# World Trade Developments in 2001 and Prospects for 2002



## 1. Main Features

The year 2001 witnessed an unexpectedly sharp downturn in the expansion of global output and a decline in world trade. World GDP, which in the preceding year recorded its highest annual growth rate in more than a decade, edged up by about 1.5%. World trade decreased by 1.5% after expanding 11% in the preceding year. For the first time since 1982 world trade growth was negative. The slump in global output growth can be attributed to a decline in the major industrial country markets and the East Asian economies with a high share of IT industries in their total output.

Setting the recent slowdown into an historic perspective, it can be shown that the three previous downturns in global economic activity since 1970 have been more pronounced than in 2001, as in each case global population growth exceeded global output growth, a development that was not observed in 2001.[1]

Governments and central banks in the major economies succeeded in attenuating the repercussions of slack investment and consumption and to cushion the impact of the shock of September 11 on the business and consumer confidence. The weakness in global economic activity was not triggered by a tightening of monetary policy (as in 1981) nor by restrictive fiscal policies in industrial countries.[2]

Between 2000 and 2001, the general government fiscal balances of industrial countries recorded either a declining surplus (e.g. US and UK), a shift from surplus to deficit (e.g. Euro area) or the maintenance of a large deficit (e.g. Japan).[3] Although the rate of expansion of private consumption in the industrial countries weakened under the impact of lower income growth and marginally higher personal savings rates, at 2.2% it remained stronger than overall demand growth.

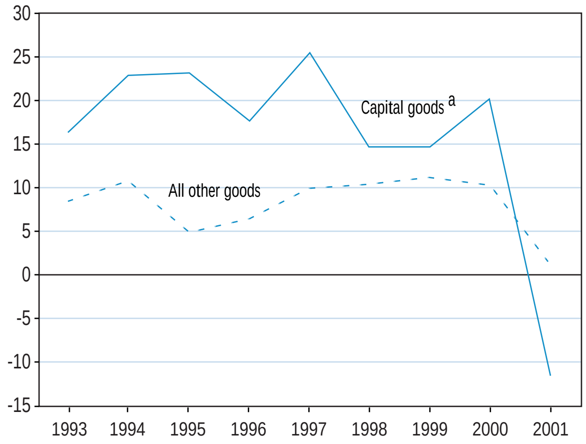
There was a marked contrast between the moderate slowdown in the expansion of private and public consumption in the industrial countries and the contraction of investment in 2001. Fixed investment, which was a motor of economic growth in the second half of the 1990's, contributed significantly to weakness in global economic activities. There was a noteworthy difference in the investment decline among the industrial regions. In North America the decrease was focussed on non-residential investment while residential investment continued to grow. In the EU and Japan, however, the marked decline of residential investment contrasted with the stagnation of non-residential investment.

The sharp contraction of non-residential fixed investment in North America in 2001 (-3%), after a year in which it surged by nearly 10%, was a key feature explaining the slowdown in world trade and in particular that of capital goods. Reviewing US imports over the last business cycle, it can be shown that capital goods imports had been the most dynamic component until 2000, but fell dramatically in 2001 (see Chart 1).

Chart 1

**Rise and decline of US capital goods imports, 1993-2001**

(Annual percentage change in volume terms)




a Excluding automotive products.

The burst of the IT bubble in 2001 was the outstanding feature of the contraction of non-residential investment in 2001. Although the turnaround in profitability trends and business perspectives for the IT industries had occurred in early 2000, the full brunt of the fall in expenditure on IT equipment by investors and consumers occurred only in 2001. Among the IT component industries, the semi-conductor industry was particularly hit, highlighted by a fall in the industry's global sales value by 29%. There was also a drop in personal computer unit sales, the first time in more than 15 years. Even sales of mobile phone sets, which expanded in 2000 by more than one half, stagnated as falling sales in the North and West European markets could not be fully offset by expanding markets in Asia. The weaker demand for IT products had dramatic repercussions on those economies in East Asia which have built up IT industries and specialized in the exports of IT products. As a direct consequence of this slump in demand of IT products, some of these East Asian economies recorded a recession for the first time in the last three decades (e.g. Singapore, Chinese Taipei).

Capital flows, in particular foreign direct investment, increased sharply in the second half of the 1990's not only in absolute terms, but also relative to global GDP. The ratio of gross capital flows to GDP rose for the developed countries to more than 15% in 1999/2000, more than three times the level recorded at the beginning of the nineties. In 2001, however, gross capital flows declined by more than one-third, with the brunt of the fall in flows among developed countries. Falling stock markets and the end of the merger and acquisition boom markedly reduced FDI flows among the developed countries. While net capital flows to the five East Asian crisis countries remained negative in 2001 for the fifth year in a row, Latin America recorded strong net capital inflows in 2001. The size of the Latin American net-capital inflow is, however, dwarfed by that of the United States which was with about $300 billion – approximately five times larger than that of Latin America. The US current account deficit, which widened further to a record US$300 billion (equivalent to 4% of GDP), could be financed by increased bank loans and purchases of US bonds, while net-FDI inflows contracted sharply. The US dollar exchange rate appreciated *vis-à-vis* all the major currencies (yen, euro, British pound), which lowered US import prices and further enhanced the price competitiveness of foreign goods on the US market. While this development can be welcomed, as it helps to keep inflation low in the US, it also contributes, however, to the

[1] IMF, WEO April 2002, p. 10. For world trade, however, the decrease in 2001 was stronger than ten years ago but still smaller than in 1975 and 1982.

[2] BIS, Annual Report 2002.

[3] The IMF reports that for the major advanced countries the general fiscal deficit continued to widen from 0.3 to 1.3% of GDP between 2000 and 2001. (IMF, WEO April 2002, p. 16)

rising US current account deficit. The large and increasing US current account deficit is only sustainable as long as the very low US savings rate is balanced by the willingness of foreign investors to continue to buy assets in the US in the form of bonds and stocks, and accumulate the dollar holdings in their foreign exchange reserves. In this situation there are two major risks. First, a rapid rise in US savings rates to levels prevailing throughout the 1980's would steeply cut imports and exert a contractionary force on world trade. After all US merchandise imports account for one-fifth of world trade and for more than one quarter of developing countries' exports. Another risk associated with the present rise of the US current account deficit would be a change in investors' attitudes *vis-à-vis* holding dollar assets. If central banks no longer increase their dollar foreign exchange holdings as much as in recent years and private investors and banks reduce their net purchases of US stocks and bonds, the US dollar exchange rate would be adversely affected and an abrupt change could contribute to an increased instability of exchange rates.

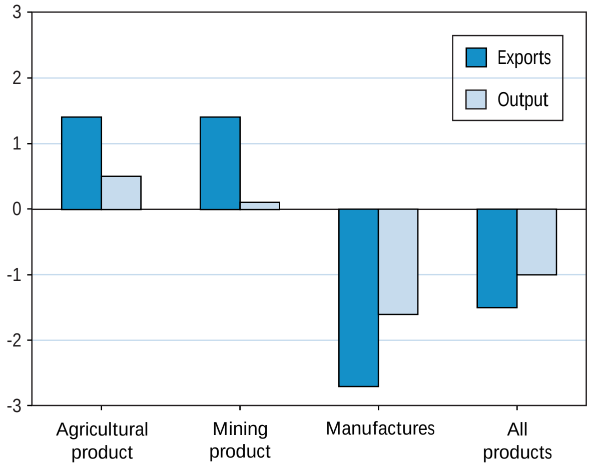
Global price inflation decreased further in 2001. Lower oil prices and a further decrease of non-fuel commodity prices contributed to this development. Prices for internationally traded manufactured goods decreased as much as non-fuel commodity prices partly due to sluggish demand in North America, Western Europe and East Asia (excluding China).

The immediate economic repercussions of the tragic events of September 11 in the US on the global economy could be observed in the shock wave sent to the global stock markets, as business and consumer confidence took a severe blow. Business activity in and with the United States was affected by the disruptions to transportation of passengers and merchandise, above all at the US border. The direct costs of the economic damages for the insurance sector have been estimated between 30 and 58 billion dollars.[4] The medium and longer term repercussions of the terrorist attacks on international trade flows are uncertain in their magnitude but differ significantly by sector and by region. The insurance industry, air transportation and aeronautics, and tourism, are among the sectors most affected. Trade flows to and from the countries and regions perceived to be linked closely to the events of September 11 are expected to be more affected than trade flows among regions more distant from the events. The longer-term consequences of additional security investments at airports and harbours and higher insurance premiums are bound to increase transaction costs in international trade. In the weeks after the terrorist attacks, some observers estimated "that the tighter border inspections could add some one to three percentage points" to transaction costs through the cost of time delays, paperwork, and compliance related to border crossing for North American trade flows.[5] The actual development of insurance premiums and transportation costs since September 2001 has shown that these initial estimates were too pessimistic, even for North American trade. For world trade the repercussions are in general even smaller than for trade flows to and from the United States. However, there is no doubt that some products and sectors and certain origins could be severely affected by an increase in transaction costs. Products with high transportation costs (e.g. air transported fresh fruits or cut flowers), tourism depending on long haul air transport, especially in regions associated with the conflict, and products originating from regions with a perceived security problem are most likely to experience increased costs and suffer from reduced demand growth. If, contrary to current expectations, international transaction costs increase in a significant way one would also see an overall structural change towards a lower income elasticity of international trade – in other words, a slowdown in the globalization process.[6]

## 2. Global merchandise output and trade volume developments by sector

Similar to previous business cycles, global merchandise output showed a greater deceleration than world GDP in the recent downturn. Based on preliminary data, it is estimated that world merchandise production decreased by 1% in 2001, the first negative rate since 1982. World GDP, however, continued to expand moderately for the year as a whole due to the services sector, which is commonly less affected by cyclical variations than the goods sector. Manufacturing output, which typically records a more dynamic growth rate than the agricultural and mining sectors, contracted in 2001 after achieving the highest annual growth for more than a decade in 2000. Although agricultural and mining production were also affected by the adverse cyclical developments, the impact remained far weaker than for the manufacturing sector. Mining output, which is largely determined by developments in the fuels sector, stagnated while agricultural output edged up slightly in 2001. The pattern of global trade by sector broadly mirrored developments on the production side. Trade in manufactured goods fell by nearly 3% while that of agricultural and mining products expanded at 1.5%. However, due to the large share of manufacturing in the total global merchandise trade growth fell back more steeply than total merchandise output (see Chart 2). This is not an unusual pattern in a downturn and should not be interpreted as a new feature or a structural change in global trade flows.

Chart 2
**World merchandise trade and production by major product group, 2001**
(Annual percentage change in volume terms)




The resilience of agricultural trade in 2001 was largely due to the rebound in Latin American shipments, the continuation of the export boom of the transition economies and the above average

[4] Insurance claims put forward reached 27.4 billion dollars in January 2002. OECD, Economic Outlook of the OECD, June 2002.

[5] Jeremy A. Leonard, "The impact of the September 11, 2001 terrorist attacks on North American trade flows," Manufactures Alliance/MAPI E-146 (October 2, 2001).

[6] A broader discussion on the global economic consequences of the terrorist attacks of September 11 can be found at: IMF, World Economic Outlook, April 2002; OECD, Economic Outlook of the OECD, Chapter IV, June 2002, OECD, Working Party of the Trade Committee, Trade policy and the war on terrorism, TD/TC/WP/(2000)9/Rev.1/Add.1 and World Tourism Organisation, "The impact of the September 11th attacks on tourism: The light at the end of the tunnel" April 2002.

growth in Asian exports. North America's exports decreased slightly and West European exports were reduced by nearly 2% under the impact of various animal diseases, which lowered West European livestock production and caused widespread consumer concerns about food safety, eventually leading to a fall in meat consumption.

The transition economies remained the most dynamic exporter of mining products for the second year in a row. The two leading net exporters in this product category, the Middle East and Africa, expanded their shipments somewhat faster than the global average. The three net importing regions reported moderate export growth (Western Europe), stagnation (Asia) and contraction (North America) of their exports of mining products in volume terms.

The contraction of world exports of manufactures in 2001 was quite uneven among the four leading exporting regions. While the manufactured goods exports of Asia and North America contracted by more than 5%, those of Western Europe and Latin America stagnated or decreased marginally. An outstanding feature in manufacturing trade was the double digit increase of manufactures exports from the transition economies in a year when global trade in manufactured goods contracted.

## 3. Trade value developments by product and region

The severity of the downturn in world trade values was even more pronounced than in volume terms, as dollar prices of internationally traded goods decreased in 2001. Merchandise exports recorded a decrease of 4.5 percent, the steepest decline in more than a decade, contrasting sharply with the 6.5 percent average expansion recorded in the 1990s. Commercial services exports, which expanded at the same rate as merchandise trade between 1990 and 2000, declined marginally in 2001. This was the first decrease in world exports of commercial services since 1983 (see Table 1).

The pattern of world merchandise exports by product category in 2001 reflects the main features of the slowdown in the global economic activities in 2001. Firstly, the burst of the IT bubble and the decline in IT expenditure caused an unprecedented shrinkage of international trade in office and telecom equipment of nearly 14%.[7] This was the strongest decrease of any major product category in 2001, and contrasts sharply with developments over the last decade, when trade in this product group expanded annually at 12%, or two times faster than global trade (see Chart 3).

Secondly, the sharp reversal from strong growth in 2000 to a contraction of output during the course of 2001 left its mark on products which exhibited a high sensitivity to cyclical variation such as non-ferrous metals and iron and steel. Both product categories recorded faster than global export growth in 2000 and some of the steepest export declines of all product groups in 2001. Both price and demand developments contributed to these large cyclical variations.

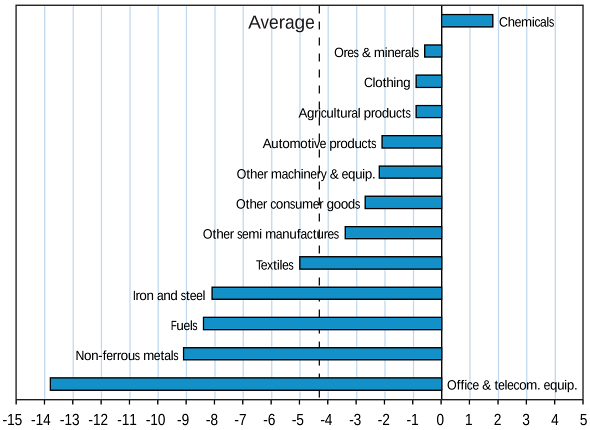
Thirdly, the decline in crude oil prices by 9% has been the major factor in the 8% decrease of world fuels exports, as the volume of fuels traded remained roughly unchanged from the preceding year.

Finally, textiles recorded an above average export decrease in 2001, confirming a long-term trade pattern where trade growth consistently lags behind global trade expansion. Since 1990, the share of textiles in world merchandise trade fell from 3.1% to 2.5% last year.

Chart 3

**World merchandise exports by product, 2001**

(Percentage change over preceding year)




The only major product group which recorded an increase in its export value was chemicals. It was also the only other product group besides office and telecom products which had increased its share in world merchandise trade between 1990 and 2000. The strength of trade in chemicals was principally the result of dynamic growth in pharmaceutical products. Other chemicals such as plastics, organic chemicals and fertilizers tend to be negatively affected by declining oil prices. Chemical exports other than pharmaceuticals decreased in 2001.

A noteworthy performance was recorded in respect of agricultural products, for which the export decrease in 2001 was small enough to increase its share in world exports for the first time since 1994. Exports of food products stagnated, while those

[7] World exports of all three major IT product groups, i.e. computers (SITC 75), telecom equipment (SITC 76) and semiconductors, and transistors (SITC 776) fell at double digit rates. Exports of semiconductors and other electronic components shrank by more than one fifth.

Table 1

**World exports of merchandise and commercial services, 1990-2001**

(Billion dollars and percentage)

| | Value | Annual percentage change | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 1990-00 | 1999 | 2000 | 2001 | 2002 First half |
| Merchandise | 5984 | 6,5 | 4,0 | 13,0 | -4,5 | -4,0 |
| Commercial services | 1458 | 6,5 | 3,0 | 6,0 | -0,5 | … |

of agricultural raw materials decreased by 8% under the impact of weak prices.

As regards the three major categories of commercial services trade, annual variations remained in a narrow range and all categories were similarly affected by the contraction of commercial services trade in the course of 2001. The September 11 events left a clearly distinguishable but still moderate impact, in particular on global receipts from air transportation, travel and other commercial services (see Table IV.2).

In 2001, all seven major geographic regions[8] recorded lower export and import growth than in the previous year, as global economic activity weakened and dollar prices of international trade decreased further. The four largest trading regions, Western Europe, Asia, North America and Latin America all recorded a contraction of both export and import values.

The transition economies, however, recorded an increase in both their merchandise export and import values. Among the explanatory factors for this outstanding trade development is the relative strength in FDI inflows and the increased production linkages in numerous sectors between Central and Eastern Europe with Western Europe. Exports of manufactured goods from Central/Eastern Europe to the EU (or WE) increased by 12%, while intra and extra-EU imports decreased in 2001. Following a steep rise in 2000, Russia's exports decreased under the impact of declining oil prices in 2001. The decline in merchandise fuels export values was moderated, however, by the price adjustment mechanism for exported gas which led to an increase of gas prices in 2001 (see Chart 4).

Crude oil price developments had also been the major determinant of the exports of the Middle East which in 2001 reported the sharpest contraction in merchandise export values of all regions only one year after recording the highest regional growth rate. The slump in global demand for IT products as well as a tense political situation contributed to the reduction in exports and imports of Israel, the leading exporter of manufactures in the region. Merchandise imports of the Middle East region, however, continued to increase, sustained by a large trade surplus.

Asia's merchandise exports decline in 2001 was matched only by that of the Middle East and turned out to be even steeper than in 1998 in the aftermath of the Asian financial crisis. In contrast to 1998, Asia's merchandise exports shrank more than imports in 2001. The Asian countries with the weakest export performance in 2001 were Japan and those developing countries with a high share of IT products in their export basket. Chinese Taipei, Malaysia, the Philippines and Singapore which all had a share of office and telecom equipment of between one-third and somewhat more than one half of total exports in 2000, recorded double digit decreases in their merchandise exports and imports.[9] (see Table III.73)

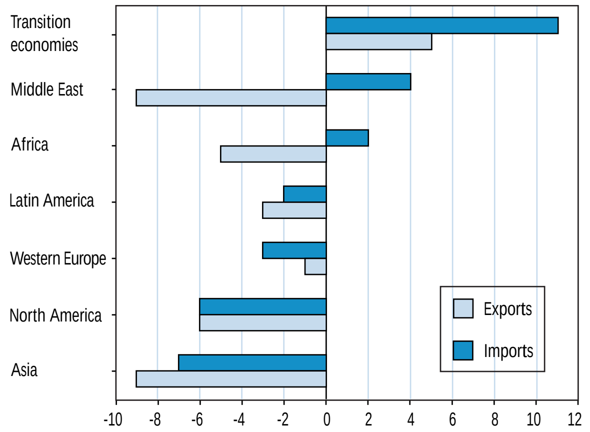
North America, which represented a powerful motor in world trade developments between 1996 and 2000, recorded an above average contraction with a 6% decline of both exports and imports in 2001. Imports of iron and steel, and of office and telecom equipment slumped by nearly 20% in 2001, while all other manufactured goods continued to decrease by less than 5%. Imports of fuels and non-ferrous metals decreased by about 10%, basically reflecting lower prices. Food and chemicals were the only product groups which avoided a year to year decline for both exports and imports. Trade developments by product reflected the sluggishness of investment expenditure in general, and in IT products in particular (see Table III.10).

Western Europe, the world's largest trader, accounting for 40% of world merchandise exports and imports, recorded a slight decrease in its exports and a 3% decrease of the dollar value of its imports in 2001. Expressed in euro terms, the region's exports increased slightly, while imports stagnated in comparison to the preceding year as the dollar continued to appreciate *vis-à-vis* the euro. Nevertheless, even measured in euro terms, there was a marked deterioration in Western Europe's trade expansion if compared with 2000. As Western Europe has by far the highest share of intra-trade of all major regions (more than two-thirds), it is obvious that the deceleration of Western Europe's internal demand growth was the major factor in its sluggish trade performance. The more moderate trade decline of Western Europe in 2001 in comparison to North America and Asia can be partly attributed to the product structure of its exports. Another positive element in Western Europe's export performance was the marked increase of exports to the transition economies (see Table III.35).

Chart 4

**World merchandise trade by region, 2001**

(Percentage change in value)




Merchandise exports and imports from Latin America which recorded the most dynamic trade growth of all regions during the 1990's, experienced a drop in its export and import values which was somewhat smaller than the 4% decrease of global merchandise trade. The region's exports suffered from a marked decline in prices for fuels, coffee and other primary commodities. As North America accounted for more than 60% of Latin America's exports, the marked contraction of US imports negatively affected Latin America's shipments – predominantly those of Mexico. Brazil, the second largest exporter of the region, recorded surprisingly strong export growth despite the adverse price developments and the severe fall in the imports of Argentina, its major MERCOSUR trading partner (see Table III.23 and III.24).

The decline of crude oil prices by nearly 10% in 2001 depressed Africa's exports, as fuels accounted for more than one half of the region's merchandise exports in 2000. Despite the falling prices for many commodities which are of major export interest to many African countries, such as coffee and cotton, the exports of food products to Western Europe increased. Exports of manufactured goods from Africa also recorded positive growth rates in 2001, amounting to a new record level of US$36 billion. African imports edged up slightly as the double digit increases of the oil exporters, (Nigeria, Libya and Tunisia) were only partly offset by the import contraction of South Africa, Egypt and Morocco, three of the five largest African merchandise importers (see Table III.59).

[8] The seven major geographic regions distinguished in this report are Africa, Asia, Latin America, the Middle East, North America, the transition economies and Western Europe.

[9] The Philippines was an exception with imports decreasing by 7%.

World commercial services trade stagnated in 2001 after recording an expansion of 6% in 2000. The sharp deceleration in world services trade must be attributed largely to trade developments in Asia and North America, although Latin America and the Middle East also experienced a stagnation or decline in their trade. The origin of this notable reversal in commercial services trade can be found in the developments in the United States's commercial services imports, which decreased by 7% in 2001 after an expansion of 16% in the preceding year. All services categories were affected, but travel expenditures decreased most (-8%). North America's total services exports decreased far less than its imports in 2001, although the contraction of the region's transport and travel receipts was somewhat larger than the corresponding expenditure. The divergent developments in respect of total commercial services trade is to be attributed to trade in the "other commercial services category" which recorded higher receipts but lower expenditure. This larger decrease of other commercial services can be explained to a large extent by the insurance payments associated with the economic losses caused by the events of September 11 (see Table III.4 and III.5).

Insurance claims for damages on foreign insurers are booked as reductions in insurance expenditure (premium payments). Excluding the US$7.9 billion drop in US imports of insurance services would leave the overall decrease of North American services imports in 2001 at 3%, the same rate as for its services exports.[10]

Asia's contraction of commercial services imports was due to a fall in imports of transport and travel services (in the order of 5%), which was only partly offset by a moderate increase in imports of other commercial services. Asia's exports of commercial services by category differed markedly from those of imports, as travel receipts continued to increase and other services exports stagnated. There was a considerable variations in individual Asian countries' services trade developments, although all major services traders recorded a deterioration in their trade performance.

Differences in export performance were particularly large between the two largest commercial services traders in Asia, namely Japan and China. While the former experienced a 7% decline in both its exports and imports, China reported an increase of 9% for both exports and imports.

Latin America's commercial services exports expanded much faster than global trade in 2000, but decreased in 2001. Although the region's transportation and travel receipts decreased slightly, the sharpest contraction was in exports of "other commercial services". The decline of Mexican exports of "other commercial services" by one quarter in 2001 (or more than one billion dollars) accounted for a 1.5% decrease of the region's exports. As regards Latin America's services imports, travel expenditure decreased, transportation services stagnated and imports of other commercial services continued to expand, though at a much lower rate than in preceding years.

Western Europe, the world's largest services trader, recorded a marginal increase of its exports and imports in 2001. Travel receipts decreased for the second year in a row while transportation and other commercial services recorded with a small increase on a year-to-year basis. Differences in country performances continue to be quite large in the region. Denmark, Ireland and Norway reported a rather strong export and import growth in commercial services, while the United Kingdom the region's largest exporter reported a marked decrease in both exports and imports (see Table III.40).

The transition economies' commercial services trade recorded an outstanding performance, as both exports and imports continued to expand at double digit rates – almost a mirror image of their exceptional merchandise trade performance. There was little variation among the three services categories, which all expanded at rates ranging from 9 to 15%.

## 4. Trade of developing and least-developed countries

In 2001, trade developments in developing countries were shaped above all by lower demand in the industrial countries and that of developing countries in Asia and Latin America. The fall in crude oil prices as well as the contraction of trade in IT products had a large impact, as fuels and office and telecom equipment accounted for more than 40% of their merchandise exports.

Total merchandise exports and imports of the developing regions combined decreased by 6.5 and 4.0% and respectively. Preliminary data on commercial services trade of developing countries indicate near stagnation in 2001. Their share in world services trade remained roughly unchanged from 2000 (see Table 2).

Due to the relatively strong deceleration in developing countries' merchandise trade, their share in world merchandise exports decreased slightly to 29.1%. The corresponding figure for imports was 26.2%. However, the reduced shares in global

[10] The impact of the events of September 11, which lowered US imports of insurance services, has of course mirrored in lower exports of other countries, mainly the EU and Japan.

Table 2

**Trade and output growth of developing economies, 1990-2001**

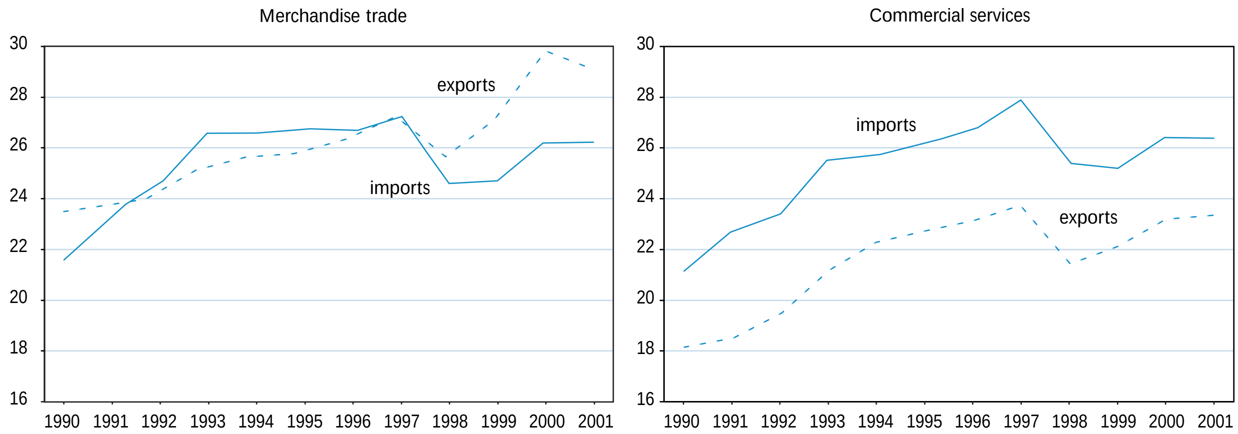
(Annual percentage change)

| | Developing economies | | | | World |
|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 1990-00 | 1990-00 |
| GDP | 3,5 | 5,5 | 2,0 | 5,0 | 3,0 |
| Merchandise export volume | 7,0 | 14,5 | 0,0 | 9,0 | 6,5 |
| Merchandise import volume | 6,0 | 16,0 | -0,5 | 8,5 | 6,5 |
| Merchandise export value | 10,0 | 24,0 | -6,5 | 9,0 | 6,5 |
| Merchandise import value | 5,0 | 20,5 | -4,0 | 8,5 | 6,5 |

Chart 5

**Share of developing countries in world merchandise and commercial services trade, 1990-2001**

(Percentage)



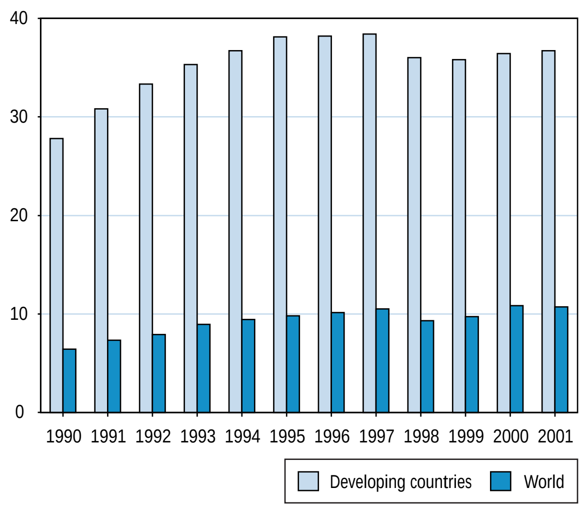

merchandise exports and imports in 2001 were still six and five percentage points larger than those reported in 1990 (see Chart 5).

An important aspect of the longer term gains in trade shares of the developing countries was the rapid expansion of intra-developing country trade which grew in the 1990-2000 period at an annual average rate of 12%, or two times faster than global trade. The more dynamic growth performance of intra-developing country trade was, however, limited to the first half of the 1990s. The repercussions of the Asian financial crisis started to dampen developing countries import growth between 1995 and 2000. In 2001, intra-developing countries exports decreased less than exports to other regions, lifting the share of intra-trade in developing countries' exports back to nearly 37% (but still below the level already reached in 1995). The setback in South-South trade was particularly pronounced for manufactures. While for agricultural and mining products South-South trade reached a peak level (39% and 41% respectively), the share in manufactures exports was (35%) still lower in 2000 than in 1993 (see Chart 6).

Chart 6

**Share of developing country intra-trade in world and developing country exports, 1990-2001**

(percentage)




Over the last eleven years the share of all developing countries as a destination has increased for the exports of Latin America, Africa, the Middle East and developing Asia. However, not all four developing regions have become more important export markets for each developing region. In addition, the importance of developing country markets differs markedly between the Middle East and developing Asia on one hand and Latin America and Africa on the other hand. For the former two regions shipments to developing countries accounted for more than 40% of their exports in 2001, while for the other two regions the share is about one quarter.

Reviewing the changes which occurred in developing country exports by destination since 1990, two features are outstanding. First, intra-trade within each of the four developing regions has increased in importance. Second, the sharp rise in developing Asia's imports throughout the nineties accounts for about two thirds of the increased intra-trade of developing countries. Developing Asia has become a larger export market for the Middle East than North America, Western Europe or Japan, and for Africa shipments to developing Asia exceed intra-African trade.

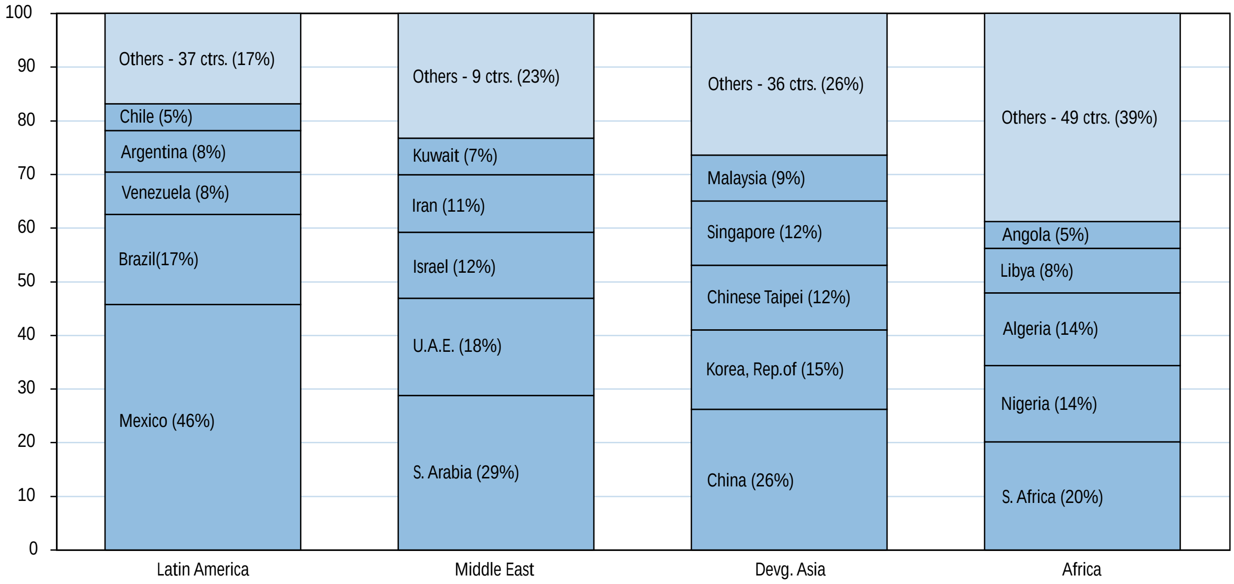
A review of trade developments of the developing country group should always be complemented by a more detailed regional or country analysis given the great diversity of resource endowments, income levels, and market and population size among the developing countries. These factors contribute to a large concentration of developing country trade on a few countries. As regards merchandise exports, it is worthwhile to recall that five out of 150 developing country exporters accounted for nearly one-half of developing countries' merchandise exports in 2001. For manufactured goods, the share of the top five developing country traders is almost two-thirds. At a regional level the concentration is even larger. As reported in Chart 7, the share of the top five regional exporters in 2001 accounted for three quarters or more of the total in Asia, Latin America and the Middle East.

The concentration in shares of developing countries' exports has increased markedly throughout the 1990s if measured by the share of the top five exporters for both total merchandise and manufactured exports. It has also increased sharply in two regions: Latin America and developing Asia. The principal factor behind this increased concentration of developing country exports rests with the dynamic export expansion of China and Mexico. Both countries recorded an export expansion in the 1990s which was nearly three times faster than world trade.

Chart 7

**Top five developing exporters of merchandise by region, 2001**

(Percentage)




## Trade of the least-developed countries

Despite an adverse trading environment, with falling commodity prices and an economic slowdown in the major developed regions, the least-developed country group recorded a moderate increase in merchandise exports and imports in 2001 (see Table 3 and Table III.84). There was a considerable variation in the trade performance of individual least developed countries in 2001. According to preliminary data and estimates, about 16 least developed countries recorded a double digit decrease in merchandise exports in 2001, while ten other LDCs achieved a double digit increase for the second year in a row. Under the impact of falling crude oil prices, the petroleum exporting LDCs all experienced, with the exception of Equatorial Guinea a sharp contraction of their exports. Equatorial Guinea increased its oil production by 60% and sharply expanded the volume of its oil exports.

The manufacturing exporters among the LDCs which export primarily clothing and other labour intensive products were little affected by the global downturn of world manufactures trade. Their overall merchandise exports expanded by 9% in 2001, although two of the eight exporters recorded a decline of exports due to the domestic political or economic situation. The outstanding feature of LDC exports in 2001, however, was the double digit increase of trade of those LDCs which largely export non-fuel primary commodities.

For a fourth group of LDCs which experienced extended periods of conflict and civil strife in the 1990s, it is estimated that their combined exports continued to shrink in 2001.

Recent information on commercial services trade of LDCs is very limited. However, some information can be provided. There are at least six LDCs which depend for their export earnings largely on commercial services. These are mostly islands depending on tourism receipts (see Table III.83). For the least-developed countries as a group, travel is by far the largest services category in commercial services exports. Contrary to merchandise exports LDC commercial services exports have been less dynamic than world services trade in the 1990s and in 2001.

Table 3

**Merchandise exports of least developed countries by selected country groups, 1990-2001**

(Billion dollars and percentage)

| | Value | Annual percentage change | | | |
|---|---|---|---|---|---|
| | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| Total LDC | 37 | 7 | 11 | 28 | 1 |
| Oil exporters (4) a | 14 | 12 | 51 | 65 | -10 |
| Exporters of manufactures (8) b | 13 | 15 | 7 | 24 | 9 |
| Commodity exporters (31) | 9 | 2 | -5 | -3 | 12 |
| LDC with civil strife (6) c | 1 | -9 | -19 | -12 | -7 |
| **Memorandum Item :** | | | | | |
| World | 5984 | 6 | 4 | 13 | -4 |

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

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

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

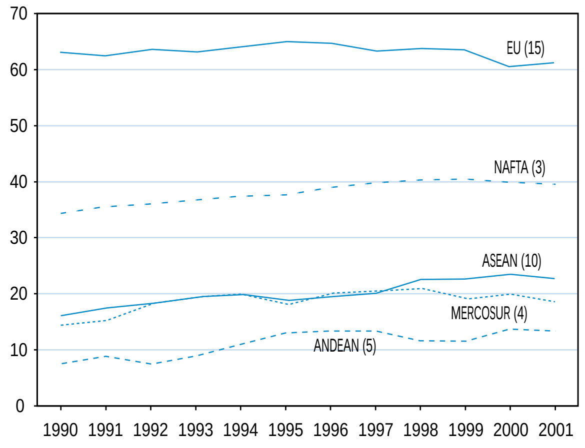
## 5. Merchandise trade development in major regional trade agreements

Regional trade agreements (RTAs) have become more numerous in recent years. Their number has increased sharply in the 1990s and by the end of 2001, 159 RTAs had been notified by WTO Members.[11] It has been estimated that trade among members of regional trade agreements represents 43% of world merchandise trade. In this estimate all types of regional trade agreements are included: bilateral, plurilateral and preferential non reciprocal ones.

A comprehensive review of trade developments of all RTAs in 2001 is not yet available, but trade developments in the major plurilateral RTAs are reported below. The decline of world merchandise trade in 2001 is also reflected in the trade performance of the regional trade agreements. Intra-trade decreased in all the four largest RTA but at very different rates. It shrank by less than 2% for the European Union, by nearly 7% for NAFTA and by more than 10% for both ASEAN and MERCOSUR. The share of world merchandise exports covered by the intra-trade of the four major plurilateral RTA increased slightly to 36% in 2001. This small increase can be attributed to EU intra-trade, which fell less than world merchandise trade and is by far the largest intra-RTA trade flow ($1,400 billion).

For the EU, the share of intra-trade in EU total exports decreased for the second consecutive year, reaching its lowest level since 1997. The share of intra-trade in EU imports, however, recovered somewhat from its ten-year record low in 2000, as extra-regional imports decreased faster than intra-trade (see Chart 8 and Table 1.9).

Chart 8
**Share of intra-trade in merchandise imports of selected RTAs,1990-2001**
(Percentage Share)




NAFTA intra-regional trade decreased in absolute terms for the first time since 1990, to $637 billion. This decrease was only slightly larger than extra-regional trade, resulting in a marginally lower share of intra-regional exports and imports (to 55.5% and 39.5% respectively). The large difference of the intra-trade share between NAFTA exports and imports is attributable to the sizeable merchandise trade deficit of the United States with trading partners outside NAFTA. Among NAFTA members, the importance of intra-trade continues to differ widely between Canada and Mexico on one side, for whom trade within NAFTA accounts for about 90% of total trade, and the United States for which merchandise trade with NAFTA countries accounts for about one third of its merchandise trade.

Intra-trade of ASEAN, which had just recovered fully in 2000 from the impact of the Asian financial crisis, recorded a double digit decrease in 2001. Intra-regional exports dropped to $90 billion, equivalent to 23.5% of total merchandise exports. Intra-trade also decreased faster than imports from other trading partners in 2001. Nevertheless, the share of intra-trade in the region's imports stayed well above its pre-1997 crisis level, while on the export side ASEAN countries never regained the 1996 peak level of 25.5%. This divergent development is closely linked to the fact that ASEAN exports expanded much faster than imports, causing a shift from a combined trade deficit in 1996 to a trade surplus of ASEAN members with the rest of the world from 1998 onwards.

MERCOSUR's intra-regional trade shrank at double digit rates, while exports to other regions increased by nearly 9% in 2001. Consequently, the share of intra-trade in the region's exports fell to 17.3%, its lowest share since 1992. The share of intra-trade in MERCOSUR imports decreased to 19%, as MERCOSUR's imports from non-members decreased less than intra-regional trade.

In contrast to the developments in the four largest RTAs, the intra-regional trade of the ANDEAN countries continued to grow in 2001, sustained largely by the increased intra-regional imports of Venezuela and Ecuador. The share of intra-Andean trade rose to nearly 11% for ANDEAN exports, pushed up by Colombia's strong intra-regional exports. As extra-regional imports rose even faster than intra-trade, the share of the latter in total imports decreased slightly, to 13.5%.

Reviewing the trade developments of the five plurilateral RTAs discussed above since 1990, one can observe that there continue to be very large differences in the relative importance of intra-trade in the various groupings with import shares ranging from more than 60% in the case of the EU to about one eighth for the ANDEAN group. Another feature seems to be apparent in Chart 8 above, namely that the general rise of the share of intra-trade in all RTAs in the first half of the 1990s was arrested in the second half. With the exception of ASEAN, all other major RTAs recorded intra-trade shares in 2001 which were equal or lower than four years ago.

## 6. Details on trade developments in 2001 by geographic region and country

### North America

The near stagnation of the US economy and the steep fall in US investment expenditure led to a contraction of North America's trade in both value and volume terms in 2001. For the first time since 1991, the merchandise volume of both exports and imports decreased. The trade slowdown was broadly similar between Canada and the United States, although the volume of US exports decreased somewhat faster than imports, which was not the case for Canadian trade. The decline in North America's export volume was sharp for manufactures and moderate for both agricultural products and mining products (see Table 4).

North America's merchandise exports by destination showed large variations in 2001. Nominal merchandise export values decreased much faster than the average for shipments to Asia, which in 2001 accounted for 21% of North American exports. There was a striking difference between exports to the Republic of Korea and Japan, which fell by 20 and 12% respectively, and those to China, which increased by 17%. Intra-North American exports as well as shipments to Mexico also decreased faster than the average, but still accounted for one-half of the region's

[11] WTO, Annual Report 2002, p. 112.

Table 4

**GDP and trade developments in North America, 1990-2001**

(Annual percentage change)

| | North America | | | | United States | | | | Canada | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| GDP | 3,2 | 4,2 | 3,9 | 0,4 | 3,2 | 4,1 | 3,8 | 0,3 | 2,8 | 5,5 | 4,6 | 1,5 |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 7 | 4 | 14 | -6 | 7 | 2 | 13 | -6 | 8 | 11 | 16 | -6 |
| Imports (value) | 9 | 11 | 18 | -6 | 9 | 12 | 19 | -6 | 7 | 7 | 11 | -7 |
| Exports (volume) | 7 | 6 | 9 | -5 | 7 | 4 | 9 | -6 | 9 | 11 | 9 | -4 |
| Imports (volume) | 9 | 11 | 12 | -3 | 9 | 11 | 11 | -3 | 9 | 11 | 13 | -6 |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 7 | 5 | 9 | -3 | 7 | 5 | 9 | -3 | 7 | 5 | 8 | -5 |
| Imports (value) | 7 | 4 | 14 | -6 | 7 | 3 | 16 | -7 | 5 | 6 | 7 | -3 |

merchandise exports. North American shipments to Latin America excluding Mexico stagnated as did those to the Middle East. A double digit increase is reported for shipments to Africa and the transition economies, which together account for just 2% of North American exports. Exports to Western Europe, which are somewhat smaller than those to Asia, decreased by 4% and therefore less than average. The 2001 developments represent a minor reversal of the developments between 1990 and 2000, a period in which intra-North American exports and shipments to Latin America expanded almost two times faster than to all other regions including Asia (see Table III.12).

North American merchandise imports from Asia accounted for one-third of North American imports. Imports from China continued to rise, while those of all other major suppliers recorded a severe contraction. North American imports from Western Europe stagnated as the decreases in fuels and iron and steel were offset by increases in imports of chemicals, automotive products and aircraft. Imports from Latin American countries were lower due to falling oil prices and a decrease in supplies from Mexico, which were not offset by an increase of imports from Brazil. The reduction of North American imports from the Middle East and Africa can be largely attributed to the fall in prices of fuels (see Table III.13). US imports of manufactured goods from Africa rose by 12%, largely due to higher imports of clothing (see Table A10).

### Latin America

The Latin American economy stagnated under the impact of the slowdown in North America and the crisis in Argentina. Regional GDP growth slowed sharply in 2001. Economic activity decreased slightly in Mexico and by more than 4% in Argentina, the second and third largest economies in the region. Output contracted in 5 other Latin American countries. Positive – though generally lower – growth was reported for 25 countries including Brazil, which accounted for one third of Latin America's GDP.

The volume of Latin America's merchandise exports expanded on average by 2%. This average growth hides highly divergent developments between Mexico – the region's largest exporter – and other Latin American countries, in particular Brazil, which expanded their export volumes. In respect of exports by sector, it is estimated that Latin America's exports of agricultural products increased sharply in volume terms, while those of mining products and manufactures stagnated. There was a sharp deceleration in the region's import volume, above all due to Mexican imports, which after expanding by nearly 20% in 2000 decreased by 4% in 2001 (see Table 5).

Table 5

**GDP and trade developments in Latin America, 1990-2001**

(Annual percentage change)

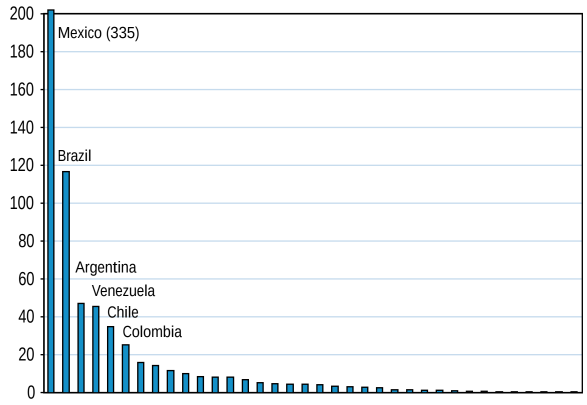
| | Latin America | | | | Mexico | | | | Other Latin America | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| GDP | 3,3 | 0,1 | 3,5 | 0,3 | 3,5 | 3,6 | 6,6 | -0,3 | 3,2 | -0,6 | 2,9 | 0,5 |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 9 | 7 | 20 | -3 | 15 | 16 | 22 | -5 | 6 | 0 | 19 | -2 |
| Imports (value) | 12 | -3 | 16 | -2 | 15 | 14 | 23 | -4 | 9 | -14 | 11 | -1 |
| Exports (volume) | 9 | 5 | 8 | 2 | 14 | 12 | 13 | -2 | 6 | -1 | 4 | 7 |
| Imports (volume) | 11 | 0 | 13 | -1 | 13 | 15 | 19 | -4 | 9 | -10 | 7 | 1 |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 7 | 1 | 11 | -3 | 7 | 1 | 17 | -7 | 7 | 1 | 9 | -1 |
| Imports (value) | 7 | -4 | 12 | 0 | 5 | 12 | 19 | -1 | 8 | -8 | 10 | 0 |

Chart 9

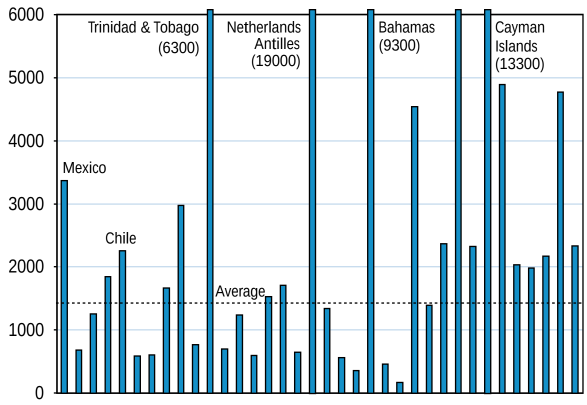
## Latin America. Merchandise trade by country, 1990-2001

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

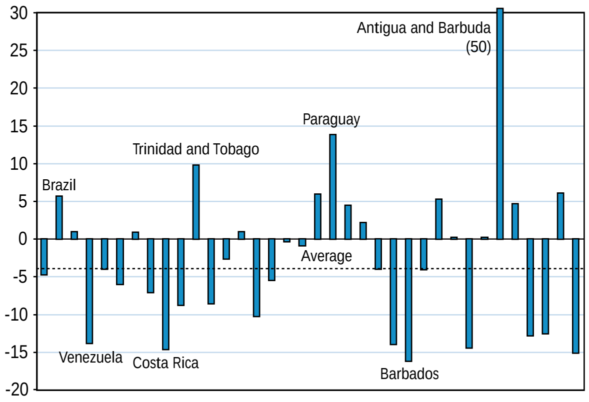
Merchandise trade of Latin American countries, 2001
(Exports plus imports, billion dollars)



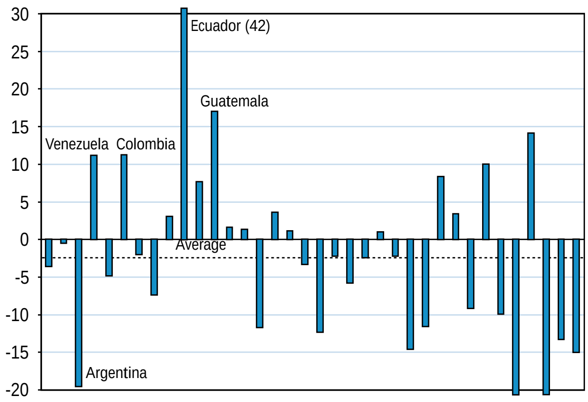

Per capita merchandise trade of Latin American countries, 2001
(Exports plus imports, dollars)



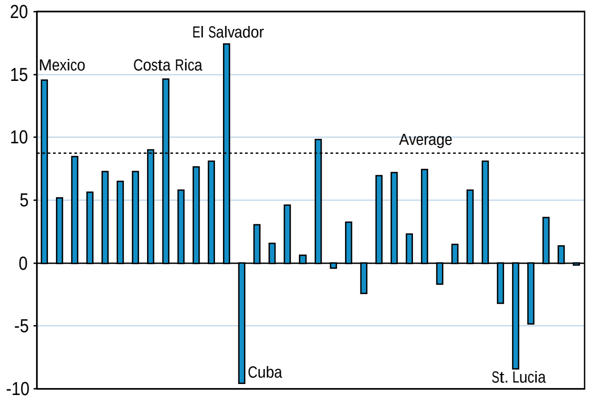

Merchandise exports of Latin American countries, 2001
(Percentage change in dollar values)



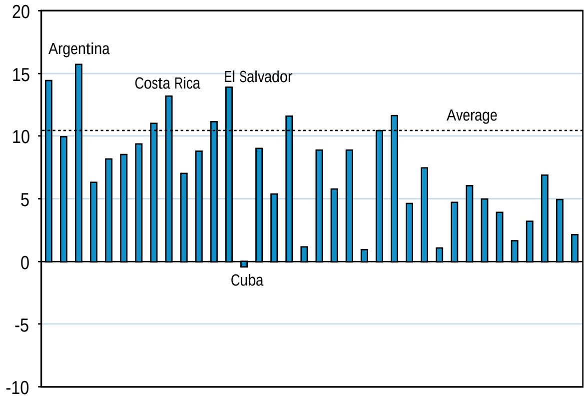

Merchandise imports of Latin American countries, 2001
(Percentage change in dollar values)




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




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




[a] Referring to the growth between the averages of the years 1989-1991 and 1999-2001.

Export prices for Latin American goods decreased by 5%, much faster than import prices, which was a reversed situation compared to 2000. The rise of oil prices in 2000 and their decline in 2001 were the major explanatory factor in these developments. Export prices of some non-fuel commodities also recorded very sharp price declines, in particular coffee, which is a major export category in a number of Central American countries.[12]

The dollar value of Latin American merchandise exports and imports contracted by 3% and 2%, respectively, in 2001, a dramatic shift from the double digit growth in 2000. The deceleration in the region's services trade in 2001 was only slightly less pronounced than for merchandise, and again it was Mexico's trade developments which had contributed most to this disappointing outcome.

Chart 9 provides information on Latin American merchandise trade by country, which supplements the information on the region's overall trade performance.[13] The countries are ranked in descending order from the left to the right in terms of the sum of merchandise exports and imports in 2001. On the right side of the upper row, per capita trade is reported which reveals that the 12 smallest traders in Latin America recorded an above average per capita trade level. The middle row reports on annual value changes of exports and imports by country. Out of the 36 countries shown, 21 reported a decrease and 15 an increase, for both exports and imports. The annual variations in 2001 are more pronounced for imports than exports. Imports of the oil exporting countries (Venezuela, Colombia and Ecuador) continued to rise, while the crisis stricken Argentina sharply reduced its imports. The dotted line indicates the regional average.

The bottom row of Chart 9 sheds some light on medium-term developments by presenting trade growth rates by country between the average of the years 1989-91 and that of the years 1999-2001. For that period, Mexico, Costa Rica, El Salvador and Panama had been the most dynamic traders in Latin America, while Cuba and St. Lucia recorded a steep decline. Linked to the disruptions of its traditional trade ties with today's transition economies, Cuba is the only Latin American country for which both imports and exports did not expand in that period. The top 13 traders in Latin America in 2001 had much stronger export and import growth in the medium-term than the smaller traders in the region.

## Western Europe

Western Europe's economic growth slackened in 2001, with regional GDP growth close to 1.5%, only half the rate of the preceding year. Trade expansion in volume terms, which had been two times faster than that of output in 2000, contracted in 2001. Imports decreased more strongly than exports, reflecting the sluggishness of regional demand (see Table 6). Consequently, intra-EU trade was weaker than EU trade with all other regions combined. Western Europe's exports of agricultural products is estimated to have decreased by nearly 2%, and those of manufactured goods decreased slightly in 2001, following a double digit increase in 2000.

The developments in the dollar value of Western Europe's trade were very close to those in volume terms, as prices changed only marginally. Commercial services exports and imports recorded slightly higher dollar values than in the preceding year.

Merchandise trade by West European countries is reported in Chart 10. The number of West European countries which recorded a decline in their imports exceeded those with stagnating or increasing imports, In particular, the seven largest West European traders recorded a fall in their imports. As regards Western Europe's exports, the number of countries reporting a decrease almost matches those which reported an increase in their exports. Four countries recorded a double digit decrease in both exports and imports.[14] The decline of Malta's trade is closely linked to the crisis in the global IT sector, as office and telecom equipment account for more than 40% of its merchandise trade.

Medium-term trade developments in Western Europe highlight the above average trade growth of Netherlands, Spain, Ireland, Turkey and Malta. The outstanding trade growth of Ireland in the 1990s is largely due to the expansion of its IT industry, which accounted for more than 30% of the countries' exports and imports in 2000.

## Transition economies

Economic growth in the transition economies remained strong in 2001. Russia and Ukraine, the most populous countries in the region, recorded with a GDP growth of 5 and 9%, an outstanding performance.

Strong demand in the region led to double digit merchandise import growth in volume terms while exports were less dynamic.

[12] The share of coffee in merchandise exports of El Salvador, Guatemala, Honduras and Nicaragua exceeded one fifth in 1998-99.

[13] The presentation of country data is identical in Chart 10 through Chart 14.

[14] Sweden, Greece, Malta and F.Y.R. of Macedonia.

Table 6

**GDP and trade developments in Western Europe, 1990-2001**

(Annual percentage change)

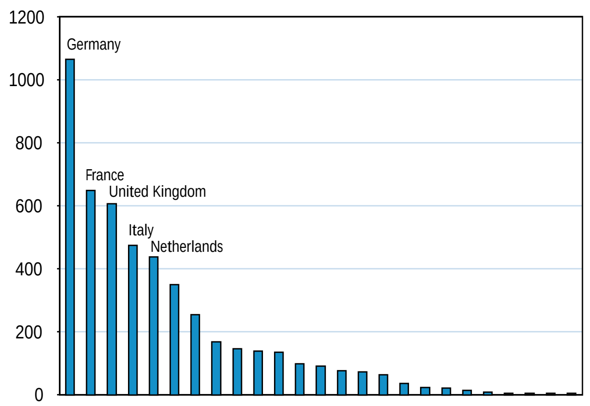
| | Western Europe | | | | European Union (15) | | | | EU (15) excl. intra-trade | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| GDP | 2,1 | 2,4 | 3,5 | 1,3 | 2,1 | 2,6 | 3,4 | 1,5 | … | … | … | … |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 4 | 0 | 4 | -1 | 4 | 0 | 3 | -1 | 5 | -1 | 7 | 0 |
| Imports (value) | 4 | 2 | 6 | -3 | 4 | 2 | 6 | -3 | 5 | 4 | 15 | -4 |
| Exports (volume) | 5 | 3 | 9 | -1 | 5 | 3 | 9 | -1 | 4 | 1 | 13 | 0 |
| Imports (volume) | 5 | 4 | 8 | -3 | 5 | 5 | 8 | -3 | 5 | 6 | 9 | -2 |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 5 | 2 | 2 | 1 | 5 | 4 | 1 | 1 | … | … | … | … |
| Imports (value) | 5 | 3 | 2 | 1 | 5 | 3 | 2 | 2 | … | … | … | … |

Chart 10

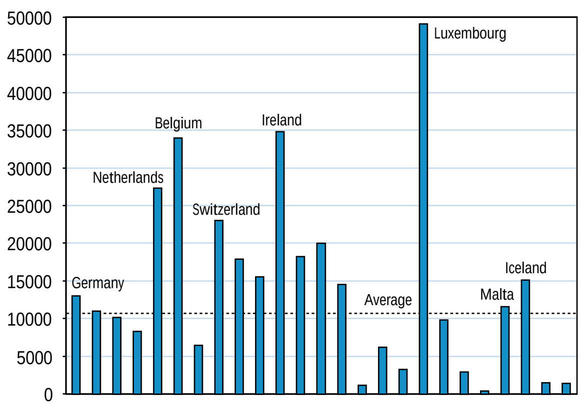
**Western Europe. Merchandise trade by country, 1990-2001**

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

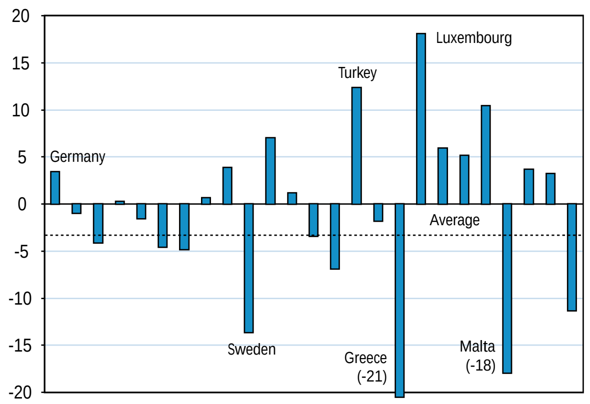
Merchandise trade of Western European countries, 2001
(Exports plus imports, billion dollars)



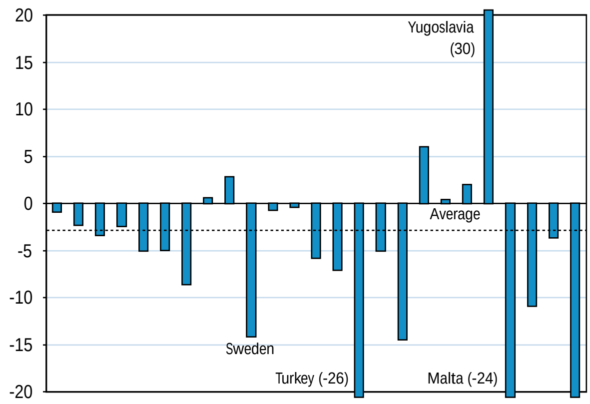

Per capita merchandise trade of Western European countries, 2001
(Exports plus imports, dollars)



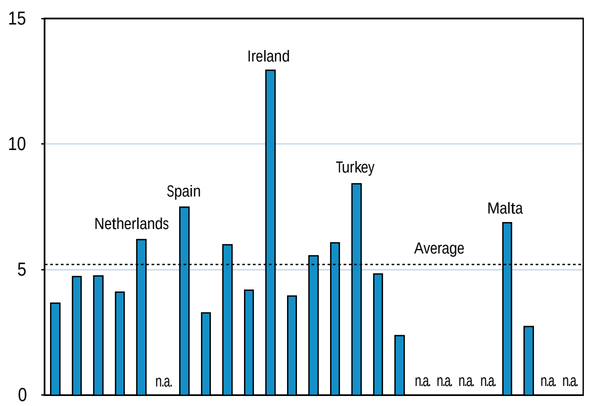

Merchandise exports of Western European countries, 2001
(Percentage change in dollar value)



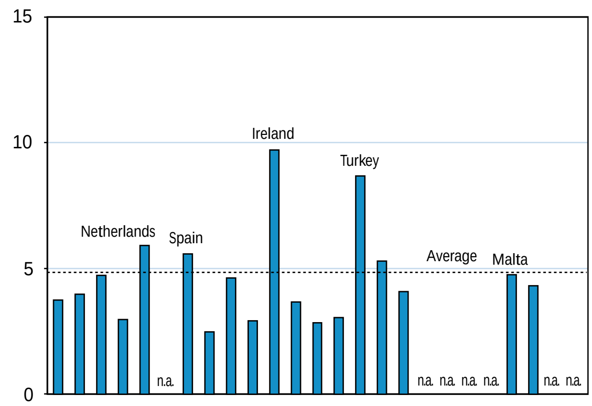

Merchandise imports of Western European countries, 2001
(Percentage change in dollar value)




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




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



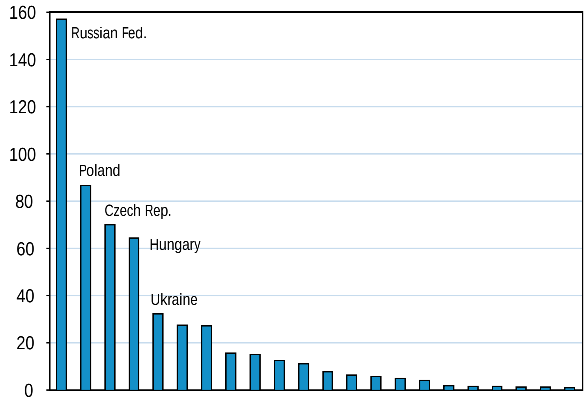

[a] Referring to the growth between the averages of the years 1989-1991 and 1999-2001.

Chart 11

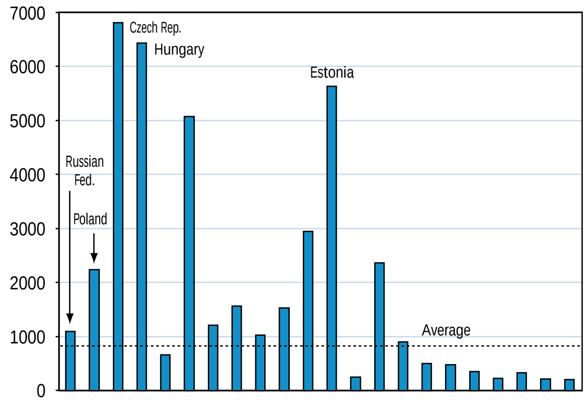
**Transition economies. Merchandise trade by country, 1995-2001**

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

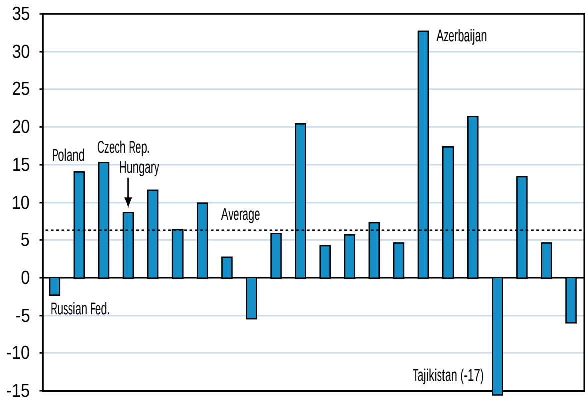
Merchandise trade of transition economies, 2001
(Exports plus imports, billion dollars)



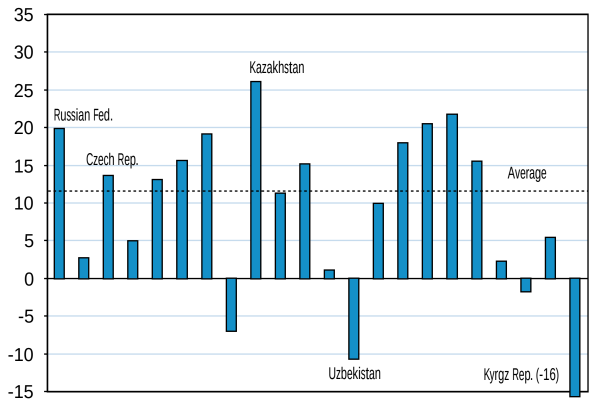

Per capita merchandise trade of transition economies, 2001
(Exports plus imports, dollars)



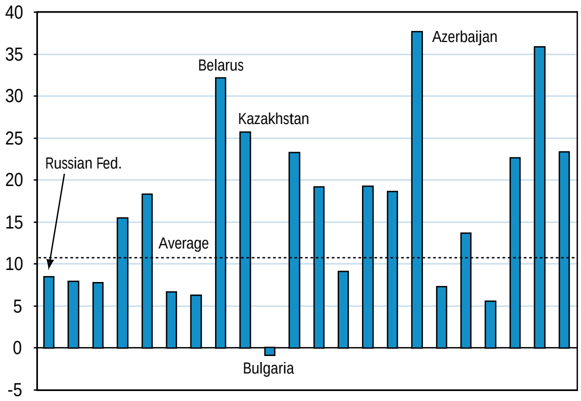

Merchandise exports of transition economies, 2001
(Percentage change in dollar values)




Merchandise imports of transition economies, 2001
(Percentage change in dollar values)




Merchandise exports of transition economies, 1995-2001
(Average annual percentage change in dollar values)




Merchandise imports of transition economies, 1995-2001
(Average annual percentage change in dollar values)

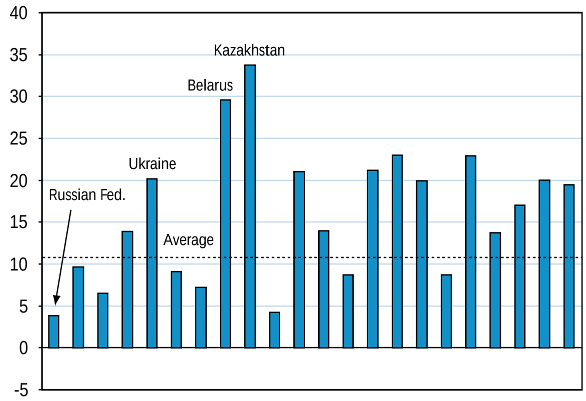


Table 7

**GDP and trade developments in transition economies, 1995-2001**

(Annual percentage change)

| | Transition economies | | | | C./E. Europe | | | | Russian Federation | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1995-00 | 1999 | 2000 | 2001 | 1995-00 | 1999 | 2000 | 2001 | 1995-00 | 1999 | 2000 | 2001 |
| GDP | 2,2 | 3,7 | 6,5 | 4,4 | 3,1 | 2,4 | 3,7 | 2,8 | 1,3 | 5,4 | 9,0 | 5,0 |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 8 | 0 | 26 | 5 | 8 | 1 | 14 | 12 | ... | 1 | 39 | -2 |
| Imports (value) | 6 | -12 | 14 | 11 | 9 | -1 | 12 | 9 | ... | -33 | 13 | 20 |
| Exports (volume) | 7 | -2 | 17 | 8 | ... | ... | ... | ... | ... | ... | ... | ... |
| Imports (volume) | 8 | -9 | 16 | 14 | ... | ... | ... | ... | ... | ... | ... | ... |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 2 | -14 | 11 | 11 | 1 | -12 | 14 | 13 | -1 | -27 | 10 | 9 |
| Imports (value) | 3 | -8 | 19 | 13 | 4 | 1 | 11 | 7 | -3 | -19 | 32 | 20 |

The excess of import growth over export growth in the region can be largely attributed to Russia and to a lesser extent to Ukraine, the Slovak Republic and Romania

The dollar value of the region's merchandise exports rose by 5%, to $286 billion in 2001. Central and Eastern Europe's exports rose at double digit rates, while those of Russia decreased under the impact of falling prices for fuels. Excluding fuels and non-ferrous metals, the expansion of the region's merchandise exports remained very strong in 2001. While the recovery of intra-regional trade was sustained, the most encouraging development is the expansion of trade with Western Europe. Despite sluggish domestic demand growth in the EU, the Central and East European countries increased their exports by more than 10% to this region.

Particularly strong export growth to the EU could be observed for automotive products, office and telecom equipment and clothing. Developments in 2001 also confirmed the trend observed in a recent OECD study[15], which found that intra-industry trade in Poland, Czech Republic and Hungary was large and had risen strongly throughout the 1990s. Russian imports recovered at double digit rates for the second year in a row, but remained on average down by one quarter of their pre-crisis peak of 1997.

As can be seen from Chart 11, the per capita merchandise trade of the Central and East European countries and those of the Baltic States was well above the average of the transition economies. However, the other transition economies recorded a higher export growth between 1995 and 2001, from the depressed trade levels at the beginning of the period.

The expansion of merchandise imports of the transition economies was sustained by the majority of the countries in the region, above all by Russia. Russian imports recovered at double digit rates for the second year in a row, but still remained still down in 2001 by one-quarter compared to the pre-crisis peak level of 1997. Commercial services exports and imports of the region continued to expand rapidly. Russia's commercial services imports were again up sharply in all categories, while on the export side an increase in transportation services contrasted with a contraction of receipts for travel and other commercial services. For the transition economies as a group, however, the three services categories contributed equally to an overall growth rate of 11%.

## Africa

GDP growth in Africa exceeded population growth for the second year in a row, yet hardly by enough to make a dent in the widespread under-employment and poverty in the region. There was a marked deceleration of economic activity in the region's largest economies, South Africa, Nigeria and Egypt, while many smaller economies fared better in 2001 than in the preceding year. According to IMF estimates[16], thirteen African economies recorded economic growth in excess of 5% while for five African economies output was shrinking (Democratic Republic of Congo, Côte d'Ivoire, Malawi, Seychelles and Zimbabwe).

Africa's merchandise exports in volume terms is estimated to have increased by about 3 to 4% in 2001, which was roughly half the rate of the preceding year. The volume of agricultural exports expanded much faster than that of mining and manufactured products. The value of African merchandise exports decreased as the volume increase in African merchandise exports was not strong enough to offset the decline in prices of fuels, metals and other primary commodities. Primary products accounted for three quarters of African merchandise exports in 2001. Estimates point to a decrease in the value of African exports of fuels and agricultural raw materials of 9% and 6% respectively. The value of food exports, however, increased despite falling prices. Among manufactured goods, the strongest increase was recorded for clothing, while that of iron and steel decreased sharply. Exports of all manufactured goods were estimated to have increased by about 2% (see Table 8).

African exports to North America and Asia decreased much faster than the average, largely due to the predominance of fuels exports. Shipments to Western Europe which accounted for more than one-half of Africa's total exports, decreased less than the average. Intra-regional trade in Africa is estimated to have decreased at about the average rate, keeping the share of intra-African trade in total trade at 8%. Available data point to a stagnation or small decrease in the share of intra-trade since the mid-1990s.

Africa's merchandise imports rose by 2%, reaching a new peak level of $136 billion. Despite their decline, African merchandise exports exceeded African merchandise imports for the second year in a row. The regional trade surplus reflects a substantial trade surplus of the oil exporting African countries.

Data in Chart 12 provide information on the concentration of African trade on major countries and highlights the marked

[15] OECD, Economic Outlook, June 2002, Chapter VI.

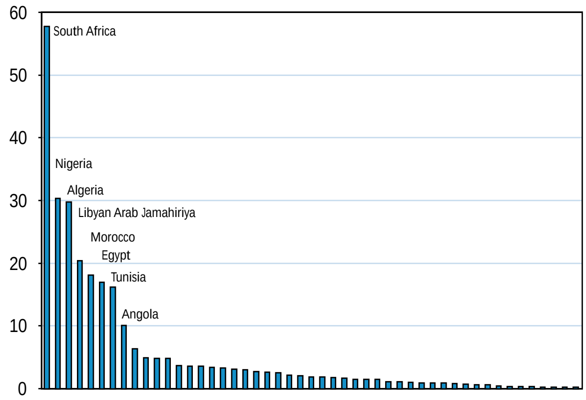
[16] IMF, World Economic Outlook, September 2002.

Chart 12

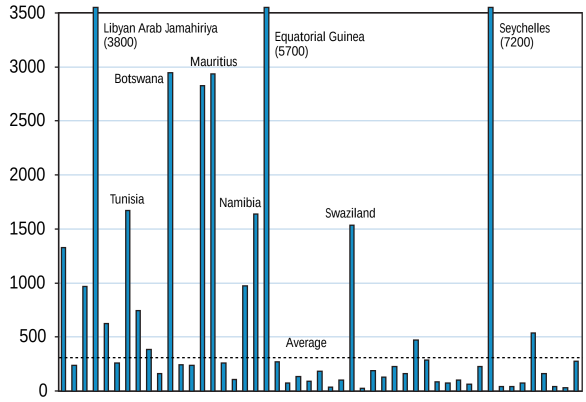
**Africa. Merchandise trade by country, 1990-2001**

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

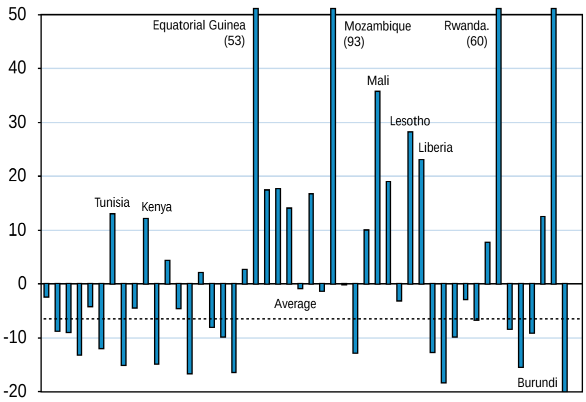
Merchandise trade of African countries, 2001
(Exports plus imports, billion dollars)



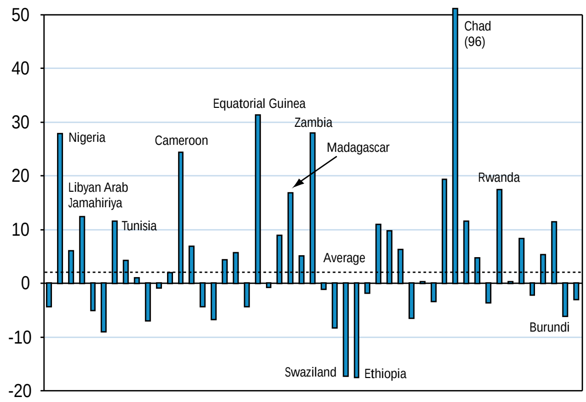

Per capita merchandise trade of African countries, 2001
(Exports plus imports, dollars)



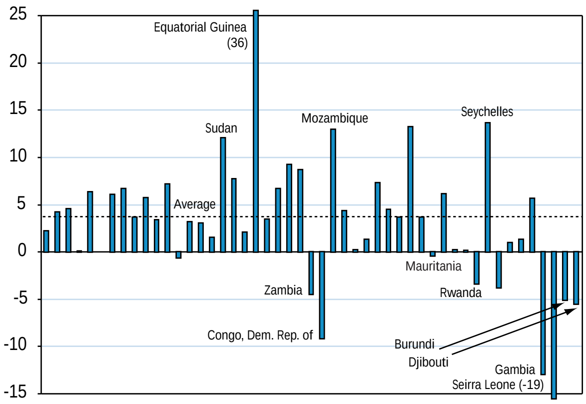

Merchandise exports of African countries, 2001
(Percentage change in dollar values)



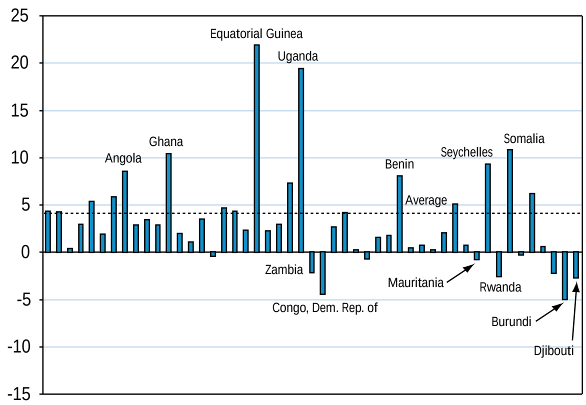

Merchandise imports of African countries, 2001
(Percentage change in dollar values)




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




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




[a] Referring to the growth between the averages of the years 1989-1991 and 1999-2001.

Table 8

**GDP and trade developments in Africa, 1990-2001**

(Annual percentage change)

| | Africa | | | | South Africa | | | | Other Africa | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| GDP | 2,3 | 2,6 | 3,3 | 3,1 | 1,7 | 2,1 | 3,4 | 2,2 | 2,5 | 2,8 | 3,3 | 3,4 |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 4 | 11 | 27 | -5 | 2 | 1 | 12 | -2 | 4 | 12 | 32 | -6 |
| Imports (value) | 3 | -3 | 4 | 2 | 5 | -9 | 11 | -4 | 2 | -2 | 2 | 4 |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 5 | 10 | 0 | 0 | 4 | -4 | -3 | -4 | 5 | 13 | 1 | 1 |
| Imports (value) | 4 | -2 | 7 | -3 | 4 | 2 | 0 | -8 | 4 | -3 | 8 | -2 |

differences in per capita trade of African countries. While nine African countries report a per capita trade in excess of $1,500, for the majority of African countries trade per capita is less than $300  (exports plus imports).

As regards African exports by country in 2001, the larger exporters accounted for most of the steep declines, while the smaller exporters comprised 14 countries with export growth in excess of 10%. Equatorial Guinea's exports benefitted from the increased output of its oil fields, while Mozambique sharply increased its aluminium exports, thanks to the start of the operation of a new smelter.

African merchandise import developments by country in 2001 provide a mixed picture. The number of countries with rising imports (29) exceeded that of countries with declining imports (20). Most of the countries with high import growth were either oil exporters (Nigeria, Libya, Cameroon and Equatorial Guinea) or recovering from previously depressed levels (Tunisia, Zambia). However, imports of Madagascar continued to expand due to the development of export processing zones, which required imported inputs. In the case of Chad, the markedly higher import value is linked to the delivery of equipment and materials needed for the construction of the Chad-Cameroon pipeline.

The main features of trade developments in the period from 1989-91 to 1999-2001 included a stagnation of exports in six countries and a decrease for eight other countries. Among these eight countries, seven also recorded a decrease in their imports. For most of them the disappointing trade performance was linked to extended periods of civil conflict (Burundi, Democratic Republic of Congo, Rwanda and Sierra Leone).

With commercial services exports of Africa stagnating for the second year in a row and imports shrinking, the deficit in the region's commercial services balances was reduced to about $7 billion. Egypt and South Africa, the region's largest exporters of commercial services, both recorded a decline, which contrasted with the significant gains reported by both Morocco and Tunisia, the region's third and fourth largest exporters. African imports of commercial services shrank mainly due to the contraction of imports of South Africa and Egypt.

## Middle East

Trade developments in the Middle East are largely determined by the fortunes of the global energy markets. The recovery of petroleum prices in 1999 and 2000, and their fall in 2001 are strongly reflected in the region's merchandise exports. As the volume of petroleum exports was roughly maintained at the preceeding year's level, the overall decrease in the dollar value of Middle East exports is close to the fall in petroleum prices. Exports of non-fuel commodities stagnated mainly due to the decline in Israel's exports, the region's principal exporter of manufactured goods (see table 9).

Exports of chemicals – mainly petrochemicals – increased to $14 billion and again became the largest product group in the region's exports of manufactured goods. As regards the destination of Middle East exports, developments in 2001 point to a continuation of trends observed in the 1990s: first, an increasing predominance of Asia as an export market, which alone accounted for nearly 60 per cent of the region's fuel exports; second, a strong decrease in the share of Western Europe, and third, a steady increase in the share of North America, which has surpassed Western Europe as the second largest market for both total merchandise trade and for fuels.

Table 9

**Trade developments in the Middle East, 1990-2001**

(Annual percentage change)

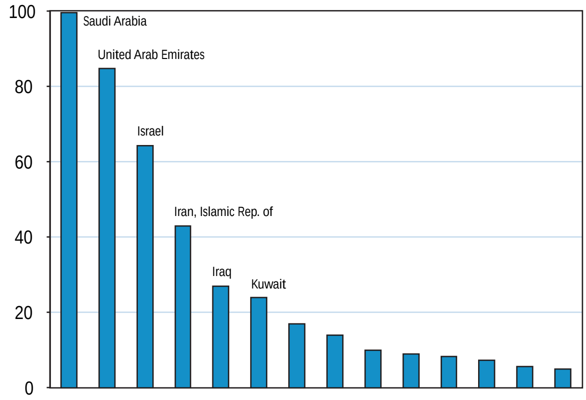
| | 1990-95 | 1995-00 | 1990-00 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| Merchandise | | | | | | | |
| Exports (value) | 2 | 12 | 6 | -22 | 30 | 42 | -9 |
| Imports (value) | 5 | 5 | 5 | 0 | 3 | 13 | 4 |
| Commercial services | | | | | | | |
| Exports (value) | 8 | 9 | 8 | 5 | 9 | 16 | -7 |
| Imports (value) | 3 | 5 | 4 | -11 | 1 | 8 | -7 |

Chart 13

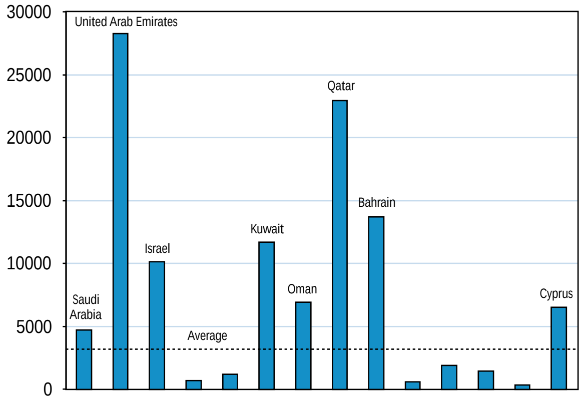
**Middle East. Merchandise trade by country, 1990-2001**

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

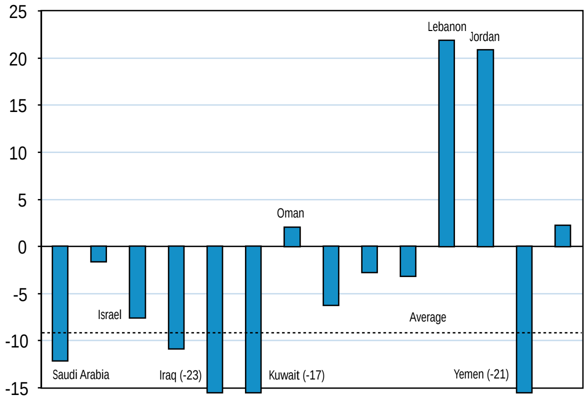
Merchandise trade of Middle Eastern countries, 2001
(Exports plus imports, billion dollars)



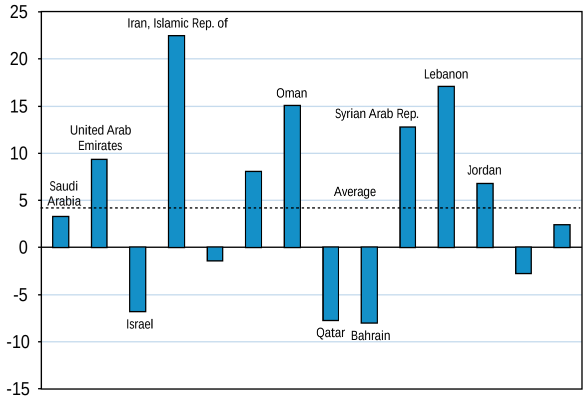

Per capita merchandise trade of Middle Eastern countries, 2001
(Exports plus imports, dollars)



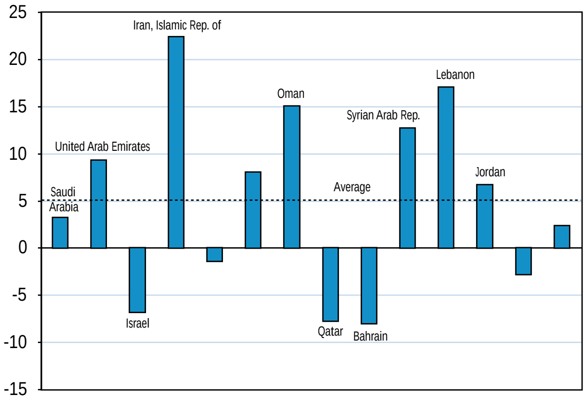

Merchandise exports of Middle Eastern countries, 2001
(Percentage change in dollar values)



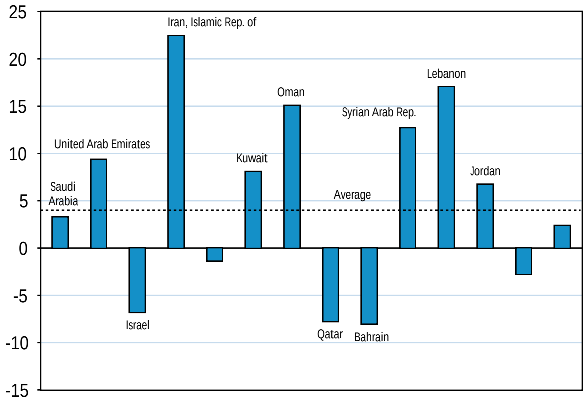

Merchandise imports of Middle Eastern countries, 2001
(Percentage change in dollar values)




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




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




[a] Referring to the growth between the averages of the years 1989-1991 and 1999-2001.

The country data provided in Chart 13 highlights the outstanding export growth of both Lebanon and Jordan in 2001, when the majority of the countries in the region experienced lower exports. As regards imports, the countries recording an increase exceed those with falling imports.

The substantial current account surplus of the region built up in 1999 and 2000 saw a further increase in 2001. Intra-trade and imports from all major regions continued to expand. Western Europe's share in Middle East imports in 2001 was about 40%. Western Europe remains the largest supplier to the region, although as noted above, its share has been decreasing over the last decade. Asia, in particular developing Asia, has been expanding its rôle as a supplier, and accounted for nearly 30% of the region's imports. Imports from North America increased marginally in 2001, while its share in total imports stayed at 13%, unchanged from that recorded in 1990.

Commercial services exports and imports of the region are both estimated to have decreased by 7%. Israel, which is the largest exporter of commercial services in the region, reported a shrinkage of its exports by one-fifth. Although most countries in the region experienced a decline in commercial services exports, it is estimated that both Iran and Saudi Arabia increased their exports. In contrast to their export performance, Saudi Arabia reduced imports while Israel recorded an increase in 2001.

## Asia

Economic activity in Asia slowed sharply in 2001, as output contracted in Japan, Chinese Taipei and Singapore. GDP growth in the most populous countries – China, India and Indonesia – decelerated somewhat but remained well ahead of population growth.

The economic slowdown in the region was so pronounced that the regional export volume contracted for the first time since 1982. Japan and those developing economies which export principally IT products showed the strongest decrease in export volumes. In respect of sectoral developments, it is estimated that exports of manufactures contracted by about 5%, exports of mining products stagnated and those of agricultural products increased, though at a much lower rate than in the preceding year (see Table 10).

Asia's merchandise imports decreased by less than 2%, with the steepest declines recorded by the developing IT traders in Asia.

The contraction in the dollar value of Asia's merchandise exports and imports exceeded the decrease in volume terms, as prices decreased by 5% to 6%. In sectoral terms, the brunt of Asia's merchandise exports contraction in 2001 was in machinery and transport equipment, which accounted for more than one-half of Asia's exports in 2000. Within that product group exports of office and telecom equipment and other machinery and transport equipment (which excludes automotive products) shrank by 16% and 11% respectively. Iron and steel products which account for 2% of Asia's merchandise exports, decreased by 16% in 2001. Exports of food and clothing, which represent about 5% of Asia's exports, recorded only moderate changes.[17]

The decline in Asia's merchandise exports was rather similar to the three major destinations and contrasted with a rise in shipments to the transition economies, Africa and the Middle East. However, the latter regions together accounted for less than 6% of Asia's exports. Shipments to Asia, North America and Western Europe, which represented 48%, 25% and 16% respectively of Asia's exports, decreased by about 10% in 2001.

In 2001, the number of Asian countries recording falling exports or imports outnumbered those with stable or increasing by two to one. As Chart 14 reveals, only China and Myanmar recorded an increase of exports and imports in excess of 5% in 2001. Developments in 2001 contrasted sharply with those of the 1990s. The lower portion of Chart 14 shows that a large majority of Asian countries recorded an expansion of their merchandise exports and imports, well above the world average of 6.1% between 1989-91 and 1999-2001. Despite a dynamic growth in trade throughout the 1990s, many Asian countries still had a very low level of per capita trade in 2001. For eight Asian countries, trade per capita is still less than $200, contrasting sharply with the middle income developing countries in Asia, which reported per capita trade of $6,000 dollars or more.

Among the largest traders in Asia, only China recorded higher export and import values in 2001 than in the preceding year. China's contrasting trade developments can be partly attributed to a relocation of manufacturing plants from its neighbours to China. This might be best illustrated in the case of trade developments in IT products. Asia's exports of office and telecom equipment decreased by 16%, while those of China rose by 20%, and accounted for nearly 14% of Asia's exports in this product category. Asia continues to be the region with the

[17] Food exports increased slightly while exports of clothing decreased by 2%.

Table 10

**GDP and trade developments in Asia, 1990-2001**

(Annual percentage change)

| | Asia | | | | Japan | | | | Asia (5)[a] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 | 1990-00 | 1999 | 2000 | 2001 |
| GDP | 3,3 | 2,8 | 3,9 | 0,9 | 1,4 | 0,7 | 2,4 | -0,6 | 5,3 | 6,9 | 7,2 | 2,7 |
| Merchandise | | | | | | | | | | | | |
| Exports (value) | 8 | 7 | 18 | -9 | 5 | 8 | 14 | -16 | 11 | 10 | 19 | -11 |
| Imports (value) | 8 | 10 | 23 | -7 | 5 | 11 | 22 | -8 | 8 | 15 | 28 | -9 |
| Exports (volume) | 8 | 7 | 16 | -3 | 3 | 2 | 9 | -10 | 14 | 13 | 20 | -2 |
| Imports (volume) | 8 | 10 | 16 | -2 | 5 | 10 | 11 | -1 | 9 | 17 | 22 | -5 |
| Commercial services | | | | | | | | | | | | |
| Exports (value) | 9 | 4 | 12 | -1 | 5 | -2 | 13 | -7 | 10 | 0 | 8 | -2 |
| Imports (value) | 7 | 5 | 8 | -3 | 3 | 3 | 1 | -7 | 11 | 4 | 16 | -2 |

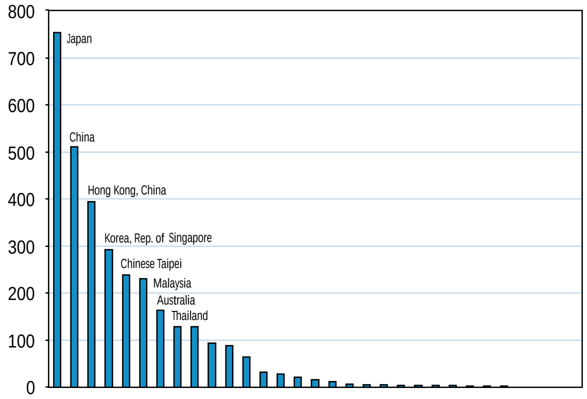
[a] Asia(5) comprises the five countries most affected by the financial crisis in 1997/98: Indonesia, The republic of Korea, Malaysia, Philippines and Thailand.

Chart 14

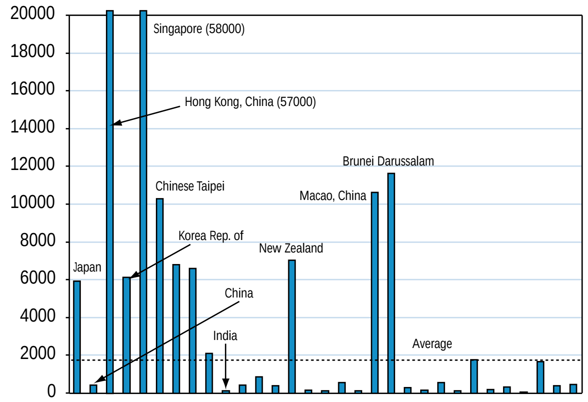
## Asia. Merchandise trade by country, 1990-2001

(Countries are ranked in descending order (from left to right) of the sum of merchandise exports and imports in 2001)

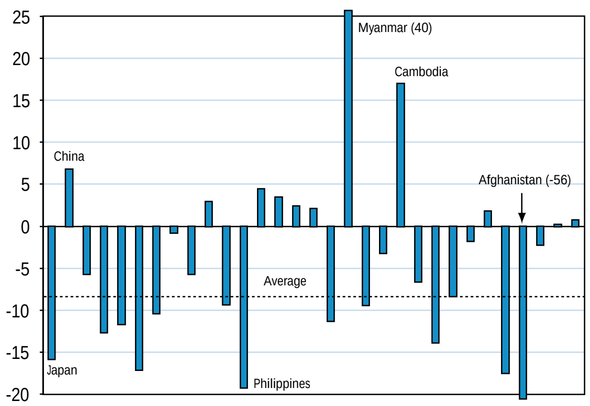
Merchandise trade of Asian countries, 2001
(Exports plus imports, billion dollars)



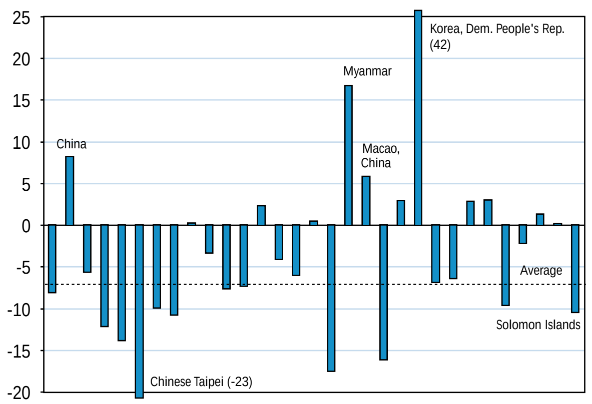

Per capita merchandise trade of Asian countries, 2001
(Exports plus imports, dollars)



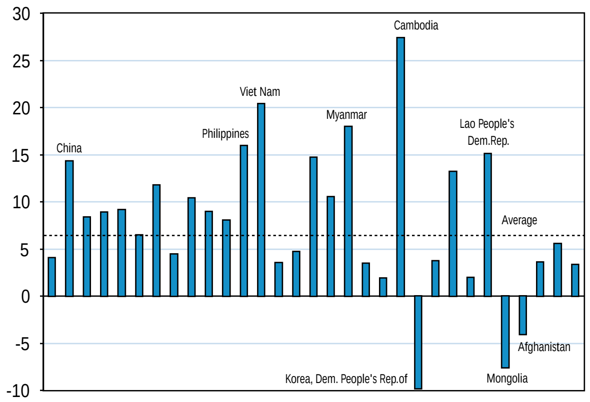

Merchandise exports of Asian countries, 2001
(Percentage change in dollar values)



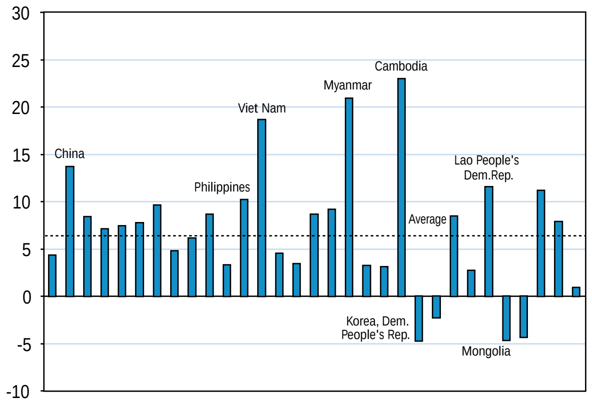

Merchandise imports of Asian countries, 2001
(Percentage change in dollar values)




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




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




[a] Referring to the growth between the averages of the years 1989-1991 and 1999-2001.

highest share of IT products in its exports (26%) and also the world's predominant supplier, accounting for 46% of world exports of office and telecom equipment. For clothing products, in which Asia holds a similar position on world markets, the decrease of Asia's clothing exports exceeded that of world trade in 2001. There was a uniform under-performance of Asia in exports of manufactured goods, which can be attributed mainly to the above average shrinkage of intra-regional trade, and lower shipments to North America.

### Trade development by country

Merchandise trade developments by country in 2001 are reported in Table I.6. For the fifty traders shown, large variations can be observed in year to year changes. These variations are particularly large on the import side, with the two extreme values up by more than one quarter and down by more than one quarter.

Among the 13 countries which recorded a decrease in exports of more than 10% in 2001, six were exporters of IT products[18] and seven were oil exporters.[19] Their weak export performances were linked either to the contraction of IT trade or the decrease of crude oil prices. While most of the IT traders recorded a double digit decrease in their imports, the imports of the fuels exporters continued to increase, and in some cases even at double digit rates (e.g. Venezuela, Iran and Libya).

Despite the contraction of global merchandise trade, five countries succeeded in increasing their exports by more than 10%. Four of them are transition economies (Poland, Czech Republic, Ukraine and Romania) and with the exception of Poland, all of them also recorded much higher import values than in the preceding year. Affected by a financial crisis, Turkey reduced its large merchandise trade deficit by cutting imports by one quarter and expanding exports sharply.

Argentina, facing a financial crisis, reduced its imports by 20% while exports increased on average slightly, contributing to a widening of its merchandise trade surplus.

As regards the ranking of the 10 leading traders, a number of changes occurred in 2001. First, China became the world's fourth largest merchandise exporter and importer by moving ahead of Canada. Despite an export decline, Mexico changed position with the Republic of Korea and became the world's seventh largest exporter. On the import side, Singapore moved ahead of Chinese Taipei and now ranks as the tenth largest merchandise importer. The group of the ten largest importers comprises the same traders as the group of the ten leading exporters. In most cases their rankings are the same for both exports and imports which illustrates again that major exporters also tend to be large importers.

The commercial services trade of the 40 leading traders reported in Table I.7. exhibit marked variations in the year to year changes in 2001. Thirteen services traders recorded an export growth in excess of 5%, while 10 services traders recorded a decline in their exports of more than 5%. Among the 13 dynamic exporters, nine also experienced an expansion in services imports in excess of 5%. The most dynamic services traders in 2001 were Hungary, Ireland, India and Russia, for which the average of export and import growth rates exceeded 10%. All these countries recorded a vigorous economic expansion, with GDP growth exceeding 3.5%. A group of 10 countries recorded a contraction in their services exports of 5% or more.[20] With one exception, the contraction of exports was always accompanied by a fall in imports of services. In countries affected by a financial crisis in 2001, services trade shrank dramatically (Argentina and Turkey). As regards the ranking of the 10 largest services traders, there was little change despite the highly divergent trade performances. The top ten importers did not record any change in their respective positions, while for the exporters, Spain moved ahead of Italy while Belgium-Luxembourg regained the ninth position from Hong Kong, China.

## 7. Trade developments in the first half of 2002 and prospects

Global economic activity strengthened in the first half of 2002 and world trade started to recover from the first quarter onwards. The recovery in output was vigorous in those economies which experienced the steepest deceleration in the preceding year, namely the United States and the major developing exporters of IT products in East Asia. In Western Europe and Japan, however, the recovery remained rather timid and lagged behind that of the United States. In Latin America, the crisis in Argentina was felt in neighbouring countries and contributed to a stagnation of output in the region. The sharp fall in the indices of the world's major stock markets in the third quarter of 2002, as well as the weakness in both consumer and business confidence indicators in Western Europe and Japan raised concerns about the sustainability and dynamics of the global recovery. The latter will be heavily influenced by the high level of demand growth in the United States and developing Asia.

United States imports of goods and services at constant prices picked up much more strongly than exports, while the opposite could be observed for the EU and Japan. For the OECD countries combined, trade expansion between the fourth quarter of 2001 and the second quarter of 2002 reached 6% at annualized rate. The United States was once again the principal driving force in the expansion of world trade.

Despite the turnaround in output and trade at the beginning of 2002, the dollar value of world merchandise trade in the first half of the year was still about 4% lower than in the corresponding period in 2001. Price and volume changes contributed equally to this decrease. In dollar terms, imports of the EU and the United States decreased by nearly 6%, while those of Japan and Latin America slumped at double digit rates. Developing Asia's trade recovered strongly in the course of the first half of 2002 and exceeded the preceding year's level in June by more than 5%. China's trade was particularly buoyant, as both exports and imports rose by more than 10% in the first half.

Developments in world trade in value terms were also influenced by exchange rate and price changes. The dollar exchange rate started to weaken against the currency of major traders, and oil and non-fuel commodity prices started to increase, leading to a reversal of the downward trends observed for prices of internationally traded goods over the last five years. This trend was only temporarily arrested in 2000, when oil prices surged and prices of other commodities strengthened. The combination of higher prices and stronger volume growth lifted the value of world trade in the second quarter of 2002 above the preceding year's level.

Prospects for the second half of 2002 are for a stronger demand growth in North America, but a continuation of sluggish

[18] The countries are Japan, the Rep. of Korea, Chinese Taipei, Singapore, Malaysia and the Philippines.

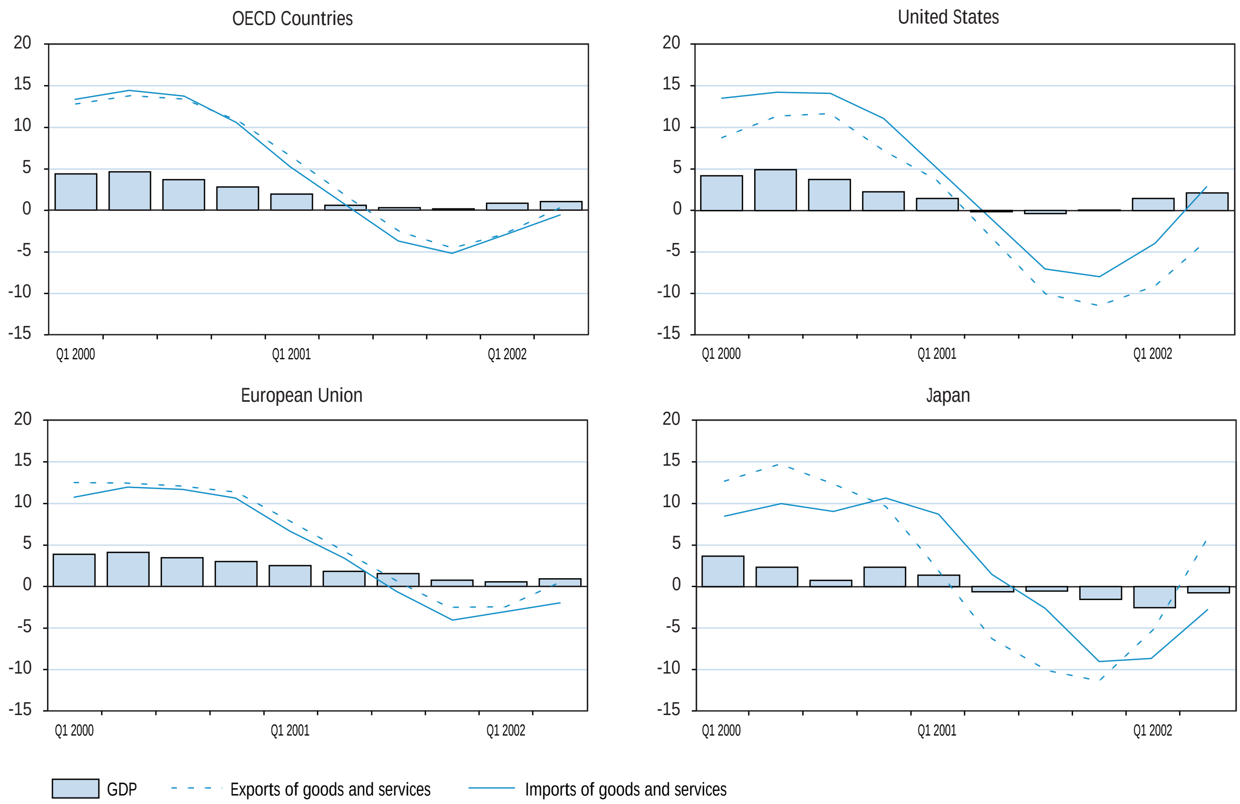
[19] Comprising Saudi Arabia, Venezuela, Iran, Kuwait, Iraq, Libya and Angola.

[20] Including the United Kingdom, Japan, Canada, Turkey, Australia, Thailand, Mexico, Israel, Egypt and Finland.

Chart 15

**Real GDP and trade growth of OECD countries, 2000-2002**

(Percentage change on a year to year basis)




growth in both Western Europe and Japan. Oil prices in the third quarter were higher than expected at the beginning of the year, and a further increase would adversely affect the already fragile global recovery. Provided that the momentum of the recovery in certain OECD countries and in developing East Asia is maintained, global merchandise trade could achieve the 1% annual growth in volume terms projected in April 2002. The value of world merchandise exports is expected to expand somewhat faster than the volume, as dollar prices are expected to increase markedly in the second half on a year to year basis.[21]

[21] On the assumption that effective exchange rates prevailing at end of August 2002 remain roughly unchanged for the rest of the year.