Chapter V

Trading patterns: Global and regional perspectives

In 2015, China was once again the world's leading merchandise exporter and the United States the leading merchandise importer. The top five traders – namely China, United States, Germany, Japan and the United Kingdom – accounted for more than one-third of world trade while the top three countries accounted for more than one-quarter. A fall in prices in international markets had a particular impact on Africa, particularly Sub-Saharan Africa, other commodity exporters and regional trade agreements in general.

The United States remained the leading trader of commercial services. However, China, which ranked second, was the only economy with positive growth for both exports and imports. In 2015, all regions, with the exception of the Middle East, experienced declines in their exports of services.

Merchandise trade

Top performers

China, the United States, Germany and Japan remained the top four traders for both merchandise exports and imports in 2015 (see Chart 5.1). China was the leading exporter, with total exports of US$ 2.27 trillion and a 14 per cent share of world exports, followed by the United States (US$ 1.50 trillion, 9 per cent), Germany (US$ 1.33 trillion, 8 per cent) and Japan (US$ 624 billion, 4 per cent). The fifth biggest exporter was the Netherlands, with total exports of US$ 567 billion, representing a 3 per cent share of world exports (see Table A6).

The leading importer was the United States, with imports totalling US$ 2.31 trillion, representing a 14 per cent share of the global total, followed by China (US$ 1.68 trillion, 10 per cent), Germany (US$ 1.05 trillion, 6 per cent) and Japan (US$ 648 billion, 4 per cent). The United Kingdom was the fifth biggest importer of goods, with imports amounting to US$ 626 billion, representing 4 per cent of world imports (see Table A6).

The European Union experienced a decline of 12 per cent in the value of its exports in 2015 following an average of 2 per cent growth in 2012-14. Asia overtook Europe for the first time in terms of share of world exports in 2015 (36.17 per cent compared with 36.15 for Europe). Europe and Asia, the leading destinations of exports, saw their imports drop by 13 per cent and 14 per cent respectively in 2015.

Since the financial crisis in 2008, the European Union and the United States have experienced similar trade patterns in terms of exports and imports. Though more volatile than GDP, exports and imports from these two

Chart 5.1:
Merchandise trade of world's leading traders, 2011-2015
(annual percentage change, %)

traders have followed a similar pattern to GDP growth. Conversely, countries such as China and Japan have seen varying trends for their exports and imports. For instance, in 2015, China's imports dropped by 14 per cent while its exports declined by only 3 per cent (see Chart 5.1).

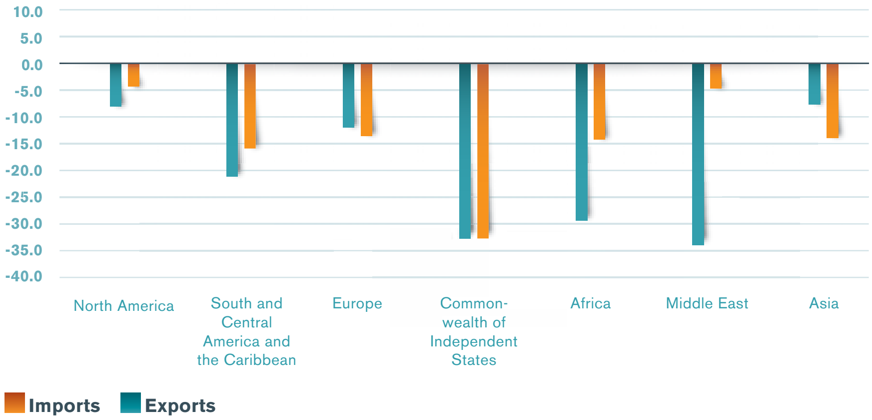
Exports from emerging economies declined in 2015. In particular, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Hungary, India, Indonesia, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine and Venezuela experienced significant declines (see Tables A6 and A7). Total exports from this group of countries fell by 11 per cent in 2015, bringing the total value of exports to about US$ 5 trillion, representing 30 per cent of the world total. The largest among this group were Russia (32 per cent), India (17 per cent) and Brazil (15 per cent).

Both China and Mexico were relatively resilient to the decline in exports compared with other developing economies, recording a fall of 3 and 4 per cent respectively. China, however, experienced a large decline of 14 per cent for imports. Mexico's decline in imports was not as drastic, falling by 2 per cent.

Chart 5.2:

Merchandise trade by region, 2015

(annual percentage change)



Regional performance

In dollar terms, Asia was the best performing region in 2015 followed by Europe and North America. Its overall merchandise exports amounted to US$ 5.961 trillion, followed by Europe's US$ 5.958 trillion and North America's US$ 2.3 trillion. The regions' exports declined by 7, 12 and 8 per cent respectively (see Chart 5.2).

Africa's exports experienced a significant 30 per cent decline in dollar terms in 2015. Accounting for about 40 per cent of the region's exports, Sub-Saharan oil-exporting countries, such as Equatorial Guinea and Congo, were significantly affected by the 60 per cent decline in oil prices. Nigeria saw a decline of almost 50 per cent (see Table A7) in its export revenues in dollar terms (see Chart 5.3). This weakness was also due to a variety of other factors, including slow growth in North Africa and domestic and political turmoil. Growth in South Africa and Morocco was relatively better than the average for the region, with a less marked decline in the value of their exports.

Asia experienced the lowest regional decline in total exports in 2015, with a fall of 7 per cent. However, the larger Asian economies, such as Malaysia and the Philippines (net exporters of manufactured products), experienced a decline of 15 per cent

Chart 5.3:

Merchandise exports from Africa, 2005-2015

(million US dollars)

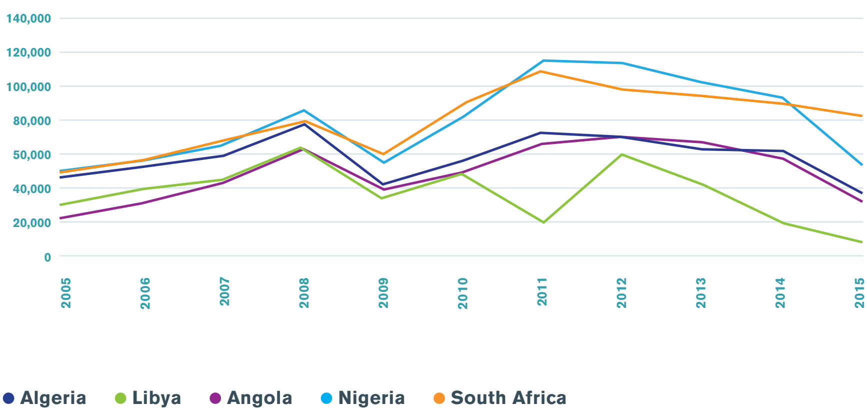
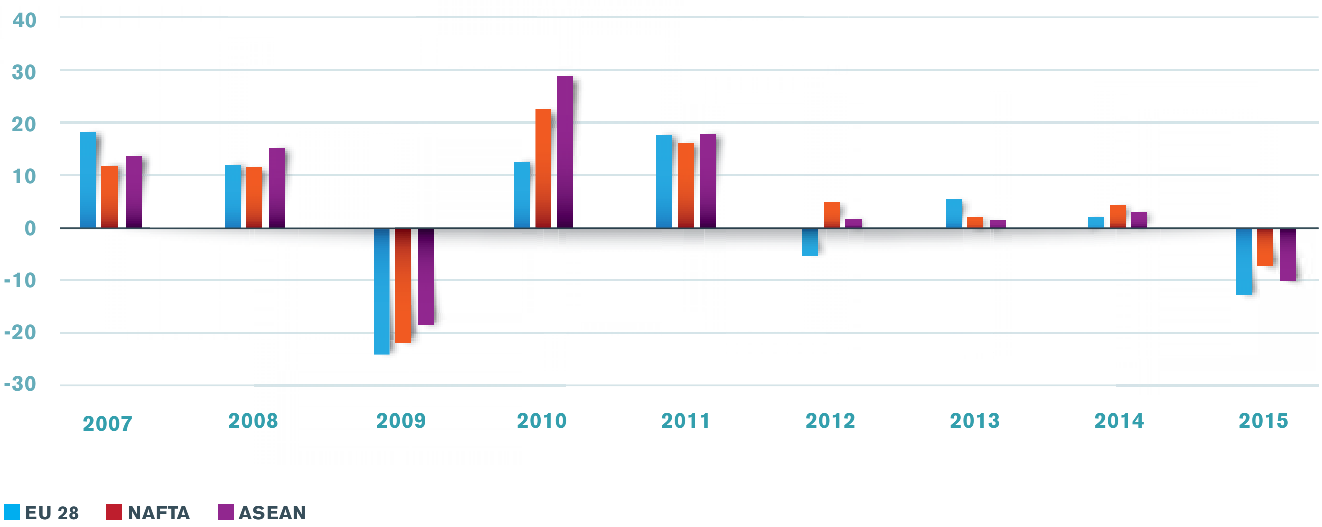


Chart 5.4:

Merchandise exports of leading RTAs, pre- and post-financial crisis, (2007-2015)
(annual percentage change)



and 6 per cent respectively while Indonesia's exports fell by 15 per cent (see Table A7). On the other hand, Viet Nam (a net importer of manufactured goods) and Bangladesh (a clothing exporter) experienced growth of 8 and 6 per cent respectively (see Table A7) despite declining prices for manufactured goods in 2015. Developing Asia continues to account for the bulk of developing economies' share in world exports, representing 67 per cent of developing economies' exports.

The participation in global trade of the Middle East, South and Central America and the Commonwealth of Independent States is still largely confined to agricultural products, energy and other commodities, so their trade flows are vulnerable to price movements influenced by international markets. Their total exports amounted to US$ 841 billion, US$ 540 billion and US$ 500 billion respectively in 2015. Compared to 2014, their exports declined by 35, 21 and 32 per cent respectively.

Regional trade agreements (RTAs)

Some 423 notifications regarding RTAs (counting goods, services and accessions separately) – comprising 267 physical RTAs – have been received by the GATT/WTO and are currently in force, the biggest being the European Union, the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN). Together, the three RTAs represent 55 per cent of world exports (US$ 8.8 trillion) and 58 per cent of world imports (US$ 9.6 trillion).

Overall, total merchandise trade in value terms for RTAs stagnated or declined in 2015 (see Chart 5.4). The European Union, however, slightly increased its one-third share of world exports, increasing its total to US$ 5,387 billion.

NAFTA accounted for 14 per cent of world exports, and ASEAN represented 7 per cent of world exports respectively in 2015. The average growth rate for merchandise trade from 2013 to 2015 is lower than the rate from 2007 to 2009, reflecting the sluggish economic growth across the world since the financial crisis of 2008 and a fall in export and import prices from 2014 to 2015.

In South America, MERCOSUR (Southern Common Market) and the Andean Community (consisting of Bolivia, Colombia, Ecuador and Peru) both experienced a decline in their exports of 22 per cent and 27 per cent respectively. Similarly their shares in world exports continued to decline slightly from 2014 to 2015.

In Africa, the dependence of the Economic Community of West African States (ECOWAS) on oil exports and imports – particularly Nigeria, which accounted for 50 per cent of ECOWAS exports – resulted in its share of world exports falling to 0.5 per cent in 2015 from 0.9 per cent in 2012 (see Table A56).

Trans-Pacific Partnership

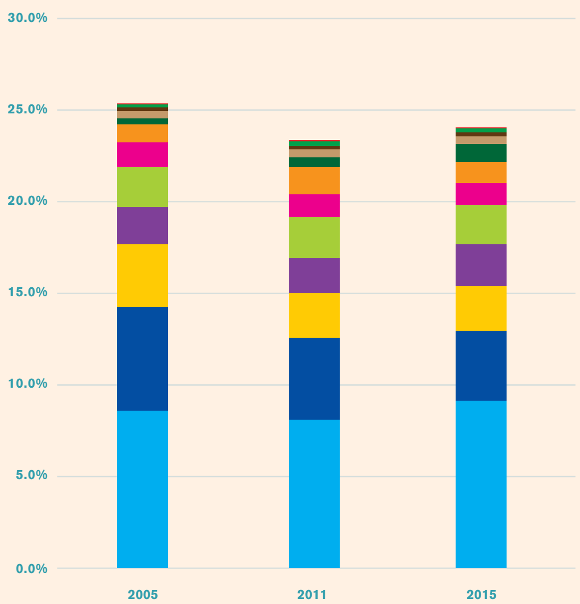
The Trans-Pacific Partnership (TPP), a trade agreement among 12 Pacific Rim countries signed in February 2016, aims to increase market access and promote economic growth through new trade rules. The agreement has not yet entered into force.

The 12 signatory countries saw their share of world exports decline to 24 per cent in 2015 from 25 per cent in 2005 and their share of world imports fell to 29 per cent from 31 per cent a decade earlier.

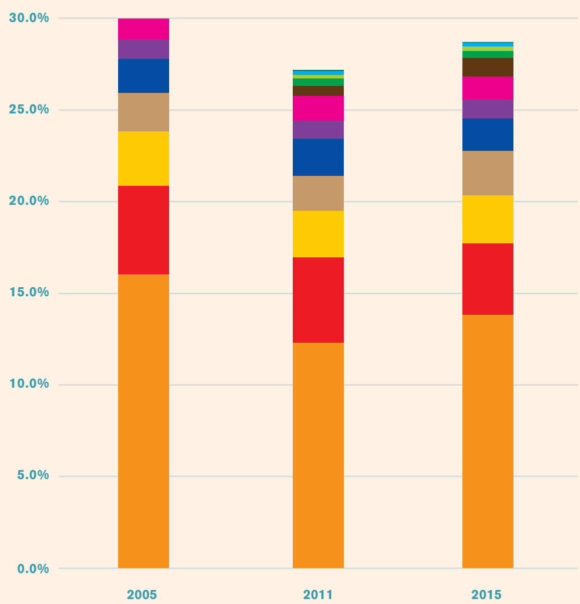
The TPP offers its signatories the potential to benefit from the large size of the markets covered by the agreement and to increase their share of world trade. In 2014, the signatories accounted for 36 per cent of the world's GDP, or US$ 28 trillion, and encompassed a population of 810 million. The United States is the largest market in terms of GDP and population, representing 62 per cent of the TPP's GDP and 40 per cent of the population covered by the TPP.

The TPP includes some of the fastest growing economies in trade. Since 2005, Viet Nam, Peru and Chile have experienced annual average growth rates of 17 per cent, 14 per cent and 9 per cent respectively for their merchandise exports. For the other TPP countries, the lowest annual average growth rate during this period was 3.7 per cent, recorded by the United States. In terms of GDP, Viet Nam, Peru, Singapore and Malaysia achieved the highest annual growth rates during the last decade, averaging at 9 per cent or higher.

TPP partners in world exports (% share)



TPP partners in world imports (% share)



Australia Brunei Darussalam Canada Chile Japan Mexico Malaysia
New Zealand Peru Singapore United States Viet Nam

Trade in commercial services

In 2015, world trade in commercial services was down by 6 per cent, with some regions experiencing significant declines (see Chart 5.5). In the Commonwealth of Independent States (CIS), exports dropped by 16 per cent and imports by 23 per cent, reflecting a contraction in services trade in the Russian Federation and the depreciation of the Russian rouble against the US dollar (see Table A3).

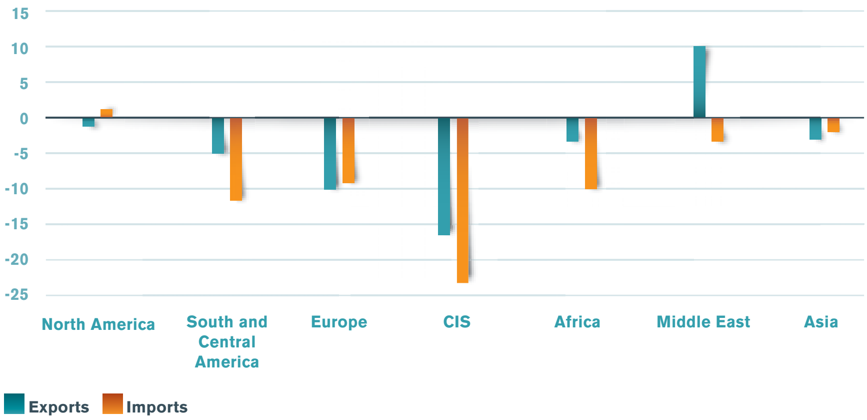
Strong exchange rates fluctuations in Europe largely contributed to the region's decline in services trade, while the recession in Brazil had a major impact on services trade in South and Central America, in particular on imports, which fell by 12 per cent. Imports increased moderately in North America, the only region with positive import growth. In Asia, a decline in transport exports in many economies due to weak merchandise trade and a contraction in other commercial services translated into services exports falling by 3 per cent (see Table A3).

A decrease in travel receipts, which account for more than 40 per cent of Africa's exports, resulted in a decline of 3 per cent in Africa's exports of commercial services. In contrast, expanding tourism in the Middle East, the region's largest exported service, boosted its services exports, which rose by 5 per cent, reflecting sustained growth in both the United Arab Emirates and in the Kingdom of Saudi Arabia (see Table A3).

Chart 5.5:

Trade in commercial services by region, 2015

(annual percentage change)



Source: WTO-UNCTAD-ITC estimates.

Top performers

In 2015, the top ten exporters of commercial services were the same as the top ten importers but the order of the top ten differed (see Chart 5.6). The United States maintained its position as the world's leading trader of commercial services. Although US exports stagnated, its imports were up by 3 per cent, reflecting its ongoing economic recovery (see Tables A8 and A9).

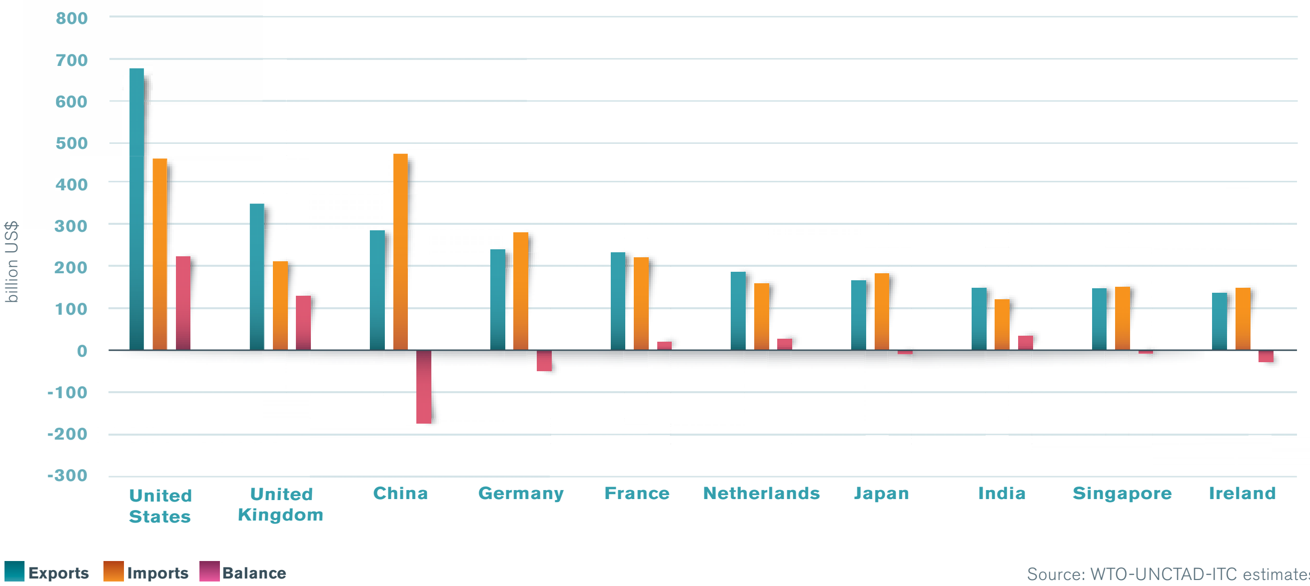
China was the second-largest services exporter in 2015, with a 6 per cent share in global services exports. The country was the only leading services exporter to record positive growth for both exports and imports (2 per cent and 3 per cent respectively). However, China remained a net importer of services, mainly due to the rapid increase in its travel imports in recent years. Among other leading Asian traders, imports fell more steeply than exports, with Japan's services imports down by 9 per cent (see Tables A8 and A9).

In US dollar terms, leading European traders saw declines in their services trade, with the sharpest export reduction in France (-13 per cent) and the biggest fall in imports in Germany (-12 per cent). However, it should be noted that in euro terms growth was positive in both countries. Imports rose by 4 per cent in Ireland, as payments for business services as well as for charges for the use of intellectual property thrived. Ireland recorded the most dynamic growth rate among leading importers of commercial services (see Tables A8 and A9).

Commercial services trade by modes of supply

Services traded through mode 1 (services supplied from one country to another, officially known as "cross-border trade") accounted for 16 per cent of US exports and imports of services. These services comprise transport (excluding supporting and auxiliary transport services), telecommunications services, information services, insurance and pensions services, financial services, charges for the use of intellectual property n.i.e., operating leasing services and trade-related services. Mode 2 (consumers or firms making use of a service in another country, known officially as "consumption abroad") represents around 11 per cent of US exports of commercial services and 8.5 per cent of imports. Mode 2 covers travel and supporting and auxiliary

Chart 5.6:
Leading traders of commercial services, 2015
(US$ billion and annual percentage change)



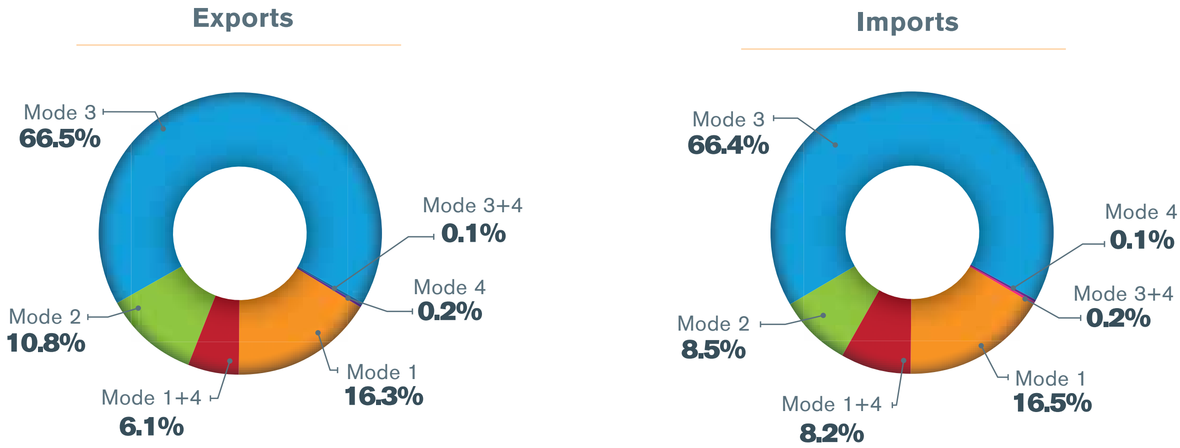
Source: WTO-UNCTAD-ITC estimates.

Source: WTO-UNCTAD-ITC estimates.

transport services (such as loading and unloading of containers in ports and airports, storage and warehousing, cleaning, etc.), which are supplied on a consumption abroad basis.
Exports through mode 1 and mode 4 (individuals travelling from their own country to supply services in another, known officially as "presence of natural persons") together made up 6.1 per cent of US services exports and 8.2 per cent of its imports. This category covers computer services as well as a variety of professional and technical services, such as legal services, business and management consulting, and research and development services for which a dominant mode of supply cannot be determined. They can be delivered through mode 1 or mode 4. In Chart 5.7, mode 4 covers only mining services while modes 3 and 4 combined (commercial presence and presence of natural persons) refer to construction in balance of payments statistics.

Over two-thirds of US exports and imports of services took place through the setting-up of subsidiaries or branches to provide services in another country, known as "establishment of a commercial presence" (mode 3, as defined by the General Agreement on

Chart 5.7:
Estimated structure of trade in commercial services in the United States by mode of service supply, 2013



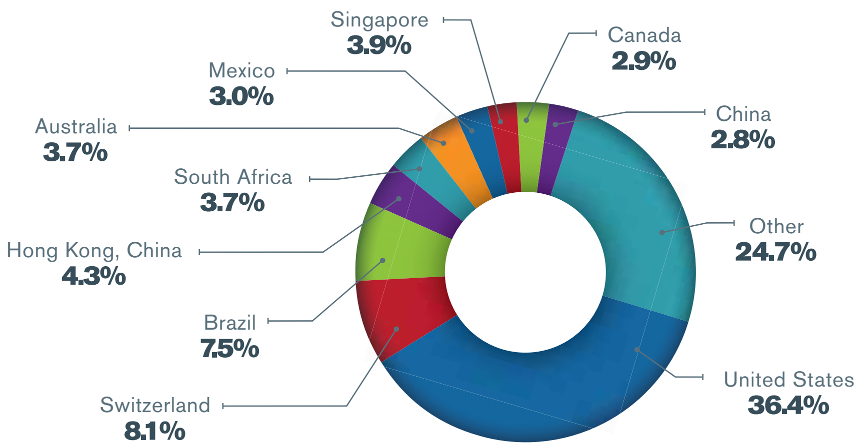
Source: WTO Secretariat calculations based on U.S. Bureau of Economic Analysis (BEA) data.

Trade in Services) in 2013, the latest year for which data is available.

Foreign affiliates statistics (FATS): Sales of services through foreign affiliates

Services can be provided to foreign markets via a direct investment channel. Modes 1, 2 and 4 (recorded in the balance of payments current account) mostly concern transactions between residents and non-residents. However, most of mode 3 ("supply of services through commercial presence") can only be fully analysed through foreign affiliates statistics. Until recently, data was mainly limited to developed economies. But in recent years, an increasing number of developing economies, including some least-developed economies, have started compiling such data, leading to a better understanding of how suppliers render services to their clients worldwide. Due to the time lag for the production of these statistics, it is only possible to analyse data up to 2013 in this publication. As shown in Table A63, mode 3 represents an important way of supplying services to international markets. On average, the level of sales is steadily increasing. This is reflected in the data available for the major services-producing economies.

Chart 5.8:
Main extra-EU destination markets for EU firms supplying services through mode 3, 2013

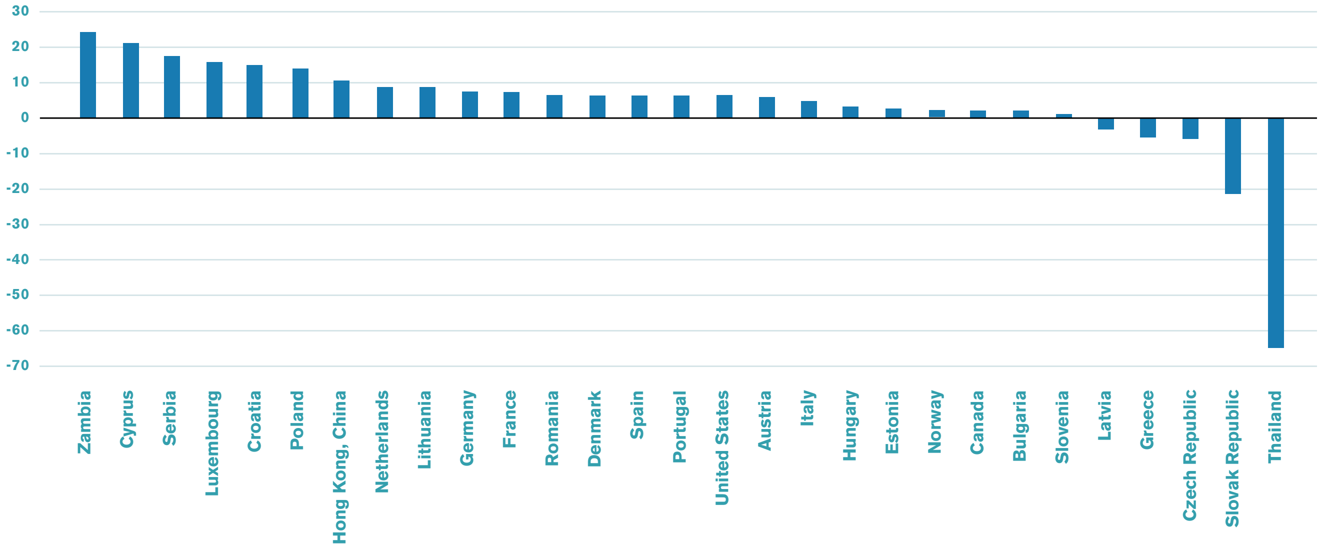


Source: Eurostat.

Chart 5.9:

Growth in sales of services provided by foreign affiliates in 2013

(in percentage)*



*Given the recent development of these statistics, data coverage may not always be complete. See the chapter on "Composition, definitions & methodology".

For example, the supply of services by the European Union (mainly dominated by France, Germany, Italy, Spain and the United Kingdom) to other countries increased by 6 per cent in 2011, 4 per cent in 2012 and 1 per cent for 2013. As illustrated in Chart 5.8, the main extra-EU destination markets for EU firms supplying services through mode 3 are the United States, Switzerland, Brazil, Hong Kong (China) and South Africa.

Sales of services by the United States and Canada through their foreign affiliates abroad show a similar growth of sales. In addition, partial data are available for some developing economies, such as India. For instance, Indian affiliates abroad offering banking, computer and IT-enabled services have experienced a rapid increase in sales, with annual average growth of 17 per cent since 2008. Inward FATS measure the rendering (i.e. sale) of services to consumers of economies in which the foreign affiliates are established. Available data show on average growth rates of 4 per cent in 2012 and 2 per cent in 2013. However the picture differs substantially depending on the economies. It should be noted that the number of economies reporting inward FATS is greater than those reporting outward FATS (see Table A62). A number of economies achieved double-digit growth rates in 2013 (see Chart 5.9). These include Zambia (+24 per cent), Cyprus (21 per cent), Serbia (18 per cent), Luxembourg (16 per cent) and Hong Kong, China (11 per cent). Some economies have experienced a sharp decline in their sales of services. These include the Slovak Republic (-21 per cent) and Thailand (-65 per cent). The high volatility of this data needs to be taken into account, as major suppliers of services are not always included as a consequence of mergers and acquisitions in an ever-growing era of globalization (see Table A62).

Inward FATS in the United States (see Table A64) shows how rapidly some emerging and developing economies are gaining local market shares in the supply of services. Although still representing relatively small shares of overall foreign activity in the United States (ranging from 0.5 per cent to 2 per cent for each economy), affiliates of major developing economies, in particular from Asia and the Middle East, are rapidly becoming important players in the US market. For example, the Republic of Korea, India, Singapore, Mexico, China, Hong Kong (China), United Arab Emirates and Saudi Arabia now collectively account for 7.3 per cent of total foreign supply of services by foreign affiliates in the United States, compared with only around 2.5 per cent five years earlier.