II. MERCHANDISE TRADE BY PRODUCT

The Highlights

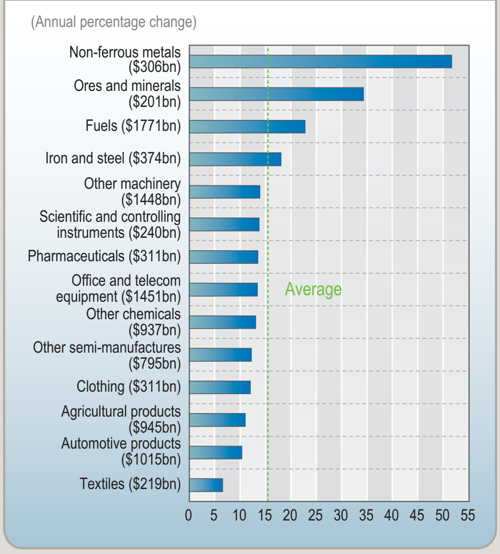
IN THIS CHAPTER:

Fuels and mining products

Prices boost exports of fuels, non-ferrous metals, and ores and minerals

In 2006, export prices of crude petroleum increased by 21 per cent. This, coupled with the 56 per cent surge in prices of other minerals and non-ferrous metals, boosted the value of exports of fuels and mining products by 27 per cent. For the fourth year in a row, this growth was far ahead that of manufactures and agricultural products, which rose by 13 per cent and 11 per cent respectively.

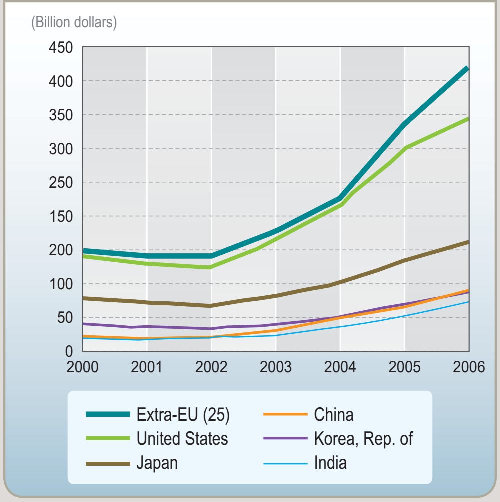
Chart II.1 World merchandise exports by product group, 2006



Fuels and mining account for 19 per cent of world merchandise trade in 2006, the highest share since 1986.

Regional trade structures are strongly affected by these product price developments. Fuels and mining exports of Africa expanded by an average annual rate of 19 per cent from 2000 to 2006. Their share in the region's total exports (68 per cent) gained 10 percentage points during this period. An increasing proportion of Africa's foreign direct investment inflows ($39bn in 2006) are geared towards the extractive sector. The share of fuels and mining in total exports of South and Central America increased by 8 percentage points (from 35 per cent to 43 per cent). For the Middle East and the CIS, fuels and mining represent respectively 74 per cent and 65 per cent of their total value of merchandise exports.

Chart II.2 Fuel imports of selected economies, 2000-2006



Fuels

China and India registered the highest growth of fuel imports while the European Union and the US remain the largest importers

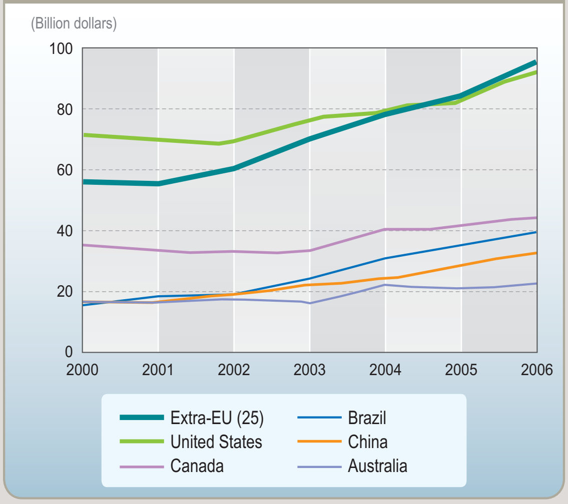
In 2006, the European Union, the United States and Japan accounted for 35 per cent, 19 per cent and 9 per cent of world imports of fuels respectively. China, the Republic of Korea and India together represented 14 per cent. The above economies purchased 77 per cent of the world supply of fuels in 2006. Imports of China and India increased by an impressive 39 per cent and 42 per cent respectively. Fuels claim 11 per cent of China's and 38 per cent of India's total merchandise import bills. Imports of fuels are heavily taxing the foreign exchange earnings of other developing countries such as Côte d'Ivoire (35 per cent of import spending was on fuels), Senegal and Uruguay (28 per cent), Pakistan (26 per cent) and Tanzania (24 per cent).

China is diversifying considerably its sources of fuels supply. Africa and the CIS now represent 24 per cent and 12 per cent of its import needs respectively, while the combined share of these regions was no more than 22 per cent in 2000.

Agriculture

Agriculture: sharp increase in the price of cereals

Chart II.3 **Agricultural product exports of selected economies, 2000-2006**



Exports of agricultural products increased by 11 per cent in nominal terms, exceeding the 8 per cent rise in 2005. Food, which represents 80 per cent of agricultural exports, expanded by 10 per cent. This was partly due to a surge in the price of cereals by 21 per cent, the highest level since 1996. This price increase is attributed to poor harvests in major producing countries and an increase in demand from emerging economies. The price of rice, however, slowed down with a 6 per cent increase. The price rise of beverages also decelerated (6 per cent) compared to the 21 per cent peak in 2005. With an average price increase of 10 per cent, exports of non-food agricultural raw material increased by 14 per cent.

At the regional level, Europe (accounting for 46 per cent of world exports) expanded its exports of agricultural products by 9 per cent. Asia, which is the second major supplier (19 per cent), increased its exports by 14 per cent. South and Central America and the CIS fared better than the world average, with 13 per cent and 15 per cent growth respectively.

Excluding the intra-trade, the European Union overtook the United States in 2005 as the leading exporter of agricultural products, and retained the top position in 2006. The United States which experienced a below world average performance for the last five years, increased its exports by 12 per cent. Exports of China and Brazil expanded by the same rate (13 percent) in 2006. Canadian and Australian growth was relatively modest (7 per cent and 5 per cent respectively).

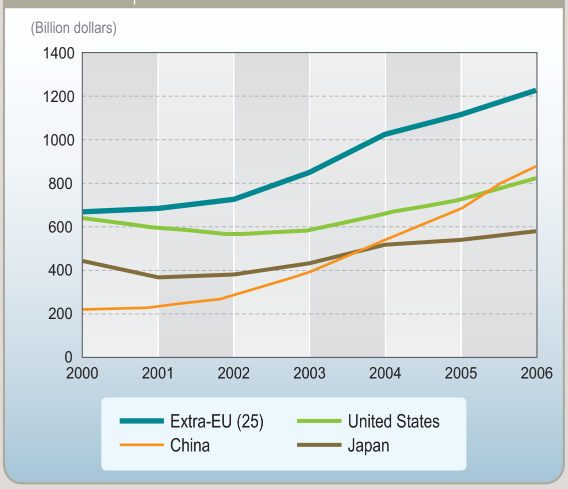
Manufactures

In 2006 China's manufactured exports surpassed those of the United States for the first time, having exceeded Japan's in 2004

World exports of manufactures expanded by 13 per cent in 2006, a higher rate than that of 2005. The relatively energy-intensive production, combined with continued growth in demand help to explain why iron and steel registered the highest growth rates (18 per cent) among manufactures product groups. Textiles, by contrast, which in 2005 was also a lagging sector, again scored the lowest growth rate (7 per cent) in manufactured exports in 2006.

Machinery and transport equipment, the biggest component of manufactures (53 per cent), expanded by 14 per cent. The major trader in this product category was Europe (44 per cent of world exports), which increased its exports by 12 per cent – double the growth rate of 2005. Asia, which accounts for 36 per cent of word exports, accelerated its exports by 16 per cent. In 2006, North America increased its exports by 13 per cent. But with only 3 per cent average annual growth between 2000 and 2006, its market share declined from 24 per cent to 17 per cent.

Chart II.4 **Manufacture exports of selected economies, 2000-2006**



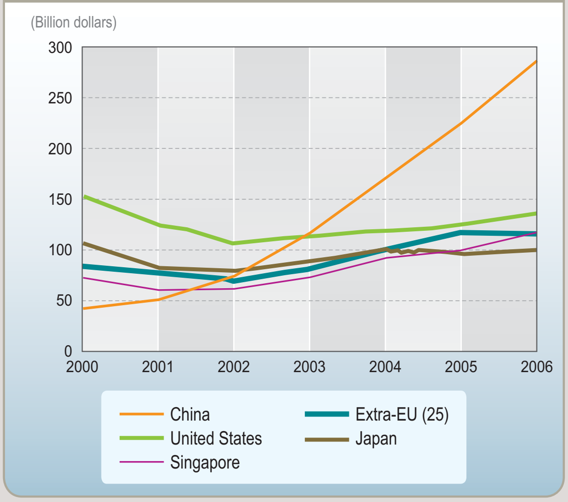
Office and telecom equipment

Global manufacturing: the case of office and telecom equipment

Office and telecommunication equipment, which represents 18 per cent of manufactured exports, expanded by 13 per cent in 2006. The European Union, the leading exporter of office and telecom equipment expanded its exports by 12 per cent, but this was entirely due to intra-European Union trade, which surged by a remarkable 19 per cent, while extra-European Union exports declined by 2 per cent. Second to the European Union and supplying nearly 20 per cent of world exports, China has established a strong position in this market. Excluding intra-European Union trade, China ranks as the first exporter.

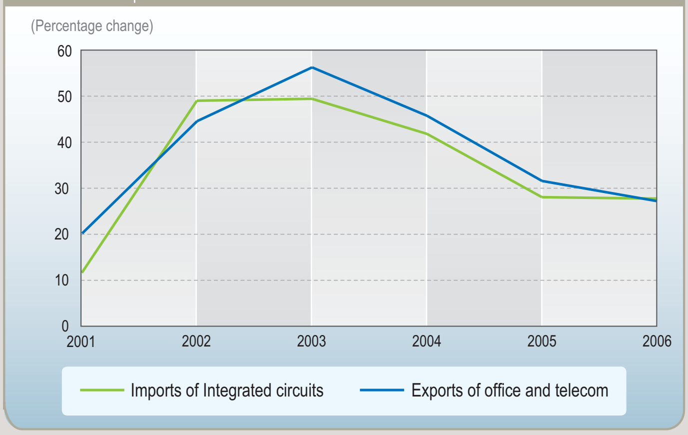
The European Union accounts for 36 per cent of world imports of office and telecommunication equipment and records a steadily increasing trade deficit. In 2006, China supplied 15 per cent of the European Union's import needs and 37 per cent of those of the United States. The United States, the second major importer, maintains a substantial and increasing trade deficit in this product group. In 2006, 34 per cent of the US trade deficit with China could be attributed to this group.

Chart II.5 Office and telecom equipment exports of selected economies, 2000-2006



Office and telecom equipment also represent a substantial share in the exports of a number of South East Asian economies, ranging from 55 per cent for the Philippines to 23 per cent for Thailand. Although still significant, in recent years a declining trend can be observed for a number of economies. In 2000, the share in the Philippines' total exports was 63 per cent. For Malaysia, the share declined from 53 per cent in 2000 to 42 per cent in 2006. The corresponding figures for Chinese Taipei are 39 per cent and 30 per cent.

Chart II.6 Imports of integrated circuits and exports of office and telecom equipment of China, 2000-2006



In the restructuring process of global manufacturing, China evolved as a leading importer of integrated circuits and electronic components, while becoming a prominent exporter of office and telecommunication equipment. Expanding by an average annual rate of 34 per cent, China's share in world imports of integrated circuits increased from 7 per cent in 2000 to 28 per cent in 2006. Integrated circuits now account for 15 per cent of total Chinese imports. In 2006, China recorded a trade deficit of $92.5 billion in this product group. On the other hand, between 2000 and 2006, its exports of office and telecom equipment increased by an average annual rate of 37 per cent[1].

1 Chinese data for office and telecom equipment are to be interpreted with caution, as they include the transhipment of products from China to China through Hong Kong, China. The cost reduction motivation of such triangular trade, which amounts to about 9 per cent of China's total imports, is discussed in the 2005 edition of WTO's International Trade Statistics. In 2006 the transhipment of office and telecommunication equipment represented 20 per cent of China's imports of this product category.

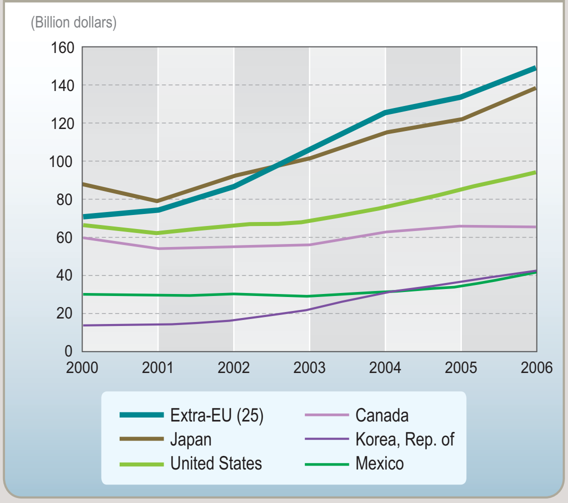
Automotive products

High commodity prices stimulate a surge in imports of automotive products

Buoyed by commodity price increases, the imports of automotive products in the CIS, South and Central American, and African regions expanded by 63 per cent, 29 per cent and 20 per cent respectively in 2006. The European Union accounted for 53 per cent of world exports and 44 per cent of world imports in 2006, and remained the leading trader in automotive products. Extra-European Union imports increased by a significant 18 per cent.

Exports of transport equipment increased by 13 per cent, more than double the 6 per cent growth registered in 2005. Exports of automotive products, representing nearly 70 per cent of the transport equipment category, accelerated to a growth rate of 10 per cent. While the European Union and the United States expanded their exports by 11 per cent, Japan recorded a 13 per cent increase, double that of its 2005 performance. The fifth major exporter, the Republic of Korea, increased its exports by 14 per cent. With an average annual growth of 45 per cent of exports between 2000 and 2006, China shows strong signs of success in this market as well. Among the major exporters, only Canada, facing structural problems in the sector and a strong currency, registered a decline in its exports.

Chart II.7 Automotive product exports of selected economies, 2000-2006



Textiles and clothing

While China's share in world exports of clothing increases, diversification of its exports reduces the importance of clothing in its total merchandise exports

Chart II.8 Clothing exports of China, 2000-2006

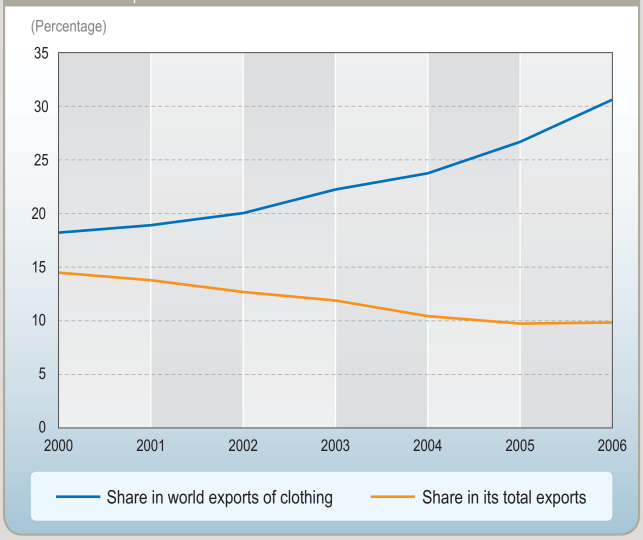
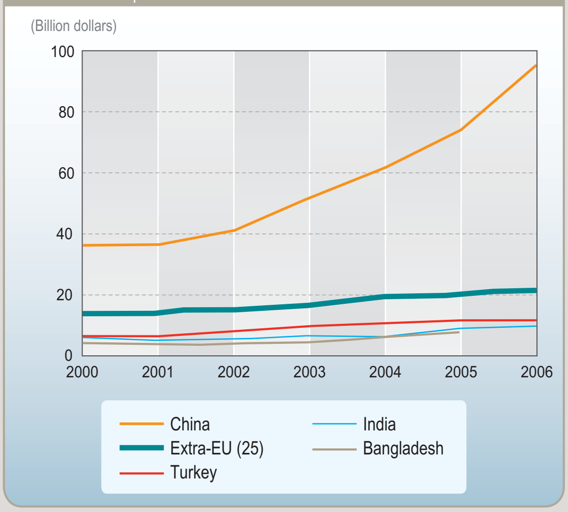


Chart II.9 Clothing exports of selected economies, 2000-2006



World trade in textiles and clothing rose by 10 per cent. Clothing, which accounts for nearly 60 per cent of the combined trade, fared much better, registering a growth rate of 12 per cent, as compared to 7 per cent for textiles. In spite of the quotas imposed by the European Union and the United States between 2000 and 2006, China has gained an additional 12 per cent of the world clothing market and now accounts for 31 per cent of world exports. In 2006 , its exports rose by 29 per cent. China has overtaken the European Union as the major clothing supplier; but the importance of clothing in its total exports is steadily declining, from 14 per cent in 2000 to 10 per cent in 2006.

The European Union increased its exports of textiles by a modest 3 per cent following a 4 per cent decline in 2005. China, on top of the 23 per cent growth recorded in 2005, further expanded its exports by 19 per cent. Between 2000 and 2006 it more than doubled its share in world exports of textiles, from 10 per cent to 22 per cent. The Republic of Korea, on the other hand, lost more than two thirds of its market. With an average annual growth of 9 per cent between 2000 and 2006, Pakistan modestly expanded its market share. The Russian Federation is a growing market for textiles, as growth in imports accelerated by 26 per cent in 2006, following a 25 per cent increase in 2005. With an almost equal position in world exports and imports between 2000 and 2006, Turkey expanded it exports and imports of textiles by 13 per cent and 14 per cent respectively.