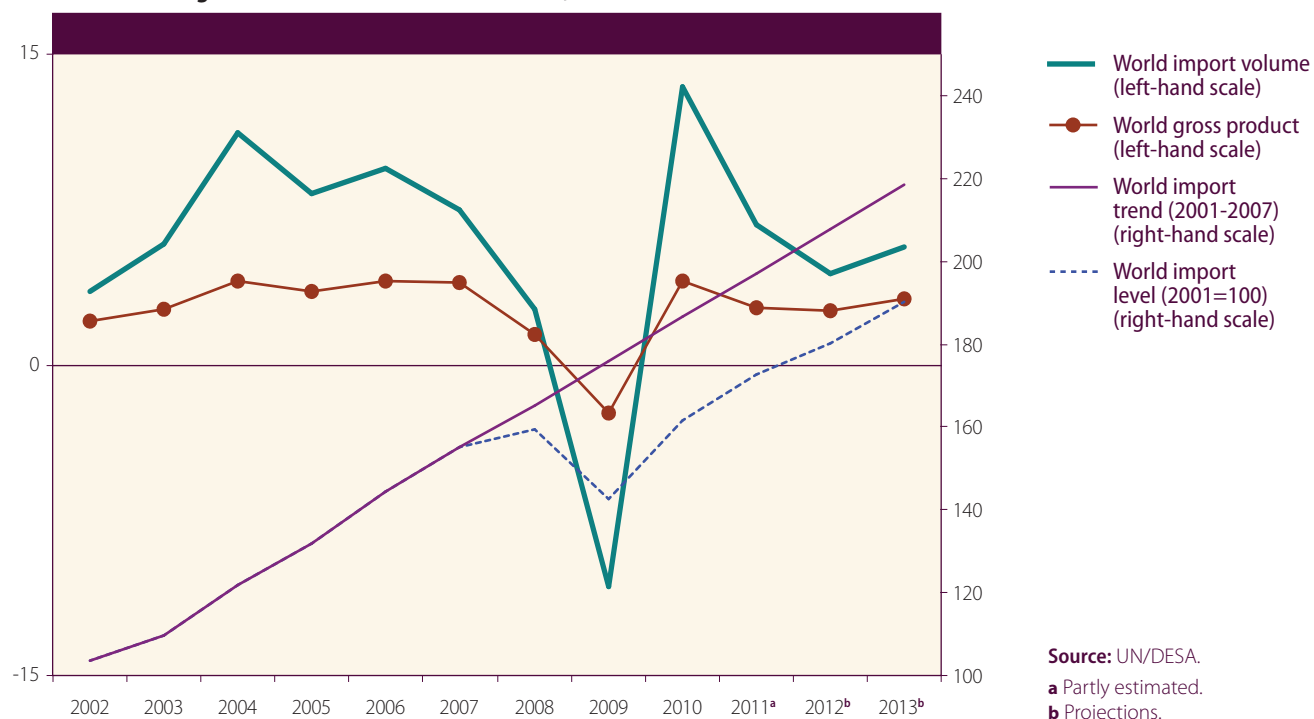# Chapter II
International trade

Slowing merchandise trade

The recovery of world trade was as vigorous in 2010 as had been its decline in 2009. It lost a great deal of momentum in 2011, however, with the growth of world trade volume slowing from 12.6 per cent in 2010 to 6.6 per cent. Weaker global economic growth, especially among developed economies, is the major factor behind the deceleration. As a result, over the four-year period that started with the sharp deceleration of world trade in 2008, the level of world import volume has remained well below trend.[1] In the baseline outlook for 2012 and 2013 (see chap. I), global economic activity would falter without going into recession. Even with the possibly optimistic assumptions of the baseline, world trade would continue to drift further away from the trend (figure II.1). Against this benchmark, the volume of world trade would be 30 per cent below the level that might have been reached had there been no global financial crisis.

During the crisis, import volume of developing countries fell to about 13 per cent below trend, but recovered strongly, to catch up almost fully with the rapidly rising trend experienced in the early 2000s (figure II.2). In 2010, developing country import growth contributed to half of world trade growth (compared with 43 per cent in the pre-crisis period of 2004-2007). Among developing regions, East and South Asia led the recovery in

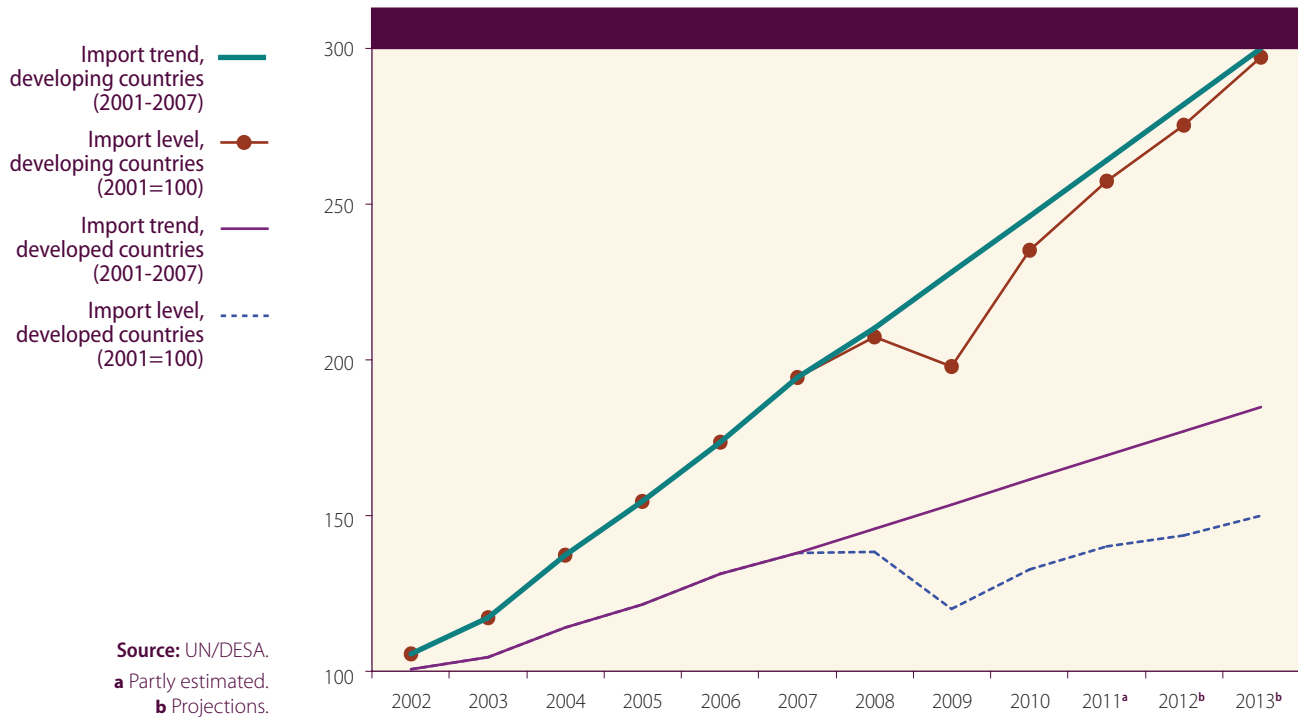Growth in world trade decelerated in 2011 with the weakening of developed economies

Figure II.1
Below-trend growth of world merchandise trade, 2002-2013

- World import volume (left-hand scale)
- World gross product (left-hand scale)
- World import trend (2001-2007) (right-hand scale)
- World import level (2001=100) (right-hand scale)

Source: UN/DESA.
a Partly estimated.
b Projections.

1   This refers to the continued linear trend estimated for 2001-2007.

Figure II.2
Diverging trends in world import growth, 2002-2013

Import trend,
developing countries
(2001-2007)

Import level,
developing countries
(2001=100)

Import trend,
developed countries
(2001-2007)

Import level,
developed countries
(2001=100)

external demand, accounting for about three quarters of the growth of imports of developing economies in 2010, followed by Latin America and the Caribbean, accounting for 17 per cent; Western Asia and Africa contributed about 7.0 and 2.0 per cent, respectively. China continues to be the key driver of import growth among developing countries, accounting for 37 per cent of the growth of imports of all developing countries in 2010.

The below-trend recovery of global trade is almost fully explained by the weaker import demand in developed economies. Import demand had declined to 21 per cent below trend by 2009 and did not catch up thereafter. The gap is expected to widen further, to 30 per cent by 2013, in the baseline scenario.

Shifting patterns of merchandise trade

The marked weakness of import demand from developed countries following the collapse in 2008-2009 comes on top of a decade-long decline of their predominance in international trade. Between 1995 and 2010, their value share in world merchandise trade declined from 69 to 55 per cent, while that of developing countries increased from 29 to 41 per cent (figure II.3). Over this 15-year period, China's share alone increased fourfold from 2.6 per cent to about 10.0 per cent. Over the same period, the market share of Latin America and the Caribbean increased from 4.5 per cent to 5.9 per cent. The value of Africa's merchandise exports rose from $100 billion in 1995 to $560 billion in 2010, while its share in world trade improved modestly from 2.0 per cent to 3.2 per cent. World market penetration of exports from the least developed countries (LDCs), small island developing States (SIDS) and landlocked developing countries (LLDCs) remains extremely limited. For example, even though LDC exports have grown over fivefold since 1995, their world

Figure II.3
Gains and losses in world market shares of merchandise trade[a]
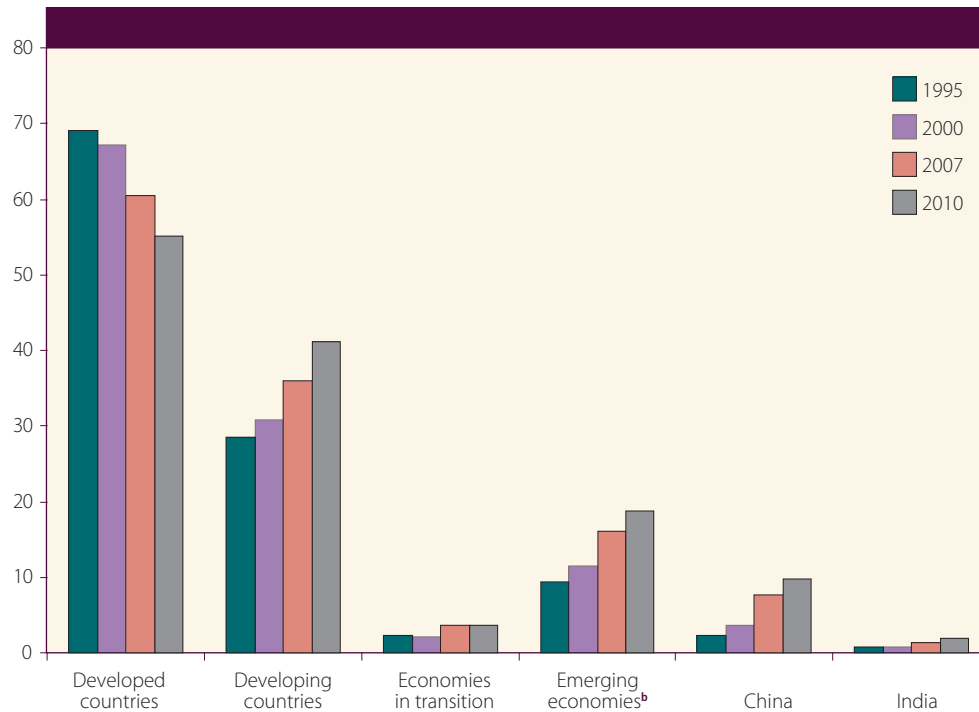
Source: UN/DESA.
a Share of total exports and imports in total world exports and world imports.
b Includes Brazil, China, India, Mexico, the Republic of Korea, the Russian Federation and South Africa.

market share is still less than 1 per cent. World market shares of SIDS and LLDCs amount to much less than 1 per cent.

South-South trade has expanded rapidly

The shifting patterns of trade are associated with the rapid industrial growth of a range of developing countries. Moving from agricultural and other primary production to manufacturing tends to drive up the import intensity of production; moreover, global trade increasingly involves value chains with different geographical locations contributing various parts to the production processes. Such shifting patterns of trade, as well as the increased demand for primary commodities from the rapidly growing economies, has strengthened South-South trade (figure II.4). South-South trade increased at a rate of 13.7 per cent per year between 1995 and 2010—well above the world average of 8.7 per cent. Over the same period, the South's merchandise exports to the North increased by 9.5 per cent per annum.

While recent import demand in most developing countries has remained vigorous, only a few of these countries have succeeded in climbing up the global value chain and diversifying their export base to cater to markets previously dominated by developed economies. Indeed, about 83 per cent of the increase in the share of developing countries' total world trade between 1995 and 2010 (figure II.3) was accrued by the subset of emerging economies (the BRICS[2] plus Mexico and the Republic of Korea). East and South Asia include three of the most dynamic emerging economies—China, India and the Republic of Korea—accounting for about one third of world exports and two thirds of developing country exports in 2010. Some of these gains, as noted, result from growing cross-border specialization involving smaller segments of value chains, which in turn increase trade shares and the value of shipments, imports and exports (box II.1).

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2   Brazil, the Russian Federation, India, China and South Africa.

Figure II.4
**Developed (North)[a] and developing (South)[a] economies,
bilateral shares in world exports, 1995 and 2010**
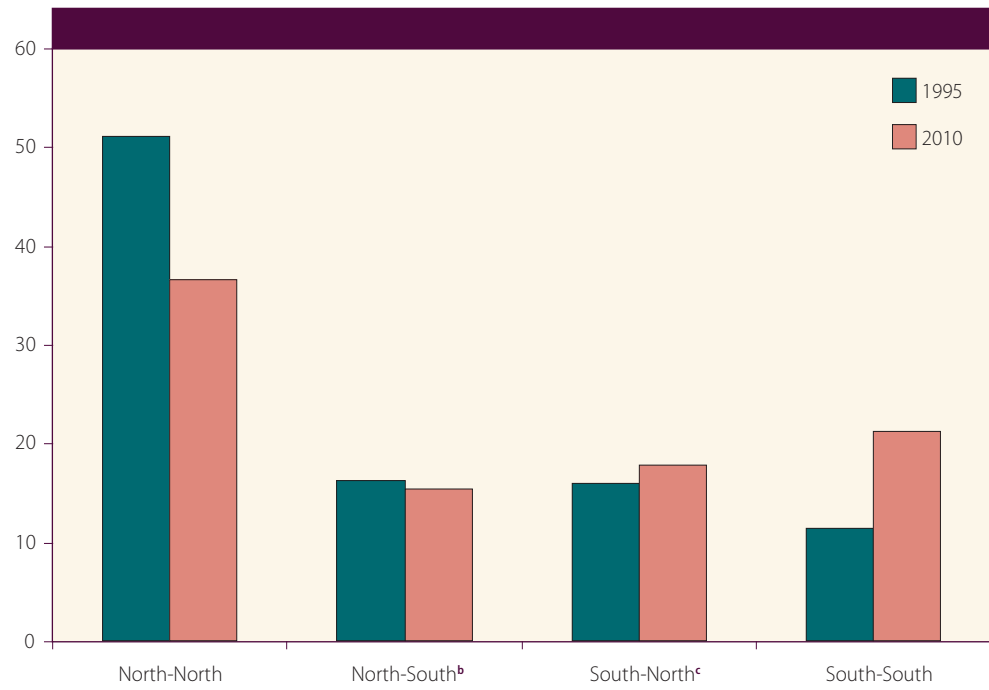
a Developed economies
(North) and developing
economies (South) are based
on the UN/UNCTAD
country classification.
b Exports from North
to South.
c Exports from South
to North.

Maritime transportation underpinning the growing role of the South in world trade

Maritime transport handles over 80 per cent of the volume of global trade and accounts for over 70 per cent of its value. Since 1970, global seaborne trade has expanded on average by 3.1 per cent every year, reaching an estimated 8.4 billion tons in 2010. At this pace, and assuming no major upheaval in the world economy, global seaborne trade is expected to increase by 36 per cent in 2020 and to double by 2033. While bulk trade accounts for the largest share of global seaborne trade by volume, the containerized cargo contribution grew more than threefold between 1985 and 2010.

Developing countries are driving growth in global merchandise trade, with South-South links emerging strongly. Africa and Latin America are increasingly becoming suppliers of China's primary commodity needs and, in return, China's consumer goods are being exported more and more to these regions. These developments are shaping the configuration of maritime transportation. Figure A illustrates the changing position of developing countries in global seaborne trade between 1970 and 2010. The share in unloaded goods grew from 18 to 56 per cent, mainly owing to rising import volumes. As shown in figure B, Asia's share of unloaded goods increased from 6.4 to 45.9 per cent over the same period, confirming Asia's increasing share of world trade.

Uncertainties in the global supply of shipping capacity

In 2010, deliveries of new vessels reached a 36-year record high, increasing the world's maritime carrying capacity by 11.7 per cent. The surge in deliveries following the deep economic downturn and trade collapse of 2009 reflects the prevailing time lag between orders and deliveries inherent in the shipbuilding industry. The massive order book of 2008, placed when the world economy and trade were booming, led to record ship deliveries in 2010 following the fragile recovery.

Box II.1 (cont'd)

Figure A
**Share of developing countries in world volume of goods,
loaded and unloaded, 1970, 1980, 1990, 2000 and 2010**

Percentage of world total, tons

■ Goods loaded   ■ Goods unloaded
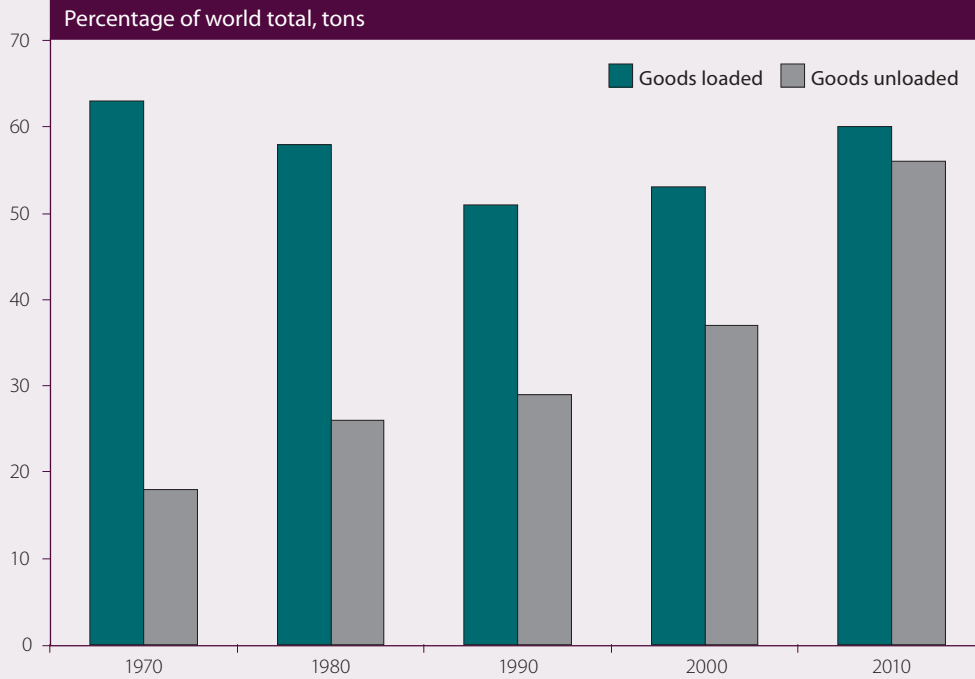
Source: UNCTAD, *Review of Maritime Transport*, various issues, Geneva.

Figure B
**Share of world volume of goods, loaded and unloaded,
by developing regions, 1970 and 2010**

Percentage of world total, tons

■ Goods loaded   ■ Goods unloaded

| Africa | Asia | Latin America and the Caribbean | Africa | Asia | Latin America and the Caribbean |
| 1970 | | | 2010 | | |
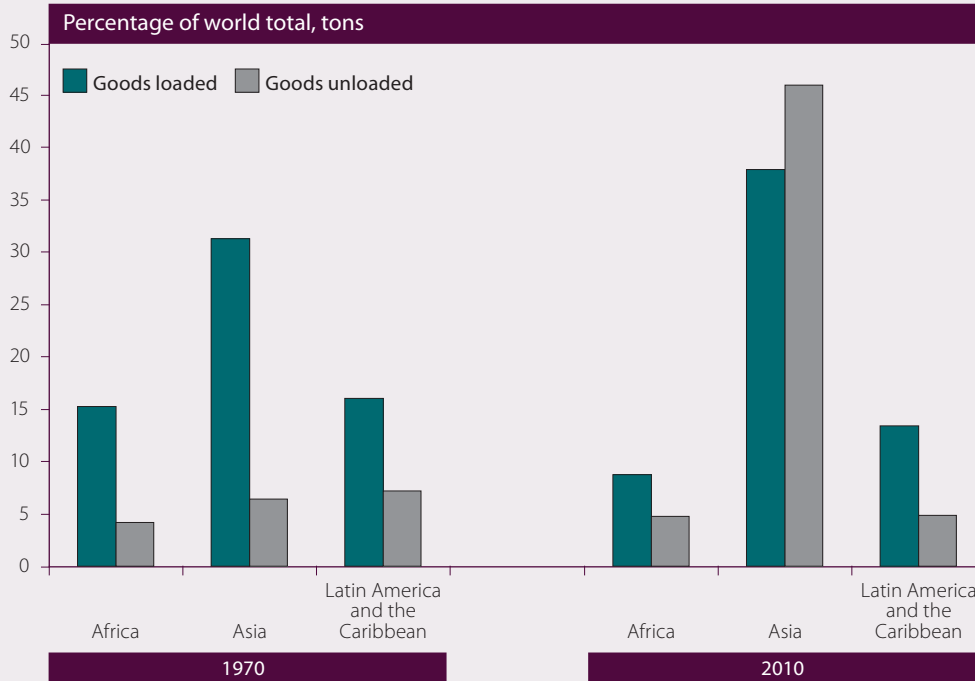
Source: UNCTAD, *Review of Maritime Transport*, various issues, Geneva.

Box II.1 (cont'd)

In the next few years, analysts forecast a continued oversupply of deliveries in the dry bulk and container sectors. Moreover, some indicators hint at the continued expansion of shipyard capacities in countries such as China and the Republic of Korea well beyond current market require-ments. On the one hand, the current imbalance in ship carrying-capacity strongly challenges the shipping industry, as oversupply exerts a dampening effect on freight rates and revenues. Increased ship sizes pose a further challenge to owners, who need to find ever-larger shipments of cargo to achieve the economies of scale required to operate these larger ships with a profit. On the other hand, this may be good news for importers and exporters, as there should be no lack of affordable shipping capacity to carry the moderate revival of world trade expected for 2012.

Investing in seaports and trade infrastructure as a counter-cyclical strategy

Mirroring growth on the demand and supply sides, world container port throughput increased by an estimated 12.6 per cent, to 528.8 million twenty-foot equivalent units (TEUs), in 2010 after stumbling briefly in 2009. Forecasts for 2011 and 2012 are for continued double-digit growth, strengthened by the resumption of many port expansion projects put on hold during the economic downturn.

Keeping in mind the long-term requirements for a country's foreign trade expansion and the fact that a decline in transport investment today will inevitably entail future capacity re-strictions on trade, transport infrastructure investments should be seen as a counter-cyclical policy option with the advantage of contributing to fostering long-term growth through trade.

The expansion of maritime trade is accompanied by the opportunity for operational economies of scale. Indeed, the technological developments required for the efficient management of port services and infrastructure have also encouraged the construction of increasingly larger ships. In this rapidly changing environment, transport connectivity seems key in determining the extent to which cost savings derived from economies of scale are passed on to importers and exporters. The resulting improvements in competitiveness are critical to ensuring a country's effective integration into global trading networks. However, as developing countries strive for improved infrastructure capacity, they will be confronted with increasing concentration of shipping services. Recently, the United Nations Conference on Trade and Development (UNCTAD) found that 35 coastal countries were served by only three or fewer liner companies in 2011.[a] In other words, the consolidation of services provided by the container shipping industry to achieve improved operational efficiency may also have reduced negotiating powers for some players and resulted in less overall market efficiency in some market segments.
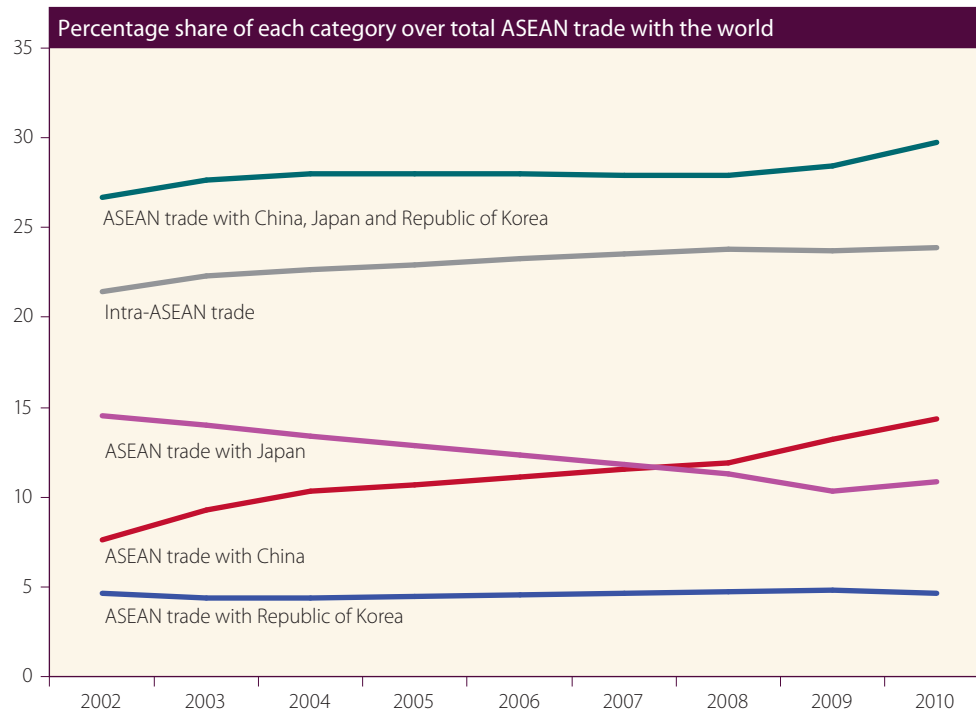
a UNCTAD, *Review of Maritime Transport 2011* (United Nations publication, forthcoming).

For example, as shown in figure II.5, the share of intraregional trade within the Association of Southeast Asian Nations (ASEAN) as a proportion of ASEAN trade with the rest of the world increased by 2.4 percentage points (from 21.4 to 23.8 per cent) between 2002 and 2010. Meanwhile, the share of total ASEAN trade with China, Japan and the Republic of Korea increased from 26.7 to 29.8 per cent.[3] As a result, in 2010, trade within this broader region accounted for more than half of the value of total ASEAN goods traded worldwide.

The trade gains from such regional trade are unevenly distributed, however. While the share of the Republic of Korea in total ASEAN trade remained constant, at about 4.6 per cent, that of China doubled to reach 14.3 per cent, mostly at the expense of the share of Japan. It would thus seem that regional trade agreements are not the only driving force behind strengthened intraregional trade; much is likely associated with the reshaping of world trade by global production chains.

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3   ASEAN and the three countries mentioned in the text agreed to strengthen economic ties in 1997. This broader regional cooperation is sometimes referred to as ASEAN Plus Three (ASEAN+3 or APT).

Figure II.5
Shifting total trade market shares in Asia, 2002-2010

Percentage share of each category over total ASEAN trade with the world

ASEAN trade with China, Japan and Republic of Korea

Intra-ASEAN trade

ASEAN trade with Japan

ASEAN trade with China

ASEAN trade with Republic of Korea

Source: UN/DESA, based on data from the International Trade Center.
Note: Some values for 2005-2007 are interpolated from values in 2004 and 2008.

Volatile terms of trade

Trade affects national income through three factors: prices of exports, prices of imports and the volume of demand.[4] The international terms of trade (defined as the ratio of the average export price and import price indices) provide a synthetic measure of relative price changes over time. Preliminary estimates for 2011, suggest that the terms of trade of mineral- and oil-exporting economies have continued their rebound from the export price collapse in 2009 (figure II.6).[5] In contrast, the terms of trade for economies relying on manufactured exports have deteriorated on average. Exporters of minerals, including oil, have seen dramatically large price shocks since 2007. Yet, world market prices for those commodities seem to be on a longer term upward trend (see below). In 2011, mineral exporters experienced strongly improved terms of trade, in part since prices of some precious metals increased sharply because heightened global economic uncertainty raised their importance as a store of value.

Regional aggregates of the combined shocks caused by the changes in the terms of trade and in the volume of export and import demand are shown in figure II.7A, and

Terms of trade have improved for mineral and oil exporters

Primary commodity exporting countries are facing the biggest trade shocks

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4   These factors can be calculated, with some degree of accuracy, by combining information from UN Comtrade (import and export structure), the United Nations Conference on Trade and Development (UNCTAD) and other sources (international prices), and the Central Planning Bureau of the Netherlands (CPB) and other sources (volume changes of imports and exports). See also Alex Izurieta and Rob Vos, "Measuring the impact of the global shocks on trade balances via price and demand effects", World Economic Vulnerability Monitor, Methodological Notes, available from http://www.un.org/en/development/desa/policy/publications/wevm/monitor_note.pdf.

5   Estimates for 2011 are extrapolations from observed data covering the first nine months of the year. The forecasts for 2012 and 2013 are based on trade volume and commodity prices implied by the baseline scenario for global trade and output growth presented in chapter I.

Figure II.6
Barter terms of trade of selected groups of countries, by export structure, 2000-2013
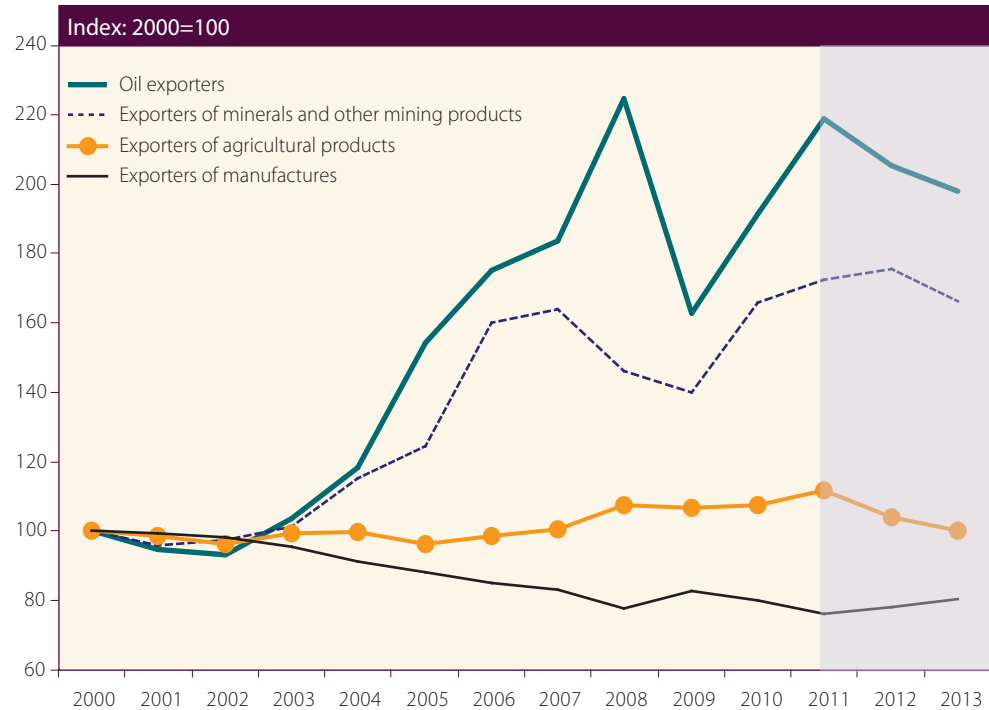
trade shocks by country groupings, according to export specialization, in figure II.7B.[6]

All regions faced negative trade shocks in 2009, followed by a turnaround during the global economic recovery of 2010-2011. The adverse shock of 2009 was mainly caused by the massive contraction of global demand (more than 3 per cent of world income), but in part also by the collapse in commodity prices. The trade shocks were strongest among the economies in transition and countries in Western Asia and Africa. Because of the sharp fluctuations in energy and other commodity prices, energy exporters faced the strongest trade shocks, followed by mineral exporters. Agricultural exporters suffered less dramatic trade shocks, in part because many of them are net energy importers and hence see commodity price shocks that affect both sides of their external balances. For similar reasons, most LDCs have not seen comparably strong terms of trade shocks, despite the large swings in commodity prices. LDCs consist of a heterogeneous group of economies, encompassing a wide range of export specializations, from energy and minerals to agricultural and manufacturing exporters. Given the variety of export structures, LDCs, as a group, resemble an "export-diversified" economy on average, but individual countries have faced large shocks because of their skewed export base and/or high dependence on food and energy imports.

Countries with diversified exports or those specialized in manufactures have been less vulnerable to trade shocks

Economies with more diversified export specialization have faced milder trade shocks over the past three years and also have more stable export revenues and levels of import demand, enabling more stable output growth. A similar pattern is observed for

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6   The figures show the total trade shock estimated as the change in export prices times the volume of the previous year's exports, minus the change in import prices times the volume of last year's imports, plus changes in the volume of import demand times the price of last year's imports. The table in the appendix to the present chapter provides a breakdown of the components of the trade shock.

Figure II.7
Trade shocks by region and export specialization, 2001-2013
(percentage of GDP of the group as a whole)

A. By region

Legend:
- 2001-2007
- 2008
- 2009
- 2010-2011[a]
- 2012-2013[b]

Categories: World; Developed economies; Economies in transition; Latin America and the Caribbean; Western Asia; East and South Asia; Africa; Least developed countries

B. By main sector of export specialization

Categories: Whole region (W); Energy (> 40 per cent); Minerals (> 40 per cent); Agriculture (> 40 per cent); Manufacture (> 50 per cent); Diversified

countries specializing in manufactured exports, which, although having suffered a decline in their terms of trade, have also seen steady demand growth for their exports.

In the outlook for 2012 and 2013, trade shocks are forecast to be mild when measured as annual averages. Trade volumes are expected to show moderately positive growth in the baseline scenario, while most commodity prices, except those of some minerals, especially precious metals, are assumed to experience corrections from the sharp increases witnessed during 2010 and the first half of 2011.

Unstable commodity markets

Primary commodity prices boomed from 2003 to mid-2008, constituting the longest rally of the post-Second World War period and following almost three decades of low, albeit volatile, prices. The boom came to an abrupt end with the global financial crisis. Commodity prices collapsed with the fall in global demand, exacerbated by a drop in investments in commodity derivatives due to financial sector deleveraging. Prices rebounded strongly from the second quarter of 2009 in line with the global recovery, but in particular with the resumption of robust growth in emerging and other developing countries (figure II.8). The upward cycle continued for all major commodity groups until the middle of 2011. In the case of metals, agricultural raw materials and tropical beverages, average price levels for the year 2011 as a whole in fact surpassed 2008 averages.

The rebound in commodity prices can be explained in part by the "pincer effect" of a tightening market caused by supply constraints and continuously growing demand for commodities, especially from emerging economies. Insufficient investments in oil production and refinery capacity, along with supply shocks caused by, inter alia, the political unrest in the Middle East and North Africa, have constrained oil markets. In the case of food and agricultural markets, a variety of factors have held back supply and kept markets tight, including adverse weather patterns caused by greater climatic variability, declining productivity growth in some regions, low levels of inventories, and increasing scarcity of arable farmland and water. Measures in recent years by Governments in a number of countries, including export restrictions and subsidies on the use of food crops for biofuel production, have further increased scarcity in the markets for food crops in particular.

Figure II.8
Total non-oil commodity price index, 2000-2011[a]

Index: 2000=100
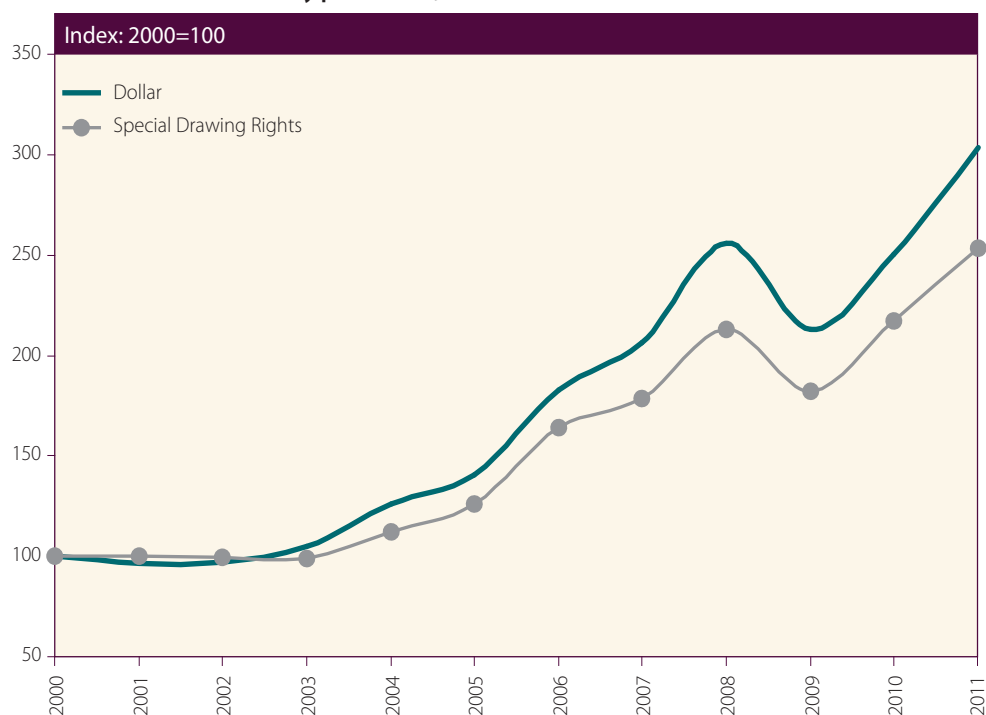
Financial factors have had a visible impact on recent commodity price trends and volatility. The longer term trend towards a depreciating United States dollar has exacerbated the upward trend in commodity prices, since most commodity trade is in dollars and traders demand higher prices in order not to lose revenue because of the exchange-rate effect. Weak regulation of financial derivatives markets and policies of keeping interest rates low have pushed massive financial investments into speculative trading in buoyant commodity futures markets.[7] This is assessed to have increased price volatility as well as to have inserted an upward bias in spot prices.[8] The annual number of commodity futures contracts traded globally has risen from 418 million in 2001 to 2.6 trillion in 2011, with a more than 14-fold increase in notional value, to $13 trillion.[9] The dramatic rise in the volume of transactions by large financial actors has been suggested as a plausible explanation for the disconnection between price movements and market fundamentals. Consequently, the issue has attracted the growing attention of the international community, including the Group of Twenty (G20) and the larger arena of the United Nations General Assembly (box II.2).

Financial variables are increasingly influencing commodity prices

Food and agricultural commodities

After sliding considerably in the first half of 2010, the agricultural commodity price indices of the United Nations Conference on Trade and Development (UNCTAD) rose sharply, reaching peaks around February 2011 (figure II.9). Despite subsequent falls, prices remain comparatively high. The food price index averaged 268 points from January to September 2011, up 21.8 per cent from the same period in 2010. Within this category, the average price of the main cereals (wheat, maize and rice) has continued its upward movement, although rising at a slower pace than in the previous year. Meat, vegetable oils and sugar prices have also been on the rise.

Food prices peaked in early 2011

The impact on net food-importing countries has been considerable, but variable. For example, the Horn of Africa was hit by famine following prolonged drought, compounded by conflict and insecurity, while other countries in Africa enjoyed good harvests of maize and sorghum. In developing Asia, in particular, rising prices for wheat, edible oil and other food items have been a major factor in accelerating headline inflation. Where food price increases were contained by food subsidies, they have given rise to widening fiscal deficits, as was the case in Western Asia.

The impact on net food-importing countries has been considerable

The outlook for wheat crops in 2012 is uncertain. Increased production projections for the European Union (EU) and the Commonwealth of Independent States (CIS),

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[7] The deregulation of United States exchanges in 2000 allowed index investors to be considered "commercial" market participants, thereby exempting them from certain regulatory obligations. For instance, investments in futures markets can be treated as "over-the-counter" (OTC) derivatives, not listed in the exchanges. The OTC market involves trading derivatives directly between two parties, where there is a risk that one party may default. In exchange trading, all parties must place collateral (called a "margin") against their positions held at the exchange. Margin calls are required by the exchange whenever the collateral of any trading agent falls short of the margin required to hold their positions. Positions are immediately liquidated if the margin call is not met. This reduces risk-taking and the risk of default.

[8] See *World Economic Situation and Prospects 2011* (United Nations publication, Sales No. E. 11.II.C.2), box II.1, pp. 53-54; and UNCTAD, *Trade and Development Report 2011: Post-crisis policy challenges in the world economy* (United Nations publication, Sales No. E.11.II.D.3), chap. V.

[9] UNCTAD projections based on Bank for International Settlements statistics (see UNCTAD, *Commodities and Development Report 2012: Commodities in the twenty-first century: Perennial problems, new challenges, which way forward?* (United Nations publication, forthcoming).

Box II.2

Commodity market volatility and financialization reaches the international policy agenda

Major shifts in commodity market supply and demand balances have occurred over the past few years. However, these shifts alone are insufficient explanation of the rapid increase in price volatility affecting a wide range of commodities over the last half decade. Recent research and analyses increasingly support the view that the greater involvement of financial investors and their increased investments in commodities as financial assets have altered the functioning of commodity markets.[a]

The adverse impact of food price volatility on the livelihood of millions of poor households and the potential inflationary effects of high food and energy prices have placed commodity price issues back on the international policy agenda. In response to these concerns, the G20 identified food security as a priority area for the first time in the November 2010 Seoul Development Consensus for Shared Growth. During the Ministerial Meeting on Development in Washington, D.C., in September 2011, the work of the G20 in this area culminated in the endorsement of the Action Plan on Food Price Volatility and Agriculture to which Agriculture Ministers had agreed earlier in Paris in June 2011.[b] This policy-oriented Action Plan emphasizes the need for enhanced agricultural productivity and greater market transparency, while encouraging market participants to make better use of commodity price risk management tools.

Taking a broader approach, the G20 Study Group on Commodities endorsed an analytically oriented report in November 2011. This report examines the determinants of recent commodity price volatility, including the changing nature of commodity-related financial instruments and market participants, in order to shed light on their growing influence on commodity price developments.[c] It argues that financial investors can cause commodity prices to deviate from fundamental values when their investment is large and when they engage in herd behaviour. Herding occurs when market participants extrapolate from past price movements or mimic other traders' position-taking without looking at market fundamentals.[d] While the report acknowledges the existence of conflicting empirical evidence of a persistent impact of financial investors on the level, volatility and correlation of commodity prices, it also recognizes the growing research supporting the view that recent financial investments have decisively affected price dynamics over short time horizons; furthermore, it finds that some episodes of large and sudden price movements support the common-sense hypothesis that amplification mechanisms existing in other financial markets are also at work in commodities futures and options markets. Subsequently, at the Cannes Summit in November 2011, the G20 endorsed a report on commodity derivatives markets, prepared by the International Organization of Securities Commissions (IOSCO), calling for more stringent regulation and enhancing the intervention power of market authorities to ensure that commodity derivatives markets fulfil their function as price-discovery and risk-transfer mechanisms.[e] Although these recommendations have a similar thrust, they are less ambitious than the regulations that the U.S. Commodity Futures Trading Commission (CFTC) and the European Commission propose to implement in the United States of America and the European Union, respectively, over the next two years.

Partly as a result of the sequence in which the various reports on commodity price developments have become available, the recent analytical findings and regulatory recommendations are thus far reflected in G20 policy statements only to a limited extent. However, the continued salience of commodity price issues may lead the G20 to deepen its approach and translate these findings and recommendations into tangible and internationally harmonized policy actions.

In addition, the growing consensus that heightened commodity price volatility affects food security and sustainable development, in particular in commodity-dependent countries, has triggered a deepening debate extending beyond the perceived scope of G20 engagement. Non-members of the G20 are increasingly contributing to this debate with their own initiatives. The draft resolution on addressing excessive price volatility in food and related financial and commodity markets, initially tabled by the Group of 77 and China could, if adopted by the General Assembly in December 2011, represent an important step in addressing this issue under the global and representative umbrella of the United Nations.

a For a review of such studies and further analysis of the interplay between physical and financial commodity markets, see UNCTAD, *Trade and Development Report 2011: Post-crisis policy challenges in the world economy* (United Nations publication, Sales No. E.11.II.D.3), chap. V.

b See http://agriculture.gouv.fr/IMG/pdf/2011-06-23_-_Action_Plan_-_VFinale.pdf.

c The report is available from http://www.g20.org/exp_01.aspx..

d See UNCTAD, *Trade and Development Report 2011*, op. cit., for further analysis.

e See International Organization of Securities Commissions (IOSCO), "Principles for the Regulation and Supervision of Commodity Derivatives Markets", September 2011. Available from http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf.

Figure II.9
Price indices of commodity groups, January 2000-September 2011

Index: 2000=100

Price index—all groups (in terms of current dollars)
Tropical beverages
Minerals, ores and metals
Food
Agricultural raw materials
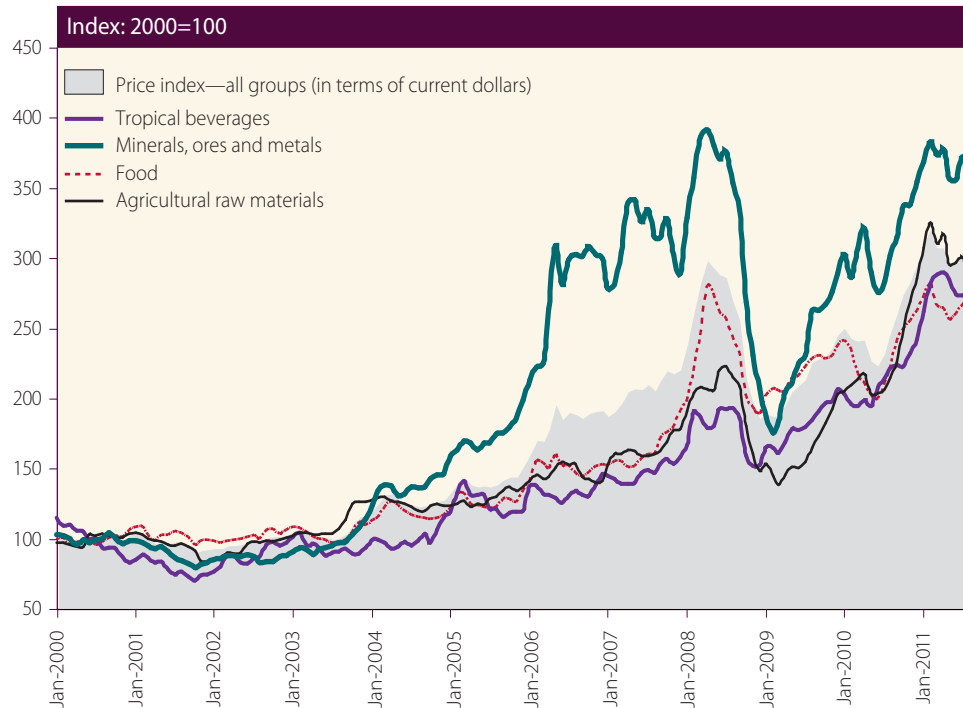
together with competitive prices relative to maize, may continue to encourage the use of wheat for livestock feed, which could push up prices. The sugar price may continue its rise in 2012, underscored by higher projected world demand for refined sugar in the light of anticipated market deficits. The tropical beverages price index, which has risen steadily since December 2010, may show moderation as a result of better-than-expected supply conditions. The vegetable oilseeds and oil price index has declined from its all-time high of February 2011, but price volatility may continue amidst uncertain supply and demand prospects in major oilseed-producing and -importing countries.

The average price index for agricultural raw materials increased by 91 points over the first three quarters of 2011 compared with the same period in 2010, mostly as a result of supply shortfalls generated by adverse weather conditions and strong demand in Asian emerging economies. Natural rubber prices remained high in 2011 owing to strong demand for tyres in emerging market economies and high energy costs (especially crude oil) which affected synthetic rubber prices. Supply disruptions from poor weather conditions in major producing countries also contributed to increased prices. This pattern was evident for cotton, too, which reached a historic high in March 2011 ($2.3 per lb), up 63 per cent from its 2009 average.

Minerals, ores and metals

The average UNCTAD price index for minerals, ores and metals, calculated from January to September 2011, increased by 21 per cent compared with the same period in 2010 (figure II.10). Metal prices remained high over this period owing to a combination of tightening supply and strong industrial demand from Asian countries and Brazil.

Prices of metals have increased and are expected to rise further in 2012

Figure II.10
Price indices of non-ferrous metals, January 2007-September 2011

Index: 2000=100

Legend: Aluminium, Lead, Copper, Zinc, Nickel
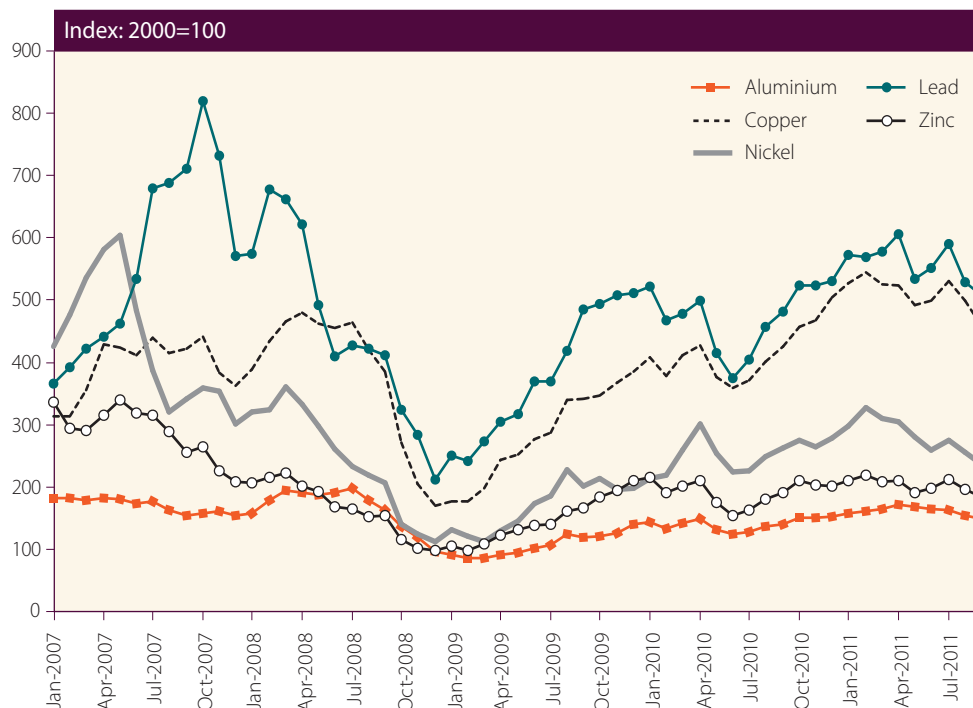
Over the next few years, the slow expansion of supply in the mining sector, coupled with an already challenging situation in upgrading mining capacity, is set to tighten supply further, likely resulting in rising metal prices in the medium term. According to the International Copper Study Group (ICSG), the growth in global copper demand is expected to outstrip copper production before the end of 2011 causing a production deficit of about 160,000 tonnes of refined copper.

Gold continues to serve as a safe store of wealth during times of uncertainty or exchange-rate volatility. Between January and December 2009, gold prices rose by 32 per cent, and yet again by 24 per cent from January to December 2010. By September 2011, the monthly average gold price set a new record of $1,772 an ounce, as investors took refuge following weaker-than-expected recovery in both the United States of America and Europe, coupled with perceived sovereign debt problems on both sides of the Atlantic.

The oil market

Oil prices increased moderately as demand from emerging economies grew, while OECD demand slackened

During the first three quarters of 2011, global oil demand increased by 1.2 per cent compared to the same period in 2010. Oil demand in developed countries declined by 0.7 per cent as their economies weakened. This decline was offset by strong demand for oil from emerging market and developing countries, up by 3.4 per cent in 2010, pushed by robust economic growth, particularly in China and India. Non-Organization for Economic Cooperation and Development (OECD) countries commanded an estimated 48.7 per cent of global oil demand in 2011.

World oil supply increased by 1.2 per cent during the first three quarters of 2011. Production in the member States of the Organization of the Petroleum Exporting

Countries (OPEC) increased by 2.7 per cent. Saudi Arabia has activated its spare capacity and raised its supply by 1.4 million barrels per day (mbd), to reach 9.4 mbd in the third quarter to compensate for the production loss in Libya. Meanwhile, oil supply by non-OPEC countries, which represents two thirds of world production, is estimated to have increased by 0.1 per cent owing to slowing production in OECD countries.

Oil stocks in the OECD countries decreased slightly in the first half of 2011. Furthermore, on 23 June, the International Energy Agency (IEA) decided to release 60 mb of strategic stocks in a coordinated manner over a 30-day period.

During the first ten months of 2011, oil traded at about 40 per cent above the average price of 2010. The Brent oil price averaged $112 per barrel (pb), compared with $79 pb for 2010 as a whole. A price hike occurred after the first of the Arab uprisings in Tunisia on 18 December 2010; it intensified as political unrest spread across North Africa and Western Asia. Speculation in oil futures markets about possible supply shortages because of the political unrest pushed up oil prices long before production facilities in Libya were actually affected and despite the fact that supply outages were fully compensated for by the activation of Saudi spare capacity. The Brent oil price peaked at $126 pb in mid- and end-April before stabilizing at around $110 pb. The coordinated release of strategic stocks by IEA members failed to appease fears of supply shortages; the Brent price did not fall below $100 pb until October 2011, and only did so for a very short time.

> Political instability and fears of supply shortages kept prices high during most of 2011

Furthermore, Brent oil has been trading at an increased premium compared to other crudes, especially West Texas Intermediate (WTI) crude (figure II.11A). A number of factors are thought to explain the widening spread. On the supply side, infrastructure constraints, including constraints in pipelines and access to storage facilities at the delivery point of North American crudes in Oklahoma have led to a build-up of inventories. Additionally, Brent production in the mature North Sea fields is slowing down. These two phenomena are not new, however. Other explanations point to specific demand factors and the role of financial speculation. Indeed, as most of Libya's oil is exported to Europe, the outage in supply caused by the war translated into acute demand pressures on Brent, which is chemically one of the closest substitutes for light sweet crudes from Libya. Rumours that the European downstream industry might not be able to process similar quantities of more heavy crudes in the short run subsequently nurtured fears that oil shipment patterns would need to be rerouted. These fears further aroused the interest of financial speculators, causing a surge of 32 per cent (year on year) in Brent open interests between January and September, compared with 2 per cent in WTI open interest.[10]

During the first three quarters of 2011, oil price volatility also increased. Brent oil prices, in particular, registered larger swings than in 2010 (figure II.11B). This has increased the cost of hedging for buyers and sellers engaged in the physical oil trade. Several studies suggest that the financialization of commodity markets has shaped the process of price formation in spot markets, and a more stringent regulation of these markets is called for (box II.2). However, the debate is not settled and is likely to remain controversial, especially considering the huge vested interests of the financial players.

> Financialization of commodity markets has amplified price swings in spot markets

In the outlook for 2012, global oil demand is assumed to increase by 1.6 per cent, to 90.6 mbd. Demand from non-OECD countries, mainly driven by economic growth in China and India, is expected to rise by 3.7 per cent on the back of expanding industrial production and private energy consumption. Among OECD member

> Oil demand is expected to rise moderately in 2012, driven by demand from developing countries

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10   Open interest is the total number of derivative contracts not settled in the immediately preceding period for a specific underlying security. A large open interest indicates more activity and liquidity for the contract.

Figure II.11
Oil prices

A. Widening spread between Brent and WTI spot prices (daily prices), 2010-2011

B. Increasing Brent price volatility (daily prices), 1987-2011
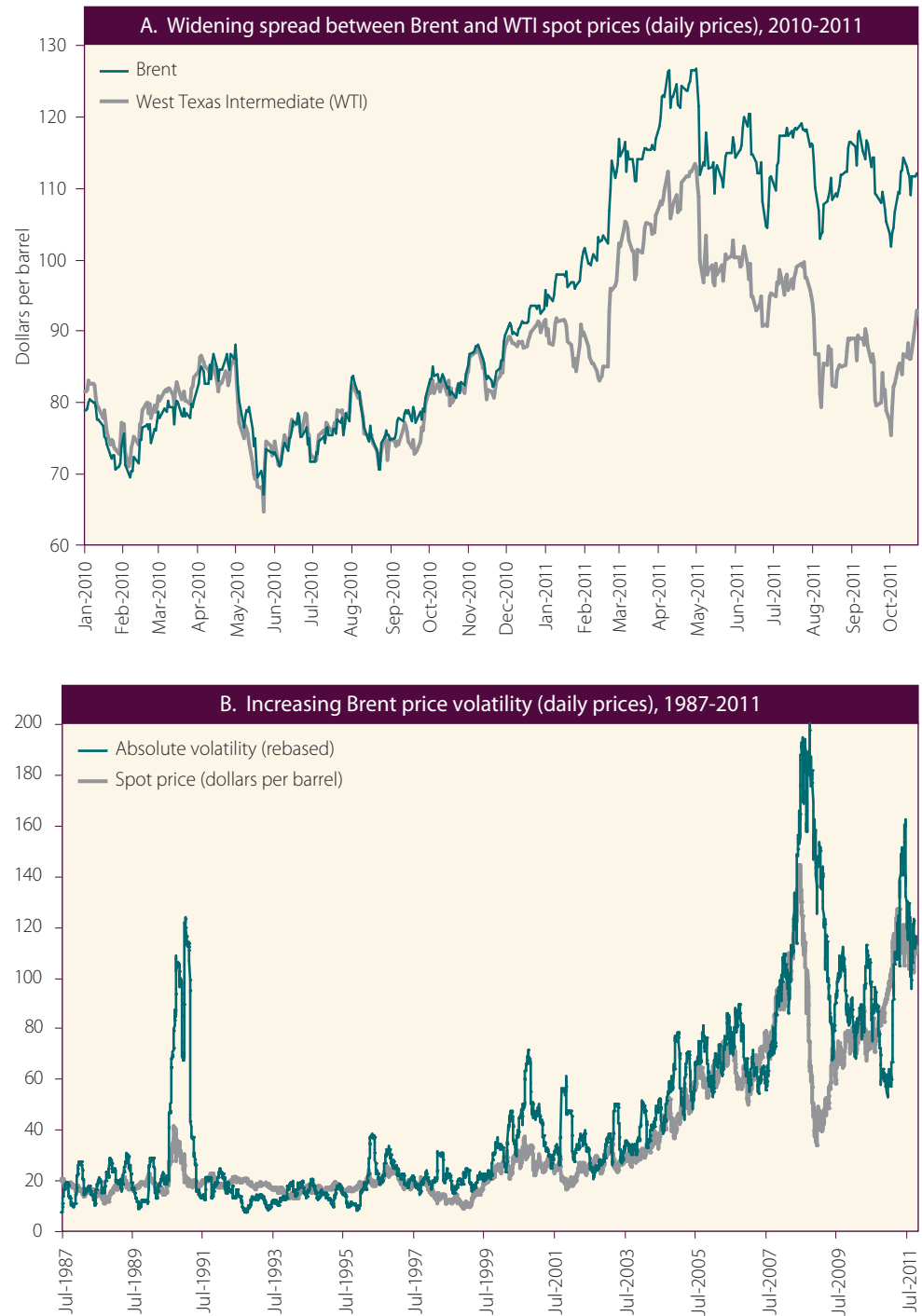
Source: UN/DESA, based on data from the United States Energy Information Administration, available from http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm.

States, demand is projected to remain at the 2011 level. On the supply side, non-OPEC countries are expected to post an increase in output of 1.8 per cent in 2012, to 53.7 mbd, driven by non-OECD producers such as the Russian Federation, Brazil and newcomer Ghana. Supply in OECD countries, which provide about 35 per cent of non-OPEC output, will rise by 1.6 per cent as the exploitation of Canadian tar sands is expanding. Many Gulf countries will likely seek to enhance oil revenues to fund increased social spending resulting from measures announced in the wake of political unrest spreading across the Middle East. Consequently, output from OPEC countries is expected to increase unless oil prices stay up. Setting aside the uncertain influence of financial speculation, the Brent price is forecast to average $100 pb in 2012. Market conditions will be characterized on the supply side by a tightening of spare capacity among OPEC producers as well as by a restocking of strategic oil reserves, while global demand will continue to be driven by developing countries, especially those in Asia. The outlook is subject to significant uncertainty, however. Weaker-than-expected global economic activity could create significant downward pressure on oil prices, while a revival of political unrest in Gulf countries or a stronger depreciation of the value of the dollar could trigger renewed price hikes. In addition, in the context of low interest rates in major financial markets, more speculative capital could be attracted to commodity markets in search of higher yields, possibly exacerbating oil price volatility.

Growing trade in services

In 2010, services trade returned to positive growth in all regions and groups of countries, especially developing countries, the least developed amongst them in particular. Nonetheless, the level of world trade in services has not yet fully recovered from the downturn caused by the global financial crisis, mainly because of the sluggish recovery of such trade in the developed countries and economies in transition. In all regions, growth in services trade is lagging behind its pre-crisis pace (figure II.12A and B). Unlike merchandise trade, however, services trade has shown less sensitivity to the global demand shock triggered by the financial crisis. As a corollary, the rebound in trade in services was also less pronounced during the recovery from the crisis. International tourism services experienced similar patterns (box II.3).

World trade in services has been more stable than merchandise trade

As a result of diverging growth, the share of developing countries in world services trade has increased notably, essentially at the expense of developed countries. Despite fast growth of their tradable services industry, the share of LDCs has remained almost constant since their initial level of services trade was very low.

The major services exporters among developing and transition economies further improved their overall ranking in the world's top 10 between 2006 and 2010 (table II.1). China, which is both the largest importer and exporter of services among developing countries and transition economies, moved from the eighth to the fourth position in terms of exports, and from the sixth to the third position in terms of imports. In the top 10 for developing countries and economies in transition, 8 of the top exporters also rank among the top 10 importers. While their share in world trade in services is growing, most developing countries and economies in transition continue to run a deficit on their internationally traded services balance.

Figure II.12
International trade in services

A. Exports of services (annual growth rates)

Legend:
- World (teal)
- Developing economies (grey)
- Economies in transition (white)
- Developed economies (pink/red)
- Least developed countries (hatched)

B. Imports of services (annual growth rates)

Source: UN/DESA.
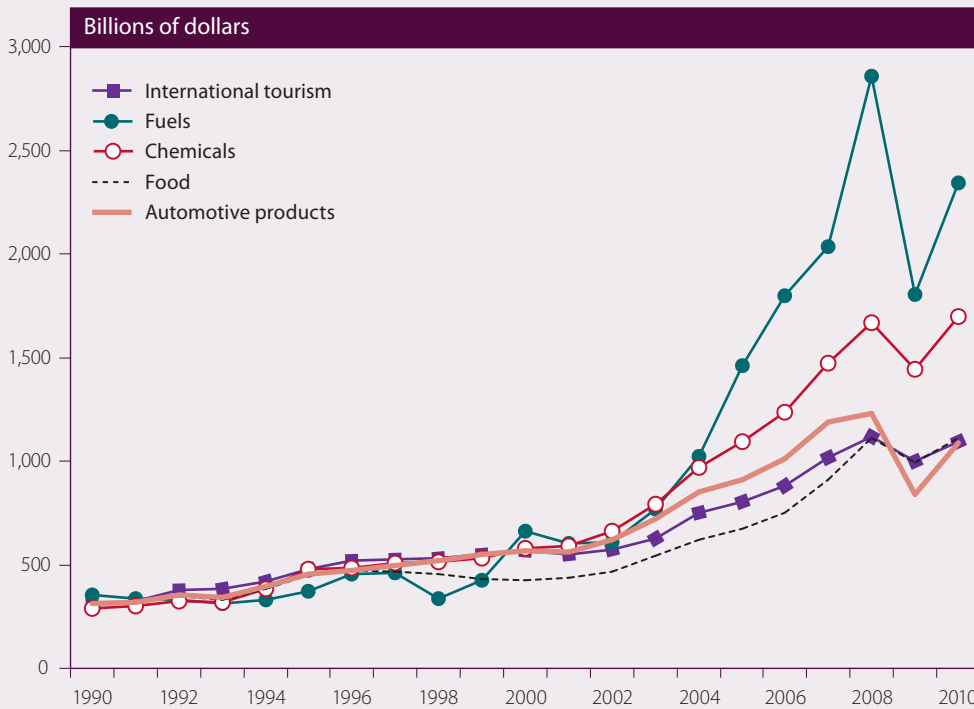
International tourism

Rebounding tourism

In 2010, world tourism rebounded from the recession induced by the financial crisis. Worldwide, international tourist arrivals reached 940 million in 2010, up 6.6 per cent over the previous year. The majority of destinations reported positive and often double-digit increases, sufficient to surpass pre-crisis peak levels or bring them close thereto. Recovery was stronger in developing economies, showing a growth rate of 8 per cent, compared to 5 per cent in developed countries that have not yet fully recovered from a greater fall in 2009 (with Europe following a slightly different pattern as weather and geological shocks caused some travel restrictions during 2010).

Receipts earned from international tourism by destination countries are registered as services exports (travel credits) in the balance of payments. Worldwide, receipts increased by 5.4 per cent in real terms, reaching a value of $926 billion in 2010. Throughout 2009, international tourism was more resilient than other trade categories, decreasing only by 5.5 per cent in real terms, while overall exports decreased by 10.7 per cent. Besides travel-related financial services, tourism also generates export earnings through international passenger transport. As the latter amounted to $174 billion in 2010, total tourism receipts reached $1.1 trillion in 2010. Travel and passenger transport exports account for 30 per cent of the world's exports of commercial services and 6 per cent of overall exports of goods and services. As a worldwide export category, tourism ranks fourth after fuels, chemicals and food, while ranking first in many developing countries (see figure).

In the first eight months of 2011, international tourist arrivals grew robustly, by 4.5 per cent. Europe, with 6 per cent growth, was the region showing the strongest growth, which may seem surprising considering the continued economic uncertainty. Northern Europe, Central and Eastern Europe, and Southern Europe grew by 7 per cent or more in 2011, following a milder recovery in the previous year. Furthermore, Mediterranean destinations benefited from the shift of travel away from the Middle East and North Africa, which fell by 9 and 15 per cent, respectively, impacted in both cases by political turbulence.

International tourism revenue vis-à-vis other main export commodities, 1990-2010

Sources: World Tourism Organization (UNWTO) and World Trade Organization (WTO).

Note: International tourism accounts for 30 per cent of service exports and 6 per cent of goods and services exports.

Box II.3 (cont'd)

Growth in Asia reached 6 per cent, but was unevenly distributed across subregions. While South-East Asia and South Asia registered double-digit rates, North-East Asia and Oceania grew more weakly. South America, benefiting from favourable economic momentum and increased regional integration, experienced growth of 13 per cent. In sub-Saharan Africa, arrivals grew by 4 per cent.

On the demand side, expenditures on travel abroad (imports) for the first part of 2011 continued to be buoyant, thanks to the emerging economies of Brazil, China, India and the Russian Federation, each increasing by over 20 per cent. Major mature markets—such as Canada, Germany, Italy and the United States—showed healthy growth rates in the range of 4-6 per cent, while Australia, the Republic of Korea and the Scandinavian markets had even stronger growth.

According to the latest survey of the World Tourism Organization (UNWTO) Panel of Experts, while confidence has been deteriorating, it remains positive. Tourism demand is expected to soften for the remainder of 2011, with full-year arrivals growing between 4 and 4.5 per cent. In 2012, growth is projected to be in the range of 3 to 4 per cent.

Tourism and employment

Tourism is a significant sector for both developed and emerging economies, driving growth by offering opportunities for development and diversification through the creation of jobs, enterprises and infrastructure. The direct contribution to gross domestic product (GDP) in major economies of both inbound and domestic tourism varies between 1.5 and 7.7 per cent.[a] If additional non-direct effects were included, the contribution of the sector may be anticipated to reach 11 per cent. The direct contribution to employment lies between 2 and 14 per cent of the growth of total employment.

A recent UNWTO study finds that employment in tourism was less impacted by and recovered more rapidly from the crisis compared to other economic sectors.[b] Employment decline in hotels and restaurants was limited to developed economies in Europe and the Americas, while in emerging economies, relevant employment growth was actually positive during the crisis.

[a] World Tourism Organization (UNWTO), "Positioning tourism in economic policy: evidence and some proposals", available from http://statistics.unwto.org/sites/all/files/docpdf/t20_0.pdf.

[b] UNWTO, "Economic crisis, tourism decline and its impact on the poor" (forthcoming). A preliminary version of the study is available from http://www.unglobalpulse.org/projects/rivaf-research-economic-crisis-tourism-decline-and-its-impact-poor.

Growing trade in transport services

Trade in services in developing countries is concentrated mostly in transport, travel and other merchandise trade-related services. This is the case on both the import and export sides. Transport services play a key role in the process of economic development as they allow for the integration of local goods production into global supply chains and for bringing domestically produced goods directly to international markets. In recent decades, developing countries have substantially expanded their expertise in the field of transportation, especially maritime transport. After initially becoming major market players in the provision of seafarer and vessel registration, they more recently extended their dominant position to practically all major maritime sectors. Today, developing economies have more than a 50 per cent market share in 6 of the 11 sectors covered in table II.2. In shipbuilding, scrapping and provision of seafarer and vessel registration, developing countries account for more than three quarters of the supply. In 3 of the 11 sectors, developed countries continue to dominate, with about 90 per cent or more of the market, notably in protection and indemnity (P&I) insurance services, ship financing and ship classification.

Economies of scale form barriers to entry in the maritime services business

The existing elevated degree of market concentration in the maritime services business and lack of adequate institutional capacity are seen to form major barriers to entry for many players. The increased specialization of maritime services providers in a limited number of countries increases the distance between them. As a result, different industries in the maritime services business develop ever more independently from each other, but linkages strengthened by external economies of scale remain between them. For example, a ship owner might find it more convenient to have both insurance and financing services

Table II.1
Rankings of top developing countries and economies in transition in trade in services, 2006-2010

Annual percentage change									
	Share					*2006*		*2010*	
	2006	*2007*	*2008*	*2009*	*2010*	*World Rank*	*Rank among developing countries*	*World Rank*	*Rank among developing countries*
Shares[a] and rankings of top 10 exporters									
China	3.2	3.5	3.8	3.7	4.2	8	1	4	1
India	2.4	2.5	2.7	2.6	3.1	12	3	8	2
Singapore	2.3	2.4	2.6	2.6	2.9	13	4	9	3
Hong Kong SAR[b]	2.5	2.4	2.4	2.5	2.9	10	2	10	4
Korea, Republic of	1.7	1.8	2.3	2.1	2.2	19	5	15	5
Russian Federation	1.1	1.1	1.3	1.2	1.2	25	6	23	6
Taiwan Province of China	1.0	1.0	0.9	0.9	1.1	26	7	24	7
Thailand	0.9	0.9	0.9	0.9	0.9	28	9	27	8
Turkey	0.9	0.8	0.9	1.0	0.9	27	8	28	9
Brazil	0.7	0.7	0.8	0.8	0.9	31	11	29	10
Developing economies	**25.1**	**25.5**	**26.4**	**27**	**29.6**				
Economies in transition	**2.4**	**2.6**	**2.9**	**2.7**	**2.7**				
Shares[a] and rankings of top 10 importers									
China	3.7	4.0	4.3	4.8	5.1	6	1	3	1
India	2.1	2.2	2.4	2.5	3.1	14	4	8	2
Singapore	2.4	2.3	2.4	2.5	2.8	13	3	10	3
Korea, Republic of	2.5	2.6	2.6	2.4	2.6	12	2	11	4
Saudi Arabia	1.8	1.9	2.0	2.3	2.1	16	5	16	5
Russian Federation	1.6	1.8	2.0	1.9	2.0	18	6	17	6
Brazil	1.1	1.1	1.3	1.4	1.8	27	10	18	7
Hong Kong SAR[b]	1.3	1.3	1.3	1.3	1.4	20	7	20	
Thailand	1.2	1.2	1.3	1.2	1.3	23	9	23	9
United Arab Emirates	0.9	1.0	1.2	1.1	1.1	29	11	25	10
Developing economies	**29.9**	**30.7**	**32.1**	**33.1**	**35.7**				
Economies in transition	**3.0**	**3.3**	**3.6**	**3.3**	**3.4**				

Source: UNCTADStat.

a Shares in world total.

b Special Administrative Region of China.

in the same country. Similarly, for ship classification, businesses may prefer to be closer to their clients in the shipbuilding and ship operation businesses, or to banks that finance ships requiring certification. Furthermore, institutional capacity and demand matter as well. Having a well-functioning legal framework as well as adequate technical standards and infrastructure in place is necessary for the expansion of an industrial base that will allow advantage to be taken of internal economies of scale arising in sectors of maritime services, such as the operation of container ships or shipbuilding.

In addition to those factors, the participation of developing countries in global maritime and related businesses has been guided by different strategies. Some have relied on the cost advantage of low wages, others have offered fiscal incentives or have chosen to support the development of national maritime services through promotional policies and

Table II.2
Maritime sectors, comparison

Maritime transport sectors	Share of top 10 countries in world total	Share of developing countries in top 10 countries	Number of developing countries among top 10 countries
Ship scrapping (dwt)	99	99	5
Ship registration (dwt)	72	53	6
Ratings (headcounts)	50	90	8
Officers (headcounts)	52	75	6
Shipbuilding (dwt)	98	76	6
Classification (dwt)	69	26	4
Container terminal operations (TEU)	62	67	5
Container ship operation (TEU)	73	42	5
Ship owning (dwt)	95	11	2
Insurance, protection and indemnity (dwt)	75	2	2
Ship financing (US dollars)	70	0	0

Source: UNCTAD, *Review of Maritime Transport 2011* (United Nations publication, forthcoming).

Note: "TEU" and "dwt" are cargo capacity measurement units meaning "twenty-foot equivalent unit" and "deadweight tonnage".

targeted support. Developing countries such as the Republic of Korea and Singapore have shown that growth of maritime businesses can work as a catalyst for economic progress.[11]

Trade policy developments

The Doha Round

The Doha Round remains in a stalemate

The ongoing multilateral trade negotiations under the Doha Round (or "Doha Development Agenda") of the World Trade Organization (WTO)), which was launched more than ten years ago, in November 2001, are at a complete stalemate, with practically no prospects of completion owing to the "all or nothing" approach of the WTO, although there has been considerable progress on specific issues. The most feasible way to conclude the Round would seem to be by agreeing to a "smaller package" based on what has been agreed upon thus far, with significant additional concessions to provide the LDCs with an "early harvest". Otherwise, the likelihood of any further progress on multilateral trade negotiations may well be undermined.

In this context, some participating Governments have raised the notion of a "variable geometry" approach in WTO negotiations with a view to undertaking deeper commitments and obligations amongst themselves. This approach is clearly a step removed from the fundamental concept of the WTO as a "single undertaking", which is the basis for all existing WTO multilateral trade agreements—but not for those of the General Agreement on Tariffs and Trade (GATT) before it. If implemented, it may put at risk the unconditional most favoured nation (MFN) treatment, which has been the cornerstone of the multilateral trading system since the inception of GATT at the end of the 1940s.

The stalemate has increased the role of RTAs

The current irreconcilable deadlock in the Doha Round has provided additional motivation for countries to engage in preferential bilateral and regional trade

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[11] See UNCTAD, *Review of Maritime Transport 2011* (United Nations publication, forthcoming).

agreements (RTAs). The incentive for RTAs, in comparison to the WTO multilateral trade agreements, is the possibility of undertaking deeper trade policy integration by including and implementing WTO-plus and/or WTO-extra provisions such as those for non-tariff measures, services sectors, intellectual property rights, or trade policy-related labour and environment issues. RTAs also require much less time to negotiate—a crucial factor for businesses. But this does not necessarily mean that RTAs also serve the objectives of long-term development strategies of developing countries or that they would be in the interest of workers in developed countries. Contradictions may arise when relatively small countries find themselves either negotiating with powerful global businesses or with powerful country counterparts. Likewise, without the safeguards of multilateral and globally inclusive understandings regarding the protection of employment, workers remain vulnerable to the growing political power of corporations operating as global supply chains.

For example, global supply chains led by business interests play a major catalytic role for new RTAs, as an increasing number of firms are now offshoring production networks to developing and other economies. This will require new predictable trade and investment rules. According to WTO estimates, there are now about 300 RTAs in force worldwide compared with 37 in 1994, half of which have come into effect since 2000. Many countries, including developing economies, see RTAs as a way to shield themselves against external shocks, lock in market access with their key market counterparts, particularly those in the North, and circumvent the lengthy multilateral process of negotiations under the WTO. In the case of South-South trade, it is easier to improve market access through RTAs, consistent with each country's development objectives. Many developing countries perceive this to be the most feasible means for gaining market access as the prospects for completing the multilateral trade negotiations seem more remote.

The continued threat of protectionism

Since early 2008, a number of countries have introduced protectionist measures restricting trade as part of their response to the global crisis. These attempts at protecting domestic industries have raised fears of spiralling retaliatory responses, but resurgent protectionism has been restrained thus far. The most recent joint WTO-OECD-UNCTAD report of 25 October 2011 showed that new import restriction measures taken between May and mid-October of 2011 affect only 0.6 per cent of total G20 imports, the same proportion recorded during the prior six months. Restrictive measures mainly affected machinery and mechanical appliances, iron and steel articles, electrical machinery and equipment, organic chemicals, plastics and man-made staple fibres. The incidence is less than that recorded from October 2008 to October 2009 when trade-restrictive measures peaked, affecting 1.01 per cent of total world imports. However, the report noted that the political will to resist creeping protectionism appears to be under increasing pressure. Commitments made by G20 members to roll back export restrictions have not been met. In fact, the number of export restrictions has continued to increase.[12]

Protectionist measures in response to the crisis have been of low intensity so far

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[12] While the number of export restrictions has increased significantly, from 16 over the period from September 2009 to mid-October 2010 to 30 from mid-October 2010 to mid-October 2011, the amount of world trade covered by all restrictions has fallen from 0.8 per cent of total world imports in the first report of September 2009 to 0.5 per cent in the most recent report. See Reports on G20 Trade and Investment Measures, issued on 14 September 2009 and 25 October 2011 by the World Trade Organization (WTO), Organization for Economic Cooperation and Development (OECD) and UNCTAD.

The institutional function of the WTO to administer multilateral trade rules and disciplines is pivotal in ensuring that members do not resort to full-blown "beggar-thy-neighbour" policies. Yet, given the present international economic environment, there is still a danger that more countries will enhance protectionist measures, especially non-tariff measures (NTMs), should political emotions dull the memories of the damaging effects of past "beggar-thy-neighbour" policies and overpower the commitments to and rationale for a multilateral trading system. The danger may increase if unemployment rates remain high and the recovery loses further momentum.

<div style="float:left; width:25%; text-align:right; color:#7a1f4f;">NTMs are posing a serious policy challenge</div>

In this context, there is an urgent need to address NTMs. There are legitimate reasons for NTMs, such as the protection of health, safety and the environment, but they have also been abused as a pretext for protectionism. NTMs therefore pose a major trade policy challenge. Since 2008, the leaders of G20 countries have repeatedly discussed refraining from NTM use because of their potential for slowing down the positive outcomes of trade expansion and integration.[13] "Green protectionism" through NTMs has recently increased. While there are legitimate grounds for environmental protection in support of sustainable production and consumption, concerns have arisen that such incentives are forms of trade distortion that cannot be properly challenged in the dispute settlement mechanism under current WTO trade rules. Hence, multilateral trade rules need further revision to ensure that the necessary Government support to promote environmental protection and sustainable production and consumption is provided without undermining the principles of a fair trading system.

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[13] See the G20 Cannes Summit Final Declaration of 4 November 2011, para. 65: "At this critical time for the global economy, it is important to underscore the merits of the multilateral trading system as a way to avoid protectionism and not turn inward. We reaffirm our standstill commitments until the end of 2013, as agreed in Toronto, commit to roll back any new protectionist measure that may have risen, including new export restrictions and WTO-inconsistent measures to stimulate exports and ask the WTO, OECD and UNCTAD to continue monitoring the situation and to report publicly on a semi-annual basis." Available from http://www.g20.org/index.aspx.

Appendix

Trade shocks and changes in merchandise trade balance, by region, 2001-2013

Percentage of gross domestic product of the region					
	Demand shock: change of export volume	*Terms-of-trade shock: net value change*	*Total trade shock*	*Change in import volume*	*Net change in trade balance*
World					
Average 2001-2007	1.3	0.0	1.3	1.3	0.0
2008	0.9	0.0	0.8	0.8	0.0
2009	-3.4	0.0	-3.3	-3.3	0.0
2010	3.2	0.0	3.2	3.2	0.0
2011**a**	1.7	0.1	1.8	1.8	0.0
2012**b**	1.0	0.0	1.1	1.1	0.0
2013**b**	1.3	0.0	1.4	1.4	0.0
Developed economies					
Average 2001-2007	0.8	-0.2	0.5	0.8	-0.3
2008	0.4	-0.7	-0.3	-0.2	-0.1
2009	-3.4	0.7	-2.7	-3.5	0.8
2010	2.4	-0.3	2.1	2.2	-0.1
2011**a**	1.2	-0.5	0.7	0.7	0.0
2012**b**	0.6	0.1	0.8	0.6	0.1
2013**b**	0.9	0.0	1.0	0.8	0.2
Economies in transition					
Average 2001-2007	3.6	2.2	5.7	2.9	2.8
2008	1.7	4.7	6.4	1.8	4.5
2009	-4.1	-6.1	-10.1	-5.8	-4.4
2010	3.1	3.0	6.0	2.7	3.4
2011**a**	2.3	4.0	6.2	2.3	3.9
2012**b**	0.8	-0.8	-0.1	1.4	-1.5
2013**b**	1.3	-0.4	1.0	1.5	-0.5
Developing economies					
Average 2001-2007	3.1	0.5	3.6	2.7	0.8
2008	2.1	1.1	3.2	1.7	1.5
2009	-3.1	-0.9	-4.0	-2.7	-1.3
2010	4.8	0.6	5.4	4.8	0.6
2011**a**	2.7	0.8	3.5	2.0	1.5
2012**b**	1.8	-0.1	1.7	2.1	-0.3
2013**b**	2.0	0.0	2.1	2.2	-0.1
Least developed countries					
Average 2001-2007	3.1	0.5	3.6	2.7	0.8
2008	2.1	1.1	3.2	1.7	1.5
2009	-3.1	-0.9	-4.0	-2.7	-1.3
2010	4.8	0.6	5.4	4.8	0.6
2011**a**	2.7	0.8	3.5	2.0	1.5
2012**b**	1.8	-0.1	1.7	2.1	-0.3
2013**b**	2.0	0.0	2.1	2.2	-0.1

Appendix (cont'd)					
	Demand shock: change of export volume	*Terms-of-trade shock: net value change*	*Total trade shock*	*Change in import volume*	*Net change in trade balance*
East and South Asia					
Average 2001-2007	4.9	-0.2	4.7	3.5	1.2
2008	2.6	-0.5	2.1	1.8	0.4
2009	-3.2	1.3	-1.9	-2.2	0.3
2010	7.1	-0.7	6.4	5.9	0.5
2011[a]	3.8	-0.2	3.7	2.5	1.1
2012[b]	2.5	0.4	2.9	2.3	0.5
2013[b]	2.6	0.4	3.0	2.5	0.4
Western Asia					
Average 2001-2007	1.2	2.5	3.7	3.1	0.5
2008	4.0	7.3	11.3	2.0	9.3
2009	-5.5	-8.6	-14.1	-3.4	-10.6
2010	1.6	4.1	5.7	2.5	3.2
2011[a]	1.3	4.9	6.3	0.4	5.9
2012[b]	1.2	-1.2	0.0	2.2	-2.2
2013[b]	1.8	-0.4	1.4	1.4	-0.1
Africa					
Average 2001-2007	0.7	1.2	1.9	2.7	-0.8
2008	2.5	2.9	5.4	2.1	3.3
2009	-3.6	-3.1	-6.8	-2.8	-3.9
2010	0.9	1.9	2.8	2.1	0.7
2011[a]	0.9	1.9	2.8	0.4	2.4
2012[b]	0.8	-0.6	0.1	2.1	-2.0
2013[b]	1.2	-0.4	0.8	1.3	-0.5
Latin America and the Caribbean					
Average 2001-2007	1.0	0.7	1.7	1.0	0.7
2008	-0.1	1.0	0.9	1.4	-0.5
2009	-1.5	-0.8	-2.3	-3.3	1.0
2010	2.1	1.5	3.6	4.0	-0.4
2011[a]	1.0	0.9	1.9	1.9	-0.1
2012[b]	0.8	-0.6	0.3	1.3	-1.0
2013[b]	1.0	-0.5	0.5	1.8	-1.3

Source: UN/DESA World Economic Vulnerability Monitor, based on UN Comtrade and UNCTAD data.

a   Figures for 2011 are partly estimated.
b   Figures for 2012-2013 are projections.