



KEY INDICATORS AND TRENDS in International Trade **2016**



A BAD YEAR FOR WORLD TRADE?





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NOTE

Key Indicators and Trends in International Trade 2016 is the fourth edition of a series initiated in 2013. Previous editions were published with the title *Key Statistics and Trends in International Trade*. It is a product of the Trade Analysis Branch (TAB), Division on International Trade in Goods and Services, and Commodities (DITC), UNCTAD Secretariat. The series is part of a larger effort by UNCTAD to analyze trade-related issues of particular importance for developing countries, as requested by the Mandate of UNCTAD XIV. Alessandro Nicita and Alain McLaren contributed this study. This study also benefits from inputs and comments from various DITC staff members and from UNCTAD Statistics team. Desktop publishing was done by Jenifer Tacardon-Mercado.

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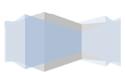
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Trade Analysis Branch
Division on International Trade in Goods and Services, and Commodities
United Nations Conference on Trade and Development
Palais des Nations, CH-1211 Geneva 10, Switzerland
E-mail: tab@unctad.org or alessandro.nicita@unctad.org

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OVERVIEW

After strongly rebounding from the Great Recession, international trade has grown at a sluggish pace that further deteriorated in 2015. Trade statistics for 2015 have been at odds not only with previous trends but also with respect to the overall economic environment. From 2011 to 2014 the value of international trade grew at a rate of less than 2 per cent per year, and declined by 10 percent in 2015. A substantial part of the drop in international trade was due to nominal factors, principally the fall in the price of commodities and the overall appreciation of the US dollar. Weaker demand also played a role, especially in East Asia and in other parts of the developing world. Although the largest decline occurred in commodity sectors, the value of trade has also contracted in all manufacturing and agricultural sectors. Declines in the value of trade were also observed in the service sectors. The trade collapse of 2015 has affected all geographic regions. In general, trade flows of developing countries registered a larger downtrend relative to the last trade collapse of 2009. South-South trade performance has also been weak, largely driven by lower East Asian imports. In terms of export performance, countries in East Asia generally fared relatively better.

This report is structured in two parts. The first part presents an overview of the trade collapse of 2015. The second part provides illustrative statistics on international trade in goods and services covering the last 10 years. The second part is divided in two sections. Section 1 provides trade statistics at various levels of aggregation illustrating the evolution of trade across economic sectors and geographic regions. Section 2 presents some of the most commonly used trade indicators at the country level, so as to illustrate trade performance across countries.

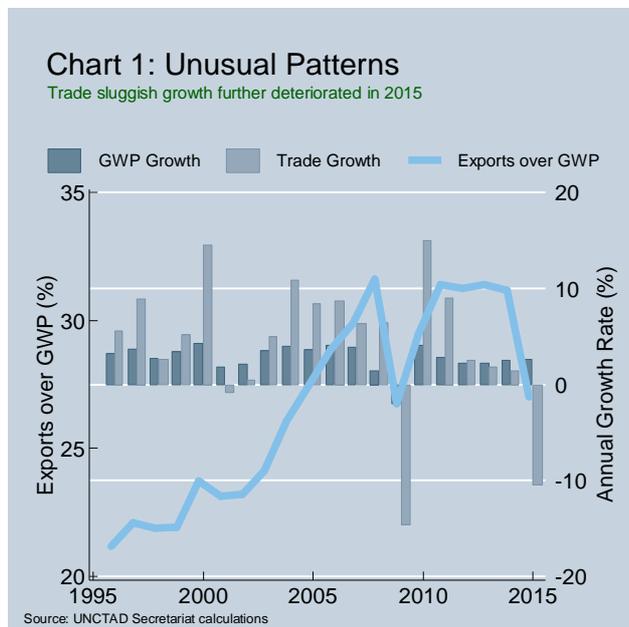
Data Sources:

The statistics in this publication have been produced by UNCTAD Secretariat by using data from various sources. This report relies on UNSD COMTRADE (comtrade.un.org) hard data for merchandise trade statistics. UNCTADSTAT (unctadstat.unctad.org) and UN Service Trade Database (unstats.un.org/unsd/servicetrade) are the sources of service statistics. The data has been standardized to ensure cross country comparisons. Data although comprehensive and comparable across countries, does not perfectly reflect national statistics, and thus some discrepancies with specific national statistics may be present. Unless otherwise specified international trade is defined as trade in goods (merchandise) and services. Countries are categorized by geographic region as defined by the UN classification (UNSD M49). Developed countries comprise those commonly categorized as such in UN statistics. For the purpose of this report, transition economies, when not treated as a single group, are included in the broad aggregate of developing countries. Product sectors are categorized according to the Broad Economic Categories (BEC) classification and the International Standard Industrial Classification (ISIC) augmented by five broad agricultural sectors based on the Harmonized System classification (HS). Figures are in current US\$, except where otherwise specified.

The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of UNCTAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

IN FOCUS: A BAD YEAR FOR WORLD TRADE?

International trade statistics have recently been showing unusual trends. After strongly rebounding from the Great Recession of 2009, international trade has grown at a sluggish pace that further deteriorated in 2015. Trade statistics for 2015 have been at odds not only with previous trends but also with respect to the overall



economic environment. While the global economy continued to grow in 2015, world trade declined by about 10 percent (Chart 1). Negative growth in the value of international trade during a period of economic expansion has not been recorded since 2001, when the decline in the value of international trade was only marginal (not even 1 percent). The sluggish growth of 2012-2014 and the magnitude of the decline in trade of goods and services observed in 2015 suggest a change in the dynamics behind the process of international integration. Indeed, the most commonly used index to gauge globalization trends - the ratio of the value of world trade over global GDP (GWP) - indicates a decline in economic interdependence. This index stalled at about 30 percent between 2011 and 2014 (a level first reached in 2007), and then fell by about 4 percentage points in 2015. Many other indexes presented in this report are suggesting a reverse in the fortunes of

international trade.

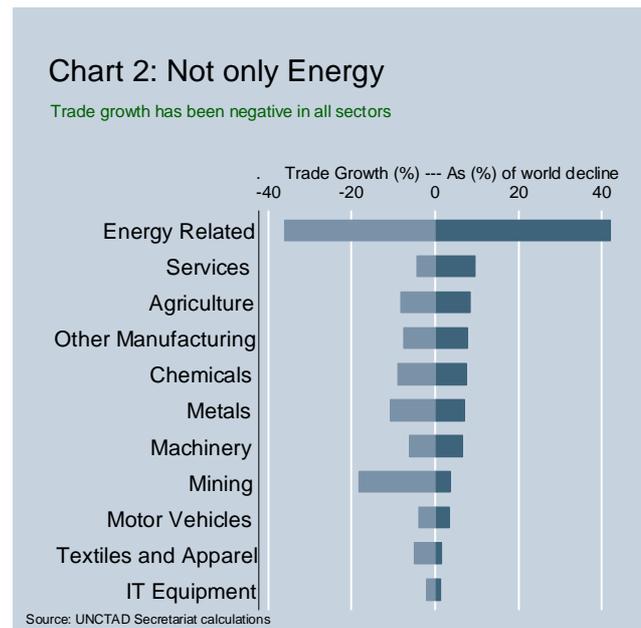
On a more positive note, not all trade statistics from 2015 are dismal. Overall growth in the physical volume of international trade was still positive in 2015 (about 1.5 percent). Therefore, at least part of the fall in the value of world trade was just nominal rather than a real contraction. In other words, while many exporters had to cope with lower prices, they saw no decline in export volumes. Although positive growth in trade volumes is consistent with the overall economic trends, there are still reasons to be concerned. To start with, the growth rate in trade in volumes has been below the overall growth of the world economy in 2015. This has seldom happened in the last few decades and only during economic downturns, as in 2001 and in 2009. Second, trade volumes were rather unstable, showing substantial volatility during 2015 both across quarters and across countries. Although world trade volumes increased, trade volumes decreased for many countries. Finally, it is arguable whether the physical growth in international trade can continue in a deflationary economic environment. The concern is that many exporters may not be able to maintain their position in the markets for long when facing reduced financial returns.

Factors behind the Trade Decline of 2015

Unsurprisingly, there have been various factors at work in 2015 to result in such a sharp decline of international trade. Some of the factors have largely nominal effects, while others appear to be more structural in nature. The fall in commodity prices and the appreciation of the US dollar were the factors contributing most to the nominal fall in world trade. In particular, oil prices went from an average of more than US\$ 100 per barrel in 2014 to about US\$ 50 in 2015. Since energy products represent a substantial share of world trade, such decrease was substantially reflected in the overall value of world trade. The decline in the nominal value of trade also resulted by the appreciation of the US dollar against all the major currencies. The trade weighted US dollar index appreciated by almost 15 percent between 2014 and 2015. As a substantial share of world trade is priced in US dollars, the appreciation of the US dollar contributed to

the fall of the international prices of goods. This has affected the value of international trade because the same volumes of goods can be purchased with fewer dollars.

Deflationary factors can explain only some of the trade collapse of 2015. To better put the peculiar trends of 2015 in context, one needs to consider the fact that the statistics on volumes of trade were below historical standards. In particular, while export volumes from developing countries had been growing at rates of more than 10 percent per year between 2003 and 2008, the figure for 2015 was about one percent. Moreover, volumes of trade fell for many countries both in terms of imports and exports. Some of the major economies, including the US, China, Japan and India, saw a contraction in exports not only in values but also in volumes. Another reason why nominal factors cannot explain the full extent of the trade collapse of 2015 is that the trade downturn involved not only primary products (which declined by more than 33 percent) but also intermediates (10 percent decline), and capital and consumer goods (about 4 percent decline). A similar argument suggesting that there have been more than deflationary factors at play in 2015 can be shown by the changes in values of trade across economic sectors (Chart 2). In numbers, the value of international trade in energy products fell by about 37 percent in 2015. This contributed to more than 40 percent of the overall decline in international trade. Another 10 percent were also directly linked to commodities (mining and at least part of agriculture). However, this still leaves about 50 percent of the decline in world trade related to manufacturing and services. In these sectors, a weaker demand and the transformation of production processes has likely played a relatively greater role.



2009 and 2015, any Similarities?

In 2015 the overall value of world trade contracted by about 10 percent. To put things into perspective, there has been only one time in the last 30 years in which the value of international trade fell in such magnitude. That year was 2009 when trade collapsed by more than 15 percent. While there are some similarities, there are also important differences between these two events. To start with, the trade collapses of 2009 and 2015 had different dynamics. While the trade collapse of 2009 was a direct result of the economic depression brought by the financial crisis of 2008, the trade downturn of 2015 happened in a period of overall economic growth. This fact alone indicates that the trade decline of 2015 was not primarily due to a weaker global demand as in 2009, but that other factors were likely at play in 2015. Related to this, an important difference is that while 2009 affected international trade primarily through decreased demand in developed countries (which eventually spread to the developing world), the trade collapse of 2015 was more widespread across developing countries. While developing countries contributed about one-third of the decline in total imports in 2009, this figure was about 50 percent in 2015.

One reason why developing countries were relatively more affected in 2015 is the indirect effects brought by commodity prices. Demand in commodity exporting countries was weaker in 2015 because the lower export earnings affected governments' budgets, contributed to recessions, and often resulted in depreciations in the exchange rates which ultimately made imported goods more expensive. This trend happened in many of the commodity exporting countries including most of the Economies in Transition and Sub-Saharan African countries. On the other hand, demand for imported goods declined relatively less in the Middle East, about 8 percent against a drop of about 22 percent in the value of exports. One likely reason is that some of the

major the oil exporting countries have been using sovereign funds to sustain their budgets and stabilize their economies.

Values of imports and exports fell in all regions

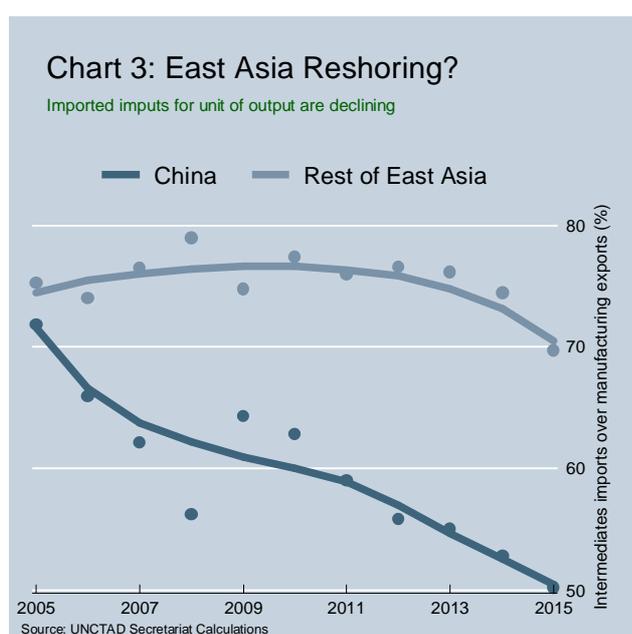
	2009				2015			
	Decline (%)		As % of World Trade Decline		Decline (%)		As % of World Trade Decline	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Developed Countries	-25	-22	64	54	-11	-11	51	50
East Asia	-17	-16	14	16	-12	-4	26	9
Latin America	-25	-25	6	6	-10	-15	5	8
South Asia	-16	-17	2	2	-13	-17	4	4
Sub-Saharan Africa	-10	-29	1	3	-11	-28	2	6
Transition Economies	-36	-41	5	7	-32	-31	8	10
West Asia/North Africa	-35	-43	8	13	-8	-22	4	13

Source: UNCTAD Secretariat calculations

One notable difference between the downturn of 2009 and that of 2015 relates to East Asian countries. The crisis of 2009 hit the East Asia region mainly in its role as world manufacturing powerhouse. In 2009 East Asian imports fell mostly in relation to intermediate inputs and as a consequence of falling exports because of the weaker demand in developed countries. East Asian imports and exports declined by the same magnitude in 2009, about 16 percent. On the other hand, in 2015 imports fell three times as much as exports (12 vs. 4 percent). Likewise, East Asia accounted for about 15 percent of the world trade collapse in 2009, while in 2015 it accounted for about 15 percent in exports terms and about 26 percent in relation to imports. In other words, East Asia had a relatively larger role in explaining the trade collapse of 2015.

Changes in East Asia Manufacturing

As of 2015, developing countries in East Asia contributed to more than one-third of the world exports in manufacturing goods. These economies, which were the main engine behind the growth in international trade during the last 25 years, are now entering a new development stage more focused on domestic

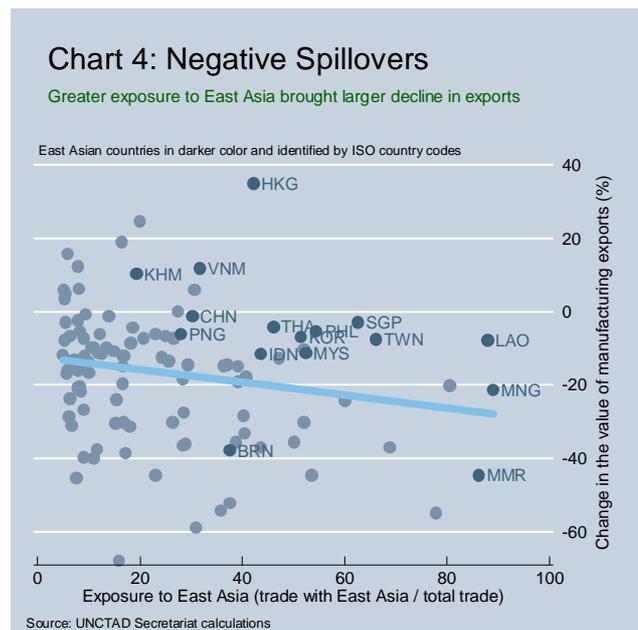


demand rather than export supply. In 2015 the value of world trade in manufacturing declined by about 7 percent, a large share of which related to the East Asian economies. East Asian countries' imports accounted for about 25 percent of the overall decline of manufacturing trade, a much higher share than the corresponding figure for exports (about 10 percent). Such a difference suggests that weaker domestic demand for imported manufacturing goods played a much more significant role than the export supply of manufacturing to the rest of the world. Indeed, East Asian manufacturing exports fared relatively well in 2015, although still losing in value terms (by about 2 percent). The resilience of East Asian exports may not be surprising as East Asian manufacturing exporters are highly competitive and therefore were better able to weather the unfavorable trade environment. Besides competitiveness, there are other fundamental



factors to explain why East Asian imports of manufacturing fell much more dramatically than exports. First, this pattern reflects the transition of East Asian economies from a trade oriented towards a more domestically focused development path. The trade over GDP ratio has declined in China from about 65 percent in 2006 to about 35 percent in 2015, and parallel declines are observed in many of the East Asian economies. This trend plays against any further trade expansion in the region. Second, East Asia is experiencing a shortening and consolidation of global value chains, especially in relation to China (Chart 3). Indeed, trade per unit of output has declined constantly for the last 10 years in the case of China and it is now also declining for other countries in the region. In other words, Chinese manufacturers have been increasingly substituting foreign inputs with domestic content since 2005. Whether this trend will also take hold in other countries in the region will have important repercussions for intra-regional trade and beyond.

East Asian countries are among the most important trading partners for many developed and developing countries. This implies that any economic transformation happening in the region will greatly influence the patterns of trade not only within East Asia but also in the rest of the world. Indeed, weaker demand for imported goods in 2015 in the East Asian region had to mirror a decline in other countries' exports. The question is whether this decline is uniformly distributed across trading partners. In general terms, the data indicates that the more a country was exposed to trade with the East Asian economies, the more its manufacturing trade fell in relative terms (Chart 4). However, what is of importance is that a lot of East Asian economies lie above the fitted line of Chart 4. This clearly indicates that East Asian manufacturing sectors fared relatively better than non-regional competitors.



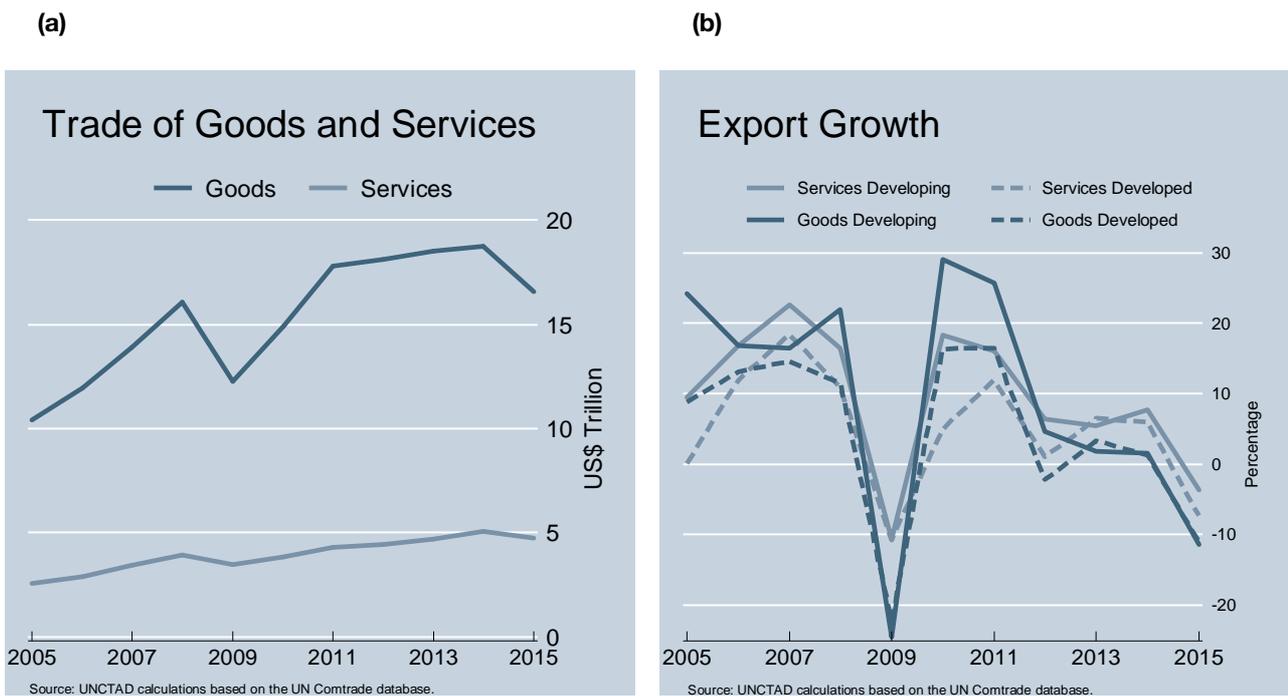
Competitive Edges

Although it is difficult to find upward trends in the trade statistics of 2015, some factors that contributed to make international trade more resilient to the downturn. Not surprisingly, export competitiveness was one of them. Overall, countries which had a higher level of competitiveness (as measured by the World Economic Forum) were those for which manufacturing trade fell relatively less in 2015. The economic reason is that exporters with lower profit margins are the first to exit markets when prices are down and/or demand is weaker. Conversely, efficient producers with a competitive advantage are often able to increase their market share, leaving them better positioned when the economic environment improves. Indeed, competitiveness has been one of the key reasons why East Asian manufacturing exporters outperformed competitors from other regions. Moreover, low levels of competitiveness tend to be associated with negative changes in the manufacturing exports over GDP ratio. This indicates that the trade collapse of 2015 resulted in the least competitive countries reversing their international integration process, at least in regard to manufacturing. Trade agreements also played a role in boosting exporter competitiveness in the trade downturn. The economic rationale is that trade agreements provide trading partners with competitive edges versus foreign competitors both in terms of better market access and enforceable contract. Econometric estimates show a positive and significant correlation between the percentage change in bilateral manufacturing trade and the presence of a trade agreement. The correlation is robust once importer's and exporter's specific characteristics are controlled for. *Ceteris paribus*, manufacturing trade within regional trade agreements declined about 6.5 percent less than trade outside trade agreements.

1. TRENDS IN INTERNATIONAL TRADE

International trade largely relates to physical goods. Although increasing, trade in services accounts for a much lower share. As of 2015 world trade in goods has been valued at about US\$16 trillion, while trade in services has accounted for almost US\$5 trillion. Trade in both goods and services promptly rebounded to reach pre-crisis levels by 2011. International trade in goods has declined substantially in 2015, while trade in services has been more resilient.

Figure 1
Values and growth rates of world trade in goods and services

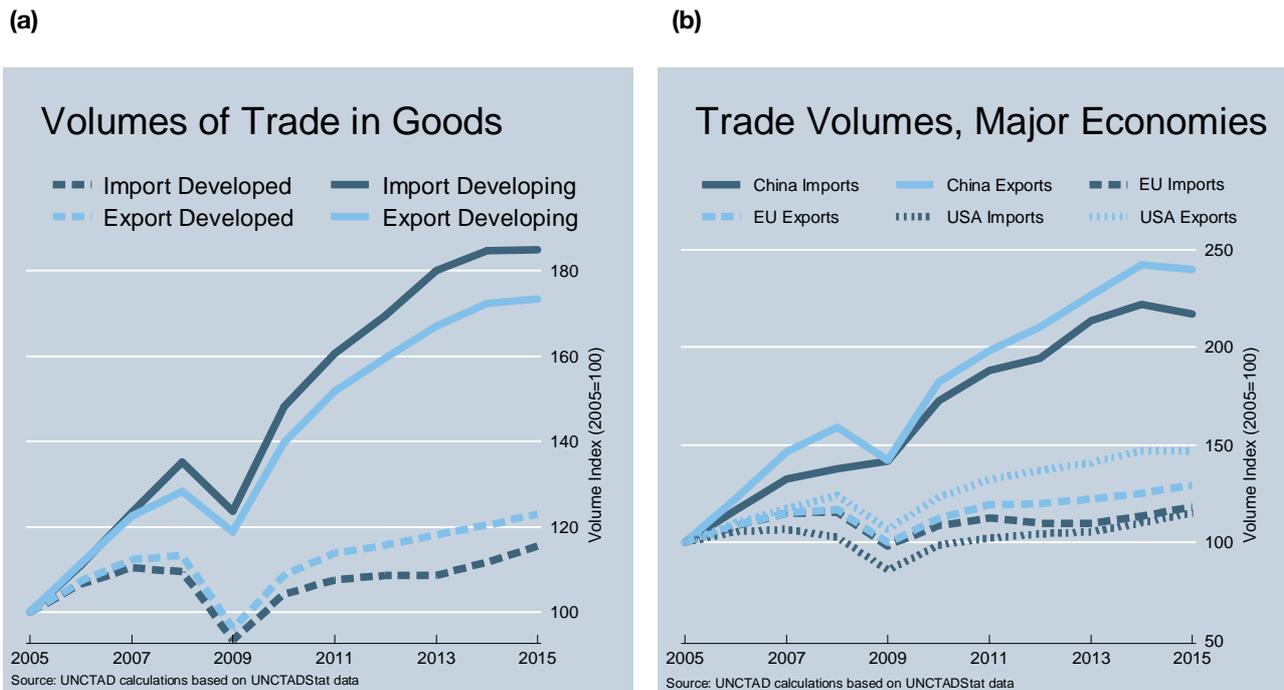


International trade can be broadly distinguished between trade in goods (merchandise) and services. The bulk of international trade concerns physical goods, while services account for a much lower share. World trade in goods has increased dramatically over the last decade, rising from about US\$ 10 trillion in 2005 to more than US\$ 18.5 trillion in 2014 to then fall to about US\$ 16 trillion in 2015. Trade in services has also greatly increased between 2005 and 2015 (from about US\$ 2.5 trillion to almost US\$ 5 trillion). The value of international trade of both goods and services has declined substantially in 2015 (Figure 1a). Following the strong rebound in 2010 and 2011, export growth rates (in current US\$) are now at much lower level than in the pre-crisis period and have been negative for 2015, both for developing and developed countries (Figure 1b).



Since 2005 the volume of international trade of goods has increased dramatically. However, growth has slowed down significantly in the last few years and virtually stalled in 2015. In particular, while export volumes from developing countries had been growing at rates of more than 10 percent per year between 2003 and 2008, the figure for 2015 was about one percent. Moreover, volumes of trade fell for many countries both in terms of imports and exports, including in China.

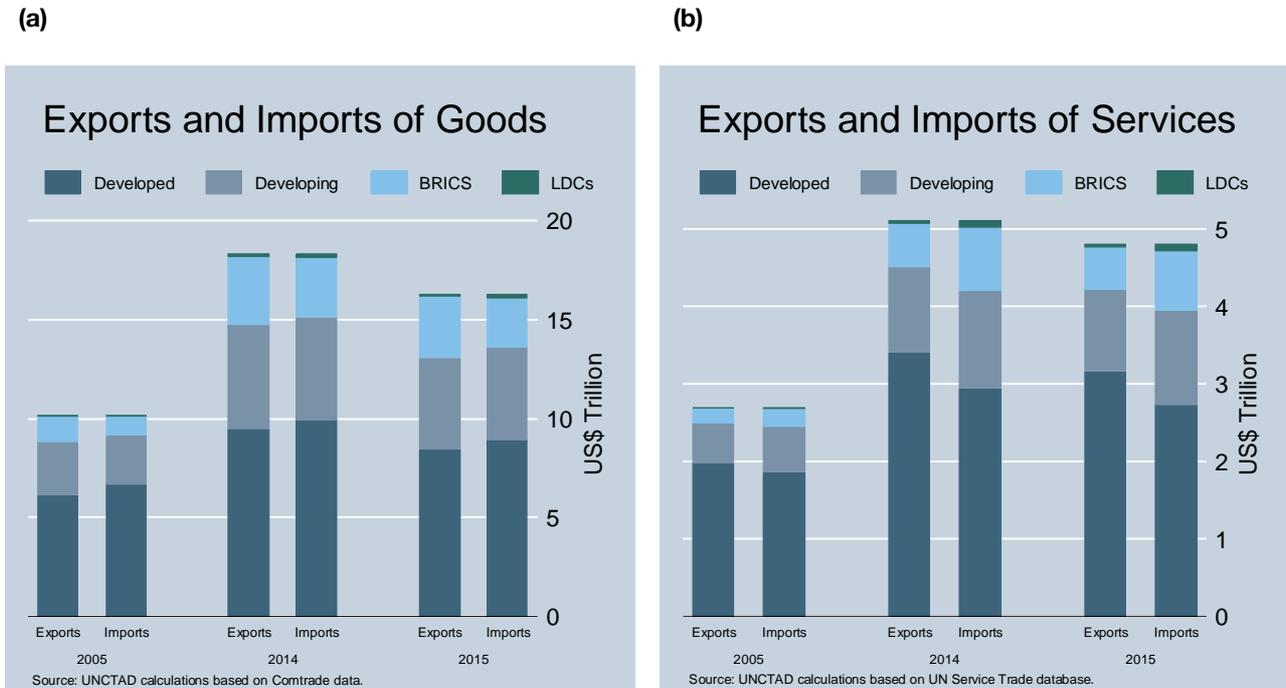
Figure 2
Volumes of international trade in goods



The volume of international trade in goods has increased dramatically in the last 10 years. In spite of the financial crisis of 2009, developing countries as a group almost doubled the volumes of trade in goods since 2009. While import volumes have been growing relatively more than export volumes for developing countries, the opposite has happened in regard to developed countries. The relatively larger increase in the volumes of imports can be explained by the increase in consumer demand in developing countries. Growth in trade volumes has slowed down substantially in the last few years, especially in regard to developing countries. For 2015, volume growth has been negative in the case of China, both in relation to imports and exports. In 2015 developed countries' trade volumes continued to increase, while trade volumes for developing countries stalled, both in regard to imports and exports.

The value of trade in goods is virtually equal between developing and developed countries. On the other hand, about two-thirds of trade in services originated from developed countries. BRICS account for an important share of trade in goods and services. LDCs continue to account for a very small share in overall trade. In 2015 the value of world trade has declined both for developed and developing countries.

Figure 3
Values of trade in goods and services by region

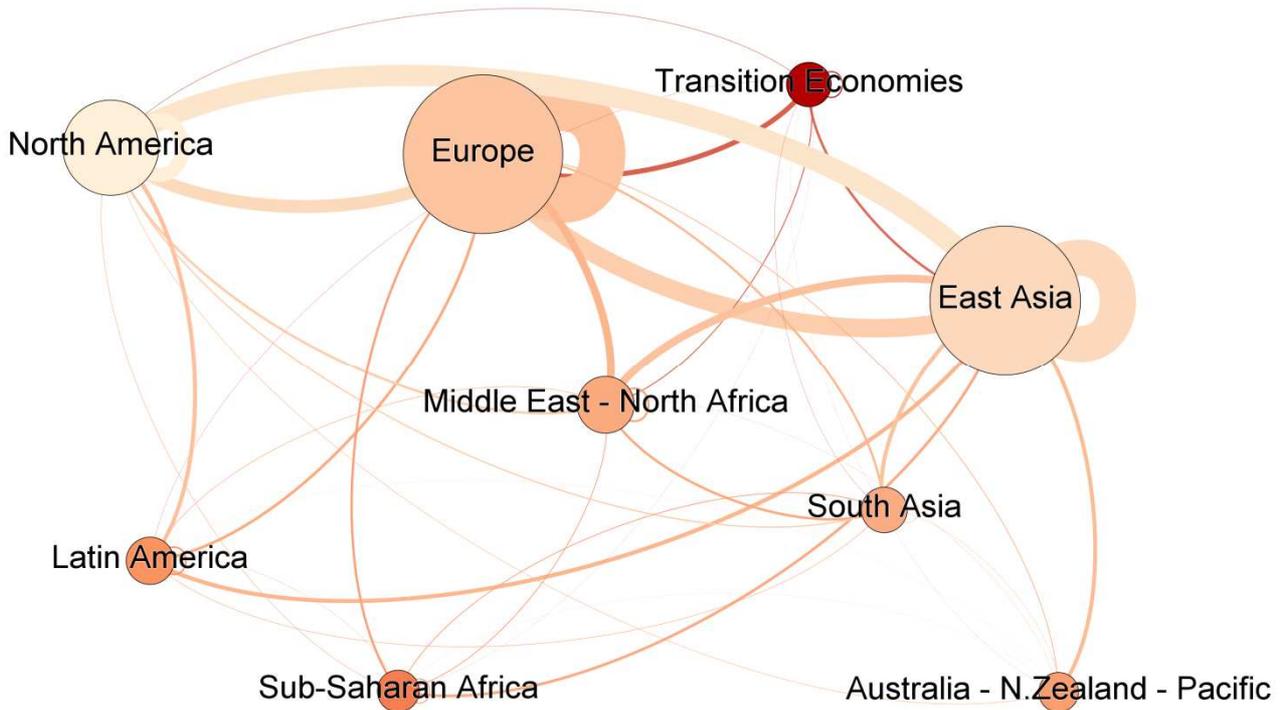


Developed countries' relative importance as suppliers in international markets is declining. Still, they account for about half of the value of exports of goods and about two-thirds of exports of services. In 2015 developed countries' exports of goods was about reached about US\$ 8 trillion (Figure 3a), while that of services added up to around US\$ 3 trillion (Figure 3b). As 2015, developing countries trade sum up to about US\$ 8 trillion in regard to goods and about US\$ 2 trillion in regard to services. BRICS share in world trade of both goods and services has increased but for 2015. In 2015 BRICS exported about US\$ 3 trillion in goods and about US\$ 500 billion in services. In LDCs trade has been much lower although increases in exports and imports of these countries have been recorded over the past decade.



A very large part of world trade is clustered around three regions: North America, Europe and East Asia. Other regions' contribution to world trade is much lower. During 2015 trade has declined in all regions across all trade flows, however with some differences. Trade flows have declined the most in relation to the Transition Economies. Trade from and to North America has been relatively more resilient.

Figure 4
Trade flows across regions



Source: UNCTAD calculations based on Comtrade data

The trade network map illustrates the importance of trade between and within regions as well as the trade decline between 2014 and 2015. The width of the corresponding lines reflects the magnitude of trade in 2015 whereas the size of the nodes reflects total trade for each of the regions. The colours of both the lines and the nodes reflect percentage drops in the value of trade between 2014 and 2015, darker colours indicating greater declines. As of 2015, world trade continues to be largely concentrated in three main regions: North America, East Asia and Europe, with a large share of trade being intra-regional. In 2015, trade has declined in regard to all regions and all bilateral trade flows. However, the value of trade has declined substantially more for the Transition Economies, Latin America, Sub-Saharan Africa, and for Europe, especially in regard to intra-EU trade. International trade has been relatively more resilient for East Asia and North American countries.

International trade in goods is largely composed of trade flows involving developed countries and the East Asian region. Trade amongst other developing country regions is of much lower magnitude, with some exceptions relating to trade in primary products. In 2015, the value of trade has substantially declined for the almost totality of regional flows and category of goods.

Table 1: Composition of trade flows in goods, by importing and exporting regions

a) Trade in 2015 (billion USD)														
Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	5'444	536	2'000	77	277	13	622	112	378	17	165	13	126	22
	437	4'292	61	1'835	164	83	88	405	175	180	13	138	51	50
East Asia	1'388	111	2'067	87	88	7	151	51	252	2	82	10	88	5
	103	1'097	162	1'802	58	23	56	44	199	50	25	47	42	26
Transition Economies	178	17	78	5	76	13	10	8	20	4	6	2	3	1
	10	149	1	72	26	35	0	2	1	15	0	4	1	1
Latin America	522	45	259	4	8	0	155	32	15	0	16	0	9	0
	62	406	2	249	1	6	27	95	6	8	2	13	7	1
West Asia and North Africa	490	47	260	11	49	10	28	17	162	25	70	11	21	4
	26	406	2	246	9	20	3	8	29	107	9	46	2	14
South Asia	10	119	15	171	1	7	13	5	64	51	8	19	19	10
	115	14	108	8	3	1	7	4	35	3	22	3	56	10
Sub-Saharan Africa	141	9	201	14	12	4	27	8	119	4	33	7	35	6
	11	83	5	91	0	2	1	3	16	15	5	13	19	27

b) Change 2014-2015 (Percentage Points)														
Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	-10	-11	-3	-7	-30	-7	-8	-5	-34	0	-6	-13	-25	-8
	-34	-8	-33	-1	-41	-14	-41	3	-52	-2	-35	-1	-43	-7
East Asia	-13	-9	-3	13	-24	40	-22	-4	-39	0	-20	25	-38	-17
	-34	-13	-28	0	-32	-12	-29	-28	-44	-15	-40	-11	-45	-21
Transition Economies	-33	-39	-29	0	-39	-32	-23	-20	-20	-20	-25	0	0	0
	-17	-33	0	-31	-35	-44	0	0	0	-21	0	-33	0	0
Latin America	-8	-8	-2	0	-20	0	-18	-14	-29	0	-11	0	-47	0
	-27	-5	0	-2	-50	-14	-34	-14	-45	-20	-50	0	-53	0
West Asia and North Africa	-10	-16	-1	0	-17	-23	-22	-19	-7	0	1	-8	-13	0
	-26	-10	0	-2	-10	-17	0	-27	-24	-2	29	10	100	-26
South Asia	-9	-4	0	1	-67	17	-54	67	-42	-2	-43	6	-32	25
	-17	-18	2	-20	-25	-50	-30	0	-5	0	-19	-25	-18	0
Sub-Saharan Africa	-4	0	-3	-7	-14	0	-29	14	-28	33	-18	-13	-13	20
	-35	-14	-17	7	0	0	0	-25	-16	-6	-38	-7	-27	-13

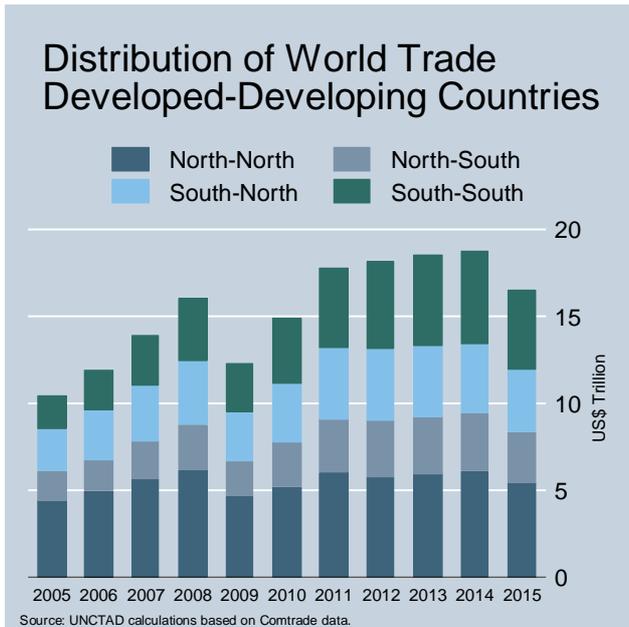
c) Trade in 2005 (billion USD)														
Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	4'423	357	1'200	45	199	6	432	67	358	12	98	6	127	15
	380	3'578	56	1'083	129	63	110	243	232	112	25	67	69	42
East Asia	781	36	948	27	34	2	47	13	139	1	44	2	27	1
	32	706	83	834	11	22	13	21	120	18	23	19	17	8
Transition Economies	119	12	25	2	66	7	6	5	7	1	3	1	1	1
	3	102	0	22	23	31	0	1	0	6	0	2	0	0
Latin America	303	22	76	1	7	0	103	14	9	0	4	0	7	0
	20	259	1	72	4	3	22	65	6	3	1	3	6	1
West Asia and North Africa	265	20	67	3	29	2	13	7	57	8	26	4	5	1
	9	233	1	63	8	14	2	4	16	32	4	18	1	3
South Asia	4	72	4	42	1	6	0	1	11	18	2	6	0	4
	74	7	29	3	1	0	6	2	13	1	8	1	23	3
Sub-Saharan Africa	83	3	50	4	7	0	4	3	30	1	11	2	5	1
	3	59	1	24	0	1	1	2	8	4	3	4	9	11

Table a) reports traded value in US\$ in 2015, or percentage change between 2014 and 2015 (Table b). For reference, Table c) reports values for 2005. The number given in the top left of each cell shows the overall trade, the upper right figure in each cell depicts the overall traded value in agriculture, the bottom left is natural resources and bottom right manufactures. Importing regions are on the left and exporting on top of the tables. Discrepancies are due to uncategorized trade.

International trade in goods is increasingly linked to imports and exports of developing countries. South-South trade has promptly rebounded from pre-crisis levels, and reached almost US\$ 5.5 trillion in 2014. In 2015 it declined to about US\$ 4.6 trillion. Among the widespread trade downturn of 2015, developing countries trade with China has been more resilient showing increases in most cases.

Figure 5
Trade in goods between/within developed and developing countries

(a)



(b)



The increase in world trade between 2004 and 2014 has largely been driven by the rise of trade between developing countries (South–South) (Figure 5a). By 2014 the value of South–South trade had reached almost US\$ 5.5 trillion, a magnitude close to that of trade between developed countries (North–North). The substantial decline in trade of 2015 was evenly widespread between developing and developed countries trade flows. Figure 5b denotes the contribution of South–South trade over total trade and further decomposes it amongst intraregional flows related to China and other South–South trade. The significance of South–South trade flows for developing countries is evident when considering that in recent years, they represented more than half the trade of developing country regions (imports and exports). South-South trade share varies by region, from about 40 per cent in Latin America to almost 70 per cent in South Asia and East Asia. Although a certain proportion of South–South trade encompasses intraregional flows, an important part involves trade with China. Since 2005 China has become an increasingly important partner for all other developing country regions. Trade with China has been more resilient in 2015, while a large part of the trade downturn was related to other south-south flows.

The decline in trade between 2014 and 2015 is reflected in the largest bilateral flows to a varying degree. Due to low commodity prices, the largest percentage declines are related to natural resource. Substantially lower declines are recorded in regard to agricultural and manufacturing trade flows. Still, not all bilateral trade flows have declined. For example, the value of agricultural exports from Mexico to the US has increased by 8 percent while that of manufacturing exports from the US to the EU has increased by about 9 percent.

Table 2:
Changes in the value of the largest bilateral trade flows between 2014 and 2015, by product group

Agriculture			
Exporter	Importer	Change 2014 vs 2015 (%)	Value in 2015 (US\$ Billion)
Brazil	European Union	-17%	16
United States	China	-14%	22
European Union	European Union	-14%	351
United States	Mexico	-10%	18
Brazil	China	-7%	20
United States	Canada	-5%	21
United States	European Union	-5%	15
Canada	United States	-4%	25
European Union	United States	4%	24
Mexico	United States	8%	24
Natural Resources			
Exporter	Importer	Change 2014 vs 2015 (%)	Value in 2015 (US\$ Billion)
United Arab Emirates	Japan	-44%	23
Algeria	European Union	-42%	22
Russia	European Union	-41%	105
Canada	United States	-38%	77
European Union	European Union	-35%	183
United States	Canada	-35%	23
Australia	China	-32%	50
Australia	Japan	-31%	28
Norway	European Union	-29%	50
United States	Mexico	-17%	23
Manufacturing			
Exporter	Importer	Change 2014 vs 2015 (%)	Value in 2015 (US\$ Billion)
European Union	China	-15%	191
European Union	European Union	-12%	2320
United States	Canada	-8%	173
China	European Union	-6%	417
Canada	United States	-3%	183
China	Hong Kong S.A.R.	-3%	249
China	United States	3%	490
European Union	United States	3%	371
Mexico	United States	7%	251
United States	European Union	9%	288

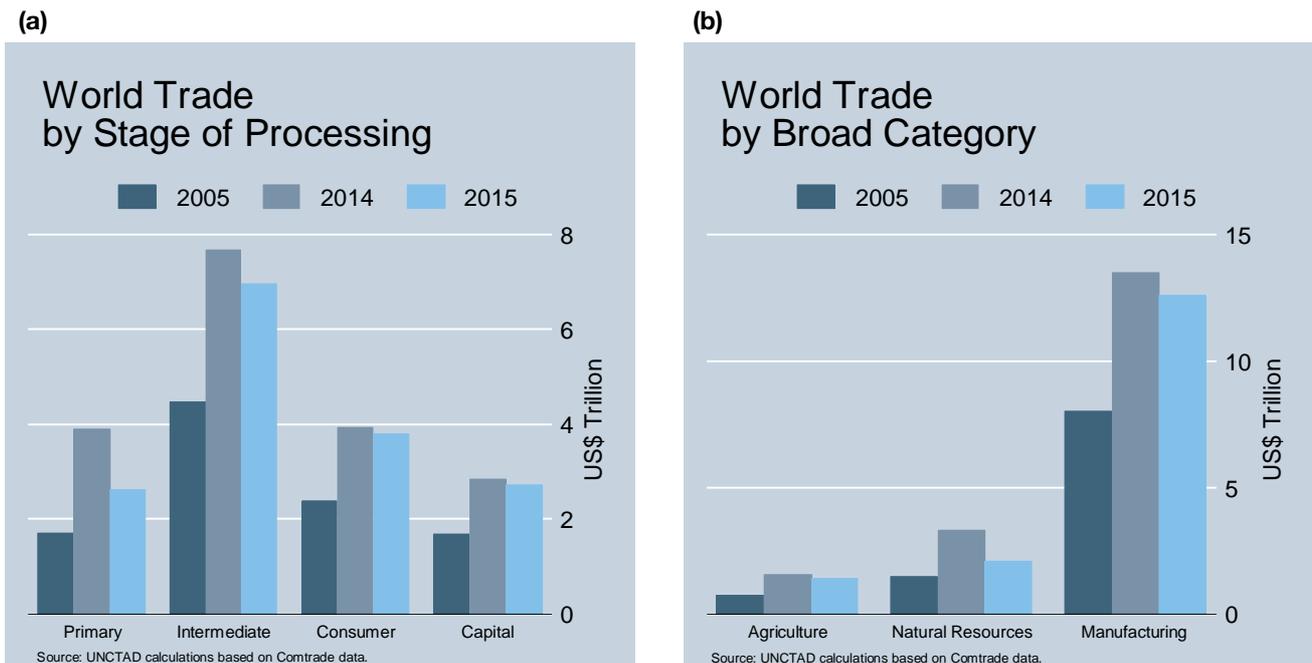
Source: UNCTAD calculations based on Comtrade data.

The table reports the percentage changes and the value in 2015 of the 10 largest bilateral flows in each of the three product groupings.



Although a consistent decline in 2015, intermediate products still represent a substantial part of world trade (about US\$ 7 trillion in 2015). During 2015 trade in primary products has declined substantially due to lower commodity prices and now stands at about US\$ 2.5 trillion. Trade in consumer and capital products have been more resilient as they decline has been minor during 2015. These flows were valued at about US\$ 4 trillion and US\$ 2.5 trillion in 2015, respectively. Differentiating by broad category, world trade in goods largely comprises of manufacturing products (about US\$ 12.5 trillion). Trade in agriculture, although relatively small, has been more resilient to the trade downturn of 2015.

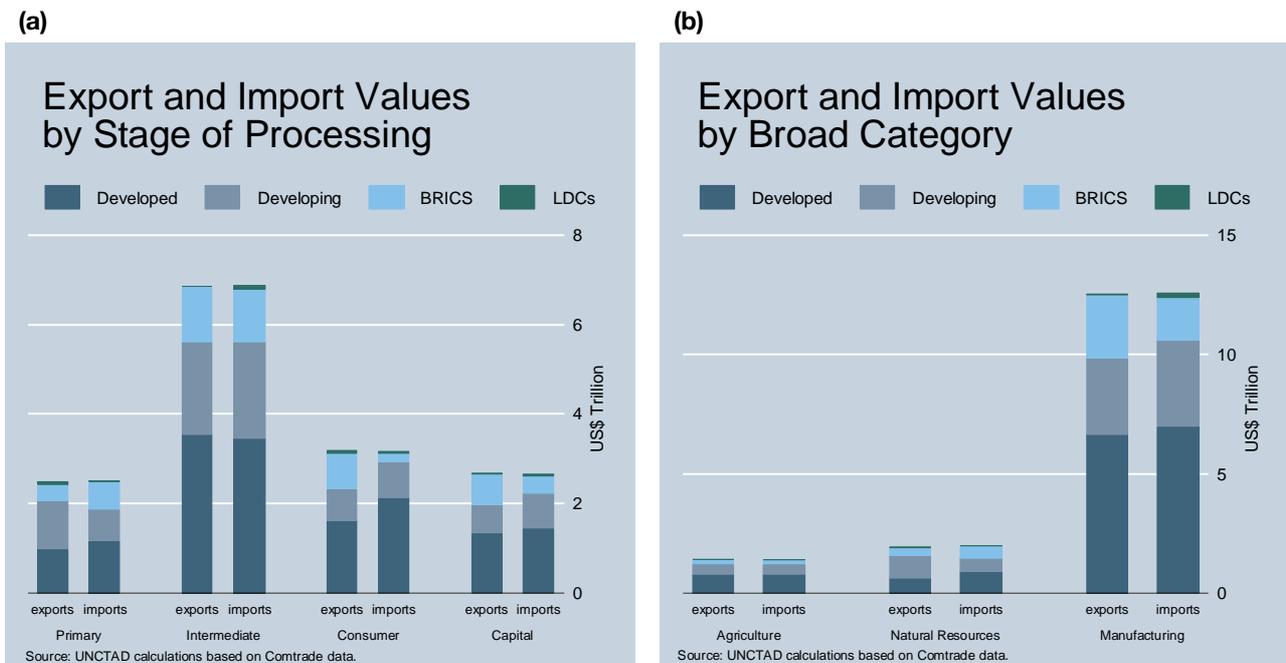
Figure 6
Values of world trade in goods by stage of processing and broad category



International trade in goods can be differentiated by stage of processing depending on their intended use along the production chain. Goods are therefore classified as primary, intermediates, consumer and capital (the latter comprising machinery used for the production of other goods). Goods can also be differentiated by broad category; including natural resources, agriculture and manufacturing. With regard to the stage of processing, although there was a substantial contraction in 2015, intermediate products continue to make up the bulk of world trade. Trade in consumer and capital products represent another important share of world trade. During 2015, the value of trade in these two categories has declined, but only marginally so. Trade in primary product was greatly affected by the 2015 trade downturn, as 2015 their value was at about US\$ 2.6 trillion. With a value of over US\$ 12 trillion in 2015, trade in manufacturing goods holds a dominant position over trade in natural resources and agricultural products. Trade in agriculture has been somewhat more resilient than the rest of world trade during 2015.

Trade related to developed countries remains an important part of international trade, especially in relation to imports. Participation in international trade varies significantly among developing regions. BRICS countries account for an important part of developing countries' trade, especially with respect to trade in intermediates and exports of consumer products. The participation of other developing country regions in world trade, both as importers and exporters, is more limited.

Figure 7
Values of world trade in goods by region, stage of processing and broad category



Developed countries account for the bulk of world trade, both in terms of goods differentiated by stage of processing and broad category (Figures 7a-7b). Besides other developing country regions, a significant amount of trade is linked to BRICS, especially in relation to the trade of intermediates and manufacturing. They also tend to import few consumer goods whilst exporting a relatively large share. Developing countries tend to export more natural resources than they import, which is the opposite of developed countries. LDCs only represent a small share in all types of goods, with a larger share in the exports of primary products and the imports of manufacturing goods.



With almost US\$ 2 trillion traded, chemicals represent a very substantial share of world trade in goods. Other significant sectors include machineries, communication equipment and motor vehicles. During 2015 the value of international trade has shrunk in all sectors, but more so in the energy categories (oil, gas, coal and petroleum products). During the last decade export market shares has moved to the advantage of developing countries in all sectors and more so in regard in communication equipment, non-metallic minerals and machineries.

Figure 8
Values of world trade in goods by sectors

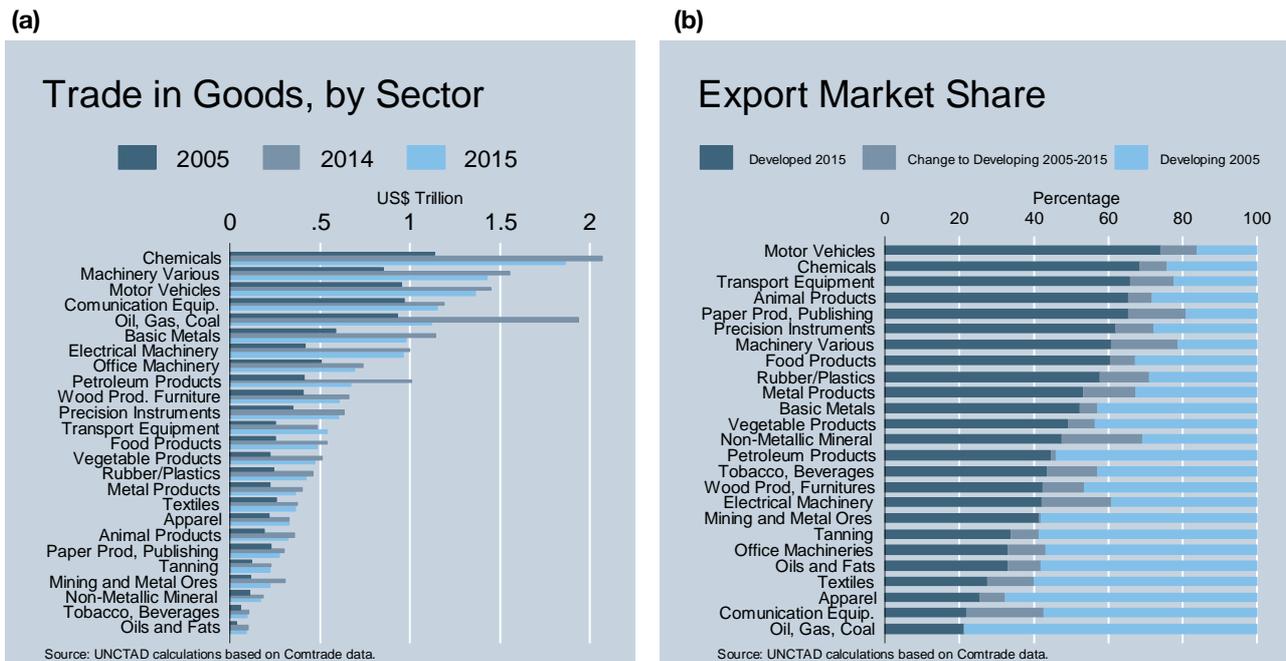
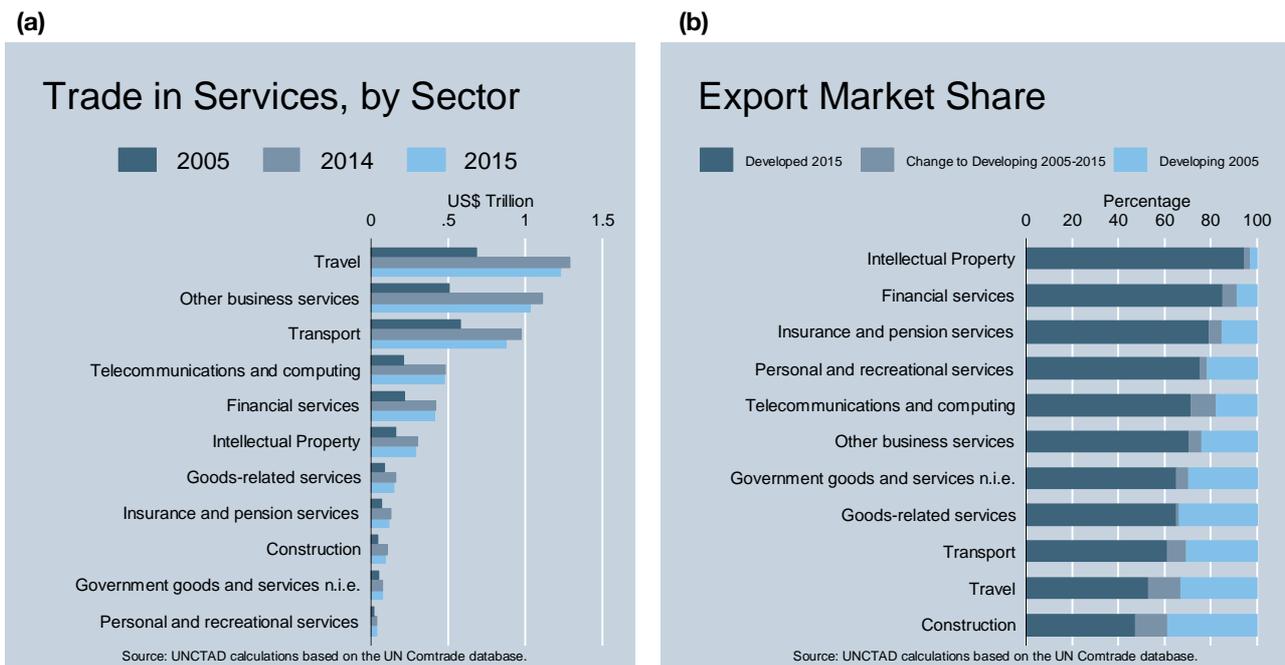


Figure 8a displays the value of world trade in 25 categories of goods. In terms of value, a large amount of world trade relates to energy products (oil, gas, coal and petroleum products), chemicals, machineries, communication equipment and motor vehicles. In contrast, light manufacturing sectors including textiles, apparel and tanning, comprised a much smaller share of world trade. Agricultural sectors – which include food, vegetable and animal products, as well as oils and fats, and tobacco and beverages – accounted for a total of over US\$ 1.5 trillion of trade flows, or less than 10 per cent of international trade. While the value of trade has increased in all sectors between 2005 and 2014, it sharply fell in 2015, especially in energy products and also in basic metals. During the last decade developing countries presence in international markets has increased substantially vis-à-vis developed countries. Their export market share has increased across all sectors (Figure 8b), and in particular in machinery, non-metallic minerals and communication equipment.

World exports of services are mainly dominated by transportation, travel and business related services. Trade in services has greatly increased during the last decade across all categories of services. Trade in most categories of services has been relatively resilient to the 2015 trade downturn, with the only significant decline in transport services and other business services. Although developing countries have increased their share of trade in services during the last decade, developed countries remain the main exporters in all sectors but constructions. Developing countries are also becoming important suppliers to international markets with regard to travel and transportation as well as computer and information services.

Figure 9
Market shares of trade in services of developing and developed countries by sector



With regard to services, travel and other business services represent the largest sectors, amounting to more than US\$ 1 trillion each in 2015. Other important sectors include transport, telecommunication, computing and finance related services. Since 2005 the value of trade has increased in all sectors. With exception of Transport and other business services, trade in most of the other categories of services has been resilient to the trade downturn of 2015. Figure 9b depicts the share of global exports of different service categories pertaining to developed and developing countries, and their change between 2005 and 2015. Although developed countries still account for the largest part of export of services, export market share has been shifting to the advantage of developing countries in most sectors. Two exceptions are intellectual property and goods-related services, the latter being still vastly originating from developed countries.



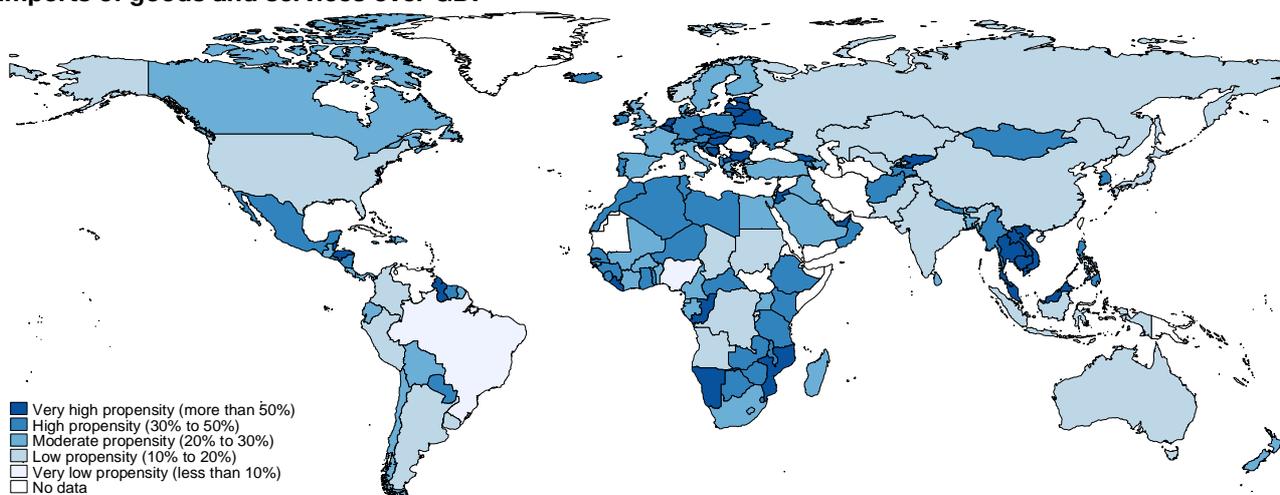
2. TRADE INDICATORS

The following section presents a series of trade indicators where the magnitude of the indicator is represented by the shading of the country on the world map. Data for goods comes from Unctad Stat and Comtrade whereas data on services comes from the UN Service trade database..

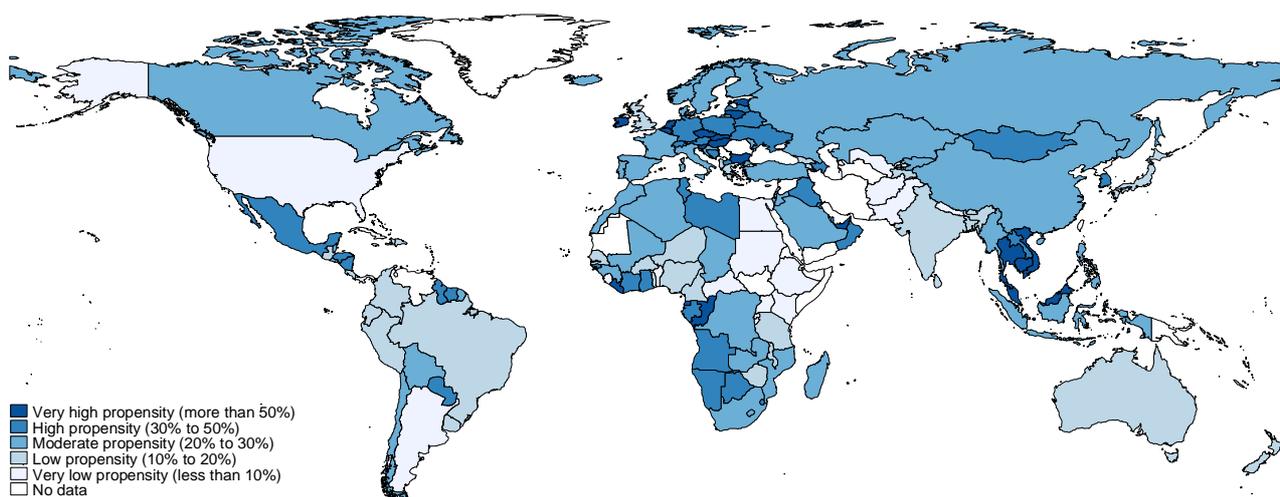
For a substantial number of developing countries, gross domestic product (GDP) is closely dependent on the exports of goods and services to foreign markets. This is particularly true for many East Asian economies, Eastern European countries and for a number of African countries as well as Canada and Mexico.

Index 1 - Import and export propensity

Imports of goods and services over GDP



Exports of goods and services over GDP

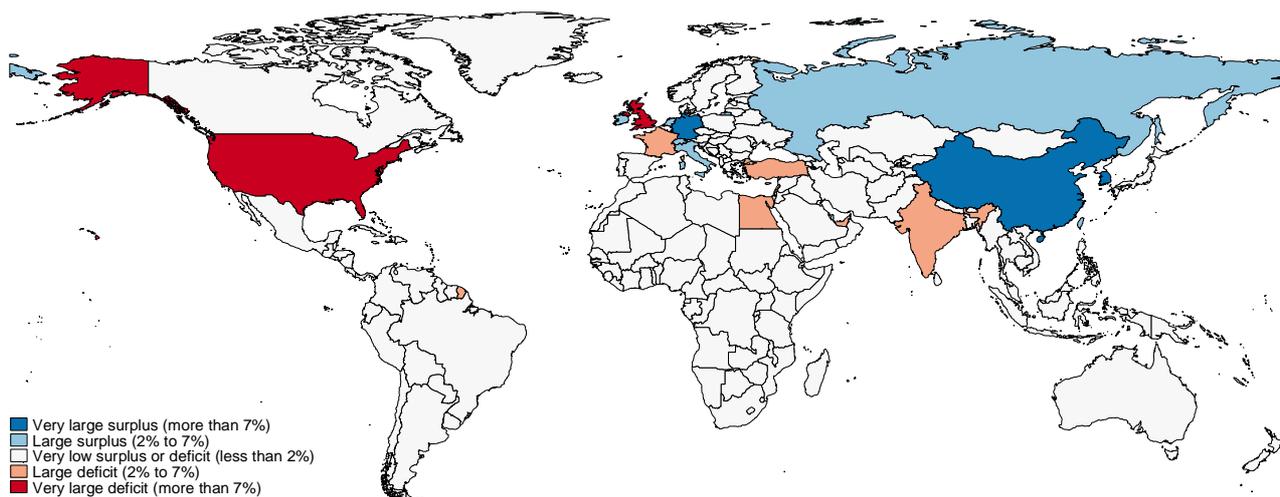


The import and export propensity are computed as the value of imports or exports divided by the current gross domestic product (GDP). The import propensity expresses the total income spent on imports. The export propensity shows the overall degree of reliance of domestic producers on foreign markets. Higher values imply greater dependence on foreign markets.

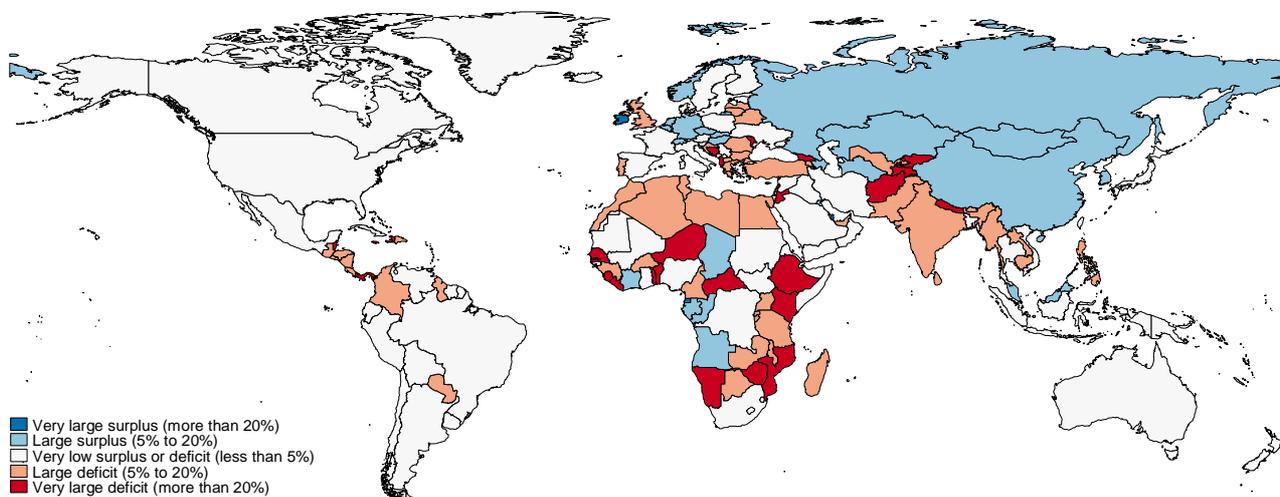
World trade is largely unbalanced. China, Germany maintains the largest surplus positions. Primarily the USA and the UK, but also a number of developing and developed countries maintain large deficit positions. Even though these imbalances are sometimes large in levels, they often tend to be low relative to gross domestic product (GDP). In contrast, many African and South Asian countries' trade imbalances tend to be quite large relative to their GDP.

Index 2 – Trade balances

Trade balances of goods and services as percentage of overall world imbalances



Trade balances of goods and services as percentage of GDP



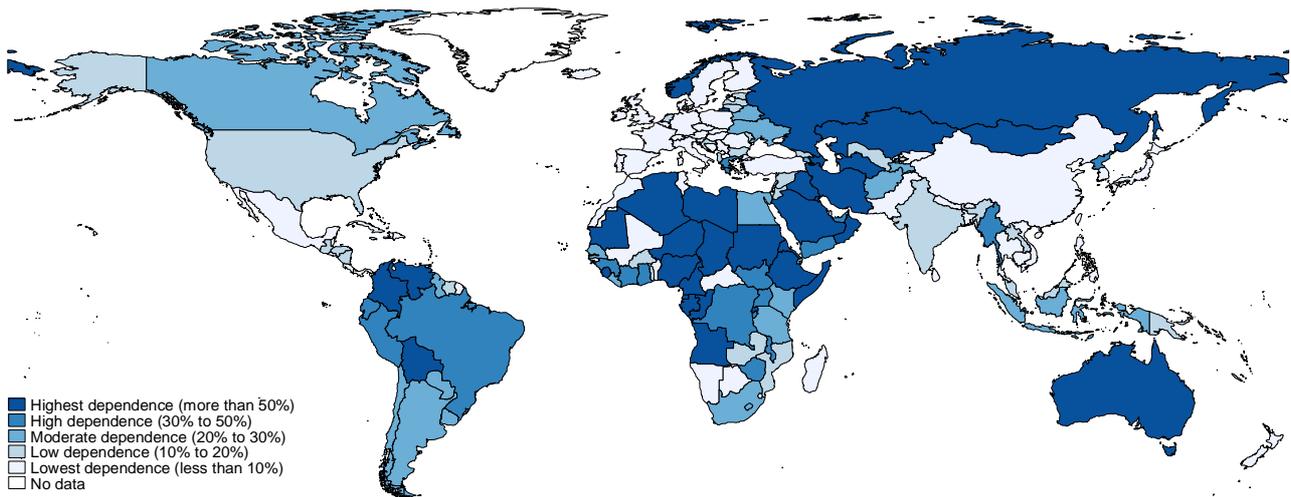
Foreign trade balances (exports minus imports of goods and services) as a percentage of total world imbalances are computed as each country's share of world total imbalances. Negative values denote countries in deficit, while positive values denote countries with a surplus. It indicates how world imbalances are distributed across countries. The foreign trade balance-to-GDP ratio is the ratio of the foreign trade balance to GDP. It indicates how large trade imbalances are relative to the size of the economy. It is negative if a country imports more than it exports, and more so if GDP is relatively small. It is around 0 if the exported value is about the same as the imported value. It is positive if exports are larger than imports.



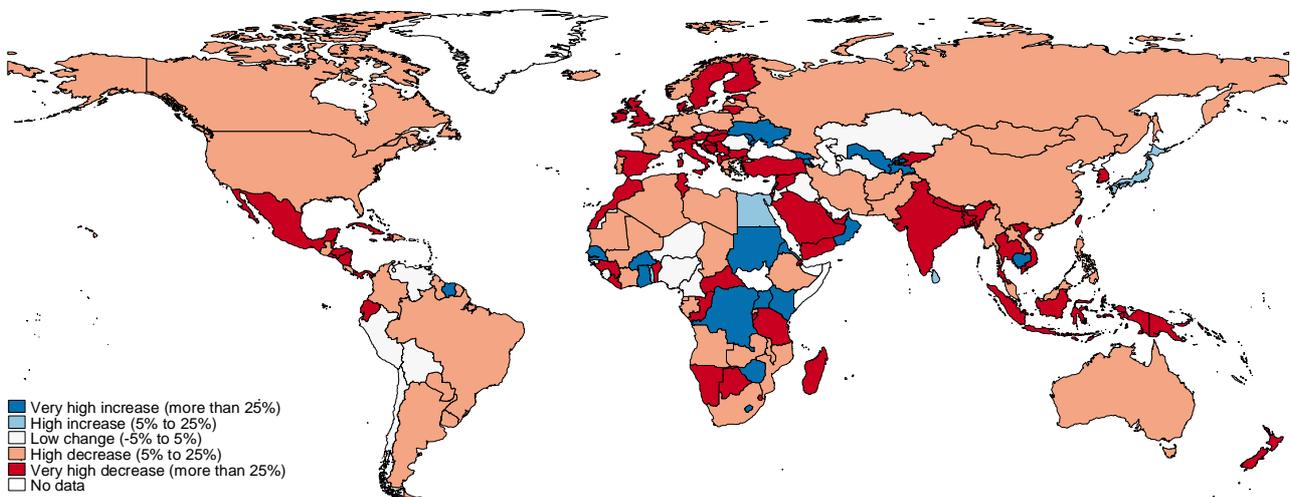
Although many countries are striving to diversify their exports, agriculture and natural resources still represent a large share of export baskets of many developing countries. Commodity dependence is more evident for energy exporting countries in the Middle East, raw material suppliers in Africa as well as for Latin American countries where agriculture still represents a large share of total exports. Dependence indices have declined due to the fall of prices of commodities.

Index 3 – Commodity export dependence

Agricultural and natural resources dependence index



Change in agricultural and natural resources dependence index (2012-2015)

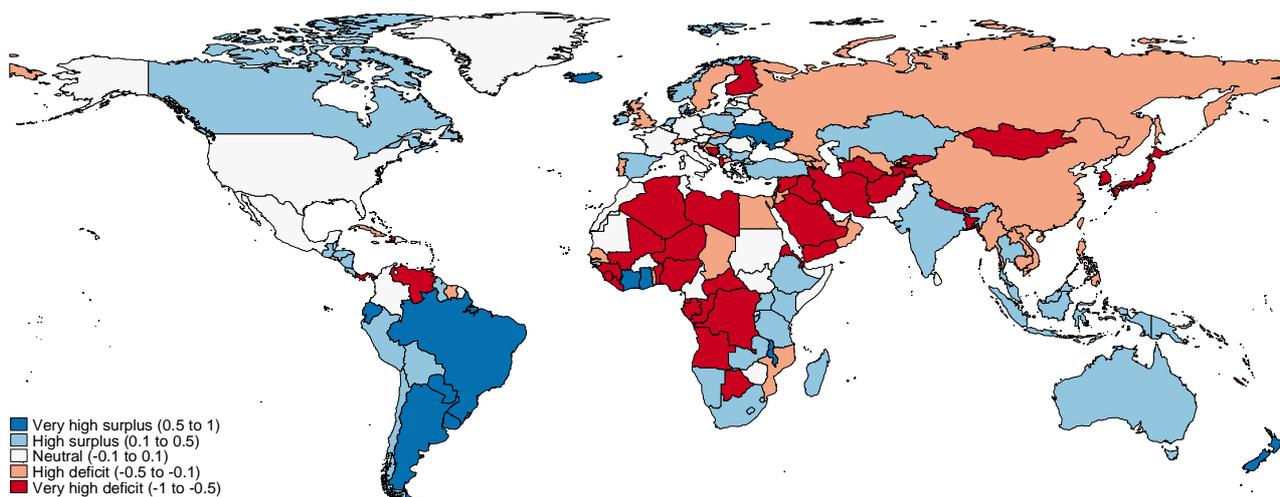


The commodity dependence index is computed as the share of the value of exports in primary products consisting of agricultural goods and natural resources over the total value of exports. It varies from 0 to 100. High dependence implies more exposure to shocks in the prices of natural resources and agricultural commodities.

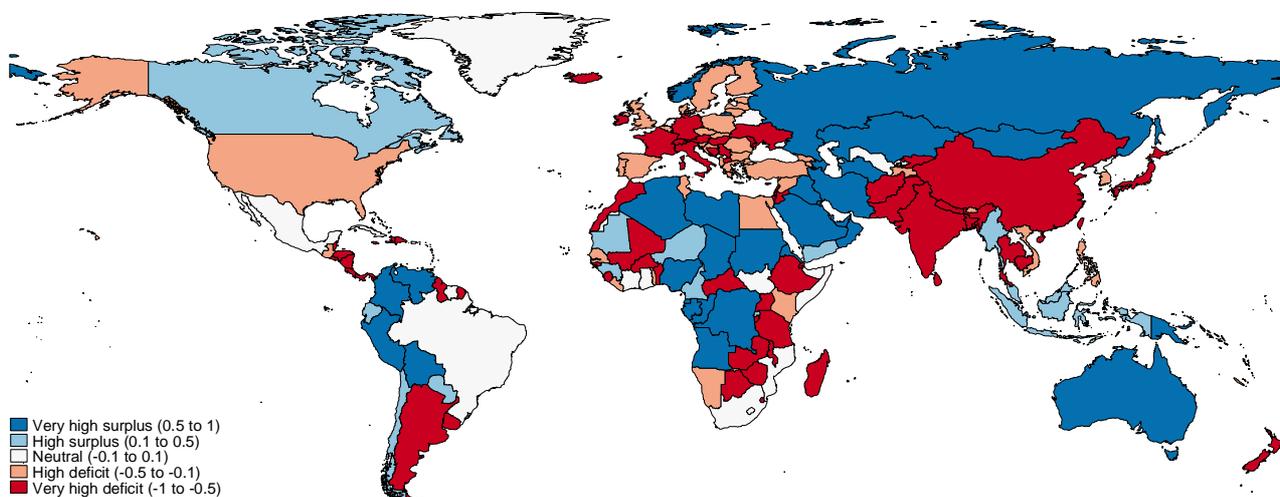
Geography, demographics and policy choices result in deficit or surplus positions in terms of agricultural trade. In general, countries in Latin America, East Africa and South Asia are net food exporters, while most of the rest of Asia and Africa remain net food importers. Most developed countries as well as many developing countries (East and South Asia and East Africa) are dependent on imported energy. In contrast, West and Central Asia as well as most of Africa and Latin America are net energy exporters.

Index 4 - Food and energy dependence index

Food dependence index



Energy dependence index

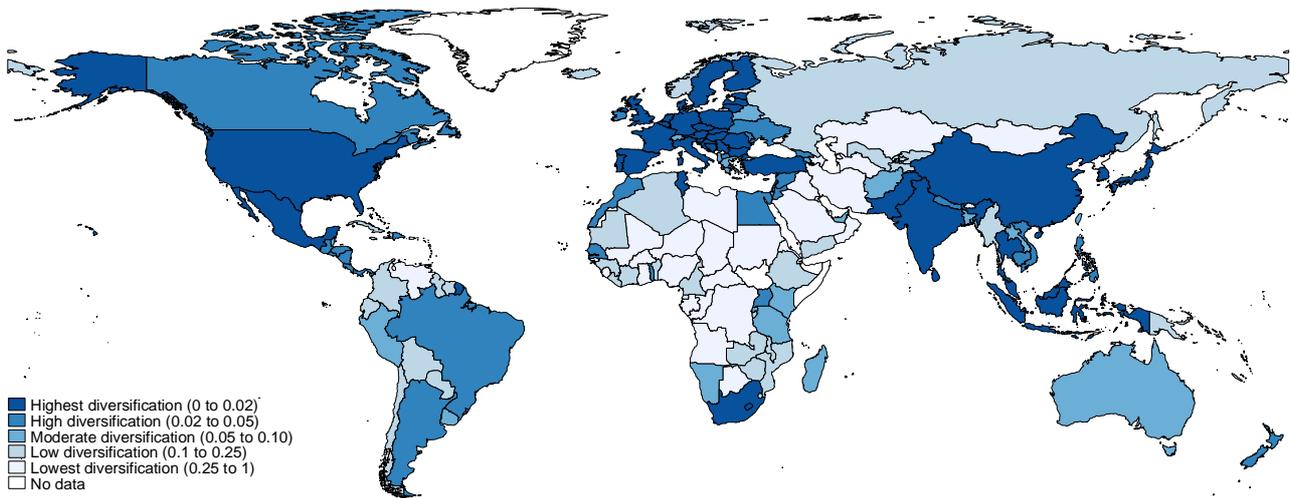


Food dependence is computed as a country's exports of agricultural products minus its imports of agricultural products. This is then normalized by dividing it by its agricultural trade (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more agricultural products than it imports. The main component of the energy dependence index is computed as a country's exports of energy products minus its imports. This is then normalized by dividing it by its trade in energy products (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more energy products than it imports.

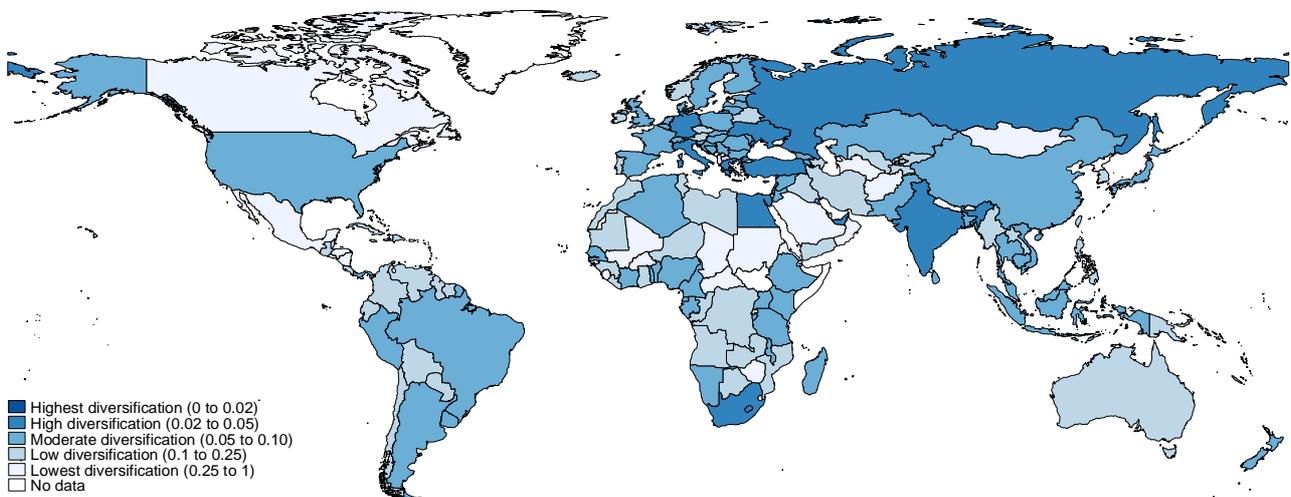
Although many developing countries seek to diversify their exports, many do not succeed. Amongst developing countries only a few emerging economies have reached levels of diversification similar to those of developed countries. African countries remain quite vulnerable to external shocks as their exports are generally concentrated in a few products exported to a few destinations.

Index 5 – Export diversification

Export diversification index, by product



Export diversification index, by destination

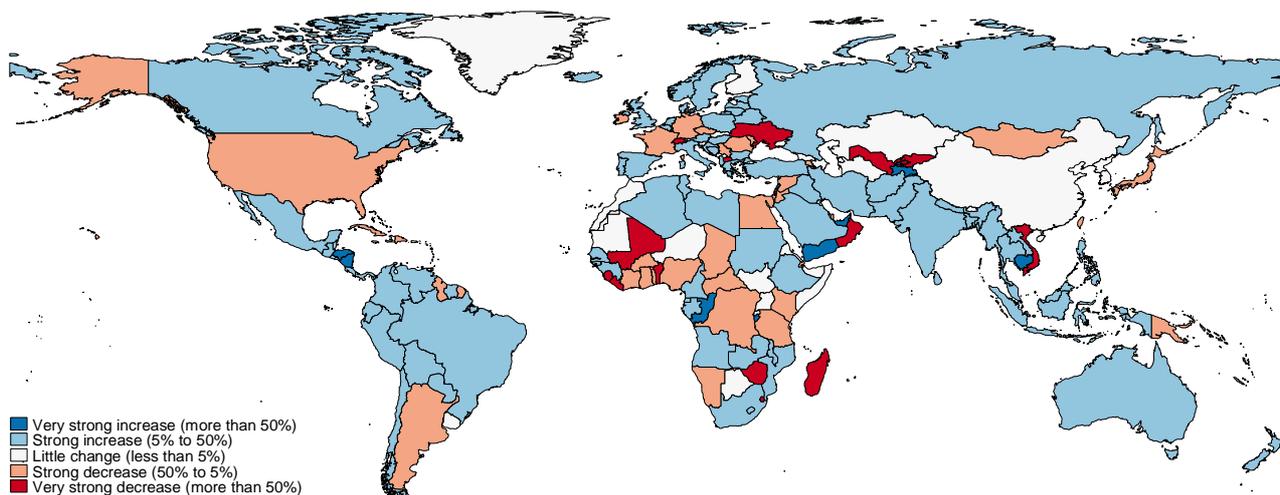


The Hirschmann-Herfindahl index is a measure of the diversification of exports with lower values reflecting higher diversification. It indicates the degree to which a country’s exports are dispersed across different destinations or different goods (at the HS 6 digit level). Low diversification is interpreted as an indication of vulnerability since the exporter is more exposed to economic shocks as they are limited to a small number of export markets or goods.

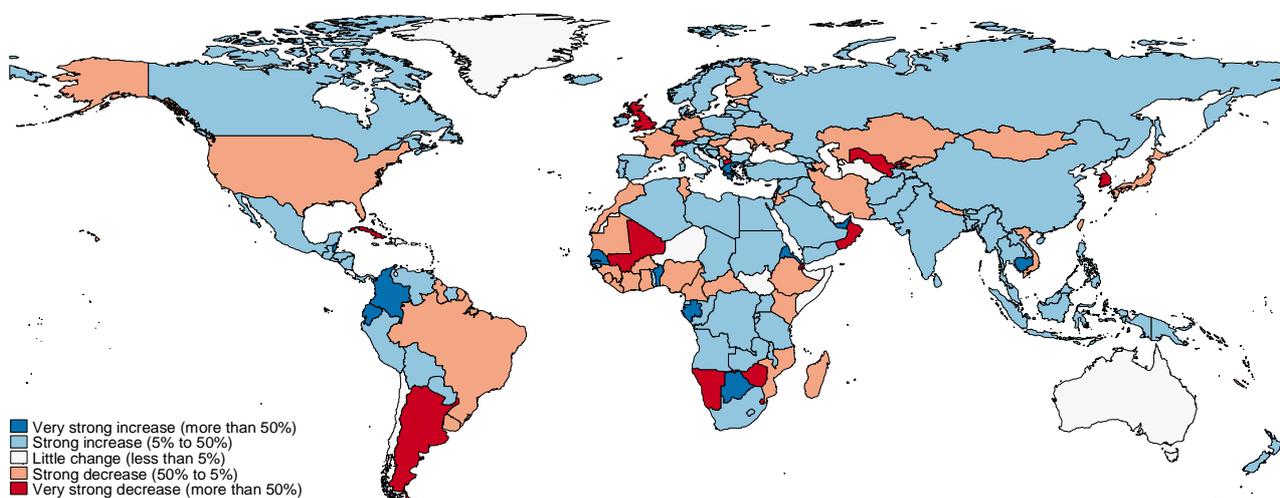
Many developing countries have been seeking to diversify their exports over the past years. Although some are still not very diversified, there is a tendency in many countries to diversify into new products and destinations. Some developed countries have seen a decline in terms of product and destination diversification.

Index 6 – Changes in Export diversification

Changes between 2012 and 2015, by product



Changes between 2012 and 2015, by product and destination



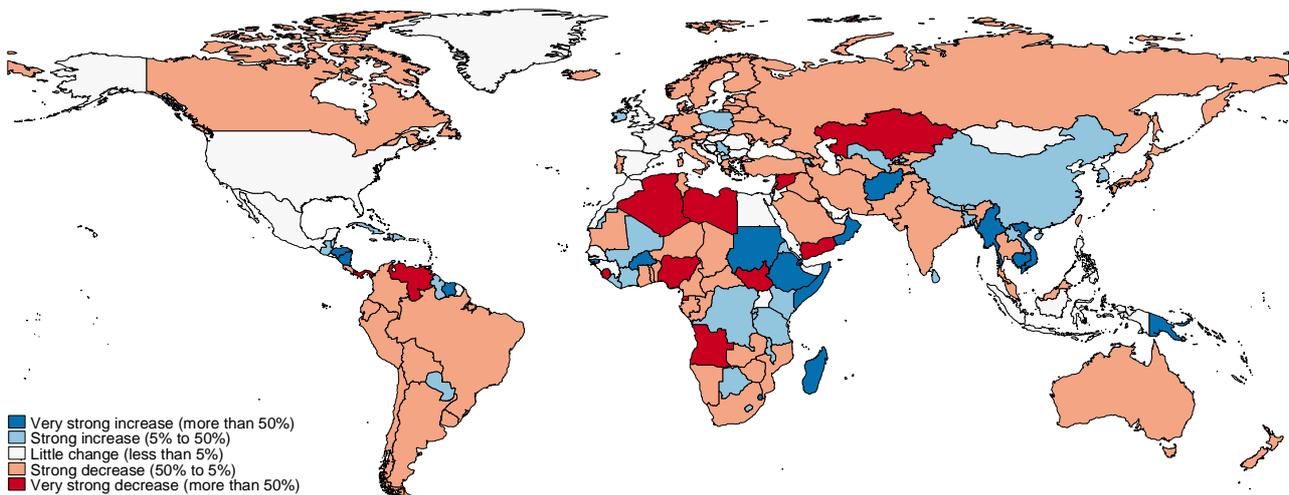
The export diversification change reflects whether countries are becoming more or less diversified. Many African countries were more diversified in 2014 than in 2011, whether only considering products or both products and destinations. In North America and Europe the trend went in the opposite way.



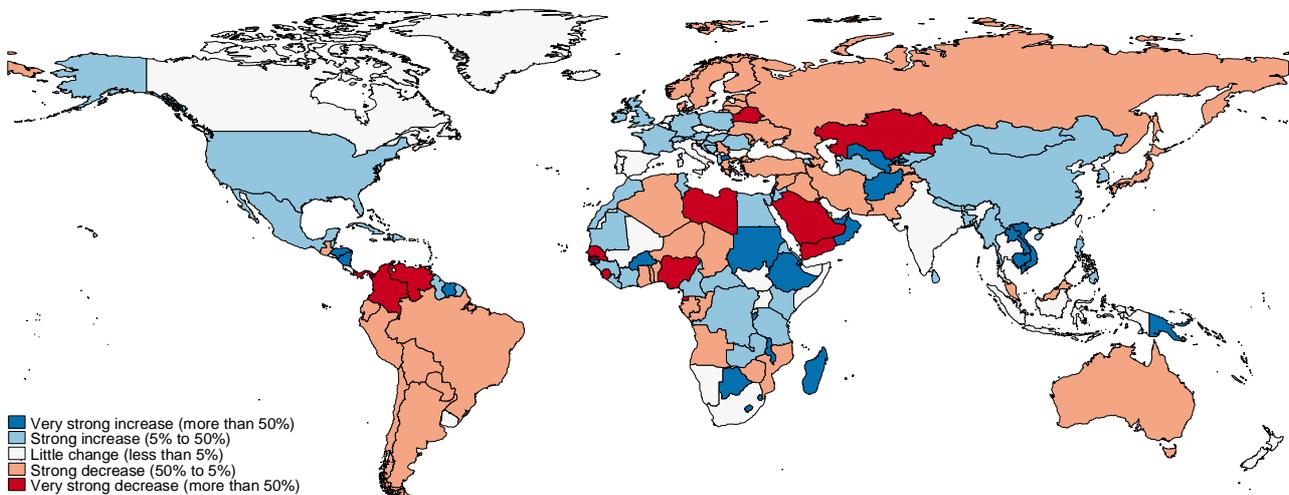
Since 2012, with the relevant exception of countries which exports are largely concentrated in energy products the exports of goods and services have increased for a large number of countries, especially in East Africa, Central America and East Asia. During the period from 2012 to 2015, many East African and East Asian countries have also increased their competitiveness with their key trading partners.

Index 7 - Export performance and export competitiveness

Export growth in goods and services from 2012 to 2015



Change of the export competitiveness in the top 20 markets (2012-2015)

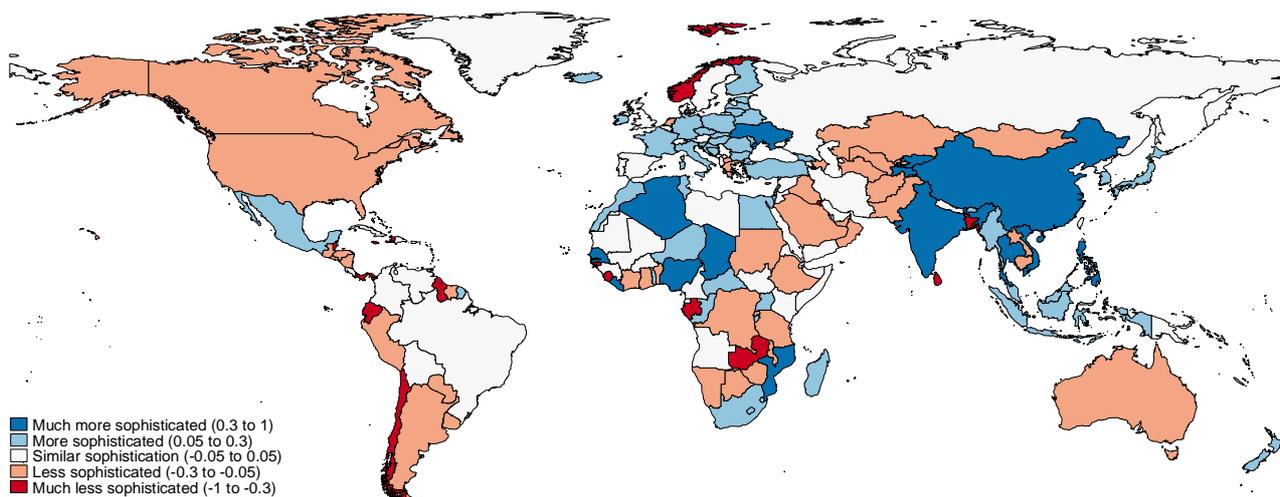


The growth rate of exports is calculated as the percentage change of the value of exports between two periods. It indicates the progress of an economy in expanding economic activity into international markets. Negative values indicate a contraction in the value of exports, while positive values indicate an increase in export earnings. Export competitiveness reflects the development of a country's exports relative to its top 20 trading partners. Export competitiveness is measured as the ratio of a country's market share in the reference group in 2015 over that in 2012. Positive values indicate that the country is becoming more competitive with respect to its partners.

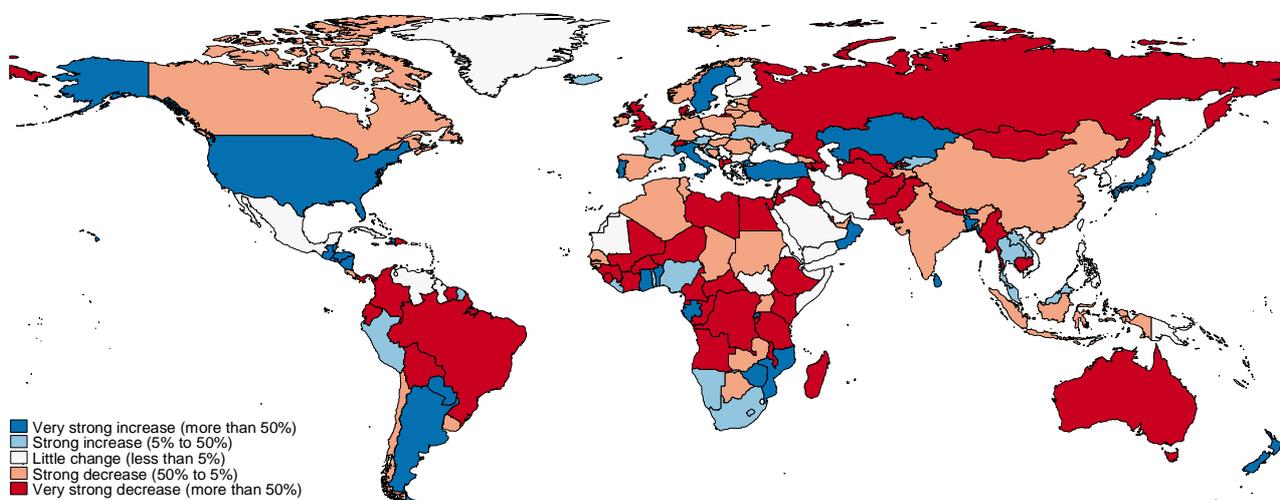
In comparison to countries with similar levels of GDP per capita, Australia as well as North and South American countries and some African countries tend to export goods that are less sophisticated. Europe and Asia tend to export more sophisticated products whereas the situation is more heterogeneous for African countries. In terms of change, many developing countries exports have become less sophisticated over the past years.

Index 8 – Export sophistication and export sophistication gap

Export sophistication gap



Change of the export sophistication gap (2012-2015)

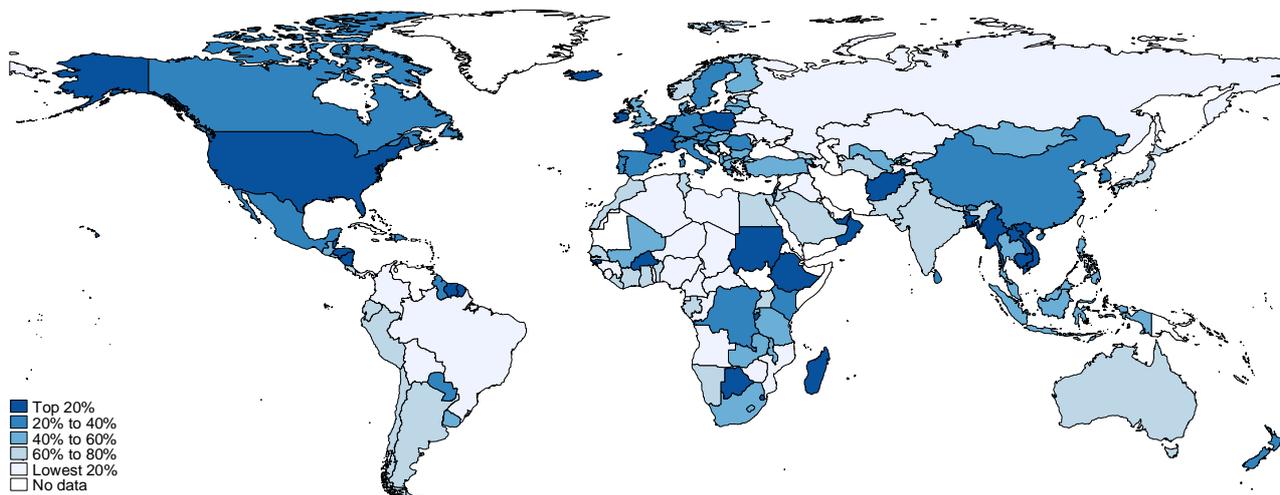


Export sophistication is measured by the EXPY index. The EXPY can be summarized as the per capita GDP as predicted by the composition of the export basket. Countries with a higher EXPY are those that export goods that are more sophisticated (i.e. generally exported by countries with high GDP per capita). Since the EXPY and GDP per capita are positively correlated by construction what is of interest is also how a country's EXPY compares to that of countries at similar levels of GDP per capita. This is summarized in the export sophistication gap which is computed econometrically by weighted regression. A positive gap implies an export structure that is more sophisticated than the country's GDP per capita would predict. Conversely, a negative gap implies an export structure that is more typical of that of countries at a lower level of development. This index takes into account only goods.

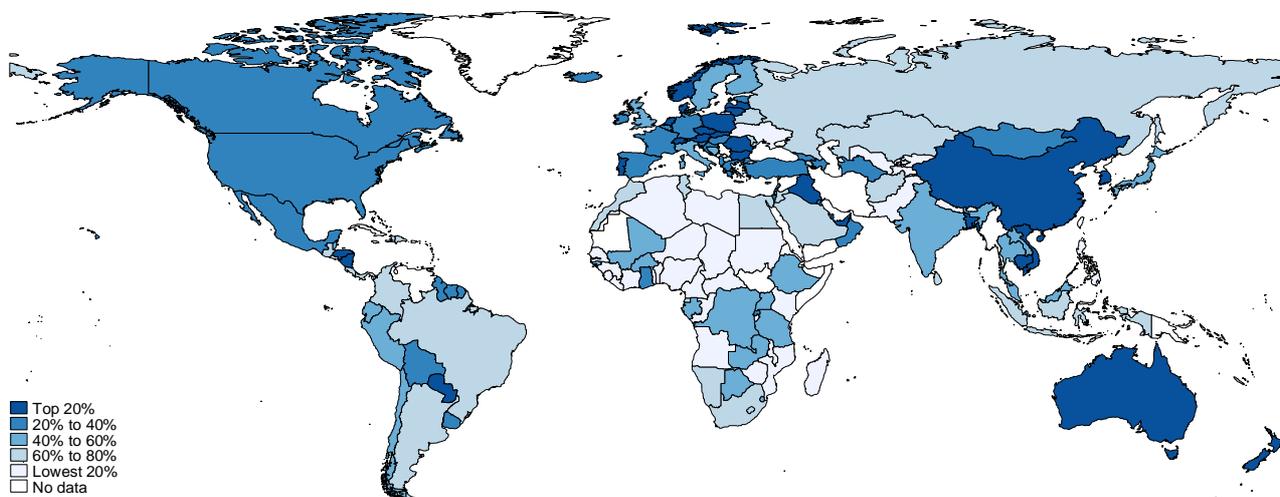
Overall, the export performance of developed countries and developing countries in East Asia has been above average since 2005, and more so since 2012. Some African countries have also performed relatively well, especially in regard to East and southern Africa countries. On the other hand, Latin American export performance tends to be relatively lower, especially since 2012.

Index 9 – Overall export performance

Change of the export performance index (2012-2015)



Change of the export performance index (2005-2015)



The export performance index is computed simply by assembling four indicators, namely export growth of goods and services, and the various changes of export diversification, export competitiveness and the export sophistication gap. For each indicator, a regression is run to predict the expected level of performance of a country considering its level of GDP per capita. Then the difference between this level and the country's actual level is computed. Countries are then ranked for each indicator and a weighted average of the ranks of each indicator is taken in order to produce an overall rank, with a weight of 0.5 for the export growth of goods and services, 0.25 for export competitiveness, 0.125 for export diversification and 0.125 for the export sophistication gap.