II. MERCHANDISE TRADE BY PRODUCT

The Highlights

IN THIS CHAPTER:

- Agriculture
- Fuels and mining products
- Manufactured goods
- Office and telecom equipment
- Automotive products
- Clothing
- Cut flowers
- Export Processing Zones (EPZs)

Agriculture

Higher food prices lift the value of agricultural trade

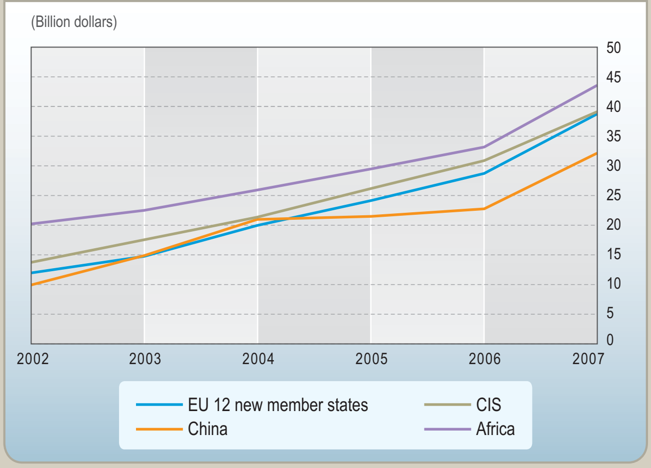
Prices of agricultural products increased by 14 per cent in 2007, compared with 7 per cent for manufactured goods and 11 per cent for fuels and mining products. This price rise helped to boost the value of agricultural exports, which rose by 19 per cent, exceeding the performance of both manufactured goods and fuels and mining products.

Sharply rising prices of cereals and vegetable oils contributed to the 21 per cent expansion of food exports. This price hike was due partly to strong demand on the part of developing and emerging economies and to a new demand for bio-fuels. The increased cost of fertilizers also contributed to the higher food prices, with prices for the most common fertilizers rising between 39 and 68 per cent in 2007.

Net food exporters benefited from the rise in prices, which tended to raise their export revenues. In 2007, India and Thailand saw their rice exports grow by a staggering 62 and 44 per cent respectively. Russia and Brazil also experienced impressive growth in food exports (45 per cent and 23 per cent respectively).

Some 12 per cent of Africa's import bill was devoted to food in 2007, nearly double the world average. Between 2002 and 2007, food imports increased sharply in China (an average annual growth of (27 per cent), the 12 new member states of the European Union (27 per cent) and the Commonwealth of Independent States (23 per cent). Together, they increased their share of world food imports to 9.3 per cent in 2007, from 5.6 per cent in 2002.

Chart II.1 Food imports of selected economies, 2002-2007



Fuels and mining products

Rise of fuel exports decelerates in 2007

World exports of fuels and mining products increased by 15 per cent in 2007, significantly below the 28 per cent recorded in 2006. This is mainly due to the lower growth in fuel prices, 11 per cent, compared with 41 per cent in 2005 and 21 per cent in 2006. This is the first time since 2003 that world exports of fuels increased at a slower pace than other major product groups. In volume terms, exports of fuels remained roughly constant in 2007; oil imports of developed economies actually declined by nearly 2 per cent.

China, the Republic of Korea and India are among the top ten importers of fuels. India and China recorded growth of 20 and 18 per cent respectively in their fuel imports in 2007. African oil exporters were among the main beneficiaries of this trend (in 2007, 25 per cent of China's fuel imports originated from Africa, compared with 18 per cent in 2000). However, high fuel prices created serious problems for net fuel-importing countries in sub-Saharan Africa. For a number of countries, more than half of their foreign exchange earnings from merchandise exports were spent on fuel imports in 2007, and in some cases this share exceeded 75 per cent. Tanzania's share was 79 per cent, followed by Senegal and Burundi, each of which spent 76 per cent of export earnings on fuels.

In 2007, high prices continued for ores and other minerals, with exports growing by 26 per cent. Since 2000, these commodities have registered an average annual increase of 31 per cent in value and 29 per cent in price. In particular, the rapid increase in imports by large emerging economies contributed to the strong performance of this sector. Over the last five years, for example, Chinese imports of ores and other minerals grew by an average annual rate of 55 per cent.

Chart II.2 World merchandise exports by product group, 2007

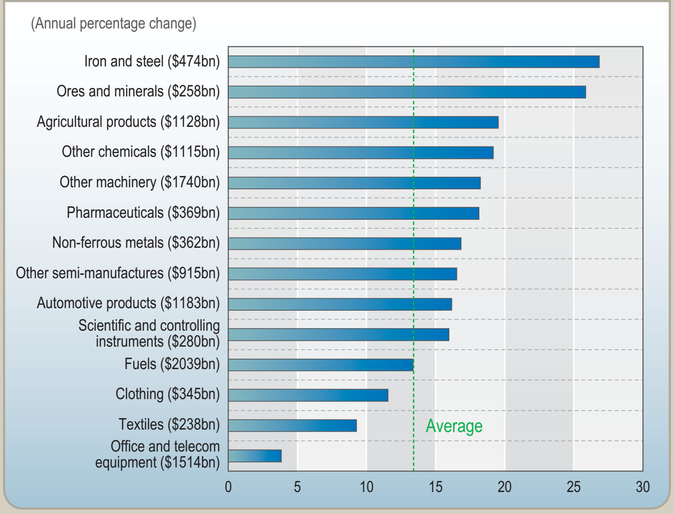
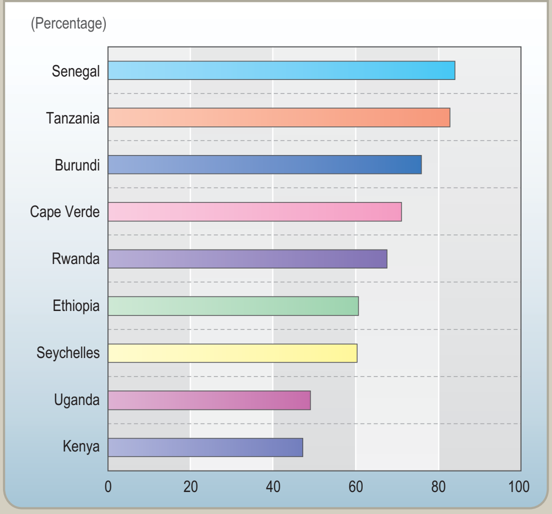


Chart II.3 The coverage of fuel imports by total merchandise exports, 2007



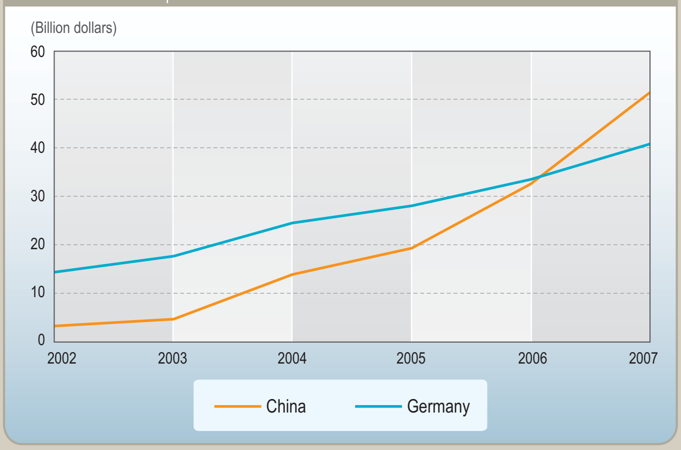
Manufactured goods

Iron and steel leads the way

In 2007, world exports of manufactured goods were valued at $9.5 trillion, 15 per cent higher than in 2006 and in line with the expansion of total merchandise exports. The share of manufactured goods in total merchandise exports was 70 per cent; since 2000, however, this share has dropped by 5 points.

In 2007, the fastest growing components of manufactured goods were iron and steel, which increased by 27 per cent, followed by chemicals and transport equipment (18 per cent each). In recent years, iron and steel has been among the fastest growing export products of China, increasing by an annual rate of 73 per cent since 2002. Consequently, China overtook Germany to become the leading exporter of iron and steel in 2007, rising from 17th place in the ranking of world exporters in 2002.

Chart II.4 Exports of iron and steel of China and Germany, 2002-2007



Office and telecom equipment

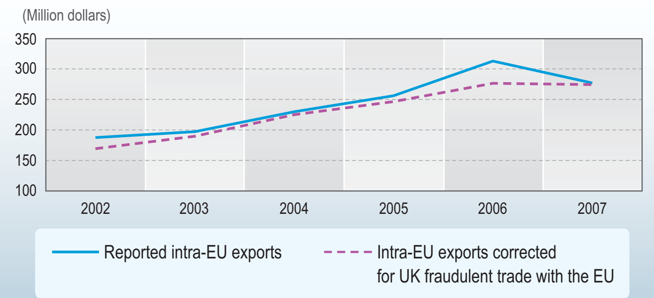
A marked deceleration in trade in 2007

World trade in office and telecom equipment increased by less than 4 per cent in 2007, in sharp contrast to the 14 per cent growth registered in 2006.

This slowdown is widely spread across the world, but it has largely stemmed from measures taken by the United Kingdom against the so-called Missing Trader Intra-Community (MTIC) fraud. This involved the misappropriation of VAT by fraudulent importers within the European Union. The fraud tends to be targeted at high-value, low-volume goods, such as mobile phones and computer components, and considerably inflates trade between EU states in office and telecom equipment. It is estimated that trade associated with MTIC fraud dropped from $42 billion in 2006 to just $3 billion in 2007 in the UK, causing intra-EU trade in office and telecom equipment to decline by 12 per cent.

Chart II.5

Intra-EU trade in office and telecom equipment and impact of the UK MTIC fraudulent trade, 2002-2007



Note: corrected intra-EU exports have been calculated by subtracting UK total estimated fraudulent trade to the EU from Eurostat total intra-EU exports of office and telecom equipment

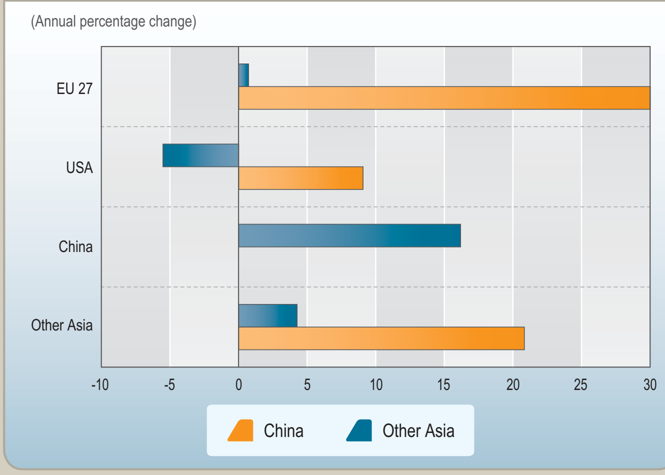
Excluding intra-EU trade flows, office and telecom equipment exports were still the least dynamic component of world trade. Their global value increased by 8 per cent as all major traders apart from the Republic of Korea and Japan registered a marked slowdown compared with their 2006 performance.

Despite sluggish import growth, the sizeable US and extra-EU trade deficits expanded again in 2007. US exports even decreased, for the first time since 2002. China increased its exports by a remarkable 21 per cent, further developing its role as a central hub for global manufacturing of electronic products. At the same time, China remained the fastest growing market for Asian economies' exports of integrated circuits and other intermediate products. Japan and most Asian information technology (IT) exporters continued strengthening their exports of integrated circuits and electronic components to the growing Asian market.

China, the Republic of Korea, Mexico and Thailand achieved an above-average export performance in office and telecom equipment due to their specialisation in finished products. The Republic of Korea and Mexico saw their exports of telecom equipment rise by about 25 per cent; Mexico overtook Japan and the United States to become the world's fifth-largest exporter of these products. Thailand benefited from further specialisation in electronic data processing and office equipment, and expanded its exports by 12 per cent.

Chart II.6

Exports of office and telecom equipment from China and other Asian economies to their main markets, 2007



Automotive products

Competition from emerging economies increases

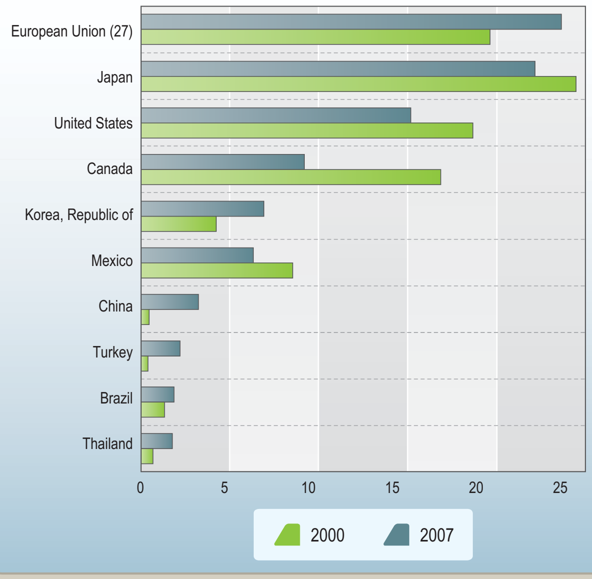
Driven by an 18 per cent increase in imports of the European Union and strong demand in the emerging and oil-rich economies, the value of world exports of automotive products expanded by 16 per cent in 2007. Exports to North America, however, almost stagnated (2 per cent) reflecting the lack of dynamism of this market. Between 2000 and 2007, exports to North America increased by an annual average rate of 5 per cent, less than half the world average for the period. As a result, excluding intra-EU trade, North America's share in world imports declined from 64 per cent in 2000 to 44 per cent in 2007. By contrast, the weight of emerging countries is increasing. Imports of the CIS, for example, expanded by a remarkable 60 per cent in 2007. Following a 76 per cent increase in 2006, car shipments from the European Union to Russia surged by a further 70 per cent in 2007. Japanese car exports to Russia also attained remarkable growth of 72 per cent and 54 per cent in 2006 and 2007 respectively.

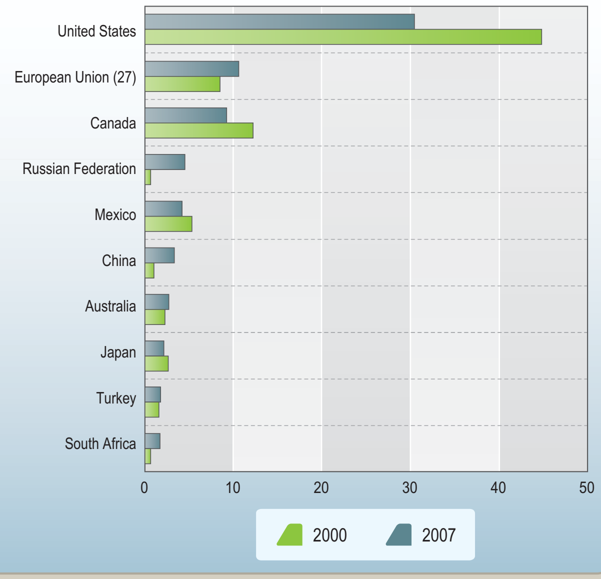
Chart II.7

Shares in world exports of automotive products (excluding intra-EU(27) trade), 2000 and 2007

Shares in world imports of automotive products (excluding intra-EU(27) trade), 2000 and 2007

(Percentage)





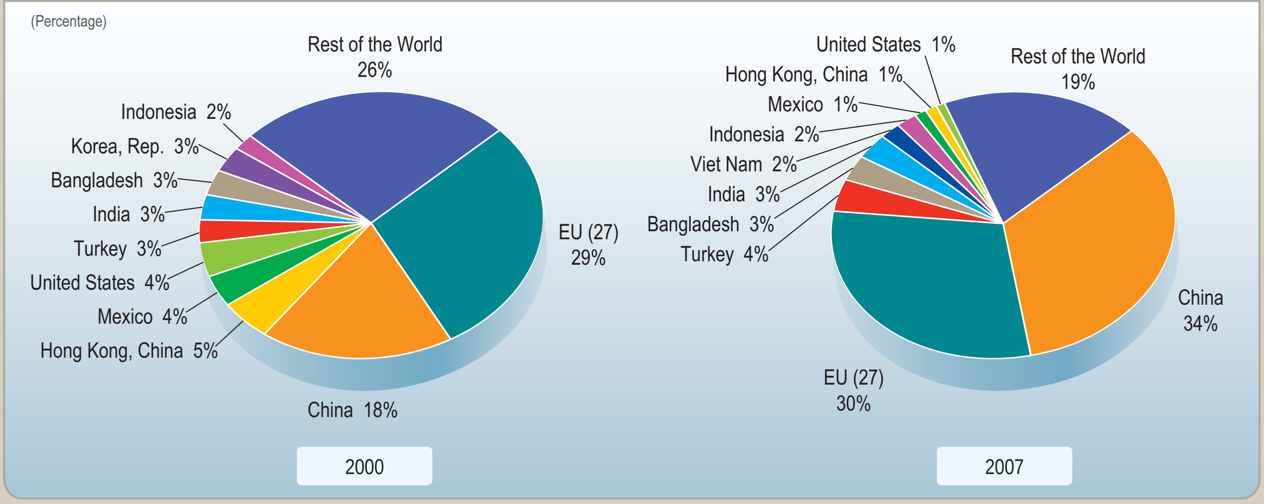
Clothing

Chinese exporters make inroads in the Commonwealth of Independent States

In 2007, the value of world exports of clothing increased by 12 per cent, the same rate as in 2006. Excluding China, the world's leading exporter, growth is a more modest 7 per cent. The clothing market's share in total merchandise exports has progressively declined from 3.2 per cent in 2000 to 2.5 per cent in 2007. Nonetheless, the value of China's clothing exports rose by 21 per cent in 2007 to $115 billion, accounting for a third of world exports. This performance follows an even stronger one in 2006, when the country's exports grew by 29 per cent. China has also made impressive inroads in the CIS region, with exports expanding by an annual average of 41 per cent between 2000 and 2007. Between 2006 and 2007, the value of Chinese exports to this region doubled, reaching $13.7 billion.

Extra-EU exports also experienced growth of 19 per cent, recording total trade of $24.8 billion. Between 2000 and 2007, exports declined in the Republic of Korea (by an annual average of 13 per cent), Chinese Taipei (12 per cent), the United States (9 per cent), the Philippines (7 per cent) and Mexico (7 per cent). In contrast, a number of developing countries continue to increase their clothing exports, including Viet Nam (29 per cent rise in 2007), Madagascar (18 per cent), Egypt (23 per cent) and Cambodia (13 per cent).

Chart II.8 Shares in world clothing exports, 2000 and 2007



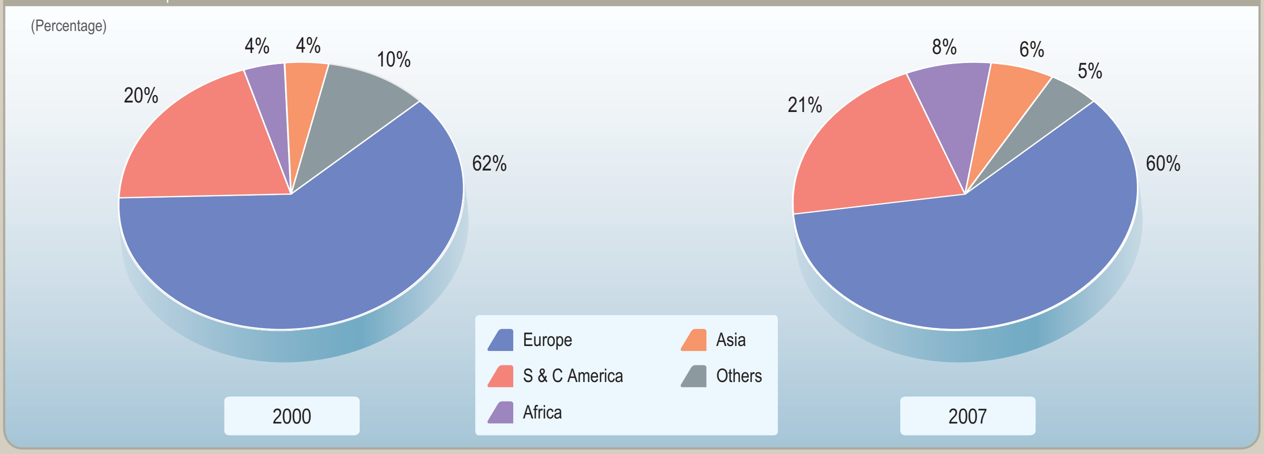
Cut flowers

Provide niche market for Africa

A key challenge for developing countries is to diversify their exports in order to reduce the volatility of their export earnings and to create new job opportunities. An example of this diversification is the development by some sub-Saharan countries of the cut flower industry. Between 2000 and 2007, cut flower exports from this region expanded by an average annual rate of 20 per cent. Africa's share of world exports doubled to 8 per cent over this period. Kenya, Africa's leading exporter of cut flowers, is the fourth-largest world supplier and the largest outside supplier to EU countries.

From 2003 to 2007, exports of cut flowers from Ethiopia increased by an average annual rate of 142 per cent. Zambia's exports expanded by an annual rate of 44 per cent between 2000 and 2006. This improvement was helped by factors such as a generous incentive package for investors and efficient transport services. Kenya's flower industry has benefited from the improved airport infrastructure serving the booming tourism sector.

Chart II.9 Regions' share in world cut flower exports, 2000 and 2007



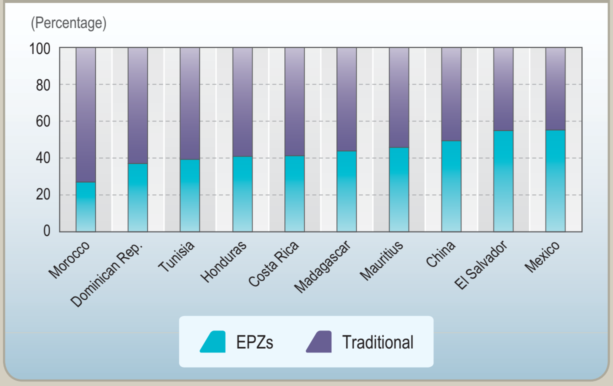
Export Processing Zones (EPZs)

South and Central America and the Caribbean face competition for clothing exports

Labour-intensive mass-production activities tend to be based in low-cost labour countries. These activities often take place in “export processing zones” (EPZs) of developing economies, where imported materials and other intermediate goods are processed or assembled for export. For some countries, these EPZs account for a substantial proportion of their total exports.

From 1997 to 2007, exports of manufactured goods from EPZs in Mexico, the Dominican Republic and some Central American countries grew faster than traditional exports in the first half of this period but slower in the second half.

Chart II.10 Importance of EPZs exports in total exports, 2007



China’s entry into the WTO in 2001 and the expiry of the Agreement on Textiles and Clothing at the end of 2004 helped to increase global competition in the clothing market, which was reflected in lower export growth in the EPZs. The affected countries also faced competition from new Asian entrants, such as Viet Nam and Cambodia, as well as from traditional competitors, such as India and Bangladesh. As a result, US clothing imports from the EPZs of these countries declined at average annual rates of up to 13.4 per cent. Another reason for the decline was the higher export revenues from natural resources.

Some preferential trade agreements (PTAs), such as the US Caribbean Basin Trade Partnership Act, combined with safeguard measures imposed by the European Union and the United States on imports of certain textiles and clothing from China, helped some developing countries to maintain or even marginally increase their exports. Those PTAs, which permit the assembly of clothing from fabrics sourced from countries other than the United States, have helped small exporters, such as Madagascar and Haiti, increase their exports of clothing to the United States by 26 per cent and 15 per cent per year respectively in the last five years.

Some countries have managed to diversify the activities of their EPZs. The Dominican Republic increased its exports of electrical products and jewellery by nearly 9 per cent between 2002 and 2007; while Mexico has shifted to the relatively high-skilled sectors of automotive products, televisions and video projectors. Between 2000 and 2007, Mexico’s exports of TV receivers and video projectors expanded by 21 per cent per year. Costa Rica also expanded its exports of office and telecommunication equipment by an average annual rate of 21 per cent during this period. China, with a 32 per cent share in 2007, is now the major destination for Costa Rica’s exports of this product category.

Chart II.11 EPZs and traditional export developments