WTO International Trade Statistics 2003

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International Trade Statistics 2003, the latest annual report released by the WTO on global trade performance shows that world trade recovered in 2002 from its steep decline in the previous year. According to the figures provided by the report, in contrast to the severe contraction by 4% in 2001, world merchandise exports recovered by 4% in value terms in 2002. Meanwhile, commercial services exports grew faster than merchandise exports and expanded by 6%.

However, total trade growth in 2002 was still only around 3%, which was only half the rate at which global trade had expanded in the 1990s. This is due to the fact that the rebound was stronger largely in nominal dollar terms than in real or volume terms. The report offers exchange rate and commodity price developments as the two contributory factors explaining this strengthening of dollar prices of international trade.

Trade Performance by Product Groups

According to the report,[1] the recovery of merchandise trade in 2002 was spread among trade in all goods, except for two product groups that recorded a further decline in their export values in 2002. But, there were large variations in the annual growth rates registered by the 14 merchandise product groups, as classified by the report. While the manufacturing and agricultural sectors recorded above average trade growth, the total trade value of mining products decreased for the second year in a row (Table 1). These sectoral disparities are attributed to the strengthening of prices of agricultural products and manufactured goods, while those of mining products had weakened slightly. The steepest fall in dollar value terms was found in the exports of non-ferrous metals, which is attributed to the weaker prices particularly for aluminium.

The rise in prices was particularly significant for the agricultural sector. Reversing the continuous decline or stagnation since 1997, agricultural exports enjoyed a rise in prices in 2002. This enabled the value of agricultural exports to record a growth rate of 5% in 2002, while its export volume growth stood at just 2.5%.

On the other hand, within the service sector, although all the three major commercial services categories recovered from the decline in 2001, trade in transportation and travel services once again lagged well behind that of other commercial services.

Within manufactures, for the second year in a row, chemicals emerged as the product group with the highest trade growth. This has been attributed to be driven by heightened intra-developed country pharmaceuticals trade, as well as the spread of production-

[1] The whole report may be viewed at http://www.wto.org/english/res_e/statis_e/its2003_e/its03_toc_e.htm

sharing networks and the consequent rise in re-imports in pharma trade. World exports of automotive products also registered strong growth in 2002 driven by rapid expansion of exports from Western and Eastern Europe and Asia, and were closely behind chemicals in terms of total export value.

Table 1. World Merchandise Exports by Product
(Billion dollars and percentage)

	Value	Share		Annual percentage change		
	2002	1995	2002	1995-00	2001	2002
All products a	6272	100	100	5.0	-4.0	4.0
Agricultural products	583	11.7	9.3	-1.0	0.0	5.0
Food	468	9	7.5	-1.0	3.0	5.0
Raw materials	114	2.7	1.8	-2.0	-9.0	4.0
Mining products	788	10.7	12.6	10.0	-9.0	-1.0
Ores and other minerals	63	1.2	1.0	1.0	-4.0	1.0
Fuels	615	7.3	9.8	13.0	-9.0	0.0
Non-ferrous metals	110	2.2	1.8	3.0	-10.0	-2.0
Manufactures	4708	74.3	75.1	5.0	-4.0	4.0
Iron and steel	142	3.1	2.3	-1.0	-6.0	7.0
Chemicals	660	9.7	10.5	4.0	3.0	10.0
Other semi-manufactures	460	7.9	7.3	3.0	-2.0	6.0
Machinery and transport equipment	2539	38.8	40.5	6.0	-6.0	3.0
Automotive products	621	9.2	9.9	5.0	-1.0	9.0
Office and telecom equipment	838	12.1	13.4	10.0	-13.0	0.0
Other machinery and transport equipment	1080	17.5	17.2	5.0	-2.0	1.0
Textiles	152	3.0	2.4	0.0	-5.0	4.0
Clothing	201	3.2	3.2	4.0	-2.0	4.0
Other consumer goods	553	8.7	8.8	5.0	-2.0	4.0

Note: a Includes unspecified products. They accounted for 3 per cent of world merchandise exports in 2002.
Source: WTO International Trade Statistics, 2003.

The other product group to recover from the 2001 slump in exports and record a higher than average export growth in 2002 was iron and steel. While one of the major trends underlying the surge in chemical exports was in particular the dynamic development of the US imports of chemicals, the report attributes the increased momentum in the case of automobile products and steel exports to the strength of China's import expansion. Trade in clothing also recovered and continued its expansion of the second half of the 1990s.

One of the weakest points of merchandise export recovery in 2002 originated from the inadequate recovery in the information and communication technology (ICT) industry, which continued to depress international trade flows in office and telecom equipment, the most dynamic product category in world merchandise trade in the 1990s. Following the heavy 13% decline in exports in 2001, office and telecom equipment exports failed to record any growth in 2002.

Trade Performance by Region

According to the report, the recovery of global trade in 2002 was broadly shared among all regions, with respect to both merchandise and commercial services trade. But, notable exceptions to this positive trend were the decline in exports from North America and the Middle East, and the sharp contraction in Latin America's merchandise trade (particularly imports) as well as a decline in its commercial services trade.

In the case of merchandise exports and imports, Asia recorded the strongest recovery of all regions in 2002, offsetting the sharp contraction in the preceding year. Although in commercial services exports too, Asian exports expanded faster than global exports across all the three major service categories, its services imports lagged behind global imports.

Thus, the transition economies, whose trade expanded at double-digit rates for exports and imports for both merchandise and services, was the region with the fastest annual trade expansion, for the second year in a row. Trade expansion in the transition economies continued to benefit from market reforms and continuing FDI inflows attracted by the access to the common market.

As for Western Europe, even though the meagre economic growth of the region in 2002 precluded a more dynamic trade expansion, its share in world merchandise and services trade increased, reversing the sharp decline observed in the 1990s. Further, Western Europe's current account surplus increased as both export volume and export prices increased more than import volumes and prices. According to the report, the increase in the value of Western Europe's merchandise and services trade was sustained, in the short run, mainly by the price effects of the strength of the euro and other European currencies vis-à-vis the US dollar.

On the other hand, there was a further decline in North American merchandise exports in 2002. US exports decreased by 4% in 2002, with all major product groups recording decreases on a year-to-year basis, except for automotive products. Geographically too, North American exports to all regions declined. Further, since only merchandise imports recovered in real terms and services trade also registered only a marginal increase, there was an erosion in the US share in global trade in 2002.

Table 2. Trends in World Merchandise Trade by Region
(Percentage change)

	Export growth rate						**Import growth rate**				
	1995	1998	2000	2001	2002		1995	1998	2000	2001	2002
World a	19.3	-1.5	12.9	-3.9	4.3		19.2	-1.1	13.5	-3.7	3.7
North America	14.6	-0.7	13.6	-6.3	-4.5		11.2	4.6	17.5	-6.5	1.7
Latin America	21.9	-1.0	20.2	-3.4	0.5		12.9	5.6	15.8	-2.1	-7.0
Western Europe	**22.0**	**3.9**	**4.0**	**0.1**	**5.8**		**21.7**	**5.5**	**6.6**	**-2.3**	**4.0**
European Union (15)	22.4	4.3	3.5	0.0	5.8		21.3	5.9	6.3	-1.9	3.8
Extra-EU exports	19.6	0.5	7.4	1.4	6.5		16.6	4.4	14.8	-3.5	1.3
E. Europe/Baltic States/CIS	**26.7**	**-3.4**	**26.3**	**5.1**	**9.8**		**28.1**	**-2.3**	**14.0**	**11.0**	**11.2**
Central and Eastern Europe	30.0	11.4	14.2	11.5	14.4		29.3	10.5	12.7	8.7	11.2
Africa	15.6	-17.2	25.8	-6.1	1.7		19.2	0.4	1.5	1.9	2.3

Middle East	10.7	-20.1	43.5	-8.4	-0.2		10.7	-3.4	12.2	6.0	6.7
Asia	**17.8**	**-6.2**	**18.5**	**-8.7**	**7.9**		**22.2**	**-16.6**	**22.8**	**-7.1**	**6.2**

Source: WTO International Trade Statistics, 2003.

In the case of the Middle East region, only merchandise imports increased strongly, still benefiting from the high oil prices since 2000. However, the high oil prices did not lead to any recovery in its merchandise exports, which stagnated in 2002 after the decline in the previous year. The report does not offer any explanation of why the high oil prices did not translate into higher export values for the Middle East region, while at the same time, it points out that the rise in the prices of crude oil, gold and agricultural commodities provided a significant boost to many countries in Africa. **The realignment of the global oil economy with the political uncertainties faced by the Middle East since 2001, which led to a gradual shift in demand preferences that began to benefit Africa, along with the preferential and non-reciprocal access that Africa receive from the US (under AGOA) and the EU (under GSP) seem to explain this difference in the export performances of the two regions**. If we analyse the data provided on fuel imports from Middle East and Africa, [2] it becomes evident that this pattern in fuel trade was particularly true for the import trends **especially** of one of the major trading partners for both regions, namely, Western Europe.

The worst regional performance was recorded by Latin America. Following the stagnation in 2001, Latin American merchandise imports and commercial services trade shrank in 2002, its worst performance since the debt crisis in 1982/83. Its merchandise exports also failed to show hardly any growth. On the other hand, on account of the sharp fall in overall imports, the region's trade balance recorded the first surplus since 1990. The fall in imports was the sharpest in Argentina, followed by Venezuela, Brazil and Cuba.

According to the report, trade developments in 2002 served to further accentuate the two large regional trade imbalances in the global economy. The already large North American trade deficit widened, while the substantial trade surplus of the Asian region increased further. North American imports exceeded exports by 40%, while Asia's exports were 15% larger than imports. In fact, the US merchandise trade registered a deficit with all seven geographic regions and in fifteen of the 17 product categories classified by the report. Based on this, the WTO report highlights how this reliance of global trade expansion on above-average US import growth bears severe risks for the global economy.

Reporting briefly on trade developments in the first half of 2003, ITS 2003 points out that world merchandise exports rose by 15% in dollar terms during this period, over the corresponding period in 2002. Again, the Report suggests that the depreciation of the dollar against the major currencies is the dominant explanatory factor behind this

[2] While the fuel imports of the US, Asia as well as Western Europe from the Middle East registered negative growth, Western Europe's fuel imports from the Middle East declined in share too, while its fuel imports from Africa have increased significantly (See Tables III.65 and III.60).

buoyant nominal trade growth. However, for the whole year 2003, the report projects a world merchandise trade growth of 3%, basically unchanged from the preceding year's rate. Thus, there may not be any significant expansion in trade in real terms in 2003 also.

Thus, it is clear that in a period where the single major currency of international trade transactions has been continuously depreciating for over a year, the focus on exchange rate movements may not fully capture the dynamics of trade growth. One will have to look to sector-specific and country-specific factors as well as factors related to the preferential trading arrangements between countries/regions, in order to decipher the underlying real movements in trade. The fact that the rebound in trade growth in 2002 and that in the first half of 2003 has not been as strong in volume terms as compared to value terms is itself vindication of this.

For example, it is clear from the ever increasing concentration of trade into a narrow band of product groups that overall trade performance as well as country performance will be determined by the business cycles and production network operations in these respective industries. While the excessive reliance on electrical machinery (particularly office and telecom equipment) and transport equipment continue to rise (see Table 1), there is also increasing dominance of chemicals industry in global trade, as pointed out earlier. This excessive reliance on particular product categories means that global trade performance will be increasingly determined by the trade trends in these industries. This in turn implies that global trade trends will tend to closely follow the momentum of economic activity and political stability not only in countries whose industrial structures are heavily concentrated in these specific sectors, but also in those countries that are part of the production and trade networks in these industries.

The fact that the trade of the six major plurilateral RTAs examined by the WTO report combined did not expand faster than world merchandise trade in 2002 is also a testimony to the observation made above that one has to look at factors beyond currency movements to understand global trade patterns. As the report itself suggests, intra-regional trade performance of the major six RTAs examined clearly showed that they were affected by the overall trade developments of the region. Again, it might be more accurate to say that intra-regional trade has been fundamentally affected by the overall economic performance of the countries involved. In this context, it might be useful to look at the distinct analysis brought forth in UNCTAD's Trade and Development Report 2003, which emphasised that sustainable expansion of trade now depends on a rapid recovery of the world economy, rather than the other way around as the proponents of further trade liberalisation argue.

However, simultaneously, the direction of multilateral and other trade negotiations will remain a crucial aspect influencing global trade trends. But, as tariffs have been progressively negotiated downwards in successive rounds of multilateral as well as bilateral and plurilateral agreements, policies other than tariff which impede trade are increasingly more significant.[3] For example, the range of topics which are being brought within the ambit of recent preferential trading arrangements include services, investment, competition policy, government procurement, standards (such as sanitary and phytosanitary standards), trade facilitation, and so on, and clearly indicate the vast array of non-tariff policies that have become more critical determinants of international trade, both in goods and services. Again, as Ferrantino (2003) has pointed out, quantitative restrictions (QRs), which in their traditional form have virtually disappeared since the Uruguay Round, have been succeeded by tariff-rate quotas and voluntary export restraints (such as those in the Agreement on Textiles and Clothing). These have a lot of similarities to QRs in that a certain volume of imports is specified either directly or as the level above which a (possibly prohibitive) high tariff applies. This implies that liberalisation of these multiple policy tools that are used to reduce imports could play a substantial role in changing trade patterns in particular products and services.

[3] See Ferrantino, Michael J., 2003, "Analytical Approaches to Quantifying Economic Effects of Non-Tariff Measures", Paper presented at the conference, "WTO: Competing Policy Issues and Agendas for Agricultural Trade", September 17, Washington.