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KEY TRENDS

in International Merchandise Trade

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NOTE

This publication is a product of the Trade Analysis Branch, Division on International Trade in Goods and Services, and Commodities (DITC), UNCTAD secretariat. It is part of a larger effort by UNCTAD to analyse trade-related issues of particular importance for developing countries. Alessandro Nicita was the coordinator of this study. Christina Bodouroglou and Marco Fugazza also contributed to this study.

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INTRODUCTORY NOTE

The purpose of this report is to provide some key trends in world trade in goods over the recent medium-term period. This report is intended as a monitoring exercise so as to provide interested readers with informative data and analysis on a regular basis.

The report is organized in four parts. The first part presents broad statistics on international trade. The second part presents statistics on international trade disaggregated by broad product groups and economic sectors. The third part presents statistics related to bilateral trade flows and regional trade flows. The fourth part presents some of the commonly used indices related to international trade including diversification, intra-industry trade and sophistication of exports.

This report relies on UNSD COMTRADE hard data for key trade statistics (in current value terms). International trade is defined as trade exclusively in goods (merchandise). Services are not included in any of the statistics presented here. COMTRADE data, although comprehensive and comparable across countries, do not perfectly reflect national statistics (see http://comtrade.un.org/), and thus some discrepancies with specific national statistics may be present. The data have been standardized to assure cross-country comparisons. Non-trade macro-level data used in the figures originate from UNCTADSTAT.

For the purpose of this report, countries are categorized in two ways: by geographic region and by level of income as defined by United Nations classifications (United Nations Statistics Division M49). Developed countries and major developing economies comprise those commonly categorized as such in United Nations statistics. For the purpose of this report transition economies, when not treated as a single group, are included in the broad aggregate of developing countries. For the purpose of this report, the statistics for China, Hong Kong Special Administrative Region are presented separately in figures under the name Hong Kong SAR.

Following the Broad Economic Categories (BEC) classification, international trade is classified into four major economic categories, depending on the stage of processing and use. Primary products comprise raw materials and resources used in the productive process. Intermediate products comprise semi-finished goods that are used in the production of other products. Consumer products are those that are intended for final consumption. Capital goods are manufacturing goods such as machinery that are intended to be used in the production of other goods. Product sectors are categorized according to the International Standard Industrial Classification (ISIC) augmented by five broad agricultural sectors based on the Harmonized System classification (HS).

All data and figures and tables contained in this report, as well as more detailed data, can be accessed at the UNCTAD Trade Analysis Branch website (http://www.unctad.info/en/Trade-Analysis-Branch)

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OVERVIEW

Notwithstanding the economic crisis, world trade has increased dramatically over the past decade, rising almost three-fold since 2002 to reach about US$18 trillion in 2011. Developed countries continue to constitute the main players in international trade, however developing countries account for an increasing share. As of 2011 almost half of world trade has originated from developing countries (up from about one-third in 2002). Although trade growth (both import and export) has been higher for developing countries during the last decade, this trend is slowly abating. Indeed, data for 2010 and 2011 indicate more homogenous rates of import and export growth across all country groupings, with no dramatic differences between developed and developing countries.

Although well-performing as a group, the integration of developing countries into the global economy has been very varied. East Asia continues to dominate developing country trade flows, while other regions lag far behind. Notably, China has become an increasingly important trading partner for many other developing countries, not only in the East Asian region but also in sub-Saharan Africa and Latin America. Conversely, the importance of developed countries as major destination markets, although still very important, has in many cases decreased. More generally, increased demand in developing (especially middle-income) countries is having important repercussions for international trade flows. This rise in demand paired with fragmentation of production processes has resulted in the rapid increase of South–South trade during the last decade. Of note is that a large share of this increase reflects specific product categories (e.g. electronics) being traded from, to and especially between East Asian countries.

The importance of regional trade has further differed among developing country regions. While about 40 per cent of East Asian trade is intraregional, intraregional trade is also of significance only for Latin America and the transition economies (about 20 per cent), whereas for the remaining regions this percentage falls to around 10 per cent or less. For the latter regions, the lack of intraregional trade is largely due to the fact that countries' export (and import) profiles are generally not complementary but overlapping. In practice, without major changes in export and import composition (such as those brought about by fragmentation of production processes and consequent specialization in particular segments), further increase in intraregional trade is unlikely. Indeed, intraregional trade over the past five years has tended to grow at a slower pace than extraregional trade.

Growth patterns of international trade have also varied across categories of products. The last decade has seen an overall increase in the importance of primary (especially energy-related) products in world trade. This has been prompted by a surge in demand in emerging markets and a consequent rise in commodity prices. Driven by fragmentation of production processes and higher intra-industry trade, international trade of intermediates products has also increased greatly, reaching about US$7 trillion in 2011 (up from US$2.5 trillion in 2002). Valued each at around US$3 trillion in 2011, consumers and capital products represent a significant, albeit somewhat declining, share of international trade.

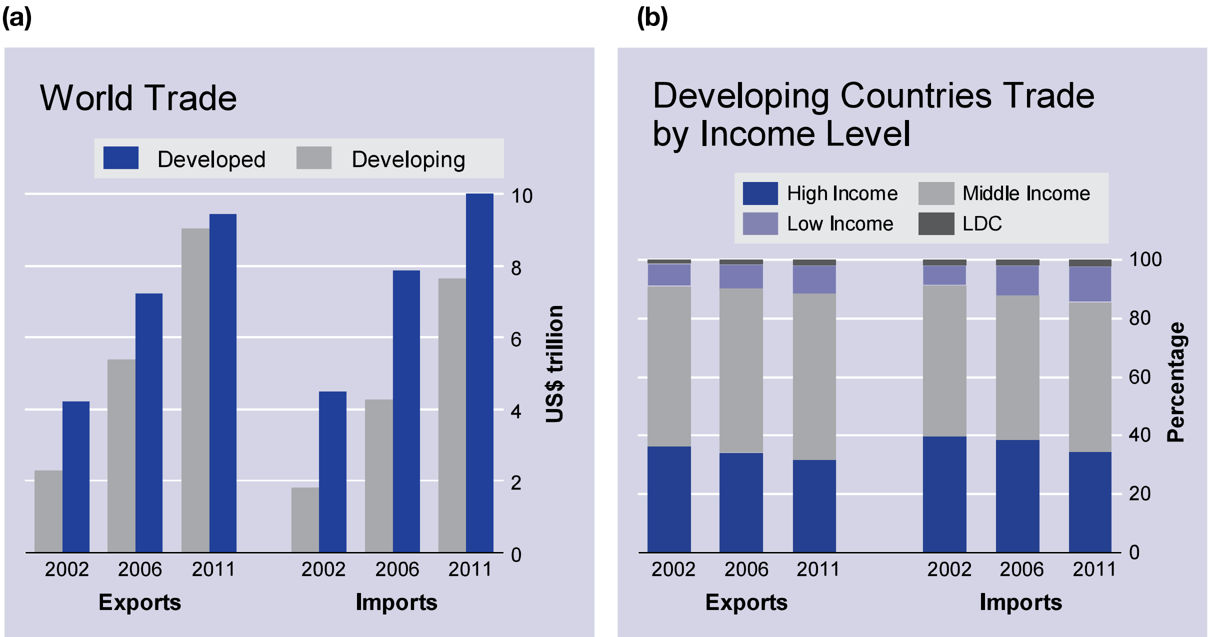
With regard to specific economic sectors, fuels represent the largest (and fastest growing) product category in terms of value of trade (almost 20 per cent of world trade in 2011). Other significant sectors include chemicals, machineries, communication equipment and motor vehicles. In contrast, the importance of agriculture in total merchandise trade is relatively small (less than 10 per cent and less than each of the other major sectors). The position of a country as an exporter of a particular product is generally determined by the availability of natural resources, technological competence and, ultimately, comparative advantage (production and trade costs). While developed countries remain major exporters of most sophisticated goods (e.g. motor vehicles) and some heavy industry (e.g. chemicals), developing countries have increased their market share as exporters of commodities and especially of light manufacturing goods (e.g. apparel and electronics). One important insight is that the export shares (and hence production) of light manufacturing have substantially shifted not only from developed to developing countries but also among developing countries. Still, most of these shifts have occurred to the advantage of East Asian countries. The integration of other regions into the international trade of manufacturing products remains extremely limited. In practice, sub-Saharan Africa's participation in global production and trade is still largely confined to energy products and other commodities, while that of Latin American countries remains largely tied to agricultural goods and mining.

The dependence of many developing countries on exports of natural resources and other commodities makes them particularly vulnerable to price movements in international markets. Despite efforts by numerous countries to diversify their export base, these have often borne negligible results. As of 2011, the exports of many developing countries are still concentrated in a limited number of products supplied to a limited number of destinations. This is particularly evident in many low-income countries, especially in the sub-Saharan African region. Export diversification matters more when countries are able to diversify their exports into more sophisticated, higher value added products, as this typically signals advancements along the technological ladder and often potentially higher rates of economic growth. During the last five years the technological content of the export basket of most developing countries has increased, although more so for those in the high- and middle-income brackets. This trend suggests that the technological advancements of low-income countries have been generally more muted, implying that their export basket has often remained tied to unprocessed products with little value addition. One important insight is that technological content is generally higher in the case of regional rather than extraregional trade. This suggests that intraregional trade could represent an important stepping stone for low-income countries to achieve technological upgrading.

1. Overall Trends in International Trade

World trade has reached about US$18 trillion in 2011, increasing almost three-fold since 2002. A large share of the increase in world trade can be attributed to developing countries. High- and middle-income countries (developed and developing) continue to constitute the main players in international trade, while the participation of low-income countries (including LDCs) in world trade remains limited.

Figure 1
World trade of developed countries and developing countries by income level

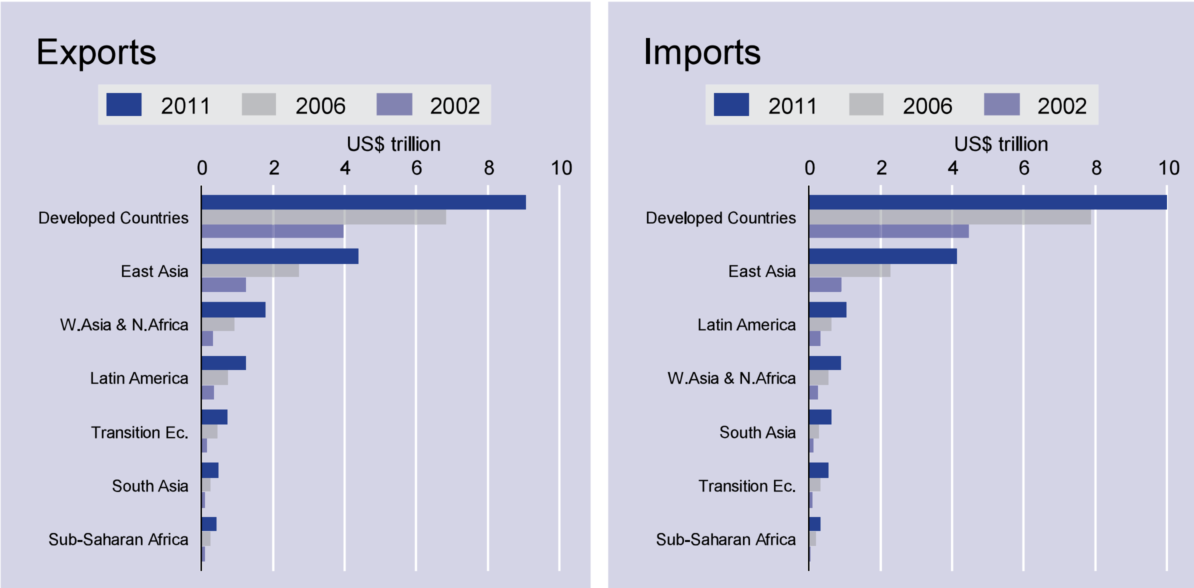


International trade has increased dramatically in the last 10 years, rising from US$6.5 trillion in 2002 to around US$12 trillion in 2006, to reach around US$18 trillion in 2011 (figure 1a). Developed countries remain the main destination of international trade flows, with total imports valued at about US$10 trillion. As of 2011, the export value of developing countries has been similar to that of developed countries (around US$9 trillion). Trade flows to and from developing countries largely involve middle-income countries (about half) and high-income countries (about one-third) (figure 1b). Low-income countries account for a small, albeit increasing, share of the trade of developing countries, about 10 per cent of exports and 12 per cent of imports in 2011. Least developed countries (LDCs) only account for a minor, although also increasing, fraction of developing country trade.

Developed countries account for more than half of global export and import flows. East Asia dominates developing country trade flows, its trade being of a similar magnitude to that of all other developing country regions combined.

Figure 2
World trade, by region

(a) (b)



As of 2011, developed countries account for about US$9 trillion of exports and about US$10 trillion of imports (figures 2a and 2b). As a whole, for developing countries trade is of a similar magnitude (US$9 trillion in exports and US$8 trillion in imports). East Asia comprises the bulk of developing countries' trade, with an estimated US$4 trillion of exports and imports in 2011. Other regions' participation in world trade is markedly more limited. Nevertheless, there has been a significant increase in the exports and imports of other developing country regions over the past decade, even if from much lower starting points.