International trade and economic diversification: patterns and policies in the transition economies

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Paper prepared for the conference 'Strengthening integration of the economies in transition into the world economy through economic diversification'
DESA and UNECE; Geneva April 2-4
Topics to be covered

- Trade patterns of CEE and CIS transition economies
- Trade specialisation and export concentration
- Natural resource/commodity based trade specialisation
- Market orientation and differences in trade patterns
- Reform context and EU accession anchor affect trade specialisation and patterns of FDI
- The policy options: what have/can NMS and CIS pursue(d)?
Trade specialisation and export concentration: NMS and CIS

- Using two taxonomies by factor intensity and skill intensity
- By broad commodity groupings
- Export structures and RCAs
- Differences in export structures on different markets (EU-25, CIS, RoW)
- Concentration indicators
Exports of NMS to EU-25, 2000-02, 2004-06
by industry groupings, average shares

Labour-intensive industries

Capital-intensive industries

Technology-driven industries

Source: COMEXT, wiiw calculations.
Exports of CIS to EU-25, 2000-02, 2004-06
by industry groupings, average shares

Source. COMEXT, wiiw calculations.
Exports of NMS to EU-25, 2000-02, 2004-06
by skill categories, average shares

Source: COMEXT, wiiw calculations.
Export of CIS to EU-25, 2000-02, 2004-06

by skill categories, average shares

Source. COMEXT, wiiw calculations.
RCA of NMS with EU-25, 2000-02, 2004-06
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RCA of CIS with EU-25, 2000-02, 2004-06 by skill categories, average shares

Source. COMEXT, wiiw calculations.
Export structure, CIS countries with EU-25
2000-02, 2004-06 (shares, averages)

Source: WITS-database, wiiw calculations.
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Source: WITS-database, wiiw calculations.
Exports of CIS-countries to EU and extra-EU, 2000-02, 2004-06 average shares

Source. COMEXT, wiiw calculations.
Export structure, CIS countries; difference extra EU-EU 2000-02, 2004-06

Source. COMEXT, wiwiw calculations.
Exports of NMS-countries to EU and extra-EU, 2000-02, 2004-06 average shares

**Legend:** 1: 2000-02; 2: 2004-06

**Source.** COMEXT, wiiw calculations.
Export structure, NMS-countries; extra EU-EU25 2004-06


Source. COMEXT, wiwiw calculations.
Hirschmann-Index – Indicator of concentration - exports

Source. COMEXT, wiiw calculations.
Export structure – shares of top 5, 10, 15 industries (%) Exports to EU-25 – 2004-6

NMS-countries

CIS-countries

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Export structure in manufacturing, CIS countries with EU-25 2000-02, 2004-06 (shares, avg.)

Source. WITS-database, wiiw calculations.
Export structure in manufacturing, CIS countries to EU-25 2000-02, 2004-06 (shares, avg.)

Source: WITS-database, wiiw calculations.
Exports of manufacturing goods of CIS, 2000-02, 2004-06 average shares

**EU-25**

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<th>Country</th>
<th>1 Food</th>
<th>2 Textiles</th>
<th>3 Wood</th>
<th>4 Chemicals</th>
<th>5 Mineral</th>
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**extra EU-25**

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Source: COMEXT, wiiw calculations.
Summary on trade specialisation

- Distinctly different specialisation structures of NMS and CIS (using two types of taxonomies and goods categories)
- Extremely high concentration indicators for CIS
- 2 groups of CIS: fuel (& fuel pds) exporters, others
- Some differences of export structure on EU-25 and extra-EU25 markets; also in this respect differences between NMS and CIS
The argument about trade specialisation and diversification

- Who are the outliers: NMS or CIS?
- Reasons for the different paths
- Detailed country studies of INDEUNIS project
- The important roles of progress of reform process and of EU accession anchor: what is the relationship to trade specialisation and patterns of FDI?
- Why diversification and which type?
The argument about commodity based trade specialisation

- Other countries started (and some still have) a commodity based form of trade specialisation: Netherlands, Canada, New Zealand, Finland, Sweden
- Important to move towards processing and ancillary industries
- Volatility of terms of trade
- Learning potential limited?
Why the slow speed of diversification and of upgrading into processing stages?

- **Up-grading into processing** requires relation to differentiated customers – export-orientation helps; develops customer-oriented products/technology (and marketing know-how); most progress takes place when orienting towards high income markets.
- The extent and speed of **diversification** is also affected by the sophistication of the market one supplies (domestic, international); benefits from cross-market and cross-industry spillovers; monopolistic structures are a hindrance for such spillovers.
Possible future scenarios:

- **A.** Lock-in in commodity-based, undiversified export (and production) structure; continued repercussions on income distribution and domestic political economy
- **B.** Commodity-based trade specialisation persists but moves into processing stages and production of specialised inputs; up-grading takes place; export-oriented FDI plays role
- **C.** Fuel/commodity price boom supports continued growth; domestic demand growth generates diversification in production; market-seeking FDI plays role
Conclusions

- The experience of the NMS is rather special and cannot be (fully) replicated by CIS
- Policy should follow the path towards more processing and development of input supplying activities
- Diversification will be helped by more outward orientation and higher degree of competition amongst suppliers
- Pattern of FDI and trade structure can be influenced by framework improvement and this will assist diversification