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The Impact of Sept. 11 on Trade

In the wake of the terrorist attacks on New York City and Washington, DC, emergency measures were taken to tighten security at air and seaports as well as land border crossings. Some disruption of trade flows during the immediate aftermath of the attacks seemed almost inevitable, yet additional frictional trading costs due to tighter security have affected trade not only in North America but also world-wide and have potential to continue to do so in the medium to long term.

Not all commodities and countries will be affected to the same extent by the increases in frictional costs. Differences across products are due to varying ratios of transport and insurance costs to goods-value, divergences in prevailing transport modes, and differing roles in the production process. For example, just-in-time deliveries in the automotive industry were markedly affected by delays due to more elaborate customs inspections. Concerning cross-country effects, intra-NAFTA trade was naturally strongly impeded by the tightening of security at US borders, but the trade of other countries with substantial exposure to North American markets, notably imports and exports of Latin American countries, were also significantly disturbed by the longer delays at borders and other frictional cost increases.

OECD, Paris (2002) *The Impact of the Terrorist Attacks of 11 September 2001 On International Trading and Transport Activities*, OECD Code: TD/TC/WP(2002)9/FINAL.

This is a **free** report available through the OECD Trade Directorate (www.oecd.org/trade): http://www.olis.oecd.org/olis/2002doc.nsf/LinkTo/td-tc-wp(2002)9-final

Shares in World Exports and Imports
(%, values for total goods, customs basis)

Exports	2001[1]	2002[1]
Canada	4.6	4.4
France	5.0	5.0
Germany	9.6	9.8
Italy	4.0	4.1
Japan	6.8	6.4
United Kingdom	4.6	4.7
United States	11.4	10.9
Other OECD countries	24.0	24.6
Total OECD	69.9	70.0
Non-OECD Asia	17.3	17.3
Latin America	3.3	3.4
Other non-OECD countries	9.5	9.2
Total of non-OECD countries	30.1	30.0

Imports	2001[1]	2002[1]
Canada	3.4	3.4
France	4.8	4.8
Germany	7.9	8.0
Italy	3.5	3.5
Japan	5.0	4.3
United Kingdom	5.3	5.5
United States	19.0	18.0
Other OECD countries	24.0	24.6
Total OECD	72.9	72.1
Non-OECD Asia	15.5	15.7
Latin America	4.0	4.1
Other non-OECD countries	7.6	8.1
Total of non-OECD countries	27.1	27.9

Note: 1. Figures are estimates and projections.
Source: *OECD Economic Outlook No. 70,* December 2001, OECD, Paris, 2001.

Changes in the Value of Exports and Imports
(% change from same month in 2000)

	Exports			Imports		
	Sep. 2001	Oct. 2001	Nov. 2001	Sep. 2001	Oct. 2001	Nov. 2001
Australia	-0.5	-1.4	n/a	-10.0	-0.8	n/a
Canada	-7.4	-10.1	-9.8	-7.1	-7.0	-9.3
Denmark	-8.3	-2.2	-0.5	-8.9	-5.6	-7.1
EU-15	-9.0	-1.0	-8.0	-14.0	-10.0	-15.0
Germany	1.3	0.7	-4.5	-3.5	-3.6	-7.0
Japan	-11.0	-9.0	-9.2	-7.8	-4.6	-7.9
Korea	-17.7	-20.7	-17.1	-11.9	-18.3	-18.3
New Zealand	7.9	-0.6	-3.4	-11.6	2.7	-4.5
Sweden	-10.2	-3.0	-8.5	-16.3	-4.3	-8.5
Switzerland	-9.0	4.5	-3.4	-6.3	-1.5	-12.6
United States	-17.6	-13.6	-14.2	-15.8	-10.5	-13.8

Source: *The Impact of the Terrorist Attacks of 11 September 2001 on International Trading and Transport Activities,* OECD, Paris, 2002.

Destinations of LDCs' Exports
(% share, 1997)

LDC	European Union	US & Canada
Afghanistan	31.5	7.4
Angola	14.6	64.9
Bangladesh	42.1	37.5
Benin	16.9	3.2
Burkina Faso	30.7	0.5
Burundi	48.8	0.9
Cambodia	11.2	13.9
Cape Verde	80.0	0.0
Central African Rep.	47.5	0.6
Chad	45.2	2.9
Comoros	71.7	20.4
Djibouti	5.9	0.0
Equatorial Guinea	37.1	10.4
Ethiopia	50.8	13.3
Gambia	86.0	1.7
Guinea	39.0	14.4
Guinea-Bissau	14.4	0.3
Haiti	15.2	82.5
Kiribati	24.0	16.2
Laos	41.5	3.6
Liberia	48.0	0.5
Madagascar	69.1	10.3
Malawi	27.8	12.2
Maldives	22.4	21.0
Mali	31.5	5.2
Mauritania	59.9	0.1
Mozambique	35.4	12.4
Myanmar	12.2	10.9
Nepal	41.3	30.1
Niger	46.0	34.6
Rwanda	66.1	3.8
Samoa	7.3	7.2
Sao Tome & Principe	83.7	2.7
Sierra Leone	69.7	11.3
Solomon Islands	12.9	0.6
Somalia	13.3	0.1
Sudan	35.3	2.3
Togo	14.7	12.0
Uganda	71.9	7.2
Vanuatu	53.7	3.4
Yemen	8.1	0.3
Zambia	23.1	6.4
All LDCs	32.4	22.7
All Developing Countries	17.7	24.1

Source: *The Development Dimensions of Trade*, OECD, Paris, 2001.

Least Developed Countries and World Trade

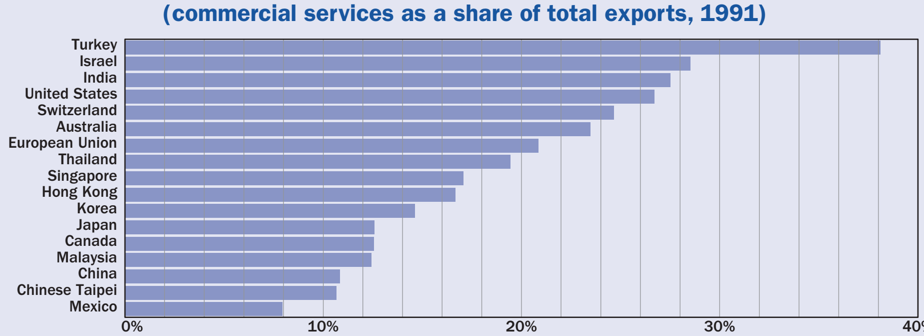
Economic success in non-OECD countries is generally associated with progressive integration into the world economy. Two factors have been particularly important in facilitating integration: 1) domestic reforms to establish framework conditions enabling industries to plug into global production networks; and 2) liberalization to reduce impediments to the free flow of goods, services and investment across borders. Market access represents perhaps the single most important trading issue between OECD and non-OECD countries. Many developing countries continue to face barriers to market access that limit their ability to reap the full potential of trade. Least developed countries[1] (LDCs) are especially sensitive as their export markets rely heavily on OECD countries. OECD markets were the destination of some 63% of LDCs' exports in 1997. The EU represented the single most important outlet for LDCs' exports at 32% followed by the United States and Canada at 23%.

Note: 1. As of 2000: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Congo (ex-Zaire), Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen and Zambia.

OECD, Paris (2001) *The Development Dimensions of Trade*, ISBN 92-64-19675-7, $27.00.

The Case for Open Services Markets

Significance of Services in Selected Countries' Exports
(commercial services as a share of total exports, 1991)



Source: *GATS: The Case for Open Services Markets,* OECD, Paris, 2002.

The General Agreement on Trade in Services (GATS) ranks among the chief accomplishments of the multilateral trade diplomacy at the end of the 20th century and beyond. The GATS has become the critical focus of civil society groups representing a wide range of interests. Services, which include activities as diverse as the transportation of goods and people, financial intermediation, communications, distribution, accountancy, hotels and restaurants, education, health care and construction, account for a substantial and rising share of output in every economy. Even in the lowest-income countries, services generally account for more than a third of GDP. In middle-income countries, services generally account for more than 50% of output and a similar if not greater share of employment. Although OECD countries dominate global trade and investment in services, many developing countries are highly specialized in – and dependent on – service exports as a source of foreign exchange earnings. In most instances, this reflects the importance of activities related to tourism and travel that obviously have declined due to recent world events.

OECD, Paris (2002) *GATS: The Case for Open Services Markets*, ISBN 9264-19725-7, $27.00.

Export Credits: Do They Really Help Developing Countries?

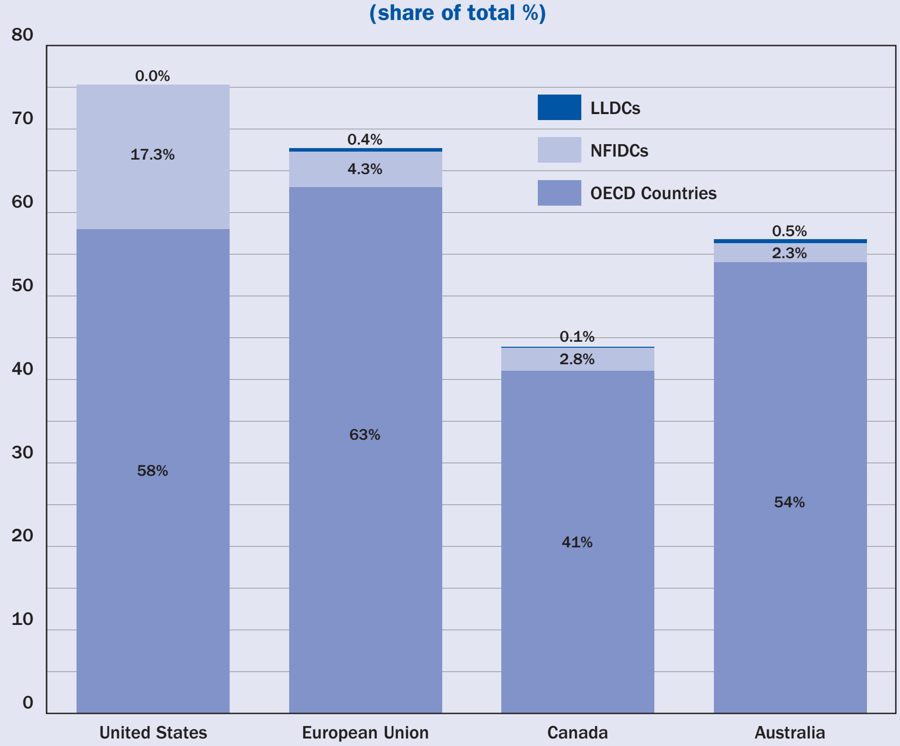
There are many mechanisms that governments can use to affect the competitiveness of their agricultural commodities in world markets. Export competition policies, certain behavior by state-trading organizations and other measures influence importers' decisions by artificially lowering the price or cost of the exporting country's goods as compared to what the private market would offer. Another such policy is officially supported export credits in agriculture which can take a variety of forms such as direct credits or financing, guarantees or insurance for loans, or interest rates support by governments, and may offer an importer financial terms such that the total cost of acquiring the commodity is reduced below alternative, private market costs.

A common justification for the use of export credits is that these programs may help countries with financial constraints purchase required food in world markets where otherwise they could not. However, a recent OECD study, *Agriculture and Trade Liberlisation* demonstrates that recipients of export credits are mostly OECD Members, not developing countries. Between 1995 and 1998 only 9% of export credits were given to net-food importing developing countries[1] (NFIDCs) while less developed countries (LLDCs) only represented 0.2% of export credits. On the other hand, OECD importers received over half of the export credits in each year, ranging from 50% in 1997 to 63% of export credits in 1998.

Note: 1. NFIDCs and LLDCs are groups of countries defined by the United Nations and given special consideration due to their food needs and/or relatively lower level of economic activity.

OECD, Paris (2002) *Agriculture and Trade Liberalisation: Extending the Uruguay Round Agreement*, ISBN 9264-19709-5, $47.00.

Recipients of Export Credits
(share of total %)



Source: *Agriculture and Trade Liberalisation,* OECD, Paris, 2002.

Share of Export Credits
(share of total %)

To Developing Countries (LLDCs)

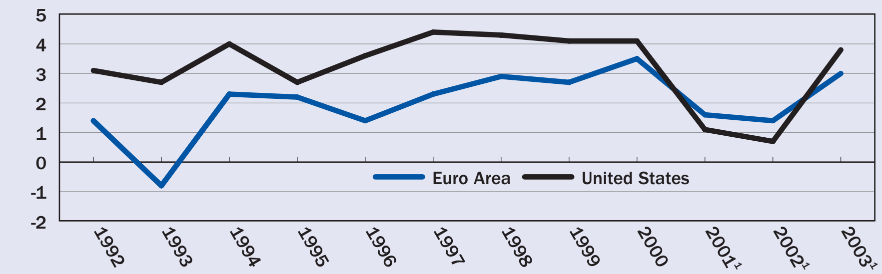
European Union[1]	0.4
Austria	7.5
Belgium	3.0
Finland	0.2
France[1]	0.0
Germany	1.7
Greece	0.0
Netherlands	0.3
Portugal	0.0
Spain	0.0
Australia	0.5
Canada	0.1
Hungary	0.0
Korea	0.0
Norway	0.0
United States	0.0
Total[1]	0.2

To net food importing developing countries (NFIDCs)

European Union[1]	4.3
Austria	0.5
Belgium	7.6
Finland	0.0
France[1]	23.5
Germany	0.6
Greece	0.5
Netherlands	1.7
Portugal	0.0
Spain	2.8
Australia	2.3
Canada	2.8
Hungary	0.0
Korea	0.0
Norway	0.0
United States	17.3
Total[1]	8.9

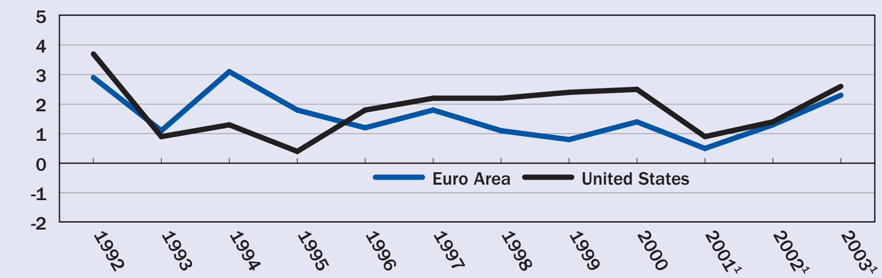
Note. 1. France does not report intra-EU trade. For other EU members, intra-EU trade is included.
Source: *Agriculture and Trade Liberalisation,* OECD, Paris, 2002.

Real GDP
(% change from previous period)



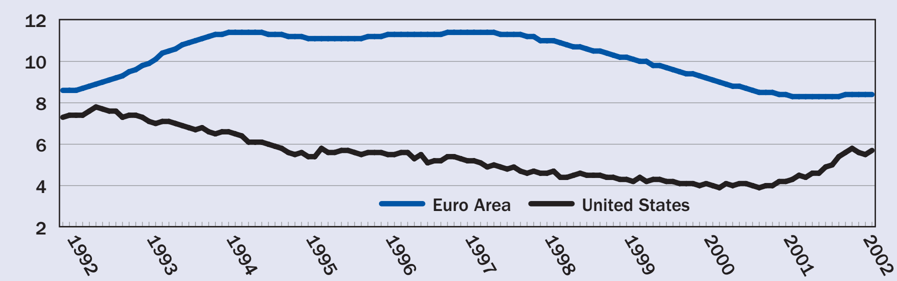
Note: 1. 2001, 2002 and 2003 figures are estimates and projections.
Source: *OECD Economic Outlook No. 70,* December 2001, OECD, Paris, 2001.

Labor Productivity in the Business Sector
(% change from previous period)



Note: 1. 2001, 2002 and 2003 figures are estimates and projections.
Source: *OECD Economic Outlook No. 70,* December 2001, OECD, Paris, 2001.

Standarized Unemployment Rates
(% of civilian work force)



Source: *Main Economic Indicators Database,* OECD, Paris, 2002.

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