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

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

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

Friday, 12 February 2016
Structure of this short course:

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

Objective: to provide better understanding of what is happening to international trade, and to provide some insights on trade agreements.
Paragraph 18(d) of the Doha Mandate of UNCTAD XIII provides that UNCTAD should “continue to monitor and assess the evolution of the international trading system and its trends from a development perspective”
Purpose of the two publications:
Inform by providing factual information on the trends in international trade flows and on the use of trade policy instruments.

Format/Content:
Published once a year (fall)
  a) Thematic part
  b) Series of trade and trade policy indicators
Data is presented in a very intuitive format.

Target audience:
Trade practitioners/policymakers. Non-technical.

Feedback, comments, suggestions most welcome.
2. TRENDS IN INTERNATIONAL TRADE

International trade largely relates to physical goods. Although increasing, trade in services accounts for a much lower share. As of 2014 world trade in goods has been valued at more than US$18.5 trillion, while trade in services has accounted for almost US$5 trillion. Trade in both goods and services promptly rebounded to reach pre-crisis levels by 2011. Since then year-on-year growth rates have been considerably lower.

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

International trade can be broadly distinguished between trade in goods (merchandise) and services. The bulk of international trade concerns physical goods, while services account for a much lower share. World trade in goods has increased dramatically over the last decade, rising from less than US$10 trillion in 2004 to more than US$18.5 trillion in 2014. Trade in services has also greatly increased between 2004 and 2014 (from just above US$2 trillion to almost US$5 trillion). As of 2014, the value of international trade of both goods and services has completely recovered from the dip in 2009, and largely surpassed pre-crisis levels (Figure 1a). Following the strong rebound in 2010 and 2011, export growth rates (in current US$) are now at much lower level than in the pre-crisis period. (Figure 1b). The slowdown has also largely affected developing countries’ growth rates which have been below these of developed countries in some of most recent years, especially in relation to services.
Geography of trade
Network analysis in the trade of parts and components (2004 vs 2014)
South-South Trade

Source: UNCTAD calculations based on Comtrade data.
Export Market Share (2014)

Source: UNCTAD calculations based on UN Service Trade database.

Export Market Share (2014)

Source: UNCTAD calculations based on UN Service Trade database.
Change in Export Competitiveness top 20 markets (since 2011)
Export sophistication gap (2014)
Overall export performance (since 2011)
### Table 1: Tariff Restrictiveness, Matrix by Region (2014)

<table>
<thead>
<tr>
<th>Importing Region</th>
<th>Developed Countries</th>
<th>East Asia</th>
<th>Latin America</th>
<th>South Asia</th>
<th>Sub-Saharan Africa</th>
<th>Transition Economies</th>
<th>W.Asia &amp; N.Africa</th>
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<td>5.6</td>
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*Note: changes between 2008-2014 in smaller font*
Multilateral Liberalization

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

Preferential Liberalization

Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data
Free trade and remaining tariffs

**Free Trade**

- **Natural Resources**
  - 2008: 20% MFN, 80% Preferential
  - 2014: 40% MFN, 60% Preferential

- **Manufacturing**
  - 2008: 30% MFN, 70% Preferential
  - 2014: 50% MFN, 50% Preferential

- **Agriculture**
  - 2008: 10% MFN, 90% Preferential
  - 2014: 20% MFN, 80% Preferential

**Average Tariff on Non-Free Trade**

- **Natural Resources**
  - Simple Average: 0%
  - Trade Weighed: 0%

- **Manufacturing**
  - Simple Average: 5%
  - Trade Weighed: 10%

- **Agriculture**
  - Simple Average: 15%
  - Trade Weighed: 20%

*Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data*
Export restrictiveness (2014)
True tariff water
NTMs in World Trade, by Sector

Source: UNCTAD calculations based on UN COMTRADE and UNCTAD TRAINS data
Real effective exchange rate

- Very strong appreciation (more than 20%)
- Appreciation (5% to 20%)
- No substantial change (up to 5%)
- Depreciation (5% to 20%)
- Strong depreciation (more than 20%)
- No data
Trade Slow Down
Trade Slow Down

Figure 1: World Trade Takes a Pause
After a strong rebound global trade growth has been sluggish

Figure 2: Trade Elasticity to Global Output
Trade growth has become much less responsive to output growth
Trade is an indicator of Globalization

• Globalization period: (1990-2008)
  – Rapid growth in emerging markets
  – Favorable geopolitics
  – New production models
  – Technology/Innovation
  – Lower trade costs
  – Commodities boom

• De-Globalization: (2011-?)
  – change in some of these trends, other factors?

... reflects in trade patterns and trade policy responses
### Table 1: Trade Performance, by Region

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<td>Developed Countries</td>
<td>11.2%</td>
<td>0.7%</td>
<td>1.6</td>
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<tr>
<td>East Asia</td>
<td>15.4%</td>
<td>3.1%</td>
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<tr>
<td>Latin America</td>
<td>14.7%</td>
<td>1.0%</td>
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<tr>
<td>South Asia</td>
<td>20.4%</td>
<td>0.5%</td>
<td>1.6</td>
<td>0.7</td>
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<td>Sub-Saharan Africa</td>
<td>17.9%</td>
<td>0.1%</td>
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<td>Transition Economies</td>
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<td>West Asia/North Africa</td>
<td>18.9%</td>
<td>2.8%</td>
<td>1.4</td>
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</thead>
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<td>Consumers</td>
<td>9.8%</td>
<td>2.8%</td>
<td>1.2</td>
<td>1.6</td>
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<td>Intermediates</td>
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<td>1.3%</td>
<td>1.5</td>
<td>0.8</td>
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<tr>
<td>Primary</td>
<td>20.7%</td>
<td>0.7%</td>
<td>2.5</td>
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<tr>
<td>Investment</td>
<td>12.2%</td>
<td>1.6%</td>
<td>1.5</td>
<td>0.9</td>
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<tr>
<td>Services</td>
<td>15.7%</td>
<td>4.0%</td>
<td>1.9</td>
<td>2.3</td>
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</tbody>
</table>
Figure 4: Shrinking Chains
Trade for unit of output in on a downward trend

Source: UNCTAD calculation based on COMTRADE data

Figure 5: Contrasting Trade Policies
Tariffs have gone down, non-tariff measures not so

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

– Trade opportunities influence development perspective of many developing countries.
– Substantial risk of retrenching / economic fragmentation (inequality across countries/migration)
– Historically de-globalization periods have not been good

…but there are areas where trade opportunities still are strong
– GVC model to other geographic areas/sector
– Regional integration (Africa)
– Services trade
– Small enterprises (e-commerce)

*Not only about trade policy or trade costs. Need a new trade and development agenda.*
Trade Agreements
Preferential Trade Agreements
Deep Trade Agreements
Trade Agreements

- **Goods only**
- **Goods and Services**

Source: UNCTAD calculations based on WTO Regional Trade Agreements Information System

Trade under PTAs

- **Deep Ag.**
- **Bilateral Pref.**
- **Unilateral Pref.**

Source: UNCTAD calculations based on WTO RTAIS and UN COMTRADE database
Motives of PTA

Facilitate trade, foster economic integration, geopolitics.

Advantages vs multilateral approach:

• Political economy (bilateral concessions, limits free riding)
• Deeper integration (required by parties, GCV)
• Self selected clubs (only interested parties, easier to find mutual ground)
PTAs create trade not as much as they facilitate trade

Natural trading partners?
Types of PTAs:

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

Chart 2: Regional No More
Geographical distance among PTAs' members has increased

Source: UNCTAD calculations
PTAs still provide substantial tariff advantages
About creating and harmonizing large markets

Trade deals not = to free trade

cautions in assessing their impacts

Note: Size of Circles is proportional to intra-PTAs trade

Source: UNCTAD calculations
Thank you

www.unctad.org

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