

Recent developments in international trade and in the use of trade policy instruments

Short courses for Permanent Missions in Geneva
Organised by the Division on Technology and Logistics

Delivered by the
Division on International Trade in Goods and Services, and
Commodities- Trade Analysis Branch

Friday, 12 February 2016



**COURSE ON KEY ISSUES
ON THE INTERNATIONAL
ECONOMIC AGENDA**



Structure of this short course:

- Introduce two publications
- Trade Slowdown
- Regional Trade Agreements
- Discussion
- Questions and Answers

Objective: to provide better understanding of what is happening to international trade, and to provide some insights on trade agreements.

Paragraph 18(d) of the Doha Mandate of UNCTAD XIII provides that UNCTAD should “continue to monitor and assess the evolution of the international trading system and its trends from a development perspective”



Purpose of the two publications:

Inform by providing factual information on the trends in international trade flows and on the use of trade policy instruments.

Format/Content:

Published once a year (fall)

- a) Thematic part
- b) Series of trade and trade policy indicators

Data is presented in a very intuitive format.

Target audience:

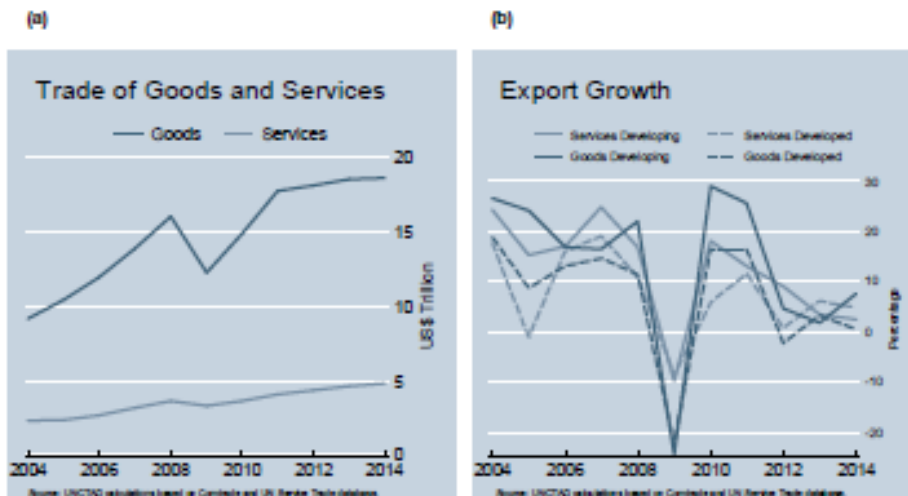
Trade practitioners/policymakers. Non-technical.

Feedback, comments, suggestions most welcome.

2. TRENDS IN INTERNATIONAL TRADE

International trade largely relates to physical goods. Although increasing, trade in services accounts for a much lower share. As of 2014 world trade in goods has been valued at more than US\$18.5 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. Since then year-on-year growth rates have been considerably lower.

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 less than US\$ 10 trillion in 2004 to more than US\$ 18.5 trillion in 2014. Trade in services has also greatly increased between 2004 and 2014 (from just above US\$ 2 trillion to almost US\$ 5 trillion). As of 2014, the value of international trade of both goods and services has completely recovered from the dip in 2009, and largely surpassed pre-crisis levels (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. (Figure 1b). The slowdown has also largely affected developing countries' growth rates which have been below those of developed countries in some of most recent years, especially in relation to services.

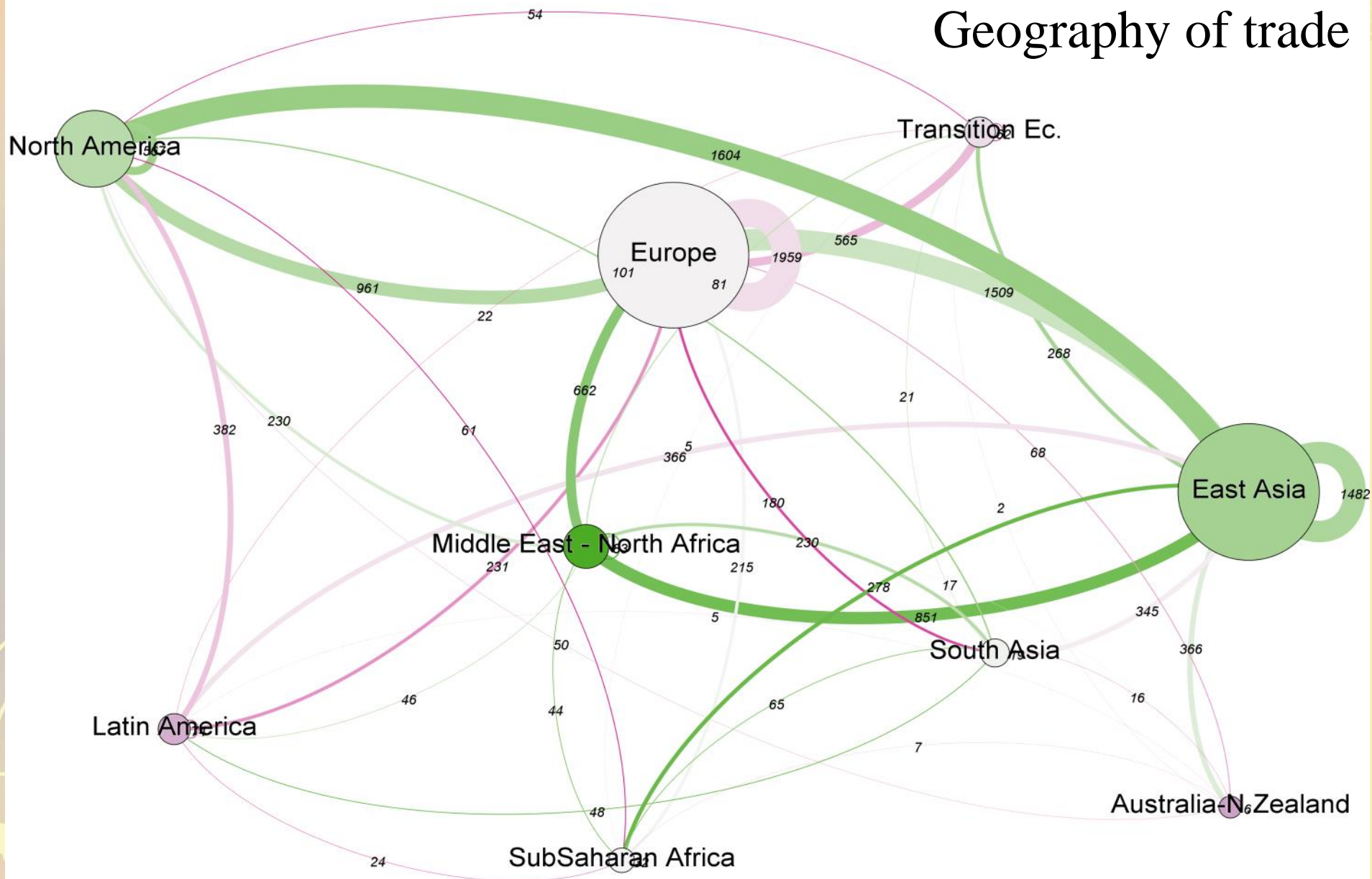
FORMAT:

← **Highlights**

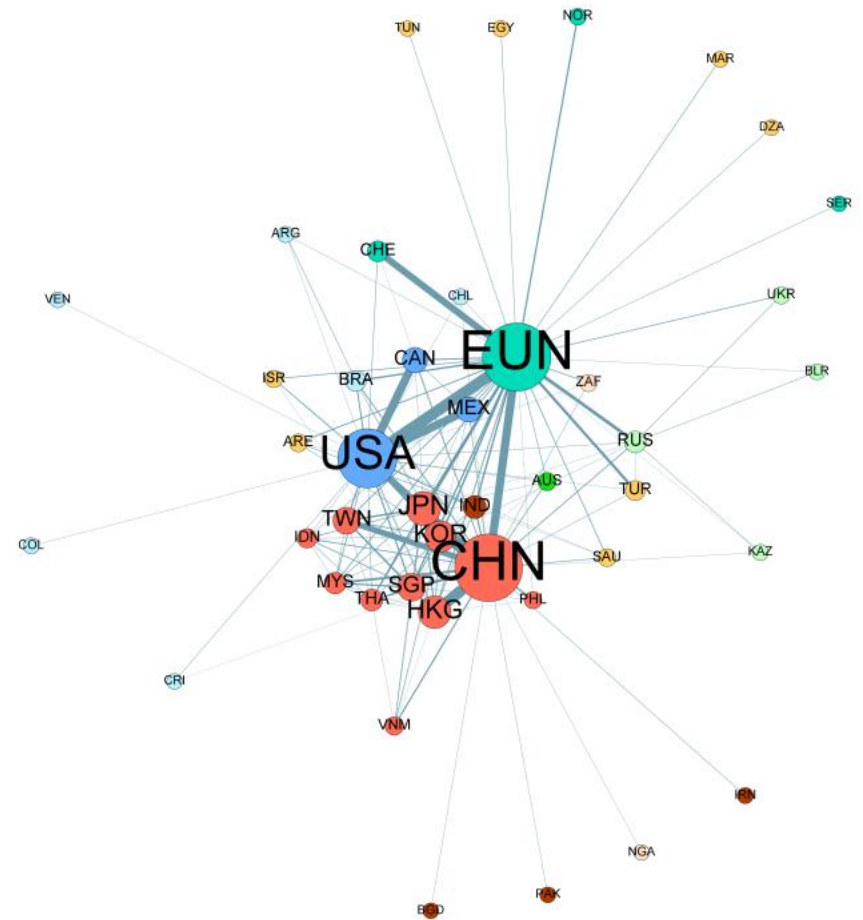
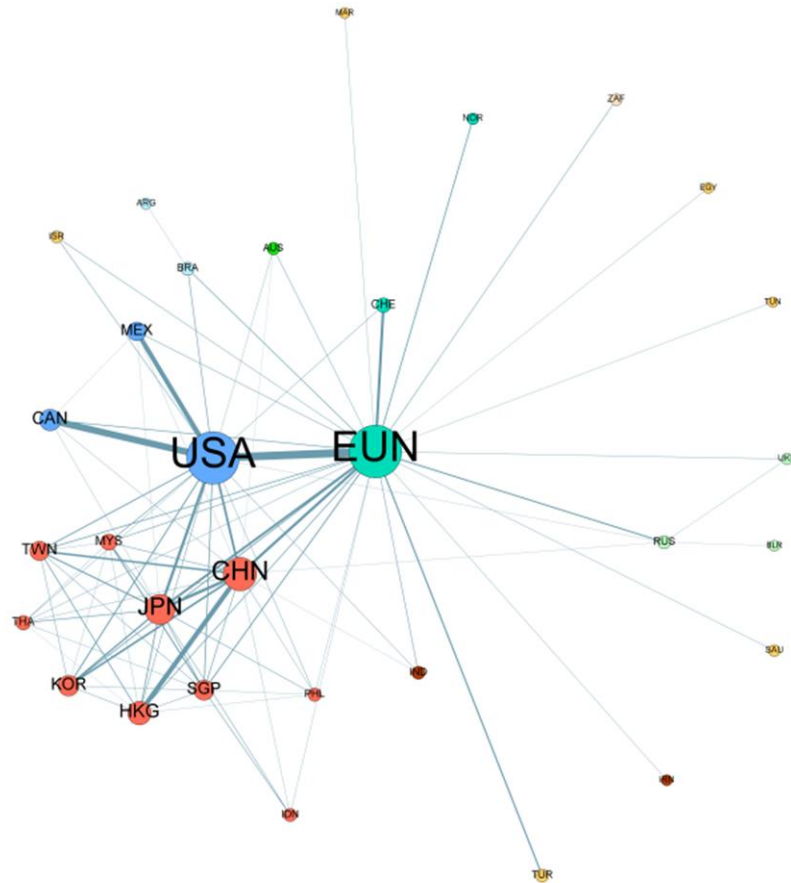
← **Indicators**

← **More detailed discussion**

Geography of trade

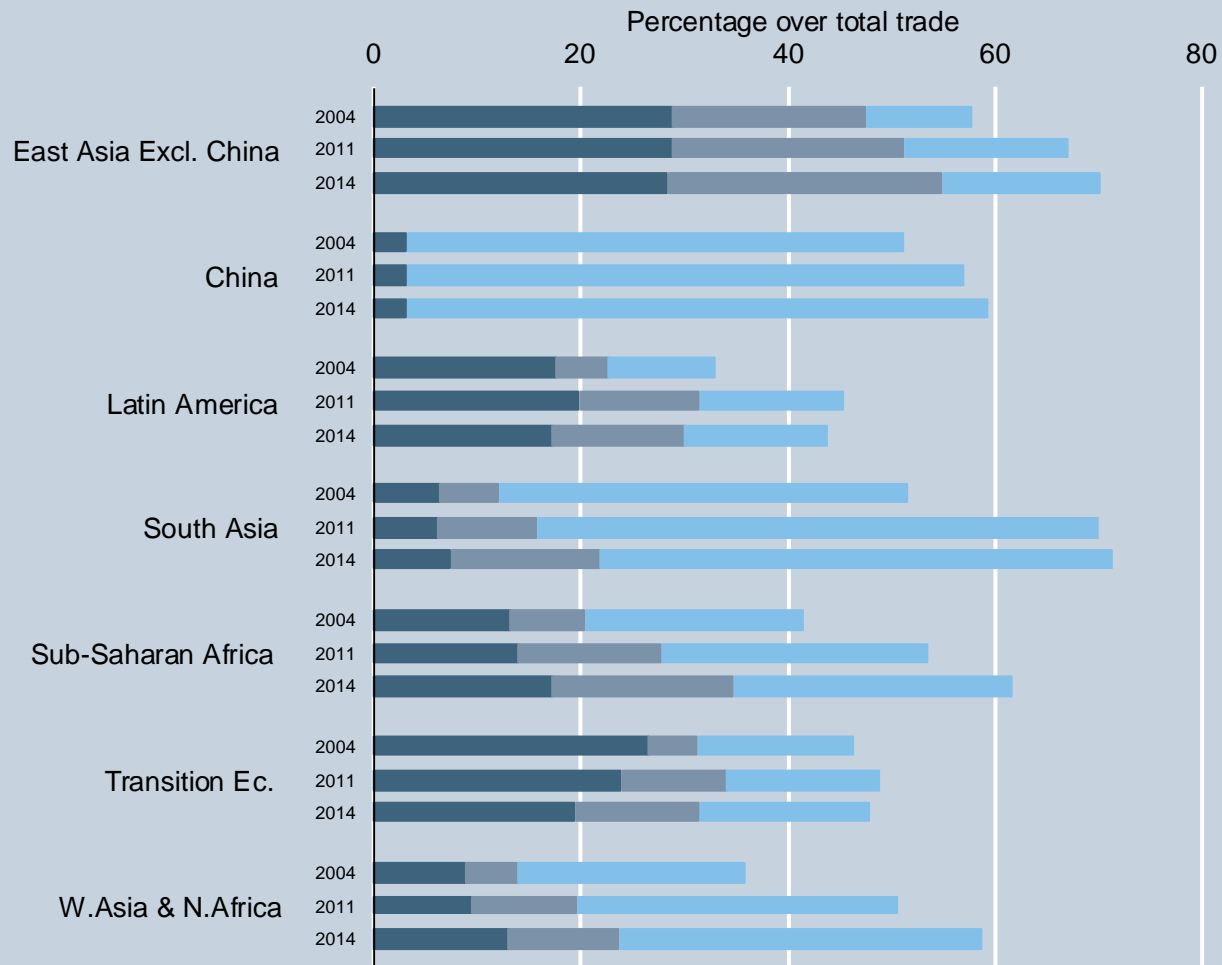


Network analysis in the trade of parts and components (2004 vs 2014)



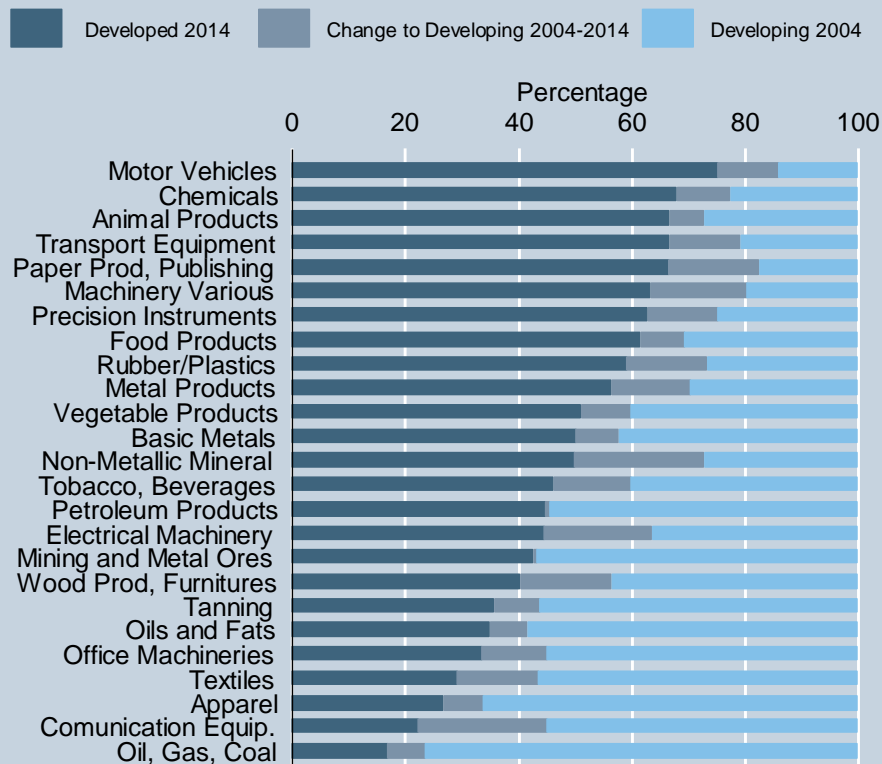
South-South Trade

Intraregional
 with China
 Other South-South



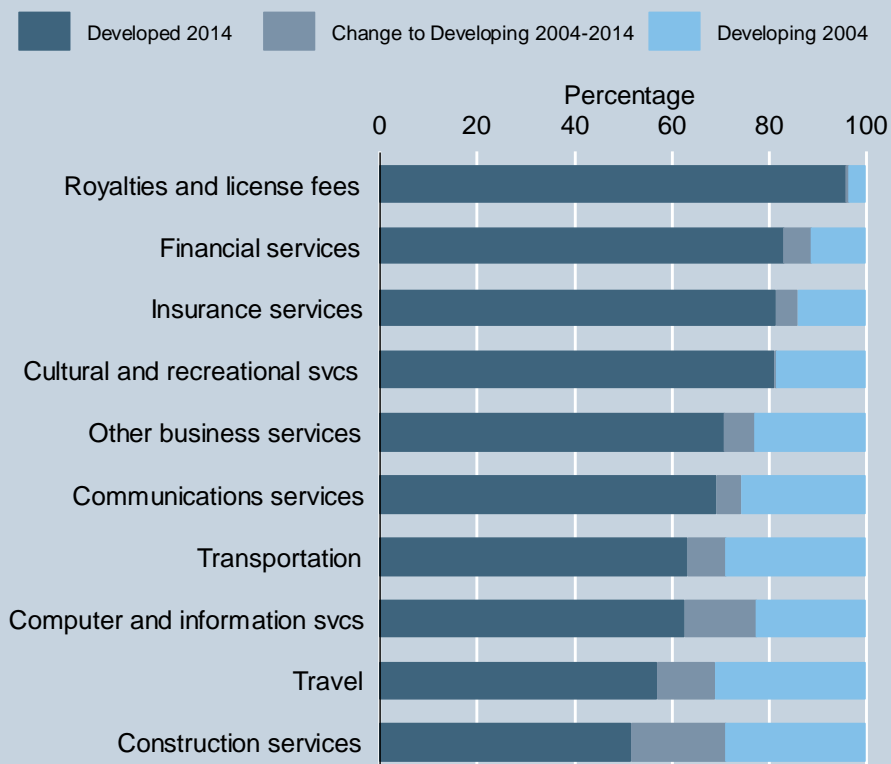
Source: UNCTAD calculations based on Comtrade data.

Export Market Share (2014)



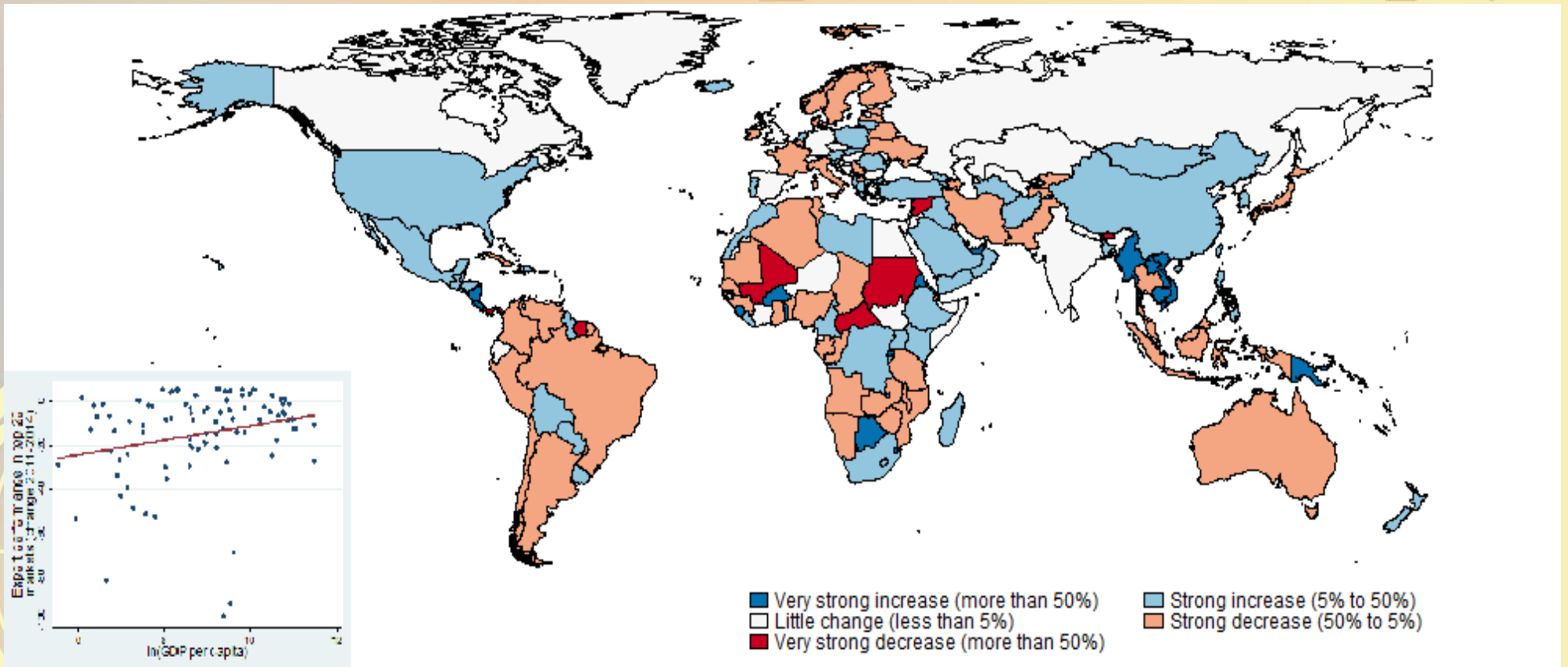
Source: UNCTAD calculations based on UN Service Trade database.

Export Market Share (2014)

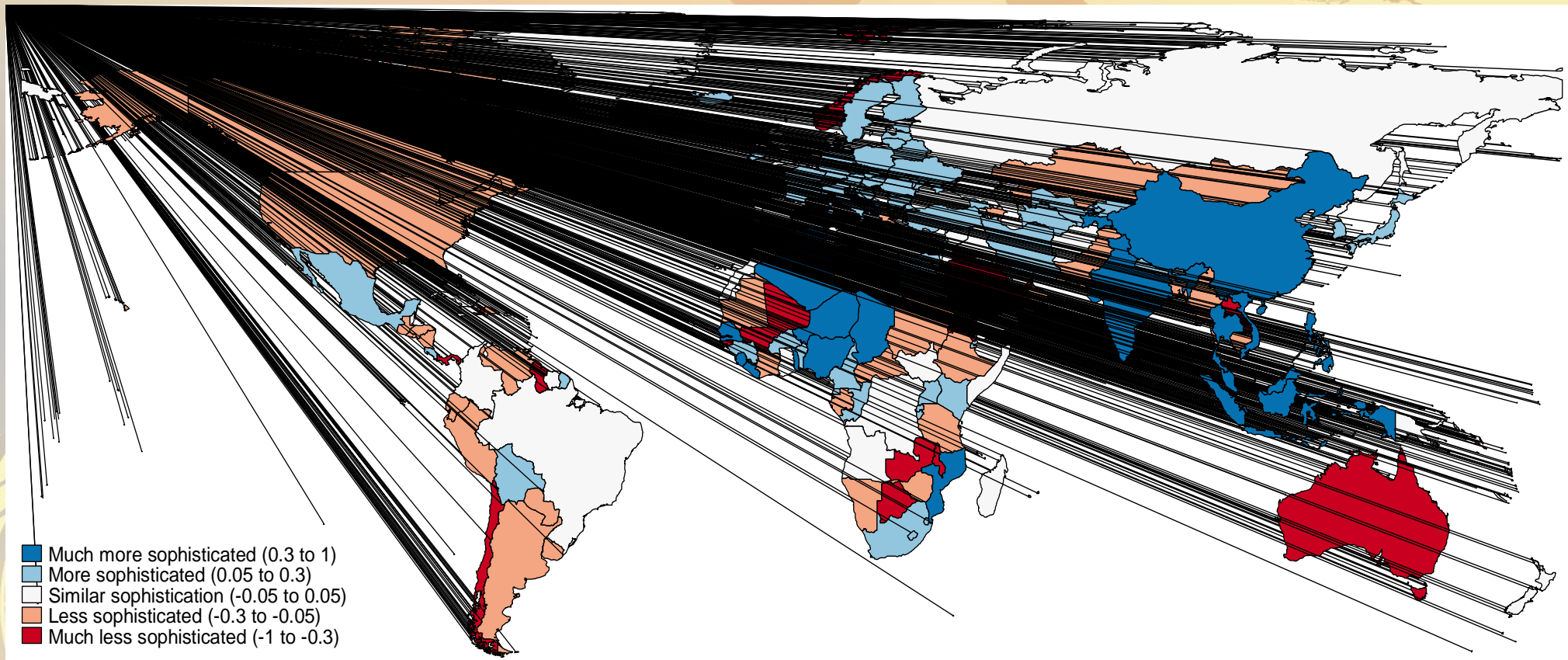


Source: UNCTAD calculations based on UN Service Trade database.

Change in Export Competitiveness top 20 markets (since 2011)



Export sophistication gap (2014)



Overall export performance (since 2011)

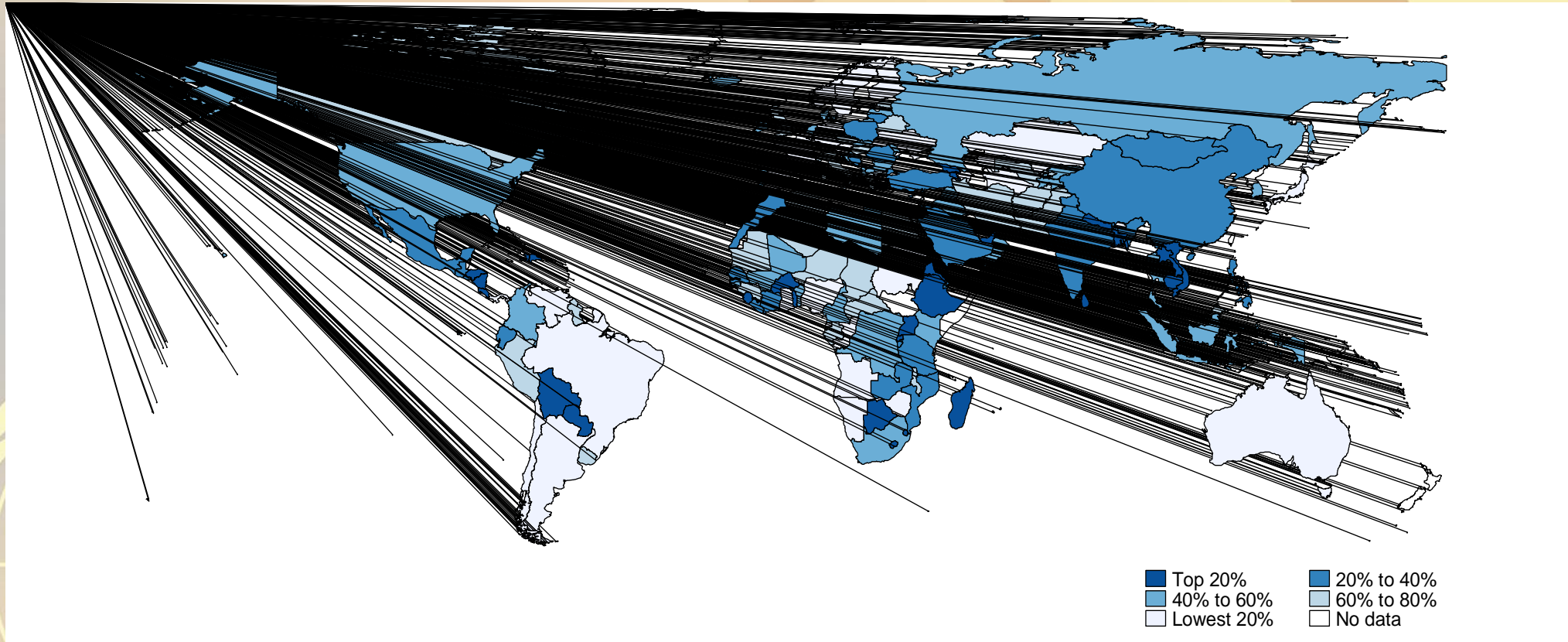
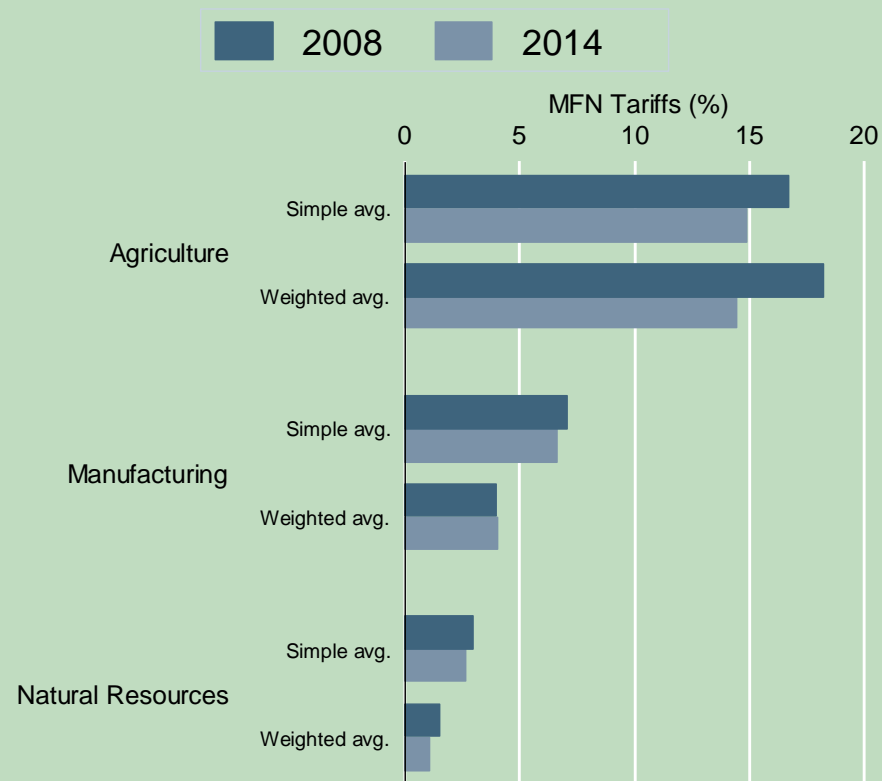


Table 1: Tariff Restrictiveness, Matrix by Region (2014)

Importing Region	Exporting Region						
	Developed Countries	East Asia	Latin America	South Asia	Sub-Saharan Africa	Transition Economies	W.Asia & N.Africa
Developed Countries	1.8	2.7	1.1	2.9	0.3	1.1	0.4
	-0.3	0.3	0.3	0.0	-0.2	0.2	-0.1
East Asia	5.2	2.6	4.5	3.2	1.9	2.6	1.6
	-0.6	-0.7	-0.2	-0.9	0.1	0.0	-0.2
Latin America	3.8	9.2	1.1	9.7	1.5	2.1	2.9
	-0.3	-0.4	-0.6	-0.5	-0.3	0.5	-0.2
South Asia	10.6	13.2	10.2	7.1	4.5	7.4	5.2
	0.8	0.8	-3.7	-0.7	-2.0	0.4	-2.9
Sub-Saharan Africa	7.5	11.4	9.1	8.1	3.9	6.9	5.1
	-0.7	-0.2	0.0	0.3	-0.7	-0.4	-0.3
Transition Economies	4.6	6.7	9.0	6.7	1.7	0.4	6.2
	-2.0	-2.4	-2.7	-2.5	-1.2	0.3	-1.4
W.Asia & N.Africa	3.7	5.6	5.4	4.0	3.5	6.9	1.6
	-0.7	-0.3	-1.3	0.1	-0.4	3.0	-0.3

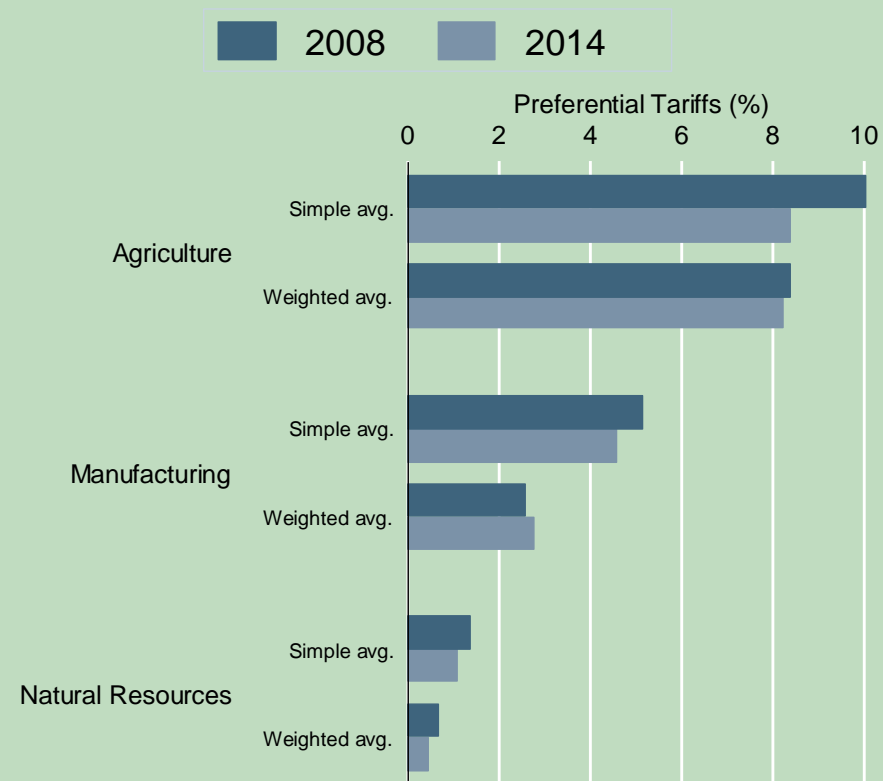
Note: changes between 2008-2014 in smaller font

Multilateral Liberalization



Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data

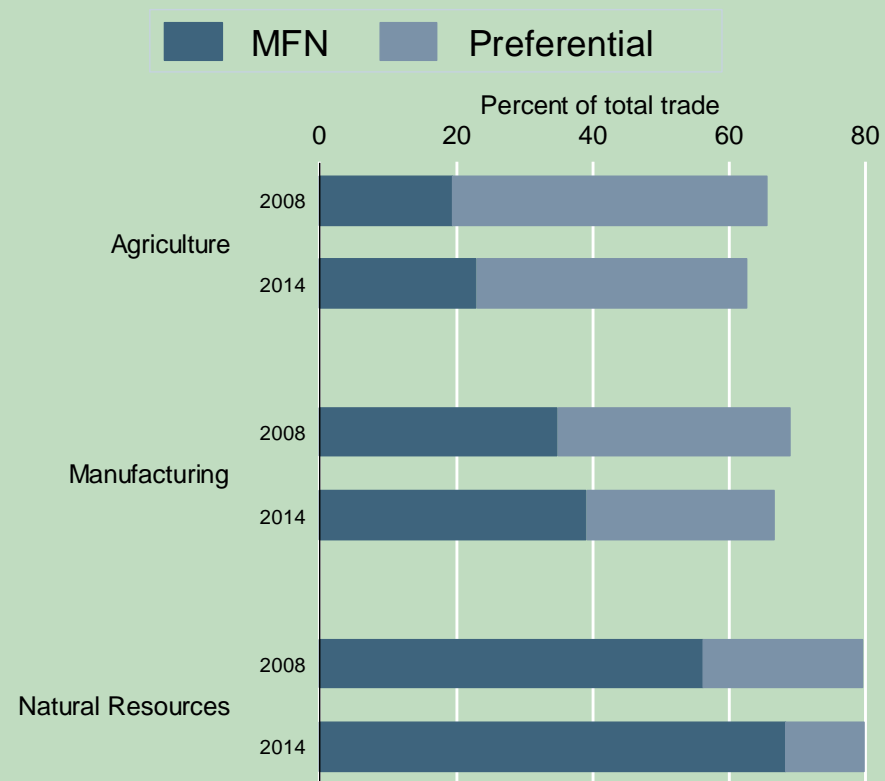
Preferential Liberalization



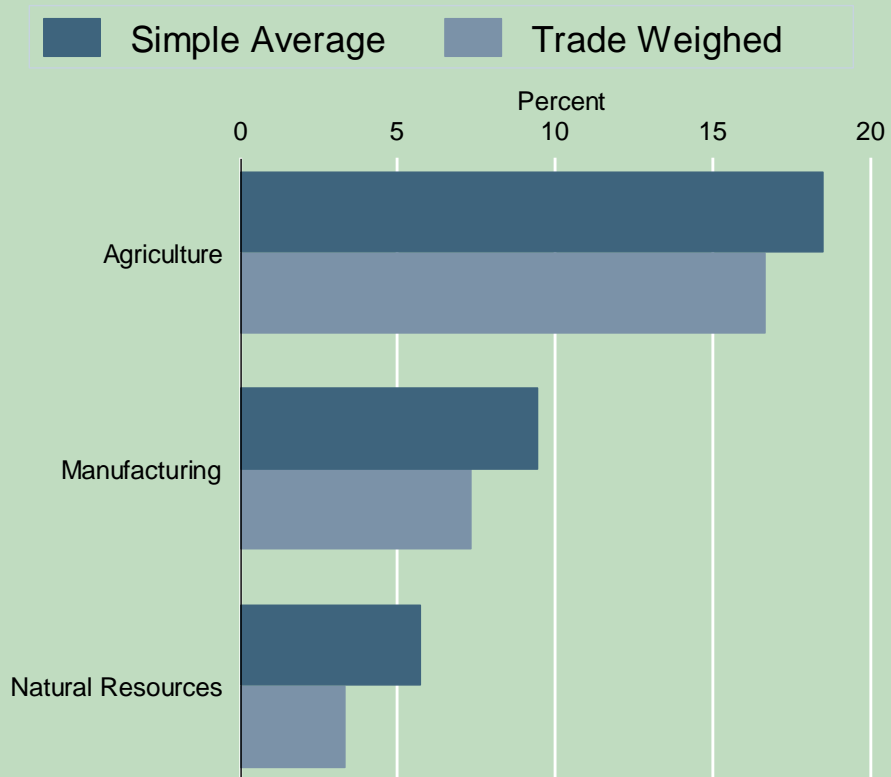
Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data

Free trade and remaining tariffs

Free Trade

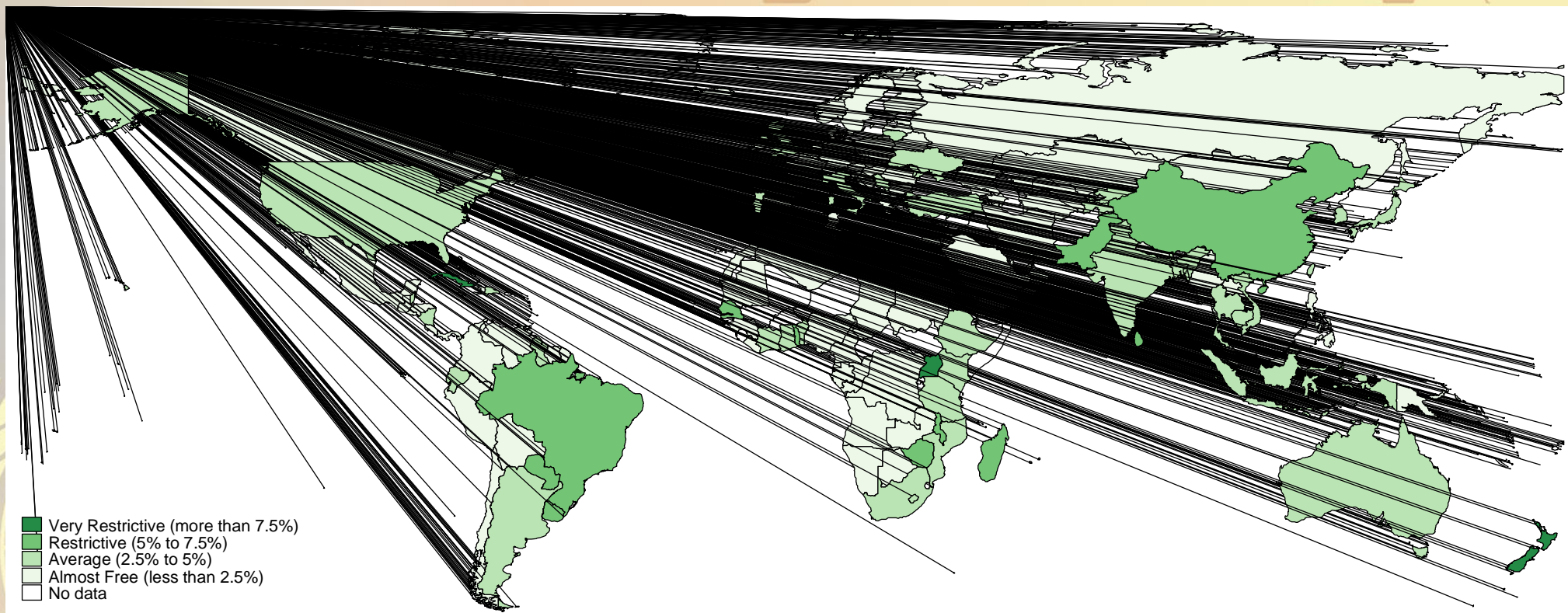


Average Tariff on Non-Free Trade

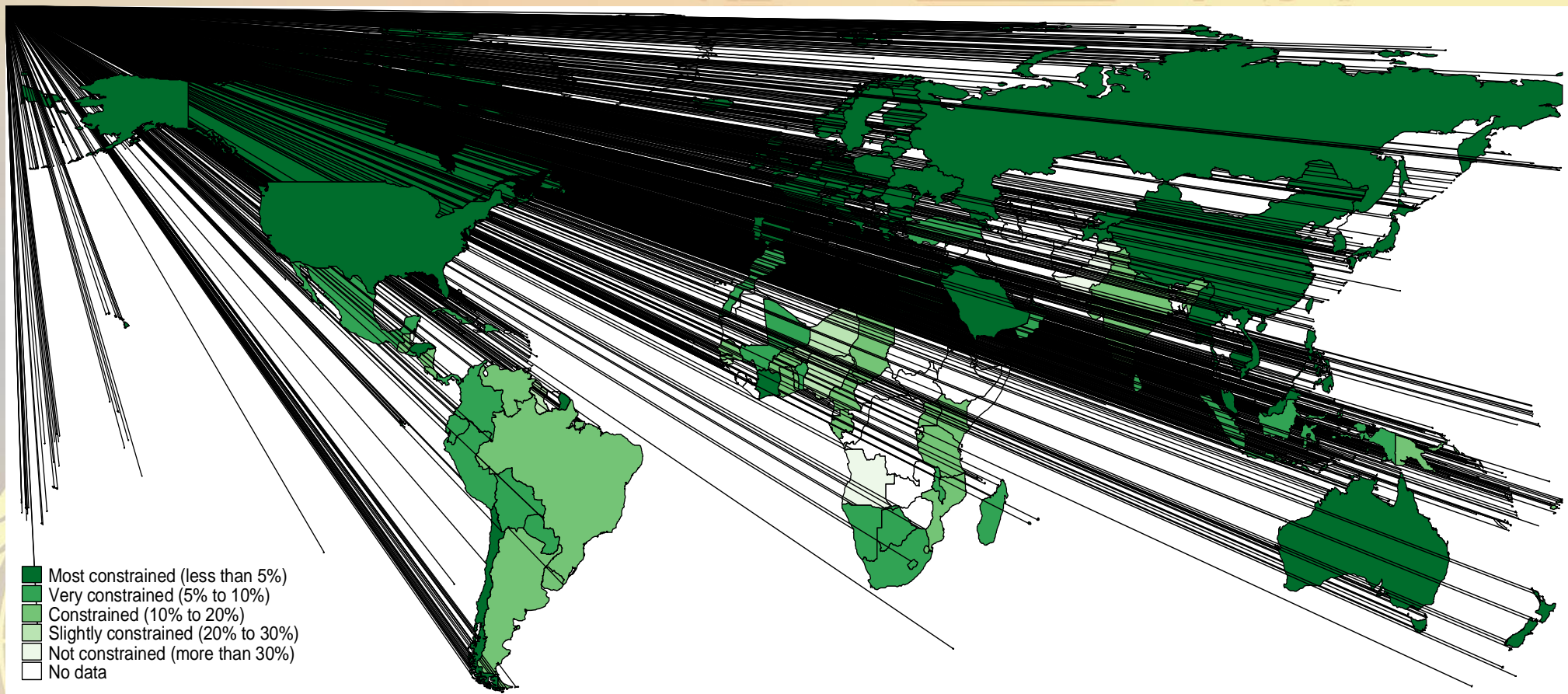


Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data

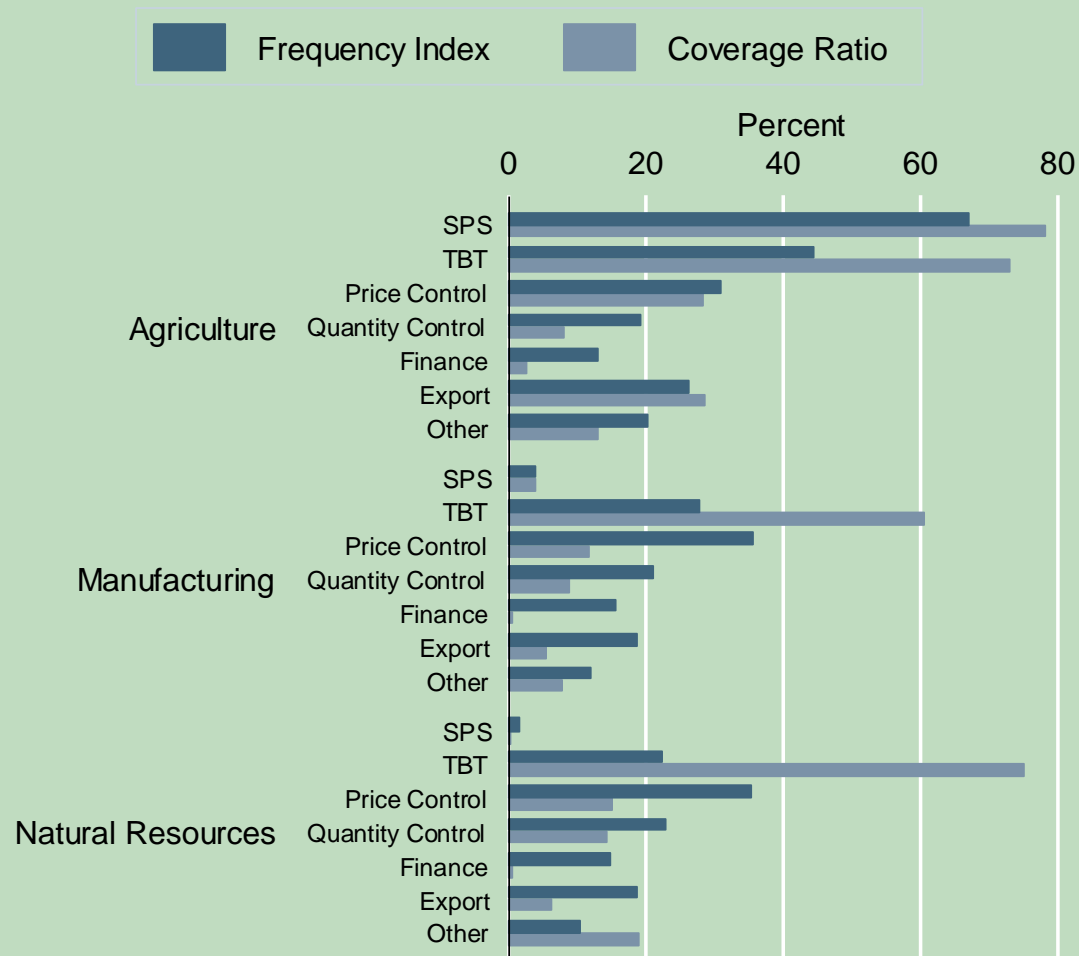
Export restrictiveness (2014)



True tariff water

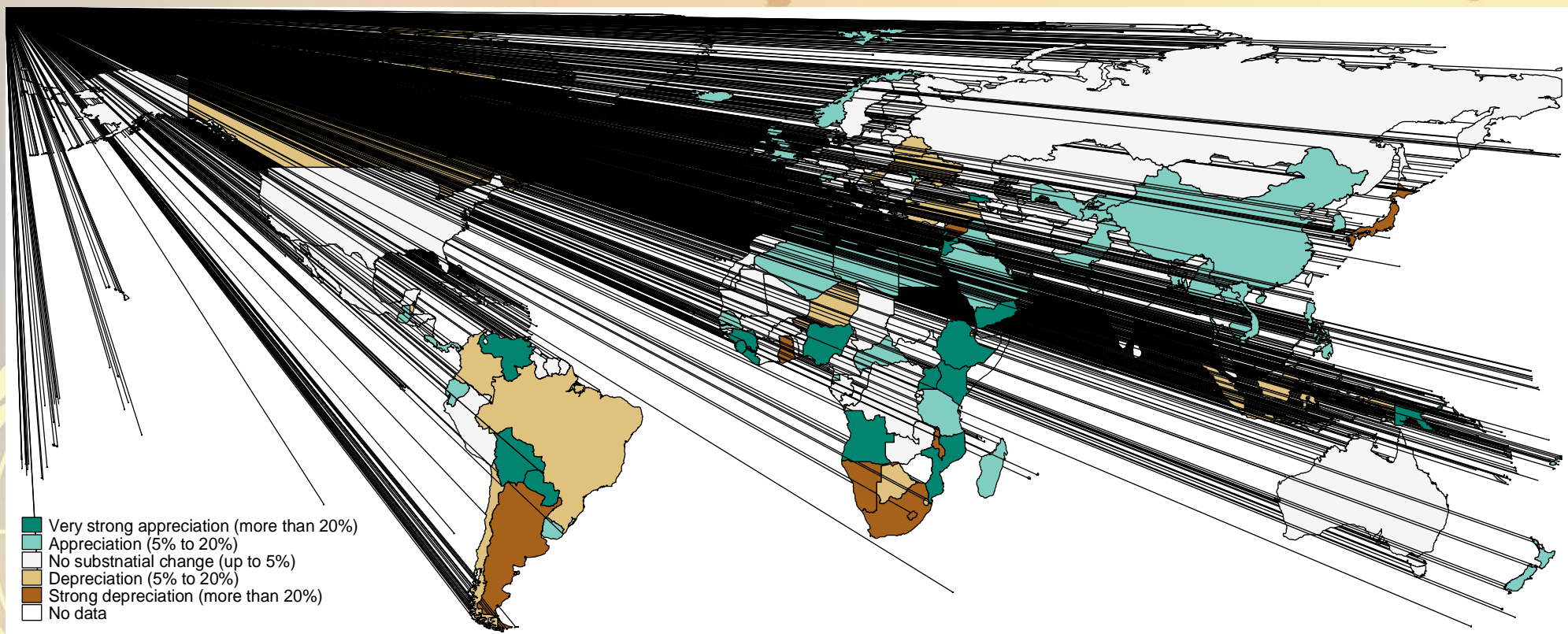


NTMs in World Trade, by Sector



Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data

Real effective exchange rate



A large, faint world map is visible in the background, rendered in a light orange color. The map shows the continents and is composed of horizontal lines.

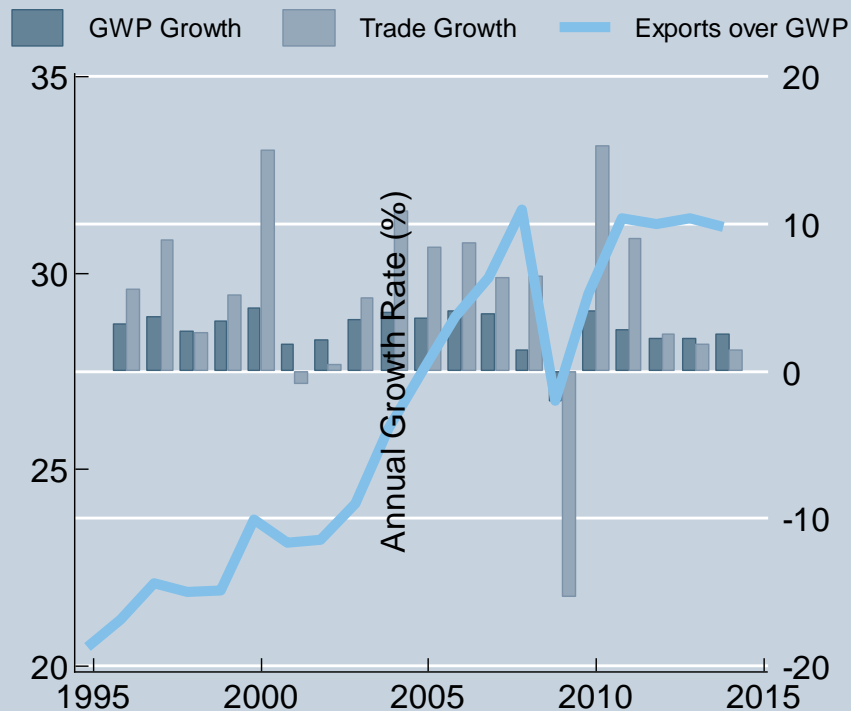
Trade Slow Down



Trade Slow Down

Figure 1: World Trade Takes a Pause

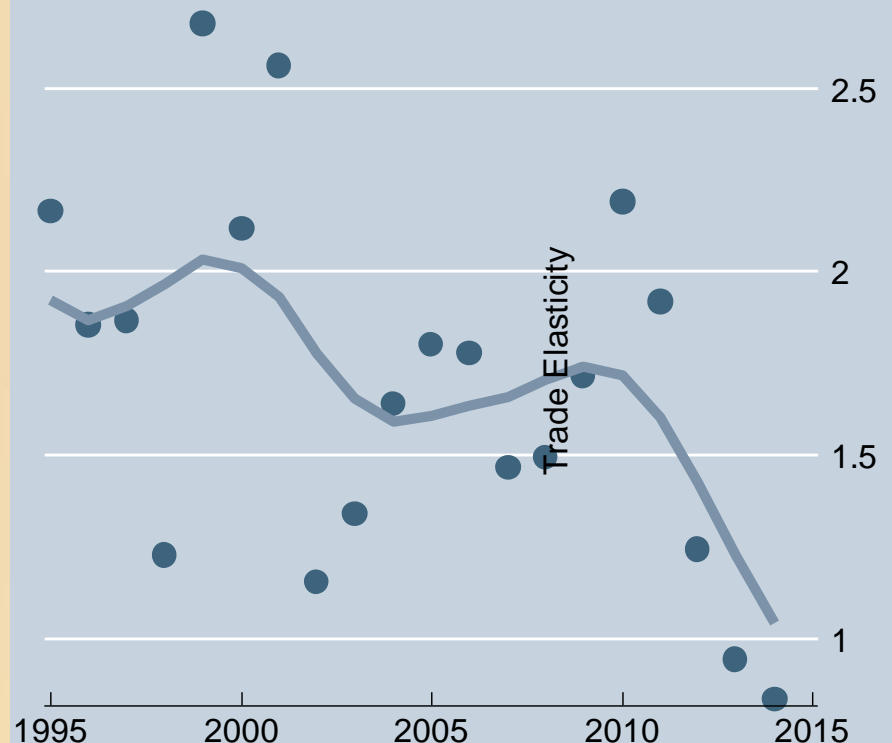
After a strong rebound global trade growth has been sluggish



Source: UNCTAD calculations based on UNCTADSTAT data

Figure 2: Trade Elasticity to Global Output

Trade growth has become much less responsive to output growth



Source: UNCTAD calculations based on UNCTADSTAT data

Trade is an indicator of Globalization

- Globalization period: (1990-2008)
 - Rapid growth in emerging markets
 - Favorable geopolitics
 - New production models
 - Technology/Innovation
 - Lower trade costs
 - Commodities boom
 - De-Globalization: (2011-?)
 - change in some of these trends, other factors?
- ... reflects in trade patterns and trade policy responses

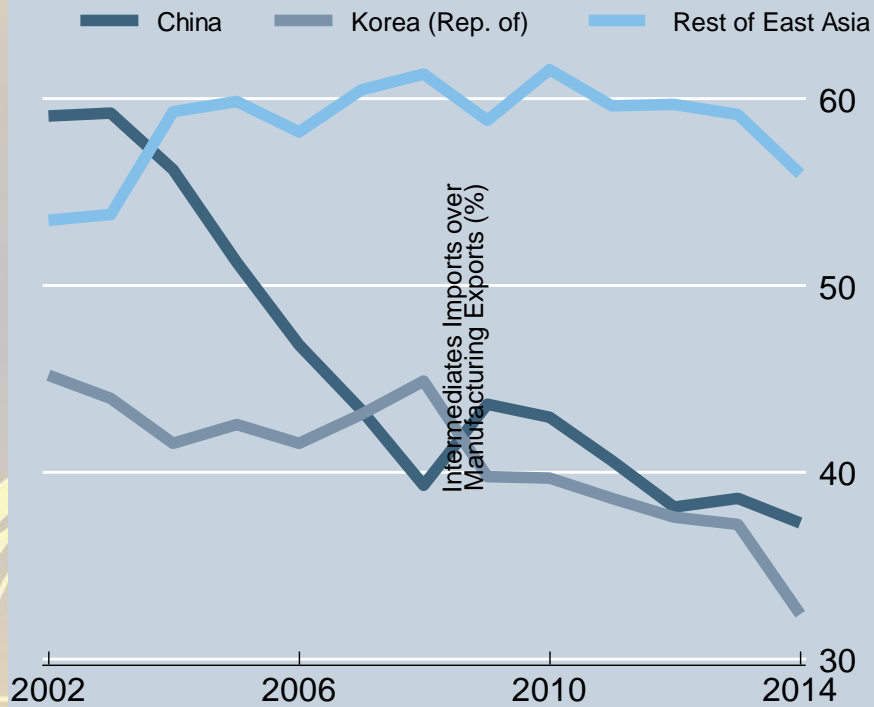
Table 1: Trade Performance, by Region

	Annual Growth 2003-2008	Annual Growth 2012-2014	Elasticities 2003-2008	Elasticities 2012-2014
Developed Countries	11.2%	0.7%	1.6	0.9
East Asia	15.4%	3.1%	1.6	0.6
Latin America	14.7%	1.0%	1.7	1.2
South Asia	20.4%	0.5%	1.6	0.7
Sub-Saharan Africa	17.9%	0.1%	1.6	0.8
Transition Economies	21.1%	-0.5%	1.0	0.6
West Asia/North Africa	18.9%	2.8%	1.4	0.8

	Annual Growth 2003-2008	Annual Growth 2012-2014	Elasticities 2003-2008	Elasticities 2012-2014
Consumers	9.8%	2.8%	1.2	1.6
Intermediates	12.7%	1.3%	1.5	0.8
Primary	20.7%	0.7%	2.5	0.4
Investment	12.2%	1.6%	1.5	0.9
Services	15.7%	4.0%	1.9	2.3

Figure 4: Shrinking Chains

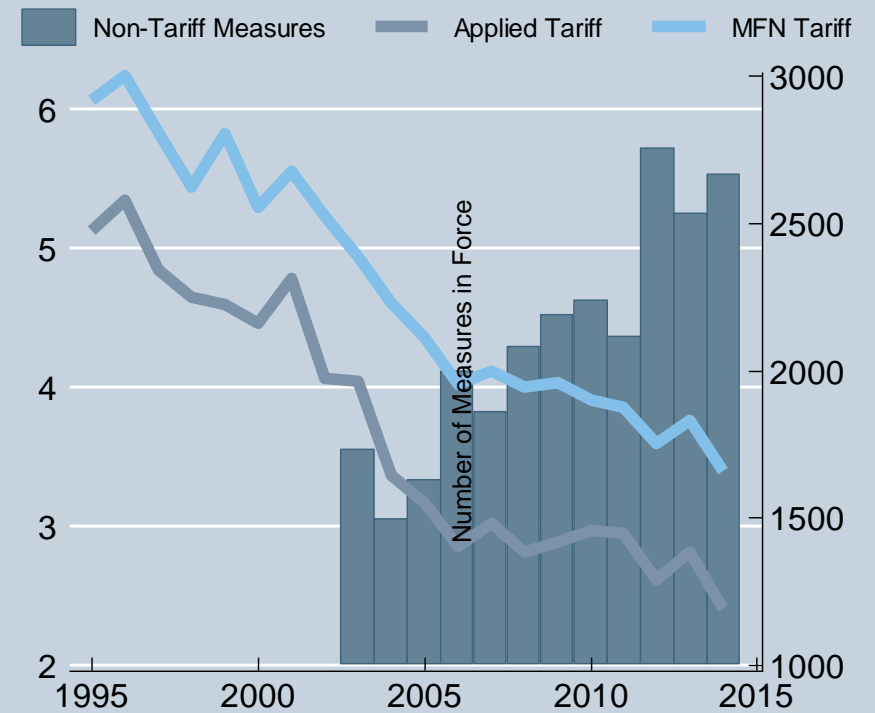
Trade for unit of output in on a downward trend



Source: UNCTAD calculation based on COMTRADE data

Figure 5: Contrasting Trade Policies

Tariffs have gone down, non-tariff measures not so



Source: UNCTAD calculations based on UNCTAD TRAINS and WTO I-TIP data

Policy implications

- Trade opportunities influence development perspective of many developing countries.
 - Substantial risk of retrenching / economic fragmentation (inequality across countries/migration)
 - Historically de-globalization periods have not been good
- ...but there are areas where trade opportunities still are strong
- GVC model to other geographic areas/sector
 - Regional integration (Africa)
 - Services trade
 - Small enterprises (e-commerce)

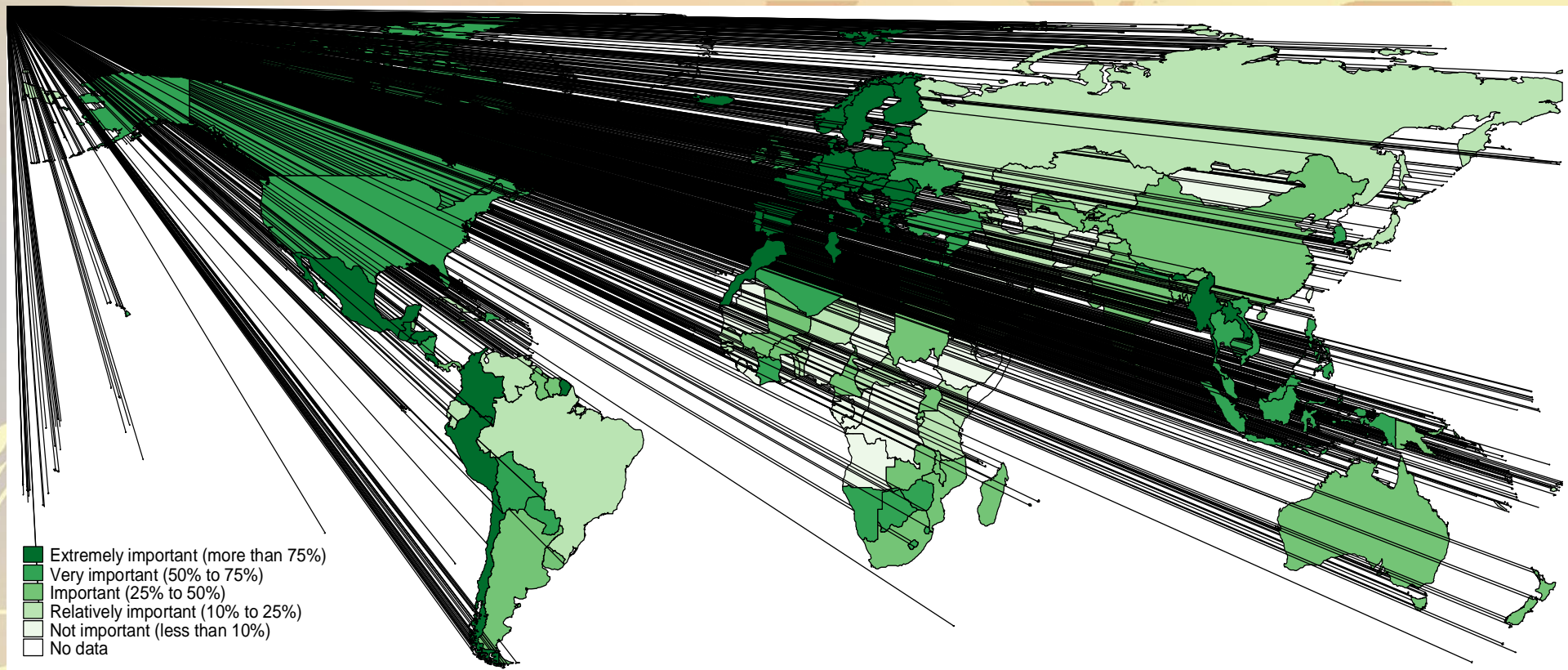
Not only about trade policy or trade costs. Need a new trade and development agenda.

A large, faint world map is visible in the background, rendered in a light orange color. The map shows the continents and is composed of horizontal lines.

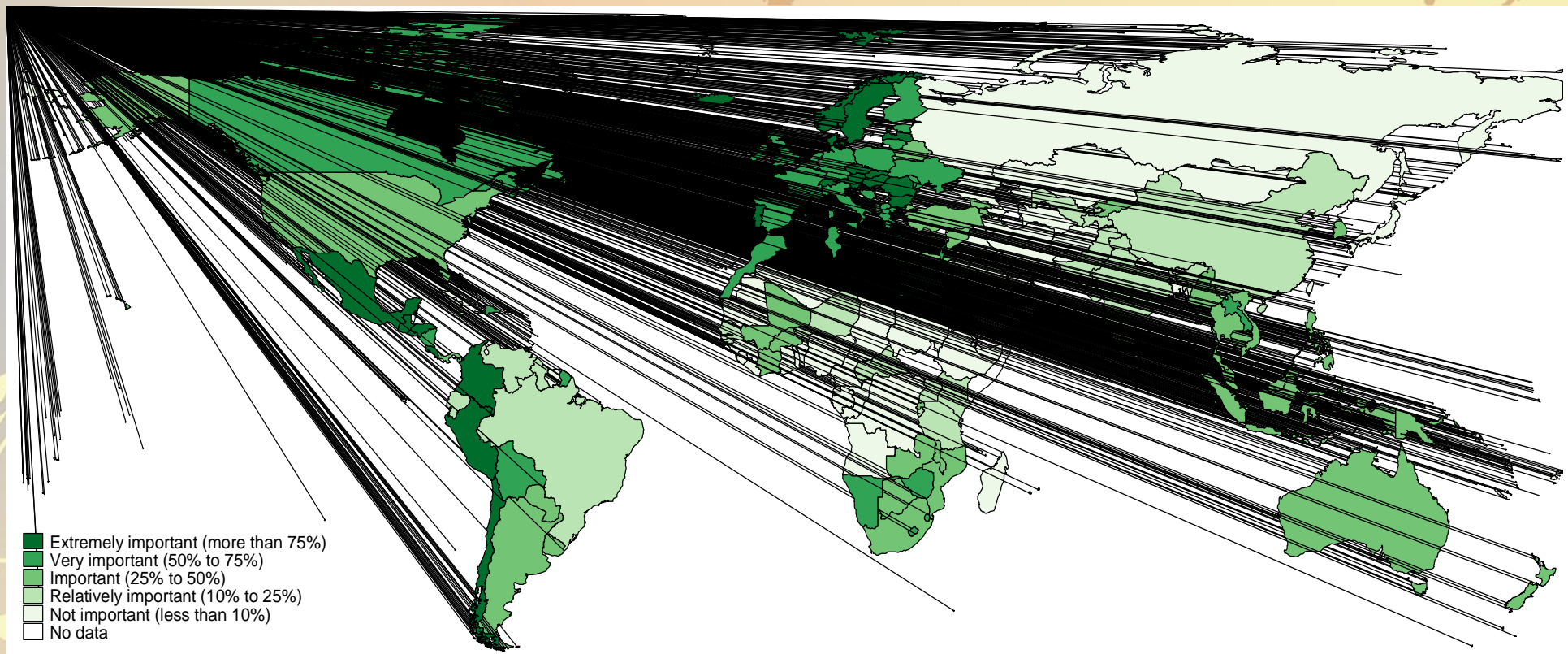
Trade Agreements



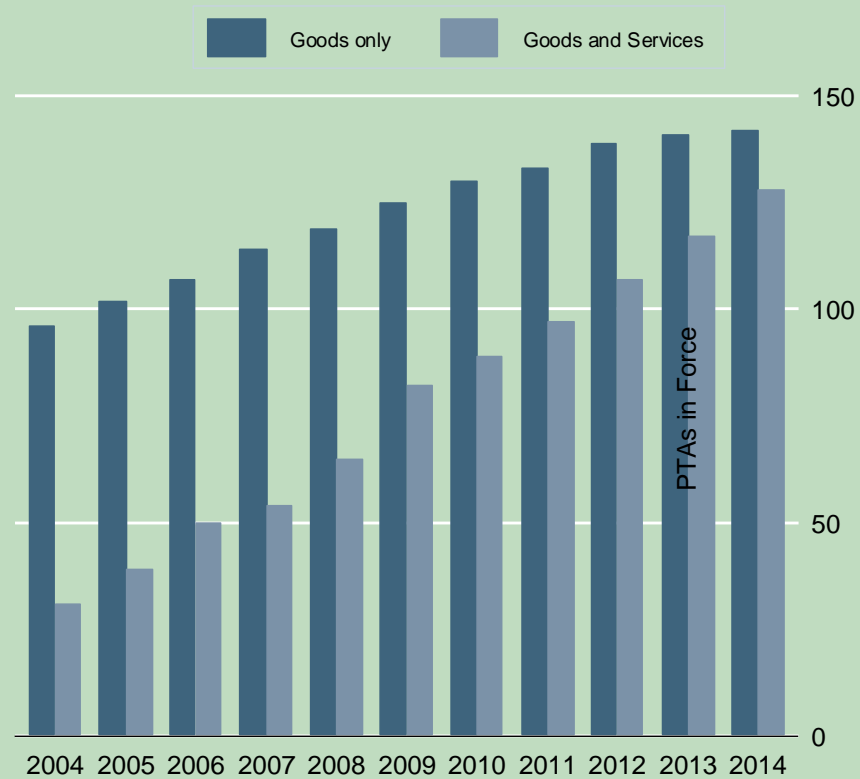
Preferential Trade Agreements



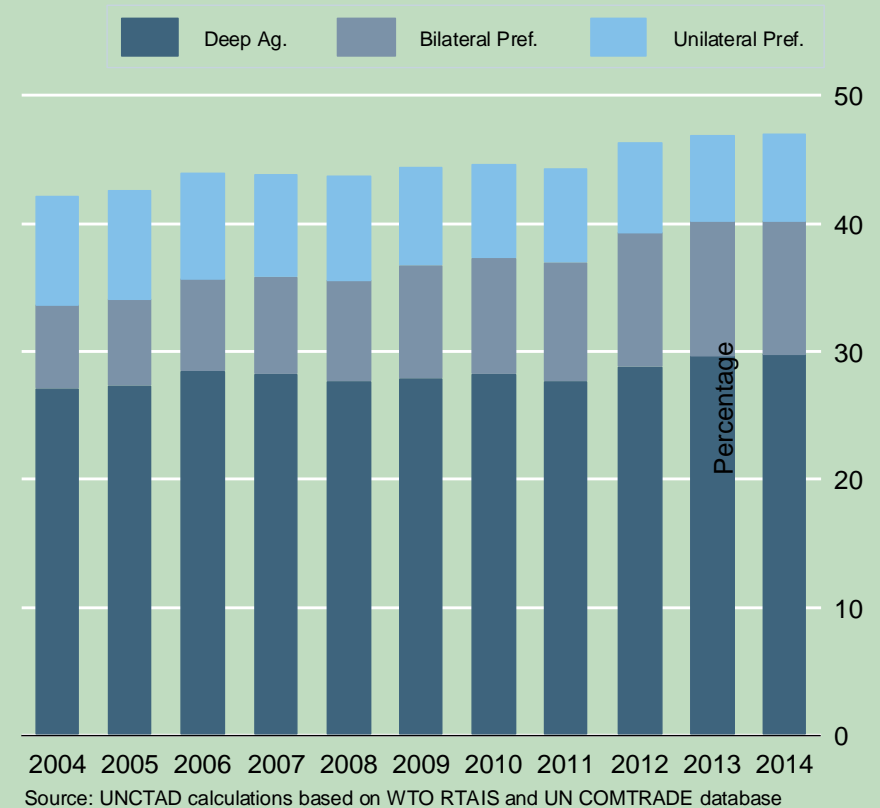
Deep Trade Agreements



Trade Agreements



Trade under PTAs



Motives of PTA

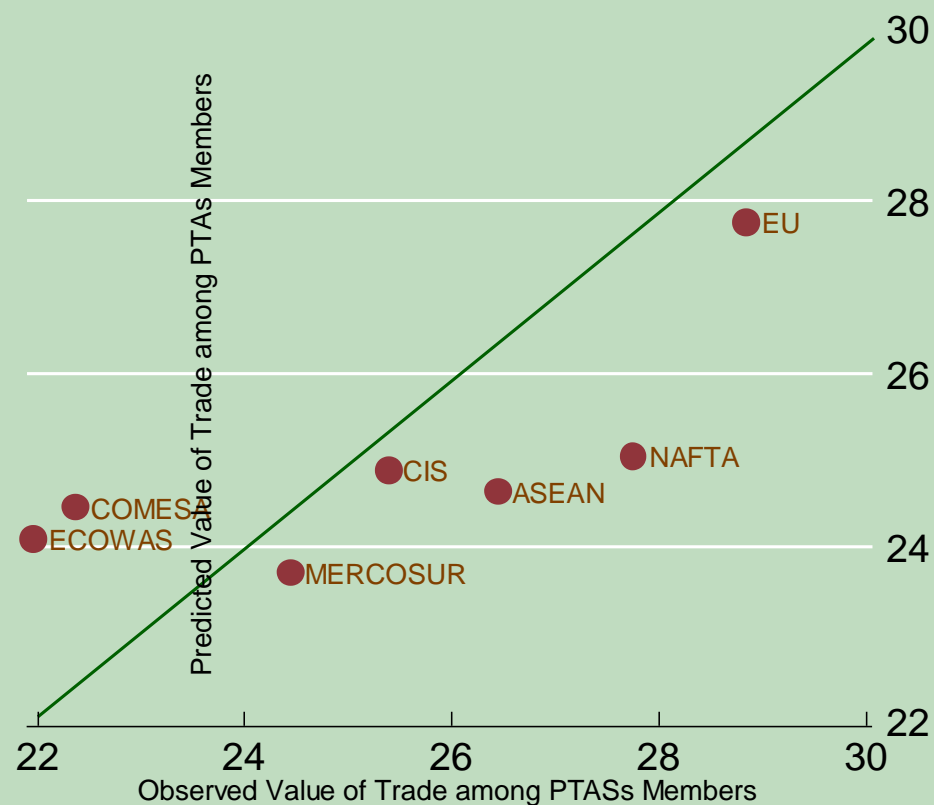
Facilitate trade, foster economic integration, geopolitics.

Advantages vs multilateral approach:

- Political economy (bilateral concessions, limits free riding)
- Deeper integration (required by parties, GCV)
- Self selected clubs (only interested parties, easier to find mutual ground)

Chart 3: PTAs and Trade Potential

Not all PTAs deliver high level of trade among members



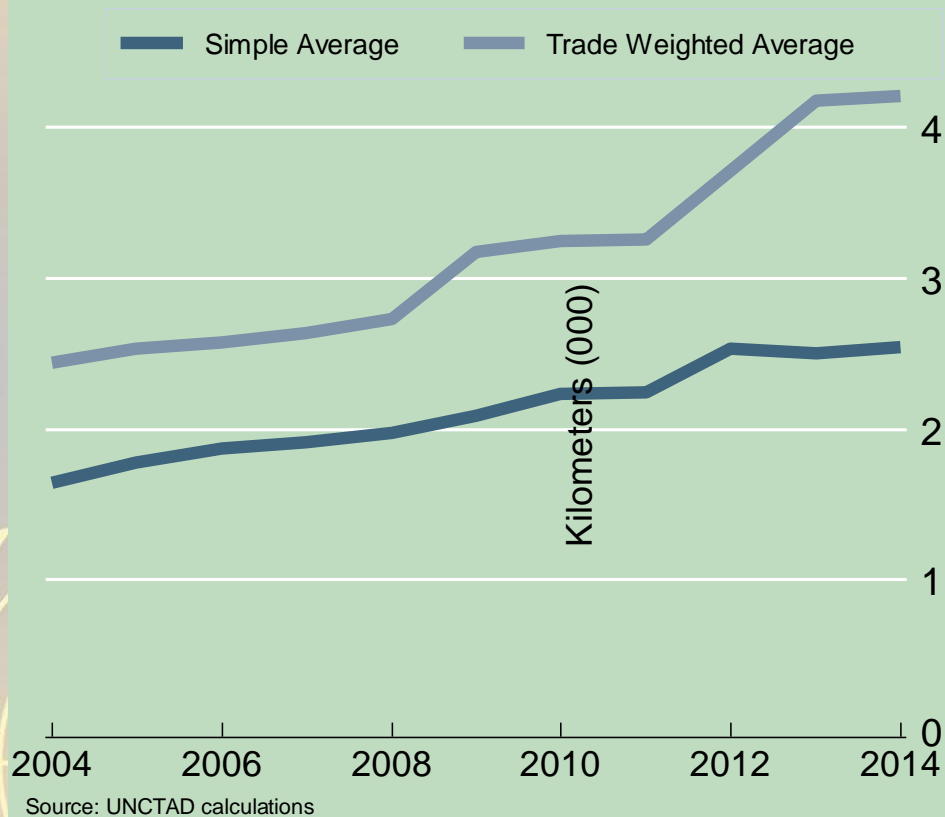
Source: UNCTAD calculations

PTAs create trade
not as much as they
facilitate trade

Natural trading
partners?

Chart 2: Regional No More

Geographical distance among PTAs' members has increased

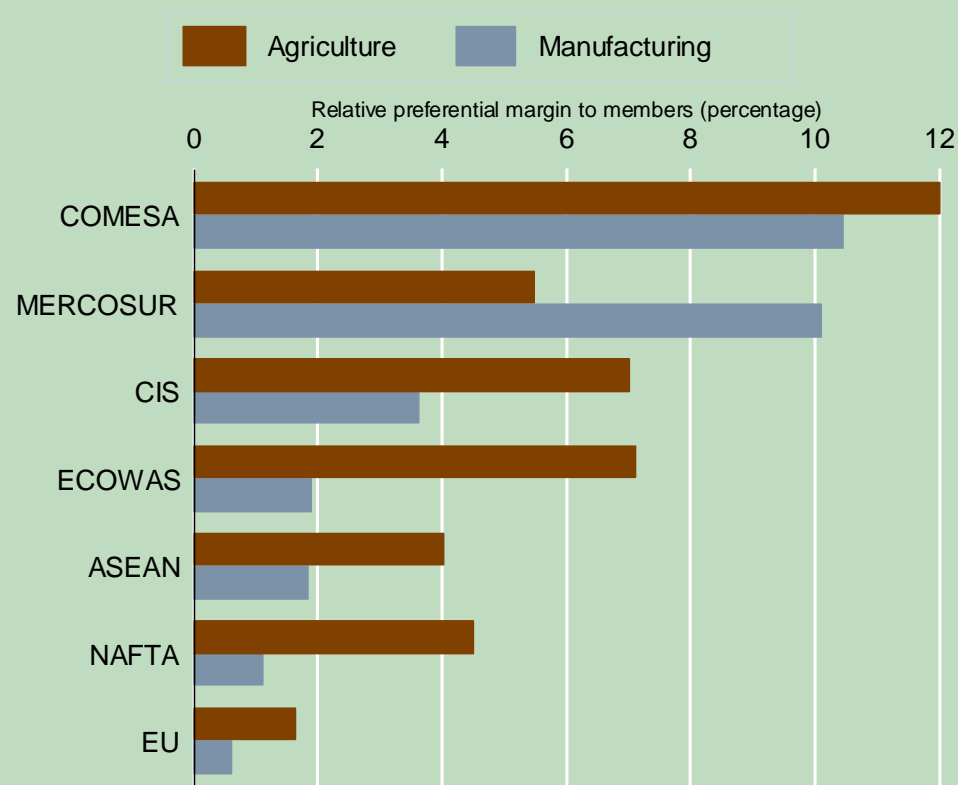


Types of PTAs:

Regional
(natural traders)
Hub and Spoke
(Bilateral)
Mega Regionals
(Rules)

Chart 4: Tariff Preferences Still Matter

PTAs' members often have substantial tariff advantages vs non-members

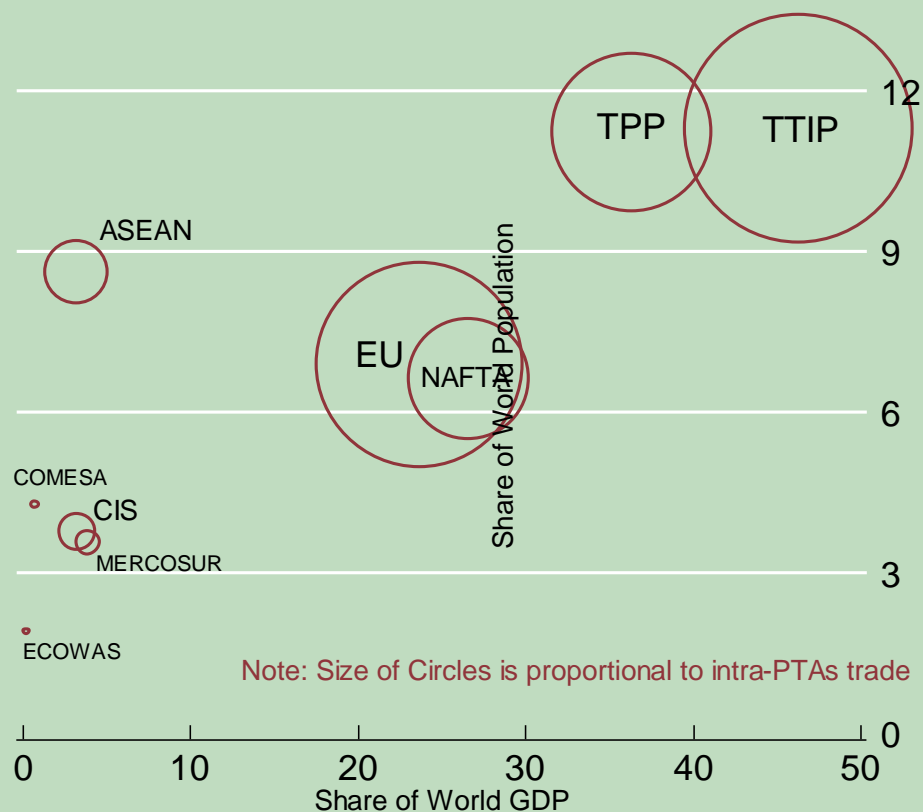


Source: UNCTAD calculations

PTAs still
provide
substantial
tariff advantages

Chart 5: Mega-Regionals

Mega-regionals are substantially larger in all dimensions



Source: UNCTAD calculations

About creating and harmonizing large markets

Trade deals not = to free trade

caution in assessing their impacts

Thank you

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PROSPERITY FOR ALL

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