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WORLD TRADE 2008, PROSPECTS FOR 2009

WTO sees 9% global trade decline in 2009 as recession strikes

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms in 2009, the biggest such contraction since the Second World War, WTO economists forecast today (25 March 2009). "Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders will have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist measure which will render global recovery efforts less effective," said Director-General Pascal Lamy.

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms[1] in 2009, the biggest such contraction since the Second World War, WTO economists forecast today. The contraction in developed countries will be particularly severe with exports falling by 10% this year. In developing countries, which are far more dependent on trade for growth, exports will shrink by some 2%-3% in 2009, WTO economists say.

Economic contraction in most of the industrial world and steep export declines already posted in the early months of this year by most major economies — particularly those in Asia — makes for an unusually bleak 2009 trade assessment, said the WTO in its annual assessment of global trade.

Signs of the sharp deterioration in trade were evident in the latter part of 2008 as demand sagged and production slowed. Although world trade grew by 2% in volume terms for the whole of 2008 it tapered off in the last six months and was well down on the 6% volume increase posted in 2007.

"For the last 30 years trade has been an ever increasing part of economic activity, with trade growth often outpacing gains in output. Production for many products is sourced around the world so there is a multiplier effect — as demand falls sharply overall, trade will fall even further. The depleted pool of funds available for trade finance has contributed to the significant decline in trade flows, in particular in developing countries," said Director-General Pascal Lamy.

"As a consequence, many thousands of trade related jobs are being lost. Governments must avoid making this bad situation worse by reverting to protectionist measures which in reality protect no nation and threaten the loss of more jobs. We are carefully monitoring trade policy developments. The use of protectionist measures is on the rise. The risk is increasing of such measures choking off trade as an engine of recovery. We must be vigilant because we know that restricting imports only leads your trade partner to follow suit and hit your exports. Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders will have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist measure which will render global recovery efforts less effective," Mr. Lamy said.

Financial Crisis Sparks Downturn

Following the dramatic worsening of the financial crisis since September of last year, real global output growth slowed to 1.7%, compared to 3.5% in 2007, and is likely to fall by between 1% and 2% in 2009. This is the first decline in total world production since the 1930s, and its impact is magnified in trade. But WTO economists warn that the extraordinary turbulence of world markets in recent months and the continued uncertainty about the near-term trajectory of the global economy makes gauging the preliminary 2008 trade estimates and 2009 projections unusually difficult.

A notable aspect of the current slowdown in world trade is its synchronized nature. Monthly exports and imports of major developed and developing economies have been falling in unison since September 2008 (see Appendix Chart 1). With the growing share of developing countries' trade in the global total, and increased geographical diversification of these flows, it was assumed by some commentators that a "decoupling" effect would have made developing countries less vulnerable to economic turmoil in developed countries. This has not turned out to be the case.

The WTO's preliminary estimate of 2% growth in world trade volume for 2008 is substantially lower than the forecast of 4.5% growth issued a year ago. However, last year's outlook did identify significant downside risks related to developments in financial markets. A large part of the explanation for the over-estimation was the unexpected and very sharp drop in global production in the fourth quarter of 2008.

Trade prospects for 2009

In projecting trade growth for 2009, we assume a normal pattern for a recession, where trade falls, remains weak for a time and then resumes its upward trajectory and begins to return to its previous trend. If this basic scenario holds, world merchandise trade is likely to fall some 9% in volume terms in 2009 (ie, where price changes have been removed from the calculation), with developed economy exports falling by some 10% on average and developing country exports shrinking by 2—3%.

Trade prospects for 2009 are heavily conditioned by the financial crisis that began almost two years ago in the United States. The crisis intensified dramatically following the collapse of the Wall Street investment bank Lehman Brothers in September of last year, and the government-led rescue of a number of financial institutions in the United States and elsewhere. Turmoil in the financial sector and acute credit shortages spread inexorably to the real sector. Declining asset prices, faltering demand and falling production translated into dramatically reduced and in some cases negative production and trade growth in many countries. Trade has also been affected adversely by a sharp shrinkage in credit to finance imports and exports.

Although the crisis began in the United States, financial institutions and economies throughout the developed and developing world have been severely affected. The deteriorating economic situation has taken a toll on both consumer and business confidence, and produced a negative feedback between the financial sector and the rest of the economy that dominates the outlook for 2009.

The months since last September have seen precipitous drops in global production and trade, first in the developed economies, then in developing ones as well. Indexes calculated by the Organization for Economic Cooperation and Development (OECD) of composite leading indicators for the major industrial economies have plunged to January 2009, indicating a high probability of a continuing decline in economic activity. Governments have tried a variety of policy measures to address the economic crisis, including bailouts for banks that are important for the economic and financial system, and, more recently, mortgage assistance for struggling home owners in the United States. All of this is in addition to monetary and fiscal policies that have been deployed since the start of the crisis. Conventional monetary policy may be reaching the limits of its effectiveness, with interest rates in the United States and elsewhere approaching zero. The timing of the recovery may now depend on how effective are proposed fiscal stimulus plans, which currently amount to more than 3% of world production.

Since the recession began to take hold in the fourth quarter of 2008 there has been little cause for optimism in the outlook for trade in 2009. The financial crisis has disrupted the normal functioning of the banking system and deprived firms and individuals of much-needed credit. Falling stock markets and housing prices have also administered negative shocks to wealth in the United States and elsewhere, making households unwilling to purchase durable goods such as automobiles while they attempt to rebuild their savings. Falling commodity prices, while a boon to consumers in importing countries, have also deprived oil-producing countries of export revenues.

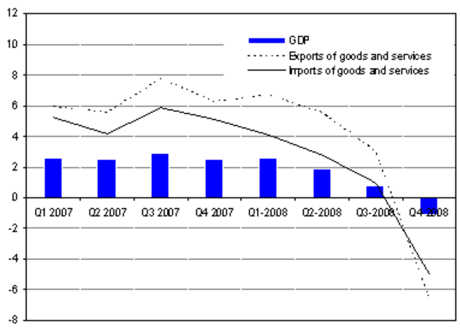
Not even China, with its dynamic economy, can insulate itself from global downturn when most of its main trading partners are in recession. China's exports to its top six trading partners (treating the EU as a single partner) represented 70% of the country's total exports in 2007. All of these trading partners are currently experiencing economic contraction or slowdown and are likely to exhibit weak import demand for some time.

Available monthly data for most major traders show large drops in merchandise exports and imports through the first two months of 2009. An exception to this pattern of decline in trade flows is discernible for certain economies in Asia, where positive monthly import growth numbers were recorded for China (17 per cent) and also for Singapore, Chinese Taipei and Vietnam. While this is only a single month of data, and should therefore be interpreted cautiously, it could be evidence of slowing decline and perhaps a "bottoming out" of negative trade growth trends. Future trade growth will, of course, depend on what happens to demand elsewhere in the world economy.

Moreover, the question must be asked as to how far trade could conceivably fall in the months ahead. As an example, consider China's exports. In February these were down 26% compared with the same month in the previous year and 28% compared with January. If one were to extrapolate this downturn, China's exports would be approaching zero within ten months to a year. This is obviously a highly implausible scenario and emphasizes the reality that such steep declines as those we have witnessed recently will not persist.

The above estimates of trade growth are supported by the results of the WTO Secretariat's time series forecasting model which predicts for developed countries (more precisely, members of the Organization for Economic Cooperation and Development or OECD), a slow-down in imports of goods and services of some 8.5% (technically, "on a balance-of-payments basis") (Chart 1).

Chart 1: Real GDP and trade growth of OECD countries, 2007-2008
% change on a year to year basis



Source: OECD National Accounts.

The estimates are sensitive to the size of the initial drop and to the rate of recovery. If the drop in world trade is deeper than expected or if recovery happens more quickly, then the growth forecast will need updating.

Despite the large size of this expected drop in world trade there are still substantial downside risks to the projection. Further adverse developments in financial markets could prolong the current crisis, as could a surge in protection. Recovery could be slower than expected if household consumption does not return to a more normal growth trend soon.

On the other hand, growth could resume more quickly than expected if reforms to the financial sector are implemented quickly and credit markets begin to function more normally. Recessions usually contain the seeds of their own recovery, as reduced consumption implies increased savings, which is then lent out to willing borrowers for investment in future production. Unfortunately, this channel of recovery may be blocked until the world's banking sector is repaired.

Reasons for trade contraction

Trade growth data show declines that are larger than in past slow-downs. A number of factors may explain this.

One is that the fall-off in demand is more widespread than in the past, as all regions of the world economy are slowing at once.

A second reason for the magnitude of recent declines relates to the increasing presence of global supply chains in total trade. Trade contraction or expansion is no longer simply a question of changes in trade flows between a producing country and a consuming country — goods cross many frontiers during the production process and components in the final product are counted every time they cross a frontier. The only way of avoiding this effect — whose aggregate magnitude can only be guessed at on account of the absence of systematic information — would be to measure trade transactions on the basis of the value added at each stage of the production process. Since value-added, or the return to factors of production, is the real measure of income in the economy, and trade is a gross flow rather than a measure of income, it follows from the reasoning above that strong increases or decreases in trade flow numbers should not be interpreted as an accurate guide to what is actually happening to incomes and employment.

A third element in current conditions that is likely to contribute to the contraction of trade is a shortage of trade finance. This has clearly been a problem and it is receiving particular attention from international institutions and governments. The WTO has been playing a role as honest broker by bringing together the key players to work on ensuring the availability and affordability of trade finance.

A fourth factor that could contribute to trade contraction is protection. Any rises in protection will threaten the prospects for recovery and prolong the downturn. The risk of aggravated protectionism is rightly a source of concern going forward.[2]

Overview of trade and production developments in 2008

Economic growth

World economic growth — measured by total production, or gross domestic product (GDP) — slowed abruptly in 2008 against the backdrop of the worst financial crisis since the 1930s. Weaker demand in developed economies brought about by falling asset prices and increased economic uncertainty helped pull world output growth down to 1.7%, from 3.5% a year earlier. Growth in 2008 was the slowest since 2001 and well below the 10 year average rate of 2.9%.

Developed economies only managed a meagre 0.8% growth during last year, compared to 2.5% in 2007, and an average rate of 2.2% between 2000 and 2008. Developing economies, on the other hand, expanded their output in 2008 by 5.6%, down from 7.5% in 2007, but still equal to their average rate for the 2000—08 period.

Oil exporting countries experienced rapid growth of 5.5% on average in 2008, with exports from the Middle East growing at an even faster rate of 6.3%.

Least-developed countries (LDCs) grew faster than any other group of countries, at 6.6%, and above their 2000—08 average rate of 6.3%.

Europe and North America each grew only about 1% in 2008, while the oil exporting regions of South and Central America, the Commonwealth of Independent States, Africa and the Middle East all experienced GDP growth in excess of 5%.

Asia's economic growth (GDP) in 2008 was only 2%, owing in large measure to the negative growth (—0.7%) recorded by Japan. By contrast, developing Asia (excluding Japan, Australia and New Zealand) grew 5.7%, led by China, which registered the fastest growth of any major economy, at 9.0%.

The overall picture was one of continuing growth in the first half of the year, with oil exporting countries in particular benefiting from record high commodity prices. This was followed by faltering growth and the beginnings of a severe downturn in the second half, starting in the United States and other developed countries, and then spreading to developing countries.

Exchange rates and commodity prices

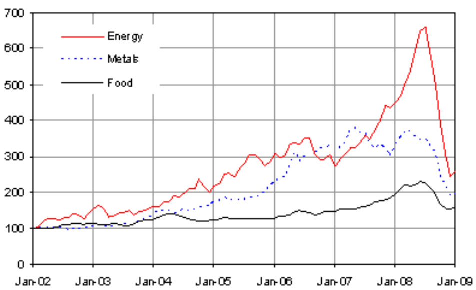
The value of the US dollar against a broad group of currencies — that is, its real effective exchange rate — rose during 2008 as the United States currency strengthened against those of its trading partners. The rise of the dollar followed a weakening against other currencies since 2002. The 2008 appreciation was most pronounced in the second half of the year as the financial crisis intensified. A strengthened dollar appears in large measure to be the result of a flight to cash in a perceived "safe haven" currency. This may also explain the strengthened yen (see below).

In the first half of 2008 the euro rose 7% against the dollar and then fell 14% from July to December. The euro had previously gained 30% against the dollar between January 2006 and its peak in July 2008. The British pound, the Canadian dollar and the Korean won all displayed similar trends, falling sharply against the dollar in the second half of 2008, after a long period of appreciation.

The Japanese yen and Chinese yuan behaved differently in response to the financial crisis. Both had appreciated against the dollar in recent years. As the financial crisis took hold, the yen rose sharply against the dollar while the yuan has remained more or less constant.

Prices for primary commodities were highly volatile in 2008, which is one of the main reasons why trade performance in the second half of the year was so different from the first half. After steadily rising throughout 2007, energy prices spiked to record highs at over $140 a barrel by mid-year, only to crash afterwards to the lowest level since early 2005 amid weakening demand in oil importing countries. Between January 2007 and July 2008 fuel prices rose 144%, more than doubling. But from July until the end of 2008 they fell 63% (Chart 2).

Chart 2: Prices of selected primary products, January 1998 — January 2009
Index, January 2002=100



Source: IMF International Financial Statistics.

Prices for other primary products, including metals and food, have also fallen from their peaks earlier in 2008. Inflationary pressures remain in check in most countries due to weaker demand for goods worldwide, and deflation may be a greater risk in some countries in the short term.

Trade

Merchandise trade growth in real terms (i.e. adjusted to discount changes in prices) slowed significantly in 2008 to 2%, compared to 6% in 2007. But trade still managed to grow faster than global output, as is usually the case when production growth is positive. Conversely, when output growth is declining trade growth tends to fall even faster, as we are now witnessing.

In dollar terms (which includes price changes and exchange rate fluctuations), world merchandise exports increased by 15% in 2008, to $15.8 trillion, while exports of commercial services rose 11% to $3.7 trillion.

The share of developing economies in world merchandise trade set new records in 2008, with exports rising to 38% of the world total and imports increasing to 34%.

Germany's merchandise exports in 2008, at $1.47 trillion, were slightly larger than China's $1.43 trillion. This meant that Germany retained its position as the world's leading merchandise exporter.

Despite its strong overall trade performance, China's exports in some product categories faltered towards the end of the year. Exports of office and telecom equipment to the rest of the world, worth some $381.5 billion in 2008, fell 7% in the fourth quarter compared to the same period of the previous year, after growing at an average rate of 17% during the first three quarters. Exports of office and telecom equipment to the United States fell even more sharply, registering a 13% decline in the fourth quarter after growth of 10% in the third quarter. Overall, exports of Chinese manufactured goods to the United States increased just 1% over the previous year, after growth of 14% in the third quarter.

One of the sectors hardest hit by the global recession has been the automobile industry. Japan's exports of automotive products to the rest of the world fell by 18%, while exports to the United States dropped by 30% in the fourth quarter of 2008. According to the European Automobile Manufacturers Association (ACEA), passenger car registrations were down 18% in Europe in February 2009, compared to the previous year. The new EU member states of Eastern Europe were hardest hit, with a drop of 30%, while Germany was a conspicuous exception with an increase of nearly 22%. Sales in Germany were boosted by a 2,500 euro "scrapping bonus" provided by the German government to customers who replaced an older vehicle with a new one. The scheme is intended to at least partly counteract slumping foreign sales of German cars. According to the German industry association Verband der Automobilindustrie (VDA), the number of vehicles exported in February 2009 fell 51% over the previous year, while the volume of imports was down 47%. Autodata Corp. also reports a 41% decline in American automobile sales in February 2009.

As with merchandise exports, commercial services exports for which data were available fell in the fourth quarter of 2008 compared with the previous year — albeit less so (7—8%) than merchandise (12%). For the year as a whole, commercial services exports grew more slowly than goods exports (on a balance of payments basis), rising by 11% compared with 15% for goods. Exports of transport services rose 15% in 2008 while travel services and other commercial services both increased 10%. The United States remained the largest exporter and importer of commercial services, with exports of $522 billion and imports of $364 billion.

One indicator of the severity of the global downturn in trade has been the fall-off in international shipping. According to the International Air Transport Association (IATA), air cargo traffic was down 23% in December 2008 compared to a year earlier, led by a strong decline of 26% in the Asia-Pacific region. To give some perspective on the magnitude of this drop, the decline recorded in September 2001, when most of the world's aircraft were temporarily grounded, was only 14%.

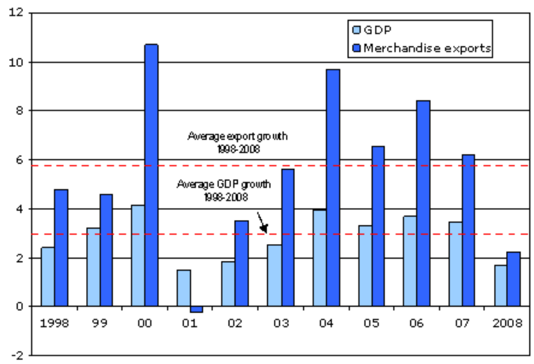
Another measure that has received a lot of attention recently is the Baltic Dry Index, a measure of the cost of shipping bulk cargo by sea, published by the Baltic Exchange in London, the leading world marketplace for brokering shipping contracts. Movements in the index can be tracked to global demand for manufactured goods. Between June and November of 2008 the Baltic Dry Index fell by 94%.

Annual trade figures in dollar terms were strongly influenced by changes in commodity prices and exchange rates in 2008. Despite the fact that fuel prices ended 2008 at a lower level than at any point in 2007, average prices for 2008 were about 40% higher than 2007, which tended to raise total merchandise imports for most countries. For example, United States merchandise imports grew 7% in 2008, but non-fuel imports only increased by 1%. Prices for food and beverages have also receded from their peaks of last year.

Merchandise trade, volume (real) terms, 2008

Merchandise trade in volume terms (excluding the price and exchange rate fluctuations) expanded by 2% in 2008, down from 6% in 2007. Growth for the year was below the average 5.7% registered during the 1998-08 period. Trade growth was very close to GDP growth in 2008, compared to earlier years when trade growth exceeded GDP. It is likely to be below GDP growth next year (Chart 3).

Chart 3: Growth in the volume of world merchandise trade and GDP, 1998-2008
Annual % change



Source: WTO Secretariat.

South and Central America saw exports expand by 1.5% and imports grow by 15.5%. Import growth was faster than that of any other region. (Table 1) Imports grew faster than GDP while export volume lagged behind output.

The region with the fastest export volume growth in 2008 was the Commonwealth of Independent States (CIS — a group of former Soviet Union states), which recorded a 6% increase compared to 2007. The region also had the second highest import growth compared to any other, with a 15% expansion over the previous year.

Both export and import volumes for the Middle East were down sharply in 2008, falling to 3% from 4% in 2007 for exports, and to 10% from 14% for imports.

The growth of Africa's exports and imports also slowed in 2008, falling from 4.5% in 2007 to 3% in 2008 on the export side, and from 14% in 2007 to 13% on the import side.

Table 1: GDP and merchandise trade by region, 2006-2008
Annual % change at constant prices

	GDP			Exports			Imports		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
World	**3.7**	**3.5**	**1.7**	**8.5**	**6.0**	**2.0**	**8.0**	**6.0**	**2.0**
North America	2.9	2.1	1.1	8.5	5.0	1.5	6.0	2.0	-2.5
United States	2.8	2.0	1.1	10.5	7.0	5.5	5.5	1.0	-4.0
South and Central America a	6.1	6.6	5.3	4.0	3.0	1.5	15.5	17.5	15.5
Europe	3.1	2.8	1.0	7.5	4.0	0.5	7.5	4.0	-1.0
European Union (27)	3.0	2.8	1.0	7.5	3.5	0.0	7.0	3.5	-1.0
Commonwealth of Independent States (CIS)	7.5	8.4	5.5	6.0	7.5	6.0	20.5	20.0	15.0
Africa	5.7	5.8	5.0	1.5	4.5	3.0	10.0	14.0	13.0
Middle East	5.2	5.5	5.7	3.0	4.0	3.0	5.5	14.0	10.0
Asia	4.6	4.9	2.0	13.5	11.5	4.5	8.5	8.0	4.0
China	11.6	11.9	9.0	22.0	19.5	8.5	16.5	13.5	4.0
Japan	2.0	2.4	-0.7	10.0	9.5	2.5	2.0	1.5	-1.0
India	9.8	9.3	7.9	11.0	13.0	7.0	8.0	16.0	12.5
Newly industrialized economies (4) b	5.6	5.6	1.7	13.0	9.0	3.5	8.0	6.0	3.5

a Includes the Caribbean.
b Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei.

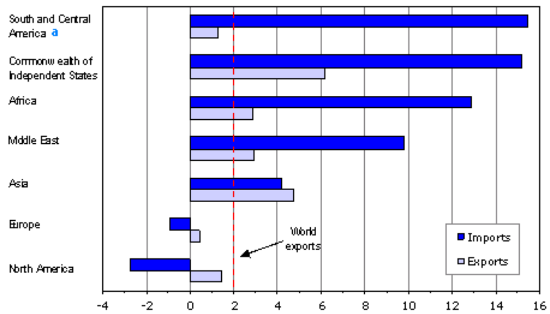
Source: WTO Secretariat.

Asia's exports and imports dropped sharply in volume terms. Export growth was 4.5% in 2008, down from 11.5% in 2007, and 13.5% in 2006. Import growth in 2008 was even slower, at 4%, down from 8% in the previous year.

Europe registered the slowest export growth of any region last year, with an expansion of just 0.5%, down from 4% in 2007. Import growth turned negative in 2008, falling by 1%.

North America's exports grew by 1.5% in 2008, while imports dropped 2.5%. Both exports and imports were down sharply from 2007 (Chart 4).

Chart 4: Real merchandise trade growth by region, 2008
Annual % change



a Includes the Caribbean.
Source: WTO Secretariat.

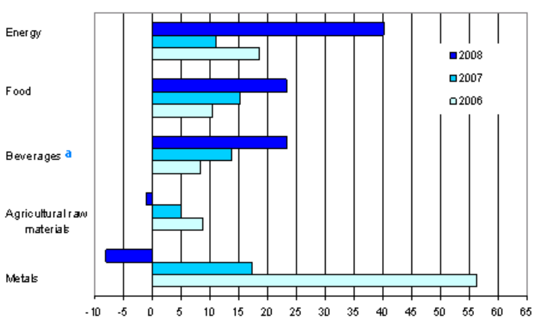
Merchandise and services trade, value (nominal) terms, 2008

Prices and exchange rates

Net oil-exporting regions benefited from record high fuel prices in 2008, as the cost of a barrel of oil rose to over $140 by mid-year. Prices turned down after July, however, and ended the year below $50 per barrel, as world oil demand moderated and the global economy slowed.

Significantly higher energy prices in 2008 had a strong effect on nominal (i.e. where prices and exchange rate changes are included) merchandise trade values and growth rates compared to 2007. Energy prices rose 40% on average last year, while prices for food and beverages both increased 23%. Agricultural raw material prices fell by less than 1%, while metals dropped 8.0% (Chart 5).

Chart 5: Export prices of selected primary products, 2006-2008
Annual % change

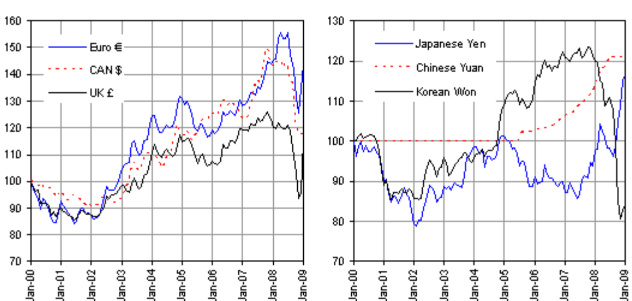


a Comprising coffee, cocoa beans and tea.
Source: IMF, International Financial Statistics.

The appreciation of the dollar against other currencies in late 2008, especially against the euro, also influenced trade developments estimated in nominal terms. The growth of trade in euro-zone countries is probably understated as a result of being expressed in dollars.

The Canadian dollar, British pound and Korean won have followed similar trajectories as that of the euro, first appreciating against the dollar in recent years then reversing this trend sharply as the financial crisis worsened. The Chinese yuan has risen gradually against the dollar since 2005, but remained fairly stable during the latter half of 2008 amid increasing turmoil in financial markets. The Japanese yen also appreciated sharply (Chart 6).

Chart 6: Dollar exchange rates of selected major currencies, January 2001-January 2009
Indices, January 2000=100



Source: IMF, International Financial Statistics.

World merchandise exports in nominal dollar terms rose 15% in 2008, to $15.8 trillion, while exports of commercial services increased 11% to $3.7 trillion. The faster growth of merchandise trade may be explained by rising commodity prices during the year, especially the 40% increase in energy costs (Table 2).

Table 2: World exports of merchandise and commercial services, 2000-08
(Billion dollars and percentage)

	Value	Annual % change			
	2008	2000-08	2006	2007	2008

Merchandise	15775	12	16	16	15
Commercial services	3730	12	13	19	11

Source: WTO Secretariat.

Merchandise trade

North America exhibited the weakest growth of merchandise trade on both the export and import sides. Exports increased 10% to $2.0 trillion in 2008, while imports rose 7%, to $2.9 trillion. According to the National Bureau of Economic Research, which traditionally is the body that dates recessions in the United States, the US economy has been in recession since December 2007. This explains its relatively weak trade performance (Appendix Table 1).

South and Central America saw more robust growth, of 21% in exports ($602 billion) and 30% in imports ($595 billion).

Like North America, Europe grew slowly in 2008 compared to 2007, but this was partly influenced by the depreciation of the Euro over the course of the year. Exports increased by 12%, to $6.5 trillion, while imports rose 12%, to $6.8 trillion.

The Commonwealth of Independent States (CIS) saw robust growth of both exports and imports, resting on the strength of the region's extractive industries. Exports rose 35%, to $703 billion, while imports increased by 31% to $493 billion.

Africa, like other natural-resource-rich regions, also saw a strong expansion in exports and imports in 2008. Exports increased 29% to $561 billion, and imports rose to $466 billion, 27% higher than in 2007. The Middle East enjoyed the fastest export growth of all regions in 2008, at 36% ($1.0 trillion), while imports grew by 23% ($575 billion). Finally, Asia's exports increased 15% in nominal terms to $4.4 trillion, and imports rose by 20%, to $4.2 trillion.

Germany remained the leading merchandise exporter in 2008, with shipments worth $1.47 trillion, despite the fact that its share in world exports fell to 9.1% from 9.5% in 2007 (Appendix Table 3). China was the second largest, with exports of $1.43 trillion and an 8.9% share in world. Rounding out the top 5 exporters were the United States ($1.3 trillion or 8.1% of world), Japan ($782 billion, 4.9%), and the Netherlands ($634 billion, 3.9%).

The United States continued to lead all merchandise importers with shipments from the rest of the world worth $2.17 trillion (13.2%). Germany was the second largest importer of merchandise, with a 7.3% share valued at $1.21 trillion. The remaining top five importers were China in third place, ($1.13 trillion or 6.9%), Japan in fourth ($762 billion, 4.6%), and France in fifth ($708 billion, 4.3%.)

Taking the European Union (i.e. the 27 current member states) as a single entity and excluding internal EU trade, the five leading exporters were as follows: the European Union (15.9%), China (11.8%), the United States (10.7%), Japan (6.4%) and Russian Federation (3.9%). Exports from the EU were worth 1.93 trillion in 2008 (Appendix Table 4).

Commercial services trade

World commercial services exports rose 11% in 2008, to $3.7 trillion. Among the three major categories of services exports, the fastest growing one in the past year was transport (15% growth), followed by travel (10%), and other commercial services (10%). Other commercial services, which includes financial services, was just over half of the total (51%), while travel and transport each represented about a quarter (25% and 23%, respectively) (Table 3).

Table 3: World exports of commercial services trade by major category, 2008
$bn and % change

	Value	Annual % change			
	2008	2000-08	2006	2007	2008
Commercial services	**3730**	**12**	**13**	**19**	**11**
Transport	875	12	10	20	15
Travel	945	9	10	15	10
Other commercial services	1910	14	16	22	10

Source: WTO Secretariat.

In 2008, North America's exports of commercial services increased by 9%, to $610 billion, while imports grew 6%, to $473 billion (Appendix Table 2).

The financial crisis shows up clearly in quarterly data on trade in commercial services for North America. The region's trade, which was growing rapidly in the first nine months of 2008 (13% for exports and 10% for imports), slowed suddenly in the last quarter (-2% for exports and -3% for imports). The most affected sector was travel, which includes tourism (-2% for exports and -6% for imports).

In 2008, Europe's exports of commercial services increased by 11%, to $1.9 trillion, while imports grew 10%, to $1.6 trillion.

The impact of the financial crisis is also evident in the case of Europe. According to available data, the region's exports of commercial services, which were growing by 19% in the first nine months of 2008, dropped to an 11% decline in the last quarter. It should be noted that exchange rate effects in the last quarter of 2008 are likely to have magnified the impact of the crisis, but they do not explain such a large drop on their own.

Exports of commercial services of South and Central America increased 16% ($109 billion), while imports rose 20% ($117 billion).

The Commonwealth of Independent States advanced 26% on the export side, to $83 billion, while imports rose 25%, to $114 billion.

Africa's commercial services exports grew 13% in 2008, to $88 billion. Imports also grew 15%, rising to $121 billion.

Commercial services exports of the Middle East reached $94 billion in 2008, 17% higher than the previous year. Imports were also up 13%, to $158 billion.

Asia's exports, valued at $837 billion, were 12% above their 2007 level. Imports also increased by 12%, to $858 billion.

The United States saw its exports of commercial services rise 10% in 2008, to $522 billion, making it the top exporter. The country's share in world services exports was 14% in 2008 (Appendix Table 5). The United Kingdom remained the second largest exporter with a 7.6% world share worth $283 billion.

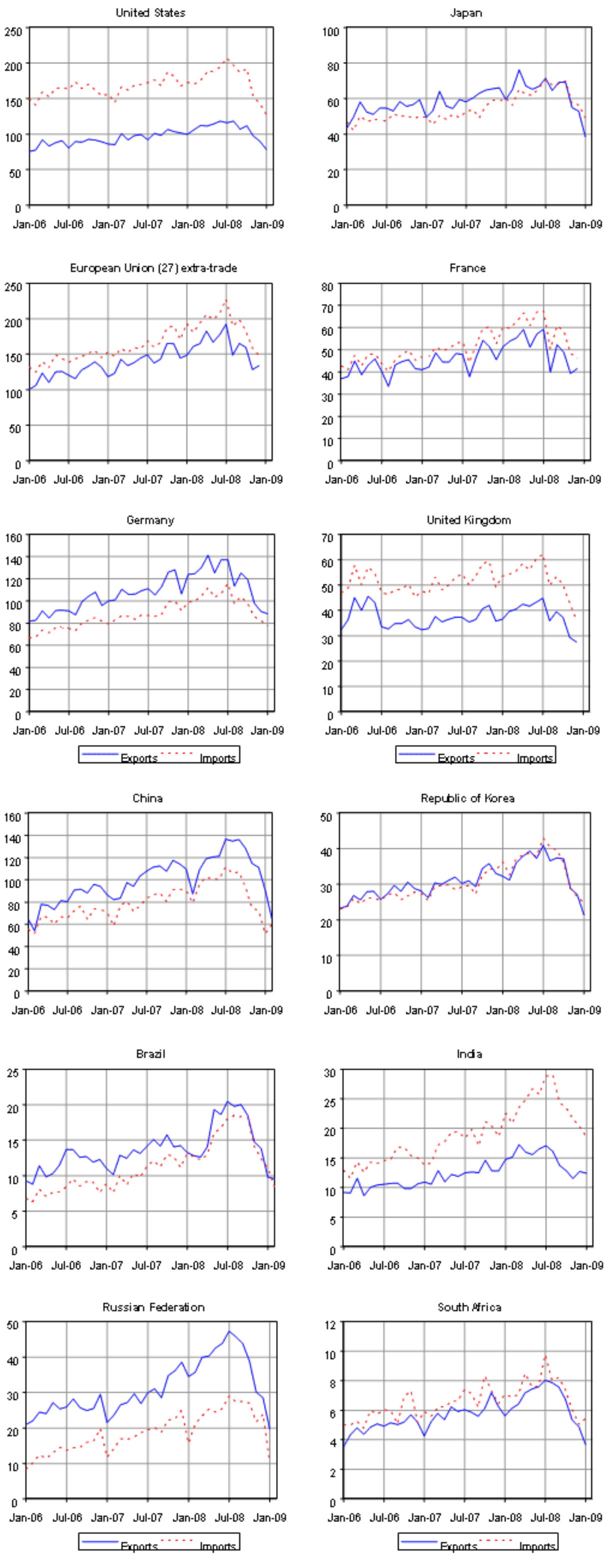
Germany (6.3% or $235 billion), France (4.1%, $153 billion) and Japan (3.9%, $144 billion) rounded out the top 5, with Japan rising one place in the rankings and replacing Spain.

The Secretariat estimates that China remained in seventh place with exports of $137 billion (3.7% of the world total). India ranks ninth with a 2.8% share in the world total, worth $106 billion, and the Netherlands replaced Ireland as the tenth largest exporter.

On the import side, the United States stayed in first place, with imports rising 7% to $364 billion (10.5% of world imports of commercial services). Germany was the second largest importer at $285 billion (8.2% of world). The next three largest services importers were as follows: The United Kingdom in third place ($199 billion, or 5.7% of world trade), Japan fourth ($166 billion, 4.8%) and China fifth ($ 152 billion, or 4.4 percent). The only change in the ranking of the top 10 importers was the addition of the Republic of Korea in tenth place, displacing the Netherlands which dropped to eleventh place.

Appendix Chart 1

Monthly merchandise exports and imports of selected economies, January 2006 — February 2009
$bn



Sources: IMF International Financial Statistics, Global Trade Information Services GTA database, national statistics.

Appendix Table 1
World merchandise trade by region and selected country, 2008
$bn and %

	Exports					Imports				
	Value	Annual % change				Value	Annual % change			
	2008	2000-2008	2006	2007	2008	2008	2000-2008	2006	2007	2008
World	**15775**	**12**	**16**	**16**	**15**	**16120**	**12**	**15**	**15**	**15**
North America	**2049**	**7**	**13**	**11**	**10**	**2909**	**7**	**11**	**6**	**7**
United States	1301	7	15	12	12	2166	7	11	5	7
Canada	456	6	8	8	8	418	7	11	9	7
Mexico	292	7	17	9	7	323	7	15	10	9
South and Central America a	**602**	**15**	**21**	**14**	**21**	**595**	**14**	**22**	**25**	**30**
Brazil	198	17	16	17	23	183	15	23	32	44
Other South and Central America a	404	14	23	13	20	413	14	21	23	24
Europe	**6456**	**12**	**13**	**16**	**12**	**6833**	**12**	**15**	**16**	**12**
European Union (27)	5913	12	13	16	11	6268	12	14	16	12
Germany	1465	13	14	19	11	1206	12	17	16	14
France	609	8	7	11	10	708	10	7	14	14
Netherlands	634	13	14	19	15	574	13	15	18	16
Italy	540	11	12	18	10	556	11	15	14	10
United Kingdom b	458	6	16	-2	4	632	8	17	4	1
Commonwealth of Independent States (CIS)	**703**	**22**	**25**	**20**	**35**	**493**	**25**	**30**	**35**	**31**
Russian Federation c	472	21	25	17	33	292	26	31	36	31
Africa	**561**	**18**	**19**	**18**	**29**	**466**	**17**	**16**	**24**	**27**
South Africa	81	13	13	20	16	99	16	26	12	12
Africa less South Africa	481	19	20	17	32	367	18	13	28	31
Oil exporters d	347	21	21	18	36	137	21	9	31	37
Non oil exporters	133	15	18	15	22	229	16	15	27	28
Middle East	**1047**	**19**	**22**	**16**	**36**	**575**	**17**	**12**	**25**	**23**
Asia	**4355**	**13**	**17**	**16**	**15**	**4247**	**14**	**16**	**15**	**20**
China	1428	24	27	26	17	1133	22	20	21	19
Japan	782	6	9	10	10	762	9	12	7	22
India	179	20	21	22	22	292	24	21	25	35
Newly industrialized economies (4) e	1033	10	15	11	10	1093	10	16	11	17
Memorandum items:										
Developing economies	6025	15	20	17	20	5494	15	17	18	21
MERCOSUR f	279	16	16	18	25	259	14	24	31	41
ASEAN g	990	11	17	12	15	936	12	14	13	21
EU (27) extra-trade	1928	12	11	17	13	2283	12	16	16	16
Least Developed Countries (LDCs)	176	22	25	24	36	157	17	15	24	27

a. Includes the Caribbean. For composition of groups see the Technical Notes of WTO, International Trade Statistics, 2008.
b. The 2007 annual change is affected by a reduction in trade associated with fraudulent VAT declaration. For further information, refer to the special notes of the monthly UK Trade First Release
c. Imports are valued f.o.b.
d. Algeria, Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan.
e. Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei.
f. Common Market of the Southern Cone: Argentina, Brazil, Paraguay, Uruguay
g. Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam.

Source: WTO Secretariat.

Appendix Table 2
World exports of commercial services by region and selected country, 2008
$bn and %

	Exports					Imports				
	Value	Annual % change				Value	Annual % change			
	2008	**2000-2008**	**2006**	**2007**	**2008**	**2008**	**2000-2008**	**2006**	**2007**	**2008**
World	**3730**	**12**	**13**	**19**	**11**	**3470**	**12**	**12**	**18**	**11**
North America	**610**	**8**	**12**	**14**	**9**	**473**	**7**	**12**	**9**	**6**
United States	522	8	13	16	10	364	7	12	9	7
South and Central America b	**109**	**11**	**14**	**18**	**16**	**117**	**10**	**14**	**21**	**20**
Brazil	29	16	21	26	27	44	14	21	28	28
Europe	**1919**	**13**	**12**	**21**	**11**	**1628**	**12**	**10**	**19**	**10**
European Union (27)	1735	13	12	21	10	1516	12	10	19	10
Germany	235	15	16	16	11	285	10	8	15	11
United Kingdom	283	12	13	20	2	199	9	8	16	1
France	153	9	3	15	6	137	11	8	15	6
Italy	123	10	11	13	12	132	12	11	21	12
Spain	143	13	13	21	11	108	16	17	26	10
Commonwealth of Independent States (CIS)	**83**	**22**	**23**	**27**	**26**	**114**	**22**	**17**	**30**	**25**
Russian Federation	50	23	25	27	29	75	21	16	32	29
Africa	**88**	**14**	**13**	**22**	**13**	**121**	**16**	**16**	**31**	**15**
Egypt	25	12	10	24	26	16	11	8	27	25
South Africa a	13	13	7	13	…	17	15	18	16	…
Middle East	**94**	**14**	**18**	**13**	**17**	**158**	**16**	**21**	**29**	**13**
Israel	24	6	10	10	13	20	7	8	20	11
Asia	**837**	**13**	**16**	**20**	**12**	**858**	**11**	**14**	**18**	**12**
Japan	144	10	13	10	13	166	6	9	11	11
China a	131	…	24	33	…	156	…	21	29	…
India a	106	…	35	22	…	91	…	33	23	…
Four East Asian traders c	271	11	14	17	10	247	10	12	15	7

a. Secretariat estimates.
b. Includes the Caribbean. For composition of groups see Chapter IV Metadata of WTO International Trade Statistics, 2008.
c. Chinese Taipei; Hong Kong, China; Republic of Korea and Singapore.

Note: While provisional full year data were available in early March for 50 countries accounting for more than two thirds of world commercial services trade, estimates for most other countries are based on data for the first three quarters (the first six months in the case of China).

Source: WTO Secretariat.

Appendix Table 3

Merchandise trade: leading exporters and importers, 2008

$bn and %

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Germany	1465	9.1	11	1	United States	2166	13.2	7
2	China	1428	8.9	17	2	Germany	1206	7.3	14
3	United States	1301	8.1	12	3	China	1133	6.9	19
4	Japan	782	4.9	10	4	Japan	762	4.6	22
5	Netherlands	634	3.9	15	5	France	708	4.3	14
6	France	609	3.8	10	6	United Kingdom	632	3.8	1
7	Italy	540	3.3	10	7	Netherlands	574	3.5	16
8	Belgium	477	3.0	10	8	Italy	556	3.4	10
9	Russian Federation	472	2.9	33	9	Belgium	470	2.9	14
10	United Kingdom	458	2.8	4	10	Korea, Republic of	435	2.7	22
11	Canada	456	2.8	8	11	Canada	418	2.5	7
12	Korea, Republic of	422	2.6	14	12	Spain	402	2.5	3
13	Hong Kong, China	370	2.3	6	13	Hong Kong, China	393	2.4	6
	- domestic exports	17	0.1	…		- retained imports	98	0.6	…
	- re-exports	353	2.2	…					
14	Singapore	338	2.1	13	14	Mexico	323	2.0	9
	- domestic exports	176	1.1	13					
	- re-exports	162	1.0	13					
15	Saudi Arabia a	329	2.0	40	15	Singapore	320	1.9	22
						- retained imports b	157	1.0	31
16	Mexico	292	1.8	7	16	Russian Federation c	292	1.8	31
17	Spain	268	1.7	6	17	India	292	1.8	35
18	Taipei, Chinese	256	1.6	4	18	Taipei, Chinese	240	1.5	10
19	United Arab Emirates a	232	1.4	28	19	Poland	204	1.2	23
20	Switzerland	200	1.2	16	20	Turkey	202	1.2	19
21	Malaysia	200	1.2	13	21	Australia	200	1.2	21
22	Brazil	198	1.2	23	22	Austria	184	1.1	13
23	Australia	187	1.2	33	23	Switzerland	183	1.1	14
24	Sweden	184	1.1	9	24	Brazil	183	1.1	44
25	Austria	182	1.1	11	25	Thailand	179	1.1	28
26	India	179	1.1	22	26	Sweden	167	1.0	10
27	Thailand	178	1.1	17	27	United Arab Emirates a	159	1.0	20
28	Poland	168	1.0	20	28	Malaysia	157	1.0	7
29	Norway	168	1.0	23	29	Czech Republic	142	0.9	20
30	Czech Republic	147	0.9	20	30	Indonesia	126	0.8	36
	Total of above d	**13120**	**81.4**	**-**		**Total of above d**	**13409**	**81.7**	**-**
	World d	**16127**	**100.0**	**15**		**World d**	**16415**	**100.0**	**15**

a. Secretariat estimates.
b. Singapore's retained imports are defined as imports less re-exports.
c. Imports are valued f.o.b.
d. Includes significant re-exports or imports for re-export.

Source: WTO Secretariat.

Appendix Table 4

Merchandise trade: leading exporters and importers, 2008

Excluding intra-EU (27) trade

$bn and %

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Extra-EU (27) exports	1928	15.9	13	1	Extra-EU (27) imports	2283	18.4	16
2	China	1428	11.8	17	2	United States	2166	17.4	7
3	United States	1301	10.7	12	3	China	1133	9.1	19
4	Japan	782	6.4	10	4	Japan	762	6.1	22
5	Russian Federation	472	3.9	33	5	Korea, Republic of	435	3.5	22
6	Canada	456	3.8	8	6	Canada	418	3.4	7
7	Korea, Republic of	422	3.5	14	7	Hong Kong, China	393	3.2	6
						- retained imports	98	0.8	…
8	Hong Kong, China	370	3.0	6	8	Mexico	323	2.6	9
	- domestic exports	17	0.1	…					
	- re-exports	353	2.9	…					
9	Singapore	338	2.8	13	9	Singapore	320	2.6	22
	- domestic exports	176	1.4	13		- retained imports a	157	1.3	31
	- re-exports	162	1.3	13					
10	Saudi Arabia b	329	2.7	40	10	Russian Federation c	292	2.3	31
11	Mexico	292	2.4	7	11	India	292	2.3	35
12	Taipei, Chinese	256	2.1	4	12	Taipei, Chinese	240	1.9	10
13	United Arab Emirates b	232	1.9	28	13	Turkey	202	1.6	19
14	Switzerland	200	1.7	16	14	Australia	200	1.6	21
15	Malaysia	200	1.6	13	15	Switzerland	183	1.5	14
16	Brazil	198	1.6	23	16	Brazil	183	1.5	44
17	Australia	187	1.5	33	17	Thailand	179	1.4	28
18	India	179	1.5	22	18	United Arab Emirates b	159	1.3	20
19	Thailand	178	1.5	17	19	Malaysia	157	1.3	7
20	Norway	168	1.4	23	20	Indonesia	126	1.0	36
21	Indonesia	139	1.1	18	21	Saudi Arabia b	112	0.9	24
22	Turkey	132	1.1	23	22	South Africa b	99	0.8	12
23	Iran, Islamic Rep. of b	116	1.0	31	23	Norway	89	0.7	11
24	Bolivarian Rep. of Venezuela	94	0.8	35	24	Ukraine	84	0.7	39
25	Kuwait b	93	0.8	49	25	Viet Nam	80	0.6	28
26	Nigeria b	82	0.7	24	26	Israel b	67	0.5	14
27	South Africa	81	0.7	16	27	Chile	62	0.5	31
28	Algeria	78	0.6	30	28	Philippines b	59	0.5	2

29 Kazakhstan	71	0.6	49	29 Argentina	57	0.5	28
30 Argentina	71	0.6	27	30 Iran, Islamic Rep. of b	57	0.5	27
Total of above d	**10873**	**89.5**	**-**	**Total of above d**	**11215**	**90.2**	**-**
World d (excl. intra-EU (27))	**12142**	**100.0**	**17**	**World d** (excl. intra-EU (27))	**12430**	**100.0**	**17**

a. Singapore's retained imports are defined as imports less re-exports.
b. Secretariat estimates.
c. Imports are valued f.o.b.
d. Includes significant re-exports or imports for re-export.

Source: WTO Secretariat.

Appendix Table 5
Leading exporters and importers in world trade in commercial services, 2008
$bn and %

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	United States	522	14.0	10	1	United States	364	10.5	7
2	United Kingdom	283	7.6	2	2	Germany	285	8.2	11
3	Germany	235	6.3	11	3	United Kingdom	199	5.7	1
4	France	153	4.1	6	4	Japan	166	4.8	11
5	Japan	144	3.9	13	5	China a	152	4.4	...
6	Spain	143	3.8	11	6	France	137	3.9	6
7	China a	137	3.7	...	7	Italy	132	3.8	12
8	Italy	123	3.3	12	8	Spain	108	3.1	10
9	India a	106	2.8	...	9	Ireland a	103	3.0	9
10	Netherlands a	102	2.7	8	10	Korea, Republic of	93	2.7	12
11	Ireland a	96	2.6	8	11	Netherlands a	92	2.6	10
12	Hong Kong, China	91	2.4	9	12	India a	91	2.6	...
13	Belgium a	89	2.4	16	13	Canada	84	2.4	5
14	Switzerland	74	2.0	15	14	Belgium a	84	2.4	16
15	Korea, Republic of	74	2.0	20	15	Singapore	76	2.2	6
16	Denmark a	72	1.9	17	16	Russian Federation	75	2.2	29
17	Singapore	72	1.9	3	17	Denmark a	62	1.8	16
18	Sweden	71	1.9	13	18	Sweden	54	1.6	13
19	Luxembourg a	68	1.8	5	19	Thailand	46	1.3	22
20	Canada	62	1.7	2	20	Australia	45	1.3	18
21	Austria	62	1.7	12	21	Brazil	44	1.3	28
22	Russian Federation	50	1.3	29	22	Hong Kong, China	44	1.3	7
23	Greece	50	1.3	16	23	Norway	44	1.3	12
24	Norway	46	1.2	13	24	Austria	42	1.2	8
25	Australia	46	1.2	15	25	Luxembourg a	40	1.2	8
26	Poland	35	0.9	20	26	Switzerland	37	1.1	10
27	Turkey	34	0.9	22	27	United Arab Emirates a	35	1.0	...
28	Taipei, Chinese	34	0.9	8	28	Saudi Arabia a	34	1.0	...
29	Thailand	33	0.9	11	29	Taipei, Chinese	34	1.0	-2
30	Malaysia	30	0.8	5	30	Poland	30	0.9	25
	Total of above	**3135**	**84.1**	**-**		**Total of above**	**2835**	**81.7**	**-**
	World	**3730**	**100.0**	**11**		**World**	**3470**	**100.0**	**11**

a. Secretariat estimates.

Note: While provisional full year data were available in early March for 50 countries accounting for more than two thirds of world commercial services trade, estimates for most other countries are based on data for the first three quarters (the first six months in the case of China).

Source: WTO Secretariat.

Notes:
1. Production and trade may be measured in volume ("real") or value ("nominal") terms. Measures of volume or real production and trade flows are adjusted for price changes and do not take account of exchange rate changes, thus permitting an assessment of the actual change in flows. Value or nominal measures of changes in flows include actual changes as well as changes in underlying prices and exchange rates. Both these measures are used in this document. back to text
2. Two factors that might accentuate the extent of year-on-year declines in monthly data in value terms are the higher commodity prices that prevailed a year ago and increases in the value of the US dollar compared to most other currencies. The WTO estimate of export growth in 2009 is not, however, influenced by these considerations because it is calculated in real rather than nominal terms (see footnote 1 above). back to text