



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/B/COM.1/EM.26/2
15 December 2004

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Expert Meeting on New and Dynamic
Sectors of World Trade
Geneva, 7–9 February 2005
Item 3 of the provisional agenda

**Strengthening participation of developing countries in dynamic and
new sectors of world trade: Trends, issues and policies**

Background note by the UNCTAD secretariat*

Executive summary

One of the main themes of the eleventh session of the United Nations Conference on Trade and Development (UNCTAD) was "Assuring development gains from international trade and trade negotiations". An important way to realize such gains, and thereby to use trade as a genuine engine of growth and development, is to promote increased and beneficial participation of developing countries in dynamic and new sectors of world trade. Products in dynamic sectors of world trade are those that display high annual growth in export value and/or register substantial increases in their share of world trade, while products in new sectors of world trade are intrinsically new or simply new as traded goods. A number of developing countries have succeeded in entering these sectors and related value chains in recent years. Their experiences indicate that these sectors can provide opportunities for developing countries, including least developed countries and other commodity-dependent economies, to accelerate growth, increase domestic value added of exports, increase productivity and competitiveness, and enhance employment and quality of jobs, thereby contributing to the achievement of the objectives and goals of the United Nations Millennium Declaration.

This background note seeks to facilitate discussions at the first expert meeting on dynamic and new sectors of international trade. In exploring ways for developing countries to benefit from enhanced exports of dynamic and new products, the meeting will focus on three sectors namely textiles and clothing, renewable energy products including biofuels, and outsourcing of ICT-enabled services. This note, to be supplemented by conference room papers focusing on each of these sectors, traces the overall trends in developing countries' export performance, analyses their participation in dynamic and new sectors of world trade, and identifies the main factors affecting this process at the national and international levels.

* This document was submitted after the usual submission deadline in order to take account of the most recent trade statistics.

CONTENTS

- I. Introduction.....3
- II. Trends in developing country export performance.....3
- III. Participation of developing countries in dynamic and new sectors of world trade6
- IV. Determinants of and policy options for developing country participation in dynamic
and new sectors12
- V. Role of UNCTAD’s sectoral trade reviews17

I. Introduction

1. The São Paulo Consensus mandates UNCTAD to convene sectoral trade reviews of dynamic sectors in world trade, reflecting the importance attached by member States to the increased participation of developing countries in these sectors.¹ In responding to demand from world markets for dynamic and new products – markets that are often large, rapidly growing and undersupplied – developing countries, including least developed countries (LDCs) and other commodity-dependent countries, can improve their overall economic and trade performance and thus secure significant gains from international trade. Products in dynamic and new sectors of world trade can be grouped into three broad categories, namely (a) those that display high growth in export value; (b) those that register substantial increases in their share of world trade; and (c) those that are intrinsically new or simply new as traded goods. A focus on these sectors, however, should not imply de-emphasizing other sectors of trade, including commodities, where considerable scope remains to enhance developing countries' domestic value-added and market share.

2. In recent decades, a number of developing countries have succeeded in entering dynamic and new sectors, with variable results. Some have deepened their participation and captured substantial gains in terms of domestic value added, but for many others participation has been problematic and gains have been limited. At the same time, some developing countries have not succeeded in generating exports of dynamic and new products at all. Taken together, these experiences indicate that generating successful and sustainable exports of products within these sectors requires a focused policy approach. Coordinated policies and actions, within an overall development framework, should build and sustain strategic linkages among key factors, including, investment, supply capacity, productivity, competitiveness, market access and entry, changing market preferences, and integration into regional production chains. International trading and financial systems, global market structures, and development cooperation can play a facilitating role in supporting developing countries' policies and actions to promote exports in these sectors.

3. This background note has been prepared to support the first expert meeting on dynamic and new sectors of world trade. After highlighting trends in developing countries' overall export performance, the note analyses their participation in dynamic and new sectors of world trade, identifies the main factors affecting this process, and outlines general areas for national and international policy actions.² Examples are provided by briefly introducing developing countries' participation in two dynamic sectors, ICT-enabled outsourcing services and textiles and clothing, and one new sector, renewable energy products including biofuels. The expert meeting will focus on these three sectors, and to promote in-depth discussions, a separate in-depth conference room paper on each will be available during the meeting.

II. Trends in developing country export performance

4. *Rising importance of manufactures:* Over the past 50 years, growth in trade has typically exceeded growth in output. This reflects a move towards more open economies and international

¹ Report of the United Nations Conference on Trade and Development on its eleventh session, São Paulo, Brazil, 13-18 June 2004 (TD/412)

² This paper builds on earlier work of UNCTAD, particularly: "Strengthening participation of developing countries in dynamic and new sectors of world trade: Trends, issues and policies: Background note by the UNCTAD secretariat" (TD/396); the *Trade and Development Report, 2002*; the *World Investment Report, 2002*.

specialization of production. The share of developing countries in international trade increased throughout the 1970s to reach 27 per cent of world trade in 1981. In the 1980s, often called the lost decade for development as a result of the debt crisis, developing countries' share in trade fell, but subsequently recovered during the 1990s to reach 28 per cent in 2003. The share of LDCs' exports in total world exports, however, declined from 1.7 per cent in 1970 to 0.6 per cent in 2003.

5. One of the most significant developments in developing countries' trade performance has been their substantial progress in enhancing export diversification over the past two decades. The export concentration index for developing countries as a group fell sharply from nearly 0.6 in 1980 to around 0.2 in 2003, and their share of high-value-added exports – comprising manufactures employing medium- to high-level skill and technology inputs – increased from 20 to nearly 50 per cent. The overall proportion of manufactures in developing country exports climbed continuously from only 20 per cent in 1980 to 75 per cent in 2003. Manufactures, including electronics, computers and office equipment, telecommunications, automobiles, clothing and machinery, now account for 8 of the top 10 exports from developing countries; the other two top exports are crude oil and petroleum products.

6. Despite this progress, regional differences in diversification remain significant. Export diversification is most advanced in East Asian economies, where over 80 per cent of goods exports were manufactures in 2003. A number of developing countries, particularly newly industrializing economies (NIEs) in East Asia, have been able to achieve substantial increases in their shares in world manufacturing value-added that have matched or exceeded increases in their shares in world manufacturing trade. The exports concerned are often at the higher end of the value chain, and many are also globally dynamic goods and services. Many East Asian NIEs have also increased their share of overall world trade. China alone increased its share of world goods exports from less than 1 per cent in 1970 to over 5 per cent in 2003, and other countries in the region such as the Republic of Korea, Malaysia and Thailand at least doubled their share over this period.

7. On the other hand, the share of manufactures in goods exports of Latin America and the Caribbean in 2003 was 57 per cent, and that of Africa only 47 per cent, mostly in the area of processed primary commodities. The latter include exports of food products and preparations, as well as processed chemicals and materials. Today, half of all developing countries – mostly LDCs and small island developing States (SIDS) – are still dependent on primary non-fuel commodities for more than half of their export earnings; the proportion rises to two thirds if fuels are included. Commodity exports continue to provide a significant source of employment and export earnings in developing countries, and export diversification in this sector can yield significant development dividends. Nevertheless, several LDCs such as Bangladesh, Cambodia, Lesotho, Madagascar, Togo and Uganda have notably increased their exports of manufactured goods, and many others have increased their services exports, contributing to an overall rise in total LDC exports from US\$18 billion in 1993 to US\$44 billion over the past 10 years.

8. *Diversification of services exports:* Although most low-income countries, including LDCs and SIDS, have made only limited progress in diversifying their manufacture exports, many have succeeded in expanding services exports over the past two decades. In particular, during the period from 1991 to 2002, the share of developing countries as a group in total world exports of services increased by 30 per cent, while the share of low-income countries within this group increased by 60 per cent. This occurred mostly through increased tourism exports (GATS Mode 2) and exports of healthcare, domestic care, education and construction services (GATS Mode 4). It is estimated that in 2003 developing countries received over US\$130 billion in workers' remittances alone, a figure nearly twice as large as total development assistance outlays of US\$68.5 billion. This indicates substantial

scope for supply of services by developing countries and the potentially important contribution of the temporary movement of labour (GATS Mode 4) to their export earnings. Most recently, some developing countries have established substantial export capacity in ICT-enabled services through GATS Mode 1 outsourcing. These services exports include computer software, engineering, accounting, call centre and transcription services.

9. *South-South trade:* An important driver of increased exports by developing countries is growing demand from markets in other developing countries. Growth in South-South exports has generally exceeded that of world trade over the past 10 years. From 1990 to 2000, South-South trade grew at an estimated average annual rate of about 10 per cent, as compared to 6 per cent for world trade (see figure 1). With its strong growth, the share of South-South trade in total world trade climbed from 8 per cent to more than 12 per cent over the same period. About 40 per cent of the South's exports are now to other developing countries. Although four-fifths of these exports occur through intra-Asian trade, strong growth in intraregional trade in Africa and Latin America, albeit from smaller bases, demonstrates that growing South-South trade is not merely an Asian phenomenon. At the same time, interregional trade, although relatively small, is showing signs of accelerated growth.

10. South-South trade has been facilitated by increased regional trade and investment, often under regional trade agreements. As a result of these agreements and autonomous liberalization efforts, tariffs applied by developing countries to imports from other developing countries have decreased by some 70 per cent during the past two decades. By reducing tariffs and non-tariff barriers to trade in goods, regional economic integration arrangements among developing countries help producers build economies of scale; attract FDI at higher levels and on better terms; pool economic, human, institutional, technological and infrastructure resources; and build production and marketing networks between participating countries. The Global System of Trade Preferences among Developing Countries (GSTP) provides developing countries with an opportunity to increase and expand interregional market access conditions.

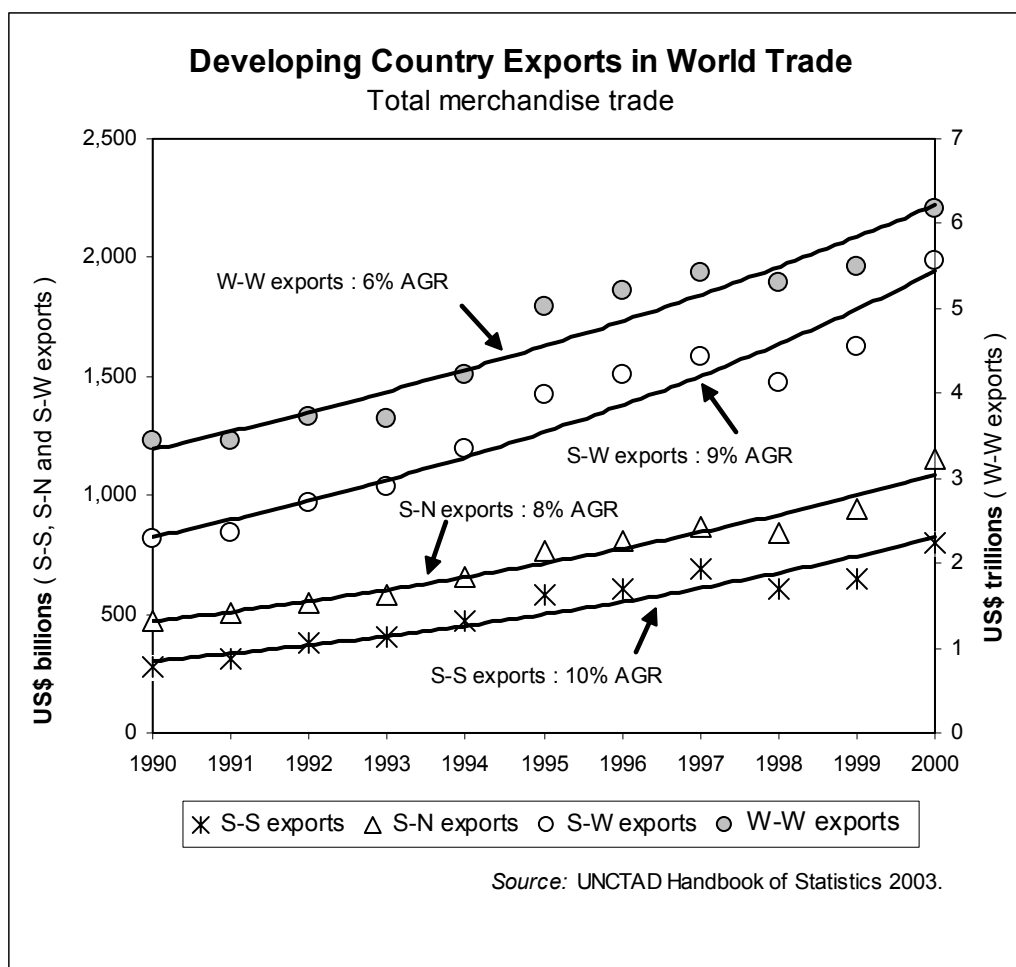


Figure 1. Exports from the South to the South (S-S), to the North (S-N) and to the world (S-W) are plotted from 1990 to 2000 (left scale), and annual growth rates (AGR) of these export flows are calculated. Over this period, S-S exports rose from US\$ 275 billion to US\$ 800 billion, growing at a 10 per cent annual rate, while total world exports (W-W: right scale) rose from US\$ 3.4 trillion to US\$ 6.2 trillion, growing at an annual rate of 6 per cent.

III. Participation of developing countries in dynamic and new sectors of world trade

Dynamic merchandise sectors

11. *Main dynamic sectors and products.* The annual average growth in the value of world merchandise exports in the last two decades has exceeded 8 per cent. However, there have been considerable differences in export growth rates from one sector to another, with some sectors growing more than twice as fast as aggregate growth in world trade, most advancing at a rate comparable to growth in world trade, and other sectors exhibiting flat or declining exports.

12. Using the four-digit SITC classification, tables 1 and 2 each rank the top 40 most dynamic product groups in world trade from 1985-2002 using, respectively, the following criteria: (a) absolute increase in market share, and (b) annual average growth rate in export value. There are divergences in the entries of the two tables, since not all of the product groups that registered a high absolute increase in market share achieved high growth in export value, and vice versa. Table 3 shows a list of most

dynamic product groups that met both criteria. This list is dominated mainly by three product categories: electronic and electrical goods (SITC 75, 76, 77); the chemicals category (SITC 5), and miscellaneous manufactures (SITC 8). It is possible that a higher degree of disaggregation or a shorter period than that used in the table could probably have identified more “niche products”, where demand has increased rapidly in recent years. This is a relevant methodological consideration for more in-depth sector-specific analysis.

13. Among the 40 most dynamic product groups in terms of absolute increase in market share (table 1) which together accounted for 34 per cent of world exports in 2002, 20 belong to four categories: electronic and electrical goods; chemicals; engines and parts; and textiles and clothing. The electronic and electrical goods products in this list alone accounted for 15 per cent of total world goods exports in 2002. The globalization of supply chains has been a major factor in fuelling this dynamism. The chemicals product groups in the table accounted for 5 per cent of world exports in 2002 and automotive industry items for nearly 8 per cent. The textiles and clothing category has 2 listed items. It is noteworthy that one of the items in table 1 is audio/video recordings (included under “gramophone records and similar sound recordings”), suggesting the presence of creative industry – cultural, art and entertainment media – among the world’s most dynamic sectors.

14. As table 2 demonstrates, when one ranks dynamic product groups by average annual export value growth, a number of agricultural and processed food and beverage items emerge in the top 40 ranking. While electronic and electrical goods, and chemical products, remain among the top performers under this criterion, a number of agricultural and food products – including processed cereals, cotton and cotton seeds, sesame seeds, wood pulp, oil seeds, frozen vegetables, and alcoholic and other fermented beverages – exhibit similarly high export growth rates but have much smaller shares of total world exports. Textiles and clothing, aircraft and certain machinery and appliances are also in this list.

15. *Commodities.* Although the share of commodities in world trade has declined over time, a disaggregation of the commodity sectors indicates that there are a number of commodities that have shown market dynamism. For example, silk, cereal preparations and non-alcoholic beverages and certain fruit and fruit preparations categories could be regarded as dynamic market products, as their average annual export growth rate over the last two decades exceeds 10 per cent. Disaggregated figures indicate that cashew nuts, kiwi fruit, mangoes and poultry meat are dynamic products, with average annual export growth rates ranging between 10 and 17 per cent during this period. Other agricultural commodities that exhibit market dynamism in varying degrees include fresh crustaceans; fish preparations; processed animal and vegetable fats; fuel wood and charcoal; fresh vegetables; sugar preparations; margarine and shortening; crude vegetable materials; manufactured tobacco; and meat preparations.

16. *Developing country participation in the main dynamic merchandise sectors.* The principal exporters of the most dynamic products in world markets are the industrialized countries. Nevertheless, the developing countries as a whole appear to have become players of growing significance in markets for many dynamic product groups. As table 1 indicates, they command almost 20 per cent of world exports of the 40 most dynamic product groups ranked by share in global exports. In certain electronic and electrical goods, their share of world exports rose from negligible levels in 1985 to over 25 per cent in 2003. And for three listed products, namely cotton undergarments, outer garments and television receivers, developing country exports exceed those of developed countries. However, among developing countries, it has been the East Asian economies that have participated the

most in world markets of dynamic products with high growth in market share. The share of LDCs in exports of these products is negligible, and therefore not shown in table 1.

Box 1. Textiles and clothing: Export dynamism in the aftermath of ATC

During the last two decades, textiles and clothing has been the second most dynamic product group in world trade after electronic and electrical goods. The sector is extremely important for developing countries, which supply about 50 per cent of the world market for textiles and over 60 per cent of the world market for clothing. Since 1980, clothing exports from developing countries have increased by a factor of 7 and textile exports by a factor of 5, while the corresponding factors for developed countries were 3 and 2 respectively. In 2002, China, India, Pakistan, Indonesia and Thailand were among the top 20 world textile exporters. For clothing, China, India, Bangladesh, Thailand and Pakistan were among the top 20 exporters. Although not among the top exporters, many LDCs and small economies, including Bangladesh, Cambodia, Mauritius and Sri Lanka, have developed significant supply capacity making use of import quotas under the WTO Agreement on Textiles and Clothing (ATC).

Exports of textiles and clothing from developing countries have been subject to quotas for over 40 years. The ATC established a 10-year transition period, ending in December 2004, during which all quota restrictions on textiles and clothing trade are to be phased out. Freeing textile trade in 2005 could generate gains for developing countries of US\$ 40 billion annually in export revenue and of some 27 million new jobs.³ In the light of these much needed prospective welfare improvements, it is important to effectively end 40 years of protection in the sector and ensure that quotas are not replaced by other protectionist measures in developed countries.

Determining countries' performance in the textiles and clothing sector after ATC expiry, however, cannot be reduced to a single calculation of who will win or lose, but rather involves the question of how countries will take advantage of the opportunities, and overcome the challenges, that ATC expiration brings about. Important factors in this regard are costs and adjustment, competitiveness, the role of tariffs in shaping sectoral trade, and near-term changes in trade and investment patterns. In the long run, the international market for textiles and clothing will continue to expand as the world's population, incomes and standards of living increase, and thus the sector is expected to continue to be a dynamic export sector for developing countries in the coming years.

While some developing countries are expected to increase their exports of textiles and clothing significantly after the ATC expiry, LDCs and small economies that enjoyed quota-free and duty-free treatment of their exports to the United States and the European Union, and that rely heavily on exports of assembled garments, are particularly vulnerable to the expected increase in competition in the sector. Besides Asian LDCs like Bangladesh, Cambodia, the Lao People's Democratic Republic and Nepal, this sector is also important for many African countries like Kenya, Lesotho, Madagascar and Mauritius and certain countries in the Caribbean like the Dominican Republic, Jamaica and Honduras. Studies indicate that preference-receiving countries may be affected by adjustment costs resulting from the elimination of quotas. The international community should be sensitive to their needs and stand ready to extend appropriate assistance. Sensitivity to the needs of women will be particularly important, as the textiles and clothing sector is traditionally an important employer of women.

17. When dynamic product groups are ranked in terms of their export value's average annual growth (table 2), there is much more widespread participation of developing countries in export markets. Expansion of exports of certain food items that are among the most dynamic agricultural products has helped the trade performance of Brazil, Kenya, China and Thailand. Countries in South Asia and Latin American and the Caribbean participate in a number of dynamic sectors, including textiles and clothing and food products, but these regions have lower exports of electronics products than East Asia. Although they have limited participation in the production and export of the majority of these items, LDCs have nonetheless been able to establish export presence in varying degrees in as

³ International Monetary Fund and World Bank, "Market Access for developing country exports: Selected issues", 26 September 2002, pp. 42-43.

many as 17 products. In the case of two products, namely carded or combed cotton and sesame seeds, they supply 30 per cent or more of world exports. For many developing countries, structural and supply-side constraints, the limited size of domestic markets, the cost and availability of capital, and external market conditions continue to affect their ability to diversify into higher-value-added exports.

Environmentally preferable products and other non-traditional sectors

18. There are a number of other product groups where developing countries are emerging as significant players. While some command a noticeable share of world trade, many are new products with small trade volumes, often without specific headings in trade classification schemes.

19. Environmentally preferable products (EPPs) include organic, non-wood forest, traditional-knowledge-based and renewable energy products. Markets for certain EPPs are substantial in value and growing quickly; for example, in 2003 the world market for organic food and beverages was about US\$25 billion. Although developed countries are the main markets for organic products, domestic markets are growing in many developing countries. The biofuels market is another example of an EPP market that is expected to grow, particularly with implementation of the Kyoto Protocol, rising oil prices and growing world energy demand. It is estimated that biofuels will supply half or more of global transport fuel needs in 2050.⁴

20. Various non-timber, non-traditional agricultural and natural product groups have greater value-added potential. Although world demand levels for many of these goods are generally small, they may represent significant market values for the few developing countries that are producers of specific goods within these product groups. In many cases, they have a significant role in local income generation for rural and indigenous communities in the countries concerned. Relevant product groups include: edible plant products; food ingredients (e.g. colouring and flavouring materials); cosmetic and pharmaceutical products made from natural ingredients and medicinal plants; latex, resins, gums, natural fibres and products thereof; animals and derivate products; and other natural products including handicrafts.

Box 2. Trading opportunities in renewable energy products and biofuels

Renewable energy sources, or “renewables”, such as hydro, biomass, solar, wind and geothermal, can make important contributions to sustainable development. Within this overall category, biofuels are those fuels derived from biological sources, such as ethanol and bio-diesel. The International Energy Agency predicts that, over the next 20 years, economically viable renewable resources will increase as a result of cost reductions from technological improvement and expanding markets. New market-based instruments to address climate change will also create markets for renewables. Environmental concerns have increased the attractiveness of renewable energy sources to policymakers.

The exploitation of renewables in commercial markets is still low, being constrained by costs and uncompensated benefits (externalities) as well as intermittent supply and other technical and institutional constraints. At a recent UNCTAD Expert Meeting on Definitions and Dimensions of Environmental Goods and Services in Trade and Development (Geneva, 9-11 July 2003), several experts emphasized that trade liberalization in renewable energy products could result in clear environmental benefits as well as increased exports for certain developing countries. UNCTAD secretariat calculations (TD/B/COM.1/EM.21/CRP.1) indicate that, whereas developing countries are net importers of environmental goods that are capital goods, for renewable energy products the value of their 2002 exports and imports were roughly in balance at around US\$3.7 billion. Increased cooperation among

⁴ According to surveys cited in International Energy Agency, “Biofuels for transport, an international perspective”, 2004.

developing countries in the area of renewables can provide an opportunity for enhanced South-South trade and technology cooperation. For example, there has been strong interest in enhanced cooperation between India and Brazil on the production, use and export of ethanol. In April 2002, India and Brazil signed a Memorandum of Understanding (MoU) for technology sharing in blending petroleum and diesel fuels with the biofuel ethanol.

Within the renewable energy product group, biofuels are of particular interest for developing countries, which can easily enter into production using abundant agricultural wastes. The development of biofuels may also bring developmental benefits: reduction of fuel imports, security in energy supply, diversification of agricultural production, new export markets and social benefits. The conditions for biofuel trade between developed and developing countries exist: the cost of production of crops for biofuels is lower in developing countries, and demand for biofuels in developed countries will increase mainly due to implementation of the Kyoto Protocol. Such trade can be turned into a win-win solution if trade barriers are removed.

International trade in renewable energy services and equipment has become a relatively important issue in the context of the multilateral trade negotiations at the WTO on environmental goods and services (EGS) and in UNCTAD's work. Overcoming trade barriers in energy goods and services and in agriculture, in particular, is critical to effectively strengthening the market for renewable energy products, including biofuels. The reduction of barriers to trade in renewable energy products and services, accompanied by effective technology transfer and adaptation, could provide significant economic and environmental benefits for both developed and developing countries.

Emerging and dynamic services sectors of export interest to developing countries

21. *Outsourcing of services.* Outsourcing of services as such is not new, as it has been taking place among developed countries for many years. However, owing to the advances in network technology, high-speed data networks and the increase in bandwidth capacity, outsourcing of services has in recent years become increasingly global in reach, as indicated by a rapid internationalization of information-technology-enabled services (ITES), including business process outsourcing (BPO). These advances have enabled developing countries to participate in this process. It has been estimated that the global market size of ITES/BPO will be US\$ 300 billion in 2004. This market has grown since 1999 at an average rate of 23 per cent. Another estimate indicates that worldwide BPO will increase to US\$ 585 billion by 2005, making it one of the fastest growing e-commerce services. Outsourcing provides a win-win outcome for both home and host countries. Trade, development and economic policies of developing countries themselves and the international business climate must not, therefore, artificially restrict outsourcing. One suggestion made in the WTO in this regard, is a moratorium on Mode 1 commitments along the lines of the Information Technology Agreement (ITA).

22. *Other services sectors.* Movement of natural persons supplying services continues to be a major source of export earnings for a number of developing countries. Dynamic gains for the home country are significant because they increase investment and domestic savings, promote development of other sectors of the economy and trade, ensure transfer of technology, entrepreneurship and knowledge, and build human capacities. There are potentially important opportunities for developing countries to gain significant benefits from dynamic services sectors such as ICT, professional services, healthcare, domestic care, education, construction and consulting services. There is therefore a strong political and economic case in favour of more comprehensive and commercially meaningful market access commitments in Mode 4 under the GATS.

Box 3. Outsourcing of services to developing countries: The new kid on the trade block

Beginning almost exclusively as North-North traded service, outsourcing has recently become a major North-South and South-South business activity. In the context of a globalized business and round-the-clock services environment, outsourcing to developing countries represents a vital strategic tool for a growing number of corporations, with estimated financial savings for related activities approaching 70 per cent. Outsourcing of this kind – to a foreign firm rather than another domestic firm – is often referred to as ‘offshoring’. Developing countries and countries with economies in transition supplying significant offshoring services include India, China, Brazil, the Philippines, the Russian Federation, and a number of Central and Eastern European countries. Recently, many other developing countries, including South Africa, Ghana, Nigeria, Kenya, Viet Nam, Jamaica and Barbados have recently made inroads into the industry. At the same time, it must be mentioned that several developed countries have been actively engaged in offshoring for some time, with Ireland, Canada and Israel among the top beneficiaries.

The main categories of BPO and ITES outsourcing to developing countries, in ascending order of value chain, are: (i) data entry and conversion type activities such as medical and legal transcription services; (ii) processing and simple voice and on-line customer relations support services based on rules set by the client, including call centre services, travel/tourism reservations and ticketing, e-mail processing, data processing, billing and payments; (iii) problem-solving and decision-making activities such as developing solutions for improving processes or streamlining systems, including human resource administration and computer applications; (iv) teleworking services that involve direct interaction with customers and more elaborate transactions with the client but beyond simple voice-based support services, such as web support, customer help desks, technical back-office processing, development of software for entire business processes and hardware support services; (v) a variety of research and engineering servicing, including R&D on pharmaceuticals, 3-D modelling, finite analysis, CFD analysis, technical specifications for tenders, plant engineering and financial analysis, and animated film production and other audio-visual services for the entertainment industry. The near-term value of the world’s outsourcing market is projected to reach some US\$ 800 billion, and developing countries could capture 25 per cent of this, making outsourcing a great new horizon and a window of opportunity for developing country exports.

23. Tourism is increasingly viewed as a viable option for the sustainable economic and social development of many developing countries, including LDCs. The tourism receipts of developing countries in nominal value increased consistently throughout the 1990s, from over US\$ 50 billion in 1990 to US\$140 billion in 2001. Some developing countries, including a few LDCs, have succeeded in establishing internationally recognizable brand names or niches in the tourism sector. For some countries, tourism resources can be regarded as ecological heritage. Sustainable tourism development can be an important way of maximizing benefits from tourism resources of developing countries. The tourism sector can bring important benefits to developing countries, such as employment creation, foreign exchange, government revenues, better infrastructure, and improved environmental management. There has been increasing interest in the potential of tourism development to contribute to poverty alleviation. For many developing countries, in LDCs and SIDS, expansion of the tourism sector is being pursued as a primary development objective. Tourism, however, can involve significant risks. In this sector there is very strong competition for market shares. A number of developing countries (e.g. in the Caribbean) have become very dependent on tourism and are vulnerable to any downturn in the industry. The tourism sector is also vulnerable to social stress and environmental risk, such as damage to natural eco-systems. Some of the major obstacles to sustained growth in the tourism sector are inadequate infrastructure and environmental degradation affecting high-traffic destinations with fragile ecosystems. Finally, it should be noted that substantial outsourcing services are associated

with tourism, including transport and hotel reservations and ticketing services, and developing countries are increasingly benefiting from business in these tourism-related areas.

IV. Determinants of and policy options for developing country participation in dynamic and new sectors

Factors affecting developing country participation

24. There is not any single set of factors that affects success in entering and/or expanding participation in dynamic and new sectors. Factors vary across sectors and among countries. Much also depends on the effectiveness with which opportunities in particular sectors and value chains are identified and secured. Nevertheless, the experiences of developing countries that have performed well in dynamic and new sectors and captured significant gains from their participation suggest that the following three conditions are essential:

- Robust and flexible supply capacity to respond to changing demand and preference conditions;
- High level of productivity and competitiveness in relevant sectors; and,
- Favourable market access and market entry conditions.

Determinants for the development and enhancement of these conditions depend on the precise sector or product concerned; the countries involved; initial conditions; national factor endowments; quality of economic and financial policies, institutions and governance; domestic and foreign investment; human resources and physical infrastructures; availability, size and quality of economic operators; level of public/private partnership, conditions of doing business; political stability; degree of integration into the global economy; etc. Consideration of specific sectors or countries would require in-depth case-by-case treatment.

Globalization of production systems

25. The performance of more successful developing countries in expanding exports of many dynamic and new products is intimately linked with the expansion of international production systems. International systems of production sharing and integrated production, through which transnational corporations (TNCs) take advantage of rapidly changing differences in costs, resources and logistics, have been the main engines of the globalization of the production process. In some developing countries that are extensively linked to global supply chains, industry data indicate that affiliates of TNCs account for nearly one half or more of their manufacturing exports.⁵ There is also a distinctive regional pattern in the different experiences of countries, with the bulk of TNC-related export activity in the developing world concentrated in a handful of countries, mainly in East and South-East Asia. Export performance requirements linked to incentives such as export subsidies have been an important instrument used by a number of countries to prod TNCs to seize export opportunities, but such subsidies are restricted under WTO Agreements.

26. Rapidly changing corporate strategies and growing complexities of production systems make it difficult for smaller and newer developing country suppliers, who do not have the requisite capabilities and competitive advantage, from participating in global production systems. Nevertheless,

⁵ UNCTAD, *World Investment Report, 2002*, table VI.3.

it should be a key priority for developing countries to identify and continuously expand their niches within value chains. Developing countries should also create deeper domestic economic linkages with related export activities and maximize levels of technology transfer, skill development and domestic value added derived from their participation in multinational supply chains.

Changes in income and demand

27. For certain items of export interest to developing countries, including some agricultural and industrial raw materials, global income elasticity of demand is typically low, which at first sight may indicate that the growth of global income may not result in large increases in demand. However, much depends on the composition of global demand growth. As illustrated by the growth of demand in China over the past few years, China itself being a major dynamic factor in world trade, countries at lower income levels typically have higher income elasticities for both food items and raw materials. This points to the possibility that, if the growth rate of developing countries rises to a sufficient level, many sectors and products that have displayed limited vibrancy in the world market could well become more dynamic. At any rate, the dynamic products enjoy higher income elasticity of demand. For example, demand for information technology products in many countries has outpaced income growth, resulting in an increase in the share of spending thereon. Moreover, factors such as improvements in product innovation and usage as well as lifestyle trends are also among factors affecting demand.

Market access and market entry

28. The ability of developing countries to participate in trade in dynamic and new sectors of world trade depends critically on their ability to respond to new opportunities existing in world markets. Their capacity to do so depends significantly on market access conditions and market entry requirements set in importing countries, including product requirements set by large distribution networks. For many developing countries, integration into the world economy means being able to meet those market entry conditions and creating the necessary impetus for competitiveness and development. Some access and entry barriers are difficult to overcome, even for developed countries in each other's markets, thus illustrating the problems facing developing countries.

Low and declining value-added trap

29. The extent of benefits from participating in trade in dynamic and new sectors is determined, to a large degree, by the size of domestic value added therefrom. The East Asian NIEs in particular managed to successfully combine diversification and trade expansion with growth in manufacturing value added and GDP. For example, East Asian clothing manufacturers moved up from assembly of cut fabric into more complex operations, and they have become full-package suppliers for international buyers receiving orders from large retailers and subcontracting to their networks of producers, which are located in Asia, Latin America and Africa.⁶

30. Many other developing countries, on the other hand, often find themselves caught in a low and declining value-added trap arising from: (a) "export illusion" caused by high import content of exports, wherein export earnings do not reflect the true domestic value added; and (b) "fallacy of composition", which arises when too many countries rush into the same sectors or products, thereby driving down terms of trade and export earnings and thus denying themselves the achievement of the

⁶ UNCTAD, "Assuring development gains from the international trading system and trade negotiations: Implications of ATC termination on 31 December 2004" (TD/B/51/CRP.1).

original objective of improving domestic value added through diversification. Addressing these twin problems should be a key policy priority for developing countries.

Policy implications

31. Some broad policy issues relating to participation of developing countries in dynamic and new sectors discussed at the thematic session of UNCTAD XI on “Policy options and strategies to support developing countries in the most dynamic sectors of world trade”,⁷ as well as during the Rio Trade Week preparatory to the Conference.⁸ These discussions underlined the importance of policy thrusts in four areas: (a) creating a good investment climate and attracting development-oriented FDI; (b) building supply capacity and competitiveness through sound and supportive macro, sectoral and enterprise-level policies; (c) reconciling public and private objectives within a general development-deepening framework by increasing genuine collaboration between the spheres; (d) effectively managing integration with the global economy. It is also important to ensure the coherence of goals and objectives of different policies and measures, and to maximize their synergies.

32. A major lesson from successful experiences is that developing countries themselves will need to make the necessary strategic policy choices in regard to their beneficial participation in dynamic and new sectors of world trade. These choices must be based on a realistic assessment of the actual and potential comparative advantage of each country with regard to different sectors, as well as in the context of the entire value chain. An important conclusion, illustrated by the various sectoral experiences presented, is that all relevant factors of export performance should be dealt with contemporaneously, although their relative significance varies from country to country and from sector to sector, and also changes over time. Further, the developing countries today do not have the range of options that were available to the early industrializers among them, owing in large part to “inside border” provisions under certain WTO agreements. From this standpoint, the issue of policy space is highly relevant to discussions of policy approaches in the context of new and dynamic sectors.

33. Equally important are issues relating to the provision of adequate development financing and meaningful debt reduction, as well as international market structure issues that affect the competitiveness of developing countries’ exports. Recalibrating development cooperation programmes to adequately and coherently support efforts of developing countries, particularly LDCs, to participate beneficially in new and dynamic sectors should be a donor priority. At the same time, protectionist pressures, which are currently evident in the case of agriculture, textiles and clothing, Mode 4 of the GATS and outsourcing, should be effectively addressed.

Building competitive supply capacities

34. Two important policy objectives at the macro, sectoral and micro levels relate to increasing domestic supply capacity and enhancing international competitiveness. The ability to identify and establish export presence in a particular sector will depend greatly on effectiveness in overcoming constraints posed by market failures and missing markets, the lack of an entrepreneurial base, imperfections in technology and capital markets, risks involved in starting up new activities and exporting, and linkages and externalities among different sectors. These difficulties are particularly acute in the case of LDCs, calling for special attention of the international community.

⁷ Report of the United Nations Conference on Trade and Development on its eleventh session, São Paulo, Brazil, 13-18 June 2004 (TD/412)

⁸ Report on the Rio Trade Week Preparatory to UNCTAD XI (Rio de Janeiro, 7-12 June 2004), Summary prepared by the UNCTAD secretariat (TD/L.395)

35. A successful strategy should aim at providing targeted support in order to:

- Strengthen the ability of firms to innovate and integrate technology with a view to specialization in higher-value-added goods and services;
- Establish strong networks of enterprises, particularly small and medium-size ones, which are effectively linked to world markets, as well as to major companies connected with international trade;
- Assist women's enterprises, urban informal sectors, and traditional and rural production;
- Ensure greater access to specialized information, including market intelligence, greater supplier/producer interaction, provision of high-quality public goods, support to build brand recognition, and other business and trade facilitation measures to improve collective efficiency and competitiveness;
- Develop reliable and high-quality infrastructures, such as well-maintained transport and communication infrastructure; information, communication, marketing and logistical facilities; and export processing zones and industrial and science parks.

Attracting development-oriented FDI

36. A key challenge facing the developing countries is to strategically tap TNC potential in order to ensure that they can successfully move into increasingly high-value-added exports and, in the process, reap maximum development gains. Policies and measures should aim to:

- Ensure that the objectives and targets of FDI policies are consistent with, and an integral part of, broader development objectives, policies and strategies;
- Provide a package of incentives to attract FDI aimed at “racing to the top”, rather than “racing to the bottom”, in order to ensure that TNCs invest in dynamic and new sectors and to maximize host country gains therefrom;
- Involve foreign affiliates in the development and upgrading of human resources and in institutional and technological development;
- Encourage linkages between local suppliers and foreign affiliates in order to maximize benefits from FDI, ensure a sustainable upgrading of export-oriented activities, and help diffuse skills, knowledge and technology to domestic firms;
- Provide strategic government intervention to facilitate the development of industrial clusters involving FDI.

Market access and market entry issues

37. *The role of the multilateral trading system.* The Doha Work Programme negotiations provide an important opportunity to address a number of key issues relevant for developing countries' participation in dynamic and new sectors:

- Effectively tackling high tariffs and tariff peaks and escalation facing dynamic sector exports of interest to developing countries;

- Meaningful reform in agriculture, including substantial improvement in market access for developing countries, phasing out of export subsidies and substantial reduction of trade-distorting domestic support;
- Liberalization of services sectors and modes of supply of export interest to developing countries, particularly Mode 4 of the GATS;
- Adequate and operational special and differential treatment provisions to ensure, *inter alia*, that developing countries have the requisite policy space and flexibility;
- Effectively addressing problems arising from the application by developed countries of measures under SPS, TBT and ADM provisions.

38. *Taking advantage of preferential market access opportunities.* Preferential trade arrangements involving developing countries have provided some opportunities for these countries to expand and diversify exports. Three major forms of trade preferences can be distinguished: (a) the generalized system of preferences (GSP); (b) special preferential regimes for groups of developing countries (such as the EU Everything but Arms Agreement (EBA) and the US African Growth and Opportunity Act (AGOA)); and (c) regional trade arrangements (RTAs) between developing countries and other developing countries and developed countries and related preference schemes such as the GSTP for interregional South-South trade. Arrangements of the latter type differ from the others in that they involve reciprocal rather than unilateral trade preferences.

39. The GSP has been a useful tool for the early industrializers and successful exporters among developing countries, although benefits to many other preference-receiving countries, including LDCs and African countries, have been limited. Improvements in the preferential schemes could play a positive role in helping countries that have not been able to do so to participate meaningfully in dynamic and new export sectors. This would require:

- Improved scope and coverage of the schemes;
- More liberal rules of origin;
- Avoidance of conditionalities in the utilization of schemes.

40. *Removing market entry barriers.* Market access difficulties are compounded by market structure issues, as well as by technical regulations and standards, SPS measures and complex and divergent rules of origin. Even more important are private sector measures and requirements such as voluntary standards. For instance, there is a growing trend towards harmonizing private sector standards among international supermarket chains, making conformity with those standards a requirement for market entry. A key priority is to ensure that these standards and measures are developed transparently with the participation of developing countries and applied in a non-discriminatory manner.

Regional economic cooperation and integration

41. South-South trade and regional economic and trade arrangements can provide a supportive environment for entering dynamic and new sectors. For example, MERCOSUR has had a substantial impact on the expansion of trade in specific sectors among participating countries, as well as between these countries and the rest of the world. South-South trade can be a useful testing ground for developing countries to build export capacities in dynamic and new sectors. The dynamically changing

regional division of labour, known as the “flying geese” model, where less developed countries enter simpler manufacturing stages as the more advanced economies successfully shift to increasingly sophisticated manufacturing activities, remains a relevant ideal for regional cooperation. Such a process can also help countries avoid the low and declining value-added trap. Mapping regional divisions of labour along value chains could help countries in their diversification strategies.

V. Role of UNCTAD’s sectoral trade reviews

42. Through case-by-case treatment of dynamic and new sectors, the UNCTAD sectoral trade reviews can play an important role in assisting policy makers and other stakeholders in identifying opportunities in particular sectors and articulating policy options and instruments, taking into account country-level specificities. By building on the three pillars of UNCTAD (analytical work, consensus building through intergovernmental deliberations, and capacity-building support), and bringing together the principal stakeholders (including developing countries, their development partners, relevant international organizations, representatives of the private sector, including concerned TNCs and developing country enterprises, and civil society), the sectoral trade reviews can serve as a forum for policy dialogue focusing on certain issues, such as: (a) opportunities offered by dynamic and new sectors to developing countries in ensuring development gains from international trade; (b) key determinants of their participation in these sectors; (c) national and international policy imperatives to promote their increased and beneficial participation in these sectors; (d) the ways in which such policies should respond to issues such as supply capacity, productivity, technological endowment and competitiveness; domestic and foreign investment; market access and entry; changing demand and preferences; and regional division of labour; and (e) the role of international trading and financial systems, including trade negotiations, as well as global market structures and development cooperation in ensuring the success of such policies.

43. Follow-up to the work of the expert meeting will be necessary in integrating the results of the policy dialogue into the particular context of individual countries. For its part, UNCTAD will seek, in cooperation with all relevant stakeholders and with support from interested donors, to organize in-depth sectoral reviews at country and regional levels. The purpose of this exercise will be to provide general policy guidance, upon request, to individual developing countries, particularly LDCs, on how they can build competitive export supply capacities and secure increased market access and entry in relation to these sectors.

44. More research and analytical work is also needed in order to build a better understanding of the possible factors affecting individual developing countries' participation in specific new and dynamic sectors of world trade, interlinkages among these factors, and their implications for the process of growth and development. This, in turn, would help in refining policy recommendations at country and sectoral levels.

Table 1: Dynamic products in world exports, ranked by change in market share, 1985–2002

Rank	SITC 2 code	Product	Market share (%)			Value of world exports (current \$US millions)		Developing country share of world exports (%)		Average annual growth rate of world exports (%)
			1985	2002	Increment	1985	2002	1985	2002	1985-2002
1	7764	electronic microcircuits	0.67	2.93	2.26	10,213	163,336	15	15	18
2	5417	medicaments	0.60	2.22	1.61	9,101	123,459	5	4	17
3	7643	radiotelegraphic & radiotelephonic transmitters	0.16	1.36	1.21	2,365	75,859	1	22	23
4	7599	parts of and accessories of office machines	1.18	2.10	0.92	17,869	117,165	0	26	12
5	7524	digital central storage units	0.01	0.67	0.67	136	37,568	0	22	39
6	7924	aircraft	0.41	1.04	0.63	6,247	58,061	1	2	14
7	7810	automobiles	5.43	6.05	0.62	82,193	337,012	1	9	9
8	7649	parts of telecommunications apparatus	0.66	1.13	0.46	10,058	62,805	2	26	11
9	8939	miscellaneous art. of resins and plastic materials	0.43	0.82	0.39	6,474	45,731	2	20	12
10	7522	computers	0.28	0.61	0.33	4,275	34,123	0	33	13
11	7721	elect. appliances such as switches, relays, fuses, plugs, etc	0.75	1.08	0.33	11,331	60,045	4	20	10
12	8462	cotton under garments	0.11	0.41	0.30	1,689	23,015	19	57	17
13	5148	nitrogen-function compounds	0.15	0.44	0.29	2,261	24,603	4	6	15
14	7528	off-line computers	0.04	0.33	0.29	587	18,363	1	28	22
15	5839	polymerization and copolymerization products	0.17	0.46	0.29	2,611	25,698	2	7	14
16	5530	perfumery, cosmetics and toiletries	0.20	0.48	0.29	2,976	26,847	5	11	14
17	7788	elect. machinery and equipment	0.51	0.79	0.27	7,762	43,766	2	19	11
18	8211	chairs and other seats and parts	0.19	0.45	0.27	2,807	25,136	2	39	14
19	7132	int. combustion piston engines	0.34	0.60	0.26	5,154	33,447	9	22	12
20	7731	insulated, elect. wire, cable, bars, strip	0.31	0.57	0.26	4,732	31,762	3	46	12
21	8720	medical instruments and appliances	0.27	0.50	0.23	4,041	27,686	2	13	12
22	7712	electric power machinery	0.15	0.36	0.22	2,249	20,258	2	32	14
23	8743	non-electrical instruments for measuring, checking flow	0.08	0.30	0.21	1,268	16,554	1	17	16
24	5416	glycosides; glands or other organs & their extracts	0.07	0.28	0.21	1,105	15,842	2	4	17
25	8710	optical instruments & apparatus	0.11	0.31	0.21	1,632	17,488	0	12	15
26	5989	chemical products and preparations	0.48	0.69	0.20	7,307	38,264	3	7	10
27	6415	paper and paperboard	0.16	0.36	0.20	2,381	19,799	3	15	13
28	8931	packing materials	0.13	0.33	0.19	2,036	18,340	3	24	14
29	7763	transistors and semi-conductors	0.20	0.40	0.19	3,067	22,084	15	26	12
30	8219	furniture and parts	0.39	0.59	0.19	5,978	32,616	3	32	10
31	7523	centralised computers	0.33	0.52	0.19	5,046	29,170	2	22	11
32	6552	knitted/crocheted fabrics	0.05	0.24	0.19	820	13,376	8	22	18
33	6672	diamonds	0.61	0.79	0.18	9,168	43,962	13	24	10
34	7525	computer peripherals	0.66	0.84	0.18	9,965	46,728	2	36	10
35	7641	telephonic & telegraphic equipt	0.36	0.54	0.18	5,510	30,237	0	25	11
36	5156	nucleic acids	0.32	0.50	0.18	4,867	27,768	2	8	11
37	7611	colour televisions	0.36	0.53	0.17	5,502	29,732	2	52	10
38	8439	outer garments	0.29	0.46	0.17	4,439	25,784	13	54	11
39	8983	gramophone records and similar sound recordings	0.35	0.52	0.17	5,286	28,724	2	8	10
40	7144	reaction engines	0.12	0.28	0.16	1,815	15,464	0	5	13
All 40 products			18	34	16	274,325	1,887,673	3	19	14

Source: United Nations COMTRADE Database.

Table 2: Dynamic products in world exports, ranked by growth in world export value, 1985–2002

Rank	SITC 2 code	Product	Value of world exports (current \$US millions)		Developing country share of world exports (%)		LDC share of world exports (%)		Average annual growth rate of world exports (%)
			1985	2002	1985	2002	1985	2002	1985-2002
1	7524	computer storage units	136	37,568	0	22	0	0	39
2	7643	radiotelegraphic & radiotelephonic transmitters	2,365	75,859	1	22	0	0	23
3	7528	off-line computers	587	18,363	1	28	0	0	22
4	2239	flours or meals/oil seeds	12	281	14	25	0	0.20	20
5	2634	cotton, carded or combed	8	131	19	53	0	29	18
6	6552	knitted/crocheted fabrics	820	13,376	8	22	0	0.02	18
7	7764	electronic microcircuits	10,213	163,336	15	15	0	0	18
8	6416	building board	303	4,550	2	21	0	0	17
9	6880	depleted uranium	1	17	1	1	0	0	17
10	5416	glycosides; glands or other organs & their extract	1,105	15,842	2	4	0	0.01	17
11	8462	cotton under garments	1,689	23,015	19	57	0	0.22	17
12	5417	medicaments	9,101	123,459	5	4	0	0.01	17
13	7439	parts of pumps, compressors, fans & centrifuges	720	9,772	1	9	0	0	17
14	8743	non-electrical instruments for measuring, checking flow	1,268	16,554	1	17	0	0	16
15	8996	orthopaedic appliances	942	12,009	1	3	0	0	16
16	6352	casks, barrels, vats, tubs & buckets	33	393	0	7	0	0	16
17	6642	optical glass and elements of optical glass	171	2,061	4	15	0	0	16
18	2223	cotton seeds	19	214	21	12	0	5	15
19	5148	nitrogen-function compounds	2,261	24,603	4	6	0	0	15
20	8710	optical instruments and apparatus	1,632	17,488	0	12	0	0	15
21	8741	surveying & hydrographic equipmt	491	5,219	3	10	0.07	0.03	15
22	0488	malt extract	434	4,468	5	9	0.00	0.01	15
23	5332	printing ink	361	3,663	1	8	0	0	15
24	7923	aircraft	1,133	11,493	5	23	0	0	15
25	2225	sesame seeds	37	366	72	91	10	32	14
26	8732	revolution counters, taximeters	162	1,600	1	11	0	0	14
27	5839	polymerization and copolymerization products	2,611	25,698	2	7	0.00	0.01	14
28	5155	organo-inorganic compounds	355	3,478	0	8	0	0	14
29	8742	drawing, marking-out, disc calculators	1,419	13,738	2	7	0	0	14
30	7924	aircraft	6,247	58,061	1	2	0	0	14
31	7832	road tractors and semi-trailers	1,144	10,440	1	10	0	0.01	14
32	0546	vegetables, frozen or in temporary preservative	779	7,033	6	24	0.03	0.30	14
33	5530	perfumery, cosmetics and toiletries	2,976	26,847	5	11	0.01	0.04	14
34	8931	packing materials	2,036	18,340	3	24	0	0.03	14
35	7712	electric power machinery	2,249	20,258	2	32	0	0	14
36	8211	chairs and other seats and parts	2,807	25,136	2	39	0	0.00	14
37	6589	other articles of textile materials	605	5,367	9	60	0	0.10	14
38	1110	non alcoholic beverages	719	6,369	3	20	0	0.30	14
39	7144	reaction engines	1,815	15,464	0	5	0.02	0.01	13
40	1122	fermented beverages	43	363	1	17	0	0	13
all 40 products			62,811	822,292	5	15	<< 1	< 1	19

Source: United Nations COMTRADE Database.

Note: Average annual growth rates are computed using current values of exports. Lower average annual growth rates would be obtained if constant values were used, although the ranking would remain unchanged.

Table 3: Dynamic products in world exports that appear in both table 1 and table 2, 1985–2002 (equal-weight composite ranking from tables 1 and 2)

Rank	SITC 2 code	Product	Market share increment (%)	Value of world exports (current \$US millions)		Average annual growth rate of world exports	Developing country share of world exports (%)	
			1985-2002	1985	2002	(%)	1985	2002
1	7643	radiotelegraphic & radiotelephonic transmitters	1.21	2,365	75,859	23	1	22
2	7524	computer storage units	0.67	136	37,568	39	0	22
3	7764	electronic microcircuits	2.26	10,213	163,336	18	15	15
4	5417	medicaments	1.61	9,101	123,459	17	5	4
5	7528	off-line computers	0.29	587	18,363	22	1	28
6	8462	under garments	0.30	1,689	23,015	17	19	57
7	5148	nitrogen-function compounds	0.29	2,261	24,603	15	4	6
8	5416	glycosides; glands & organs	0.21	1,105	15,842	17	2	4
9	7924	aircraft	0.63	6,247	58,061	14	1	2
10	8743	non-electrical instruments for measuring, checking flow	0.21	1,268	16,554	16	1	17
11	6552	knitted/crocheted fabrics	0.19	820	13,376	18	8	22
12	5839	polymerization and copolymerization products	0.29	2,611	25,698	14	2	7
13	8710	optical instruments and apparatus	0.21	1,632	17,488	15	0	12
14	5530	perfumery, cosmetics and toiletries	0.29	2,976	26,847	14	5	11
15	8211	chairs, seats and parts	0.27	2,807	25,136	14	2	39
16	7712	electric power machinery	0.22	2,249	20,258	14	2	32
17	8931	packing materials	0.19	2,036	18,340	14	3	24
18	7144	reaction engines	0.16	1,815	15,464	13	0	5

Source: United Nations COMTRADE Database.

Note: Average annual growth rates are computed using current values of exports. Lower average annual growth rates would be obtained if constant values were used although the ranking would remain unchanged.