

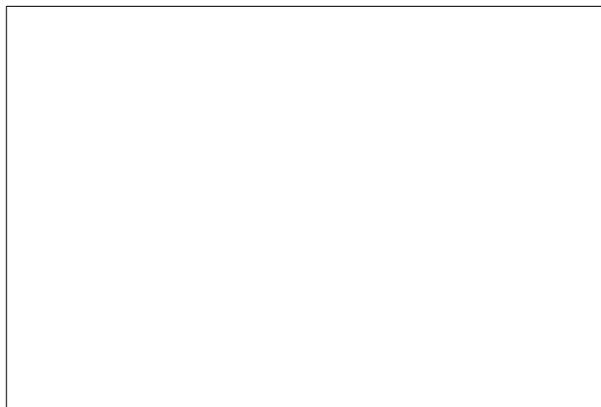
After two outstanding years, world trade growth in 1996 returned to earlier levels

Stronger trade growth expected this year

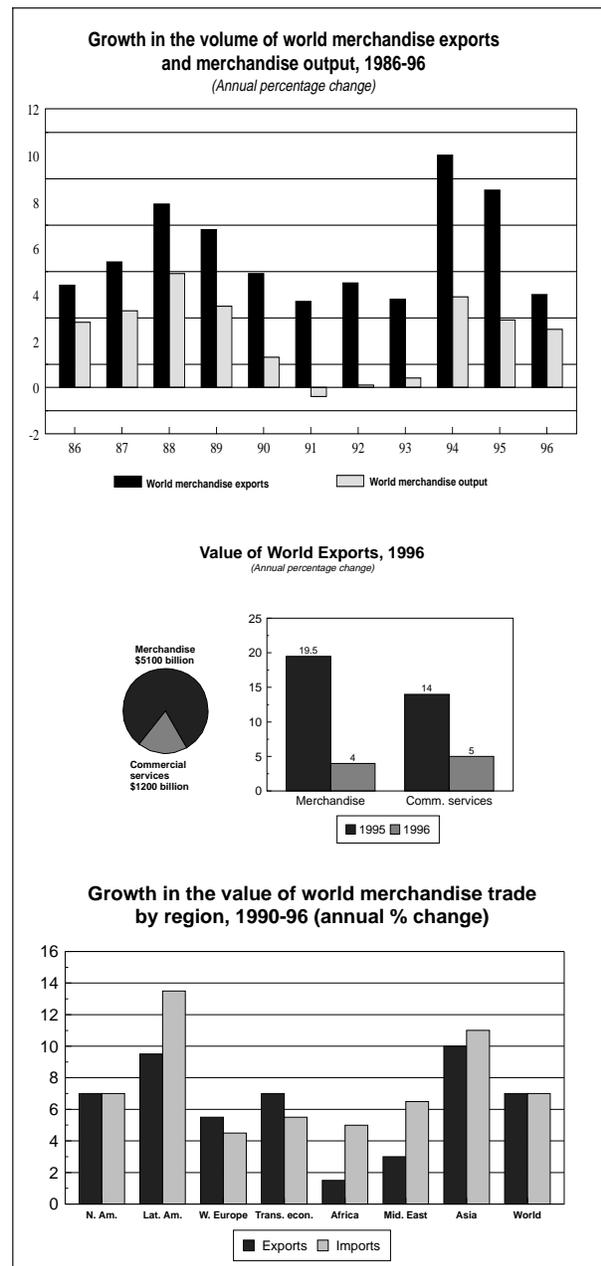
The volume of world merchandise trade increased by 4 per cent in 1996—a gain similar to the trade growth recorded during 1990-93. The 4 per cent increase in 1996 comes after two years of unusually strong growth in world trade volume. The growth rate of world merchandise production was marginally slower for the second consecutive year, but remained well above the rates recorded in the first four years of the decade. A modest increase in trade growth is expected this year, based largely on the projected recovery of economic growth and trade in Western Europe and Asia, and continued high growth in Latin America. These are among the findings in the WTO Secretariat's first report on trade developments last year and the outlook for the current year. Other highlights include,

- » **Slowdown in Asian trade growth:** Since 1990, world trade has grown much faster than world output. This gap narrowed in 1996, largely due to trade developments in Asia, as the region's export and import volume growth fell below output growth.
- » **Other regions fare better:** Growth in trade volume remained at least twice as large as GDP growth in North America, Latin America and Western Europe, while in the

Continued on page 2



End of shift in a gold mine: for the first time since 1990, the value of Africa's exports and imports expanded more rapidly than total world trade. (ILO)



Stronger growth in 1997

(Continued from page 1)

transition economies as a group, trade growth was above the world average despite a further contraction of output.

- » **Goods export value tops \$5 trillion:** In *value* terms, world merchandise exports passed the \$5,000 billion mark for the first time, increasing 4 per cent to \$5,100 billion. The slower volume growth contributed to the sharp deceleration in value terms to 4 per cent from the nearly 20 per cent increase in 1995, but the main explanation is the “valuation effect” of the dollar’s appreciation last year vis-à-vis the currencies of other major traders.
- » **Services exports slow but also reach new high:** Similar developments are behind the slowdown in the expansion of the *value* of world exports of commercial services, from 14 per cent in 1995 to about 5 per cent in 1996. The estimated total value reached \$1,200 billion.
- » **Office/telecom and metals among slowest sectors:** The deceleration in the growth of export value was particularly

pronounced for office and telecom equipment, iron and steel, and non-ferrous metals.

- » **Oil prices lift fuel export values:** Boosted by a marked increase in oil prices, the value of exports of fuels rose by more than 10 per cent in 1996, the biggest annual gain in trade since 29 per cent in 1990.
- » **Regional differences:** Latin America and the Middle East recorded merchandise export and import growth of 10 per cent or more in value terms. Among the seven geographic regions, the sharpest import growth was in the transition economies, with imports up 12½ per cent.
- » **Africa beats world average:** For the first time since 1990, the value of Africa’s exports and imports expanded more rapidly than total world trade, largely on the basis of increased fuel exports.

The following are excerpts from the WTO Secretariat report (the full report is in the WTO Web Site, <http://www.wto.org>). The *WTO Annual Report*, to be published in November, will contain a more detailed analysis of trade developments in 1996. □

I. Overview of world trade in 1996 and the outlook for 1997

Overview of world trade in 1996

The deceleration in world trade last year turned out to be much stronger than was forecast at the beginning of 1996 by all the leading analysts. World merchandise exports increased by an estimated 4 per cent in *volume* terms, slightly less than half the rate recorded in 1995. As is evident from the first chart on page 1, however, the trade growth recorded in 1994 and 1995 was unusually strong, and the 1996 increase is similar to the volume growth reported for the first four years of the decade. While the growth of world merchandise output continued to decelerate marginally in 1996—despite a strengthening of industrial output in the course of the year—the 2½ per cent gain was well above the growth recorded during 1990-93.

As a result, the large excess of trade growth over output growth observed each year since 1990 was sharply reduced in 1996. This change can be attributed primarily to developments in Asia, where trade growth (both exports and imports) fell below GDP growth. While the gap between trade and GDP growth also narrowed in other regions, *trade growth (exports and imports combined) remained at least twice as large as GDP growth in North America, Latin America and Western Europe*. For the transition countries as a group, estimated GDP growth was negative—due to the further contraction of output in Russia and the Ukraine—while *trade growth was above the world average*.

The slowdown in the growth of world merchandise exports in *value* terms from nearly 20 per cent in 1995 to 4 per cent in 1996 (Table 1) exceeded by a wide margin the deceleration in volume terms, as dollar prices of globally traded goods stagnated in 1996 after increasing by 10 per cent in 1995. Changes in the exchange rate of the US dollar vis-à-vis the currencies of several major traders (in particular France, Germany, Japan and the Republic of Korea), together with smaller increases in export prices in domestic currencies, offset price increases for crude oil and certain other primary products (including wheat and maize).

Table 1: World exports of merchandise and commercial services, 1995-96

	Value (Billion dollars)		Annual percentage change	
	1995	1996	1995	1996
Merchandise	4920	5100	19.5	4
Commercial services*	1170	1200	14	5

*Growth rates are adjusted for breaks in the continuity of the statistics due to methodological changes.

Trade in products which had benefited from exceptionally strong demand and/or price trends in 1995—office and telecom equipment, iron and steel, and non-ferrous metals—was affected by price declines and weaker demand in 1996. Consequently, the growth in the value of trade in these products, which ranged from 25 to 33 per cent in 1995, was less than 5 per cent in 1996. In contrast, exports of fuels increased by more than 10 per cent in value terms—the biggest annual gain in trade since the 29% recorded in 1990—due to the 19% increase in crude oil prices in 1996.

On a preliminary basis it is estimated that the *value* of world exports of commercial services rose by 5 per cent to \$1,200 billion in 1996. The slowdown in commercial services exports and imports was particularly pronounced in Western Europe and Asia. North America’s exports and imports expanded faster than the world average in 1996 and at roughly the same rates as in 1995. Available data for Latin American countries suggest a recovery in services imports—largely due to Mexico—and an above-average growth of exports. Overall, the deceleration of the growth in the value of world trade in commercial services in 1996 can be attributed both to the valuation effect of the dollar’s appreciation vis-à-vis a number of major currencies, and to the sluggish economic activity in Western Europe which alone accounts for one-half of the world’s trade in commercial services.

Preliminary information on the value of commercial services exports in 1996 by the three major sectors indicates that transportation recorded the lowest growth rate, travel an about average growth rate, while "other services" (including financial and insurance services, royalties and license fees, construction services, and other business services) continues to be the most dynamic sector. For the three sectors, this was a continuation of trends evident since the beginning of the decade.

Outlook for 1997

Recent forecasts for 1997 anticipate an economic recovery in Western Europe, roughly unchanged growth in North America and a slight deceleration of GDP growth in Japan. For the OECD area as a whole, GDP is projected to expand

in 1997 at the same rate as it did last year. In China and the group of "six East Asian traders", where GDP growth rates are two to three times faster than in the OECD area, growth is projected to pick-up marginally. Sharper improvements in output growth are forecast for Russia—where growth is projected to be positive for the first time in several years—and Latin America.

If these GDP growth forecasts are realized, the volume of world trade this year should expand somewhat faster than the 4 per cent gain in 1996, led by a stronger trade performance in Western Europe and an expansion of imports into Latin America and developing Asia. The increased export earnings of the oil exporting countries should also lead to increased imports in 1997. □

II. World merchandise trade in 1996 by region and by leading trader

Volume developments by region

Although all seven geographic regions used in the Secretariat's statistics experienced a deceleration in the growth in the volume of their merchandise exports in 1996 as compared with 1995, the extent of the slowdown differed widely. While exports from Western Europe, Asia and the transition economies expanded last year at rates of one-fourth to one-half the rates recorded in 1995, the deceleration was less pronounced in North America and only very moderate in Latin America (Table 2).

The outstanding export performance of *Latin America* (nearly triple the world average) can be attributed largely to Mexico, where export volume expand for the second year in a row by more than 20 per cent. Excluding Mexico, Latin America's exports expanded by 5 per cent in both 1995 and 1996. In contrast to Mexico, Brazil's export volume has been stagnant in the last two years.

Latin America's imports, which grew in volume terms by only 3 per cent in 1995 due to the sharp recessions in Mexico and Argentina, recovered strongly in 1996 with an expansion of 10½ per cent. Among the major traders, Argentina's and Mexico's imports were up 17 per cent and 24 per cent respectively, with the result that the steep fall in imports provoked by the recession in 1995 has been completely offset. A particularly strong deceleration could be observed for Brazil where the volume of imports, after expanding by more than one-quarter annually between 1993 and 1995, increased by about 6 per cent in 1996.

Exports of the *transition economies*, which recorded the strongest export growth of all the major regions in 1995 (up 14½%), decelerated sharply in 1996 to just under the global average of 4%. Import growth, in contrast, reached 12 per cent in 1996, the highest level among the major regions.

Although *North America's* export and import volume growth decelerated to 5½% in 1996, it remained above the global average. The trade deceleration for both exports and imports was pronounced for Canada but only very moderate for the United States. One of the main factors in the strong deceleration of Canada's trade performance was the slowdown in the booming exports and imports of the machinery and equipment sector (excluding automotive products).

Western Europe's sluggish demand led to an import growth of only 3 per cent in 1996, less than half the rate in

1995, and below the global average for the fifth consecutive year. As Western Europe accounts for roughly 40 per cent of world merchandise trade, the impact on global trade was marked. With roughly two-thirds of Western Europe's imports accounted for by intra-trade, the region's overall export growth was also affected. While intra-EU exports nearly stagnated in 1996, exports to third countries rose by more than 5 per cent, a rate significantly faster than imports from third countries. *As in 1995, external demand helped to sustain output and employment in the EU during 1996.*

The surprising feature among the 1996 trade developments in the geographic regions was the performance of *Asia*. Although the region's economic growth slowed somewhat, it still exceeded 5 per cent if Japan is excluded (including Japan, the growth is still close to 5 per cent as Japan recorded a GDP growth of 3½ per cent). Although output growth was still well above that of the six other regions, Asia's export growth in 1996 was not only below output growth, but also the smallest export growth among the regions. Asia's imports held-up somewhat better, matching the world average and exceeding export growth by 2 percentage points. Japan's export growth was negative, and in China, Hong Kong,

Table 2 - Growth in the volume of world merchandise trade by selected region, 1990-96

(Annual percentage change)						
Exports			Imports			
Average				Average		
1990-96	1995	1996		1990-96	1995	1996
5.5	8.5	4.0	World	6.0	8.5	4.5
7.0	9.5	5.5	North America ^a	7.0	8.0	5.5
8.5	12.0	11.0	Latin America	11.0	3.0	10.5
5.0	7.5	4.0	Western Europe	4.0	6.5	3.0
5.0	8.0	4.0	European Union (15)	4.0	6.0	2.5
3.5	14.5	3.5	Transition economies	2.5	11.5	12.0
7.0	9.5	2.5	Asia	9.5	14.0	4.5
1.0	3.5	-0.5	Japan	6.0	12.5	2.5
10.0	14.5	3.5	Six East Asian traders ^b	10.5	15.5	4.0

^a Canada and the United States.

^b Hong Kong, the Republic of Korea, Malaysia, Singapore, Chinese Taipei and Thailand.

Table 3
Growth in the value of world merchandise trade by region, 1990-96

(Billion dollars and percentage)

Exports (f.o.b.)				Imports (c.i.f.)				
Value	Annual percentage change			Value	Annual percentage change			
1996	1990-96	1995	1996	1996	1990-96	1995	1996	
5100	7	19.5	4	World	5240	7	19	4
826	8	14.5	6.5	North America	995	7.5	11	5.5
250	9.5	21.5	11.5	Latin America	272	13.5	11.5	11
96	15	31	20.5	Mexico	90	14.5	-10	23.5
154	6.5	17	6.5	Other Latin America	182	13.5	24.5	5.5
2271	5.5	22.5	3	Western Europe	2210	4.5	21	1.5
2103	5.5	23	3	European Union (15)	2031	4.5	20.5	1
171	7	29	6	Transition economies	172	5.5	25	12.5
81	6.5	26.5	2	Central/Eastern Europe	109	12	29.5	12.5
113	1.5	12.5	8.5	Africa	127	5	18	5.5
28	3	10.5	2	South Africa	30	8.5	30.5	-0.5
160	3	13	12.5	Middle East	146	6.5	13	10
1310	10	18	1	Asia	1315	11	23	4.5
413	6	11.5	-7	Japan	350	7	22	4
151	16	23	1.5	China	139	17.5	14	5
531	12	23	3	Six East Asian traders ^a	580	13	26	3

^a Hong Kong, the Republic of Korea, Malaysia, Singapore, Chinese Taipei and Thailand.

Chinese Taipei, Thailand and Malaysia export and import growth rates were well below currently estimated GDP growth. The extent of the slowdown in Asia's trade growth was unexpected, considering that the deceleration in economic growth in the region was modest, and that intra-regional trade accounts for more than half of Asia's total merchandise trade. It should be noted in this regard that trade between China on one side, and Hong Kong, Chinese Taipei and Macao on the other, contracted sharply in 1996.

A full explanation of these trade developments in Asia will be possible only as more detailed data for 1996 become available. It does appear likely that part of the story is the above-average importance of office and telecom equipment in Asia's exports, which implies that the boom and bust cycle of this product group had a stronger impact in Asia than elsewhere. In addition, exchange rate developments, in particular the stronger dollar, reduced the competitiveness in Japan and Western Europe of those countries which peg their currency to the United States dollar.

Table 2 also provides figures on the growth in the volume of trade thus far in the 1990s. Three features stand out. First, the most dynamic trade growth—on both the export and import side—was in the group of six East Asian traders and in Latin America. Second, despite their above-average performance in the past two years, the transition economies reported the smallest export and import growth since 1990 of all the regions shown in Table 2. Third, by far the biggest difference between export growth and import growth over this period occurred in Japan, where in volume terms imports expanded six times faster than exports.

Value developments by region

In judging the significance of figures for the growth in the value of trade in 1996, it is important to keep in mind that

the valuation effect of the dollar's appreciation varied considerably among regions and countries. Statistics for North America and Latin America were hardly affected, while those for Japan and Western Europe were strongly affected. The impact elsewhere depended on the extent to which currencies are pegged to one or the other of the major currencies, and the extent to which trade is invoiced in US dollars, yen or West European currencies.

Value figures for merchandise trade by geographic region reveal that all seven regions recorded slower nominal growth in 1996 than in 1995 (Table 3). The slowdown in volume growth clearly was a factor. However, a comparison of Tables 2 and 3 also reveals that there was much greater variation among the trade performances of the seven regions in 1996 on a value basis than on a volume basis. This is true both for the growth rates in 1996, and for the extent of the deceleration in growth rates between 1995 and 1996.

The explanation for this more varied performance involves primarily two factors. One was the valuation effect of the dollar's appreciation against a number of currencies, including the yen and ECU. As just noted, this is an important factor, for example, in explaining the figures for Western Europe and Japan relative to the figures for North America and Latin America. The other factor was the 19 per cent increase in petroleum prices in 1996. This played an important role in the relatively better trade figures for the Middle East and Africa—the latter's export and import growth in 1996 exceeded the world average for the first time since 1990, as did Middle East exports—as the share of fuels in these two regions' merchandise exports is about 70 and 40 per cent, respectively. As regards the figures for the Asia region, the sharply weaker demand and prices for office and telecom equipment should also be noted.

Also evident from Table 3 is the fact that import growth

Table 4:
The fastest growing traders in 1990-96*
(Annual average growth rates based on dollar values)

Exporters		Importers	
Malaysia	18	Argentina	34
Philippines	17	Poland	22
China	16	Malaysia	18
Thailand	16	Philippines	18
Singapore	15	China	17
Mexico	15	Brazil	17
Ireland	13	Colombia	16
Kuwait	12	United Arab Emirates	15
Korea, Rep. of	12	Chile	15
Indonesia	12	Mexico	14
Argentina	12	Thailand	14
India	11	Singapore	14
Spain	11	Korea, Rep. of	14
		Indonesia	12
		Turkey	11
		Israel	11
		Chinese Taipei	11

*Traders on the list had exports or imports in excess of \$10 billion in 1996, and a growth rate of exports or imports of at least one-and-a-half times the annual world average of 7% during 1990-96.

exceeded export growth by a wide margin in the Asia region (due mostly to the excess of import growth over export growth in Japan and China) and the transition economies, and by a narrow margin in Latin America.

Trade of the least-developed countries

Data reported by the least-developed countries on their trade performance in 1996 are extremely limited and statistics from their major trading partner—the European Union—are still incomplete. However, some indicators are available. The external conditions for many of the least-developed countries were negatively affected by price declines for many of their major traditional export items, in particular cotton, coffee and copper. These sharp price declines were only partly offset by price increases for tea and jute. Angola and Yemen—the two oil-exporters in the group—benefited from the oil price increase, in particular Angola which increased its oil output.

Despite the generally unfavourable commodity price developments and the sluggishness of Western Europe's imports, the limited number of African least-developed countries for which data are available increased their exports between 5 and 12 per cent in dollar terms last year. The United States and Japan, which together purchase about one-third of the least-developed countries' merchandise exports, increased their imports from this group of countries by about 15 per cent in value terms in 1996 (recall that overall, the value of total world merchandise trade was up 4 per cent). In contrast, the combined exports of the United States and Japan to this group of countries (they supply about one-tenth of the group's imports) decreased by about 5 per cent. *Overall, for the least developed countries as a group, it is estimated that in 1996 their merchandise export value expanded somewhat faster than world trade.* Import growth, however, appears to have been less dynamic than exports.



Building cars in Malaysia: The table at left indicates that among the most dynamic traders thus far in the 1990s nine traders—Argentina, China, Indonesia, Korea, Malaysia, Mexico, the Philippines, Singapore and Thailand—appear on both the export and import side. Of the total of 21 traders in the table, only five are OECD members: Ireland, Spain and Turkey, plus Mexico and Korea. (Photo courtesy of the Permanent Mission of Malaysia in Geneva).

Trade of members of selected regional integration agreements

The *European Union* (15)—by far the largest regional integration agreement with total exports and imports accounting for 40 per cent of world merchandise trade—recorded a near stagnation of its intra-trade in dollar terms in 1996. With exports to and imports from third countries up by 6½ and 2½ per cent respectively, the share of intra-regional trade in total merchandise trade (exports plus imports) fell to 63 per cent, (the preceding peak level was reached in 1992 with 65 per cent). Price developments, sluggish internal demand and the valuation effect of the depreciation of West European currencies vis-à-vis the US dollar contributed to the moderate decline in the relative importance of intra-trade.

In 1996 the *NAFTA* countries recorded an expansion of their intra-regional exports of slightly more than 10 per cent while exports to third countries rose only by 5 per cent. Intra-regional exports—which in 1996 represented nearly 9 per cent of world merchandise exports—reached an estimated \$480 billion or nearly 48 per cent of total exports, which is close to the previous record level in 1994 before the Mexican peso crisis. On the import side the share of intra-trade reached nearly 40 per cent—a record level not only for NAFTA as a whole but for each of the three members (NAFTA imports from third countries increased 4 per cent last year). Intra-area imports now range from nearly 30 per cent for the United States to about 70 per cent for Canada and nearly 80 per cent for Mexico.

The trade of each of the four *MERCOSUR* countries evolved quite differently again in 1996. The strength of import growth of the two major countries (in value terms, 18 per cent for Argentina and nearly 7 per cent for Brazil) assured a dynamic expansion of the intra-MERCOSUR trade, which is estimated to have reached about \$17 billion or 0.3 per cent of world exports. The share of intra-regional exports in total MERCOSUR exports reached a record level of 22½ per cent, while on the import side the share recovered

Table 5
Leading exporters and importers in world merchandise trade, 1996

(Billion dollars and percentage)

Rank	EXPORTERS	Value (f.o.b.)	Share	Change in value in 1996	Rank	IMPORTERS	Value (c.i.f.)	Share	Change in value in 1996
1	United States	624.8	11.9	6.8	1	United States	817.8	15.2	6.1
2	Germany	521.2	9.9	-0.3	2	Germany	456.3	8.5	-1.5
3	Japan	412.6	7.9	-6.9	3	Japan	349.6	6.5	4.1
4	France	290.3	5.5	1.3	4	United Kingdom	278.6	5.2	5
5	United Kingdom	259.1	4.9	7	5	France	275.3	5.1	-0.2
6	Italy	250.7	4.8	7.1	6	Italy	207.0	3.8	0.4
7	Canada	201.2	3.8	4.7	7	Hong Kong	202.0	3.7	3
8	Netherlands	197.1	3.8	0.9		- retained imports ^b	48.5	0.9	-7
9	Hong Kong	180.9	3.4	4	8	Canada	175.0	3.2	3.9
	- domestic exports	27.4	0.5	-8.4	9	Netherlands	174.1	3.2	-1
10	Belgium-Luxembourg	166.7	3.2	-1.8	10	Belgium-Luxembourg	154.6	2.9	-0.4
11	China	151.1	2.9	1.5	11	Korea, Rep. of	150.3	2.8	11.2
12	Korea, Rep. of	129.8	2.5	3.8	12	China	138.8	2.6	5.1
13	Singapore	125.1	2.4	5.8	13	Singapore	131.5	2.4	5.6
	- domestic exports	73.6	1.4	5.7		- retained imports ^b	79.9	1.5	5.4
14	Chinese Taipei	116.0	2.2	3.9	14	Spain	121.9	2.3	6.1
15	Spain	102.1	1.9	11.4	15	Chinese Taipei	102.5	1.9	-1.1
16	Mexico	95.9	1.8	20.6	16	Mexico	90.3	1.7	23.6
17	Sweden	84.2	1.6	5.8	17	Malaysia	78.6	1.5	1
18	Switzerland	80.0	1.5	-2	18	Switzerland	78.5	1.5	-2.1
19	Malaysia	78.4	1.5	5.8	19	Thailand	68.3	1.3	-3.5
20	Russian Fed. ^a	70.4	1.3	8.6	20	Austria	66.0	1.2	1
21	Australia	59.9	1.1	13.8	21	Sweden	65.8	1.2	2
22	Austria	58.0	1.1	1	22	Australia	65.5	1.2	6.9
23	Saudi Arabia	56.3	1.1	13.9	23	Brazil	57.5	1.1	6.9
24	Thailand	54.8	1.0	-2.9	24	Russian Fed. ^a	44.4	0.8	9.9
25	Ireland	50.0	1.0	12.3	25	Denmark	43.2	0.8	-0.7
26	Indonesia	49.9	0.9	9.8	26	Indonesia	42.8	0.8	4.5
27	Norway	48.7	0.9	16.8	27	Turkey	42.0	0.8	17.6
28	Denmark	48.1	0.9	-1.4	28	Poland	38.3	0.7	26
29	Brazil	47.8	0.9	2.7	29	India	37.5	0.7	8.5
30	Finland	40.5	0.8	1.3	30	Ireland	36.1	0.7	10
	Total of above ^c	4651.0	88.5	3.3		Total of above ^c	4590.0	85.2	3.7
	World ^c	5254.0	100.0	3.8		World ^c	5390.0	100.0	4.1

^a Data exclude trade with the Baltic States and the CIS. Including trade with these states would lift Russian exports and imports to \$89.6 billion and \$64.3 billion respectively.

^b Retained imports are defined as imports less re-exports.

^c Includes significant re-exports or imports for re-export.

to the previous peak of nearly 20 per cent in 1993.

Value developments by individual trader

Table 5 provides data on the 1996 trade of the 30 leading merchandise exporters and importers. Among the countries reporting strong export growth were such petroleum exporters as Mexico (up 20½ per cent), the Russian Federation (8½ per cent), Saudi Arabia (14 per cent), Indonesia (10 per cent) and Norway (17 per cent). Other countries whose 1996 export growth measured in dollars was well above the world average were the United States (7 per cent), the United Kingdom (7 per cent), Italy (7 per cent), Spain (11½ per cent), Sweden (6 per cent), Malaysia (6 per cent), Australia (14 per cent) and Ireland (12½ per cent).

The dollar figures clearly reflect not only the slower

volume growth last year, but also the valuation effect of the dollar's appreciation against the yen and ECU and (on the export side especially) the sharp increase in petroleum prices. Japan and four West European countries (Germany, Belgium-Luxembourg, Switzerland and Denmark), plus Thailand, recorded *declines* in the dollar value of merchandise exports last year. Five West European countries (Germany, France, the Netherlands, Switzerland and Denmark) recorded *declines* in the dollar value of imports, as did Chinese Taipei and Thailand.

Increases in imports of more than double the 4 per cent world average were reported by seven countries—ranging from Poland and Mexico (up about 25 per cent) to India (up 8½ per cent), and including Turkey, the Republic of Korea, Ireland and the Russian Federation. □

III. World trade in commercial services in 1996

The value of world exports of commercial services is estimated to have grown by 5 per cent in 1996 following the 14 per cent increase in 1995. The deceleration of commercial services exports was particularly pronounced in Western Europe and Asia. Partly due to the valuation effect of exchange rate developments, these two regions saw trade growth rates in 1996 reduced by two-thirds. Western Europe, which accounted in 1995 for one-half of world commercial services exports, recorded below average growth in 1996. Exports of commercial services of North America and Latin America are estimated to have grown at roughly the same rates as in 1995 (6 and 8 per cent respectively) which in 1996 were above the global average.

As regards imports of commercial services, Western Europe's sluggish economies contributed to a steep deceleration from the 15 per cent growth in 1995 to a rate well below

the global average of 5 per cent in 1996. While Asia recorded also a strong deceleration of its import growth, it nevertheless remained above the world average. In the case of Japan, however, the deceleration was even stronger than in Western Europe as a whole, namely from 15 per cent in 1995 to about 2 per cent in 1996. North America's imports of commercial services expanded by about 6 per cent to nearly \$170 billion, a growth rate only slightly less than in 1995. Latin America's import growth accelerated in 1996 as the strength of the recovery in Mexico more than offset a deceleration in the growth of services imports in Brazil, the region's largest importer.

Table 6 provides data on the trade of the 30 leading exporters and importers of commercial services in 1995 (the latest year for which reasonably complete data are available).

□

Table 6

Leading exporters and importers in world trade in commercial services, 1995

(Billion dollars and percentage)

Rank	EXPORTERS	Value	Share	Change	Rank	IMPORTERS	Value	Share	Change
1	United States	189.5	16.2	8	1	Germany	130.3	10.7	20
2	France	96.0	8.2	8	2	United States	128.3	10.5	7
3	Germany	79.5	6.8	25	3	Japan	121.6	10.0	15
4	United Kingdom	69.4	5.9	13	4	France	76.9	6.3	11
5	Italy	64.7	5.5	17	5	Italy	62.9	5.2	17
6	Japan	63.9	5.4	13	6	United Kingdom	57.8	4.7	10
7	Netherlands	47.2	4.0	12	7	Netherlands	45.3	3.7	11
8	Spain	39.6	3.4	17	8	Belgium-Luxembourg ^a	33.7	2.8	...
9	Hong Kong	36.1	3.1	16	9	Canada	29.3	2.4	4
10	Belgium-Luxembourg ^a	35.3	3.0	...	10	Korea, Rep. of	27.5	2.3	36
11	Austria ^b	31.5	2.7	...	11	China	24.6	2.0	57
12	Singapore	29.3	2.5	26	12	Chinese Taipei	23.8	2.0	13
13	Switzerland	26.1	2.2	14	13	Austria ^b	23.1	1.9	...
14	Korea, Rep. of	25.1	2.1	33	14	Spain	21.6	1.8	17
15	Canada	21.2	1.8	10	15	Hong Kong	21.2	1.7	17
16	China	18.4	1.6	14	16	Russian Fed.	20.2	1.7	31
17	Chinese Taipei	15.6	1.3	15	17	Thailand	18.6	1.5	22
18	Sweden	15.2	1.3	13	18	Australia	17.2	1.4	12
19	Australia	15.1	1.3	13	19	Sweden	17.1	1.4	17
20	Thailand	14.7	1.2	28	20	Singapore	16.5	1.4	23
21	Turkey	14.5	1.2	35	21	Norway ^b	15.9	1.3	...
22	Denmark	14.3	1.2	4	22	Switzerland	15.4	1.3	21
23	Norway ^b	14.2	1.2	...	23	Denmark	14.0	1.1	17
24	Russian Fed.	11.6	1.0	30	24	Indonesia	13.2	1.1	18
25	Greece	9.5	0.8	4	25	Brazil	13.2	1.1	34
26	Philippines	9.3	0.8	38	26	Malaysia	10.6	0.9	21
27	Mexico	8.8	0.7	1	27	Ireland	10.5	0.9	27
28	Poland	8.6	0.7	92	28	Finland	9.7	0.8	39
29	Egypt	8.3	0.7	7	29	Mexico	9.3	0.8	-27
30	Portugal	8.1	0.7	21	30	Israel	9.2	0.8	14
	Total of above	1040.0	88.8	14		Total of above	1039.0	85.2	15
	World	1170.0	100.0	14		World	1220.0	100.0	14

^a Not comparable to previous years due to change in methodology.

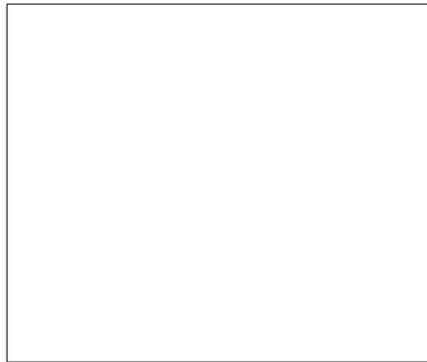
^b Estimate.

Cheese is bright spot in dairy trade

World prices for cheese remained firm in 1996 in contrast to lower prices for milk powders and butter. Cheese production continued its world-wide upward trend while the European Communities, Australia and New Zealand consolidated their role as the world's leading cheese exporters.

These are among the findings contained in *The World Market for Dairy Products - Second Annual Report* (available from the WTO Secretariat, SwF 15-), published on 28 February. The report reviews the situation in the world dairy market in 1995 and the first half of 1996. Highlights include:

- » In 1996, the prospects are for an increase in world milk production, driven by further expansion in developing countries and Oceania (Australia and New Zealand). Milk production is expected to stabilize in the Commonwealth of Independent States (CIS) and Eastern Europe. At the farm level, there appears to be a tendency for the number of milk producers to decrease while average dairy herd size is increasing. The dairy processing industry tends to become more and more concentrated.
- » World production of skimmed milk powder declined in 1995 while production of whole milk powder increased. World exports of both powders increased. In January 1996, stocks of skimmed milk powder in the European Communities and the United States were low. Prices were strong during the first three quarters of 1995, reflecting tighter supplies, but dipped in the last quarter of the year and in the beginning of 1996 as demand slackened.
- » World production of butter and butter oil increased marginally in 1995, ending a



Packing butter in Uruguay: after ending a long slump in 1995, world butter prices dipped again in 1996. (ILO Photo)

long-term downward trend. Exports of butter and butter oil recovered in 1995 as demand, particularly from the Russian Federation, the Near and the Far East, was strong. By the end of 1995, high prices and low stocks were key features of the world butter market. However, prices decreased in the first half of 1996 due to weaker demand.

- » Cheese production continued its world-wide upward trend. Production of cheese is expanding more rapidly than milk production which reflects a progressive shift towards the production of value-added products. World cheese trade also increased in 1995. Price increases for cheese during 1995 were less pronounced when compared to other dairy products. However, in contrast to prices of milk powders and butterfat, cheese prices have remained firm in 1996 as demand from major imports has been strong. □

WTO's chief economist retires. *The annual analysis of world trade reported in this issue of WTO FOCUS is the final one from Richard Blackhurst, Director of WTO's Economic Research and Analysis Division, who is retiring at the end of this month. Since joining the GATT Secretariat in 1974, he has also been a Professeur associé at the Institut Universitaire de Hautes Etudes Internationales in Geneva. A native of California, he received his undergraduate training at U.C.L.A. and his Ph.D. in economics from the University of Chicago. His successor is Patrick Low of Spanish nationality, who earned his Ph.D. at Sussex University and was counsellor in the WTO Trade in Services Division. (Photo by Tania Tang/WTO)*

MEETINGS

The following is a tentative schedule of WTO meetings.

JUNE	
2	Council for Trade in Goods
3	Working Party on Preshipment Inspection
5	Committee on Trade in Financial Services
5-6	Working Party on Belarus Committee on Balance-of-Payments Restrictions (India)
9-11	Textiles Monitoring Body
17	Working Party on State Trading Enterprises
17-18	Working Party on Moldova
18-20	Committee on Regional Trade Agreements
19-20	Committee on Technical Barriers to Trade International Meat Council
20	Committee on Trade in Civil Aircraft
23	Working Party on Professional Services
23-24	Committee on Balance-of-Payments Restrictions (Tunisia) Working Party on Jordan
23-25	Textiles Monitoring Body
24	Committee on Market Access
25	Dispute Settlement Body
25-26	Trade Policy Review: Cyprus
26-27	Committee on Agriculture
27	Committee on Trade in Financial Services

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