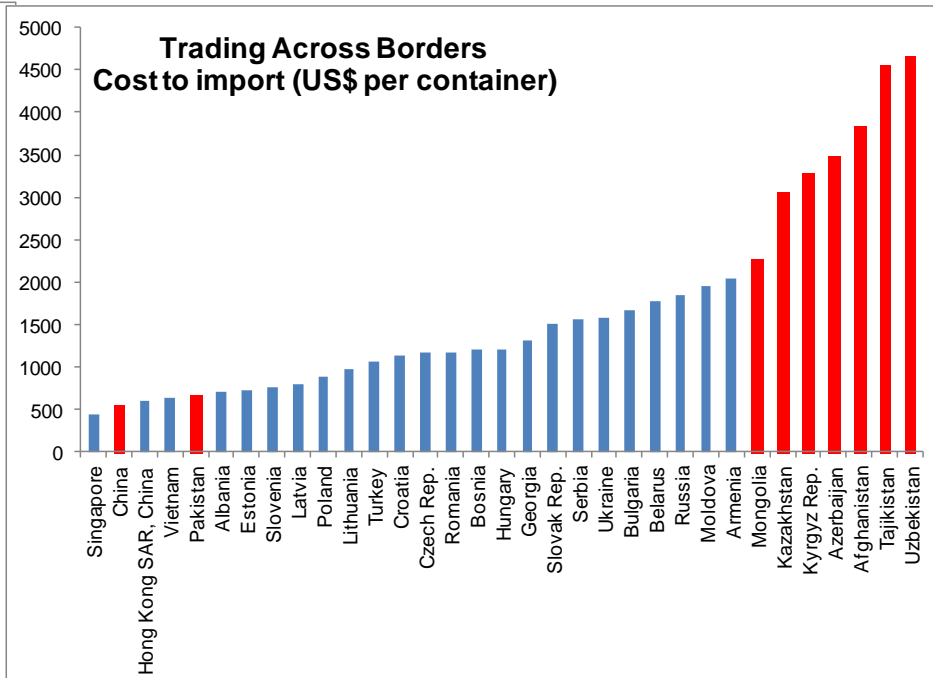
# Institutional Environment for Trade: Costs of Export/Import

**Trading Across Borders  
Cost to export (US\$ per container)**



Source: Doing Business 2011, World Bank

**Trading Across Borders  
Cost to import (US\$ per container)**



Source: Doing Business 2011, World Bank

# Conclusions

- Most CAREC countries are landlocked, and therefore have a natural disadvantage in trade; extra effort is therefore needed
- Significant progress in reducing trade barriers
- Important to build on these gains
- WTO accession could be helpful
- Institutional impediments need to be tackled as a matter of priority