

4

International trade in merchandise and services



4.1 International trade in merchandise and services

4.2 International trade in merchandise

4.3 International trade in services

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OVERVIEW

In 2002 the value of total **merchandise exports** from all countries of the world was \$6,414 billion (in current US dollars). Two-thirds of these exports were from developed countries. The value of total **exports of services** was \$1,611 billion (in current US dollars), and almost three-fourths of these were from developed countries.

In 1960 the share of world merchandise exports in the world gross domestic product was 10%. By 2000 it had climbed to 20%. The share of services in world output was 3% in 1960 and almost 5% in 2000.

Over the past four decades, developing countries' participation in total world exports of merchandise and services has increased. Developing countries' merchandise exports grew, on average, 12% a year in the period 1960–2002. The corresponding figures are 11% for developed countries and 8% for Central and Eastern Europe. Exports of services grew 9% a year in developing countries and 8% in developed countries during 1980–2002.

In the early 1970s, developing countries faced a merchandise trade deficit: their exports represented only 96% of **imports**. During the 1970s their **trade balance** improved substantially. In 1980, exports totalled 20% more than imports. This improvement was largely attributable to the rise in oil prices after the oil crises of 1974 and 1979. In the 1980s and 1990s, developing countries' trade balance deteriorated. In 1990 the balance was still positive, but exports were only 2% greater than imports. By the mid-1990s, the exports-to-imports ratio had returned to its 1970 level. Meanwhile, developed countries' trade balance remained essentially negative during the whole period under consideration.

As far as services are concerned, although developing countries' trade balance remained negative, it improved in the 1980s and 1990s, at least in relative terms. Developed countries as a group had a positive trade balance over the two decades.

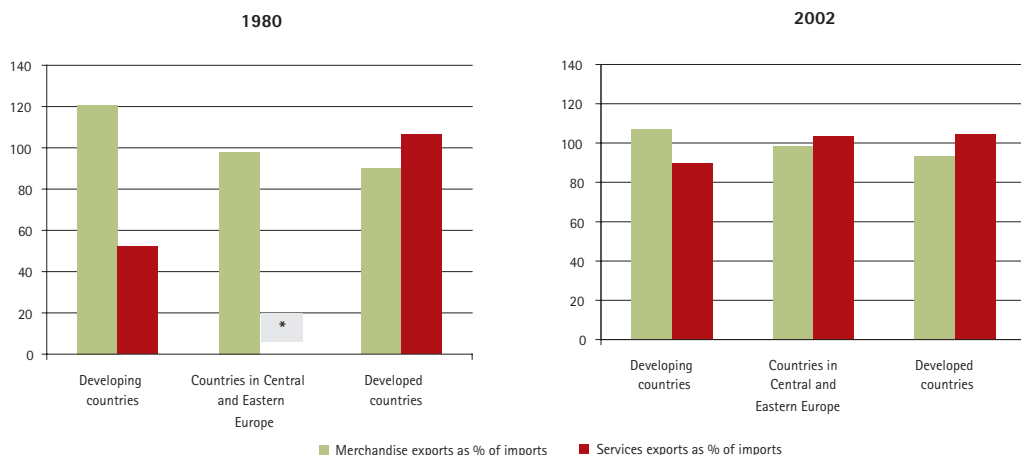
DEFINITIONS

- **Merchandise exports** are goods leaving the *statistical territory* of a country.
- **Merchandise imports** are goods that add to a country's stock of material resources by entering its statistical territory.
- The **statistical territory** of a country coincides with its economic territory in the general trade system. In the special trade system, the statistical territory corresponds to the area within which goods circulate freely and comprises only a particular part of the economic territory.
- **Exports and imports of services** reflect, respectively, the value of services provided to residents of other countries by a country's residents and those received by residents of the domestic territory. They are the values of credits and debits of international service transactions as presented in the International Monetary Fund's Balance of Payments Statistics. Services are defined as the economic output of intangible commodities that may be produced, transferred and consumed at the same time.
- The **trade balance** is the difference between exports and imports.

DATA SOURCES

- [1] UNCTAD *Handbook of Statistics 2003*, tables 1.1, 1.2 and 5.1. Merchandise exports and imports are based on customs statistics while exports and imports of services are based on balance-of-payments statistics.

Trade in merchandise and services [1]



* Statistics on trade in services are not available prior to 1990.

Share of merchandise and services exports [1]

World exports in million US\$ and shares in % by country group

Regions	1960	1970	1980	1990	2000	2002
Merchandise						
World	130 135	316 428	2 031 219	3 500 278	6 426 893	6 414 058
Developing countries	24.7	19.2	29.4	24.1	32.0	31.7
Countries in Central and Eastern Europe	10.6	10.1	8.0	5.0	4.2	4.9
Developed countries	64.7	70.7	62.6	70.8	63.8	63.5
Services						
World	..	..	385 352	824 724	1 511 935	1 610 608
Developing countries	..	..	17.9	18.1	23.1	22.6
Countries in Central and Eastern Europe	..	..	..	..	3.6	4.2
Developed countries	..	..	79.1	79.9	73.2	73.2

Growth in merchandise and services exports [1]

Average annual growth rates in %

Regions	1960-1970	1970-1980	1980-1990	1990-2000	1960-1980	1980-2002
Merchandise						
World	9.2	20.5	6.0	6.7	15.3	6.8
Developing countries	6.7	26.0	3.1	9.1	16.4	7.6
Countries in Central and Eastern Europe	8.5	18.1	2.2	8.2	13.3	1.8
Developed countries	10.1	19.0	7.6	5.7	15.2	6.9
Services						
World	-	-	7.9	6.4	-	8.1
Developing countries	-	-	7.3	9.1	-	9.4
Countries in Central and Eastern Europe	-	-	-	-	-	-
Developed countries	-	-	8.3	5.4	-	7.6

4.2 International trade in merchandise

OVERVIEW

An important feature of international trade over the four past decades has been the growing participation of developing countries. Between 1960 and 2002, their **merchandise exports** grew at an average annual rate of 12%, compared to the 11% world average. As a result, their share of world exports of goods increased from less than one fourth to one third. The 1970s saw particularly vigorous growth in overall world trade.

In the last 20 years, the picture for developing countries has become much more nuanced. With the exception of East Asian and Central American economies, developing countries did not see their exports increase significantly. This is particularly true for African states, which have averaged a modest annual growth rate of 2% since 1980. The growth of Asian exports took off in the 1970s, with South and East Asian countries generating the bulk of the region's export growth. The shares in total world exports of South American, Central and Eastern European, and African economies were actually lower in 2002 than in 1960.

Least developed countries' share in world exports was 0.7% in 1980. It fell to 0.4% in 1990 and began to increase slightly only in the late 1990s, reaching 0.6% in 2000. While world exports grew at an annual pace of 6% in the 1980s, the corresponding figure for least developed countries was only 2%. During the past decade, these countries' exports grew 7% annually, keeping pace with the world average.

In addition, for most developing countries from Oceania and America – particularly Central America – and for least developed countries, **imports** expanded faster than exports during the past four decades, resulting in increasing **trade deficits** for those economies.

DEFINITIONS

- It is recommended that **merchandise exports** be reported **f.o.b.** and **merchandise imports c.i.f.**
- The **c.i.f. (cost, insurance and freight) price** is the price of merchandise delivered at the frontier of the importing country, including any insurance and freight charges incurred up to that point.
- The **f.o.b. (free on board) price** equals the c.i.f. price less transportation costs and insurance charges between the customs frontier of the exporting (importing) country and that of the importing (exporting) country.
- A **trade deficit** is a negative trade balance. The trade balance as a percentage of imports is calculated to indicate the relative magnitude of the trade balance.

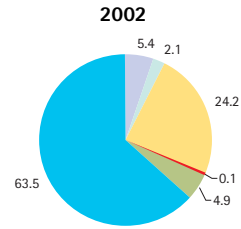
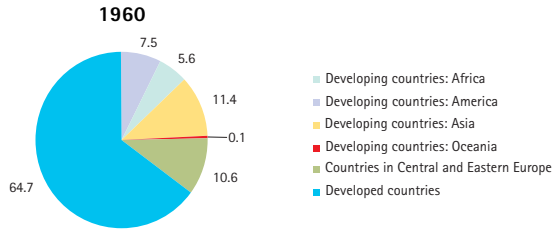
DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 1.1 and 1.2.

For more information, see UNCTAD's annual **Trade and Development Report**. In the 2003 issue, *Capital Accumulation, Economic and Structural Change*, Chapter 3 covers trade flows and balances, and Chapter 6 deals with policy reforms and economic performance in Latin America. The 2002 issue is devoted to *Developing Countries in World Trade*.

Distribution of world merchandise exports by region [1]

(in %)



Growth in merchandise exports [1]

Average annual growth rates in % and 2002 exports in million US\$

Regions	1960-1970	1970-1980	1980-1990	1990-2000	1960-2002	2002
World	9.2	20.5	6.0	6.7	10.7	6 414 058
Developing countries	6.7	26.0	3.1	9.1	11.6	2 031 937
Africa	8.6	21.6	-1.7	3.1	7.7	134 881
North Africa	13.9	23.7	-3.9	2.5	8.4	45 237
Sub-Saharan Africa	6.7	20.5	-0.5	3.4	7.4	89 644
Sub-Saharan Africa less South Africa	7.2	20.2	-1.2	3.9	7.3	59 921
America	5.6	20.9	1.7	10.3	9.7	344 074
Central America and the Caribbean	5.1	23.2	0.8	14.1	10.9	183 281
South America	5.8	19.6	2.3	7.1	8.9	160 793
Asia	6.3	30.2	4.7	9.7	13.4	1 549 566
West Asia	8.6	36.0	-6.0	6.1	10.5	247 734
Central Asia	-	-	-	-	-	18 726
South, East and South-East Asia	5.2	25.3	11.1	10.3	14.5	1 283 105
South, East and South-East Asia less China	6.1	26.1	10.9	9.5	14.5	957 514
Oceania	11.2	13.5	4.3	2.9	8.4	3 416
Countries in Central and Eastern Europe	8.5	18.1	2.2	8.2	7.4	311 501
Developed countries	10.1	19.0	7.6	5.7	10.7	4 070 620
North America	9.0	17.5	6.0	7.5	10.1	946 254
Europe	10.1	19.4	8.0	5.2	10.7	2 598 730
Others	13.9	19.8	8.6	4.4	12.0	525 636
<i>Memorandum</i>						
Developing countries less China	7.0	26.2	2.6	8.5	11.4	1 706 346
Least developed countries	5.3	10.2	2.4	7.2	6.0	37 777

Merchandise trade balance [1]

Trade balance as % of imports

Regions	1960	1970	1980	1990	2000	2002
World	-5.4	-4.0	-1.9	-3.2	-1.9	-2.4
Developing countries	-8.7	-2.0	20.7	3.3	8.8	7.1
Africa	-15.1	8.3	25.8	2.7	6.5	2.2
North Africa	-43.7	31.5	39.6	-17.9	-8.8	-12.1
Sub-Saharan Africa	-0.6	0.0	18.9	18.5	15.8	11.3
Sub-Saharan Africa less South Africa	-9.6	7.1	14.0	14.2	24.4	16.8
America	-4.8	-6.3	-11.1	10.0	-5.3	-0.3
Central America and the Caribbean	-23.1	-33.0	-21.8	-21.6	-14.4	-16.9
South America	8.3	16.9	-1.7	50.7	8.1	29.3
Asia	-7.7	-3.3	34.5	2.3	12.9	9.5
West Asia	28.0	48.4	116.4	25.9	53.5	26.7
Central Asia	-	-	-	-	31.8	23.5
South, East and South-East Asia	-16.8	-19.7	-8.8	-3.2	6.6	6.6
South, East and South-East Asia less China	-20.4	-22.2	-8.7	-5.7	5.7	5.3
Oceania	-11.9	-36.5	-35.0	-43.6	-20.3	-40.0
Countries in Central and Eastern Europe	-3.3	-1.8	-1.7	-9.8	4.9	-1.6
Developed countries	-4.4	-4.8	-9.9	-4.7	-6.9	-6.5
North America	13.3	4.9	-8.2	-18.6	-27.4	-33.8
Europe	-9.7	-8.5	-10.8	-3.0	0.0	5.4
Others	-15.0	-4.3	-8.7	14.7	19.3	14.2
<i>Memorandum</i>						
Developing countries less China	-9.1	-2.1	22.0	2.4	8.5	6.5
Least developed countries	-5.9	-1.0	-35.6	-23.0	-13.9	-13.1

4.2 International trade in merchandise

OVERVIEW

Over the past four decades, trade among developing countries has increased substantially and steadily.

In 1960, **exports directed** from and to developing countries represented 24% of developing countries' total exports. In 2001, this proportion was more than 40%. Growth was essentially driven by the rise in the share of exports from South-East Asian developing countries. Trade among developed countries increased only slightly, while trade within Central and Eastern Europe actually fell sharply. The share of exports of Central and Eastern European states directed towards other countries in that region declined from 63% of total group exports in 1960 to 25% in 2001.

The percentage of exports from developing countries directed to developed states decreased during the 1980s and has since remained at around 57%. This tendency has been observed for Africa, Asia and Oceania, but not for South American economies, which delivered 75% of their total exports to developed parts of the world in 2001. The figures pertaining to large regions, especially to Asia as a whole, include very different performances by countries and sub-regions. It is worth noting that 10% of developed countries imports originated from South-East Asian economies in 1990 and then reached almost 17% in 2000.

During the past three decades, the aggregate share of exports from developed states to developing parts of the world remained between 20% and 25%. Nonetheless, the United States, Japan, New Zealand and Australia have seen their shares of exports to developing countries increase, although not substantially.

The share of exports from developed economies to Central and Eastern European countries increased significantly during the last 10 years. The trend is a result of substantial growth in trade between these countries and the European Union. On the other hand, shares in exports to Central and Eastern Europe fell in general for all developing regions.

DEFINITIONS

- Data on **exports directed** towards countries may differ considerably from data on imports as reported by these countries of destination. The differences are accounted for by a variety of factors, of which the following may be particularly important:
 - Most import data are reported on a c.i.f. rather than an f.o.b. basis. (For more information, refer to the Definitions in 4.2A.)
 - Imports arrive at their destination and are registered with some time lag from the date they were recorded as exports.
 - There may be considerable differences between the recorded destination of exports and the actual destination as shown in import statistics.
 - Both exports and imports may be over- or under-invoiced for various reasons (for example, to avoid taxes or controls or facilitate capital flight).
- Despite efforts to allocate trade flows by destination and origin, a margin of unallocated trade flows remains.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, table 3.1.

Distribution of exports by destination [1]

(in %)

Year	Africa	America	Asia	Oceania	Developing countries	Countries in Central and Eastern Europe	Developed countries	Total
World								
1960	6.2	7.9	11.5	..	25.6	10.2	63.6	100
1970	4.9	6.0	9.1	0.2	20.2	10.2	68.9	100
1980	4.9	6.3	13.5	0.1	24.8	8.2	66.1	100
1990	2.7	4.0	16.3	0.1	23.2	4.9	70.1	100
2001	2.2	5.6	20.0	0.1	27.9	4.4	66.1	100
Developing countries								
1960	4.4	6.4	12.9	..	23.8	7.6	67.5	100
1970	3.9	6.4	11.7	0.2	22.2	6.1	70.1	100
1980	2.8	7.6	15.6	0.1	26.2	3.6	68.9	100
1990	2.5	4.1	27.4	0.2	34.2	2.8	58.2	100
2001	2.4	5.4	33.3	0.1	41.2	1.5	56.9	100
Developing Africa								
1960	9.5	0.8	6.5	..	16.8	4.8	76.6	100
1970	7.6	1.9	3.8	0.0	13.3	6.1	79.3	100
1980	4.3	5.8	3.9	0.0	13.9	3.1	82.1	100
1990	7.2	2.0	8.9	0.0	18.2	2.8	69.0	100
2001	11.5	3.2	13.0	0.1	27.9	1.5	68.8	100
Developing America								
1960	1.2	16.5	1.1	..	18.9	2.6	78.2	100
1970	0.9	17.3	1.7	0.0	19.9	6.1	73.7	100
1980	2.4	21.3	3.5	0.1	27.3	6.8	64.2	100
1990	2.1	15.1	7.5	0.1	24.8	3.2	69.8	100
2001	1.1	17.8	5.5	0.0	24.5	0.9	73.3	100
Developing Asia								
1960	4.4	1.7	24.5	..	30.6	12.5	55.5	100
1970	4.0	1.9	22.5	0.3	28.7	6.1	62.6	100
1980	2.6	4.2	22.6	0.2	29.6	2.9	66.3	100
1990	1.8	1.8	35.6	0.2	39.4	2.7	53.4	100
2001	1.9	2.7	41.5	0.2	46.2	1.9	51.8	100
Developing Oceania								
1960	..	..	..	..	..	..	..	100
1970	..	..	0.6	1.5	2.1	..	97.7	100
1980	0.0	0.3	6.5	3.8	10.6	..	88.4	100
1990	0.1	7.3	16.3	3.6	27.3	0.1	72.6	100
2001	0.3	9.9	18.0	1.7	29.9	1.0	51.3	100
Countries in Central and Eastern Europe								
1960	1.9	1.8	13.5	..	17.1	63.4	19.3	100
1970	3.3	3.0	7.6	..	13.8	61.4	24.6	100
1980	3.1	3.2	8.5	0.0	14.8	56.4	28.4	100
1990	2.3	5.0	16.7	0.0	24.1	41.3	34.2	100
2001	1.2	2.1	9.8	0.0	13.1	24.8	57.1	100
Developed countries								
1960	7.5	9.3	10.7	..	27.5	3.0	69.0	100
1970	5.4	6.3	8.7	0.3	20.6	3.8	75.0	100
1980	6.1	6.1	13.1	0.2	25.5	4.1	69.7	100
1990	2.8	3.9	12.6	0.2	19.5	2.6	77.0	100
2001	2.2	5.9	14.3	0.1	22.5	4.3	71.3	100

4.2 International trade in merchandise

OVERVIEW

The past 30 years have seen a substantial increase in the number of regional and sub-regional trade agreements signed worldwide. While this trend has helped many areas to intensify their mutual trade and allowed various countries to profit from expanding exports, it has not systematically resulted in increased **intra-trade** within the **trade groupings** that have been created.

Since 1980, intra-regional trade has grown in all regions except Central and Eastern Europe. The biggest absolute rise in intra-trade has occurred in the Asian region. After declining during the 1970s and 1980s, intra-trade almost tripled in Africa during the past 20 years. However, in 2001, it still represented only 12% of total exports from that continent.

For internal trade within trade groupings, the picture is more subdued. Despite the significant rise in intra-trade for the Asian region, trade within the region's trade groups did not evolve proportionately. This simply indicates that economic integration was broad based. The past decade also witnessed the emergence of sub-regional trading blocs in Latin America. This yielded mainly positive, although in some groups modest results for the countries involved with regard to increasing their exports to other members of the trade blocs. In Africa, numerous sub-regional trade agreements were signed, but none of the groups managed to surpass the threshold of 13% of exports directed to other members within a trade bloc.

For Central and Eastern European states, the perspective of their accession to the European Union has boosted their trade with members of that group. A similar effect occurred with the North American Free Trade Agreement (NAFTA): commercial exchange between Canada, Mexico and the United States started to increase significantly before NAFTA entered into force in January 1994.

DEFINITIONS

- **Intra-trade** is international trade among countries that belong to the same group (for example, a regional or trade grouping).
- Depending on their level of economic integration, countries may participate concurrently in various **trade groupings**. Economic integration among countries ranges from strict trade integration to economic policy harmonization. The lowest degree of economic integration corresponds to a preferential trade arrangement. The highest degree of integration corresponds to a single market. In between are free trade agreements, customs unions and common markets.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, table 1.4.

In its *Policy Issues in International Trade and Commodities Study Series*, UNCTAD has published the following studies on the effects of trade agreements: *Assessing South-South Regional Integration: Same Issues, Many Metrics* and *Assessing Regional Trade Arrangements: Are South-South RTAs More Trade Diverting?* For more information, see also *North, South, East, West: What's best? Modern RTAs and Their Implications for the Stability of Trade Policy*, a Research Paper from the University of Nottingham, and the *General Agreement on Tariffs and Trade*, Article XXIV, which defines the meaning of a customs union and a free trade area in the GATT context.

Exports of trade groupings [1]

Intra-trade as % of total exports and total 2002 exports in million US\$

Trade groupings	Date of creation	1970	1980	1990	2002	Total exports 2002
Africa						
Economic Community of the Great Lakes Countries	1976	0.4	0.1	0.5	0.7	12
Common Market for Eastern and Southern Africa*	1994	7.4	5.7	6.3	5.6	1 487
Economic Community of Central African States	1983	9.8	1.4	1.4	1.3	238
Economic Community of West African States	1975	2.9	9.6	8.0	11.1	2 987
Mano River Union	1973	0.2	0.8	0.0	0.3	5
Southern African Development Community	1992	4.2	0.4	3.1	8.8	3 954
Economic and Monetary Community of Central Africa	1994	4.9	1.6	2.3	1.3	130
West African Economic and Monetary Union	1994	6.5	9.6	13.0	12.6	826
Arab Maghreb Union	1989	1.4	0.3	2.9	2.8	1 214
America						
Andean Community	1996	1.8	3.8	4.1	10.6	5 673
Central American Common Market	1961	26.0	24.4	15.3	11.5	2 598
Caribbean Community	1973	4.2	5.3	8.1	13.5	1 276
Free Trade Area of the Americas	1994	45.0	43.4	46.6	60.7	788 114
Latin American Integration Association	1980	9.9	13.9	11.6	13.6	43 094
Southern Common Market	1994	9.4	11.6	8.9	17.7	16 544
North American Free Trade Agreement	1992	36.0	33.6	41.4	56.0	612 965
Organisation of Eastern Caribbean States	1981	–	9.0	8.1	3.8	43
Asia						
Association of South-East Asian Nations	1967	22.4	17.4	19.0	22.8	94 760
Bangkok Agreement	1975	2.8	1.7	1.6	7.4	44 470
Economic Cooperation Organisation**	1985	2.2	6.3	3.2	5.5	4 758
Gulf Cooperation Council	1981	4.6	3.0	8.0	5.8	8 861
Melanesia Spearhead Group	1994	0.3	0.8	0.4	0.8	34
South Asian Association for Regional Cooperation	1985	3.2	4.8	3.2	3.9	2 697
Europe						
Baltic countries	1991	–	–	–	13.1	1 571
European Free Trade Association	1968	1.5	1.1	0.8	0.6	925
European Union	1957	59.5	60.8	65.9	61.0	1 469 856
Euro zone	2002	53.2	51.4	55.1	49.8	1 002 845
European Union and accession countries	2004	60.1	60.9	67.1	66.6	1 699 581
Interregional groupings						
Asia-Pacific Economic Cooperation	1989	57.9	57.9	68.4	73.5	2 169 919
Black Sea Economic Cooperation	1992	3.3	5.9	4.2	13.9	25 599
Commonwealth of Independent States	1991	–	–	–	18.9	26 833

* Prior to 2000, data unavailable for Namibia and Swaziland.

** Prior to 1995, data unavailable for Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

4.2 International trade in merchandise

OVERVIEW

During the last four decades, the share of **primary commodities** in total world exports of merchandise has fallen dramatically. Primary commodities, excluding fuels, represented 38% of the value of world exports in 1960 and only 12% in 2001. In developing countries, the share was initially 63%, but by 2001 it had fallen to 13%. In 1960, food items represented 17% of world exports, while in 2001 they accounted for only 7%. A similar drop occurred for agricultural raw materials. These patterns held true for both developed and developing countries. The only exception is exports of ores and metals, whose share remained fairly constant.

Developing countries have increased their share in the world trade of **manufactured goods**. South-East Asian countries were the main contributors to this trend. The share of manufactured goods in developing-country exports increased from 12% in 1960 to 65% in 2001. The share of manufactures in world exports to developing countries also increased substantially, from 62% in 1980 to 74% in 2001. This trend underscores the intensification of trade in manufactures among developing countries.

The share of manufactured goods in developed countries' overall exports increased from 65% in 1960 to 80% in 2001. However, the rate of increase was slower than that for developing countries. Consequently, the share of world manufactured goods imported from developed countries by other economies decreased during the last 40 years, from 83% in 1960 to 69% in 2001. The remaining shares were imported from developing countries (27.5% in 2001 compared to 5.5% in 1960) and Central and Eastern Europe (3.5% in 2001 compared to 11% in 1960).

DEFINITIONS

Commodities are classified in accordance with the United Nations Standard International Trade Classification (SITC), as follows:

- **Primary commodities:**

- All food items: SITC 0, plus SITC 1, plus 22, plus SITC 4
- Agriculture raw materials: SITC 2, less 22, less 27 – 28
- Ores and metals: SITC 27, plus 28, plus 68
- Fuels: SITC 3

- **Manufactured goods:**

- Chemicals and related products: SITC 5
- Manufactured goods classified chiefly by material: SITC 6 less 68
- Machinery and transport equipment: SITC 7
- Miscellaneous manufactured articles: SITC 8

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 3.2.1 and 3.2.2. Some exports are not allocated to a commodity group. The sum of shares in the distribution of exports by commodity group may be less than 100.

Distribution of exports by commodity group [1]

(in %)

Year	All food items	Agricultural raw materials	Ores and metals	Fuels	Manufactured goods	All products
World						
1960	17.4	16.7	3.6	9.9	51.3	100
1970	13.2	10.6	4.0	9.2	60.9	100
1980	11.1	3.7	4.7	24.0	54.2	100
1990	9.3	3.0	3.6	11.0	70.5	100
2001	7.4	1.8	3.0	9.1	74.1	100
Developing countries						
1960	29.1	28.7	4.9	25.2	11.9	100
1970	24.1	18.6	6.6	31.1	19.0	100
1980	11.9	3.8	4.8	59.4	19.1	100
1990	11.6	3.1	4.1	26.5	52.7	100
2001	7.9	1.9	3.6	16.3	65.2	100
Developing Africa						
1960	32.9	41.8	10.5	4.1	10.3	100
1970	24.4	20.7	13.2	29.3	11.1	100
1980	11.7	3.8	8.4	67.0	8.2	100
1990	12.0	4.0	5.5	49.5	20.1	100
2001	12.8	4.5	4.8	46.1	30.6	100
Developing America						
1960	40.6	18.7	5.3	31.9	3.4	100
1970	39.3	16.5	8.6	24.7	10.6	100
1980	29.1	3.1	9.5	42.4	14.7	100
1990	27.3	3.3	11.9	25.2	31.4	100
2001	16.8	2.3	6.1	15.4	58.0	100
Developing Asia						
1960	18.9	30.0	1.9	30.0	18.8	100
1970	14.0	18.3	2.0	36.6	28.6	100
1980	6.8	4.1	2.2	62.4	23.6	100
1990	7.7	2.9	1.8	22.7	63.8	100
2001	5.3	1.7	2.9	14.5	69.3	100
Developing Oceania						
1960	..	..	..	..	..	..
1970	31.7	49.4	..	1.0	17.4	100
1980	42.9	4.8	36.3	1.4	12.3	100
1990	20.6	7.3	29.5	2.4	27.6	100
2001	16.4	3.7	22.9	13.4	36.5	100
Countries in Central and Eastern Europe						
1960	14.3	13.6	2.1	12.4	56.8	100
1970	10.6	10.0	3.3	9.2	59.1	100
1980	6.6	4.3	3.4	25.9	51.5	100
1990	5.7	5.3	7.7	30.5	47.7	100
2001	4.6	2.6	4.8	22.3	55.7	100
Developed countries						
1960	13.7	12.8	3.3	4.0	64.7	100
1970	10.7	8.5	3.3	3.4	72.4	100
1980	11.2	3.5	4.8	7.0	71.3	100
1990	8.9	2.8	3.2	4.2	78.4	100
2001	7.4	1.8	2.6	4.7	79.7	100

Distribution of imports of primary commodities and manufactured goods by origin [1]

% of total primary commodities imports

% of total manufactured goods imports

Year	Developing countries	Countries in Central and Eastern Europe	Developed countries	Developing countries	Countries in Central and Eastern Europe	Developed countries
1960	44.1	9.0	46.8	5.5	11.2	83.2
1970	41.3	9.2	49.5	5.9	10.0	84.0
1980	54.4	7.6	38.0	10.4	7.8	81.8
1990	39.6	10.4	49.9	17.7	3.9	78.4
2001	43.3	7.5	49.2	27.5	3.5	69.0

4.2 International trade in merchandise

OVERVIEW

Between 1980 and 2000, the volume of developing country exports increased more than six-fold, compared to a three-fold increase for developed countries. Most of the expansion of exports has been concentrated in developing countries of Asia. However, an increase in the volume of imports of developing Asia has been even more striking – ten-fold – compared to a three-fold increase globally.

The **unit value index** of exports for developing countries as a whole fell sharply in the 1980s. This trend continued, although less markedly, during the 1990s. More detailed data show that the value index of exports for South and East Asian countries remained fairly steady in the 1980s and increased slightly in the 1990s. The index for African countries is driven by the index of major African petroleum exporters. The price index for developed countries showed a slight tendency to increase over the whole period.

Since 1985, the **purchasing power of exports** has increased for both developed and developing countries, despite the large decrease in developing countries' **terms of trade** prior to the mid-1990s. While African countries' terms of trade worsened until 1999, the purchasing power of their exports has been increasing substantially since 1999. Least developed countries' terms of trade fluctuated until recent years, in 2001 recovering their 1980 level. While terms of trade for South and East Asian countries have also fluctuated, the purchasing power of their exports has increased over the past two decades and grew by a factor of almost 2.5 in the last 10 years.

DEFINITIONS

- An **index** reflects changes over time in a quantity that cannot itself be directly measured or observed. Important features of index construction are the coverage, the base period, the weighting system and the method of averaging observations.
- **Value index** of exports or imports is the current value of exports (f.o.b.) or imports (c.i.f.) converted to dollars and expressed as a percentage of the average for the base period.
- **Unit value index** of exports or imports is an indicator reflecting changes in the price levels of exports or imports during the reporting period in comparison with the base period.
- **Volume (quantum) index** of exports or imports is the ratio of the value index of exports or imports to the corresponding unit value index and reflects changes in the volume of exports and imports.
- **Purchasing power of exports** is the value index of exports deflated by the unit value index of imports.
- **Terms of trade**, or "net barter" terms of trade, are defined as the ratio of the unit value index of exports to the unit value index of imports.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, tables 2.1 and 8.1.

Terms of trade [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	–	–	–	–	–	–
Developing countries	143.6	121.6	98.4	98.4	99.0	99.8
Africa	171.0	142.7	112.0	97.6	126.5	119.1
America	153.4	123.3	93.4	98.4	105.9	102.2
Asia	124.4	113.0	97.1	98.6	94.2	97.0
Oceania	..	..	..	..	..	..
Developed countries	85.6	83.5	95.3	100.1	97.2	98.3
Least developed countries	106.2	105.7	100.4	89.8	112.8	102.7

Volume indices of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.7	53.8	72.8	130.9	148.7	144.9
Developing countries	22.6	26.5	53.7	123.5	140.9	137.1
Africa	66.8	75.0	82.4	120.6	108.7	116.6
America	30.3	42.8	65.7	145.7	159.5	164.5
Asia	16.6	18.3	48.6	119.8	142.0	134.4
Oceania	42.2	55.2	61.1	..	..	..
Developed countries	49.0	56.8	74.3	126.5	139.4	137.8
Least developed countries	30.1	43.3	66.3	130.3	125.8	139.3

Unit value indices of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	82.5	67.0	92.0	84.6	83.5	81.9
Developing countries	137.5	98.4	94.5	88.1	92.4	90.1
Africa	136.5	89.2	108.0	90.4	113.8	101.8
America	136.9	103.4	93.4	90.6	99.5	92.9
Asia	138.2	99.4	92.2	86.9	88.1	87.9
Oceania	92.1	63.3	72.6	..	..	..
Developed countries	73.7	64.5	94.9	85.8	83.5	81.6
Least developed countries	133.5	112.5	123.7	91.0	110.9	100.2

Volume indices of imports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.6	50.4	70.2	127.2	142.6	141.4
Developing countries	25.6	27.9	49.1	118.2	136.4	133.1
Africa	86.7	91.3	84.6	112.5	117.9	127.5
America	47.6	34.7	48.0	145.7	163.9	164.1
Asia	12.7	18.6	44.7	111.9	131.7	126.0
Oceania	..	..	..	..	..	..
Developed countries	47.1	51.5	75.1	133.1	147.1	145.4
Least developed countries	34.7	45.7	62.5	116.8	121.3	128.4

Unit value indices of imports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	83.6	73.8	97.6	87.3	88.4	85.1
Developing countries	95.8	80.9	96.1	89.5	93.3	90.3
Africa	79.8	62.5	96.4	92.6	90.0	85.5
America	89.2	83.8	100.0	92.0	94.0	90.9
Asia	111.1	87.9	94.9	88.1	93.5	90.6
Oceania	..	..	..	..	..	..
Developed countries	86.1	77.2	99.6	85.7	86.0	83.0
Least developed countries	125.7	106.4	123.2	101.3	98.3	97.5

Purchasing power of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.1	48.9	68.7	127.0	140.4	139.4
Developing countries	32.5	32.3	52.9	121.6	139.5	136.9
Africa	114.2	107.0	92.3	117.7	137.5	138.9
America	46.4	52.8	61.4	143.5	168.9	168.2
Asia	20.7	20.7	47.2	118.1	133.9	130.4
Oceania	..	..	..	..	..	..
Developed countries	42.0	47.4	70.8	126.6	135.5	135.5
Least developed countries	31.9	45.8	66.6	117.0	141.9	143.0

4.3 International trade in services

OVERVIEW

International trade in **services** worldwide expanded rapidly in the late twentieth century, growing on average much faster than both the world GDP and world merchandise trade. In current US dollars, total exports of services more than quadrupled between 1980 and 2002, from approximately \$400 billion to about \$1 600 billion.

International trade in services is dominated by developed countries, which account for the bulk of services imports and exports and constantly run a surplus in their balance of trade in services. In 1980, developing countries' imports of services were over 30% of the world total, almost twice as much as their exports. Developing countries' exports of services grew on average 9% annually, against 8% for developed countries. However, developing countries' share of total imports of services fell abruptly in the 1980s and recovered only partially afterwards, reaching about one fourth of the world total by the early 2000s. As a result of these diverging trends, developing countries' overall trade deficit in services has been declining markedly.

Among developing regions, the most active and successful in world trade in services is Asia. Its share of world services exports rose from less than 10% in 1980 to 17% in 2002, progressively improving Asia's balance of trade in this area. By contrast, the relative positions of American and African developing countries deteriorated as their exports of services grew more slowly than the world average. Their imports of services also increased relatively slowly, driving down these regions' shares of world imports of services in the long run.

Finally, the least developed countries did not take advantage of the expansion of international trade in services, and their position in total exports was weaker in 2002 (0.4%) than it had been 20 years before (0.8%).

DEFINITIONS

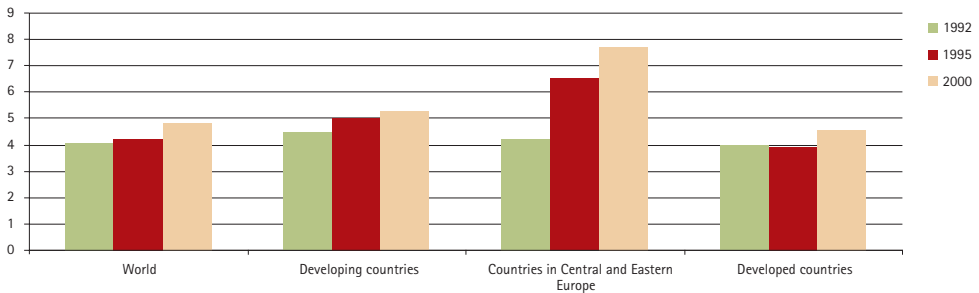
- **Services**, according to the *International Monetary Fund's Balance of Payments Manual*, are economic output of intangible commodities that may be produced, transferred and consumed at the same time. However, services cover a heterogeneous range of intangible products and activities that are difficult to capture within a single definition and are sometimes hard to separate from goods. Services are outputs produced to order, and they typically include changes in the condition of the consumers realized through the activities of the producers at the demand of customers. Ownership rights over services cannot be established. By the time production of a service is completed, it must have been provided to a consumer. Examples of services are wholesale, hotel, catering, transport, insurance, education, property rental, telecommunications, marketing, health, and cultural and recreational services.
- **International trade in services** is conventionally seen as trade in services between residents and non-residents of an economy. Since services require an immediate relationship between suppliers and consumers and in many cases are non-transportable, either the customer must go to the supplier or vice versa (for example, to get a haircut). International trade agreements concerning services often include provisions for suppliers' moving to the country of consumers. In such cases the traditional definition of "residents" and "non-residents" of an economy may not cover some important aspects of the international trade, such as services provided by foreign affiliates established abroad, many of which are considered "residents". The *Manual on Statistics of International Trade in Services (2002)* extends the scope of international trade in services to include foreign affiliates' trade in services and trade resulting from movement of natural persons. It is not suggested that these extensions be regarded as exports or imports.

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 5.1 and 7.1.

The data presented here are collected mainly through balance-of-payments statistics and they are established according to concepts described in the IMF *Balance of Payments Manual* (1993). The *Manual on Statistics of International Trade in Services* (2002), a joint publication by the United Nations, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, UNCTAD and the World Trade Organization, provides an extended framework and recommendations for collection of data in this domain. See also UNCTAD's *Trade in services and development implications* (2003).

Exports of services as % of GDP [1]



Services exports [1]

% of the world total, 1980 - 2002 average annual growth rate in % and 2002 exports in million US\$

Country groupings	1980	1990	2000	2002	1980 - 2002	2002
World	100.0	100.0	100.0	100.0	8.1	1 610 608
Developing countries	17.9	18.1	23.1	22.6	9.4	363 549
Africa	3.5	2.6	2.2	2.1	5.6	33 083
North Africa	1.3	1.3	1.1	1.1	6.6	17 561
Sub-Saharan Africa	2.1	1.3	1.0	1.0	4.7	15 522
Sub-Saharan Africa less South Africa	1.5	0.9	0.7	0.7	4.6	11 036
America	4.8	3.8	4.1	3.7	7.0	59 492
Central America and the Caribbean	2.5	2.2	2.4	2.2	7.2	36 000
South America	2.3	1.6	1.7	1.5	6.7	23 492
Asia	9.5	11.7	16.8	16.8	11.0	269 804
West Asia	2.7	2.1	2.4	1.9	6.8	30 344
Central Asia	-	-	0.2	0.2	-	3 607
South, East and South-East Asia	6.8	9.5	14.2	14.6	11.9	235 853
South, East and South-East Asia less China	6.3	8.8	12.2	12.2	11.5	196 109
Oceania	0.1	0.1	0.1	..	..	..
Countries in Central and Eastern Europe	..	..	3.6	4.2	..	67 377
Developed countries	79.1	79.9	73.2	73.2	7.6	1 179 682
North America	14.3	20.1	22.2	20.2	9.1	325 917
Europe	57.6	52.7	44.0	46.9	7.1	755 184
Others	7.2	7.1	7.1	6.1	7.3	98 581
<i>Memorandum</i>						
Developing countries less China	17.4	17.4	21.1	20.1	9.1	323 805
Least developed countries	0.8	0.5	0.5	0.4	4.7	7 031

Services imports [1]

% of the world total, 1980 - 2002 average annual growth rate in % and 2002 imports in million US\$

Country groupings	1980	1990	2000	2002	1980 - 2002	2002
World	100.0	100.0	100.0	100.0	7.5	1 595 606
Developing countries	30.7	21.4	26.3	25.3	6.7	404 401
Africa	6.9	3.5	2.6	2.7	2.7	43 262
North Africa	2.3	1.1	0.9	0.9	1.8	13 685
Sub-Saharan Africa	4.7	2.4	1.7	1.9	3.2	29 577
Sub-Saharan Africa less South Africa	3.9	2.0	1.4	1.5	3.1	24 256
America	6.9	4.2	4.9	4.2	5.9	67 651
Central America and the Caribbean	2.6	1.9	2.0	1.9	5.9	30 916
South America	4.3	2.4	2.9	2.3	5.9	36 735
Asia	16.8	13.5	18.7	18.3	7.8	292 200
West Asia	9.9	4.4	3.3	2.6	0.2	41 338
Central Asia	-	-	0.3	0.5	-	8 082
South, East and South-East Asia	6.9	9.2	15.1	15.2	11.9	242 779
South, East and South-East Asia less China	6.5	8.7	12.7	12.3	11.2	196 251
Oceania	0.1	0.1	0.1	..	..	..
Countries in Central and Eastern Europe	..	..	3.4	4.1	..	65 152
Developed countries	66.7	75.9	70.3	70.6	7.7	1 126 053
North America	12.0	16.9	17.6	16.9	7.7	269 861
Europe	44.6	46.6	42.7	44.8	7.8	714 277
Others	10.0	12.4	10.1	8.9	7.2	141 915
<i>Memorandum</i>						
Developing countries less China	30.3	20.8	23.9	22.4	6.2	357 873
Least developed countries	1.9	1.2	0.9	1.0	3.9	16 100

4.3 International trade in services

OVERVIEW

The main developing-country exporters of services are China and a few other large and medium-sized Asian and Latin American countries.

The largest and fastest-growing exporter of **transport services** is the Republic of Korea, which also has a high concentration of services exports in this category (over 45% of the total in 2000). China's exports of transport services would be even higher than Korea's if the figures included statistics from Hong Kong, SAR of China. Other large transport services exporters are Singapore, Taiwan Province of China, and Thailand.

Travel services exports from China grew exceptionally rapidly (almost 25% per year) between 1990 and 2000, reaching more than \$16 billion in 2000. They constitute over 50% of China's total exports of services and are far larger than those of any other developing country. Other major exporters of travel services are Mexico, Hong Kong, SAR of China and Turkey.

China and Mexico are by far the largest exporters of **communication services**; in 2000, each had more than \$1 billion in exports. Other important exporters are the Republic of Korea, Hong Kong, SAR of China and Egypt.

Turkey is the dominant exporter of **construction services** (over \$1 billion in 2000), followed by China, Hong Kong, SAR of China, Malaysia, Thailand and Brazil.

Hong Kong, SAR of China is the largest financial centre in the developing world, with over \$2.6 billion in exports of **financial services** in 2000. Taiwan Province of China, the Republic of Korea, Brazil and Turkey are other major exporters in this sector of services.

The leading developing-country exporter of **insurance services** is Mexico. Its exports of these services are very high (\$1.8 billion in 2000) and constitute a sizeable share (13%) of Mexico's total services exports. Other large exporters of insurance services are Singapore, Taiwan Province of China and South Africa.

DEFINITIONS

- **Transport services** cover all transportation performed by residents of one economy for residents of another that involves the carriage of passengers or goods (freight), rentals of carriers with crew, or related services. Freight insurance, repairs of transport equipment or harbors or airfields, and rentals of charters without crew are not included.
- **Travel services** include goods and services acquired from an economy by travellers during visits of less than one year. Transportation of passengers is excluded, as are goods purchased by travellers for resale in any economy.
- **Communication services** include postal and courier services and telecommunications services. The first group comprises transport and delivery of letters, other printed matter and packages, plus post office counter and mailbox rental services. Telecommunications services include transmissions of sound, images or other information by telephone, telex, telegram, facsimile, radio and television cables, e-mail, satellite and other means, including business networks and support services. The value of the information transmitted is not taken into account.
- **Construction services** cover work performed on construction projects and installation by employees of an enterprise in locations outside the economy to which the enterprise belongs.
- **Financial services** consist of financial intermediation and auxiliary services, except those involving life insurance and pension funds. These services are mainly related to banks, stock exchanges, factoring or credit card enterprises and similar companies.
- **Insurance services** involve different types of insurance provided by enterprises of one economy for residents of another or vice versa. They are valued according to the service charges included in premiums, rather than the total value of the premiums.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2002, table 5.2.

The data presented here are collected through balance-of-payments statistics and they are established according to concepts described in the IMF *Balance of Payments Manual* (1993). The *Manual on Statistics of International Trade in Services* (2002), a joint publication by the United Nations, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, UNCTAD and the World Trade Organization, recommends a more detailed disaggregating of different services sectors and provides an extended framework for services classification.

Top 10 developing-country exporters of services, by sector [1]

Ranked by year 2000 values

Country or area	1990		2000		1990 - 2000
	Million US\$	% of country's total	Million US\$	% of country's total	Average annual growth rate
Transport					
Korea, Republic of	3 179	33.0	13 687	44.8	15.4
China, Hong Kong SAR	..	..	12 772	31.3	..
Singapore	2 225	17.4	5 336	19.9	8.9
China, Taiwan Province of	2 323	33.1	4 063	20.4	5.1
China	2 706	46.2	3 671	12.1	3.2
Thailand	1 327	20.7	3 250	23.4	9.3
Turkey	920	11.5	2 955	14.5	13.8
Malaysia	1 198	31.0	2 802	20.1	8.7
Egypt	2 410	40.4	2 645	27.0	-0.3
Chile	714	38.6	2 188	53.6	12.9
Travel					
China	1 738	29.7	16 231	53.3	24.8
Mexico	5 527	68.3	8 294	60.3	3.6
China, Hong Kong SAR	..	..	7 930	19.5	..
Turkey	3 225	40.2	7 636	37.4	10.0
Thailand	4 325	67.4	7 483	54.0	5.7
Korea, Republic of	3 161	32.8	6 834	22.4	11.0
Singapore	4 650	36.3	5 394	20.2	0.6
Malaysia	1 684	43.6	5 011	35.9	9.6
Indonesia	2 153	86.5	4 974	95.4	8.4
Egypt	1 100	18.4	4 345	44.3	12.9
Communications					
China	159	2.7	1 345	4.4	14.9
Mexico	..	..	1 213	8.8	..
Korea, Republic of	395	4.1	387	1.3	3.2
China, Hong Kong SAR	..	..	362	0.9	..
Egypt	..	..	306	3.1	..
China, Taiwan Province of	315	4.5	294	1.5	1.8
Jamaica	..	..	209	10.3	..
Chile	17	0.9	207	5.1	29.2
Pakistan	..	..	190	13.8	..
Philippines	..	..	182	4.6	..
Construction					
Turkey	741	9.2	1 033	5.1	8.1
China	..	..	602	2.0	..
China, Hong Kong SAR	..	..	338	0.8	..
Malaysia	..	..	314	2.3	..
Thailand	..	..	230	1.7	..
Brazil	..	..	228	2.4	..
China, Taiwan Province of	31	0.4	119	0.6	11.2
Philippines	3	0.1	97	2.4	44.7
Egypt	..	..	93	0.9	..
Tunisia	..	..	50	1.8	..
Financial services					
China, Hong Kong SAR	..	..	2 677	6.6	..
China, Taiwan Province of	..	..	805	4.0	..
Korea, Republic of	1	0.0	705	2.3	80.6
Brazil	..	..	376	4.0	..
Turkey	..	..	368	1.8	..
Malaysia	..	..	160	1.1	..
Panama	23	2.1	141	7.1	19.2
Philippines	..	..	80	2.0	..
China	..	..	78	0.3	..
Barbados	..	..	75	6.9	..
Insurance					
Mexico	335	4.1	1 799	13.1	11.5
Singapore	88	0.7	957	3.6	23.6
China, Taiwan Province of	146	2.1	607	3.0	11.7
South Africa	355	10.4	451	9.2	9.5
China, Hong Kong SAR	..	..	443	1.1	..
Brazil	115	3.1	312	3.3	..
India	123	2.7	249	1.4	8.9
Malaysia	3	0.1	156	1.1	..
Iran, Islamic Republic of	..	..	118	8.5	..
Peru	80	10.0	112	7.0	7.4

4.3 International trade in services

OVERVIEW

The world's most visited country is France, which hosted 75 million **tourists** in 2001. The highest level of tourist expenditures, \$72 billion, was recorded in the United States, thanks to high per-capita spending by tourists travelling there.

The main tourist destination in East Asia is China, which received more than 33 million tourists in 2001, the highest figure for any developing country. **Tourism expenditures** in China increased sharply from \$2.2 billion in 1990 to almost \$18 billion in 2001. Malaysia and Thailand are also popular destinations. The most important tourist country in West Asia is Turkey, with over 10 million arrivals.

Tourism in Africa is much more developed in the north than in the sub-Saharan region of the continent. Tunisia, Egypt and Morocco each received more than 4 million tourists in 2001. Owing to rather high per-capita expenditures, Egypt's total tourist expenditures were much higher than those of the Maghreb countries. With the exception of South Africa, all countries in sub-Saharan Africa recorded fewer than 1 million **tourist arrivals** in 2001. This was true even in Botswana, Kenya, Mauritius and the United Republic of Tanzania, where the tourist industry is most developed.

By far the most popular tourist destination in Latin America is Mexico, with almost 20 million arrivals in 2001. Yet tourists' per-capita expenditures in Mexico are not very high. Several smaller Caribbean and Central American countries attract fewer but richer visitors, thereby generating sizeable benefits for the tourist industry. The leading destination in South America is Brazil, which in 2001 was visited by 4.8 million people, followed by Argentina, Uruguay and Chile.

Russia is the most visited country in Central and Eastern Europe, with almost 22 million arrivals in 2001, followed by Hungary and Poland with about 15 million each. Yet, since per-capita tourist expenditures in Russia are quite low, total tourist expenditures in Poland and Hungary are higher than in Russia.

DEFINITIONS

- **Tourists** in this context are non-resident tourists or international visitors, including all persons who arrive in an economy to stay for less than a year for business or personal reasons. Tourists are those who stay at least one night in collective or private accommodation in a country visited.
- **Tourism expenditures** correspond to the item "travel receipts" in the IMF balance-of-payments data. They refer to expenditures by non-resident tourists and visitors within the territory of a reporting economy. Transport expenditures are not included.
- **Tourist arrivals** represent the total number of non-resident tourists and visitors who arrived in a reporting economy during a given year. When the same person visits a country several times in a year, the total number of arrivals is counted. Similarly, when a person travels to several countries during one trip, his or her arrival in each country is recorded separately. Countries differ in how they count arrivals: some take into account all arrivals of non-resident visitors at national borders, while others count arrivals at hotels and other types of tourist accommodation.

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, table 5.3.

For more information, see the World Tourism Organization's *Yearbook of Tourism Statistics*. To examine the economic impact of tourism on least developed countries, refer to *Tourism in the Least Developed Countries* (2001), by UNCTAD and World Tourism Organization.

Arrivals and expenditures of tourists in selected countries [1]

	Tourist arrivals (thousand)			Tourism expenditures (million US\$)			Tourism expenditure per tourist (US\$)		
	1990	2000	2001	1990	2000	2001	1990	2000	2001
Africa									
South Africa	1 029	6 001	5 908	992	2 513	2 501	964	419	423
Tunisia	3 204	5 058	5 387	948	1 496	1 605	296	296	298
Egypt	2 411	5 116	4 357	1 100	4 345	3 800	456	849	872
Morocco	4 024	4 113	4 223	1 259	2 040	2 526	313	496	598
Zimbabwe	605	1 868	2 068	60	125	81	99	67	39
Central and South America and the Caribbean									
Mexico	17 176	20 641	19 810	5 467	8 295	8 401	318	402	424
Brazil	1 091	5 313	4 773	1 444	4 228	3 701	1324	796	775
Puerto Rico	2 560	3 341	3 551	1 366	2 388	2 728	534	715	768
Dominican Republic	1 305	2 973	2 882	900	2 860	2 798	690	962	971
Argentina	1 930	2 909	2 620	1 131	2 817	2 547	586	968	972
Uruguay	1 267	1 968	1 892	262	652	561	207	331	297
Cuba	327	1 741	1 736	243	1 737	1 692	743	998	975
Chile	943	1 742	1 723	540	827	788	573	475	457
Bahamas	1 562	1 544	1 538	1 324	1 719	1 636	848	1113	1064
West and Central Asia									
Turkey	4 799	9 586	10 783	3 225	7 636	8 090	672	797	750
United Arab Emirates	633	3 907	4 134	169	1 012	1 064	267	259	257
Cyprus	1 561	2 686	2 697	1 258	1 894	1 981	806	705	735
Kazakhstan	–	1 471	1 845	–	356	396	–	242	215
Jordan	572	1 427	1 478	512	722	700	895	506	474
Iran, Islamic Republic of	154	1 342	1 402	61	863	920	396	643	656
Syrian Arab Republic	562	1 416	1 318	320	1 082	..	569	764	..
South, East and South-East Asia and Oceania									
China	10 484	31 229	33 167	2 218	16 224	17 792	212	520	536
Malaysia	7 446	10 222	12 775	1 667	4 562	6 374	224	446	499
Thailand	5 299	9 579	10 133	4 326	7 489	7 077	816	782	698
Singapore	4 842	6 917	6 726	4 937	6 018	5 081	1020	870	755
China, Macao SAR	2 513	5 197	5 842	1 473	3 205	3 745	586	617	641
Indonesia	2 178	5 064	5 154	2 105	5 749	5 411	966	1135	1050
Korea, Republic of	2 959	5 322	5 147	3 559	6 811	6 373	1203	1280	1238
Guam	780	1 287	1 160	936	..	..	1200	..	..
Countries in Central and Eastern Europe									
Russian Federation	–	21 169	21 800	–	3 429	3 560	–	162	163
Hungary	20 510	15 571	15 340	824	3 445	3 770	40	221	246
Poland	3 400	17 400	15 000	358	6 100	4 815	105	351	321
Developed countries									
France	52 497	77 190	75 202	20 184	30 754	29 979	384	398	399
Spain	34 085	47 898	49 519	18 593	31 454	32 873	545	657	664
United States	39 362	50 945	44 898	43 007	82 400	71 893	1093	1617	1601
Italy	26 679	41 181	39 563	16 458	27 500	25 796	617	668	652

4.3 International trade in services

OVERVIEW

International trade in goods is conducted mainly by sea, and transport also plays a major role in international trade in services. Between 1968 and 2003, the world merchant fleet grew from 260 to 844 million **DWT** at an average annual rate of 3.5%.

The world merchant fleet is specialized. In 1970, 67% of the fleet consisted of tankers (45%) and bulk carriers (22%) for carrying dry bulks (goods such as iron ore, coal and grain). More recently, use of containers has given birth to the container ship, whose share in the world fleet has grown from 2% in 1980 to 10% in 2003. Meanwhile the share of tankers and bulk carriers has risen to 71%.

The structure of the world merchant fleet by group of country of registration has also changed over the years. Between 1968 and 2003, developing countries' share rose from 7% to 25%, and the share of **open-registry countries** increased from 19% to 47%. During this period, the shares of developed countries and Central and Eastern European countries decreased from 66% to 25% and from 7% to 2%, respectively. Most of the tonnage registered in open-registry countries in fact belongs to owners from developed countries, in the sense that they reap the benefits of ownership. At the beginning of 2003, 64 % of the fleet - measured in DWT - from 35 most important maritime countries and territories was registered under a foreign flag.

Between 1980 and 2000, the world **freight ratio** decreased slightly from 6.4 to 6.2%. The ratio for developed countries decreased from 5.5 to 5.2%, while the ratio for developing countries decreased from 10.4 to 8.8%. During this period, the freight ratio for countries in Africa and Oceania remained above 10%.

DEFINITIONS

- **DWT (deadweight tons)** is weight measure of a vessel's carrying capacity. It includes cargo, fuel and stores.
- A ship owner who registers his or her vessel in an **Open-registry country** does not need to have any connection with the country of registry. The number of open-registry countries has varied over the years, but six (the Bahamas, Bermuda, Cyprus, Liberia, Malta and Panama) consistently appear in this group.
- **Freight ratio** represents freight costs as a percentage of a country's import bill.

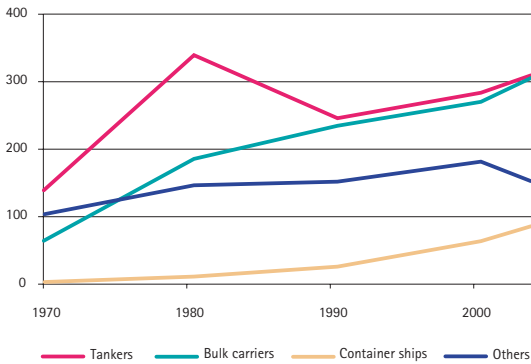
DATA SOURCES

[1] UNCTAD Review of Maritime Transport 2003.

Key developments affecting shipping, ports and multimodal transport are reviewed in UNCTAD's annual **Review of Maritime Transport**. For information on technical aspects of shipping, including security, see www.imo.org. To read about seafarers' working conditions, see www.ilo.org. For daily shipping highlights with in-depth coverage of tankers and bulk traffics, see www.lloydlist.com, and for coverage of containerized traffic see www.ci-online.co.uk. See also **Maritime Economics** by Martin Stopford.

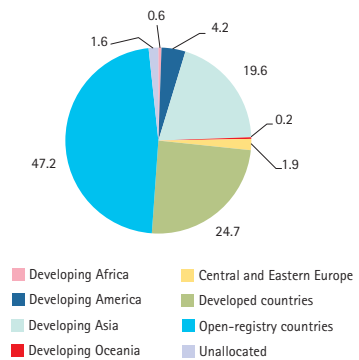
World fleet by major ship type [1]

(in millions of DWT)



Distribution of fleet in 2003 [1]

(in %)



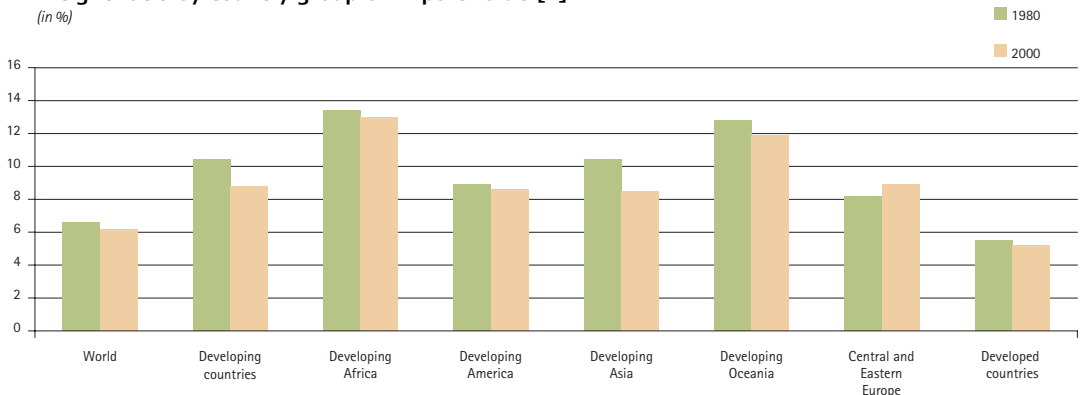
2003 fleet by type of ship and country group [1]

Distribution by major ship type and country group in % and fleet size in thousand DWT

Regions	Tankers	Bulk carriers	Container ships	Others	Fleet size
World	36.1	35.6	9.8	18.6	844 239
Developing countries	28.3	37.8	8.4	25.6	208 314
Africa	22.5	24.7	2.6	50.2	5 407
North Africa	13.6	32.8	3.0	50.7	3 616
Sub-Saharan Africa	40.5	8.4	1.8	49.2	1 791
America	25.1	27.4	11.5	36.0	35 651
Central America and the Caribbean	17.2	26.5	14.8	41.6	25 934
South America	46.2	29.8	2.7	21.3	9 717
Asia	29.3	40.4	8.0	22.3	165 241
West Asia	43.5	29.4	5.8	21.4	25 182
Central Asia	22.9	15.8	0.0	61.2	1 338
South, East and South-East Asia	26.8	42.7	8.4	22.1	138 721
Oceania	10.7	45.0	1.4	42.9	2 015
Countries in Central and Eastern Europe	17.3	25.3	2.4	54.9	15 909
Developed countries	45.6	21.9	13.3	19.3	208 405
North America	57.5	19.5	14.8	8.1	35 061
Europe	44.5	21.5	13.7	20.2	152 688
Others	32.7	28.9	7.2	31.2	20 656
Open registry countries	37.1	41.1	9.2	12.6	398 468
Unallocated	0.0	59.9	4.3	35.8	13 143
<i>Memorandum</i>					
Least developed countries	45.2	25.8	13.7	15.3	84 206

Freight ratio by country group of import value [1]

(in %)



4.4 Tariff protection

OVERVIEW

Tariffs of developed countries are currently at historically low levels. In the past decade, average **weighted tariffs** have fallen by half, from 6% in 1989–92 to 3% in 2001.

With few exceptions, average **unweighted** and **weighted tariffs** imposed by developed countries have fallen on exports from all trading partner regions. On the whole, the decline in tariffs has slowed since completion of the **Uruguay Round**. Tariff levels are relatively consistent across regions, with few apparent differences between average unweighted tariffs for all developing countries and those for all developed countries.

Significantly, almost all average weighted tariffs (except those for least developed countries) have fallen so low that they have only **nuisance** value. While the average unweighted tariff for least developed countries decreased during the past decade, its corresponding weighted rate increased. This could mean that these countries have shifted their export structure towards products that are more protected by developed countries.

The data are based on most-favoured-nation rates and do not include preferential tariffs. Inclusion of these tariffs may further reduce the tariff levels facing developing and least developed countries. Nevertheless, most-favoured-nation rates provide a ceiling reference for those countries in the absence of preferential treatment.

DEFINITIONS

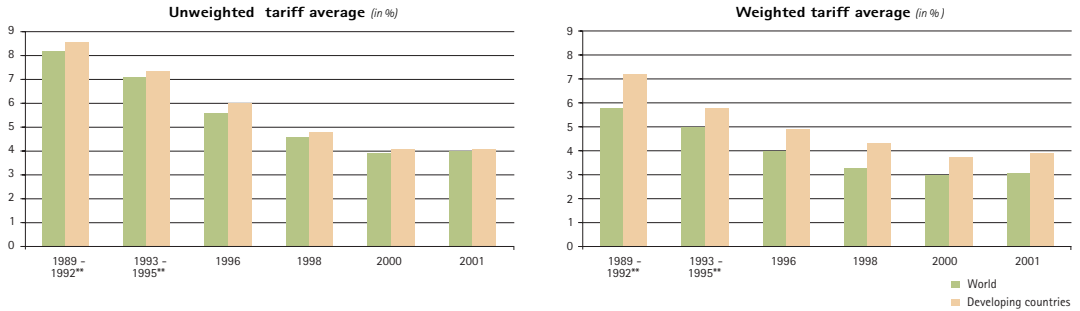
- **Tariffs** are the most common tool for regulating imports. They are used to protect domestic industries from foreign competition, to protect balances of payments, and to raise revenues. Tariff measures are applied when a product crosses the boundary of a customs area. These measures increase the import price by a fixed percentage or amount, which is calculated on the basis of the product's value (*ad valorem* tariffs) or physical quantity (*specific tariffs*). In addition to tariffs, non-tariff measures are often used to control imports. Typical non-tariff measures include quantity control measures such as licensing, quotas and prohibitions, as well as price control measures and health and safety measures.
- **Unweighted tariffs** are calculated by taking the simple average of the most-favoured-nation rates for each developed country using the 6-digit HS (Harmonized Commodity Description and Coding System) representing non-agricultural, non-fuel products, and then aggregating across all corresponding 6-digit HS items and developed countries for which bilateral trade with each partner region has taken place. Non-agricultural and non-oil products have been selected to avoid difficulties in dealing with non-*ad valorem* (non-value-based) rates, which are often used for agricultural and petroleum products by many developed countries.
- **Weighted tariffs** are calculated from the simple average rate obtained at the HS 6-digit level (see the above definition of unweighted tariffs) and aggregating across products and countries using bilateral trade with trading partner regions as weights.
- The **Uruguay Round** is the largest trade negotiation ever held. It lasted from 1986 to 1994 and involved 123 countries. Agreements concluded during the Uruguay Round have led to significant liberalization of international trade. The process also created monitoring mechanisms, including the World Trade Organization.
- Tariffs with low rates are often called **nuisance tariffs** because, even though they no longer serve their original purpose, importers are still obliged to go through the sometimes lengthy procedure of paying them.

DATA SOURCES

[1] UNCTAD Database on Trade Analysis and Information System (TRAINS).

WITS (World Integrated Trade Solution), developed jointly by UNCTAD and the World Bank, is a software that allows users to consult databases, extract data from them, and perform simulations. Use of WITS is free, although some databases themselves charge a fee or limit access depending on the user's status. For more information, visit the TRAINS and WITS websites at www.unctad-trains.org and wits.worldbank.org. See also the **UNCTAD Handbook of Statistics 2003**.

Most-favoured-nation tariff of developed countries* by partner region for non-fuel and non-agricultural products [1]



Most-favoured-nation tariff of developed countries* [1]

Unweighted tariff average in % by partner region for non-fuel and non-agricultural products

Partner region	1989-1992**	1993-1995**	1996	1998	2000	2001
World	8.2	7.1	5.6	4.6	3.9	4.0
Developing countries	8.6	7.3	6.0	4.8	4.1	4.1
Africa	8.7	7.6	7.0	5.8	4.8	4.7
North Africa	9.0	8.0	10.0	8.4	5.8	5.7
Sub-Saharan Africa	8.3	7.4	6.5	5.4	4.5	4.5
Sub-Saharan Africa less South Africa	7.7	7.2	7.3	5.9	4.8	4.7
America	8.2	7.2	6.3	5.1	4.4	4.3
Central America and the Caribbean	7.9	7.2	6.5	5.2	4.5	4.4
South America	8.2	7.1	6.3	5.2	4.4	4.3
Asia	8.7	7.4	6.1	4.9	4.2	4.2
West Asia	9.0	7.7	8.2	6.9	5.4	5.3
Central Asia	5.5	5.4	4.7	4.9	4.1	4.2
South, East and South-East Asia	8.8	7.4	6.1	4.9	4.2	4.2
South, East and South-East Asia less China	8.9	7.6	6.2	5.0	4.2	4.2
Oceania	13.1	10.5	10.8	9.1	6.6	6.2
Countries in Central and Eastern Europe	8.3	6.8	6.8	5.6	4.7	4.7
Developed countries	8.2	7.1	5.7	4.6	4.0	4.1
North America	8.3	7.2	5.8	4.6	4.0	4.0
Europe	8.3	7.2	5.8	4.7	4.0	4.1
Others	8.9	7.6	6.1	4.9	4.1	4.2
<i>Memorandum</i>						
Developing countries less China	8.6	7.4	6.0	4.9	4.2	4.2
Least developed countries	9.4	8.6	9.5	7.7	6.0	5.9

Most-favoured-nation tariff of developed countries* [1]

Weighted tariff average in % by partner region for non-fuel and non-agricultural products

Partner region	1989-1992**	1993-1995**	1996	1998	2000	2001
World	5.8	5.0	4.0	3.3	3.0	3.1
Developing countries	7.2	5.8	4.9	4.4	3.8	3.9
Africa	5.0	5.3	2.9	3.2	4.0	4.0
North Africa	9.3	9.3	7.4	7.7	7.5	7.3
Sub-Saharan Africa	2.8	2.9	2.3	2.5	2.3	2.4
Sub-Saharan Africa less South Africa	3.1	3.1	3.0	4.2	3.3	3.4
America	5.1	5.0	5.3	4.8	3.9	4.1
Central America and the Caribbean	5.6	5.7	5.8	5.2	4.2	4.5
South America	4.3	3.6	3.3	2.9	2.5	2.4
Asia	7.8	6.0	4.8	4.2	3.7	3.9
West Asia	8.9	8.1	6.8	6.7	6.6	6.6
Central Asia	3.2	2.5	3.4	2.9	2.5	2.8
South, East and South-East Asia	7.8	6.0	4.8	4.1	3.6	3.7
South, East and South-East Asia less China	7.3	5.4	3.9	3.5	3.1	3.3
Oceania	3.6	3.1	7.2	8.7	4.8	3.8
Countries in Central and Eastern Europe	6.5	4.5	2.6	2.5	3.6	4.1
Developed countries	5.1	4.6	3.5	2.7	2.5	2.5
North America	4.8	4.6	3.8	3.0	2.4	2.5
Europe	5.2	4.6	3.3	2.6	2.6	2.6
Others	5.4	4.5	3.0	2.3	2.3	2.4
<i>Memorandum</i>						
Developing countries less China	6.7	5.4	4.4	4.0	3.5	3.8
Least developed countries	4.9	5.9	8.9	10.5	8.6	8.8

* Australia, Canada, European Union, Japan, New Zealand, United States.

** The rates shown are taken from the most recent year within the period for which data are available.

4.4 Tariff protection

OVERVIEW

The past two decades have seen dramatic drops in both **unweighted** and **weighted tariffs** of developing countries. While the momentum seems to have slowed, almost all average weighted tariffs, including those of least developed countries, have fallen 40% to 70%. Exceptions are North Africa and West Asia, where tariffs have fallen 16% and 19% respectively. However, since 1996, a majority of average unweighted and weighted tariffs have stabilized. During this period average weighted tariffs for all developing countries have declined only 4%.

Although average tariff rates of all developing regions have fallen, they remain relatively high compared with rates elsewhere in the world. There is also wide variation among regions. The average unweighted tariff ranges from around 9% in Central America and the Caribbean to 26% in North Africa. The weighted average remains above 10% in all regions of Africa and America, but has dropped below this threshold in Asia in recent years.

The data are based on **most-favoured-nation** (MFN) rates and do not include preferential tariffs. The inclusion of any preferential arrangements or tariffs (ASEAN, COMESA, etc.) would offer further advantage to those member countries.

DEFINITIONS

- **Unweighted tariffs** for the three most recent periods are calculated by taking the simple average of the most-favoured-nation rates of developing countries at the 6-digit HS (Harmonized Commodity Description and Coding System) and then aggregating across all HS 6-digit items. For more information on tariffs, refer to 4.4A.
- **Weighted tariffs** are calculated from the simple average rate obtained at the HS 6-digit level (see the above definition of unweighted tariffs) and aggregating across products and countries using each country's total imports from the world as weights.
- **Most-favoured-nation** (MFN) tariff rates are the "normal", non-discriminatory rates charged on imports. The term "most favoured nation" comes from the GATT negotiations in which participants agreed to treat all members equally, without discrimination. Today the term is misleading: in practice, a country's MFN rates are sometimes its highest tariff rates, since the country may apply lower rates to imports of certain products from selected countries.

DATA SOURCES

[1] UNCTAD, *Directory of Import Regimes, Part I: Monitoring Import Regimes*, (Part I), United Nations, 1994 (for 1980–83, 1984–87, 1988–90 and 1991–93). *UNCTAD Database on Trade Analysis and Information System (TRAINS)* (for 1994–96, 1997–99 and 2000–01).

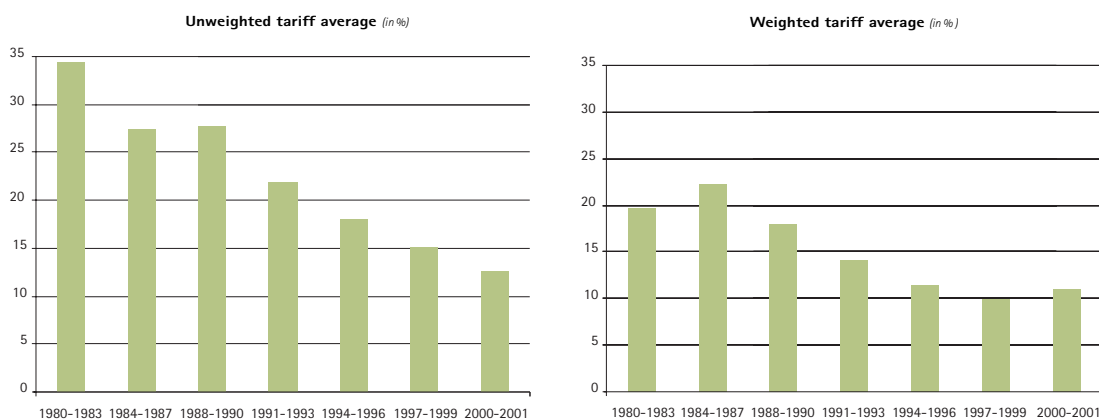
Comparison of data for the first four periods with data for the three more recent ones requires caution. In the *Directory of Import Regimes*, the base nomenclature of product classification for tariff rates was the CCCN (Customs Cooperation Council Nomenclature), and therefore the initial simple averages were calculated at the most detailed level of that nomenclature.

Within each period, all developing countries in the respective regions for which data are available were considered. Therefore not all countries are represented in all periods. If a country has data for more than two years within a period, only the most recent years are used.

South America and Central Asia in 1980–83, Central America and the Caribbean in 1988–93 and all periods for Oceania are omitted because data available are not sufficient. South Africa has no available data pre-1994, which affects the figures for sub-Saharan Africa.

WITS (World Integrated Trade Solution), developed jointly by UNCTAD and the World Bank, is a software that allows users to consult databases, extract data from them, and perform simulations. Use of WITS is free, although some databases themselves charge a fee or limit access depending on the user's status. For more information, visit the TRAINS and WITS websites at www.unctad-trains.org and wits.worldbank.org. See also the *UNCTAD Handbook of Statistics 2003*.

Most-favoured-nation tariff of developing countries for all products [1]



Most-favoured-nation tariff of developing countries [1]

Unweighted tariff average in % for all products

Region	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	34.4	27.3	27.6	21.9	18.0	15.1	12.6
Africa	35.1	25.6	26.1	26.5	20.5	20.6	15.8
North Africa	38.3	31.2	28.5	24.4	22.3	25.0	26.1
Sub-Saharan Africa	33.8	22.8	25.4	32.8	20.0	19.2	15.0
Sub-Saharan Africa less South Africa	33.8	22.8	25.4	32.8	20.2	20.2	15.3
America	24.9	26.6	23.9	12.3	14.0	12.7	10.4
Central America and the Caribbean	29.5	18.4	..	..	14.9	12.1	8.9
South America	11.2	29.7	25.7	12.2	13.2	13.5	12.1
Asia	36.5	29.6	31.0	26.8	21.0	14.4	11.9
West Asia	12.5	13.9	13.0	10.6	10.7	8.8	10.1
South, East and South-East Asia	43.7	36.2	35.9	29.5	22.6	16.5	12.6
South, East and South-East Asia less China	43.0	35.9	35.5	28.8	22.6	16.4	12.4
<i>Memorandum</i>							
Developing countries less China	34.0	27.1	27.2	21.3	17.9	15.1	12.6
Least developed countries	41.7	29.2	34.4	48.7	23.5	18.2	13.4

Most-favoured-nation tariff of developing countries [1]

Weighted tariff average in % for all products

Region	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	19.7	22.2	17.9	14.1	11.4	9.9	11.0
Africa	26.3	20.9	22.5	19.4	15.5	14.8	14.0
North Africa	26.9	21.2	20.0	19.4	19.7	18.6	22.7
Sub-Saharan Africa	25.8	20.3	26.8	..	12.1	10.2	10.7
Sub-Saharan Africa less South Africa	25.8	20.3	26.8	..	16.0	19.3	14.6
America	24.7	28.6	20.0	12.4	11.9	14.1	13.5
Central America and the Caribbean	25.1	13.2	..	..	11.6	14.8	14.7
South America	..	36.4	24.9	12.5	12.1	13.1	11.2
Asia	16.6	20.9	17.1	14.2	11.0	8.2	9.7
West Asia	-	10.3	13.4	10.4	8.2	7.6	8.3
South, East and South-East Asia	23.8	24.0	17.6	14.5	11.2	8.3	9.8
South, East and South-East Asia less China	23.8	22.6	14.9	11.5	8.7	6.6	7.8
<i>Memorandum</i>							
Developing countries less China	19.7	18.6	14.2	10.5	10.0	9.2	10.4
Least developed countries	42.8	37.7	42.0	..	49.0	19.1	14.6