

Developing economies' participation in world trade

Merchandise exports – in terms of US dollar values – from developing economies and least-developed countries (LDCs) were badly hit by significantly lower prices for fuels and mining products in 2015. LDCs' exports suffered the most, recording a 25 per cent decline, while exports from developing economies fell by 14 per cent. LDCs' share of world exports dropped to below 1 per cent for the first time since 2007.

Exports of commercial services from developing economies contracted by 3 per cent in 2015. The decline in transport exports reflected weak merchandise trade while travel receipts fell only slightly. LDCs recorded growth in exports of commercial services, which rose by 1 per cent, assisted in particular by the continuing expansion of travel exports. However, LDCs' participation in global exports of commercial services remained negligible at 0.8 per cent.

Developing economies 54

Merchandise trade 54

Spotlight on Africa: Trade in fuels and export diversification 55

Trade in commercial services 56

Least-developed countries 59

Merchandise trade 59

Trade in commercial services 60

Aid for Trade 63

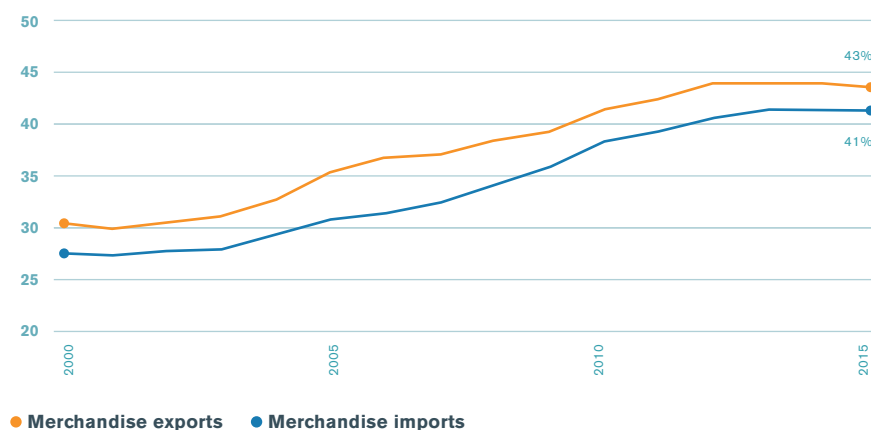
Developing economies

Merchandise trade

Developing economies recorded a 14 per cent decrease in merchandise exports in value terms and a 13 per cent decrease in imports in 2015. Latin America, the Middle East and Africa continued to be negatively affected by the decline in the prices of fuel and other commodities. Developing countries in Europe and Asia, which recorded positive but slowing growth in exports in 2013 and 2014, registered declines in 2015. As a result, developing economies' participation in world merchandise trade showed little change in 2015. Their share in exports declined very slightly to 43 per cent while their share in imports remained at 41 per cent (see Chart 6.1).

South-South trade (i.e. exports from developing economies to other developing economies) continued to

Chart 6.1:
Share of developing economies in world trade, 2000-2015

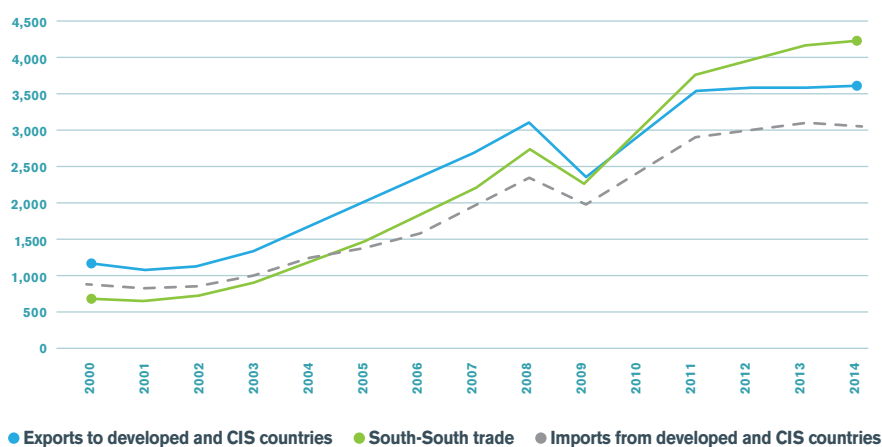


grow and to constitute an increasing share of developing economies' exports (approximately 52 per cent in 2014).¹ Since 2010, South-South trade has recorded stronger growth than trade with developed economies and with

the Commonwealth of Independent States (CIS – see Chart 6.2).

In recent years, trade has grown unevenly among the five developing regions (Africa, Developing Asia, Developing Europe, Latin America and the Middle East) due to political stability, dependence on commodity exports, and changes in global commodity prices (see Chart 6.3).

Chart 6.2:
Developing economies' merchandise trade with developing, developed and CIS economies, 2000-2014²
(US\$ billion)



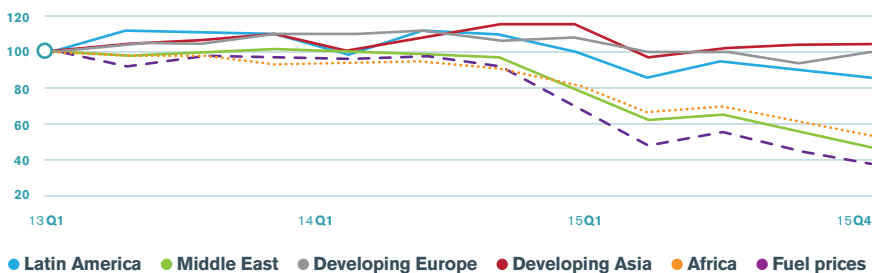
¹ Origin and destination figures and product group shares discussed here are based on the available WTO network of world merchandise trade data, published in October 2015. The next update to the WTO network of world merchandise trade data, which will include 2015 figures, is scheduled for October 2016.

² Data in this chart are sourced from the WTO network of world merchandise trade, which is based on the geographical distribution of exports adjusted for distortions relating to large re-export activities. Import data might thus slightly differ from statistics published by other official sources. All growth rates in this chapter are in terms of current US dollar values.

Fuel exporters in developing economies saw their exports fall significantly due to the increased global supply and falling global demand as a result of sluggish growth globally. The share of fuels in developing countries' exports fell from 25 per cent in 2012 to 21 per cent in 2014. The price of minerals and non-ferrous metals also fell, but the price of food and beverages remained relatively stable following the peak prices recorded for wheat, maize and barley in 2011. Commodity-dependent regions showed double-digit declines (annual percentage change) in exports in 2015 in contrast to Developing Asia, which was buoyed by its manufacturing sector (see Table 6.1).

Chart 6.3:

Quarterly merchandise trade exports for developing economies by region, 2013-2015
(indices 2013 Q1 = 100, not seasonally adjusted)



Spotlight on Africa: Trade in fuels and export diversification

As illustrated in Chart 6.3, oil exporters in Latin America, the Middle East and Africa were negatively affected by an increased global supply of oil and the subsequent fall in fuel prices, which dampened growth in those regions. Declines in African exports followed closely the declines in fuel prices, with all eight African oil and gas exporters recording declines in exports in both 2014 and 2015. As a group, the eight African oil and gas exporters

experienced a 52 per cent decrease in exports between 2013 and 2015.

One reason for the decrease in fuel exports was the increased oil production by the United States. Between 2012 and 2014 the United States reduced fuel imports from Africa by 59 per cent as a result of increased domestic production. This decrease in fuel imports contributed to a 47 per cent fall in the value of Africa's total exports to North America during this period. In 2014, North America's share of Africa's total exports was only 7 per cent compared with 11 per cent in 2012.

However, among the eight oil and gas exporters, exports of manufactured goods continued to grow. For example, although Algeria's exports of manufactured goods represent a very small percentage of its total exports, which are dominated by trade in fuels, its exports of manufactured chemicals grew by almost 150 per cent from 2013 to 2014. According to the latest data available, the percentage of manufactured goods as a share of African exports grew from 19 per cent in 2013 to 21 per cent in 2014.

Manufactured goods continued to experience positive trade growth (although at a decelerating rate) in 2013 and 2014 alongside trade of agricultural products, in contrast to exports of fuels and other mining products. As shown in Table 6.2, the top four traders, which also represent several of the most economically diverse countries in Africa, weathered the downturn in the last few years better than the commodity-dependent oil and gas exporters.

Table 6.1:

Developing economies' merchandise trade by region, 2015
(US\$ billion and percentage)

	Exports					Imports				
	Value	Share in world		Annual % change		Value	Share in world		Annual % change	
	2015	2014	2015	2014	2015	2015	2014	2015	2014	2015
Developing economies ^a	6934	43.6	43.4	1	-14	6664	41.0	40.9	0	-13
Latin America	920	5.9	5.8	-3	-15	1027	6.2	6.3	-1	-11
Developing Europe	169	1.0	1.1	4	-9	247	1.5	1.5	-3	-14
Africa	388	3.0	2.4	-8	-30	559	3.5	3.4	2	-14
Middle East	841	7.0	5.3	-4	-35	707	4.2	4.3	2	-10
Developing Asia ^a	4616	26.8	28.9	4	-7	4124	25.6	25.2	1	-14
Memorandum items										
World ^a	15985	100.0	100.0	0	-14	16299	100.0	100.0	1	-13
Developed economies	8550	52.4	53.5	0	-12	9290	56.3	56.9	1	-11
Commonwealth of Independent States	500	4.0	3.1	-6	-32	345	2.7	2.1	-11	-32

Note: ^aExcluding Hong Kong (China) re-exports or imports for re-exports.

Table 6.2:
Summary indicators on Africa's merchandise trade, 2013-2015

	Exports			Imports		
	2013	2014	2015	2013	2014	2015
Main traders (per cent change)						
Oil and gas exporters (8 countries) ^a	-12	-14	-44	10	1	-19
South Africa	-4	-5	-10	-1	-3	-14
Egypt	-3	-7	-28	-14	19	-9
Morocco	2	8	-8	1	1	-18
Tunisia	0	-2	-16	-1	2	-19
Above 12 countries, share of Africa's trade	79	77	73	70	70	68
Regional trade by product (per cent change)	2013	2014	2015	2013	2014	2015
Agricultural products	7	3	...	2	2	...
Fuels	-11	-13	...	3	1	...
Other mining products	1	-6	...	0	0	...
Manufactured goods	7	2	...	7	5	...
Product share in region's trade (per cent)	2013	2014	2015	2013	2014	2015
Agricultural products	10	11	...	16	16	...
Fuels	57	54	...	16	15	...
Other mining products	9	9	...	2	2	...
Manufactured goods	19	21	...	62	64	...

Note: ^a Algeria, Angola, Chad, Equatorial Guinea, Gabon, Libya, Nigeria and Sudan.

Trade in commercial services

Developing economies' participation in world trade in commercial services continued to rise in 2015, reaching 32 per cent of global exports or US\$ 1,521 billion (see Chart 6.4 and Table 6.3). Since 2005, these countries have progressively expanded their share of services trade. The increase was mainly due to Developing Asia, which accounted for 22.4 per cent of world exports of services in 2015. China, India, the Republic of Korea, Hong Kong

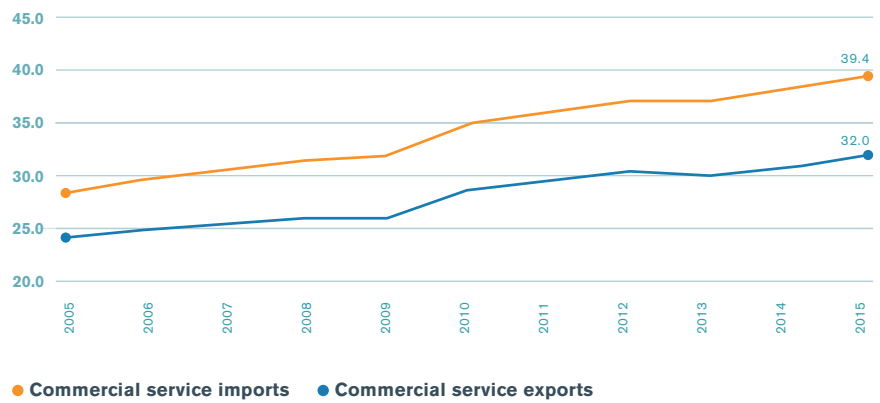
(China) and Thailand were among the main contributors.

Developing Asia's share of world imports of commercial services expanded even more rapidly, reaching 25.4 per cent in 2015, largely due to China's booming services imports, in particular travel. Developing economies' demand for services has thrived over the years, with these countries raising their participation in world imports to 39.4 per cent in 2015 (US\$ 1,815 billion). As merchandise trade flows

contracted in 2015, container port activity decelerated considerably in several developing economies, declining by 11 per cent in Hong Kong (China) and by almost 9 per cent in Singapore. However, thanks to China's growth in exports, developing economies' transport exports fell by only 6 per cent compared with a 12 per cent fall for developed countries. Developing economies' travel receipts declined by 1 per cent while exports of other commercial services decreased by 3 per cent.

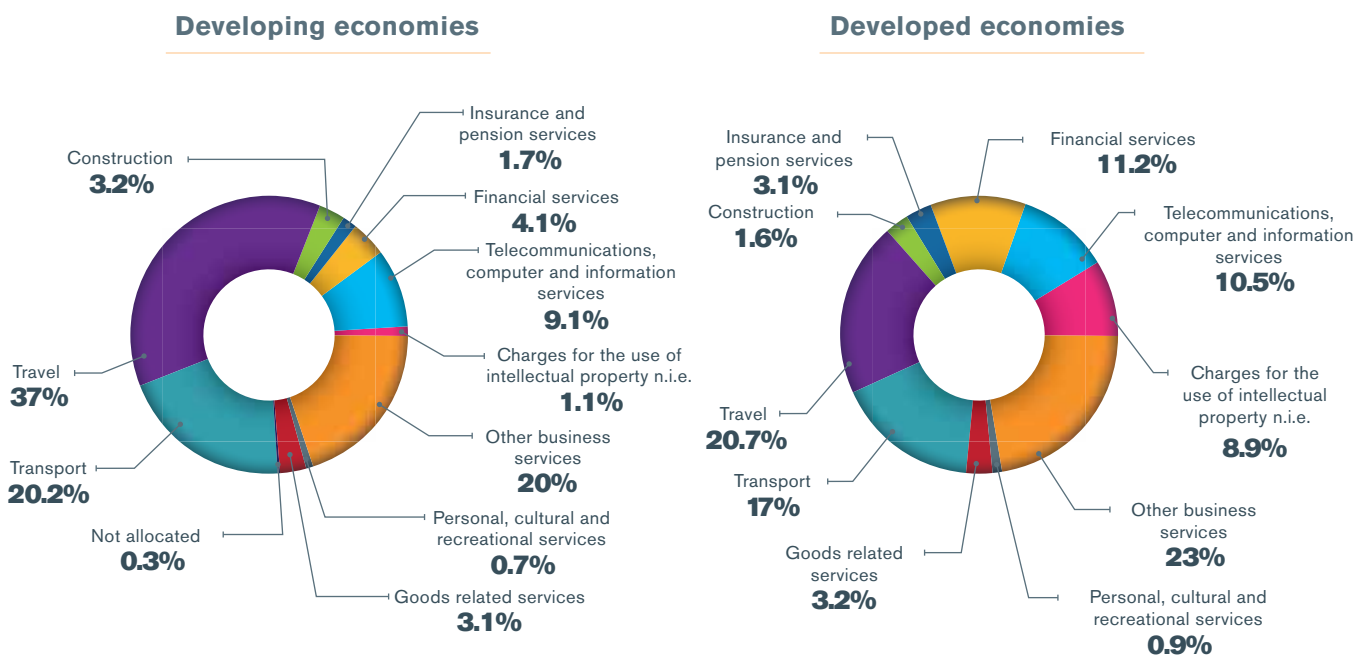
Travel and transport account for the bulk of developing economies' exports of commercial services, totalling 37 per cent and 20.2 per cent respectively in 2015 (see Chart 6.5). Both these shares are higher than in developed economies. However, developing economies' share in exports of commercial services continues to lag behind in higher-skilled services, such as charges for the use of intellectual property n.i.e., insurance and pension services and financial services. This points to the difficulty for these countries to compete in these areas, in particular in terms of training and financial resources.

Chart 6.4:
Share of developing economies in world trade in commercial services, 2005-2015 (percentage)



Source: WTO-UNCTAD-ITC estimates.

Chart 6.5:
Structure of developing and developed economies' exports of commercial services, 2015 (percentage)



Source: WTO-UNCTAD-ITC estimates

Other business services comprised 20 per cent of developing economies' total services exports in 2015, according to estimates. This category includes research and development, professional and management consulting services, and technical, trade-related and other business services.

Rising by an annual average of around 10 per cent since 2005, developing economies' share of global exports of other business services reached 29.1 per cent in 2015. Developing Asia continued to play the main role

(22.9 per cent), with exports from India and China alone accounting for 10.2 per cent of world exports. These two economies ranked first and second as preferred services offshoring locations.¹ India's exports to foreign clients included a wide range of services, such as finance and accounting, auditing, book keeping and tax consulting services, customer services, medical transcriptions, and various types of engineering services (embedded solutions, product design, industrial automation and enterprise asset management).

Other economies play a key role in business process outsourcing (BPO). The Philippines, for example, has specialized in call centres but it has also expanded into higher value-added services. Its exports of other business services were up by 15 per cent in 2015. Among developing countries, Israel is the leading exporter of research and development services (R&D). However, its exports in this area contracted in 2015. In Africa, Morocco is the main exporter of other business services, especially call centres.²

Table 6.3:
Developing economies' trade in commercial services by region, 2015
(US\$ billion and percentage)

	Exports					Imports				
	Value	Share in world		Annual % change		Value	Share in world		Annual % change	
	2015	2014	2015	2014	2015	2015	2014	2015	2014	2015
Developing economies	1521	30.9	32.0	9	-3	1816	38.2	39.4	11	-3
Latin America and the Caribbean	163	3.3	3.4	2	-3	200	4.6	4.3	2	-11
Developing Europe	58	0.0	0.0	8	-10	28	0.7	0.6	3	-11
Africa	96	2.0	2.0	4	-3	157	3.5	3.4	6	-10
Middle East	141	2.6	2.0	6	5	257	5.4	5.6	10	-3
Developing Asia	1064	21.7	22.4	11	-3	1173	24.1	25.4	14	-1
Memorandum items										
World	4754	100.0	100.0	7	-6	4612	100	100	7	-6
Developed economies	3140	66.9	66.0	6	-7	2662	58.2	57.7	6	-7
Commonwealth of Independent States	94	2.2	2.0	-9	-16	134	3.5	2.9	-4	-23

¹ The 2016 A.T. Kearney, Global Services Location Index

² Morocco Office des changes "Evolution du secteur de l'Offshoring 2013-2015"

Source: WTO-UNCTAD-ITC estimates

Least-developed countries

Merchandise trade

Merchandise exports of the least-developed countries (LDCs) contracted by 25 per cent in 2015, exceeding the decline recorded in 2014 (-3 per cent).

LDCs depend to a high degree on exports of fuels and mining products, which were hit by a fall in prices and demand in 2015. LDCs rely more on these products than most other country groupings. Their imports declined by 9 per cent in 2015, leading to a record merchandise trade deficit (US\$ 87 billion).

LDCs' share of merchandise exports in world exports dropped to 0.97 per cent in 2015 – the first time it has dropped below 1 per cent since 2007 (see Chart 6.6). Their share in world merchandise imports slightly increased to 1.5 per cent in 2015 (1.4 per cent in 2014). LDCs' share of merchandise exports from developing economies dropped to 2.1 per cent in 2015 (2.4 per cent in 2014) while its imports share increased to 3.4 per cent (3.3 per cent in 2014).

LDC exporters of manufactured goods showed the highest average annual growth rate (6 per cent) of all LDCs over the past five years, followed by exporters of agricultural products (4 per cent). Economies classified as "other LDCs" (Djibouti, Senegal and Tuvalu) have more mixed exports than other LDC economies; their average annual growth rate reached 3 per cent. Despite their more diversified exports, the "other LDCs" have not hedged against adverse fluctuations in the prices of international markets, and only LDCs with a strong dependence on fuel exports have recorded lower growth rates during this period (-5 per cent – see Chart 6.7).

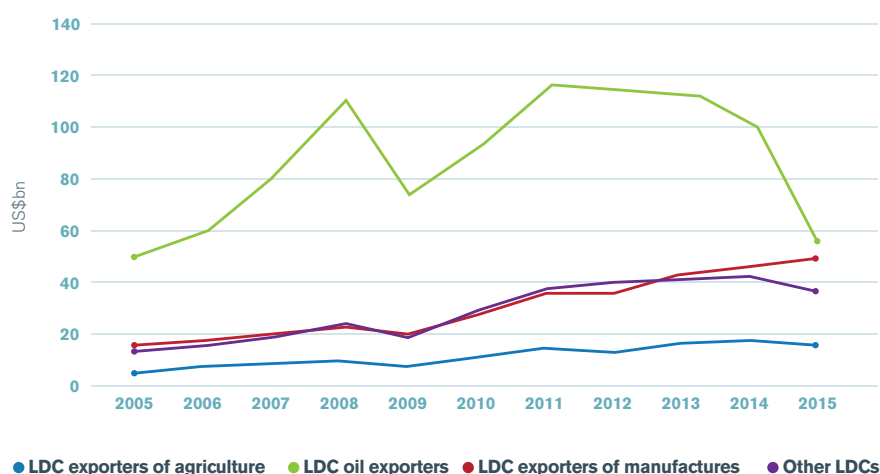
Chart 6.6:
Merchandise trade of LDCs, 2005-2015



● Exports ● Imports

Source: WTO Secretariat.

Chart 6.7:
LDC exports by sub-groupings, 2005-2015



● LDC exporters of agriculture ● LDC oil exporters ● LDC exporters of manufactures ● Other LDCs

Source: WTO Secretariat.

LDCs in Sub-Saharan Africa experienced the largest declines among LDC sub-categories in 2015, registering a contraction of 30 per cent (bringing their total exports to US\$ 97.5 billion from US\$ 139 billion in 2014). This contraction was mainly due to declines in exports of oil exporters (Angola, Chad, Equatorial Guinea and Sudan), which collectively account for about 50 per cent of total exports from the region.

Angola's share of merchandise exports from the Sub-Saharan region fell to 35 per cent in 2015 from 48 per cent in 2012. Its exports dropped by 42 per cent in 2015 (to US\$ 34 billion from US\$ 59 billion in 2014). In this region, oil exporters represented 48 per cent of the LDCs' merchandise exports in 2015, while agricultural exporters and manufacturing exporters

represented 15 per cent and 3 per cent respectively.

In contrast, in the East Asian and Pacific region exporters of manufactured goods accounted for 82 per cent of the LDCs' merchandise exports in 2015. Oil exporters and agricultural exporters had a share of 12 per cent and 1 per cent of exports respectively. Exports from the LDCs in the East Asian and Pacific region contracted by 4.3 per cent in 2015; net exporters of manufactured goods, such as Cambodia and Bangladesh, accounted for more than 80 per cent of total merchandise exports from the East Asian and Pacific LDCs in 2015.

LDCs' trade deficit hit a record level of US\$ 87 billion in 2015, 44 per cent higher than in 2014 and 134 per cent higher than in 2013. LDC oil

exporters registered a trade deficit for the first time in more than 15 years, totalling US\$ 12 billion in 2015, compared with an average surplus of US\$ 36 billion during the past decade. LDC manufacturing and agricultural exporters recorded a US\$ 34 billion and US\$ 20 billion trade deficit respectively (see Chart 6.8).

Trade in commercial services

Although commercial services are playing an increasingly important role in global trade, the participation of LDCs in international services trade remains negligible. This is due to several constraints, including poor infrastructure, limited skills in this sector and lack of financial resources. In the last decade, the share of LDCs in world exports of commercial services increased from 0.4 per cent

Chart 6.8:
LDCs' trade balance, 2010-2015



Source: WTO Secretariat.

in 2005 to only 0.8 per cent in 2015 while, on the import side, it rose from 1 per cent to 1.6 per cent.

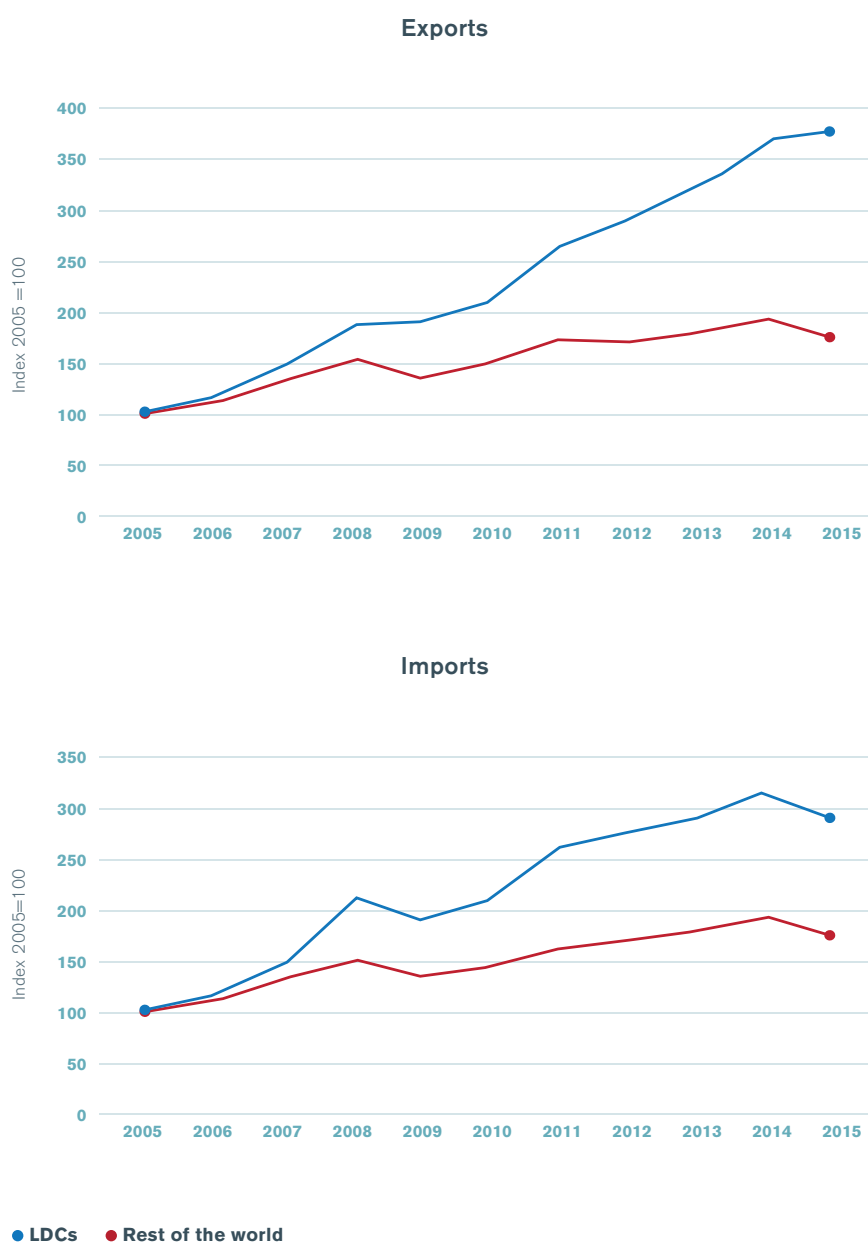
Nevertheless, average annual growth of LDCs' services trade was higher than for the rest of the world. In the period 2005-15, commercial services exports grew by 14 per cent and imports by 11 per cent, more than twice the rate of other countries. Even during the 2008-09 global economic crisis, LDCs' services exports were resilient (see Chart 6.9).

Export growth was fuelled by LDCs in Asia, with Cambodia and, in more recent years, Myanmar being leading tourism destinations. Also Bangladesh has become an emerging exporter of information and communications services and it is seen as an attractive IT and business processing outsourcing location. The country has emerged especially as a hub for freelance IT services via online sites. These include freelance IT professionals offering various services, from simple data entry to application development and project management.

LDCs' exports of computer services are still at a low level, with exports concentrated in just a few economies. However, these exports have been expanding rapidly. Overall, in 2015, LDCs in Asia exported commercial services worth US\$ 14.4 billion, up by 2 per cent compared with 2014.

For African LDCs, the services sector benefitted in particular from Ethiopia's expanding role as a supplier of air transportation services and from Tanzania and Uganda increasing their role as exporters of tourism. With a 29.4 per cent share in 2015, Ethiopia

Chart 6.9:
LDCs' trade in commercial services, 2005-2015
(index 2005=100)



Source: WTO-UNCTAD-ITC estimates

is the largest transport exporter of the LDCs. In recent years, Ethiopia has successfully integrated into the international air transport value

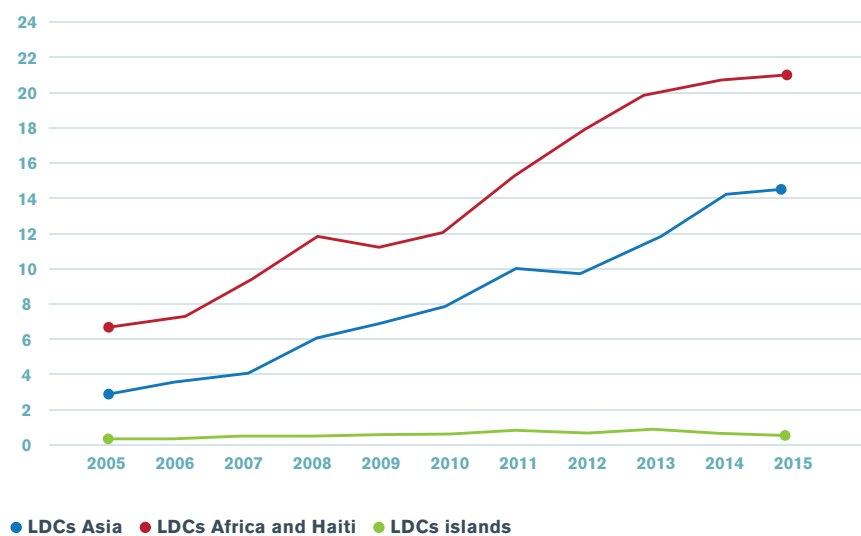
chain, joining the largest global airline alliance in 2011. In the period 2005-15, Uganda's travel exports grew by 12 per cent on average per year, while

Tanzania's travel exports grew by 10 per cent on average between 2005 and 2014.

In 2015, the bulk of LDCs' services receipts originated from LDCs in Africa whose export earnings reached US\$ 21 billion (see Chart 6.10). The services sector is less diversified in LDC islands, where receipts declined by 6 per cent in 2015 to US\$ 0.6 billion. Tourism is the leading services sector in LDC islands, accounting for over 70 per cent of their services exports.¹

LDCs' services exports are generally dominated by low- to middle-skilled services sectors, such as travel (tourism) and transport. Their aggregate contribution reached 73.4 per cent of total services exports in 2015 compared with 56.7 per cent for other developing economies and 37.7 per cent for developed countries. Since these sectors are labour-intensive, they reach out to a potentially large share of the population, creating good employment opportunities in LDCs. In 2015, LDCs'

Chart 6.10:
LDCs' exports of commercial services by region, 2005-2015
(US\$ billion)



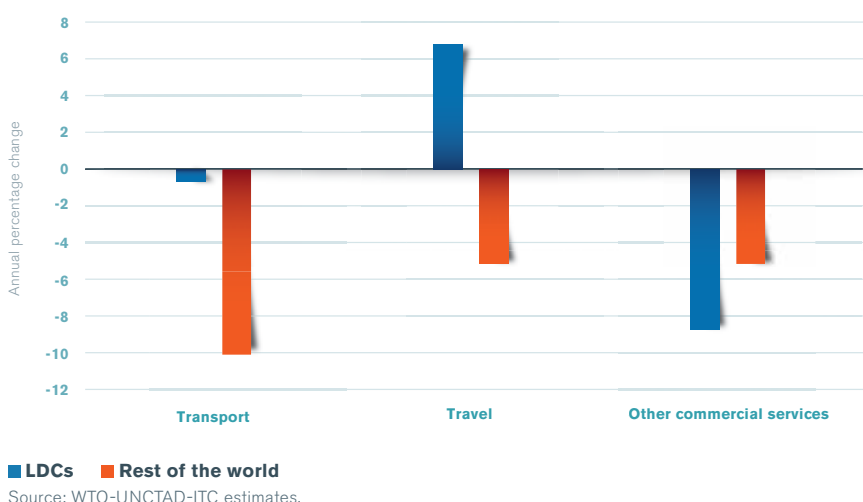
Source: WTO-UNCTAD-ITC estimates.

travel exports increased by 6 per cent, reflecting sustained growth in its tourism sector, while transport receipts contracted by only 1 per cent, much less than in the rest of the world (see Chart 6.11).

LDCs' services trade remains concentrated within a few economies. In 2015, the top ten leading exporters accounted for more than two-thirds of the group's services receipts, a proportion virtually unchanged since 2005. Myanmar is the largest exporter of services among the LDCs. For imports, Angola alone represented one-quarter of the group's total commercial services payments.

The LDCs, as a group, are net importers of commercial services. In recent years, LDCs' services trade deficit has widened, reaching US\$ 39 billion in 2015 up from US\$ 16.3 billion in 2005. However, while both the transport sector and "other commercial services" sectors have experienced persistent trade deficits, travel (tourism) has recorded an expanding surplus since 2005. In 2015, the travel surplus reached US\$ 11.4 billion.

Chart 6.11:
LDCs' exports of commercial services by selected sector, 2015
(annual percentage change)



Source: WTO-UNCTAD-ITC estimates.

¹The breakdown of LDCs by region is coherent with UNCTAD's definition.

Aid for Trade

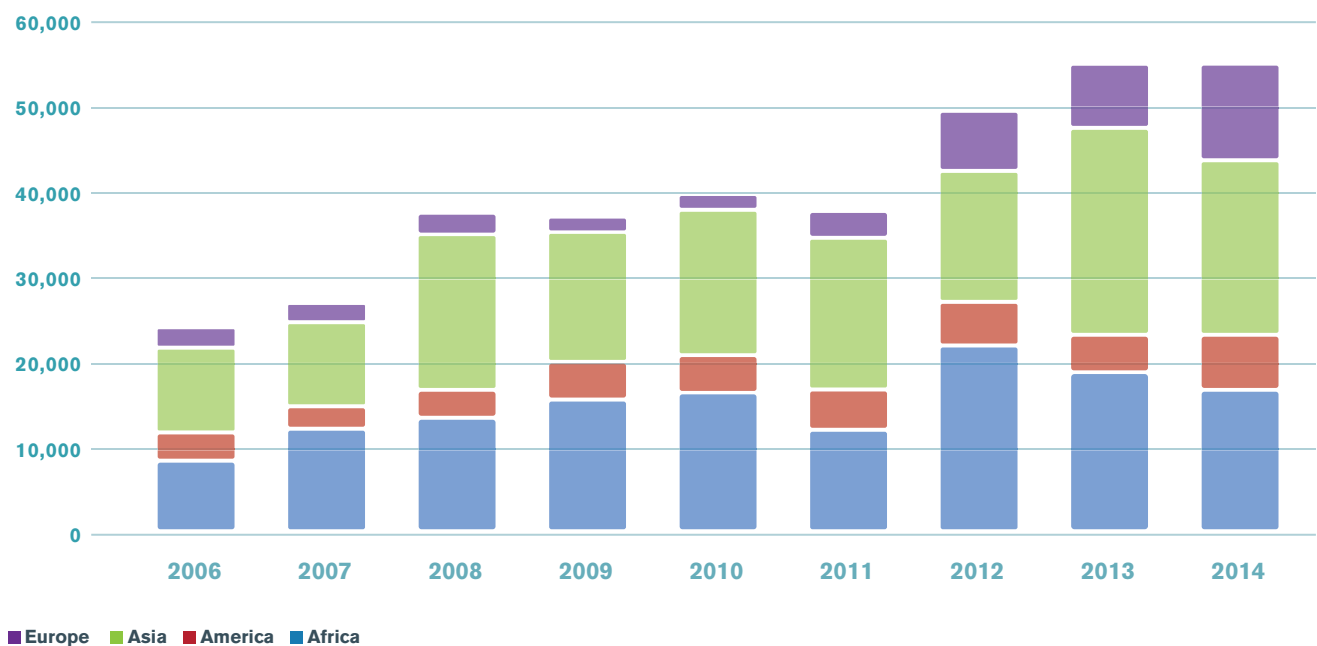
The Aid for Trade initiative aims to help developing countries use trade as a means of achieving economic growth and alleviating poverty. The initiative supports the integration of developing countries – and particularly least-developed countries – into the multilateral trading system by mobilizing international resources to address the constraints experienced by these

countries so that they can participate more effectively in global trade and benefit from this activity. One of the key aims of the initiative is to enhance the capacity of developing countries to trade and to take advantage of market access opportunities.

Total Aid-for-Trade commitments in 2014 (the latest year for which data

is available) totalled US\$ 54.8 billion, with approximately US\$ 7 billion spent on multi-country and regional programmes. Chart 6.12 shows the regional distribution of Aid-for-Trade commitments from bilateral and multilateral donors. Asia and Africa remain the main recipients of Aid for Trade.

Chart 6.12:
Aid for Trade financial commitments by developing region, 2006-2014
(million US dollars, 2014 prices)



Source: OECD-DAC Aid Activity database (CRS)