World trade developments in 2000 and the first half of 2001

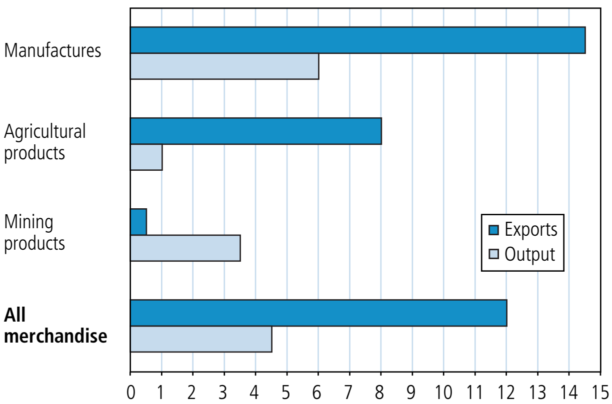
1. Overview

The year 2000 was outstanding for global output and trade growth. The expansion of merchandise output and trade by 4.5% and 12%, respectively, was the strongest in more than a decade. As trade growth continued to exceed output growth, the ratio of world trade in goods and services to world GDP reached 29%. Since 1990 this ratio has increased 10 percentage points, more than in the two preceding decades combined.[1] Manufacturing production rose 6% in 2000, but the increase in agricultural production was limited to 1%. Mining output was up 3.5% boosted by a 4.5% increase in oil and gas output. As in preceding years, exports of manufactures increased in real terms much faster than exports of agricultural or mining products. And once again, the excess of trade growth (14.5%) over output growth (6%) in manufactures was far higher than in the other two sectors, although preliminary data for agriculture suggest also an untypical large gap between trade and output growth.[2]

Chart 1

World merchandise trade and output by major product group, 2000

(Annual percentage change in volume terms)



The contrast between the figures for 2000 and the available figures for the first half of 2001 could hardly be greater. By the last quarter of 2000, it was evident that a marked deceleration in output and trade growth was likely in 2001. But the extent to which the slowdown in production, investment and trade – associated in particular with developments in the information technology sector – would exceed earlier predictions became clear only as the first half of 2001 unfolded. The value of world merchandise trade in the first half of 2001 is now tentatively estimated to have been just 2% above the corresponding period last year. And worse, in the second quarter of 2001, the level of world trade was below that of the corresponding quarter in 2000 – the first year-over-year decline in world trade (on a quarterly basis) since 1998, during the Asian financial crisis.

All regions reported faster economic growth in 2000

Economic growth accelerated in all major regions in 2000. North America and developing Asia, which had each recorded GDP growth above the global average in 1999, recorded only moderate accelerations. In contrast, economic activity picked up strongly in South America and the Russian Federation, after stagnating the previous year. Africa's output growth is estimated to have strengthened in 2000, but – at 3% – remained well below the growth recorded in other developing regions. While Western Europe's economic growth increased to 3.4%, its strongest expansion in the last decade, Japan's recovery remained moderate and very fragile.

The forces behind the improved economic activity differed among the regions. High growth in the information technology sector was particularly beneficial for North America and Asia, while the rise in world energy demand and the recovery of oil prices boosted the economies of the oil exporting countries. In both the Russian Federation and Brazil a sharply lower real effective exchange rates and the fading of contractionary forces linked to financial crises helped stimulate a strong recovery in production.

In 2000 growth in trade volumes more than doubled

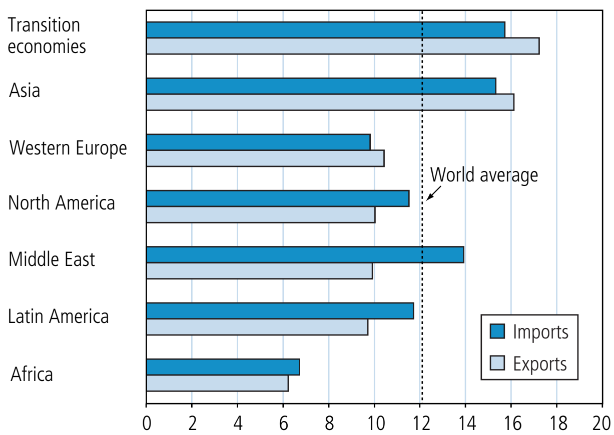
The stronger output growth in all regions stimulated – and in turn was stimulated by – the 12% increase in merchandise **trade volume** in 2000, nearly matching the best growth rates observed over the last five decades. In contrast to the two preceding years, when world trade expansion depended to a large extent on demand in North America, the pattern of regional import demand was more evenly balanced in 2000, with all regions except Western Europe and Africa recording double-digit import growth (Chart 2).

Asia and the transition economies recorded both the highest export growth among the major regions and the largest increases in imports, highlighting once again that dynamic

Chart 2

World merchandise trade by region, 2000

(Annual percentage change in volume terms)



[1] Measured at constant 1987 prices and exchange rate.

[2] A further indicator of the strength of global integration last year is the estimated 18% increase in the US dollar value of inflows of foreign direct investment (FDI). Although the most dynamic part of FDI flows was again among the developed countries, both developing and transition economies reported record FDI inflows. However, total private capital flows (net) to the developing countries and the transition economies were close to zero as net FDI inflows were fully offset by other private capital outflows. (International Monetary Fund (IMF), *World Economic Outlook*, October 2001).

exporters are dynamic importers. A noteworthy feature in Asia is Japan's strong merchandise import growth over the last two years at a time when its economy was nearly stagnating, a development often linked to decisions by Japanese manufacturing firms to relocate part of their production to other Asian economies. In Western Europe, exports and imports grew by nearly 10% – about twice the rate in the preceding year but less than the growth of world trade. The growth of imports into North America again exceeded that of exports from North America, for the fourth consecutive year.

Data for Latin America (including Mexico) indicate a strong recovery of imports in 2000, following the contraction in 1999 linked to repercussions of the financial crisis in Brazil. While the region's export growth accelerated to 9.5%, the expansion was less strong than the world average for the first time since 1995. It should be kept in mind that regional totals for Latin America conceal the fact that in Mexico, the region's largest trader, trade growth was three to four times faster than in the rest of the region.

2. Trade growth in 2000

The **value of world merchandise exports** was up 12.5% in 2000, triple that of 1999, to US$6.2 trillion, due to the strong rise in export volumes and a small increase in export prices measured in US dollars (Table 1). World exports of commercial services rose by 6% in 2000 – close to the average for the past decade – reaching US$1.4 trillion. The faster growth of merchandise trade relative to trade in commercial services continued a trend that has been evident since the mid-1990s, driven in part by the 60% increase in oil prices since 1995.

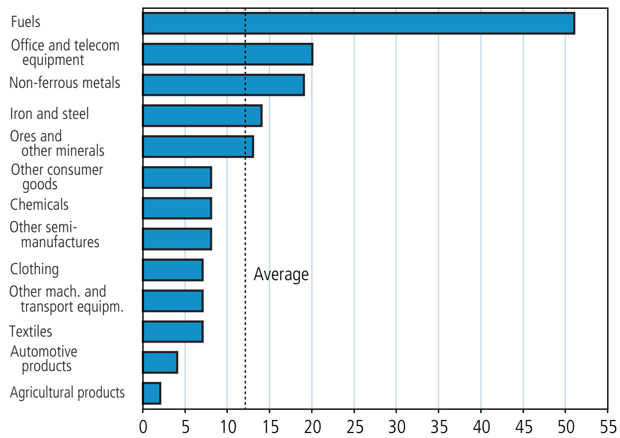
The estimated small increase in US dollar prices of merchandise exports last year arrested the downward trend evident since 1995. The overall figure, however, masks highly divergent price trends across products, countries and regions – trends that contributed to the large variations in trade growth of countries and regions in 2000 (see Table I.3). Crude oil prices were up to US$28 per barrel, their highest level since 1985. Both agricultural prices and those of internationally traded manufactured goods continued the declines that began in the second half of the 1990s, reaching their lowest level in ten years. Factors behind the weakness in prices for manufactured goods include low inflation rates, steady declines in the prices of electronic products throughout the 1990s (as their share in world trade of manufactured goods was rising), and the strength of the US dollar – in particular *vis-à-vis* European currencies, which led to a significant fall in the prices of European exports expressed in US dollars.[3]

The product categories in world merchandise trade with the highest growth rates in 2000 were fuels (up 50% to US$630 billion) and office and telecom equipment (up 20% to US$940 billion). While the latter category recorded the highest growth among all major product groups throughout the 1990s, fuel's 10% share in world trade in 2000 was little changed from its 1990 level. World exports of agricultural products again recorded the weakest growth of all product categories in 2000 (up 2% to US$560 billion); consequently its share in world merchandise trade fell to a record low of 9%.

Chart 3

World merchandise trade by product, 2000

(Annual percentage change in value terms)



Regional trade value developments in 2000 were strongly influenced by higher oil prices. All regions with a large share of fuels in their export basket – the Middle East, Africa and the transition economies – reported export expansions in excess of one quarter, or more than twice the global average export growth. For at least 17 oil-exporting countries, merchandise exports were up by more than one half in 2000.[4] Export growth significantly exceeded import growth in both the Middle East, where exports are estimated to have risen by nearly 50%, and in the transition economies where – largely due to the Russian Federation's high export growth – exports expanded by 26%.

Africa's 27% increase in merchandise exports in 2000 was four times the growth of its imports, and more than double the growth rate for world exports. However, that aggregate figure for the continent as a whole hides exceptionally large differences among individual African countries. While the major fuel exporters in Africa recorded sharp export and import growth, some 20 African countries reported absolute declines in the level of exports and imports. Western Europe's export and import

[3] The prices of manufactured goods excluding office and telecom products are estimated to have stagnated in 2000 and increased moderately since 1990.

[4] Saudi Arabia, Venezuela, Islamic Republic of Iran, Nigeria, Algeria, Kuwait, Iraq, Libyan Arab Jamahiriya, Oman, Kazakhstan, Angola, Trinidad and Tobago, Yemen, Turkmenistan, Democratic Republic of the Congo, Sudan and Equatorial Guinea.

Table 1

World exports of merchandise and commercial services, 1990-2001

(Billion dollars and percentage)

	Value	Annual percentage change			
	2000	1990-00	1999	2000	2001 First half
Merchandise	6186	6.0	4.0	12.5	1.0
Commercial services	1435	6.0	2.0	6.0	…

growth in 2000 was the lowest of all regions, principally due to the depreciation of the euro against the US dollar. Expressed in euros, exports from the EU were up 17%, compared to a 2.5% gain in US dollar terms. The marked difference between the stagnation of EU intra-trade and the 7% rise of exports to all other countries is attributable largely to different price developments.

For the fifth consecutive year the expansion of North America's trade – exports and imports – exceeded that of world trade. Imports were particularly buoyant, rising faster than exports and resulting in an excess of imports over exports in the order of US$450 billion, equivalent to 7% of world merchandise trade. North America's trade deficit is entirely due to trade developments of the United States, with Canada recording a trade surplus in 2000.

Asia's import growth of nearly one quarter exceeded that of its exports which in turn still grew faster than world trade. Consequently, Asia's share in world trade rose again and recovered (for exports) to its previous peak level of 27% in 1996. All major traders recorded double-digit export and import growth and intra-trade of the region rose by one quarter. Another noteworthy development was the outstanding expansion of China's exports and imports and the recovery of imports of the five Asian countries most affected by financial turbulences in 1997/98. The latter group's imports rose sharply in 2000 and nearly matched the previous peak level in 1996. As these countries' exports have risen by one third between 1996 and 2000, their trade deficit of US$45 billion in 1996 turned into a surplus of US$70 billion by 2000.

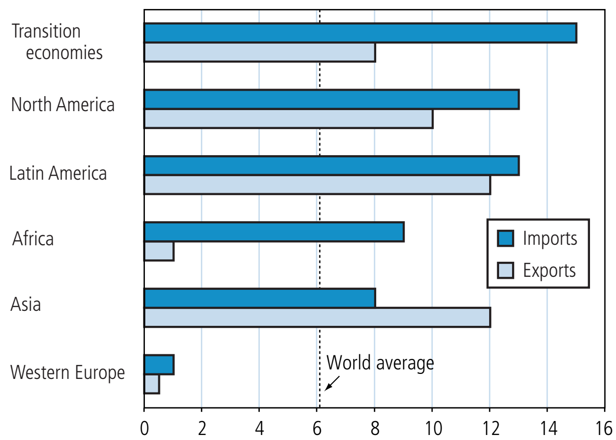
Commercial services trade developments by region and major product categories differed markedly less than those for merchandise trade in 2000. However, there were a number of similarities with merchandise trade in regional developments. Western Europe, which alone accounts for almost 45% of world services trade, recorded a near stagnation of its exports and imports measured in US dollars, compared with a 14% increase in euros. North America, Latin America and the Middle East recorded strong expansion of their commercial services trade, with both exports and imports up by more than 10%. The fastest growth of imports of commercial services occurred in the transition economies, whose exports grew also faster than the world average.

Among the major categories of commercial services, transportation showed the strongest growth in 2000. This is unusual and most likely reflects both the strong expansion in merchandise trade and increased transportation costs due to the higher oil prices. The 5% increase in travel expenditure in 2000 was below that sector's average growth over the past decade. Trade in "other commercial services" (financial services, communications, information services, royalties and licence fees) grew at about the same 6% rate as total services trade, in contrast to most years when this sector has been by far the most dynamic category of traded services.

Chart 4

World commercial services trade by selected region, 2000

(Annual percentage change in value terms)



3. Trade of developing countries

The developing countries made a major contribution to the vigorous expansion of world output and trade in 2000 (Table 2). GDP growth in excess of 5% for the aggregate of developing countries was the strongest in a decade. The estimated 15% increase in the volume of merchandise exports from developing countries was three times faster than their GDP growth. In dollar terms, merchandise exports from developing countries rose 24%, twice the rate for world merchandise exports, while imports were up 21%.

As a result, the share of the developing countries in world trade and output continued to increase, as it has done throughout the 1990s. Indeed, the share of developing countries in world merchandise exports has risen steadily since 1986 – with the exception of 1998 during the Asian financial crisis – reaching a 50-year high of 30% last year. Only a small part of the increase in the share of developing countries in world trade over the past decade is the result of increases in oil prices. It is due rather to their ability to expand their role in world exports of manufactured goods, the most dynamic part of world trade.

Table 2

Trade and output growth of developing economies, 1990-2000

(Annual percentage change)

	Developing economies			World
	1999	2000	1990-00	1990-00
GDP	3.0	5.2	4.5	2.8
Merchandise export volume	7.0	15.0	9.0	7.0
Merchandise import volume	4.5	15.5	8.0	7.0
Merchandise export value	9.5	24.0	9.0	6.0
Merchandise import value	4.0	21.0	9.0	6.0

Developing countries accounted for 27% of world exports of manufactures in 2000, a remarkable increase from their 17% share in 1990 The largest part of this increased share is accounted for by China, Mexico and East Asian exporters of office and telecom equipment; such equipment also accounts for a very large share in total developing countries exports of manufactures. For the decade as a whole, a number of smaller exporters – particularly in Asia – also recorded export growth rates well above the global average.

The share of manufactures in the merchandise exports of developing countries has risen markedly in the 1990s and exceeded two thirds in 1998/99. Exports of office and telecom equipment alone accounted for a larger share of their exports than either agricultural products or mining products. As regards the latter two product categories, the developing countries' shares in world exports have shown limited gains over the past decade but still exceed – at 30% and 54% respectively – their 27% share of world exports of manufacturers.

Developing countries merchandise exports and imports slowed markedly in the first half of 2001. Preliminary data suggest that developing countries exports rose about 2% in US dollar terms in the first six months of 2001 and that over the same period their imports were up 4%. Trade of developing countries in Asia was most affected. According to preliminary data their merchandise exports and imports stagnated in US dollar terms in the first six months, with trade in the second quarter below that in the same period in 2000. Lower volume growth and a decline in US dollar prices both contributed to this outcome. Latin America's trade was up by about 5% (both exports and imports) but also on a downward trend. Imports of oil-exporting countries showed some strength despite a marked deceleration of their export growth.

Least-developed countries

The 49 least-developed countries (LDCs) – as a group – shared in the dynamic output and trade growth of the other developing countries. In 2000, GDP growth of LDCs is estimated to have exceeded 5%, and the US dollar value of their merchandise exports rose by 28%, to a record US$34 billion; this was the second consecutive year in which the growth in LDC merchandise exports exceeded the growth in world merchandise exports.[5]

However, the figures for the group as a whole conceal very divergent developments at the individual country level (Table 3). For trade purposes, it is useful to distinguish at least four country groups:

- oil-exporting LDCs, such as Angola, Yemen, Sudan and Equatorial Guinea; they benefited from higher oil prices and increased their exports by between 60% and 120% last year. These four countries alone accounted for more than 40% of LDC exports in 2000.
- LDCs that export mostly manufactured goods; their merchandise exports rose by nearly one quarter last year. This group, which accounted for almost one third of LDC exports in 2000, comprises Bangladesh, Cambodia, Lao People's Democratic Republic, Lesotho, Madagascar, Myanmar and Nepal. As a group, these countries have recorded high export growth rates throughout the 1990s, nearly matching or exceeding that of China. In many instances, exports from affiliates of multinational companies contributed to the outstanding trade growth.
- the largest group; consists of those LDCs whose exports are limited to a few primary commodities; their export performance is often determined by the cyclical demand in commodity markets and the vagaries of weather. Exports of these LDCs are not only erratic but their longer term growth remains well below that of world trade. Even in last year's buoyant economic environment, most of these countries saw their exports decline.
- those LDCs that, due to armed conflicts and civil strife, experienced a severe contraction of their trade in the 1990s to levels below that of 20 years ago. Countries in this group – which now accounts for less than 5% of LDC merchandise exports – are Afghanistan, Burundi, Democratic Republic of the Congo, Rwanda, Sierra Leone and Somalia.

Given the very sharp differences in the economic and political conditions, as well as in the trade and output structure of these 49 countries, it is clear that aggregate figures for the LDCs as a whole are, for many purposes, not very helpful. This is evident, for example, from the fact that in 2000 aggregate merchandise exports from the LDCs were at a record level, while at the same time more than one third of the LDCs saw their exports decline.

[5] If the LDCs were a single country, they would have been the 34th largest merchandise exporter in 2000, just ahead of Venezuela and Poland.

Table 3

Merchandise exports of least developed countries by selected country groups, 1990-2000

(Billion dollars and percentage)

	Value	Annual percentage change			
	2000	1990-00	1998	1999	2000
Total LDC	34	7	-6	12	28
Oil exporters (4) a	15	11	-30	50	63
Exporters of manufactures (7) b	11	14	20	5	23
Commodity exporters (29)	8	1	-1	-6	-3
LDC with civil strife (6) c	1	-7	-12	-8	-3
Memorandum Item :					
World	6186	6.0	-1.5	4.0	12.5

[a] Angola, Equatorial Guinea, Sudan and Yemen.

[b] Bangladesh, Cambodia, Lao People's Dem. Rep., Lesotho, Madagascar, Myanmar and Nepal.

[c] Afghanistan, Burundi, Congo Dem. Rep., Rwanda, Sierra Leone and Somalia.

4. Trade developments in major regional trade agreements

Merchandise trade developments, in dollar terms, of the largest regional trade agreements showed great variation in 2000.[6] Their combined intra-trade is estimated to have accounted for about 36% of world merchandise exports in 2000; this is a lower share than at any time during the 1990s and is entirely due to the declining share of EU intra-trade. While intra-trade of the EU, the largest and most integrated RTA, rose less rapidly than its extra-regional trade, intra-trade of NAFTA expanded substantially faster than its exports to other regions. However, NAFTA imports from other regions rose, at 18%, as fast as its intra-trade. For both MERCOSUR and ASEAN intra-trade rose significantly faster than their extra-regional trade: for MERCOSUR, in 2000 the share of intra-trade, slightly above one fifth, remained below its 1998 peak; for ASEAN, intra-trade accounted for nearly one quarter of total trade, a record on the import, but not on export, side. Intra-regional trade of CEFTA and ANDEAN accounted for somewhat more than 10% of their total trade and expanded in general less rapidly than extra-regional trade in 2000. The exception being the extra-regional imports of ANDEAN which recovered less rapidly than intra-trade.

Information on intra-regional trade in commercial services is generally not readily available and therefore often not taken into account in the evaluation of RTAs. However, it is of interest and now feasible to shed some light on intra-trade in commercial services for the EU and NAFTA. In both cases the share of intra-trade is significantly higher for merchandise than for services trade. For the EU the share of intra-trade for commercial services was 55% in 2000 or five percentage points less than for merchandise trade; this share has remained roughly unchanged from the early 1990s. For NAFTA, the share of intra-trade in commercial services decreased in the 1990s by about five percentage points and in 2000 was, at less than one quarter of total services trade, about half the rate recorded for merchandise trade.[7] According to preliminary data for the year 2000, intra-regional trade in services expanded less dynamically than extra-regional trade in services for both the EU and NAFTA.

5. Details on trade developments in 2000 by geographic region

Vigorous demand growth in the United States, based on high investment and strong consumer expenditure sustained by large capital inflows, led to a surge in merchandise and commercial services imports. The current account deficit widened for the fourth consecutive year, reaching a record 4.5% of GDP. Meanwhile the real effective exchange rate of the US dollar continued to appreciate, making foreign goods steadily more attractive to United States buyers. As economic growth picked up in all regions in 2000, North America's real export growth gained momentum and nearly caught up with the 11.5% increase in imports.

The value of **North American** merchandise exports rose by 12.5%, more than twice as fast as in the preceding year and faster than the 10% increase in exports of commercial services. The acceleration in North America's merchandise import growth in 2000 compared to 1999 is entirely due to higher prices (on a volume basis, import growth in 2000 just matched the 1999 figure).[8] Imports of commercial services rose also at double-digit rates but less than merchandise imports.

Price developments also left their mark on the origins of North America's merchandise imports. Due to the rise in fuel prices, imports from Africa and the Middle East rose by more than 50% and those from the transition economies more than one third. Above average import growth was also recorded for shipments originating from the Republic of Korea (29%), Mexico (26%), Brazil (20%) and China (18%). In 2000, imports from China and Mexico accounted for 7.5% and 10%, respectively, of total North American imports. Over the 1990s, both countries increased their shares of North America's imports, mainly at the expense of imports from Japan, Chinese Taipei and Brazil. While in 2000 intra-North American imports rose less rapidly than total

[6] The RTAs with, in dollar terms, the largest intra-trade flows in 2000 are: the EU (1394 billion), NAFTA (680 billion), ASEAN (96 billion), MERCOSUR (18 billion), CEFTA (14 billion) and ANDEAN (5 billion). Values refer to the average of exports and imports.

[7] Using the average of exports and imports.

[8] For the first time in three years North America's real import expansion lagged somewhat behind that of global trade.

Table 4

GDP and trade developments in North America, 1990-2000

(Annual percentage change)

	North America			United States			Canada		
	1990-00	1999	2000	1990-00	1999	2000	1990-00	1999	2000
GDP	3.2	4.1	4.2	3.2	4.1	4.1	2.7	4.5	4.7
Merchandise									
Exports (value)	7.5	5.0	12.5	7.0	3.0	11.5	8.0	11.5	16.0
Imports (value)	9.0	11.0	17.5	9.5	12.0	19.0	7.0	7.0	11.0
Exports (volume)	7.0	6.0	10.0	6.5	4.0	9.5	9.0	10.5	11.0
Imports (volume)	8.5	11.5	11.5	8.5	11.5	11.5	9.0	11.0	13.0
Commercial services									
Exports (value)	7.5	4.5	10.0	7.5	4.5	10.5	7.5	5.5	9.0
Imports (value)	6.5	4.0	12.5	7.0	4.0	13.5	4.5	3.5	9.0

imports, the 26% share was little changed from its level ten years earlier. Although imports from Japan and Western Europe rose at double-digit rates in 2000, this was not enough to avoid a further decrease in their share of North America's imports (see Table III.13).

North American merchandise exports to China and Mexico rose by more than one quarter in 2000, twice as fast as total exports. Intra-North America exports rose faster than total exports and accounted for 40% of North America's exports. Mexico became the largest destination for North America's exports in the 1990s, its 11% share exceeding the combined shipments to Japan, China and Hong Kong, China in 2000. North America's exports to Japan and the EU rose by 11% and 6% respectively while shipments to the Middle East continued to decrease last year. The share of Africa and the transition economies dwindled further in 2000 and accounted for less than 2% of North American exports (see Table III.12).

Latin America's sharp rise in output in 2000 was mainly due to the recovery in Brazil and strong GDP growth in Mexico. The double-digit merchandise trade growth of the region conceals the fact that Mexico's real trade growth was three to four times larger than that of the rest of Latin America, a development that can also be observed for the entire 1990-2000 period. The main elements in the outstanding Mexican trade growth are the expansion of the maquila industry, the creation of NAFTA and the strength of United States import demand (90% of Mexico's merchandise exports – mainly manufactured goods – go to the United States).

Measured in dollar terms, Latin American merchandise exports rose by 20% to 359 billion dollars, sharply reducing the region's merchandise trade deficit despite a strong recovery of its imports (up 16%). Commercial services exports and imports rose by some 13% or twice as fast as the global average. This pattern, in which Latin America's commercial services trade expands less rapidly than merchandise trade, held throughout the 1990s and in 2000. A noteworthy feature of Mexico's commercial services trade is that, in contrast to merchandise trade, it is far less dynamic than that of most other Latin American countries.

There was a marked change in the destinations of Latin American merchandise exports in the 1990s as the share of the Americas rose to nearly 80% at the expense of all other regions. In 2000, the combined value of intra-Latin American trade and exports to North America rose by 23% to a level much higher than exports to either Western Europe or Asia. Exports to other regions increased moderately not only in 2000 but also throughout the 1990s, to the effect that the share of Africa, the Middle East and the transition economies combined has fallen to 2.5% last year.

The product groups among Latin America's merchandise exports showing the strongest rise in 2000 were: fuels (31%), office and telecom equipment (26%), non-ferrous metals (23%), clothing (22%) and automotive products (21%). While the strength of fuels and non-ferrous metal exports can be attributed to price increases, the rise in exports of the other three product groups reflects longer-term trends. Each of those three product groups has more than doubled its share in Latin America's exports since 1990 and combined they accounted for more than a quarter of Latin America's exports in 2000.

The trade performances of individual Latin American countries are reported in Chart 5. Countries are ranked from the largest trader (exports plus imports) on the left to the smallest trader on the right (Mexico and Dominica, respectively). Not surprisingly the oil exporting countries (Venezuela and Trinidad and Tobago) recorded the by far highest export growth in 2000, while seven countries in the region experienced a *contraction* in their exports. The reasons for the contractions range from a temporary closure of a chip plant in the case of Costa Rica to lower exports of bananas in some Caribbean Islands. Last year's export developments contrast with those recorded for the 1990s when the countries which export principally manufactures were the only ones with average annual export growth rates above 10%. These four countries, Mexico, the Dominican Republic, Costa Rica and El Salvador are also among the most dynamic importers due to their high level of intra-industry trade (processing trade). From Chart 5 it is also evident that the smaller merchandise traders in Latin America, mainly the Caribbean Islands, recorded much lower trade growth in the 1990s than the region's top 14 traders. The most frequent explanation given for this development is the lack of diversification in the merchandise exports of the Caribbean Islands, together with a specialization in tourism (a commercial services item).

In 2000, **Western Europe** recorded its fastest trade and output growth – on a volume basis – in the past decade, as merchandise exports and imports rose by about 10%, twice as fast as the preceding year. However, trade growth in dollar terms remained sluggish due to the depreciation of the European currencies against the US dollar and the low rates of inflation in 2000. The dollar value of commercial services exports and

Table 5

GDP and trade developments in Latin America, 1990-2000

(Annual percentage change)

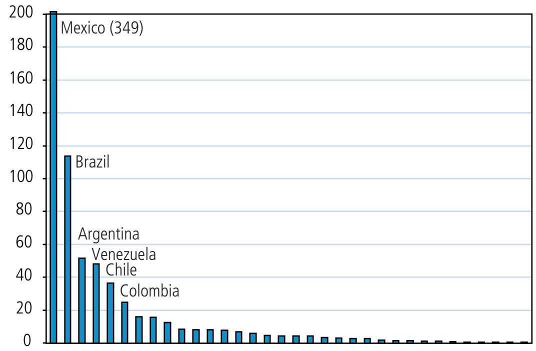
	Latin America			Mexico			Other Latin America		
	1990-00	1999	2000	1990-00	1999	2000	1990-00	1999	2000
GDP	3.2	0.4	4.1	3.5	3.5	6.9	3.1	-0.5	3.3
Merchandise									
Exports (value)	9.5	6.5	20.0	15.0	16.0	22.0	6.0	-0.5	18.5
Imports (value)	12.0	-3.0	15.5	15.5	13.5	23.0	9.0	-13.5	10.0
Exports (volume)	9.0	7.0	9.5	14.5	14.5	15.5	5.5	2.0	5.0
Imports (volume)	10.5	-1.5	11.0	13.0	14.0	19.0	8.5	-11.0	4.5
Commercial services									
Exports (value)	7.5	-0.5	12.5	6.5	-3.0	17.0	7.5	0.5	11.0
Imports (value)	7.5	-5.5	13.0	5.0	11.5	19.5	8.5	-9.5	11.0

Chart 5

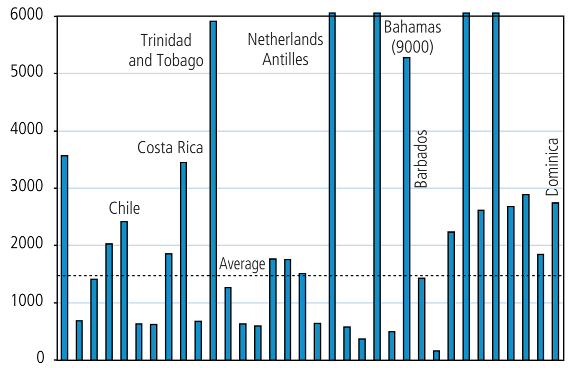
Latin America. Merchandise trade by country, 1990-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

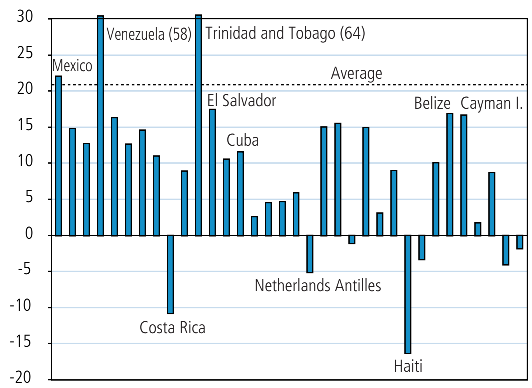
Merchandise trade of Latin American countries, 2000
(Exports plus imports, billion dollars)



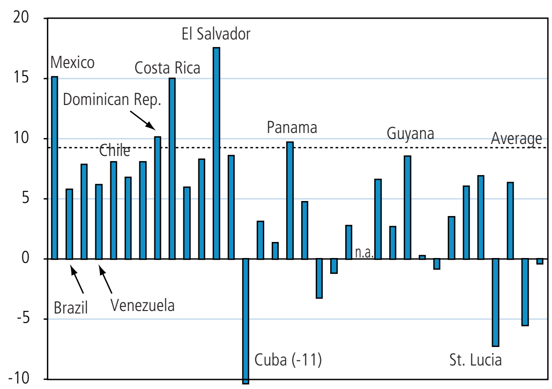
Per capita merchandise trade of Latin American countries, 2000
(Exports plus imports, dollars)



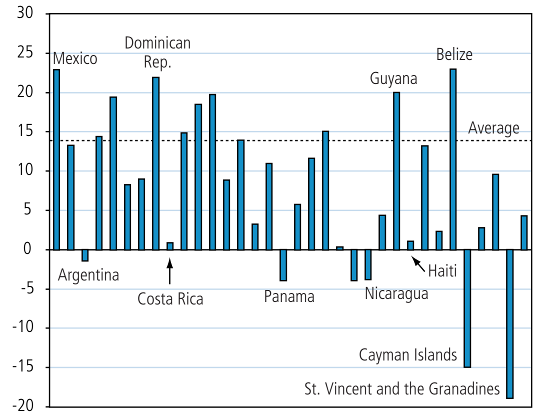
Merchandise exports of Latin American countries, 2000
(Percentage change in dollar values)



Merchandise exports of Latin American countries, 1990-2000
(Average annual percentage change in dollar values)



Merchandise imports of Latin American countries, 2000
(Percentage change in dollar values)



Merchandise imports of Latin American countries, 1990-2000
(Average annual percentage change in dollar values)

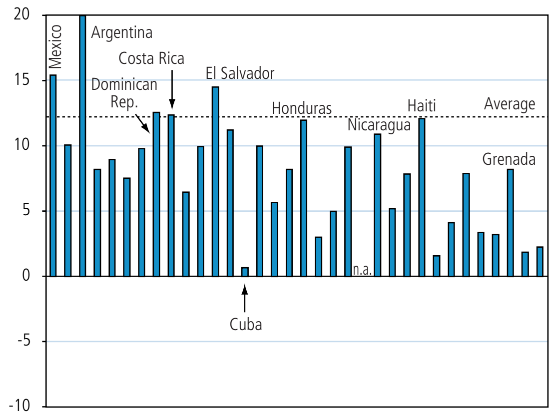


Table 6

GDP and trade developments in Western Europe, 1990-2000

(Annual percentage change)

	Western Europe			European Union (15)			EU (15) excl. intra-trade		
	1990-00	1999	2000	1990-00	1999	2000	1990-00	1999	2000
GDP	2.0	2.4	3.4	2.0	2.6	3.3	...	...	...
Merchandise									
Exports (value)	4.0	0.5	3.0	4.0	0.0	2.5	5.0	-1.5	7.0
Imports (value)	4.0	1.5	5.5	4.0	2.0	5.0	5.5	3.5	13.0
Exports (volume)	6.5	4.5	10.5	6.5	5.0	10.5	4.5	3.5	12.0
Imports (volume)	6.0	5.5	10.0	6.0	6.0	9.5	4.5	5.0	9.5
Commercial services									
Exports (value)	4.5	0.5	0.5	4.5	1.5	-0.5	...	...	...
Imports (value)	4.5	1.0	1.0	5.0	1.0	1.0	...	...	...

imports was nearly stagnant as in the preceding year, while measured in euros they rose by 14%, significantly faster than in 1999.

Large variations could be observed among the destinations of Western Europe's merchandise exports. Exports to North America, Asia and the transition economies rose between 10% to 13% while shipments to the Middle East and Latin America recovered only partially from their contraction in 1999. Exports to Africa stagnated, as expanding shipments to South Africa were offset by a further shrinking shipments to other African countries. Intra-West European trade rose in dollar terms only marginally. In the 1990s the highest export growth was recorded to Central/East European countries which are in the process of joining the European Union. Western Europe's exports to North America, developing Asia and Latin America also recorded above average growth during the 1990s, reflecting the fact that these regions had been the most dynamic importers in the world.

As intra-trade accounts for about two thirds of total Western European trade, the relative performance of product groups is generally similar for both total imports and total exports.[9] Due to the marked price increase, fuels and non-ferrous metals recorded the highest growth of all product groups on the import and export side. Trade in office and telecom equipment rose by more than 10% in both exports and imports, remaining – as in the preceding ten years – the fastest growing product group among the manufactured goods. In 2000, office and telecom equipment accounted for 13% of Western Europe's imports while automotive products accounted for 10%. Agricultural products, textiles and clothing, in contrast, recorded a contraction on both the export and import side. Western Europe's exports of automotive products recorded a small increase while imports decreased. In the 1990s, the average increase of automotive exports and imports was 5%, thereby somewhat faster than exports of manufacturers in general.

Western Europe's merchandise trade by country is shown in Chart 6. High export growth is reported by Norway, a fuels exporter, and Ireland, Finland and Malta, which export primarily office and telecom equipment. These three countries also recorded an above-average increase of imports in 2000 and in exports and imports over the last decade. Being net-fuels exporters contributed to an above-average increase in merchandise exports from the United Kingdom and the Netherlands.

A strong recovery in domestic demand caused a surge in Turkey's imports in 2000, while exports stagnated. Turkey's merchandise trade expansion in the 1990s is second only to Ireland's. It is interesting to note that the smaller traders have been, for the most part, more dynamic traders than the larger Western European countries in both 2000 and in the last decade.

In 2000, the **transition economies** recorded excellent output growth and a sharp recovery in their trade. The substantial devaluation of the rouble in 1998 and higher world prices for oil, natural gas and metals contributed to the outstanding 8.3% GDP growth in the Russian Federation last year. In Central/Eastern Europe economic activity also gained momentum and the 3.7% GDP growth was twice the average rate for the last three years. Following their contraction in 1999, exports and imports expanded with more than 15%, beating the global average.

The value of merchandise exports from the region rose by 26% to 271 billion dollars in 2000, accounting for 4.4% of world exports. The 13% increase in merchandise import value was only half that of exports. Imports of commercial services into the transition economies rose by nearly 15% while exports were up 8%. Consequently, the region's trade deficit in commercial services widened in 2000 at the same time as the region's merchandise trade surplus was growing.

Within the group of transition economies growth rates for merchandise exports differed widely in 2000, ranging from 14% for Central/Eastern Europe, to 24% for the Baltic States and to 38% for the CIS. Although a large part of these differences can be attributed to the different shares of fuels in their respective exports, it is worth noting that CIS exports of manufactured and agricultural products recovered at much stronger rates than those of Central/Eastern Europe. In 2000, the sluggishness of the latter's exports of agricultural products is partly due to the decrease in shipments to Western Europe, which fell to a level below the 1996 level (see Table III.47).

The trade performance of individual transition economies is shown in Chart 7. The two outstanding features of the transition economies' merchandise exports in 2000 are the strong growth of the four major fuel exporting countries (the Russian

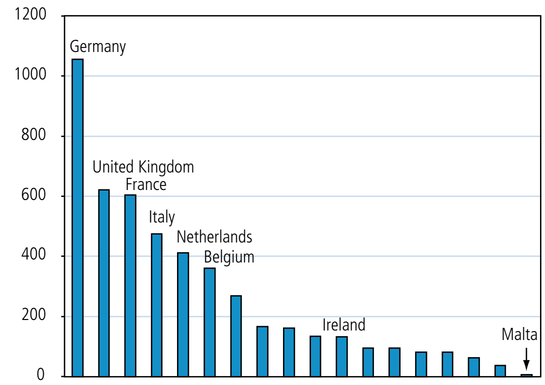
[9] The share of intra-trade of the major product groups ranges from 65% to 77% for exports and from 47% to 84% for imports.

Chart 6

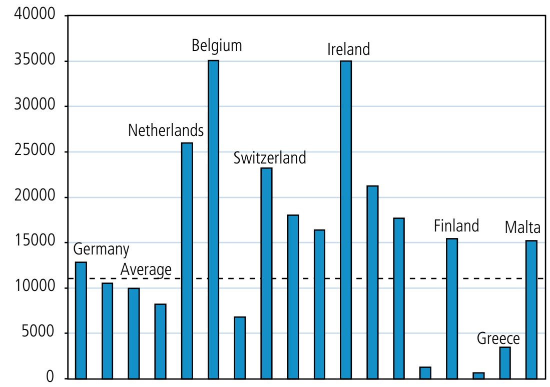
Western Europe. Merchandise trade by country, 1990-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

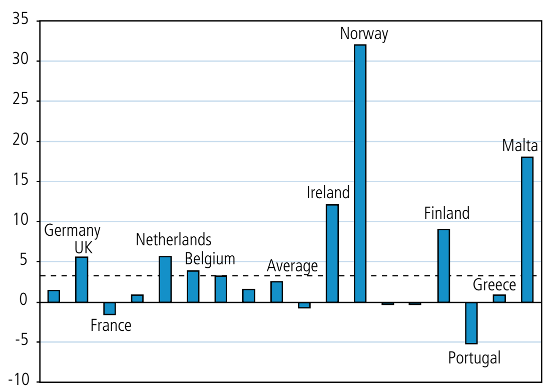
Merchandise trade of Western European countries, 2000
(Exports plus imports, billion dollars)



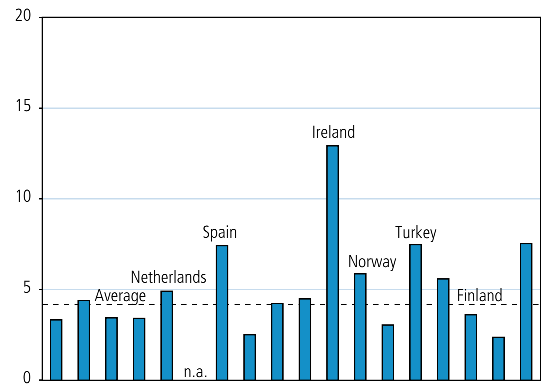
Per capita merchandise trade of Western European countries, 2000
(Exports plus imports, dollars)



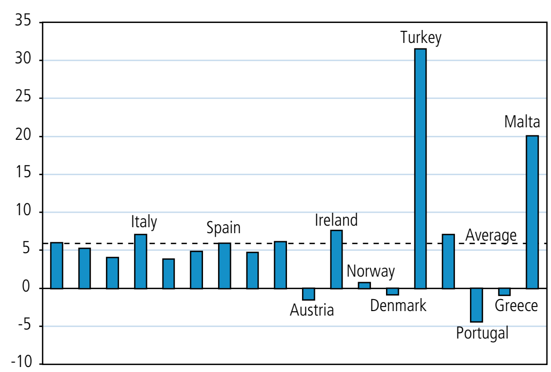
Merchandise exports of Western European countries, 2000
(Percentage change in dollar values)



Merchandise exports of Western European countries, 1990-2000
(Average annual percentage change in dollar values)



Merchandise imports of Western European countries, 2000
(Percentage change in dollar values)



Merchandise imports of Western European countries, 1990-2000
(Average annual percentage change in dollar values)

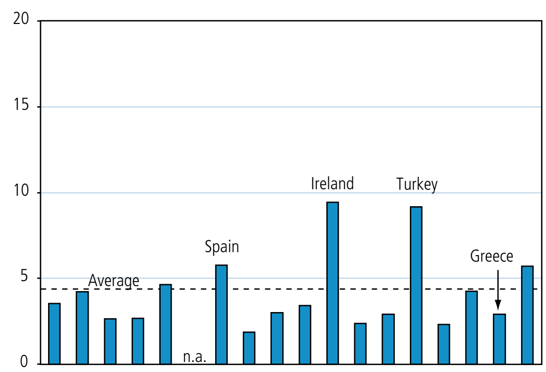


Table 7

GDP and trade developments in transition economies, 1995-2000

(Annual percentage change)

	Transition economies			C./E. Europe			Russian Federation		
	1995-00	1999	2000	1995-00	1999	2000	1995-00	1999	2000
GDP	1.4	3.7	7.1	2.2	1.7	3.7	1.1	5.4	8.3
Merchandise									
Exports (value)	6.5	-1.0	26.0	8.0	1.0	14.0	5.5	1.0	39.0
Imports (value)	4.0	-12.0	13.5	9.0	-1.0	12.5	-5.5	-32.0	11.5
Exports (volume)	7.0	-2.0	17.0	...	...	...	...	...	...
Imports (volume)	8.0	-9.0	15.5	...	...	...	...	...	...
Commercial services									
Exports (value)	2	-14	8	1	-11	11	-2	-27	6
Imports (value)	2	-8	15	3	1	5	-3	-18	30

Federation, Kazakhstan, Turkmenistan and Azerbaijan) and the fact that the majority of the 22 transition countries recorded an expansion in exports above the world average. The high growth rate of the oil exporting transition economies was the outcome of higher prices combined with an increase in the quantity of fuel exports. The expansion of exports from the Central/East European countries, ranging from 12% for Hungary to 22% for Romania (and thereby below that of the transition countries in general) was affected by the fact that imports into Western Europe – its major export market – rose by a mere 5.5% in 2000.

Despite the strong overall trade growth in 2000, it is disappointing to note that three transition economies have not regained their 1996 export levels, while five have not regained their 1996 import levels.

Economic growth accelerated somewhat in **Africa** last year but with a GDP growth of 3.1% the expansion exceeded only slightly that of population growth and remained the lowest among all developing regions. Rough estimates for the volume of Africa's merchandise trade indicate that export and import growth in real terms was around 6-7%, the lowest rate among all the geographic regions.

The dollar value of Africa's merchandise exports rose by more than one quarter last year, lifting Africa's share to 2.3% of world merchandise exports. The strong expansion of the regional aggregate hides very divergent trends at the country level. Exports of the eight African countries which export primarily crude oil rose by about two thirds, while that of South Africa increased by 12% and that of the rest of Africa rose by only 1%. The recovery of African imports by 7% to $137 billion was not enough to avoid a further erosion of its share in world imports to 2.1%. Oil exporters increased their imports by more than 20% and imports into South Africa were up 11%. The rest of Africa as a group recorded a slight *decrease* in imports.

Africa's commercial services exports stagnated in 2000 – partly due to sluggish tourism earnings – while commercial services imports rose by about 9%.

The destination of Africa's merchandise exports changed in 2000 under the impact of the region's 60% rise in fuels exports. Regions which import primarily fuels from Africa (e.g. North and Latin America) increased their shares in Africa's merchandise exports while the shares of other regions stagnated or decreased. African exports to North America – of which three quarters are fuels – went up by more than two thirds in 2000, bringing its share in Africa's total exports to 18%, the highest level in the past decade. While African exports to Asia, and in particular to Western Europe, have a more diversified product structure than those to North America, the share of fuels in these trade flows is still close to one half, making this the major factor in the expansion of these trade flows by one quarter in 2000. Consequently, the shares of Western Europe and Asia in Africa's total exports remained – at 50% and 17% respectively – roughly

Table 8

GDP and trade developments in Africa, 1990-2000

(Annual percentage change)

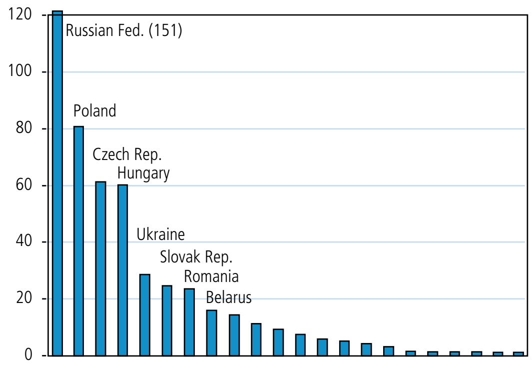
	Africa			South Africa			Other Africa		
	1990-00	1999	2000	1990-00	1999	2000	1990-00	1999	2000
GDP	2.3	2.5	3.1	1.7	1.9	3.2	2.4	2.6	3.1
Merchandise									
Exports (value)	3.5	9.5	26.5	3.0	1.5	12.5	3.5	12.5	31.0
Imports (value)	4.0	-2.5	6.5	5.0	-8.5	11.0	3.5	-1.0	5.5
Commercial services									
Exports (value)	5	10	1	4	-4	1	5	13	1
Imports (value)	4	-3	9	3	1	0	4	-4	10

Chart 7

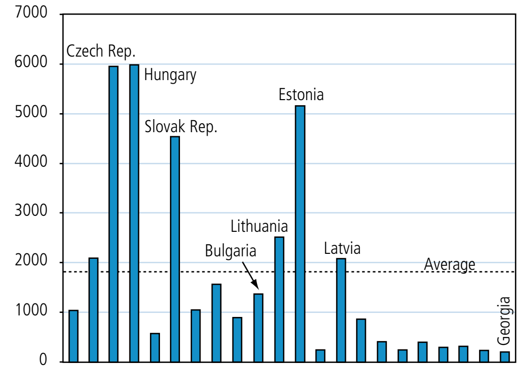
Transition economies. Merchandise trade by country, 1995-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

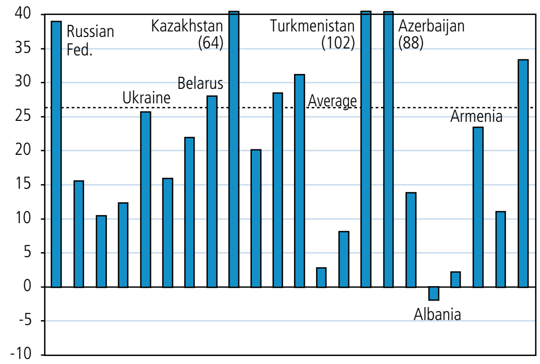
Merchandise trade of transition economies, 2000
(Exports plus imports, billion dollars)



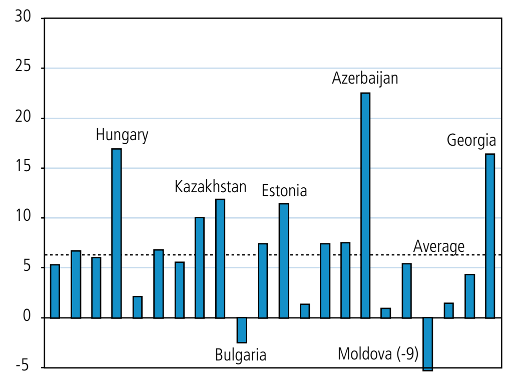
Per capita merchandise trade of transition economies, 2000
(Exports plus imports, dollars)



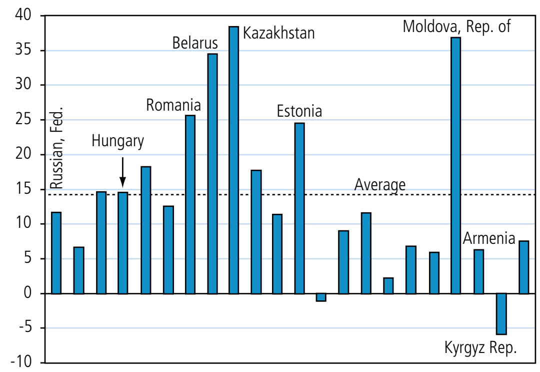
Merchandise exports of transition economies, 2000
(Percentage change in dollar values)



Merchandise exports of transition economies, 1995-2000
(Average annual percentage change in dollar values)



Merchandise imports of transition economies, 2000
(Percentage change in dollar values)



Merchandise imports of transition economies, 1995-2000
(Average annual percentage change in dollar values)

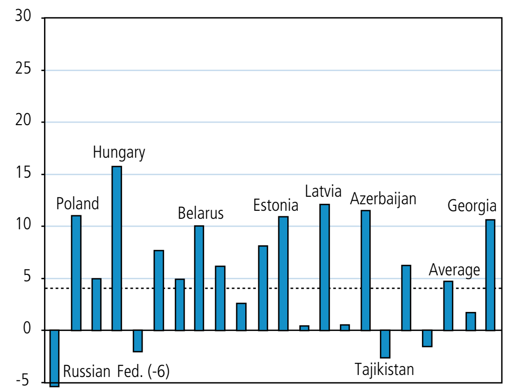
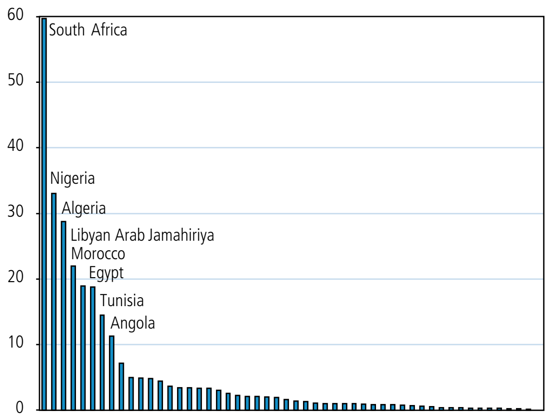


Chart 8

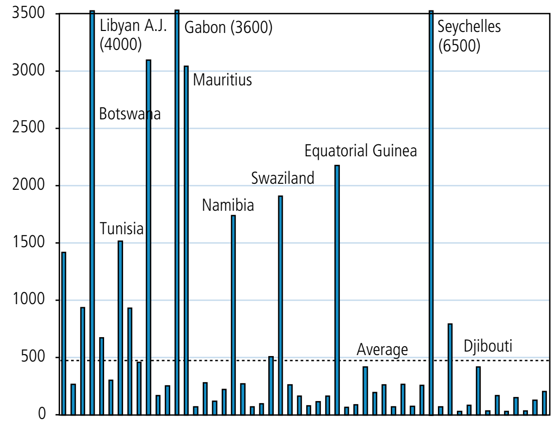
Africa. Merchandise trade by country, 1990-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

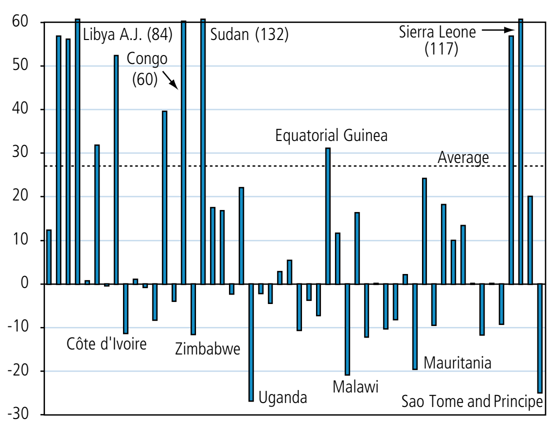
Merchandise trade of African countries, 2000
(Exports plus imports, billion dollars)



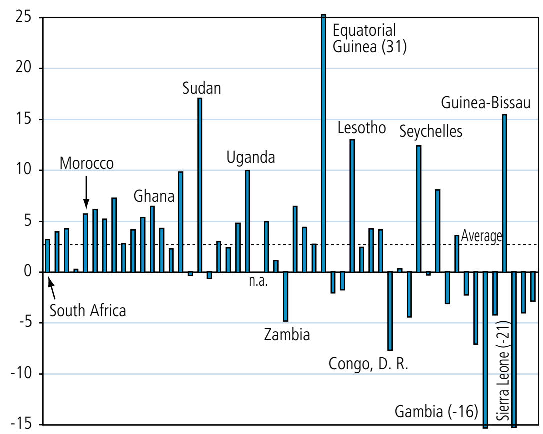
Per capita merchandise trade of African countries, 2000
(Exports plus imports, dollars)



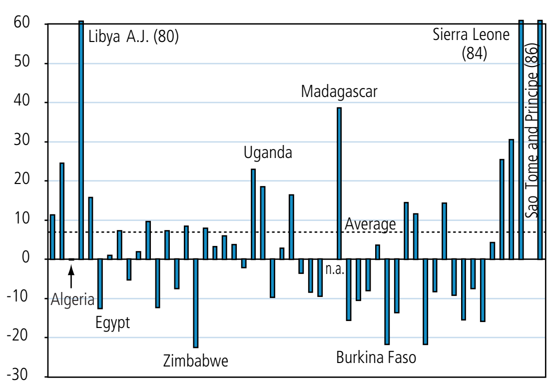
Merchandise exports of African countries, 2000
(Percentage change in dollar values)



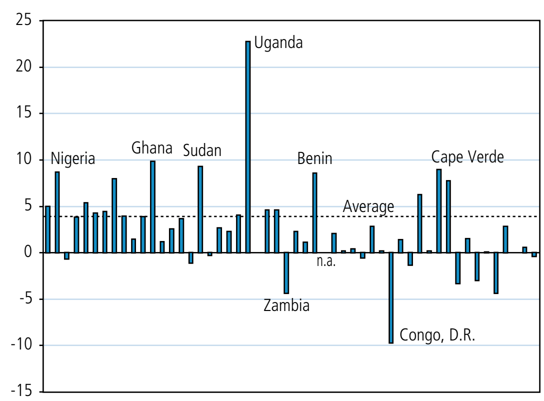
Merchandise exports of African countries, 1990-2000
(Average annual percentage change in dollar values)



Merchandise imports of African countries, 2000
(Percentage change in dollar values)



Merchandise imports of African countries, 1990-2000
(Average annual percentage change in dollar values)



unchanged from the preceding year. It is estimated that intra-African trade increased by 12%, which implies a decrease in this share to about 7.5%, the lowest level in the last five years (see Table III.58).

In addition to the sharp rise in fuels exports, other major features of Africa's merchandise exports include a marked decrease in agricultural exports, a stagnation of clothing shipments and a sharp rise in exports of chemicals and other semi-manufactured goods (including diamonds).

Chart 8 summarizes Africa's merchandise trade by country for the year 2000 and the period 1990-2000. Three features standout. First, Africa's trade is highly concentrated, with four countries alone out of 52 accounting for more than one half of Africa's trade. Second, as it is indicated by the marked differences in per capita trade, the importance of merchandise trade differs dramatically among African countries. Third, the chart reveals that there is a large variation in the individual trade performance of African countries not only in 2000 but also over the 1990-2000 period. Over the last ten years 11 African countries expanded their exports faster than the 6% increase in world trade, while 14 African countries exported less in 2000 than ten years earlier – confirming the point made in connection with LDC trade that aggregated regional data often conceals highly divergent developments at a more disaggregated level.

The Middle East, where fuels account for three quarters of merchandise exports, was the region that benefitted most from the oil price increases over the last two years. For the second year in a row, it recorded the highest export growth of all the regions and its share in world merchandise exports reached 4.2% the highest level since 1985. Despite the sharply higher export earnings, imports of merchandise recovered only by 13.5%, resulting in a substantial trade and current account surplus.

Commercial services exports rose by 15% to 34 billion dollars in 2000. Although commercial services exports of the region have expanded faster than imports over the last four years, the region still recorded a commercial services deficit in the order of 22 billion dollars, offsetting about one fourth of the region's merchandise trade surplus.

The regional pattern of the Middle East's merchandise exports shows above average growth to Asia and North America and below average growth to Western Europe. This relative strength of shipments to Asia and North America is not limited to recent years but can be observed as well for the past decade. Asia's share in the Middle East's exports of mining products reached 58% and approached one half of the region's total merchandise exports. Asia is also the major market for the region's chemicals exports. Largely due to the development of a petrochemical industry, chemicals have become the second major product in the Middle East's exports, accounting for about 6% of the region's total merchandise exports. The share of intra-regional trade in total trade is estimated to have been about 6.5% last year, unchanged from 1990.

The trade performance of individual countries in the Middle East is shown in Chart 9. Those countries which export primarily crude oil recorded increases in their exports in excess of 50%, while the fuel importers recorded export growth rates below 10%, with the notable exception of Israel. Israel's strong export performance in the 1990s and in 2000 can be partly attributed to the strength of its exports in office and telecom equipment.

Yemen and Kuwait recorded the highest export growth in the 1990s due to an expansion of their crude oil production. In the case of Yemen, new wells more than doubled oil output while in Kuwait production has recovered from the low level following the Gulf War.

While **Asia's** economic recovery continued in 2000, the 3.5% GDP growth was below that recorded in the first half of the 1990s. Japan's economy, the largest in the region, reported a lacklustre growth of 1.5% last year, in contrast to the nearly 7% GDP growth in developing Asia. The five Asian countries most affected by the financial turbulence in 1997/98 – recorded an average GDP growth of 6.5%. However, growth rates differed markedly between those countries, ranging from nearly 9% for the Republic of Korea to 4% in the Philippines. China's reported GDP growth was 8% in 2000, down slightly from the 10% average growth in the 1990s, the latter a significant achievement for the most populous country in the world.

Despite the moderate acceleration of Asia's economic growth in 2000, its trade volume surged by more than 15%, about twice the average growth rate for the 1990s. The merchandise export volume of the five Asian countries just mentioned expanded by nearly 20% and imports recovered nearly as fast. Japan's import growth over the last two years is astonishingly strong given the near stagnation of its economy. Nevertheless, the expansion in the volume of exports and imports was less than the world average, both in 2000 and throughout the decade.

For the second year in a row, Asia's merchandise imports (in value terms) expanded faster than the region's merchandise exports. However, in 2000 Asia's 23% share in world merchandise imports remained below its previous peak of 25% in 1995, while Asia's export share recovered to its previous peak (see Chart III.18). Asia's commercial services exports rose by 12% in 2000, twice the world average, while the region's imports rose by 8%. The excess of the region's export over import growth can be attributed largely to the region's two largest commercial services exporters, Japan and Hong Kong, China. Both recorded a rise in their commercial services exports of 13% in 2000, while their imports rose only moderately (see Table III.79).

Table 9

Trade developments in the Middle East, 1990-2000

(Annual percentage change)

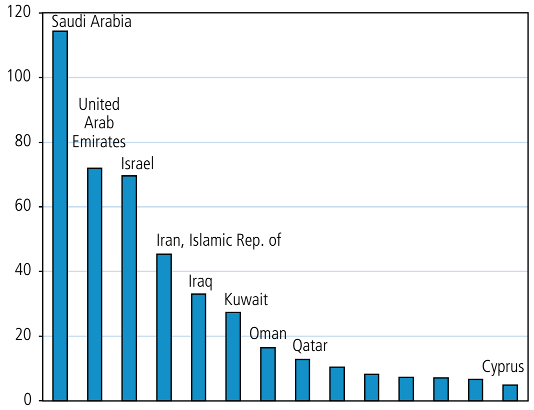
	1998	1999	2000	1990-95	1995-00	1990-00
Merchandise						
Exports (value)	-21.0	28.0	46.5	1.5	12.5	7.0
Imports (value)	-0.5	1.5	13.5	5.5	5.5	5.5
Commercial services						
Exports (value)	5	10	15	8	8	8
Imports (value)	-8	2	10	4	5	4

Chart 9

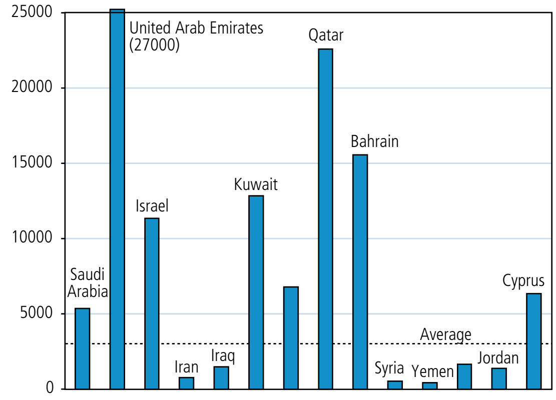
Middle East. Merchandise trade by country, 1990-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

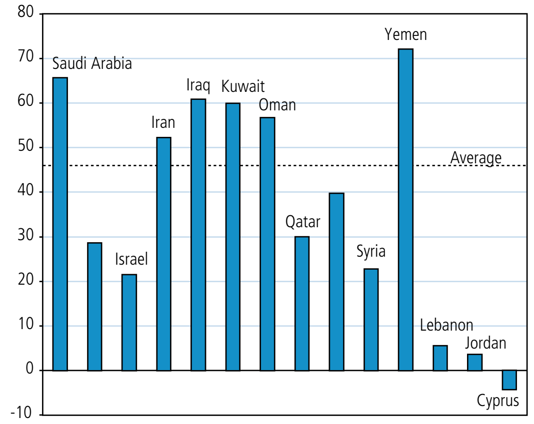
Merchandise trade of Middle Eastern countries, 2000
(Exports plus imports, billion dollars)



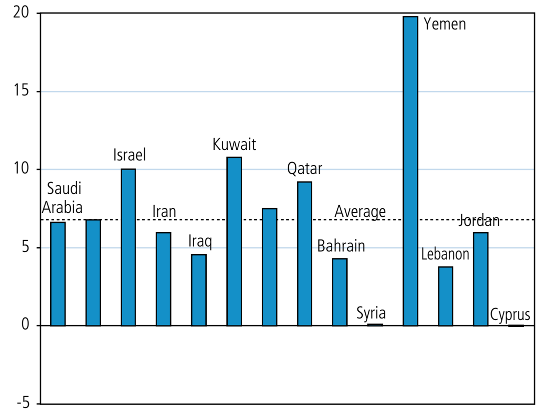
Per capita merchandise trade of Middle Eastern countries, 2000
(Exports plus imports, dollars)



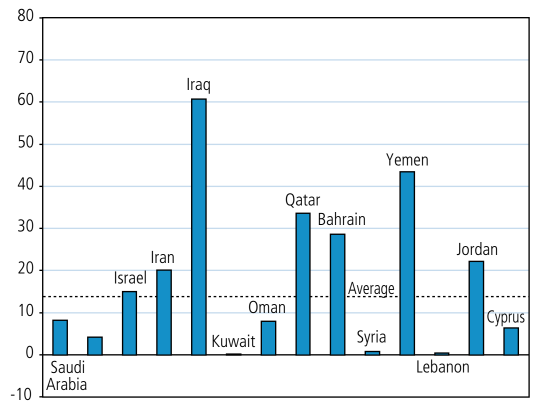
Merchandise exports of Middle Eastern countries, 2000
(Percentage change in dollar values)



Merchandise exports of Middle Eastern countries, 1990-2000
(Average annual percentage change in dollar values)



Merchandise imports of Middle Eastern countries, 2000
(Percentage change in dollar values)



Merchandise imports of Middle Eastern countries, 1990-2000
(Average annual percentage change in dollar values)

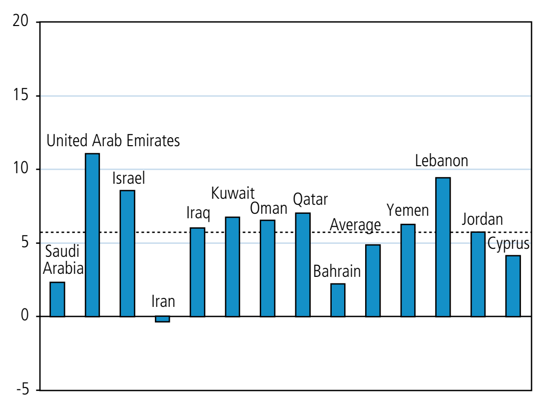


Table 10

GDP and trade developments in Asia, 1990-2000

(Annual percentage change)

	Asia				Japan				Asia (5) [a]			
	1990-00	1998	1999	2000	1990-00	1998	1999	2000	1990-00	1998	1999	2000
GDP	3.2	0.0	2.8	3.4	1.3	-1.1	0.8	1.5	5.2	-8.1	6.5	6.7
Merchandise												
Exports (value)	8.5	-6.0	7.5	18.5	5.0	-8.0	8.0	14.5	11.5	-3.5	10.0	18.5
Imports (value)	7.5	-18.0	10.5	23.5	5.0	-17.0	11.0	22.0	8.5	-31.0	15.0	27.5
Exports (volume)	8.0	3.5	7.0	16.0	3.0	-1.5	2.0	9.5	14.0	14.5	14.5	19.0
Imports (volume)	7.5	-8.5	9.0	15.5	5.5	-5.5	9.5	11.0	8.5	-21.5	10.5	17.5
Commercial services												
Exports (value)	9	-13	4	12	5	-9	-2	13	10	-22	0	5
Imports (value)	7	-11	6	8	3	-9	3	1	11	-25	4	15

[a] Asia (5) comprises the five countries most affected by the financial crisis in 1997/98: Indonesia, the Republic of Korea, Malaysia, Philippines and Thailand.

There was a 25% expansion of intra-regional merchandise exports in 2000, which now accounts for nearly one half of Asia's exports. Although this represents a marked advance compared with the 42% share in 1990, it is still below the previous record level of 52% reached in 1996 before the outbreak of the financial crises. The share of North America and Western Europe in Asia's exports decreased somewhat in 2000 (to nearly 26% and 17% respectively) but still remained above the 1995 levels (see Table III.72).

The major product groups in Asia's merchandise exports recorded rather divergent rates of expansion in 2000, ranging from nearly 40% for fuels to 8% for automotive products. Product groups that expanded by at least 20% in 2000 include iron and steel, office and telecom equipment, and other machinery and transport equipment. Exports of agricultural products rose by 11%, a strong performance given the weakness of international food prices. Intra-Asian trade in agricultural products was up 14% and accounted for nearly two thirds of the region's agricultural exports. Office and telecom equipment again showed the highest expansion in value – except fuels – in 2000, bringing its share in Asia's merchandise exports to a record 27%. It has not only become Asia's major merchandise export product but also the product for which Asia has the largest share – nearly one half – in world exports (see Table III.71).

Asia's merchandise trade by country showed more variation on the import than on the export side in 2000. Among the Asian economies shown in Chart 10, nine recorded export growth in excess of 25%, while only one (Fiji) recorded a contraction. As for merchandise imports, value increases in excess of 25% were reported for seven economies, while for seven other Asian economies imports either stagnated or declined. In some cases the strong export growth can be traced partly to higher prices for oil (Indonesia, Viet Nam and Brunei Darussalam) and nickel (New Caledonia).

Merchandise exports from Japan, the regions largest trader, expanded less rapidly than exports from the rest of Asia not only in 2000 but also throughout the 1990-2000 period. Consequently, its share in Asia's exports decreased from 36% in 1990 to 26% in 2000. The seven most dynamic Asian traders with annual export and import growth in excess of 10% throughout the 1990-2000 period include Cambodia, China, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines and Viet Nam. However, despite their rapid trade expansion Cambodia, Lao People's Democratic Republic and Myanmar still had a very low level of trade per capita (less than 200 dollars) in 2000. The major change in Asia's trade by country over the last decade is the increased weight of China. In 1990, China was the fourth largest exporter and fifth larger importer in Asia, and its trade was about one fifth that of Japan. In 2000, China has become Asia's second largest trader, accounting for 15% of Asia's trade, and its trade was equivalent to roughly one half of Japan's trade.

6. Developments in the first half of 2001 and outlook for the year as a whole

Following the strong growth of world trade in 2000, a marked deceleration in 2001 was widely anticipated, with parts of the world economy already showing signs of weakening in the fourth quarter of 2000 (Chart 11). For the information technology sector, warning signs had appeared even earlier in the year – with the sharp declines in share prices on the major stock exchanges – but it was only in the first half of 2001 that the full impact on investment and production in this sector became fully apparent. Adjustment to higher energy prices and the effects of tighter monetary policies in the industrial countries for most of 2000 were other major factors behind the weaker economic growth in early 2001. While the slowing of the United States economy in 2001 has, for the most part, matched expectations, short-term growth prospects in many other parts of the world economy became more clouded in the first six months of the year.

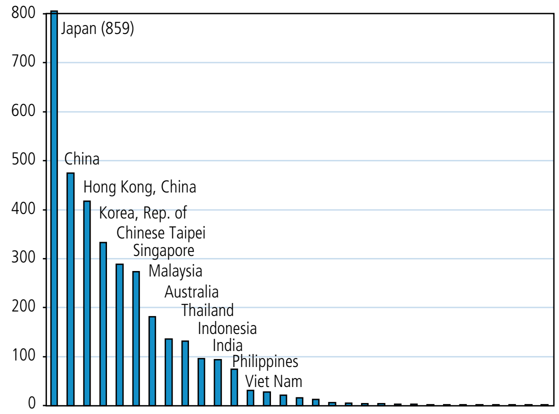
Output growth in Western Europe slowed more than expected in the first half of 2001, while Japan's economy hovered on the edge of a recession. East Asian economies with a large share of information technology products in their export baskets suffered from the very sharp decline in global demand for these products. In contrast, China's economy, helped by strong domestic demand, showed few effects of the weaker economies of its neighbours. Latin America's output growth was revised downwards due to the financial crisis in Argentina and the energy crisis in Brazil. Africa seems to be the only region in

Chart 10

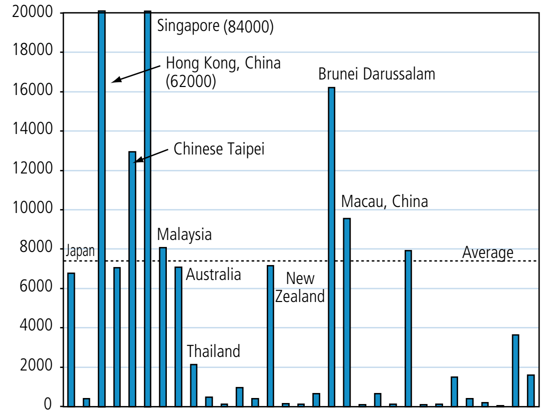
Asia. Merchandise trade by country, 1990-2000

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2000)

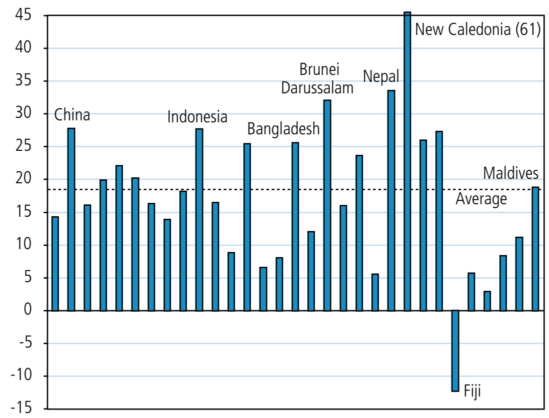
Merchandise trade of Asian countries, 2000
(Exports plus imports, billion dollars)



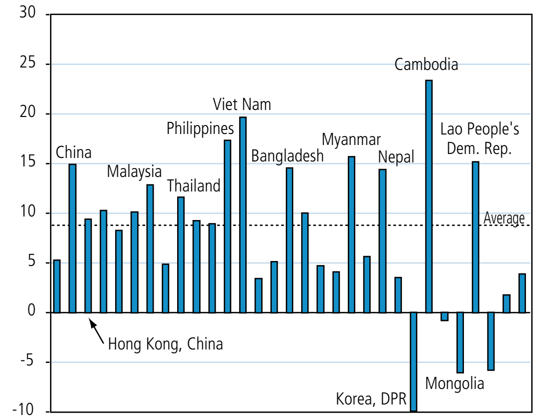
Per capita merchandise trade of Asian countries, 2000
(Exports plus imports, dollars)



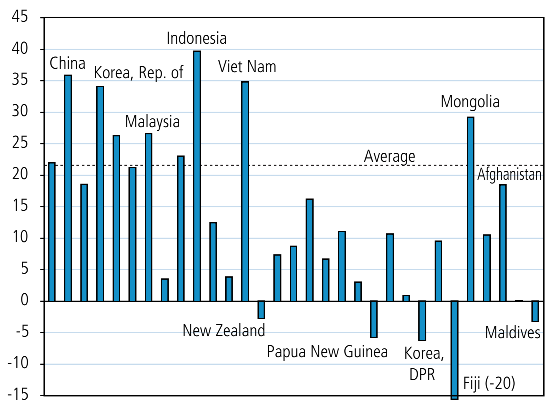
Merchandise exports of Asian countries, 2000
(Percentage change in dollar values)



Merchandise exports of Asian countries, 1990-2000
(Average annual percentage change in dollar values)



Merchandise imports of Asian countries, 2000
(Percentage change in dollar values)



Merchandise imports of Asian countries, 1990-2000
(Average annual percentage change in dollar values)

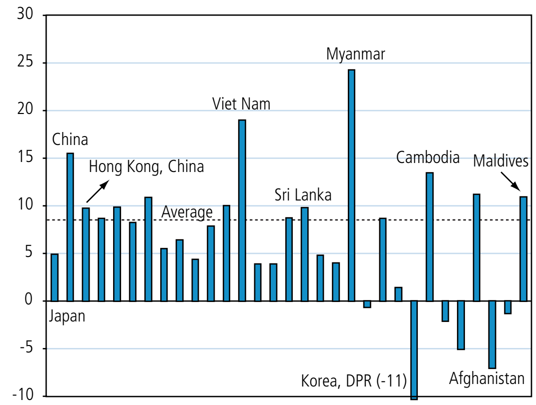
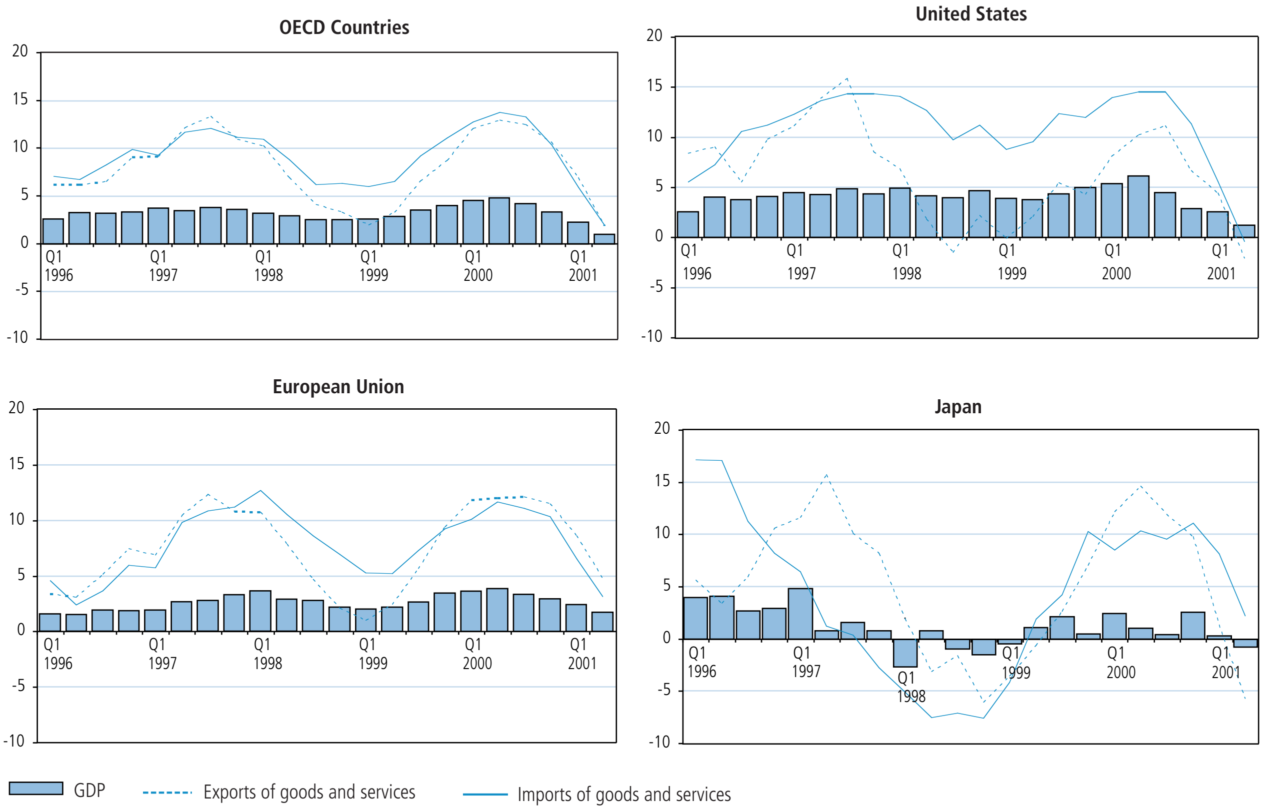


Chart 11

Real GDP and trade growth of OECD countries, 1996-2001

(Percentage change on a year-to-year basis)



which GDP growth may be higher in 2001 than in 2000; however, it was also the region with the lowest growth in 2000 and its growth continues to be well below the average for developing countries.

An important factor behind the sharper-than-expected slowdown in world economic growth is the steep fall in expenditure on information technology products. This sector, which played a key role in the outstanding economic growth in many regions during the second half of the 1990s, is now undergoing severe contractionary pressures. Worldwide sales of personal computers in the second quarter of 2001 were below their level in the corresponding period of 2000, and are expected to remain below last year's level for the full year 2001 – the first ever such annual decline. In June 2001, the value of global shipments of semi-conductors – also a major item in world trade – was down 30% compared with its level a year earlier.[10]

Preliminary figures for the first half of 2001 indicate that the deceleration of trade growth this year will be much sharper than previously expected. Factors behind the downward revision include the unexpectedly strong slowdown in demand growth in Western Europe, the stagnation of imports into the United States in the first half of the year, and the repercussions on trade – especially that of East Asia – of the dramatic downturn in production and investment in the information technology industry world wide.

With inflation in all major regions at low levels, the appreciation of the US dollar *vis-à-vis* the currencies of the major traders in Western Europe and in Asia led to a fall in the prices of internationally traded goods. Falling US dollar prices and a slowdown in volume growth, in turn, caused a sharp deceleration in the growth in the dollar value of world trade. According to preliminary data, the value of world trade increased only 1% in the first half of 2001, after an increase of 12.5% for 2000; it appears that in the second quarter of 2001 the value of world trade fell to a level below that of a year ago.

Japan and the Asian developing countries which are major traders in office and telecom equipment reported double-digit percentage declines in the value of their merchandise exports and imports in the second quarter of 2001 (on a year-over-year basis). China's vigorous trade expansion slowed in the first half of 2001; but with imports still growing at double-digit rates and exports up by 9%, its sizeable trade surplus decreased. The relative strength of China's trade developments in the first six months of 2001 can be attributed to its strong domestic demand growth, the stability of its currency *vis-à-vis* the US dollar and a relatively small share of office and telecom products in its merchandise trade.

Growth in the value of North America's trade decelerated further in the first quarter of 2001, and in the second quarter both exports and imports were below their year-earlier levels. Latin America's trade in the first half, in contrast, expanded by about 5% despite the sharply slower growth in Mexico's trade. Western Europe's merchandise exports and imports are estimated to have increased by only 2.5% and 1.5% in value, respectively, during the first half due to lower volume growth and the valuation effect of the depreciation of the euro and other European currencies *vis-à-vis* the US dollar. Stimulated by

[10] Semi-conductor Industry Association, Press Release August 2, 2001.

the Russian Federation's strong 20% import expansion, the transition economies turned in the best trade performance among the major regions during the first half of 2001.

On the basis of the latest available data, world merchandise trade is expected to grow in volume terms by only 2% in 2001, instead of the 7% projected earlier in the year. Moreover, there is great uncertainty about trade and growth developments in the fourth quarter of 2001, particularly in light of the tragic events of 11 September 2001, and thus even the 2% trade growth forecast must be considered tentative. Trade in Western Europe and the transition economies is expected to increase somewhat more than 2%, while that of North America is likely to be below the global average. Projections for Japan foresee a contraction in exports, coupled with a moderate growth in imports.