

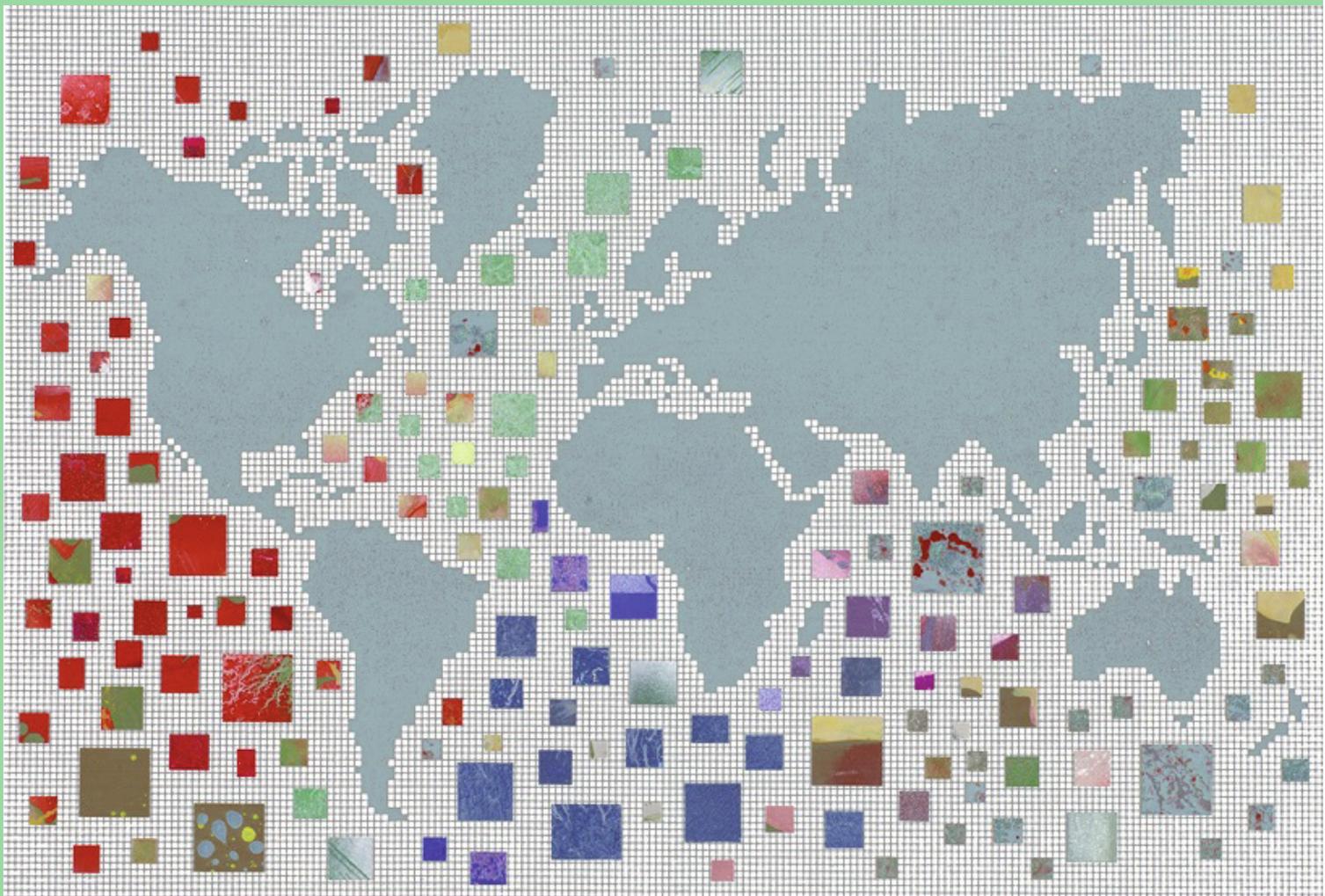


WORLD TRADE
ORGANIZATION

World Trade Report

2014

Trade and development:
recent trends and the role of the WTO



How do 4 recent major economic trends change how developing countries can use trade to facilitate their development?

- the rise of the developing world
- the expansion of global value chains
- the higher prices of commodities
- the increasingly global nature of macroeconomic shocks

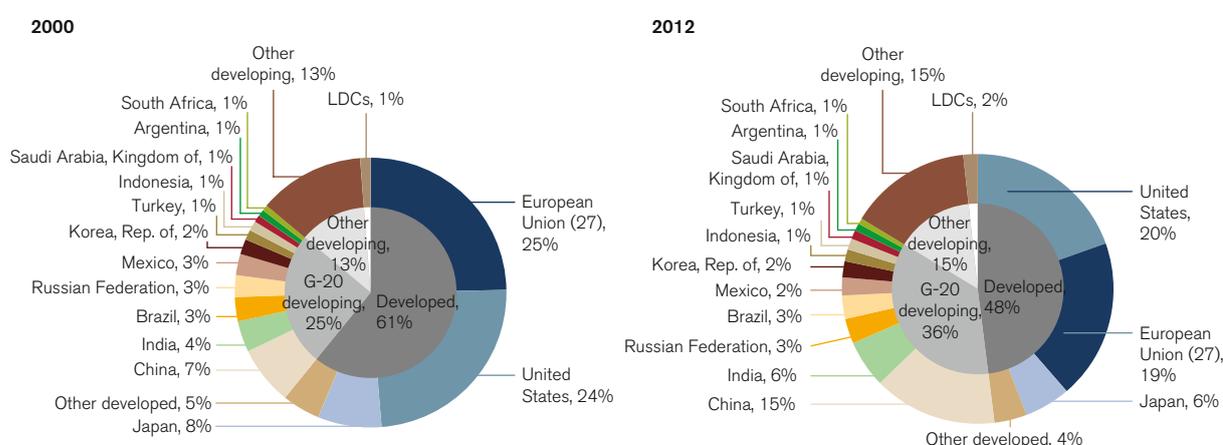
And what role does the WTO play?

Key facts and findings

The increasing importance of developing countries in the global economy

- Since 2000, GDP per capita of developing countries has grown by 4.7 per cent, while developed countries only grew by 0.9 per cent. This has narrowed differences in GDP per capita *between* countries. However, developing economies are still much poorer than developed countries, and millions remain in poverty even in the most dynamic developing countries.
- GDP growth has moved hand in hand with integration in the world economy. The share of developing economies in world output increased from 23 per cent to 40 per cent between 2000 and 2012 in purchasing power parity terms. The share of developing countries in world trade also rose from 33 per cent to 48 per cent.

Shares of selected economies in world GDP at purchasing power parity, 2000–12 (percentage)

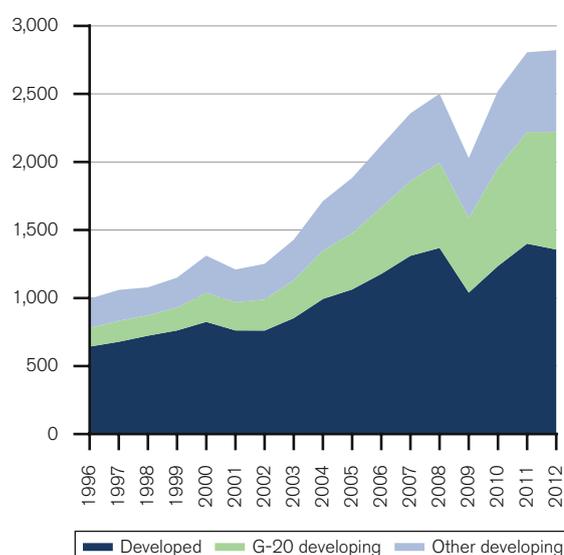


Source: IMF World Economic Outlook database, October 2013.

The rise of global value chains (GVCs)

- Fragmentation of global production has accelerated and increasingly involves developing countries. More than half of developing countries' total exports in value-added terms are now related to GVCs and the share of GVC-based trade between developing countries quadrupled over the last 25 years.
- GVC participation leads to productivity enhancements through technology and knowledge transfers. Countries with greater GVC participation have higher growth rates. However, participation in GVCs may involve risks. For example, while it may make industrialization easier to achieve, competitive advantage can become more fleeting, increasing vulnerabilities to relocation of firms.
- Countries with a favourable business environment and low tariffs participate to a greater extent in GVCs. Aid for Trade facilitation can help address some obstacles, such as lack of infrastructure and customs barriers. GVCs are associated with "deep integration" agreements: more than 40 per cent of free trade agreements in force today include provisions related to competition policy, investment, standards and intellectual property rights.

Imports of parts and components by country group, 1996–2012 (US\$ billion)

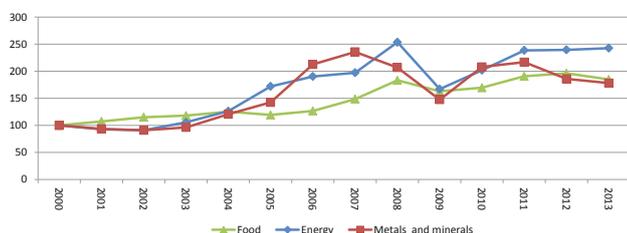


Source: UN Comtrade database, WTO Secretariat.

A new role for commodities in development strategies

- Prices of food, energy, metals and minerals roughly doubled since 2000. Despite a slight moderation from 2008 peaks, strong demand from large developing countries is among the reasons to believe that the high-price environment may stay. Price volatility will also likely continue to characterize commodity markets.
- Developing countries increased their market share in global agricultural exports from 27 to 36 per cent between 2000 and 2011. But traditional market access barriers such as tariffs and subsidies continue to affect their exports and non-tariff measures are playing an increasingly important role.
- Trade in natural resources has also grown strongly since 2000. Several resource-rich countries have achieved high growth, but the social and environmental impacts of natural resource extraction remain significant challenges.

Real annual price indexes of selected commodities, 2000-13 (2000=100, real 2005 US\$)

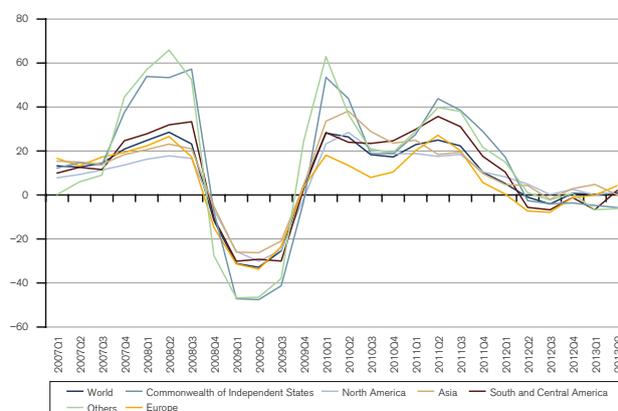


Source: World Bank Commodity Price Data.

Increased synchronization and globalization of macroeconomic shocks

- During the global crisis of 2008-09, trade declined in a rapid and synchronized manner not observed before. It illustrated the dependency of countries on economic developments elsewhere. Macroeconomic volatility, which previously had been declining, can set back development by reducing economic growth and adversely affecting income distribution.
- A coordinated international response, the existence of trade rules and the effectiveness of monitoring efforts by the WTO restrained protectionism, despite the severity of the global economic crisis.

Quarterly merchandise exports per region, 2007Q1-2013Q2 (Year-on-year percentage change in US\$ values)



Source: WTO short-term merchandise trade statistics.
Notes: Data are not seasonally adjusted.

The WTO and developing countries

- Commitments are a key feature of international trade agreements. Countries undertaking substantial reforms related to WTO accession been found to grow about 2.5 per cent faster for several years.
- As long as certain market failures persist, rule-based flexibilities are important to allow developing countries to undertake such commitments. In the WTO system, these countries benefit from special and differential (S&D) treatment by providing less-than-full reciprocity for trade concessions and through other flexibilities.
- The Committee on Trade and Development is the focal point on development issues in the WTO. It considers concerns raised by developing countries, promotes transparency and oversees the implementation of WTO trade-related technical assistance.
- At the Bali Ministerial Conference in December 2013, WTO members reinforced the development dimension of the WTO.
- Trade and the WTO will have a central role to play in addressing development challenges post-2015.

World Trade Report 2014

The *World Trade Report 2014* looks at four major trends that have changed the relationship between trade and development since the start of the millennium: the economic rise of developing economies, the growing integration of global production through supply chains, the higher prices for agricultural goods and natural resources, and the increasing interdependence of the world economy.

Many developing countries have experienced unprecedented growth and have integrated increasingly into the global economy, thereby opening opportunities for countries still lagging behind. However, important barriers still remain.

Integration into global value chains can make industrialization in developing countries easier to achieve. Upgrading to higher-value tasks within these supply chains can support further growth. But competitive advantage can be lost more easily, and achieving such upgrading can be challenging.

Higher prices for agricultural goods and natural resources have helped some developing countries achieve strong growth. But higher prices can cause strains for net importers of these goods.

Growing interdependence within the global economy allows countries to benefit more quickly from growth in other parts of the world. But it can also cause challenges as crises can be quickly transmitted across borders.

Many developing countries still have a long way to go in addressing their development challenges. The multilateral trading system provides developing countries, and particularly least-developed countries, with unique opportunities to do so. Further progress in the Post-Bali Agenda would therefore be important to making trade work more effectively for development.



"This year's World Trade Report shows that four recent trends have reshaped the relationship between trade and development. Many developing countries have taken advantage of the new opportunities, experiencing rapid economic growth alongside deepening trade integration, lifting millions of people out of poverty. The open, non-discriminatory, rules-based multilateral trading system, as embodied in the WTO, has been important in underpinning their success. But the recent trends also hold challenges and a long road still lies ahead for many developing economies. The WTO's work is therefore more important than ever. The decisions taken by WTO members in Bali last year can help poor countries realize their export potential. We now need to implement those decisions and continue to advance trade negotiations at the WTO."

Roberto Azevêdo
WTO Director-General

Further information

The *World Trade Report* is an annual publication that aims to deepen understanding about trends in trade, trade policy issues and the multilateral trading system.

The Report is available in English, French and Spanish:

World Trade Report 2014
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