

# International Trade Statistics 2006

## Overview

### World Trade Developments in 2005

#### 1. Highlights of world trade in 2005

After reaching a three-decade peak in 2004, global economic growth decelerated in 2005 mainly due to weaker economic activity in Europe, the United States and a number of emerging markets (e.g. the Republic of Korea, Chinese Taipei and Brazil). While Japan's economic recovery strengthened, its GDP growth was still a moderate 2.6 per cent. Lower economic growth of developed economies contrasted with robust growth in 2005 for Africa, the Middle East and the Commonwealth of Independent States, which was in excess of 5 per cent. In developing Asia, China and India, the most populous economies reported another year of exceptional growth rates ranging from 8 per cent to 10 per cent. In South and Central America, lower GDP growth in Brazil contrasted with strong growth, of 6.5 per cent, for the other countries in the region.

Lower economic activity at the global level caused a deceleration in the expansion of world merchandise and services trade. The volume of merchandise exports rose by 6 per cent, significantly faster than world merchandise production. Manufacturing output continued to grow faster than the mining and agricultural sectors, and for each sector, trade growth remained stronger than output growth. Trade to GDP ratios are crude measures of globalization; nevertheless, using these measures, openness can be shown to have risen further in all regions in 2005.

The steep rise in fuel prices in the course of 2005 resulted in sharply higher prices for internationally traded goods but did not trigger a general rise in domestic prices as measured by the GDP deflator or consumer price indices. Prices for internationally traded manufactured goods and agricultural products increased even less in 2005 than in 2004, partly due to the relative strength of the US dollar *vis-à-vis* the currencies of major traders (Chart 1). The moderate appreciation of the Chinese Yuan *vis-à-vis* the US dollar since mid-2005, when the Chinese authorities allowed greater flexibility in the Yuan, and the high growth rate of the Chinese economy did not lead to a stronger rise in Chinese export prices. The United States' import prices of manufactured goods from all sources stagnated in 2005 with prices of imports from China even showing a small decline.<sup>1</sup> But the very modest price increase of traded manufactured goods tends to conceal larger variations at a more disaggregated level. In particular, export prices of electronic goods continued to decline while those of iron and steel products and chemicals recorded above average increases.

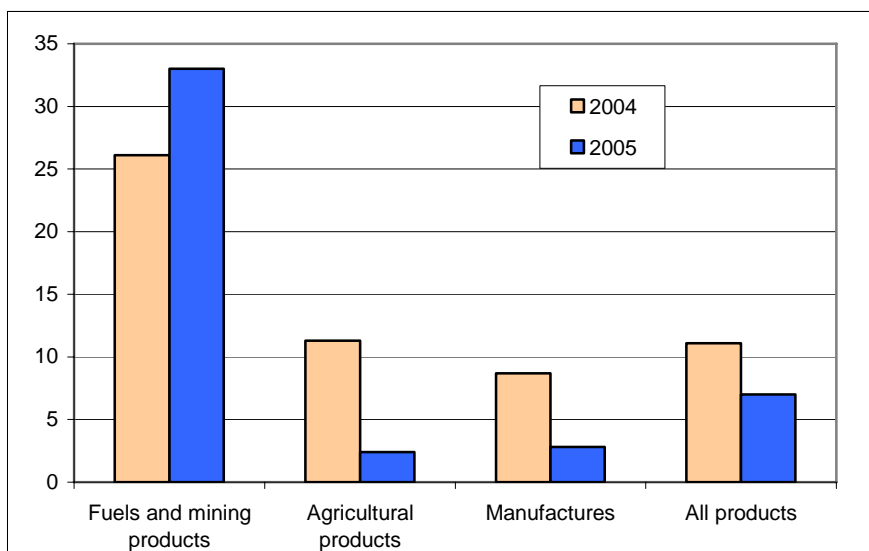
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<sup>1</sup> The stability in US import prices of manufactured goods continued into the first half of 2006.

Chart 1

**Rise in merchandise export unit values by sector in 2004 and 2005**

(Annual percentage change)



The higher fuels prices contributed to big changes in regional trade flows, boosting the exports of the oil exporting regions and economies and stimulating their import growth of goods and services. The export share of the oil exports rose sharply while those of oil importers tended to decline in world exports. A major exception to this pattern is China which, despite the fact of being a net-importer of fuels, reported much faster export than import growth in 2005.

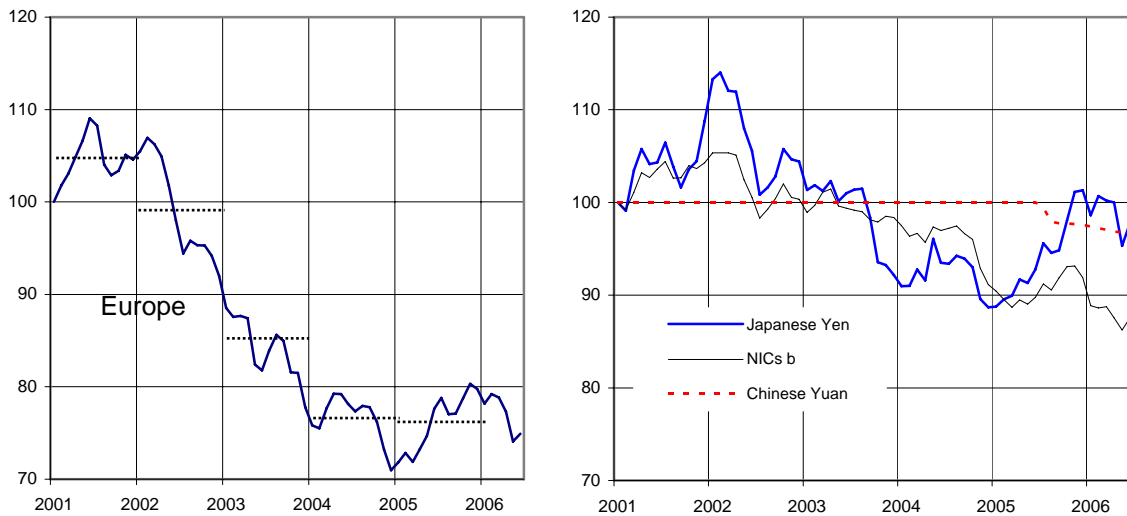
The phase out of the WTO Agreement on Textiles and Clothing (ATC) and the end of the quantitative restrictions in early 2005 had a major impact on international trade in textiles and clothing, even though some restrictions were re-introduced on China's textiles and clothing exports in the second half of 2005. One of the major repercussions of the lifting of the last textile quotas in Canada, the EU and the United States was a shift among the principal suppliers to these markets. As shown already in WTR 2006, China and India made significant inroads in market share while many suppliers from South and Central America and Africa lost market shares, and in some cases, recorded absolute declines in their shipments of textiles and clothing. A number of Asian NICs also reported further decreases in their textiles and clothing shipments in 2005.

The developments in merchandise trade flows contributed to a further rise in global current account imbalances. Oil-exporting economies and regions increased further their trade surplus as did many Asian economies, while the United States' trade deficit rose to \$ 783 billion equivalent to nearly 8 per cent of world merchandise trade. Exchange rate developments of the Yen and the European currencies in the course of 2005 did not support a reduction in the United States' current account deficit while the strength of the Canadian dollar most likely played a part in the rise of US exports to Canada. The small appreciation of the Chinese Yuan in the second half of 2005 had apparently no impact on the overall bi-lateral trade flows between China and the United States (Chart 2).

Chart 2

**Dollar changes vis-à-vis European and Asian currencies, 2001-06**

(Indices Jan 2001=100)



- a Currency baskets weighted by trade values. European currencies are those of Euro Area, the UK, Switzerland Sweden, Norway, Bulgaria, Czech Rep, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovak Rep.
- b Trade weighted currency basket of the Korean won, the Singapore dollar and Chinese Taipei dollar.

Source: IMF, International Financial Statistics and WTO Secretariat calculations.

The rapid development of China's trade since joining the WTO in 2001 has enhanced its role in international trade. China became the third largest merchandise trader in 2004 and is likely to become the number two trader (exports plus imports) in 2007 (on a country basis). In the past, two aspects of China's rise in trade caught a lot of attention: first the impact of China's exports on developed country markets and on its own development. Since 2003 China has emerged as a principal market of primary products while post-ATC textiles trade developments increased the awareness that China's exports are affecting the exports of other developing countries in third markets and heightening competition within developing countries home markets. This overview of 2005 trade developments highlights some features of China's trade with Africa, showing that trade has more than tripled in both directions since 2002 and that China's imports from Africa exceed its exports to Africa. It also shows that the product structure of the bilateral trade flow is highly complementary as China largely exports manufactured goods and imports principally non-manufactured goods, mainly fuels and some agricultural products, from Africa.

**2. Merchandise trade volume and output developments in 2005**

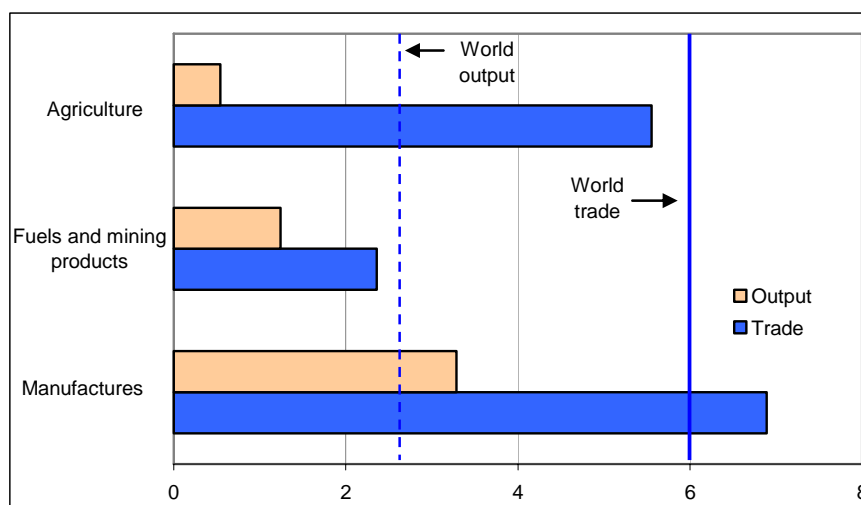
In 2005, the volume of merchandise exports rose by 6 per cent. Although this year's annual growth represents a marked deceleration compared with that of the preceding year, it remained above the average expansion of the period 2000-05. The deceleration of real merchandise trade growth can be largely attributed to moderation in the shipments of manufactured goods, by far the largest component of world merchandise trade. Nevertheless, the 2005 expansion of nearly 7 per cent was still somewhat stronger than the annual average growth over the 2000-05 period and faster than that of trade in the two other sectors.

In 2005, trade growth in the mining sector slowed sharply to 2.5 per cent in real terms while production increased only marginally by 1 per cent (Chart 3 and Table I.1). Tight production capacities combined with sharply higher prices limited the expansion of trade in mining products, producing the weakest expansion of all sectors.

In contrast to the trade of manufactured and mining products, trade in agricultural products gained momentum in 2005 growing at 5.3 per cent, the strongest annual increase since 1997. Robust trade growth contrasted with the near stagnation of global agricultural production. The acceleration in world exports of agricultural products in volume terms can be linked to North America's exports which recovered in 2005, the continued strength of agricultural shipments originating from South and Central America and a somewhat stronger increase in Europe's agricultural products exports.

World trade in all three sectors expanded faster than sectoral output, a typical feature observed over the last two decades. Trade in manufactured goods again grew much faster than manufacturing output although due to the cyclical downswing the margin was sharply reduced from the exceptional level in 2004. While there is a rather close relationship between the annual trade and output growth in the manufacturing sector the link is less strong for the agricultural and the mining sector. A marked rise in the agricultural output of net-importers can reduce its import requirements and contribute to a slowdown in global trade growth. The reverse situation of a strong import demand in the food importing countries coupled with limited domestic agricultural output growth (like many oil exporting countries ) can stimulate world trade growth with only a limited impact on global output. Sluggish agricultural production in a given year tends to lower exports of more than one period, with the reduction in exports likely to be even larger in the calendar year following a year with a poor harvest. At the regional level the available information for 2005 points to a small decrease of agricultural output in both North America and Europe but an increase in their agricultural exports<sup>2</sup>.

Chart 3  
**Volume growth of world merchandise trade and output by sector in 2005**  
 (Percentage change)



<sup>2</sup> A major difficulty in comparing trade and output in the agricultural sector is due to the importance of processed food in agricultural trade while these products are only partly included in agricultural output.

### 3. Merchandise and commercial services trade in value terms

World merchandise exports rose by 13 per cent to \$10.2 trillion in 2005. Commercial services exports expanded by 10 per cent and amounted to \$2.4 trillion in 2005. For the third year in a row, the growth in commercial services exports lagged behind that of merchandise exports (Table 1).

Highly divergent price developments among sectors resulted in large differences in the dollar value growth of the three major merchandise product categories in 2005. Prices for most agricultural and manufactured products increased only moderately in 2005 and less rapidly than in the preceding year. In contrast, prices for fuels and mining products surged by 33 per cent in 2005 (Chart 1 and Table A 26).

Table 1  
**World exports of merchandise and commercial services, 2000-05**  
 (Billion dollars and percentage)

	Value	Annual percentage change				
	2005	2000-05	2002	2003	2004	2005
Merchandise	10159	10	5	17	22	13
Agricultural products	852	9	6	16	15	8
Fuels and mining products	1748	15	-1	24	33	36
Manufactures	7312	9	5	16	21	10
Commercial services	2415	10	7	14	20	10
Transportation	570	10	5	13	24	12
Travel	685	7	5	10	18	8
Other commercial services	1160	12	10	18	18	11

Source: WTO

Chart 4 reports world merchandise exports by 14 product groups ranked by their annual dollar value growth in 2005. The strongest annual increase, slightly more than 40 per cent, is reported for fuels. Almost all of this increase can be attributed to the higher prices for crude oil and natural gas. World exports in fuels amounted to \$1.4 trillion and its share in world merchandise exports reached 13.8 per cent, its highest level in almost two decades.

Prices of metals continued to rise sharply in 2005 with large increases for iron ore (71 per cent), uranium (55 per cent), zinc (31 per cent) and copper (28 per cent) (Table A 26). These price changes were the principal reasons for the sharp increase in the trade value of ores and minerals and non-ferrous metals and contributed largely to the marked expansion of world exports of iron and steel products.

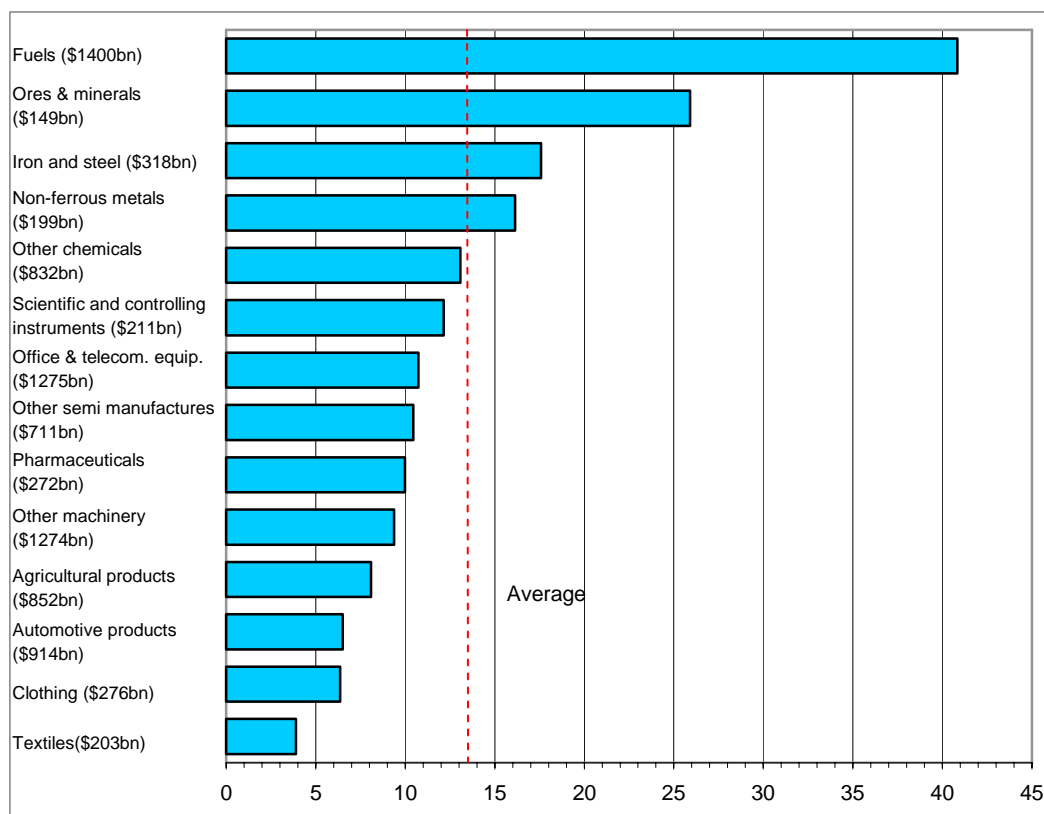
In contrast to longer term developments, but continuing with developments over the last two years, world trade in manufactured products lagged behind the growth in total merchandise trade in 2005. Among the manufactured goods, iron and steel products were the only product group which experienced a double digit price increase, which implies that most of the increase in trade value of nearly 18 per cent in 2005 can be attributed to price changes. Large regional differences in the expansion of trade in this product group could be observed in 2005: intra European trade rose by about 10 per cent, less than half of the expansion rate observed for intra-Asian or intra-North American trade (Table IV.30).

Pharmaceutical products had the strongest export growth of all manufactured products between 2000 and 2005 but their annual growth in 2005 remained below that of other chemicals, which include petrochemicals. Exports of office and telecom equipment rose by 11 per cent in 2005. For the first time since the burst of the internet/communication boom in 2001, trade in this sector outstripped the growth in manufactured goods. Throughout the 1990s, trade in office and telecom products had expanded about two times faster than trade in other manufactured goods. The renewed strength in office and telecom equipment is entirely due to telecommunications equipment and differs thereby from the developments in the 1990s. Trade in this sub-group surged by 19 per cent to \$ 465 billion while shipments of electronic data processing and office equipment and integrated circuits and electronic components increased by 8 per cent and 5 per cent respectively. In the 1990s, exports of computers and semi-conductors had been more dynamic than telecom equipment. The current strength of trade in telecom equipment is due to vigorous demand growth for mobile phones, wireless telecom equipment and flat panel display colour televisions.

Chart 4

**World merchandise exports by product group, 2005**

(Annual percentage change)



World exports of automotive products rose by 6 per cent in 2005, markedly less than in the preceding year and less than in the period 2000-05. World automobile production slowed down, advancing by 2 per cent if measured crudely in unit terms. Divergent trends in regional demand growth and shifts in the location of automobile production continued to shape trade flows in 2005. High import demand in the oil exporting regions and in developing Asia contrasted with sluggish demand in many European countries. Intra-

European trade, which amounts for 40 per cent of world trade in automotive products, stagnated in dollar terms in 2005 following a rise of 20 per cent in the preceding year. The growth in intra-North American trade in automotive products slowed down to match the pace of overall world trade expansion in 2005. Intra-Asian trade rose 12 per cent, nearly two times faster than world trade (Table IV.62).

Japan, the largest exporter of automotive products, recorded an increase of 6 per cent in its exports, matching the overall trade expansion. Rather large variations could be observed in Japan's exports by destination, reflecting differences in regional demand developments. Shipments to the EU(25) decreased by 5 per cent while exports to South and Central America, the CIS, Africa and the Middle East increased at double-digit rates. Shipments to China recorded a decrease although the domestic market continued to expand strongly. One prominent feature of automotive trade in 2005 is the dynamic growth in shipments by a large number of smaller exporters, in particular Brazil, China and Thailand which increased their automotive product exports between 38 and 58 per cent. The Republic of Korea, already the world's fifth largest exporter, also saw double-digit export growth in 2005 (Table IV 66).

The phasing out of the quotas of the Agreement on Textiles and Clothing (ATC) in early 2005 did not result in an increase in global textiles and clothing trade but in major shifts among exporters<sup>3</sup>. The rather moderate expansion of global textiles and clothing exports of nearly 4 per cent and 6 per cent respectively can be attributed to weak European demand and a substitution process, in which imports of developed markets from China and India, which had high domestic content, replaced supplies with a high import or foreign trade content such as EU imports from North Africa or US imports from Central America and the Caribbean and Sub-Saharan Africa.

Intra-EU trade in textiles decreased by 7 per cent and EU(25) textiles exports for processing to the three Mediterranean countries (i.e. Morocco, Tunisia and Turkey) and the Balkan countries (i.e. Bulgaria and Romania) decreased by 9 per cent and 4 per cent respectively (see Table IV81). As United States' imports of clothing from South and Central America decreased by 7 per cent, US shipments of textiles and clothing (mainly for processing) decreased also by 7 per cent.

Among the main features of international trade in textiles and clothing, one can point to the enhanced role of China, India and Pakistan. These countries increased their exports of textiles and clothing between 16 and 26 per cent in 2005. A double-digit increase was also reported for Turkish textiles and Bangladesh's clothing exports in 2005. A decline in textiles exports can be observed for the EU(25), Hong Kong, China, the Republic of Korea, Chinese Taipei and Japan. The regions with a relative small share in world clothing exports such as North America, the CIS, Africa and South and Central America experienced a decline of the dollar value of their shipments in 2005.

China's rise in world clothing exports was, until recently, combined with a sharp rise in its cotton and textiles imports. In 2005, however, China's textiles imports stagnated while textiles and clothing exports rose by about 20 per cent, increasing the country's trade surplus in textiles and clothing sector by \$20 billion to \$100 billion.

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<sup>3</sup> In the second half of 2005 both the EU and the United States asked and obtained a temporary self-restriction on textiles and clothing exports from China.

World exports of agricultural products rose by 8 per cent to \$852 billion. The trade expansion at the global level was very similar for the three major groups: fish, other food products and agricultural raw materials. More variation could be observed in the performance of major traders. Exports of the United States, Canada, Thailand and Malaysia increased between 2 per cent and 4 per cent and those of Australia declined after the sharp rise in the preceding year. Brazil, Argentina and Indonesia, however, recorded a double-digit increase in their agricultural exports in 2005 (Table IV8).

Other major developments in agricultural trade in 2005 comprise the near stagnation of Japan's imports and a strong rise in shipments to the Russian Federation, Saudi Arabia and the United Arab Emirates. EU(25) imports from third countries rose 5 per cent, less than the expansion in EU(25) extra-exports (7 per cent). However, the former continued to exceed the latter by a large margin.

International receipts from transportation services rose by 12 per cent in 2005, again faster than those from other commercial services and travel services which are estimated to have grown in dollar terms by 11 per cent and 8 per cent respectively (see Table 1). The relative strength of transportation services in a year with less dynamic merchandise trade growth points to the importance of stronger price increases in the transportation sector.

#### **4. Regional trade flows**

##### **Overview**

In 2005, world merchandise exports by region were again shaped by relative price developments and the product structure of regional exports. As in 2004, the strongest value increase in merchandise exports was reported by the Middle East, followed by Africa, the CIS and South America. These four regions' merchandise exports contain a high share of mining products (ranging from 70 per cent for the Middle East to 40 per cent for South and Central America). Their exports also grew much faster than imports. The inverse picture can be observed for Europe, North America and Asia for which imports continued to expand faster than exports, the latter consisting primarily of manufactures<sup>4</sup> (Chart 5).

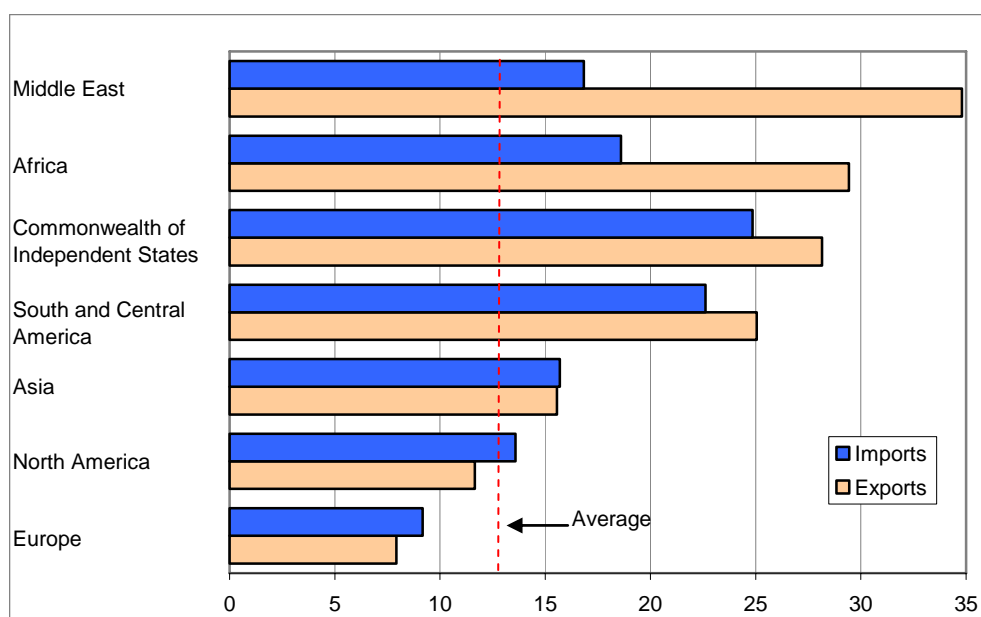
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<sup>4</sup> In 2005, manufactured products accounted for 75 per cent of North America's merchandise exports, 80 per cent of Europe's exports and 83 per cent of Asia's exports.

Chart 5

**World merchandise trade by region, 2005**

(Annual percentage change in dollar values)



Europe, the largest merchandise trader among all regions, had the smallest increase in exports. North America's merchandise exports again rose less than the world average while Asia's exports and imports rose slightly faster than global merchandise trade.

The commercial services trade expansion was markedly different across regions in 2005. Europe, the largest services trader, had the lowest export growth (about 8 per cent) while South and Central America together with the CIS recorded export and import growth which was twice that of the global average of 10 per cent. North America's exports and imports reported growth rates roughly the same as the world average.

Taking a medium term perspective, one observes that the leading position of Europe in world commercial services has been maintained despite the developments in 2005. Over the last five years, Europe's share in world commercial services exports and imports fluctuated around one-half. Its share in 2005 was somewhat higher than in 2000. The shares of North America and South and Central America in world commercial services exports and imports decreased between the years 2000 and 2005. North America was a net-exporter and South and Central America a net-importer of commercial services throughout that period.

The Asian region gained market share in world exports of commercial services and its commercial services receipts exceed those of North America since 2002. Asia's commercial services imports are estimated to have expanded less rapidly than world trade but continue to exceed its exports. The reduced share of Asia in world commercial services imports is largely due to the lower share of Japan, the region's largest importer.

Africa, the Middle East and the CIS all recorded higher shares in world commercial services exports and imports in 2005 than in 2000. The three regions continue to be net-

importers of commercial services and their combined imports accounted for 9.3 per cent of world commercial services imports in 2005.

## North America

North America's economic growth slowed to 3.2 per cent in 2005, a rate of growth still well above that of the longer term average of the last fifteen years. Weaker economic activity could be observed in each of the three economies forming the region. Higher energy and metal prices on world markets benefited the exports of Canada and Mexico and contributed to an appreciation of their currencies *vis-à-vis* the US dollar. The already large United States' merchandise trade deficit, however, widened further under the impact of higher fuel prices. The severe damage caused by the exceptionally devastating hurricanes in the Gulf of Mexico had only a limited effect on United States' merchandise trade but it increased, temporarily, the prevailing shortages in fuel supplies and sustained the rise in fuel prices.

United States' imports, which had been a major driving force in the global trade expansion in 2003 and 2004, rose 6 per cent in volume terms in 2005, far less than in the preceding year. Although United States' merchandise export growth weakened, it exceeded for the first time since 1996 its own import growth and the global trade expansion for the first time since 1999. Canada's imports continued to expand strongly while its exports weakened considerably when adjusted for price changes. North America's exports and imports rose by 6 per cent, the same rate as the world average (Table 2).

Table 2  
GDP and trade developments in North America, 2000-05  
(Annual percentage change)

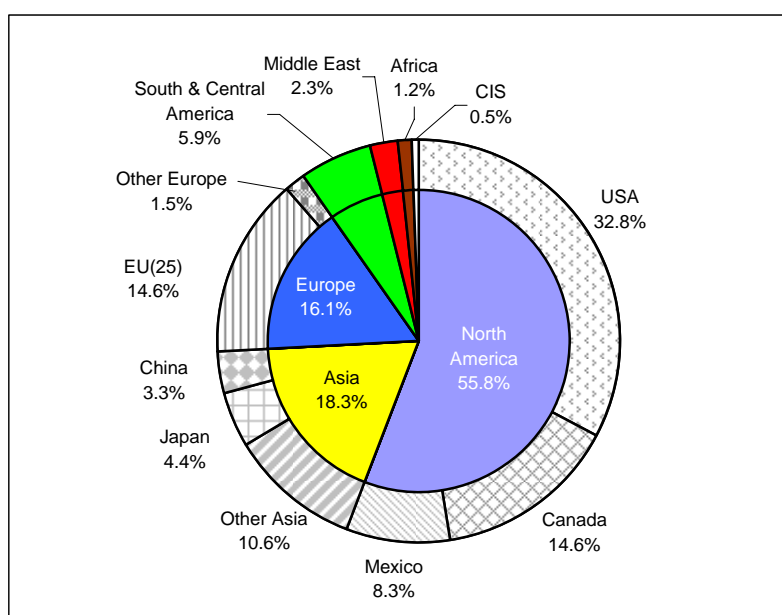
	North America						United States						Canada					
	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005
GDP	2.2	0.8	1.6	2.4	3.9	3.2	2.2	0.8	1.6	2.5	3.9	3.2	2.5	1.8	2.9	1.8	3.3	2.9
Merchandise																		
Exports (value)	4	-6	-4	5	14	12	3	-7	-5	5	13	10	5	-6	-3	8	16	14
Imports (value)	6	-6	1	8	16	14	7	-6	2	9	17	14	5	-7	0	8	14	15
Exports (volume)	1.5	-5.0	-2.5	1.5	8.0	6.0	1.5	-6.0	-4.0	3.0	8.5	7.0	1.0	-4.0	0.5	-1.0	7.0	3.5
Imports (volume)	4.0	-3.5	3.5	4.5	10.5	6.5	4.5	-3.0	4.5	5.5	11.0	5.5	3.5	-6.0	1.5	4.0	8.5	9.0
Commercial services																		
Exports (value)	5	-4	3	4	13	10	5	-4	2	4	14	10	6	-4	5	8	12	9
Imports (value)	6	-1	3	8	15	9	6	-2	2	6	16	9	8	-1	3	16	13	10

Source: WTO

Measured in current dollar value terms, North America's merchandise imports continued (for the fourth consecutive year) to increase faster than its exports. The share of intra-trade in North America's imports continued to shrink and amounted to less than 40 per cent in 2005. On the exports side, however, the share of intra-trade remained at nearly 56 per cent in 2005, almost at the same level over the last five years. Developments over the last five years contrasted markedly with those of the 1990s, when the weight of intra-trade increased sharply boosted by the creation of NAFTA (Table III.17). Intra-trade is of paramount importance to both Canada and Mexico which export more than 8 out of 10 dollars to the United States. In contrast, only 4 out of 10 dollars of US export earnings are obtained from shipments to Canada or Mexico.

North America's exports to South and Central America, the Middle East and Africa rose sharply but these shipments combined, account for less than 10 per cent of North America's exports, just one percentage point more than in 2000. Exports to Asia recorded the smallest gains of all destinations as the strength in shipments to China (21 per cent) was balanced by a certain sluggishness of those destined to Japan and other Asian developing economies. North America's exports to Europe, its third largest export market, expanded less rapidly than on average (Chart 6).

Chart 6  
**North America's merchandise exports by region, 2005**  
 (Percentage shares)



North America's exports of both manufactured goods and fuels and mining products rose by 10 per cent and 34 per cent respectively in 2005, very similar to the world average. North America's exports of agricultural products, however, continued to lag – as in the preceding years – well behind the growth of world agricultural trade.

Among the manufactured goods, high growth rates were reported for exports of aircraft, telecom equipment and iron and steel while stagnation or declines in values could be observed for electronic data equipment, integrated circuits and clothing.

Commercial services exports of North America rose by 10 per cent to \$422 billion. For the first time since 2001, export growth exceeded import growth (9 per cent) and matched the expansion of world commercial services exports. Although import growth weakened in all three commercial services categories, the deceleration was particularly pronounced in the travel services category. Following a strong recovery in 2004, travel expenditures by United States' tourists abroad slowed considerably in 2005.

### **South and Central America (including the Caribbean)**

Economic growth in South and Central America remained strong overall in 2005 despite the markedly weaker economic activity in Brazil, the region's largest economy.

More than 15 countries in the region recorded GDP growth of at least 5 per cent and three of them (Argentina, the Dominican Republic and Venezuela) reported exceptionally strong economic growth in excess of 9 per cent. The renewed economic strength of the region is very much linked to the global commodity boom which increased not only investors' confidence in the region but contributed to a marked real effective appreciation of the currencies of some countries, in particular those of Brazil and Chile (Table 3).

Table 3  
GDP and trade developments in South and Central America, 2000-05  
(Annual percentage change)

	South and Central America						Brazil						Other South and Central America					
	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005
GDP	2.7	0.5	-1.5	2.4	6.8	5.2	2.2	1.3	1.9	0.5	4.9	2.3	3.0	-0.1	-4.1	3.8	8.2	7.4
Merchandise																		
Exports (value)	13	-4	1	15	30	25	17	6	4	21	32	23	11	-7	0	12	28	26
Imports (value)	8	-1	-12	6	28	23	6	-1	-15	2	31	17	8	-1	-11	7	27	25
Exports (volume)	7.0	5.0	2.5	7.5	13.0	8.5	12.5	11.5	8.5	15.5	19.0	9.0	4.5	2.5	0.0	3.5	10.0	8.0
Imports (volume)	4.5	1.0	-10.5	1.5	19.0	14.0	1.0	-0.5	-12.5	-3.5	19.0	5.0	6.0	2.0	-9.5	3.5	19.0	17.0
Commercial services																		
Exports (value)	8	-2	-3	10	16	19	11	-3	1	9	21	28	7	-2	-4	10	15	17
Imports (value)	5	0	-11	4	15	21	7	2	-15	6	12	38	4	0	-10	4	16	14

Source: WTO

Favourable price developments and strong domestic demand boosted the volume of merchandise imports by 14 per cent, exceeding by far the regional export growth (8.5 per cent). The average regional import growth conceals contrasting developments between Brazil and the other economies in the region. The latter recorded import growth of 17 per cent in volume terms while Brazil's merchandise imports expanded by only 5 per cent in 2005 (Table 3).

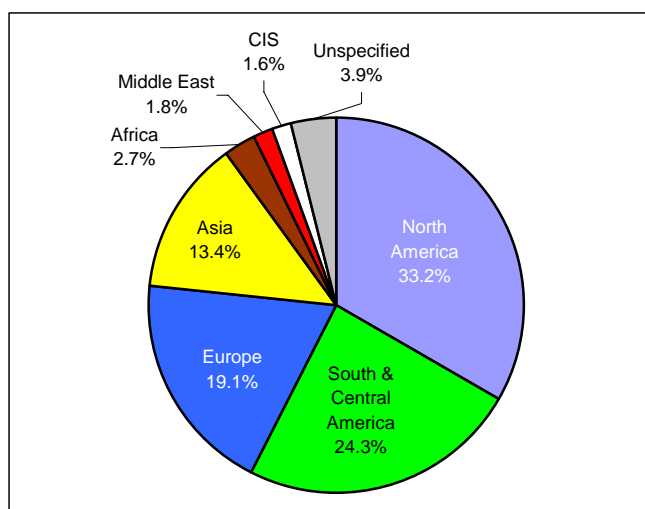
The dollar value of the region's merchandise exports increased by 25 per cent to \$355 billion. Intra-regional trade expanded by 27 per cent and accounted for nearly one-quarter of the region's total exports. Although the share of intra-regional trade recovered from the low levels in 2002, it still remained below that attained in 2000. Exports to North America, Asia and the Middle East increased by about one-quarter in 2005. Merchandise exports to Europe showed an increase of 15 per cent, the weakest expansion of all destinations of South and Central America's shipments (Chart 7).

North America remained the most important destination for South and Central America's exports (33 per cent) although its share has decreased markedly since 2000 when it accounted for nearly 39 per cent. Most of these gains were due to the outstanding growth of shipments to China whose average annual growth rate was 37 per cent over the 2000-05 period.

Chart 7

**South and Central America's merchandise exports by region, 2005**

(Percentage shares)



South and Central America's exports of fuels and mining products rose by 37 per cent to \$132 billion, exceeding for the first time, the region's exports of manufactures (\$121 billion), although the rise of the latter group was twice that of world trade in manufactures. Agricultural exports increased by 16 per cent in 2005, also double the increase recorded at the global level.

Chemicals, automotive products and iron and steel were the major product groups which showed export growth rates in excess of 25 per cent in 2005. Office and telecom equipment, which still account for less than 2 per cent of South and Central America's exports, surged by 70 per cent to \$6.5 billion. In contrast to the dynamic overall trade expansion, clothing exports decreased by 1 per cent to \$13 billion while shipments of textiles rose by 13 per cent to \$2.8 billion, favoured by a strong rebound in intra-regional trade. The decline in clothing exports can be attributed largely to shipments to the United States which decreased by 2 per cent to \$12 billion in 2005. Clothing exports within the region recovered further to \$0.7 billion in 2005 exceeding the previous peak level in 2001.

Commercial services exports and imports of South and Central America rose by about 20 per cent or two times faster than global services trade. Brazil reported an outstandingly strong expansion of its services trade. Imports surged by 38 per cent to \$22.3 billion. The annual average appreciation of the Brazilian currency by 17 per cent has most likely played an important part in the 64 per cent rise of travel expenditure in 2005. But this surge in travel expenditure to \$4.7 billion in 2005 turns out to be less impressive since it still remained below the level attained eight years earlier (Table 3).

## Europe

Among the major regions, Europe had the weakest economic growth in 2005. Even taking into account the near stagnation of its population size, per capita income growth was also the lowest in the world. The sluggishness in Europe was concentrated in the euro-area and the United Kingdom while the ten new EU members and the Balkan countries recorded much faster growth. Turkey, the largest European economy outside the EU, grew by more than 7 per cent in 2005. As almost three-quarters of Europe's merchandise exports are

destined to other European countries, the sluggish economy resulted in poor overall trade growth.

Table 4 summarizes Europe's trade performance in recent years. Merchandise exports (and imports) rose by 3.5 per cent in volume terms, markedly less than in 2004 but still exceeding the region's GDP growth. Intra-EU trade grew 2 per cent, much weaker than extra-EU exports which rose by 6.5 per cent and extra-EU imports which increased by 5 per cent in 2005.

Table 4

**GDP and trade developments in Europe, 2000-05**

(Annual percentage change)

	2000-05	2001	2002	2003	2004	2005
GDP	1.6	1.7	1.3	1.2	2.3	1.7
Merchandise						
Exports (value in dollars)	11	1	7	19	20	8
Imports (value in dollars)	10	-2	5	20	20	9
Exports (value in euros)	4	4	2	-1	9	8
Imports (value in euros)	4	1	0	0	9	9
Exports (volume)	3.5	2.5	2.0	2.0	7.0	3.5
Imports (volume)	3.0	0.5	1.0	3.0	7.0	3.5
Commercial services						
Exports (value in dollars)	12	3	9	19	19	8
Imports (value in dollars)	11	3	8	18	17	8
Exports (value in euros)	5	6	4	-1	8	8
Imports (value in euros)	4	6	3	-1	6	7

Source: WTO

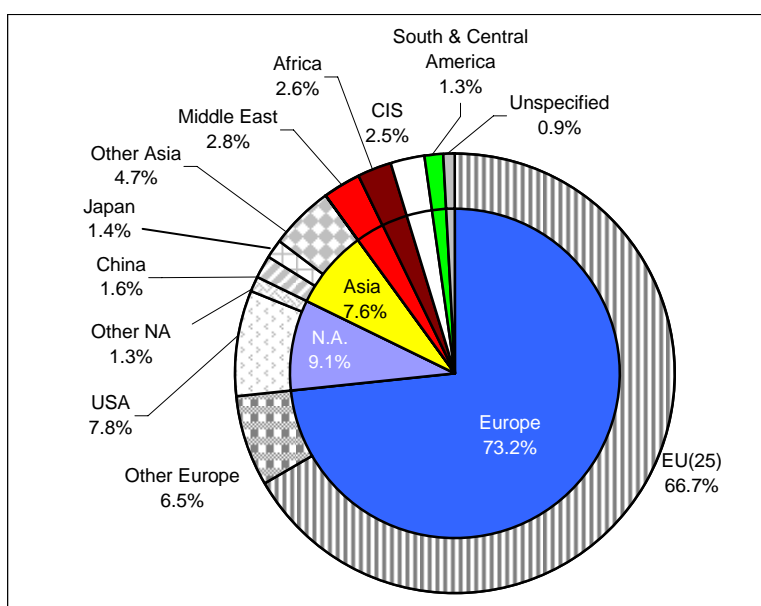
Although the European currencies depreciated significantly in the course of 2005, the annual average of the trade-weighted basket of European currencies remained nearly unchanged if compared with the 2004 average (Chart 2). Consequently, for the first time since 2001, the annual variation of trade values changes are the same in dollar and euro terms.

Intra-European trade, which accounted for three quarters of Europe's exports and one-third of world merchandise exports in 2004, rose by 7 per cent in 2005, one of the smallest increase of all major trade flows. Europe's exports to North America and Asia expanded close to the average increase of 8 per cent. The United States continues to be a somewhat larger market for European exporters than the entire Asian region (Chart 8). Among shipments to Asia, those destined for Japan and Australia/New Zealand had been particularly sluggish (2 per cent and 4.5 per cent respectively). European shipments to regions exporting primarily fuels and other mining products had been more dynamic but they still lagged behind each region's total imports.

Chart 8

**Europe's merchandise exports by region, 2005**

(Percentage shares)



Europe's merchandise exports of agricultural products and manufactured goods increased by 6.5 per cent. Exports of fuels and other mining products rose by nearly 30 per cent to \$405 billion, exceeding in value terms exports of agricultural products for the first time. Among the manufactured goods the more dynamic categories (with trade growth of at least 10 per cent) included iron and steel, chemicals and office and telecom equipment. Sluggish export growth was observed for automotive products (3 per cent), which accounted for 12 per cent of Europe's total merchandise exports. Decreases of 4 and 2 per cent were reported for export shipments of textiles and integrated circuits respectively (Table III.32).

Europe's commercial services exports and imports, which account for more than half of world services trade, increased by 8 per cent, slightly less than the global average. The United Kingdom, the region's largest services exporter, reported only modest increases in its exports while Germany and Italy recorded export increases of 10 per cent and 13 per cent respectively. Among the three services categories, transportation services (exports and imports) showed the strongest growth with travel services the weakest growth in 2005. Europe's commercial services exports continued to exceed commercial services imports in all three services categories.

**Commonwealth of Independent States (CIS)**

Economic growth in the CIS continued to be very strong in 2005, even if the pace of economic expansion decelerated somewhat compared with the preceding year. GDP growth of the Russian Federation reached 6.4 per cent, somewhat less vigorous than the growth in the other CIS member states. The GDP growth rates of these economies showed much greater variance in 2005 than in the preceding years. Azerbaijan and Armenia achieved double digit GDP growth (24 and 14 per cent respectively) whereas economic activity stagnated in the Kyrgyz Republic. The Ukraine, the second largest economy in the

CIS, experienced a sharp deceleration of its GDP growth from 12 per cent in 2004 to only 2.5 per cent in 2005.

The substantial increase in foreign exchange earnings of the region are linked to the high level of fuels and metal prices in recent years which sustained economic growth and contributed to a surge in the volume of merchandise imports. In 2005, the volume of merchandise imports is estimated to have increased by 18 per cent, a little faster than in 2004 and far stronger than the rise of the region's export volume (4.5 per cent) (Table 5).

Table 5  
GDP and trade developments in the Commonwealth of Independent States (CIS) , 2000-05  
(Annual percentage change)

	CIS						Russian Federation						Other					
	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005
GDP	6.7	6.2	5.3	7.7	8.0	6.7	6.0	5.1	4.7	7.3	7.2	6.4	8.4	9.2	6.7	8.7	10.1	7.3
Merchandise																		
Exports (value)	18	-1	6	27	36	28	18	-3	5	27	35	33	19	6	8	28	40	17
Imports (value)	22	16	10	27	31	25	23	20	13	25	28	29	20	10	6	31	34	20
Exports (volume)	8.5	4.5	8.5	12.5	13.0	4.5	...	...	...	...	...	...	...	...	...	...	...	...
Imports (volume)	15.5	24.5	8.0	12.5	16.0	18.0	...	...	...	...	...	...	...	...	...	...	...	...
Commercial services																		
Exports (value)	20	13	20	16	29	20	21	17	20	20	25	21	18	9	19	12	33	20
Imports (value)	21	24	19	17	28	19	19	22	15	16	23	18	26	28	28	18	37	22

Source: WTO

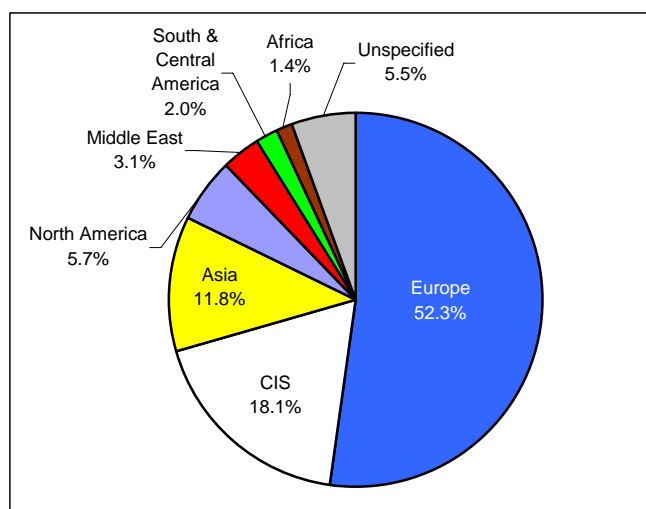
As prices of merchandise exports increased much faster than import prices, the rise in the dollar value of CIS merchandise exports continued to expand faster than imports and led to a larger merchandise trade surplus in 2005. Over the last three years, both exports and imports surged by more than 100 per cent, lifting the region's share in world merchandise exports to a peak level of 3.3 per cent, more than twice the level recorded in the early 1990s.

CIS' merchandise exports to Europe, which account for more than one half of its exports, increased by 30 per cent to \$178 billion. Intra-regional trade grew by 12 per cent, the lowest rate of increase of all destinations in 2005. This relatively small increase can be attributed largely to two factors: first, the markedly lower share of fuels in intra-trade than in extra-regional trade and the more moderate rise of intra-fuels trade in 2005, which is partly due to smaller price hikes. Although CIS exports to China rose by 28 per cent, shipments to the entire Asian region increased by only 13.5 per cent. Exports to Africa and South and Central America increased by more than one third but the shares of these two regions did not exceed 2 per cent of the region's merchandise exports (Chart 9).

Chart 9

**Merchandise exports of the CIS by region, 2005**

(Percentage shares)



Exports by product group evolved in 2005 at highly divergent rates which can only partly be explained by price developments. Oil and gas shipments increased in dollar terms by 45 per cent and this group alone accounted for more than one-half of CIS merchandise exports. Exports of iron and steel (\$36 billion), agricultural products (\$26 billion) and chemicals (\$20 billion) expanded by about 20 per cent in 2005. Machinery and transport equipment (\$20 billion) exports increased by less than 3 per cent and textiles and clothing exports even declined by 7 per cent and 14 per cent respectively.

Commercial services exports and imports of the CIS region expanded by one-fifth, or about twice the rate of global expansion in 2005. The region's commercial services imports amounted to \$62 billion and exceeded its exports by \$20 billion. A noteworthy feature of CIS commercial services trade is that the region enjoyed a surplus of nearly \$7 billion in transportation services but recorded a deficit in travel and other commercial services of \$12.7 billion and 14.4 billion respectively.

**Africa**

A favourable global environment for Africa's principal exports, a reduction in the outstanding external public debt through the Debt Initiative for Heavily Indebted Poor Countries (HIPC) and an increase in FDI inflows were factors which led to the highest economic growth in the region in more than five years. Economic growth was spread broadly in the region as 26 economies recorded a GDP growth of at least 5 per cent in 2005 according to recent IMF estimates. Among these fast growing African economies are those with the largest population: Nigeria, Ethiopia and the Republic of Congo. Angola and Chad recorded even double digit GDP growth by expanding strongly their crude oil production. South Africa, the region's largest economy, also reported its most vigorous GDP growth in five years (Table 6). However, sluggish economic growth was reported in Morocco, Côte d'Ivoire and Togo, while Zimbabwe saw its economy shrink for the seventh year in a row.

Table 6  
**GDP and trade developments in Africa, 2000-05**  
 (Annual percentage change)

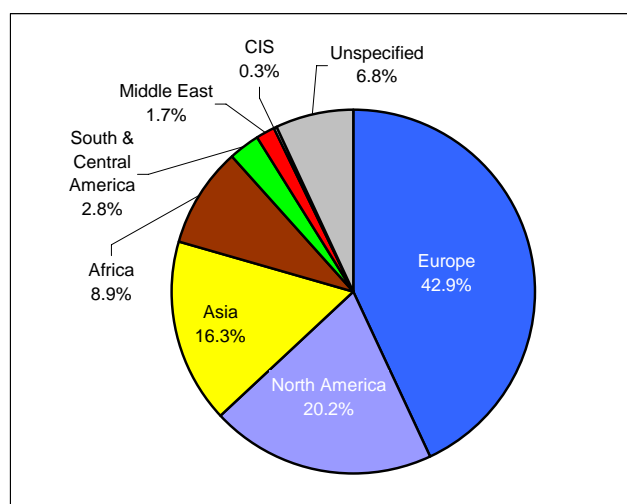
	Africa						South Africa						Other Africa						
	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	
GDP	4.0	3.4	3.2	4.1	4.6	4.7	3.7	2.7	3.7	3.0	4.5	4.9	4.0	3.7	3.1	4.5	4.6	4.6	
Merchandise																			
Exports (value)	15	-7	3	25	30	29	12	-2	2	23	26	13	16	-8	3	26	31	34	
Imports (value)	14	4	1	20	29	19	16	-5	4	36	39	13	13	6	1	16	26	21	
Commercial services																			
Exports (value)	13	0	6	26	20	12	15	-7	1	69	14	14	12	2	7	20	22	12	
Imports (value)	13	6	5	16	19	21	15	-10	4	52	26	15	13	8	5	11	18	22	

Source: WTO

The expansion of the value of Africa's merchandise exports by 29 per cent in 2005 was largely driven by price changes. Adjusted for price changes, it is estimated that Africa's merchandise exports expanded somewhat less rapidly than the world average rate of 6 per cent. Imports in volume terms (i.e. adjusted for price changes) increased much faster than exports although in dollar terms the opposite development is observed as import prices increased on average far less than export prices.

Africa's merchandise exports are largely destined to Europe but Europe's share has decreased markedly in recent years from more than one-half in 2001 to about 43 per cent in 2005 (Chart 10). The corresponding gains occurred largely for shipments destined to North America which accounted for one-fifth of Africa's merchandise exports and recorded the strongest increase (41 per cent) of all destinations in 2005. Africa's exports to Asia are estimated to have increased by 20 per cent with shipments to China rising by more than one-third. There is some uncertainty in the estimates of African exports to Asia, as some major exporters in Africa and some major importers in Asia do not provide a full breakdown of their trade by partner. These types of statistical difficulties also affect the accuracy of estimates on intra-African trade. Available data at the time of writing point to an increase in intra-African trade of less than 20 per cent in 2005. This implies a decrease on the part of intra-regional trade, which account for nearly 10 per cent of Africa's merchandise exports.

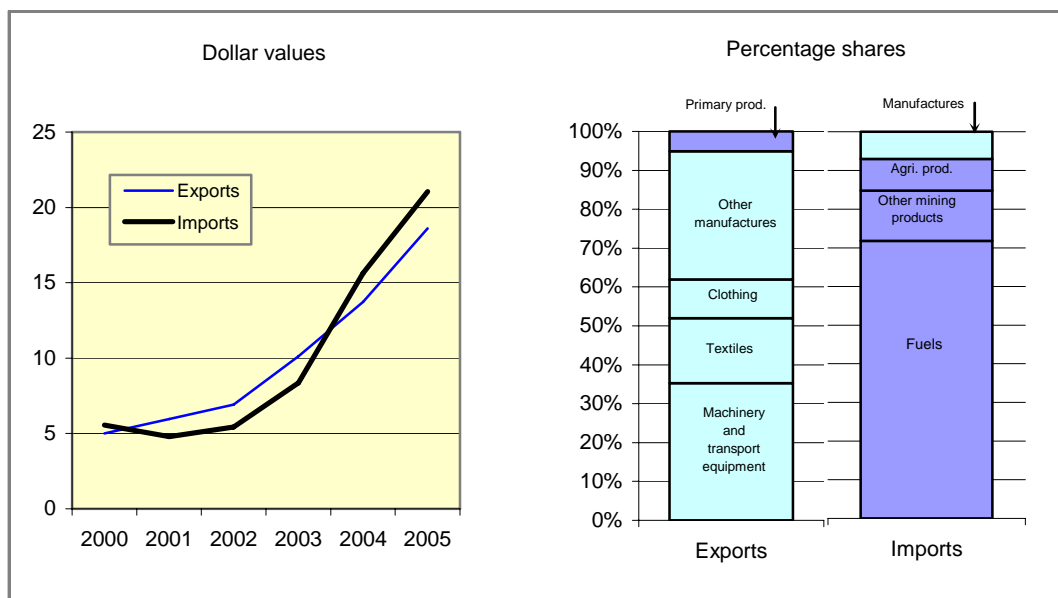
Chart 10  
**Africa's merchandise exports by region, 2005**  
 (Percentage shares)



The intensification of economic relations and the sharp rise in trade flows between Africa and China has attracted much attention recently. China's trade statistics provide detailed and up-to-date information on these trade flows which allows us to review these developments. According to Chinese customs statistics, imports from Africa increased fourfold between 2002 and 2005 while Chinese exports to Africa tripled to \$18.6 billion.<sup>5</sup> Chinese imports (valued c.i.f.) exceeded Chinese shipments to Africa in 2005. The trade between China and Africa is complementary, as more than 90 per cent of Chinese exports are manufactured goods while more than 90 per cent of its imports from Africa consist of primary products.

Prominent categories in China's exports to Africa are machinery and equipment, textiles and clothing while on the import side, fuels, other mining products and agricultural raw materials are the principal product groups (Chart 11 and Appendix Table A19).

Chart 11  
**China's merchandise trade with Africa, 2000-05**  
 (Billion dollars and percentage shares)



Source: WTO

The product structure of Africa's merchandise exports has always been strongly affected by price developments. Due to the sharp rise of fuel prices and an increase in oil production, the share of fuels reached 59 per cent in Africa's merchandise exports, a peak level for the 1990-2005 period. Exports of fuels increased by more than 40 per cent in 2005 while shipments of agricultural products and manufactured goods increased by 8 per cent and 12 per cent respectively. African exports of chemical products expanded faster than other manufactures while clothing exports are estimated to have declined.

In 2005, Africa's commercial services exports and imports continued to expand faster than the world average for the third consecutive year. Commercial services imports

<sup>5</sup> The sharp rise in bilateral trade flows continued unabated in the first half of 2006. China's exports to Africa increased by 30 per cent and imports from Africa by one half in the first six months of 2006.

increased by 20 per cent to \$69 billion and exceeded the region's exports by about \$12 billion. Travel receipts are of paramount importance to Africa's commercial services exports. It is estimated that more than one-half of its commercial services exports consist of travel services and in contrast to the other two services categories, Africa's travel receipts exceed travel expenditures.

## The Middle East

The Middle East had strong overall economic growth in 2005, despite a lack of political stability in parts of the region. The three large oil exporters, Saudi Arabia, United Arab Emirates and Iran grew between 8 per cent and 5.5 per cent according to IMF estimates. Economic activity increased well below the regional average in Lebanon, the Syrian Arab Republic and Yemen. Jordan, a net-importer of oil, grew by 7 per cent, one of the fastest rate growth rates in the region (Table 7).

Table 7  
**GDP and trade developments in the Middle East, 2000-05**  
 (Annual percentage change)

	2000-05	2001	2002	2003	2004	2005
GDP	3.4	1.6	1.5	5.1	6.8	5.7
Merchandise						
Exports (value)	15	-11	4	22	32	35
Imports (value)	14	5	5	14	31	17
Commercial services						
Exports (value)	11	-4	6	27	14	13
Imports (value)	12	-4	9	19	20	18

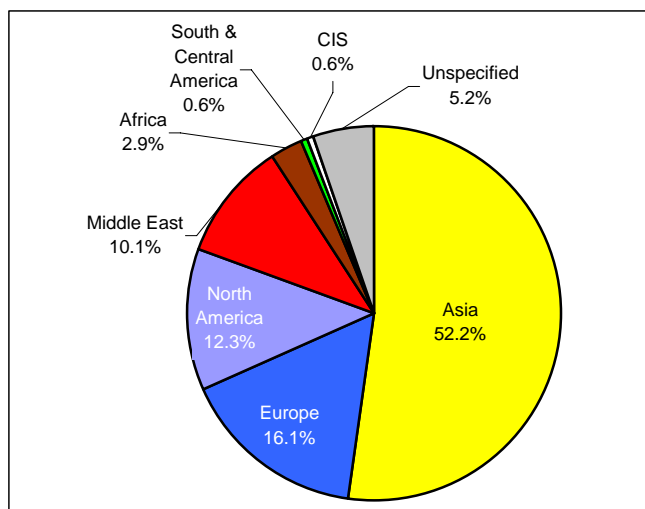
Source: WTO

Merchandise exports of the region rose by 35 per cent to \$538 billion in 2005, more than twice the level recorded only three years earlier. Import growth lagged well behind that of exports, resulting in a large increase in the region's merchandise trade surplus. Middle East's merchandise exports to Asia surged by more than 40 per cent and accounted for more than one-half of the region's total exports in 2005. More than 70 per cent of exports to Asia go to developing countries, in large parts to the Republic of Korea, China, India and Singapore. Exports to Europe, the second largest export market of the region, increased by one-third keeping the share unchanged at 16 per cent. Since 2003, the share of North America and that of intra-regional trade is estimated to have decreased somewhat to 12 per cent and 10 per cent respectively in 2005 (Chart 12).

Chart 12

**Middle East's merchandise exports by region, 2005**

(Percentage shares)



As the Middle East's merchandise exports consist largely of fuels (69 per cent in 2005), it is not always realized that the region's exports of manufactured goods are also growing rapidly. The United Arab Emirates has become a large trading hub and its exports (including re-exports) exceeded with \$48 billion those of Israel (\$40 billion).<sup>6</sup> Saudi Arabia and Jordan more than tripled their exports of manufactures over the last five years, the first mainly due to its chemical and the latter due to its clothing exports.

Commercial services imports of the Middle East expanded by 18 per cent to \$85 billion in 2005. The region's imports exceeded exports by about \$30 billion. In each of the three services categories, imports exceeded exports. A particular feature of the Middle East's commercial services imports is that transportation services are the most important of all three services categories.

**Asia (including Oceania)**

Economic growth in Asia remained very strong overall in 2005 but varied significantly between developed and developing countries. The three developed Asian countries Japan, Australia and New Zealand recorded only moderate economic growth of between 2 per cent and 3 per cent, even though Japan's economy reported its best performance since 2000. The more advanced developing economies such as the Republic of Korea, Chinese Taipei, Hong Kong, China and Singapore recorded weaker activity than in 2004 and average GDP growth below that of the middle and low income countries in Asia. China and India, the developing Asian economies with the largest population, as well as Pakistan and Vietnam, reported a vigorous GDP growth of between 8 and 10 per cent in 2005.

Variations in overall economic growth are mirrored in the trade performance with real trade growth differing largely between Japan and the developing Asian economies. While Japan's trade slowed sharply in 2005, advancing far less than the global average, the volume

<sup>6</sup> Nearly 40 per cent of Israel's exports of manufactured goods consist of (cut) diamonds.

of developing Asia's trade continued to expand faster than world trade. China's merchandise exports were apparently not affected by the global trade slowdown nor by the moderate appreciation of its currency *vis-à-vis* the US dollar, as they expanded by one-quarter, about the same rate as in 2004. Chinese merchandise imports, however, decelerated sharply and their growth rate of 12 per cent was only half that of its exports (Table 8).

Table 8  
GDP and trade developments in Asia, 2000-05  
(Annual percentage change)

	Asia						Japan						Developing Asia					
	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005	2000-05	2001	2002	2003	2004	2005
GDP	3.3	2.1	2.8	3.8	4.4	4.3	0.8	0.4	0.1	1.8	2.3	2.6	6.2	4.3	6.3	6.5	7.4	6.9
Merchandise																		
Exports (value)	11	-9	8	19	25	16	4	-16	3	13	20	5	13	-7	10	20	27	19
Imports (value)	11	-7	6	19	26	16	6	-8	-3	14	19	13	13	-7	9	21	30	17
Exports (volume)	8.5	-3.5	11.0	11.5	14.5	10.0	2.5	-9.5	8.0	5.0	10.5	0.5	11.0	-1.0	13.0	15.0	16.0	13.5
Imports (volume)	8.0	-2.5	8.0	13.5	14.5	7.5	3.5	-2.0	2.0	7.0	7.0	2.5	9.5	-2.5	10.0	15.5	17.0	9.0
Commercial services																		
Exports (value)	11	-1	8	10	28	14	8	-6	2	8	25	14	13	1	10	9	29	15
Imports (value)	9	-2	5	9	24	12	3	-7	-1	3	21	2	12	1	7	11	26	16

a Defined as Asia excluding Japan, Australia and New Zealand.

Source: WTO

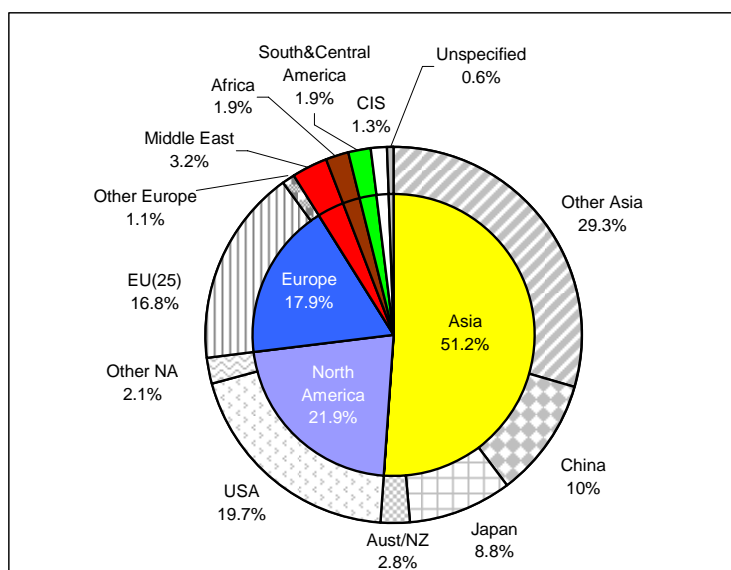
Measured in US dollars, the value of Asia's merchandise imports and exports rose by 16 per cent in 2005, lifting the region's merchandise trade surplus to a record level.

Intra-Asian trade, which accounts for slightly more than one-half of Asia's merchandise exports, increased marginally less rapidly than total exports. Japan's exports to the region expanded by 5 per cent, far less than those of Australia/New Zealand. North America and Western Europe combined account for about 40 per cent of Asia's merchandise exports and exports to these destinations grew somewhat less strong than intra-trade. Asia's exports to South and Central America and the CIS were particularly buoyant and those to the Middle East and Africa also grew above the average rate (Chart 13 and Table III.68).

Chart 13

**Asia's merchandise exports by region, 2005**

(Percentage shares)



Asia's exports of manufactures rose 14 per cent in 2005, markedly less than in the preceding year, but still faster than the global average. Shipments of iron and steel, and chemicals rose by about 20 per cent while those of office and telecom equipment, textiles and clothing increased by somewhat more than 10 per cent. The moderate expansion in textiles and clothing trade was partly due to sluggish intra-regional trade. Intra-regional textiles trade is estimated to have expanded by five per cent and that of clothing even contracted by 5 per cent. The region's exports of automotive products rose by 12 per cent in 2005. Moderate growth of Japan's exports (5 per cent) contrasted with the robust growth of Korean shipments and a surge in exports from China, Thailand and India (see Table IV.67).

Commercial services exports of Asia increased by 14 per cent to \$525 billion in 2005. Imports continued to expand somewhat less than exports but they still exceeded exports by 9 per cent. In 2000, the excess of services imports over the region's exports stood at 19 per cent.

A review of Asia's commercial services by category shows that the region imported more transportation and travel services than it exported but recorded a surplus for other commercial services. The latter category is not only the largest in value terms but also the category with the strongest growth over the last fifteen years. In 2005, Asia's exports of other commercial services which include, inter-alia, software exports, construction services, financial services and royalties and license fees, expanded by 19 per cent to \$244 billion. Asia's exports of transportation and travel services increased by 13 per cent and 9 per cent respectively, exceeding thereby somewhat the global average.