



# I. World trade developments

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This chapter addresses the major developments in world trade over the last year and its relationship to GDP.

## The Highlights

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Merchandise trade takes a major tumble

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An upward turn in merchandise trade in the 2nd quarter of 2009

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China becomes the leading merchandise exporter

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Merchandise trade within regions remains greater than trade between regions

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Trade in commercial services also affected by the crisis

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Commercial services in Europe and the CIS are the hardest hit

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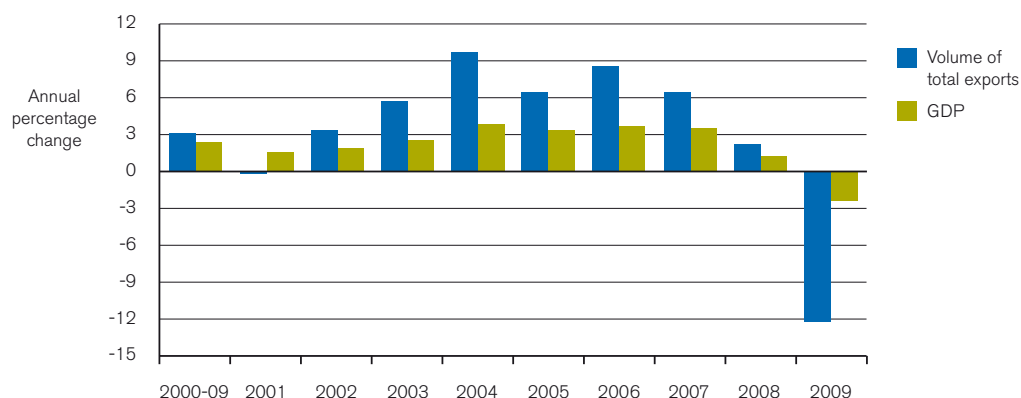
The EU is the largest supplier of services to the United States

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## Merchandise trade takes a major tumble

- World merchandise exports took a major tumble in 2009, declining by 12 per cent; world GDP also declined but at a much lower rate of 2.4 per cent.
- The steep fall in trade is due to a combination of factors, such as weak demand, falling commodity prices, global supply chains, the simultaneous impact of the economic crisis across countries and regions, and limited access to credit in general, and trade finance in particular.
- In 2001 world merchandise trade declined due to the bursting of the dot.com bubble and the impact of the 9/11 events. The decline was marginal, however, and coincided with low but positive GDP growth of 1.6 per cent.
- Merchandise trade has consistently outpaced GDP growth, peaking in 2004. The rebound in trade was partly due to the strong rise in commodity prices and in global demand.

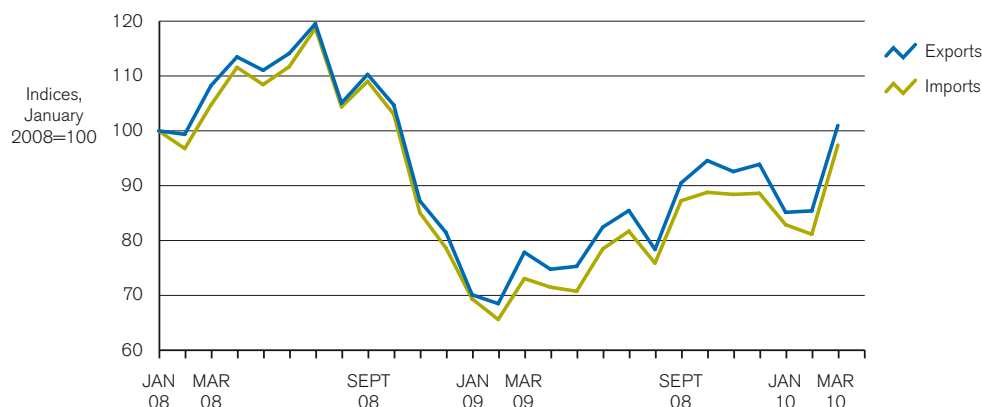
Volume of world merchandise exports and gross domestic product, 2000-2009



## An upward turn in merchandise trade in the 2nd quarter of 2009

- In 2008, growth of world merchandise trade peaked in July, fell drastically in August and registered a weak recovery in September, before the collapse of Lehman Brothers signalled the beginning of the economic recession. Thereafter, trade entered into a phase of steep decline, falling each month until starting to level out in February 2009.
- Following a series of coordinated economic stimulus packages, trade started to grow again in March 2009 comparable to the level of world trade in early 2006, though the growth was from a low base.
- Despite the recovery in March, world merchandise trade dropped by 23 per cent in 2009 (in nominal terms) compared with 2008, the greatest decline in more than 50 years.

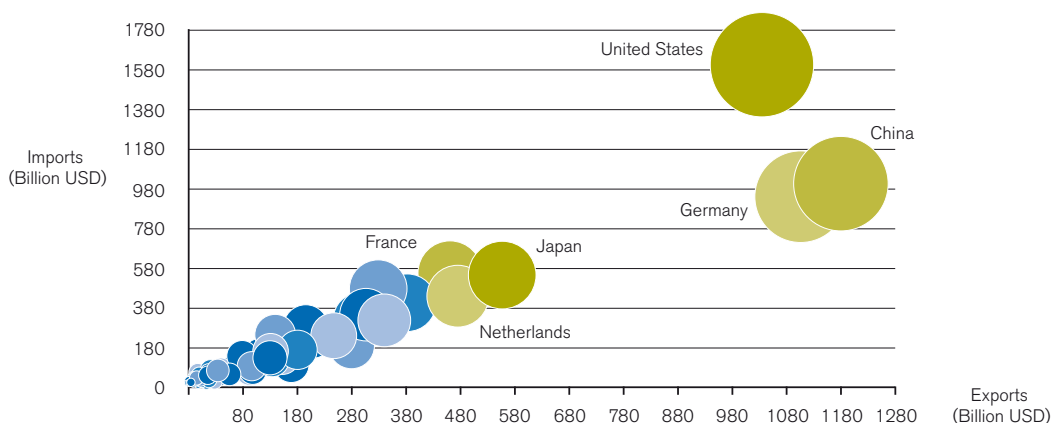
Monthly merchandise trade, aggregate of 70 economies



## China becomes the leading merchandise exporter

- In 2009, China overtook Germany as the lead exporter of merchandise. The United States remained in third position.
- The United States remained the world's leading importer. However, its share in world imports was reduced from 13.1 per cent in 2008 to 12.7 per cent in 2009.
- China's share in world merchandise imports increased from 6.9 per cent in 2008 to 7.9 per cent in 2009, resulting in China becoming the second largest world importer. China, Germany and the United States remain well ahead of other countries in terms of the total value of imports and exports.

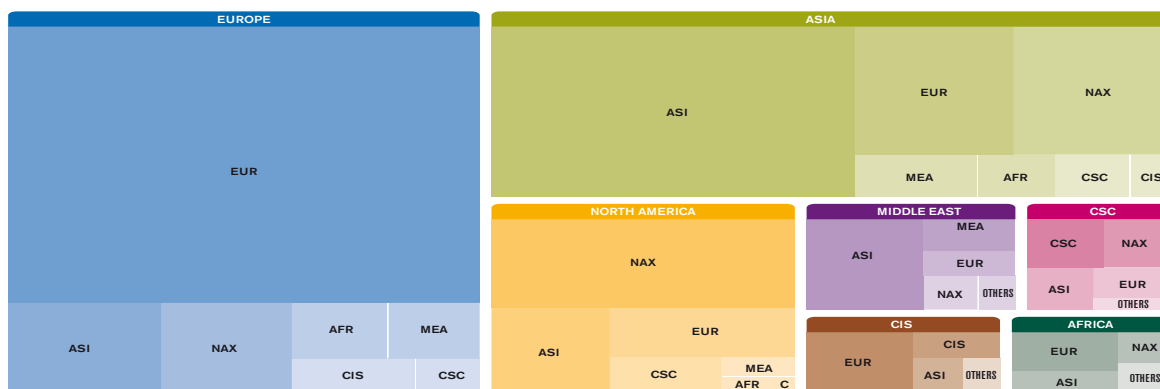
### Leading economies of merchandise trade, 2009



## Merchandise trade within regions remains greater than trade between regions

- Trade within regions dominates world trade. Europe and Asia remain their own top trading destinations.
- In 2009, trade within Europe accounted for 72 per cent of European trade. More than half of Asia's exports (52 per cent) remained within Asia. Some 48 per cent of North America's exports remained in North America.
- The trade flows of Europe, Asia and North America with the Middle East, the Commonwealth of Independent States (CIS), Africa and Central and South America and the Caribbean (CSC) are less significant. For the Middle East, the CIS, Africa and CSC, the main export destinations remain Europe, Asia and North America.

### World merchandise exports by region and destination, 2009

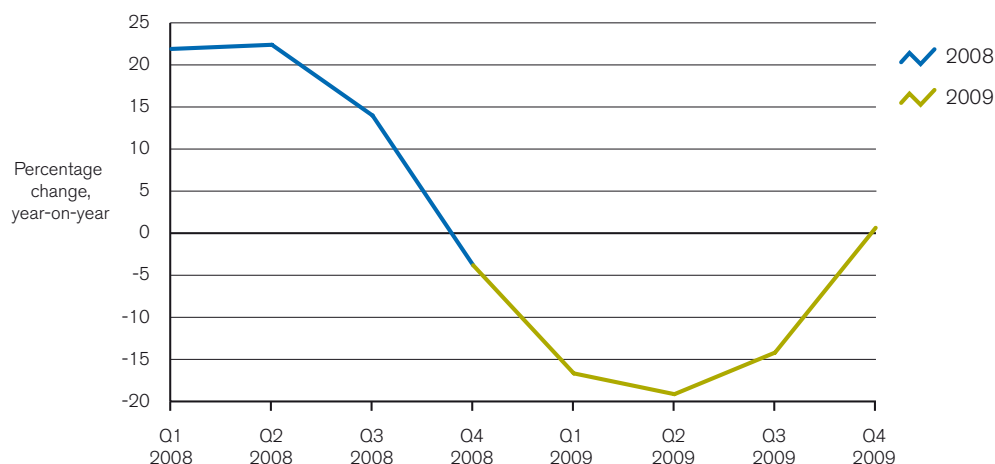


NAX: North America / CSC: Central and South America and the Caribbean / EUR: Europe  
 CIS: Commonwealth of Independent States / AFR: Africa / MEA: Middle East / ASI: Asia

## Trade in commercial services also affected by the crisis

- In 2009, world exports of commercial services declined by 12 per cent, to US\$ 3,350 billion, as a result of the global crisis.
- At the lowest point of the economic crisis, in the second quarter of 2009, commercial services dropped by almost 20 per cent on average year-on-year. World exports started to recover quickly in the second half of the year, but from a low base.
- Preliminary data for the first quarter of 2010 confirm an upward trend.

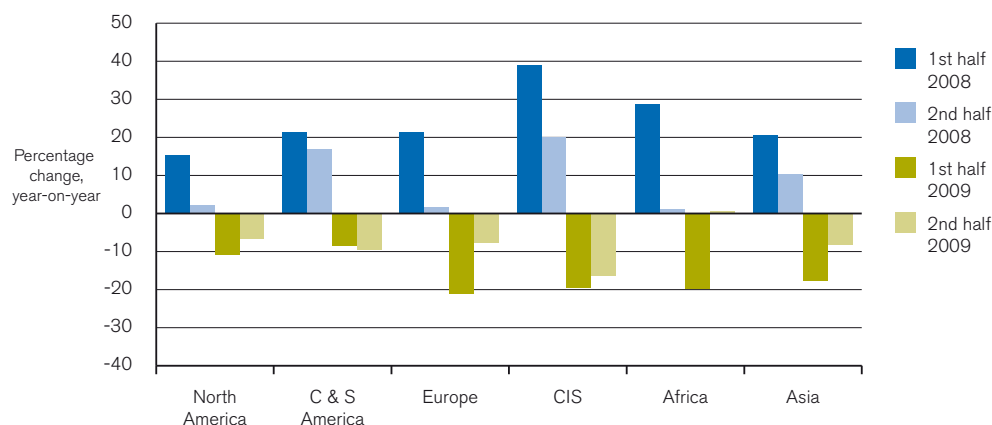
World exports of commercial services, Q1 2008–Q4 2009



## Commercial services in Europe and the CIS are the hardest hit

- In 2009, Europe's exports of commercial services, accounting for almost half of world exports, declined by 14 per cent.
- In the CIS, the region recording the most rapid growth in 2008, exports of commercial services fell by 17 per cent.
- Asia's exports decreased by 12 per cent in 2009. In North America and Africa, the decline was by 9 per cent. Central and South America and the Caribbean was the least affected region, with a decline of 8 per cent.
- Although all regions were showing signs of recovery by the second half of 2009, African countries were the most dynamic, with exports recording a 1 per cent growth.

Exports of commercial services by selected region, 2008-2009



## The EU is the largest supplier of services to the United States

- In 2007, services supplied to the United States through majority-owned foreign affiliates reached US\$ 672 billion.
- The EU accounted for US\$ 366 billion, or some 54.5 per cent of the total services provided. EU foreign affiliates provided services mostly in finance and insurance, wholesale and retail trade, and in the information sector.
- Services by Japanese foreign affiliates represented 14 per cent of the total services supplied to the United States. This was followed by Canada (9.6 per cent), Switzerland (7.4 per cent) and Bermuda (4.2 per cent).

Services supplied to the United States through majority-owned foreign affiliates (FATS) and through cross-border trade (BOP) by origin, 2007

