WTO Releases World Trade 2004 Figures

High oil and commodity prices, and vigorous global trade growth includ ing recovery in trade in office and telecom equipment led to a record nine percent growth in world trade during 2004. A marked slow-down in overall economic growth that began in the second half of 2004 is likely to decelerate world merchandise trade growth from 9% in 2004 to 6.5% in 2005, WTO economists say. Developing countries saw their share in world merchandise trade rise sharply in 2004 to 31%, the highest since 1950, according to WTO figures released on 14 April 2005.

Nominal merchandise trade growth (21%) was the highest in 25 years due to a combination of strong real trade growth (9%) and a sharp increase in dollar prices (11%).

In 2004, the dollar value of world trade in **commercial services** increased by 16%. The expansion of services trade was stimulated by strong recovery in transportation and travel services.

Commodity prices again increased faster than prices of manufactured goods in 2004. Prices for fuels and metals expanded by more than 30%, according to the IMF commodity price index. Prices for beverages and textile fibres, however, were much weaker, recording only a marginal increase in 2004.

Price developments largely determined the **value of merchandise trade growth by region**. The regions/countries with a large share of fuels in their merchandise exports recorded above average export growth in 2004 — that is, the Middle East, Africa and the Commonwealth of Independent States (CIS). In the case of the CIS, very strong economic growth also contributed to a recovery of CIS trade inside the group.

Asia's merchandise trade growth was sustained by strong US import demand, and intra-Asian trade, stoked by a recovery in electronics trade. In 2004, China became the largest merchandise trader in Asia, and the third largest exporter and importer in world merchandise trade.

US trade deficit 6% of GDP

North America recorded the weakest growth in nominal merchandise exports and imports of all regions in 2004. North America is the only one of the seven major regions distinguished in this report which recorded a trade deficit on a f.o.b.-f.o.b. basis in 2004. The United States alone had a merchandise trade deficit of $618 billion (f.o.b.-f.o.b.), equivalent to a record 6% of US GDP, and also to 7% of world merchandise trade.

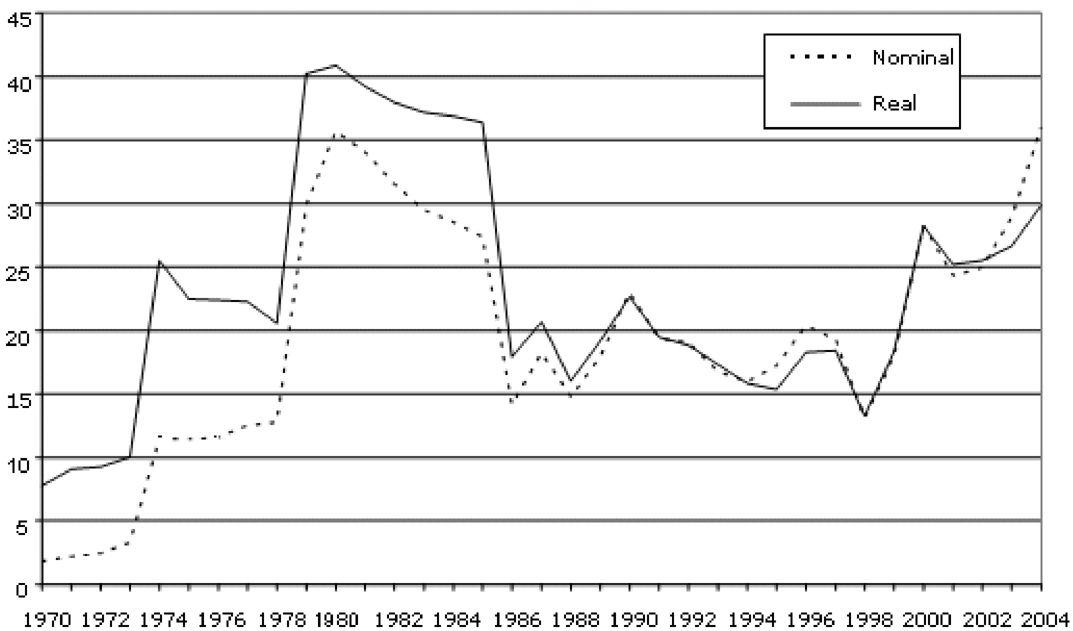
European Union – Dollar Values Stagnant

The enlargement of the European Union to 25 members in May 2004 stimulated trade between the new and the old members of the European Union. Including intra-trade, the enlarged European Union accounted for 42% of world merchandise exports and for 52% of world commercial services exports in 2004.

Europe was the only region for which the growth in the dollar value of merchandise and services trade did not exceed the previous year's level, but this was due entirely to exchange rate movements. Measured in euros, Europe's merchandise and commercial services exports (and imports) rose faster in 2004 than in 2003.

Higher oil prices improved the terms of trade of **developing countries** as a group, and in particular those of the developing regions of the Middle East, Africa and Latin America. Strong commodity prices and the recovery in the trade of office and telecom equipment resulted in a sharp increase in the merchandise exports from developing economies.

Crude petroleum price developments, 1970-04
(US$/barrel)



Note: Real price is obtained by deflating the nominal IMF crude oil spot price by the WTO world export unit value index (2000=100).

Oil Prices

Domestic inflation picked up moderately in the course of 2004, under the impact of strengthened economic activity and the increase in world fuel prices. The repercussions of higher oil prices on the domestic price level was attenuated in many countries by a currency appreciation vis-à-vis the US dollar, and in some cases by government measures, including price controls for petroleum products sold in local markets.

Dollar prices of internationally traded goods increased by 11% in 2004. The overall increase in commodity prices by about 25% conceals wide differences among various product groups. Prices of fuels and metals recorded a marked increase in the course of 2004, lifting their average annual prices by 31% and 36% respectively. Rising global demand, combined with a decline in readily available reserves and the absence of excess production capacity, provided the basis for stronger oil prices. Unexpectedly strong demand from China in the course of the year, geopolitical tensions, and temporary selective transportation bottlenecks provoked large variations in monthly price developments. Nominal oil prices reached $55 per barrel in November, a record monthly level. The annual average crude oil price rose to $36 per barrel in 2004, and matched the previous historic peak level of 1980. Deflated by the world merchandise export price index (base year 2000), the "real" oil price stood at $30 in 2004, double the level of 1995, and the highest level since 1985.

Prices of agricultural raw materials and beverages, however, rose by only 3–6% while food prices went up by 14%. Prices of manufactured goods are estimated to have risen by 8.5% on average in 2004. There were marked differences in the price developments of manufactured goods, not only regionally but also by product categories. Dollar prices in countries with an appreciating currency have recorded a much faster price increase in their exports of manufactured goods than those with a stable exchange rate vis-à-vis the US dollar.

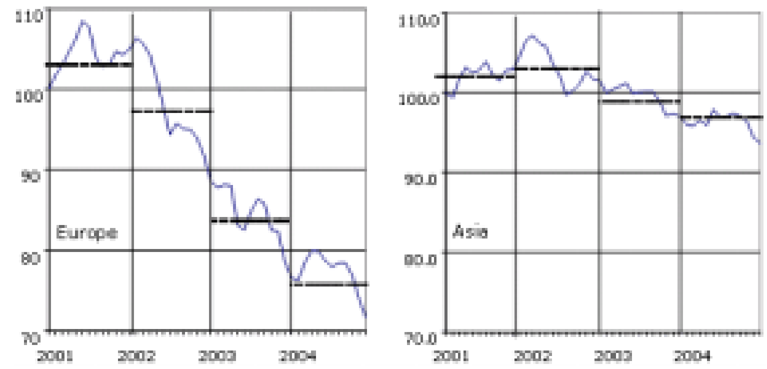
Steel surges chemicals and plastics on the rise

As regards relative price developments of the different product groups, it can be observed that the prices for iron and steel products surged, while those of computer and telecom equipment decreased. For iron and steel, strong global demand from the construction and investment goods industries, together with sharply higher prices of ores used as inputs, caused the steep price increase. For computer and telecom equipment, productivity gains and capacity expansion more than offset higher demand. Exports of chemicals, in particular organic chemicals and plastics, recorded price increases which exceeded those of all manufactured goods.

Digital cameras, mobile phones rise in double digits

The strength of developing Asia's merchandise exports can be attributed partly to recovery in the electronic goods sector. Global shipments of digital cameras, mobile phones, semiconductors and personal computers expanded at double digit rates. For five Asian economies, office and telecom equipment accounted for between one-third and two-thirds of their exports in 2004, and played an important part in their export expansion.

Dollar changes vis-à-vis European and Asian currencies (a), 2001–04
(Indices Jan 2001=100)



(a) Currency baskets weighted by trade values. European currencies are those of Euro Area, the UK, Switzerland Sweden, Norway, Bulgaria, Czech Rep, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovak Rep. The Asian currencies are those of Japan, China, Rep of Korea, Chinese Taipei, Singapore and Hong Kong, China

Source: WTO

Exchange rate developments contributed strongly to the nominal trade growth in Europe in 2004 although less than in 2003. The annual average depreciation of the US dollar against a basket of European currencies was 9% in 2004, which was much stronger than against a basket of Asian currencies.

China, Korea grow at 24%

The Asian region recorded the highest volume of real merchandise export growth in 2004, at 14.5%. China, the Republic of Korea and Singapore recorded rates in excess of 20%. Japan's real merchandise exports rose by 11%, somewhat faster than world trade. Asia's merchandise import growth rose 14.5% in 2004, an acceleration in comparison to the preceding year.

Latin America exports sluggish, Import jump

Linked to its economic recovery, South America's real merchandise trade rebounded vigorously in 2004. Real imports expanded nowhere faster than in this region. However, a number of economies in Central America and the Caribbean did not participate in this outstanding trade expansion, which was largely shaped by the region's major traders. Real merchandise imports in South America grew by 18.5%, which was twice as fast as world trade in 2004. Argentine and Venezuelan imports recovered dramatically, rising by at least 50%, while those of Brazil and Chile expanded by 20%. The region's export growth fell short of its import expansion, largely due to the sluggishness of exports from major traders such as Argentina and Colombia, and the incomplete recovery of shipments from Venezuela. Merchandise trade growth in the smaller economies of Central America and the Caribbean remained well below the regional average for both exports and imports.

Africa imports rise

Africa's trade grew strongly in 2004. Exports grew by some 6% and imports by approximately 11% in real terms. Real export growth was about the same as in 2003 and much higher than in 2001 and 2002. On the import side, however, real growth in 2004 was considerably higher than in previous recent years. Nominal growth in African exports was, of course, dramatically higher in 2004 than in previous years because of oil price rises.

CIS imports expand

Merchandise exports and imports of the CIS continued to rise in real terms at a pace considerably faster than world trade. Benefiting from sharply higher world market prices for fuels and metals, which contributed to a sharp rise in export earnings, real imports of the CIS continued to expand, exceeding world trade growth for the fourth consecutive year.

Europe Sluggish

The pick-up in Europe's merchandise trade played an important part in the recovery of world merchandise trade, as the region accounts for about 46% of global trade (exports and imports of merchandise and commercial services combined). Europe nevertheless recorded the lowest real merchandise import growth rate among all regions, a reflection of weak demand growth. Exports expanded faster than regional imports, but much less than global trade.

Leading Exporters and Importers in World Merchandise Trade, 2004
(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Germany	914.8	10.0	22	1	United States	1526.4	16.1	17
2	United States	819.0	9.0	13	2	Germany	717.5	7.6	19
3	China	593.4	6.5	35	3	China	561.4	5.9	36
4	Japan	565.5	6.2	20	4	France	464.1	4.9	16
5	France	451.0	4.9	15	5	United Kingdom	462.0	4.9	18
6	Netherlands	358.8	3.9	21	6	Japan	454.5	4.8	19
7	Italy	346.1	3.8	16	7	Italy	349.0	3.7	17
8	United Kingdom	345.6	3.8	13	8	Netherlands	319.9	3.4	21
9	Canada	322.0	3.5	18	9	Belgium	287.2	3.0	22
10	Belgium	308.9	3.4	21	10	Canada	275.8	2.9	13
11	Hong Kong, China	265.7	2.9	16	11	Hong Kong, China	273.0	2.9	17
	domestic exports	22.6	0.2	15		retained imports **(a)**	29.9	0.3	24
	re-exports	243.1	2.7	16	12	Spain	249.8	2.6	20
12	Korea, Republic of	253.9	2.8	31	13	Korea, Republic of	224.4	2.4	26
13	Mexico	188.6	2.1	14	14	Mexico	206.4	2.2	16
14	Russian Federation	183.2	2.0	35	15	Taipei, Chinese	167.9	1.8	32
15	Taipei, Chinese	181.4	2.0	21	16	Singapore	163.8	1.7	28
16	Singapore	179.5	2.0	25		retained imports **(a)**	82.8	0.9	30
	domestic exports	98.5	1.1	23	17	Austria	115.1	1.2	16
	re-exports	81.0	0.9	26	18	Switzerland	111.5	1.2	16
17	Spain	179.0	2.0	15	19	Australia	107.8	1.1	21
18	Malaysia	126.5	1.4	21	20	Malaysia	105.2	1.1	26
19	Sweden	121.0	1.3	19					
20	Saudi Arabia	119.6	1.3	28					
21	Switzerland	118.4	1.3	18	21	Sweden	97.6	1.0	17
22	Austria	115.7	1.3	19	22	Turkey	97.2	1.0	40
23	Ireland	104.1	1.1	12	23	Thailand	95.4	1.0	26
24	Thailand	97.7	1.1	22	24	India	95.2	1.0	34
25	Brazil	96.5	1.1	32	25	Russian Federation **(b)**	94.8	1.0	28
26	Australia	86.6	0.9	21	26	Poland	87.8	0.9	29
27	Norway	82.0	0.9	22	27	Czech Republic **(b)**	67.9	0.7	31
28	United Arab Emirates	79.5	0.9	21	28	Denmark	67.2	0.7	17
29	Denmark	75.6	0.8	14	29	Brazil	65.9	0.7	30
30	Poland	74.1	0.8	38	30	Ireland	60.1	0.6	12
31	India	72.5	0.8	27	31	South Africa	55.2	0.8	34
Total of above (c)		7753.5	85.0	-	**Total of above (c)**		7971.8	84.3	–
World (c)		9123.5	100.0	21	**World (c)**		9458.3	100.0	21

(a) Retained imports are defined as imports less re-exports.
(b) Imports are valued f.o.b.
(c) Includes significant re-exports or imports for re-export.

Nominal merchandise and commercial services trade developments in 2004

In 2004, the value of world merchandise trade rose by 21%, to $8.88 trillion, and that of world commercial services trade by 16%, to $2.10 trillion. For both merchandise and commercial services trade this represented an acceleration of growth for the third year in a row, and the strongest rise since 2000. A particular feature of nominal trade growth in 2004 was the fact that one major merchandise product – fuels – and one major services category – transportation – recorded an exceptionally strong performance in 2004. These two sectors have lagged well behind overall trade growth during the last two decades. In both cases, relatively strong prices contributed significantly to this outcome.

Leaders

On a country level, one notices that a large number of countries which export primarily fuels and other mining products recorded export increases between one third and about one half – for example, Chile (52%), Kazakhstan (54%), Nigeria (57%) – while only a few countries recorded a decline in their merchandise exports. The latter outcome is attributable either to political instability (e.g. Côte d'Ivoire) or natural disasters (e.g. hurricane-affected Caribbean economies).

Among the 30 leading merchandise exporters, China replaced Japan as the third largest exporter. The Russian Federation moved ahead of Chinese Taipei and Singapore, and became the world's fourteenth largest exporter. China and the Russian Federation both expanded their exports by more than one third in 2004. Poland, a new entrant to this list, recorded the highest export growth among the top 30 merchandise exporters. Exports of the Republic of Korea increased by 31%, making the country the twelfth largest exporter in the world. Among the top 30 importers in 2004, Turkey reported the strongest import increase and moved up three places.

Commercial services

Information (albeit incomplete) on commercial services trade by country in 2004 points to faster growth in commercial services trade in the Asian economies than in North American or European economies. The services exports and imports of the United States rose somewhat less rapidly than world services trade, but the United States remained the world's largest exporter and importer of commercial services. Partly due to a revision of its Balance of Payments statistics in 2003, Japan is now ranked as the fifth largest exporter of commercial services, moving ahead of Italy and Spain. Although Japan's commercial services imports rose faster than world services trade in 2004, Japan continued to be the fourth largest importer. The Republic of Korea gained two positions among the exporters and importers of commercial services in 2004. Among the major European traders, the United Kingdom recorded the strongest export growth, thereby confirming its position as Europe's leading services exporter. Although German services exports and imports rose less rapidly than world commercial services trade, Germany kept its position as the world's second largest services importer and the third largest exporter in 2004.

Trade Prospects for 2005

The world trade expansion started to lose momentum in the second half of 2004. In the second quarter, trade in goods and services in the OECD countries expanded at an annual rate of 12%, but this fell to 6% in the third quarter and 4% in the fourth quarter. In the last six months of 2004, economic growth slowed down markedly in Europe and Japan, while in the United States and a number of large developing economies (e.g. China and Brazil), GDP growth remained vigorous. At the global level, these diverging developments resulted in a weakening of economic activity. For 2005, the global economy is projected to follow a more mod-

Leading Exporters and Importers in World Trade in Commercial Services, 2004
(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	United States	319.3	15.2	11	1	United States	259.0	12.4	13
2	United Kingdom	169.2	8.1	16	2	Germany	190.8	9.2	11
3	Germany	126.1	6.0	9	3	United Kingdom	134.7	6.5	13
4	France	108.4	5.2	10	4	Japan	133.6	6.4	21
5	Japan	93.8	4.5	23	5	France	94.5	4.5	13
6	Italy	84.6	4.0	21	6	Italy	79.6	3.8	9
7	Spain	84.2	4.0	10	7	Netherlands	72.4	3.5	11
8	Netherlands	72.4	3.4	15	8	China	69.7	3.3	...
9	China	58.9	2.8	...	9	Ireland	58.2	2.8	11
10	Hong Kong, China	54.0	2.6	20	10	Canada	55.9	2.7	12
11	Belgium	49.5	2.4	15	11	Spain	53.3	2.6	17
12	Austria	47.2	2.2	12	12	Korea, Republic of	49.6	2.4	24
13	Canada	46.9	2.2	12	13	Belgium	48.4	2.3	15
14	Ireland	46.2	2.2	22	14	Austria	48.0	2.3	16
15	Korea, Republic of	39.7	1.9	26	15	India	37.9	1.8	...
16	Sweden	37.8	1.8	25	16	Singapore	36.2	1.7	23
17	Denmark	37.5	1.8	18	17	Denmark	34.3	1.6	21
18	Switzerland	37.1	1.8	12	18	Russian Federation	33.5	1.6	27
19	Singapore	36.6	1.7	19	19	Sweden	33.2	1.6	16
20	Luxembourg	33.4	1.6	35	20	Taipei, Chinese	29.9	1.4	20
21	Greece	33.2	1.6	37	21	Hong Kong, China	29.3	1.4	16
22	India **(a)**	32.2	1.5	...	22	Australia	25.5	1.2	21
23	Norway	25.5	1.2	19	23	Norway	23.9	1.1	21
24	Taipei, Chinese	25.4	1.2	11	24	Luxembourg	22.7	1.1	38
25	Australia	24.6	1.2	19	25	Thailand	22.0	1.1	22
26	Turkey	23.4	1.1	23	26	Switzerland	20.7	1.0	8
27	Russian Federation	19.9	0.9	25	27	Indonesia **(a)**	19.9	1.0	...
28	Thailand	18.1	0.9	15	28	Malaysia	19.2	0.9	11
29	Malaysia	18.0	0.9	34	29	Mexico	19.1	0.9	8
30	Israel	14.4	0.7	18	30	Brazil	16.3	0.8	12
	Total of above	1 815.0	86.5	–		**Total of above**	1 770.0	85.1	–
	World	2 100.0	100.0	16		**World**	2 080.0	100.0	16

(a) Secretariat estimate.

Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies, and by limitations in cross-country comparability.

Latin Americans Seek WTO Arbitration over EU'S Proposed Banana Tariff

On 30 March five Latin American countries - Colombia, Costa Rica, Ecuador, Guatemala, Honduras and Panama - requested arbitration at the WTO due to disagreements over the EU's new tariff rate for bananas in a longstanding trade dispute on bananas.

The EU notified the WTO of its proposed new tariff for banana imports on 31 January. The new tariff of 230 euros per tonne for most favoured nation (MFN) suppliers - mostly in Latin America – will replace the current tariff quota system from 1 January 2006, while a preference scheme for African, Caribbean and Pacific (ACP) countries will be maintained.

While ACP countries have, in order to maintain their own preferential access to the EC market, advocated for an even higher tariff of 275 euros on Latin American banana producers, Latin American countries have expressed their dissatisfaction with any tariff rate higher than their current preferential level of 75 euros per tonne. Negotiations with the EU following the 31 January notification failed to yield any results, leading to this request for arbitration. This arbitration does not arise from WTO rules, but is the result of a special agreement between the EU and the Latin American countries concerned.

erate growth path, and expand by about 3% to 3.5%. Growth in the euro area and Japan, is predicted to weaken further, partly due to the projected reduction of their external surplus. For the United States and China, projections suggest that a deceleration of investment growth will be a major factor in a moderate slowdown in GDP growth.

The marked real effective appreciation of the yen and many European currencies since 2002 is likely to add slack to export performance in Japan and parts of Europe in 2005. Despite the depreciation of the United States dollar vis-à-vis the yen, the Canadian dollar, the euro and other European currencies, US imports continued to expand faster than exports up to the fourth quarter of 2004. However, for 2005 the accumulated strong real effective depreciation of the US dollar is projected to weaken import growth and strengthen export growth. Summing up these diverse developments, world merchandise trade growth is projected to decelerate from 9% in 2004 to 6.5% in 2005.

USTR Takes Aim at Barriers to US Exports

The Office of the US Trade Representa tive (USTR) has released its annual report on foreign barriers to trade and investment as well as US efforts to tear down those barriers. The 2005 National Trade Estimate Report on Foreign Trade Barriers (NTE) is significant because it will help serve as a guide for US trade negotiations over the next year. After releasing the report, Acting USTR Peter Allgeier said that the US would use "consultations, negotiations, and litigation... aggressively to make sure that Americans are treated fairly."

The 672-page report provides detailed descriptions of what the USTR describes as "barriers and unfair trade practices" vis-à-vis market access for US goods, services, and farm products in 61 of the US' trading partners. Notable issues identified in this year's list include counterfeiting and piracy in China and Mexico's 20 percent tax on beverages and syrups made with sweeteners other than cane sugar, which affects US-produced sweeteners like high-fructose corn syrup. India was criticised for high tariffs, various non-tariff barriers including complicated customs procedures, and undue subsidies. Reopening Japan's market to US beef – banned since late 2003 when BSE was found in a cow in the US – was identified as another priority

The same week, the USTR announced the results of its '1377 Review,' a similar report focusing on telecommunications trade. It criticised China, India, and Japan for maintaining high levels of protection in the sector.