



# **Globalization, Trade, Transport and Development**

Dr Peter Faust

Trade Logistics Branch, UNCTAD

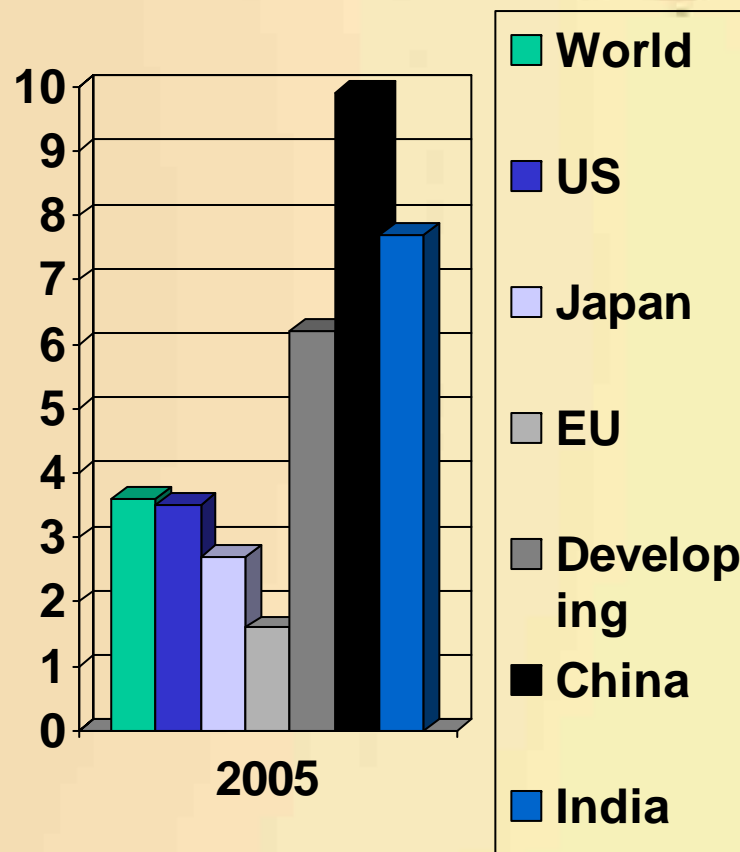
*Durban, March 2007*

# Globalization: trade based development?

- Developing countries strong and stable growth
  - China and India global powerhouses
  - High demand for raw materials and food
- Some global characteristics
  - Technological change and splitting up of production chains will continue to drive greater trade and capital flows.
  - Global companies seeking lowest cost locations
  - Intra-company trade booming
  - The global market enacts a high price on those not using competitively supplied inputs

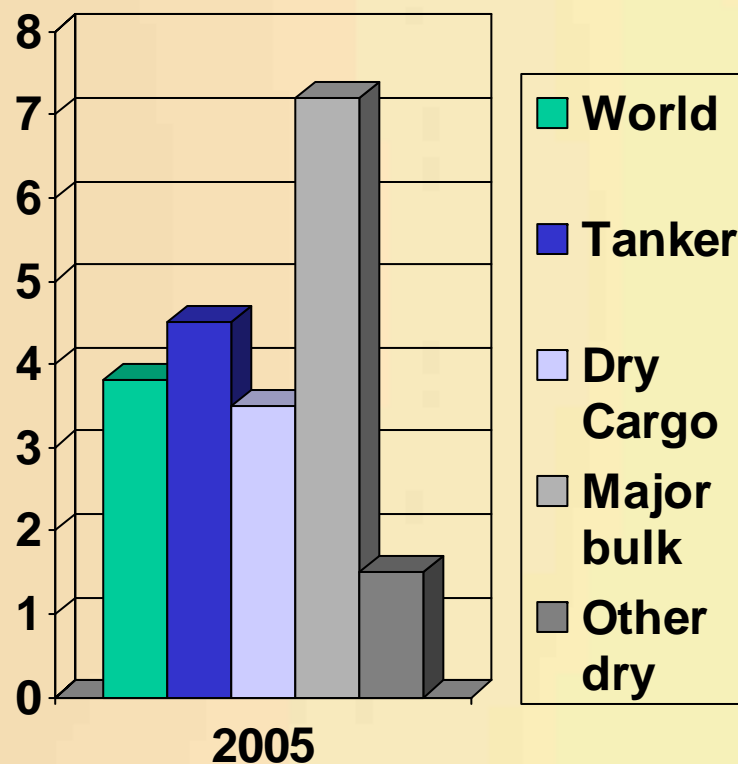
# Economic Growth 2004 - 2006

- 2004 growth slightly higher at 4.1%
- 2005 at 3.6%
- 2006 preliminary estimates at 4.0%



# Seaborne trade growth 2005

- Total 7.1 billion t
- Tanker 2.4 billion t
- Dry 4.7 billion t
- Major bulk 1.7 bio t
- Other dry 3.0 bio t



# Participation is not equally distributed...

- The experience of individual countries varies greatly
- 27 countries had no expansion of exports between 1980 and 2000, 43 countries between 1990 and 2000
- Increase in market share mainly associated with a limited number of outperformers largely among today's Middle Income Countries
- Much growth in South – South trade - new geography of trade

# Transport and sustainable development

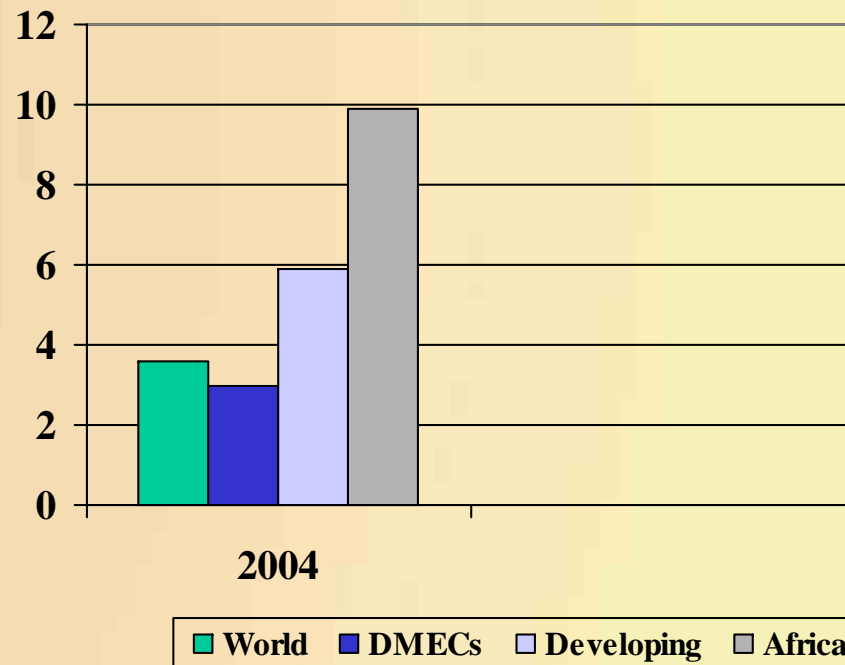
- Transport determines development potential
- High share of freight cost in trade, often higher than tariffs
- Poor infrastructure
  - Network problems
    - Insufficient linkages between national and international systems
- Administrative inefficiencies
  - Regulatory and support policies
  - Lack of Facilitation
- Managerial problems
  - Know how



# Estimates of total freight costs in international trade of Africa

- Annual growth world imports 20 per cent in 2004
- Developing countries' imports grew by 22.6 per cent in 2004, Africa by 18 per cent
- Freight costs for developing countries are much higher than for developed countries, i.e. 5.9 per cent compared with 3.0 per cent (total US\$ 270 billion)

Percentage of total freight costs of total import value

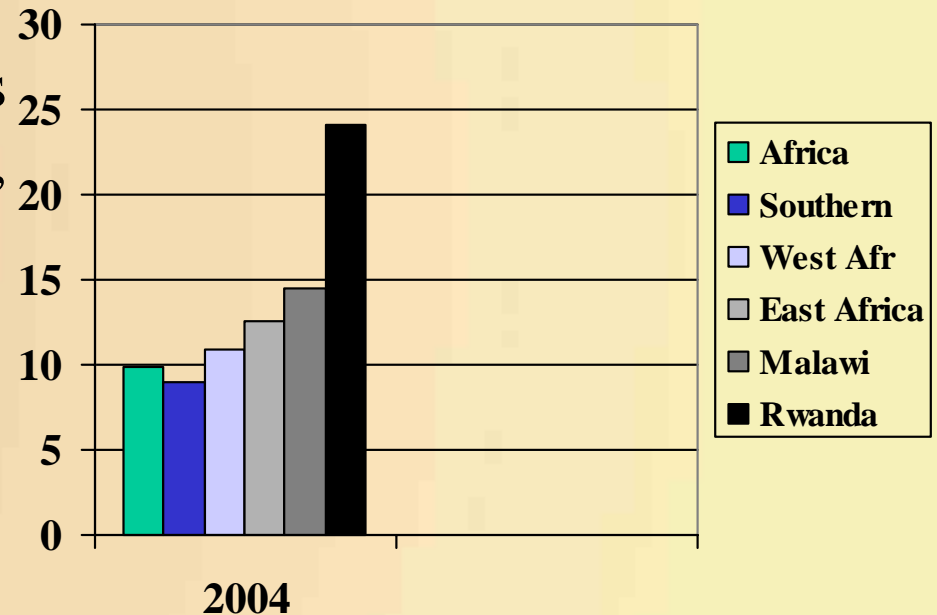


Source: UNCTAD, Review of Maritime Transport, 2006

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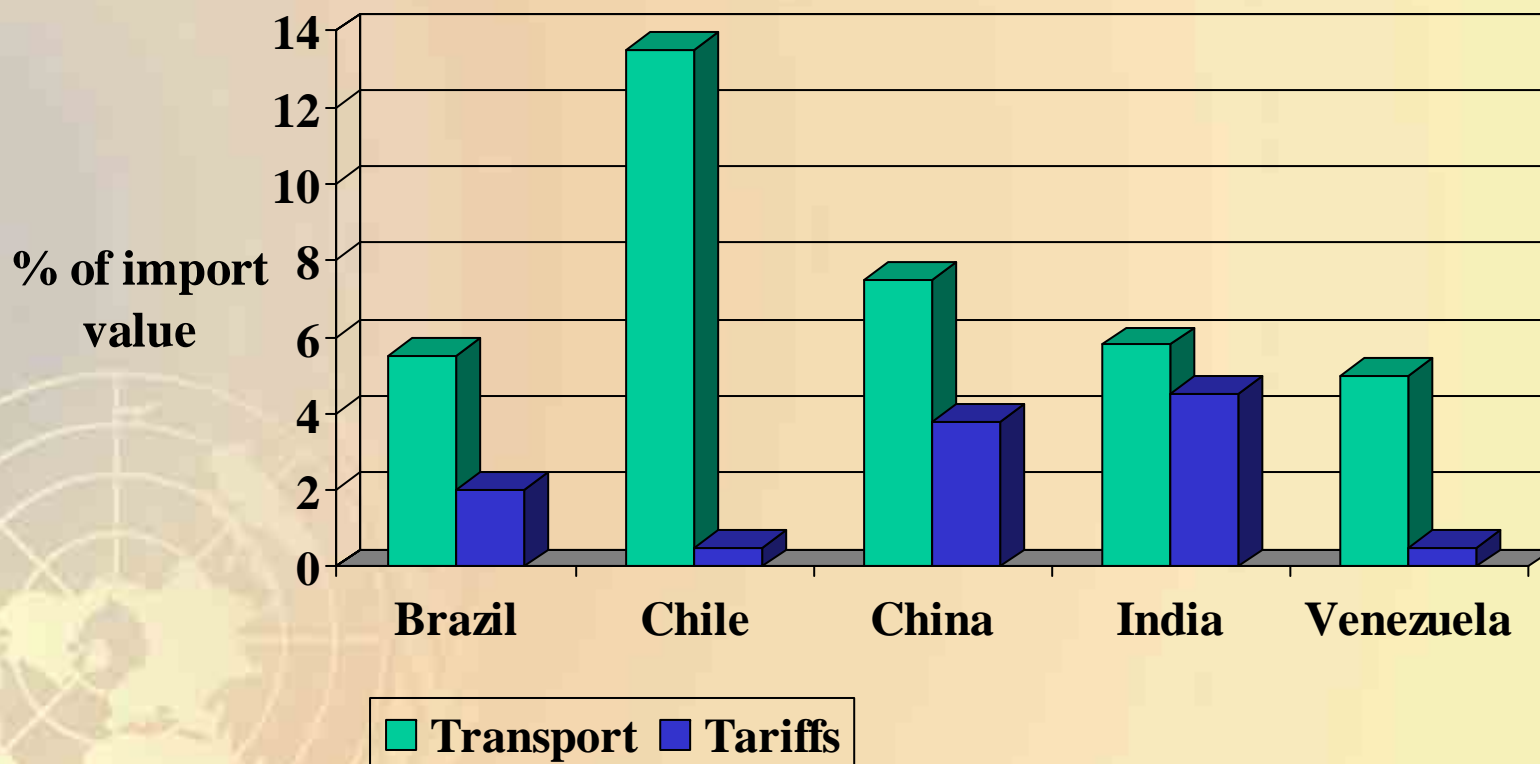
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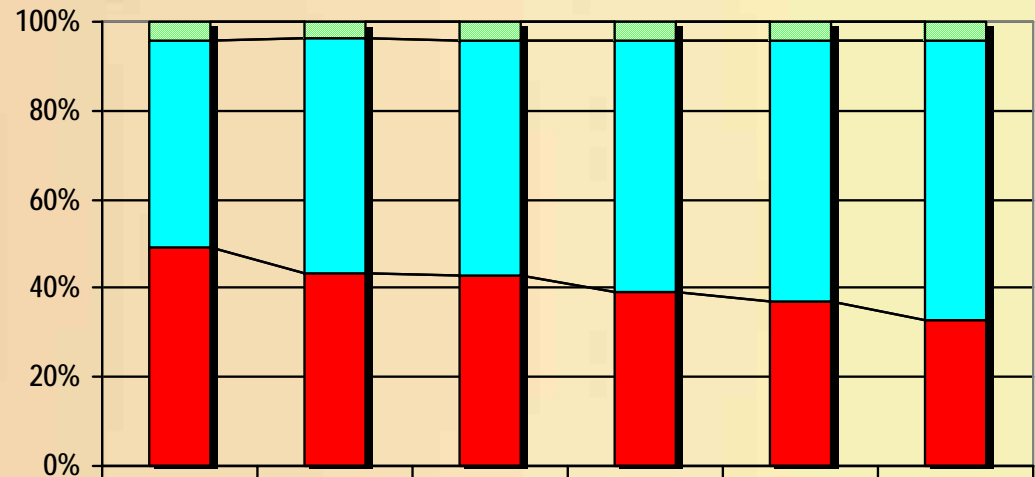
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# Cost of importing goods into US



# Logistics expenditure

...inventory holding decreases, and transport expenditure increases



	1980	1985	1990	1995	2000	2002
 Admin.	4%	4%	4%	4%	4%	4%
 Transport	47%	53%	53%	57%	59%	63%
 Inventory	49%	44%	43%	39%	37%	33%

# Geography of trade

- New geography = new structure and direction of trade
  - Move to higher value trade = structural diversification
  - Changing trading partners = geographic diversification
    - Not replacing but diversifying
- Transport implications
  - Containerization, MT
  - South/South services

# Geography of trade - Direction

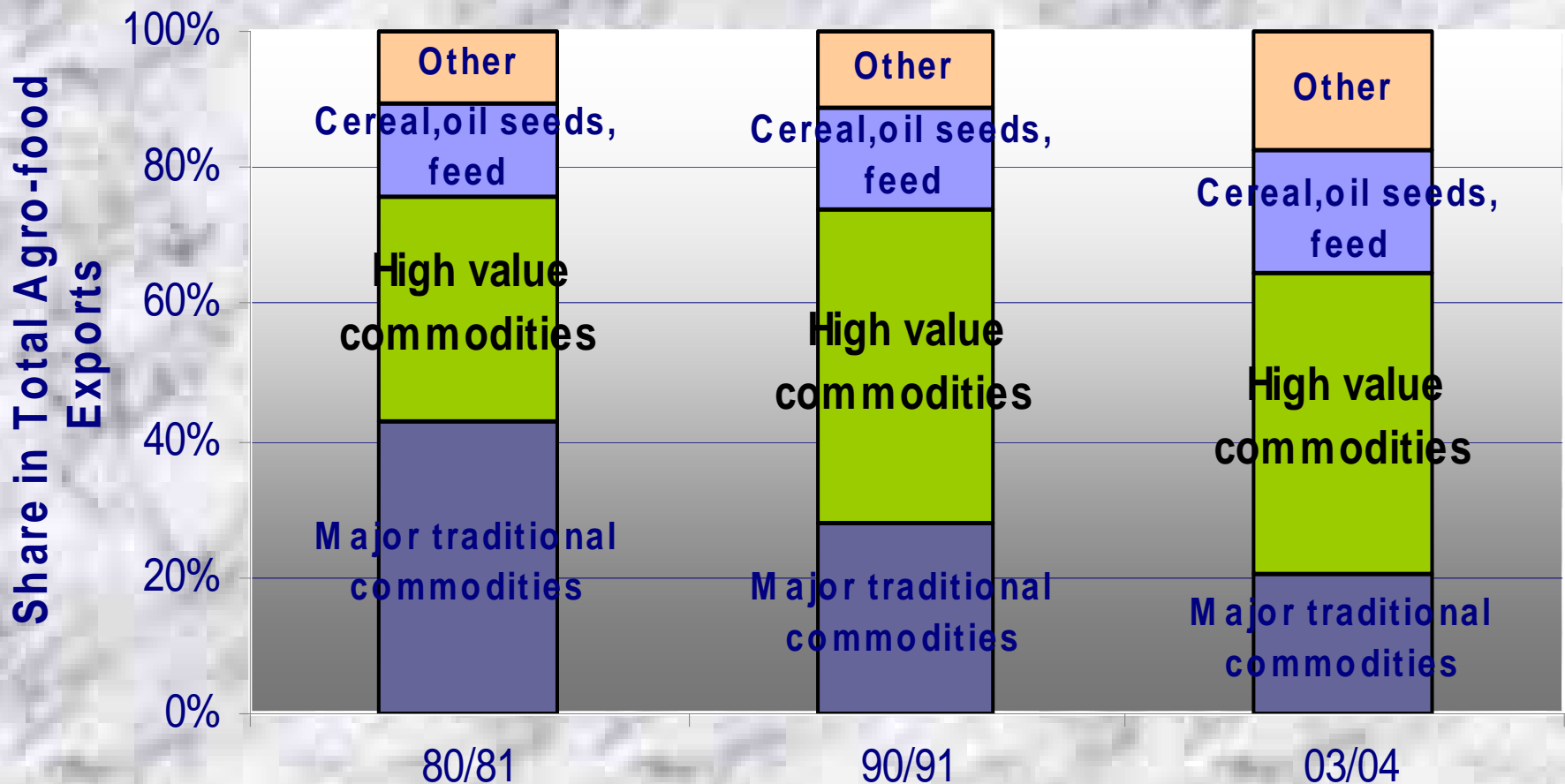
		Export	%	Import	%
Asia	World	2779		2443	
	North America	608	21.9	270	11.1
	Europe	498	17.9	332	13.6
	Asia	1424	52.2	1424	58.3
	Africa	54	1.9	49	2
<i>Africa</i>	<i>World</i>	298		240	
	<i>North America</i>	60	20.2	18	7.5
	<i>Europe</i>	128	42.9	112	46.7
	<i>Asia</i>	49	16.3	54	22.5
	<i>Africa</i>	26	8.9	26	10.8

# Geography of trade - Structure

			Share	
		Exports	Exports	Imports
Asia	Agricultural products	154	5.6	7.5
	Fuel and mining prod	253	9.1	22.9
	Manufactures	2308	83.1	67.2
<i>Africa</i>	<i>Agricultural products</i>	<i>32</i>	<i>10.9</i>	<i>13.9</i>
	<i>Fuel and mining prod</i>	<i>194</i>	<i>65.2</i>	<i>13.8</i>
	<i>Manufactures</i>	<i>63</i>	<i>21.2</i>	<i>70.3</i>

# The rising importance of non-traditional exports.....

Figure 3 : Changing Structure of Developing Country Agro-food Exports



# ...brings greater demands in terms of standards....

- Competitiveness depends on capacity to satisfy both mandatory (SPS/TBT) and private standards in export markets
- Standards in developed countries are shaping expectations of consumers in developing countries

# **...and increased need for timeliness to be competitive.**

- Increasing importance of air transport (about 1/3 of world trade now moves by air)
- Globalization means that to be competitive exporters require access to imported inputs at world prices
- Increasing impetus to hold lower inventories
- Particular problems for land-locked countries

# **A vision of Trade Facilitation**

**Trade Facilitation is a process towards better management of trade.**

**It can provide an enabling environment for trade and transport**

by reducing the overall cost of international trade transactions through the alignment on internationally-agreed trade and transport instruments and commercial best practices.

# **“Maritime connectivity” shows how well a country is integrated into the global economy**

**An indicator for the supply of liner shipping services (containerized trade)**

- Ships
- Capacity to transport containers (TEU)
- Shipping companies
- Services
- Average ship sizes
- Maximum ship sizes

# Connectivity

- 1) Per country – in a “point”
- 2) Per route – between pairs of countries



# Connectivity

## Liner services from the country's ports

Rank 2006	Country or territory	2006	2005	2004	change 2006/2005
1	China	943	957	863	-1.46%
2	Hong Kong, China	743	738	738	0.68%
3	Singapore	689	687	669	0.29%
16	Egypt	210	219	196	-4.11%
30	South Africa	90	94	97	-4.26%
59	Nigeria	41	43	42	-4.65%
64	Kenya	32	28	28	14.29%

# Connectivity

## Fleet assignment (TEU)

Rank 2006	Country or territory	2006	2005	2004	change 2006/2005
1	China	5'068'909	4'442'070	3'928'913	14.11%
2	Hong Kong, China	4'345'864	3'936'129	3'749'697	10.41%
3	U.S.	3'162'767	3'014'748	2'978'193	4.91%
16	Egypt	1'164'831	1'141'192	854'203	2.07%
25	South Africa	417'834	368'804	382'351	13.29%
49	Nigeria	136'964	127'016	119'117	7.83%
69	Kenya	63'051	48'879	9'265	28.99%

# Connectivity

## Maximum vessel size

Rank 2006	Country or territory	2006	2005	2004	change 2006/ 2005
1	China	9'449	9'200	8'238	2.71%
2	Hong Kong, China	9'449	9'200	8'238	2.71%
3	Singapore	9'449	8'750	8'063	7.99%
8	Egypt	9'449	8'073	6'978	17.04%
39	South Africa	4'922	4'922	3'501	0.00%
67	Nigeria	2'602	2'556	2'556	1.80%
96	Kenya	1'737	1'798	1'798	-3.39%

# Thank you

- UNCTAD Trade Logistics Branch
  - [peter.faust@unctad.org](mailto:peter.faust@unctad.org)
- Transport Section
  - [jose.rubiato@unctad.org](mailto:jose.rubiato@unctad.org)
- Trade Facilitation Section
  - [maxence.orthlieb@unctad.org](mailto:maxence.orthlieb@unctad.org)
- Policy and Legislation Section
  - [regina.asariotis@unctad.org](mailto:regina.asariotis@unctad.org)