Chapter VI

Participation of developing economies in world trade

Developing economies recorded a decline in the value of merchandise trade for the second year in a row, with both exports and imports decreasing by 6 per cent in 2016. A surplus in global supply and a decline in prices for oil products continued to have an impact on the export of fuel products, an important sector for many developing economies. However, the decline recorded for merchandise trade was less severe than the -14 per cent recorded in 2015 for exports and -13 per cent recorded for imports. Merchandise exports from least-developed countries (LDCs) decreased by 6 per cent in 2016, resulting in a slight decline in their share of world merchandise exports, which now stands at 0.94 per cent.

Developing economies' participation in trade in services also slowed in 2016 as exports decreased, largely due to lower transport activity, while services imports stagnated. However, exports of other commercial services, especially in intellectual property-related services and ICT services, continued to expand thanks to developing economies in Asia, which are the leading developing economy exporters. LDCs' share of world exports of commercial services contracted to 0.7 per cent while their share of world imports fell to 1.4 per cent but the performance of LDCs' services trade varied across regions. At present, travel within Asia is the driver of international tourism for LDCs and fuels LDCs' travel earnings.

Developing economies

Weak global demand has a negative impact on developing economies' trade in merchandise goods

The value of merchandise exports from developing economies continued to decline in 2016 from the high recorded in 2014, albeit at a slower pace than in 2015. In 2016, developing economies recorded a 6 per cent decrease in exports of merchandise trade, which totalled US$ 6,559.8 billion, and a 6 per cent decrease in imports, totalling US$ 6,278.8 billion (see Table 6.1). This is a slight improvement on the negative growth of -14 per cent recorded in 2015 for exports and -13 per cent recorded for imports. Developing economies' participation in world merchandise trade decreased slightly in 2016 to 42 per cent of world exports and 40 per cent of world imports.

Developing economies in Asia continued to account for the largest share of developing economies' trade in the world, representing 28.4 per cent of total world exports and 25.0 per cent of total world imports. Asian economies with positive growth in 2016 included Viet Nam (7 per cent), Bangladesh (6 per cent) and Cambodia (7 per cent), all largely exporters of manufactured goods. As a regional group, developing economies in Asia recorded a 7 per cent decrease in exports in 2016. China was one of the largest contributors to this slowdown.

Countries in the Middle East and Africa were negatively affected by a global surplus in fuel products and weaker demand globally. Both regions recorded significant declines in trade in 2016. The Middle East, which is primarily an exporter of fuel products, recorded a decline of 9 per cent in 2016 while the eight African oil and gas exporters (Algeria, Angola, Chad, Equatorial Guinea, Gabon, Libya, Nigeria and Sudan) all recorded large double-digit declines in exports. However, among the top ten exporters in Africa, five achieved positive growth in 2016: Egypt, Morocco, Côte d'Ivoire, Ghana and Botswana. Overall, merchandise exports from Africa contracted by 12 per cent in 2016.

The recession in Brazil continued in 2016, contributing to the overall negative growth of Latin American[1] trade in merchandise goods. Latin American exports contracted by 4 per cent in 2016. Countries with positive growth in merchandise exports in 2016 included Argentina, Peru, the Dominican Republic, Costa Rica and Paraguay. Developing economies in Europe[2] recorded flat growth in exports and a small decline in imports in 2016 following negative growth for both exports and imports in 2015.

Table 6.1:

Developing economies' merchandise trade by region, 2015-2016
(US$ billion and annual percentage change, %)

	Exports					Imports				
	Value	Share in world		Annual % change		Value	Share in world		Annual % change	
	2016	2015	2016	2015	2016	2016	2015	2016	2015	2016
Developing economies[a]	6560	43.4	42.4	-14	-6	6279	40.9	39.7	-13	-6
Latin America	885	5.8	5.7	-15	-4	930	6.3	5.9	-11	-10
Developing Europe	170	1.1	1.1	-9	0	241	1.5	1.5	-14	-3
Africa	346	2.4	2.2	-30	-12	501	3.4	3.2	-14	-10
Middle East	766	5.3	5.0	-34	-9	665	4.4	4.2	-8	-7
Developing Asia[a]	4393	28.9	28.4	-7	-5	3942	25.3	25.0	-14	-4
Memorandum items										
World[a]	15464	100.0	100.0	-14	-3	15799	100.0	100.0	-13	-3
Developed economies	8486	53.5	54.9	-12	-1	9187	57.0	58.2	-11	-1
Commonwealth of Independent States, including associate and former member states	419	3.1	2.7	-32	-16	333	2.1	2.1	-32	-3

[a] Excluding Hong Kong (China) re-exports or imports for re-exports.
Note: Latin America is comprised of South and Central America and the Caribbean, plus Mexico.
Source: WTO Secretariat.

[1] Latin America is comprised of South and Central America and the Caribbean, plus Mexico.
[2] Developing Europe is comprised of Albania; Bosnia and Herzegovina; Montenegro; Serbia; the former Yugoslav Republic of Macedonia and Turkey.

South-South trade

Following years of a steady increase in its share of world trade, South-South trade (i.e. exports from developing economies to other developing economies) has since levelled to 52 per cent in 2015[3]. Manufactured goods represented 67 per cent of South-South trade in 2015, compared with 60 per cent in 2014, as the share of fuel and mining products in South-South trade decreased from 28 per cent in 2014 to 20 per cent in 2015. The share of agricultural products has been fairly constant, representing 10 per cent of South-South trade in 2015.

Spotlight on Latin America's agricultural exports

Within the last decade, the value of South-South trade in agricultural products has surpassed the value of developing economies' exports of these products to developed economies.

Agricultural exports represent 9 per cent of total exports by developing economies. The largest share of these exports is represented by food products, which totalled approximately 86 per cent of agricultural exports in 2015. Raw materials represented the remaining 14 per cent.

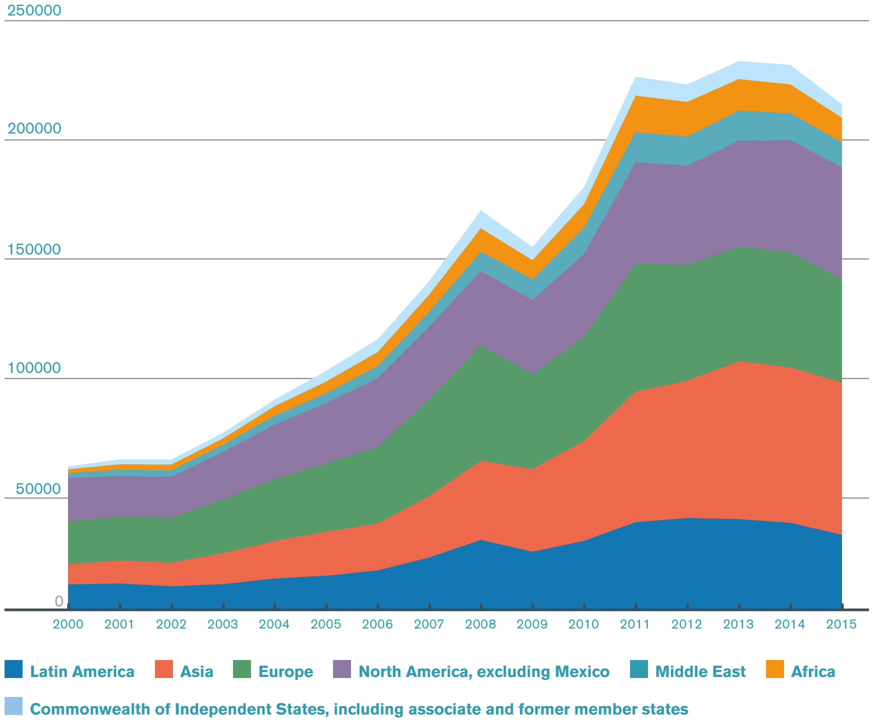
Developing economies in Asia export more agricultural products, in value terms, to the world than Latin American countries. However, agricultural exports represent a larger share of Latin America's total exports to the world, 24 per cent in 2015 compared with just 6 per cent for developing economies in Asia. The largest proportion of Latin America's agricultural products are exported to Asia (see Chart 6.1)

Growing appetite by Chinese consumers for food imports has maintained steady levels of agricultural imports from trading partners such as Latin America. China's imports of agricultural products have increased to 12 per cent of its total imports, up from 9 per cent in 2010. Forty-six per cent of China's imports of agricultural products come from developing economies, with 22 per cent of its total imports of agricultural products coming from Latin America.

Although Latin America's exports of fuels and mining products to China decreased in value terms in 2015 due to the economic slowdown in China, the value of its agricultural exports to China remained steady. Consequently, agricultural products increased as a share of total exports, reaching 40 per cent of exports to China, up from 34 per cent in 2014.

Brazil and Argentina continue to be Latin America's top exporters of agricultural products. In 2015, 45 per cent of Brazil's agricultural products and 37 per cent of Argentina's were exported to Asia. The share of Brazilian and Argentinean agricultural products exported to Asia has grown in recent years. In contrast, the share of their exports of agricultural products to other Latin American countries has remained flat, in the case of Brazil, or slightly decreased, in the case of Argentina, in recent years.

Chart 6.1:
Latin American agricultural exports to other regions, 2000-2015
(US$ million)



Note: Latin America comprises South and Central America and the Caribbean, plus Mexico.
Source: WTO Secretariat.

[3] Origin and destination figures and product group shares discussed here are based on available WTO data on world merchandise trade, published in October 2016. The next update, to be released in October 2017, will include 2016 figures.

The members of the Pacific Alliance (Chile, Colombia, Mexico and Peru), which entered into force on 1 May 2016, constitute four of the top six Latin American traders, the other two being Brazil and Argentina. However, the dominant exports of the Pacific Alliance to Asia are manufactured goods and fuels and mining products rather than agricultural products. Only 8 per cent of Asia's total agricultural imports are from Pacific Alliance members.

Despite this, agricultural exports from the Pacific Alliance to other Latin American countries were lower in value terms than exports of these products to Asia in 2015. Growth in trade within Latin America will be dependent on increased investment in infrastructure improving ties in the region. Trade in agricultural products within Latin America represented 15 per cent of its total agricultural exports in 2015.

Developing economies' participation in trade in services slows down

Developing economies' participation in trade in services slowed in 2016 (see Chart 6.2). Services exports, which had been growing rapidly thanks to the robust performance by developing economies in Asia, contracted. This group's participation in global exports of services decreased to 30.5 per cent in 2016, from 30.8 per cent in 2015.

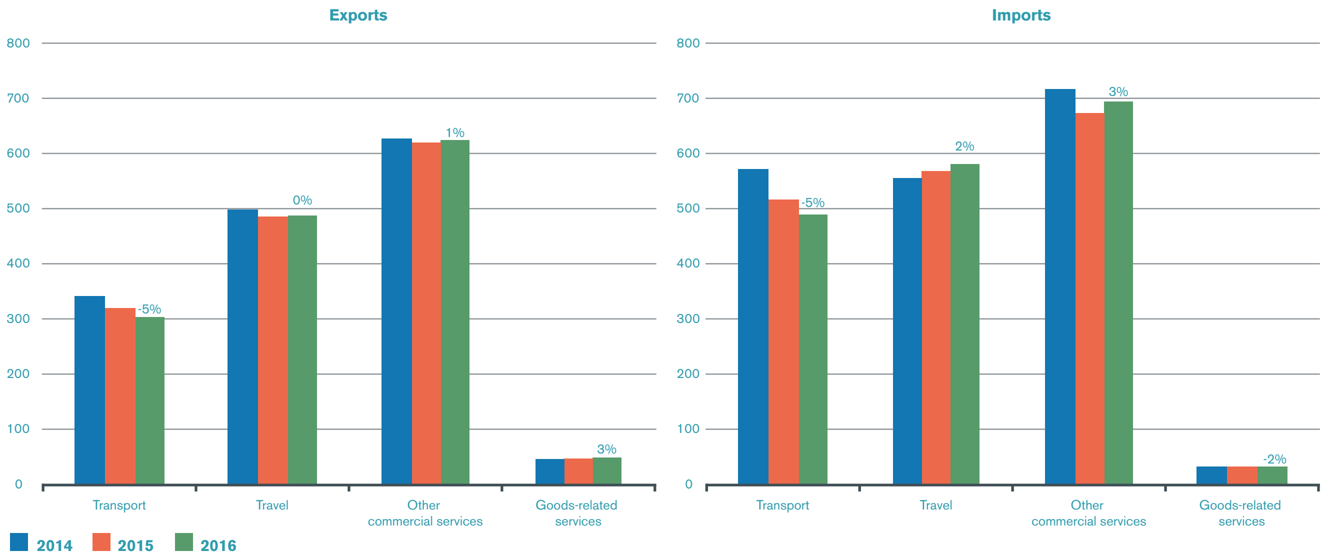
Developing economies' exports of commercial services reached US$ 1,466 billion in 2016, down by 1 per cent. Services imports stagnated at US$ 1,796 and developing economies' share in world imports of services fell to 38.3 per cent.

The main reason for developing economies' declining services trade was lower transport activity. Transport accounts on average for around 21-22 per cent of developing economies' services exports and 29-30 per cent of their imports. In 2016, developing economies' trade in transport services dropped by 5 per cent as weak merchandise trade flows and resulting overcapacity hit the shipping sector, pushing freight transport prices downwards.

The Republic of Korea's transport exports dropped by 23 per cent, as sea freight transport exports plunged. In China, transport exports were down by 12 per cent and by 6 per cent in Hong Kong, China. However, Singapore continued to record positive growth thanks to sustained cargo and container activity in its port. Developing economies in Asia, the largest transport traders among developing economies, lost US$ 14 billion in transport revenues overall.

Chart 6.2:

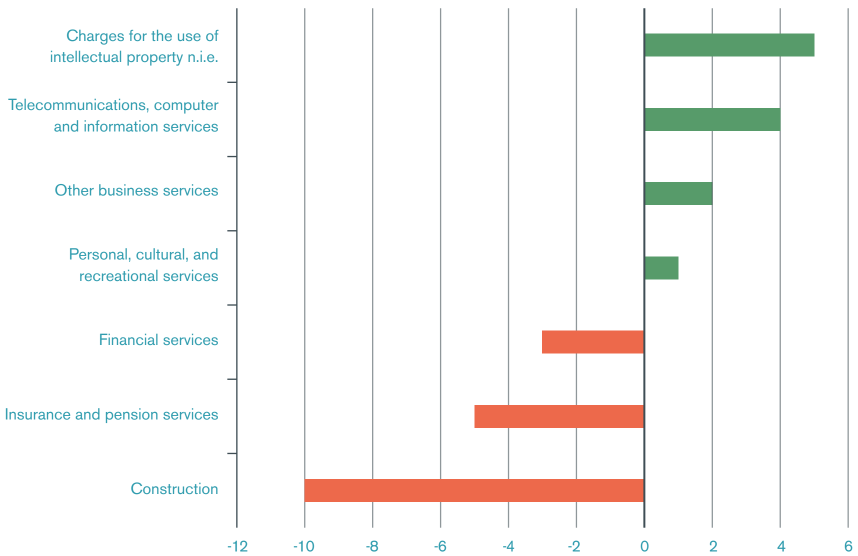
Developing economies' trade in commercial services by category, 2014-2016
(US$ billion and annual percentage change, %)



Source: WTO-UNCTAD-ITC estimates.

Chart 6.3:

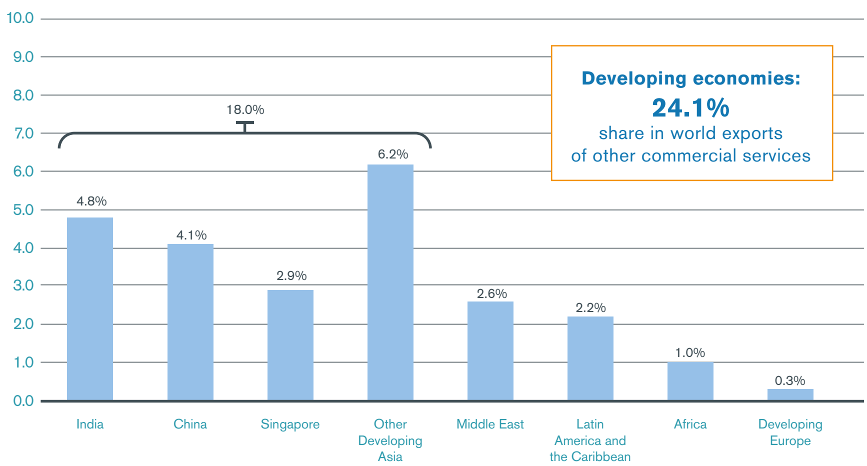
Developing economies' exports of other commercial services by category, 2016
(Annual percentage change, %)



Source: WTO-UNCTAD-ITC estimates.

Chart 6.4:

Developing economies' participation in global exports of other commercial services by developing region, 2016
(Percentage, %)



Source: WTO-UNCTAD-ITC estimates.

Developing economies in Asia lead in exports of other commercial services

In contrast to the heavy losses faced by the transport industry, developing economies' trade in other services sectors continued to grow in 2016. In particular, developing economies' exports and imports of other commercial services (a category that includes financial services and other business services) expanded (see Chart 6.3), although at a slower pace than in 2015.

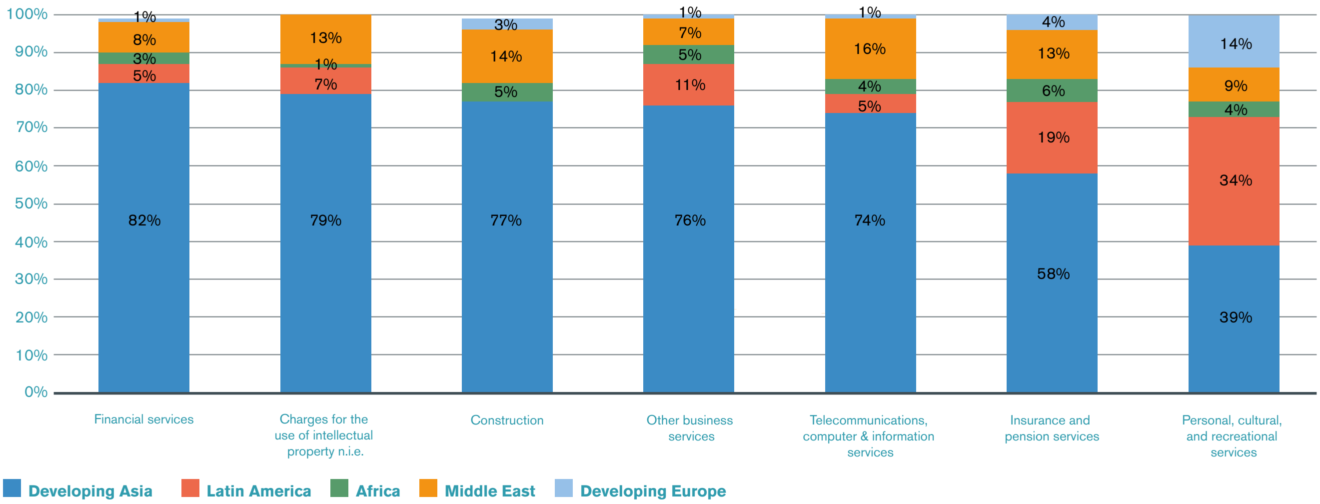
The most rapid growth was recorded in intellectual property (IP)-related services, where receipts for the use of licences and charges were up by 5 per cent and in information and communication technology (ICT) services, which grew by 4 per cent. By contrast, after a decade of double-digit growth, developing economies' construction exports fell by 10 per cent, continuing the downward trend that started in 2015.

Over the last ten years, developing economies' participation in global exports of other commercial services has risen steadily. In 2016, almost one-quarter of world exports of other commercial services originated from developing economies, compared with 17 per cent in 2005.

However, exports are very concentrated, with developing economies in Asia in the leading role. India, China and Singapore were the main contributors in 2016, accounting for two-thirds of the exports recorded by this group. The three economies exported twice as much as the developing economies in the other four regions combined (see Chart 6.4).

Chart 6.5:

Exports of other commercial services by main sector and by developing region, 2016
(Percentage, %)



Source: WTO-UNCTAD-ITC estimates.

Developing economies in Asia held an 82 per cent share of exports of financial services by developing economies overall in 2016, thanks to Singapore and Hong Kong, China. Asia dominated also in IP-related services (79 per cent share), sustained by a thriving flow of exports from the Republic of Korea and Singapore. The region's share was also very high in construction, with China and the Republic of Korea being the largest global constructors on a balance of payments basis. In addition, a strong performance was recorded in other business services, and in ICT services, thanks to India.

Table 6.2:

Developing economies' trade in commercial services by region, 2015-2016
(US$ billion and annual percentage change, %)

	Exports					Imports				
	Value	Share in world		Annual % change		Value	Share in world		Annual % change	
	2016	2015	2016	2015	2016	2016	2015	2016	2015	2016
Developing economies	1466	30.8	30.5	-3	-1	1796	38.6	38.3	-5	0
Latin America and the Caribbean	168	3.5	3.5	-2	1	196	4.4	4.2	-10	-4
Developing Europe	50	1.2	1.1	-9	-14	29	0.6	0.6	-10	0
Africa	90	2	1.9	-3	-6	135	3.2	2.9	-13	-10
Middle East	179	3.6	3.7	4	4	267	5.8	5.7	-6	-1
Developing Asia	979	20.5	20.4	-3	0	1170	24.5	24.9	-2	3
Memorandum items										
World	4808	100	100	-6	0	4694	100	100	-6	1
Developed economies	3250	67.2	67.6	-7	1	2783	58.6	59.3	-6	2
Commonwealth of Independent States	92	2	1.9	-16	-2	115	2.8	2.4	-24	-12

Source: WTO-UNCTAD-ITC estimates.

In contrast to other services sectors, personal, cultural and recreational services showed a somewhat more even spread of exports across regions. This sector includes audio-visual services and artistic services, such as live performances of artists in concerts and plays in other countries. The wide spread confirms the importance of these services for developing economies as a whole.

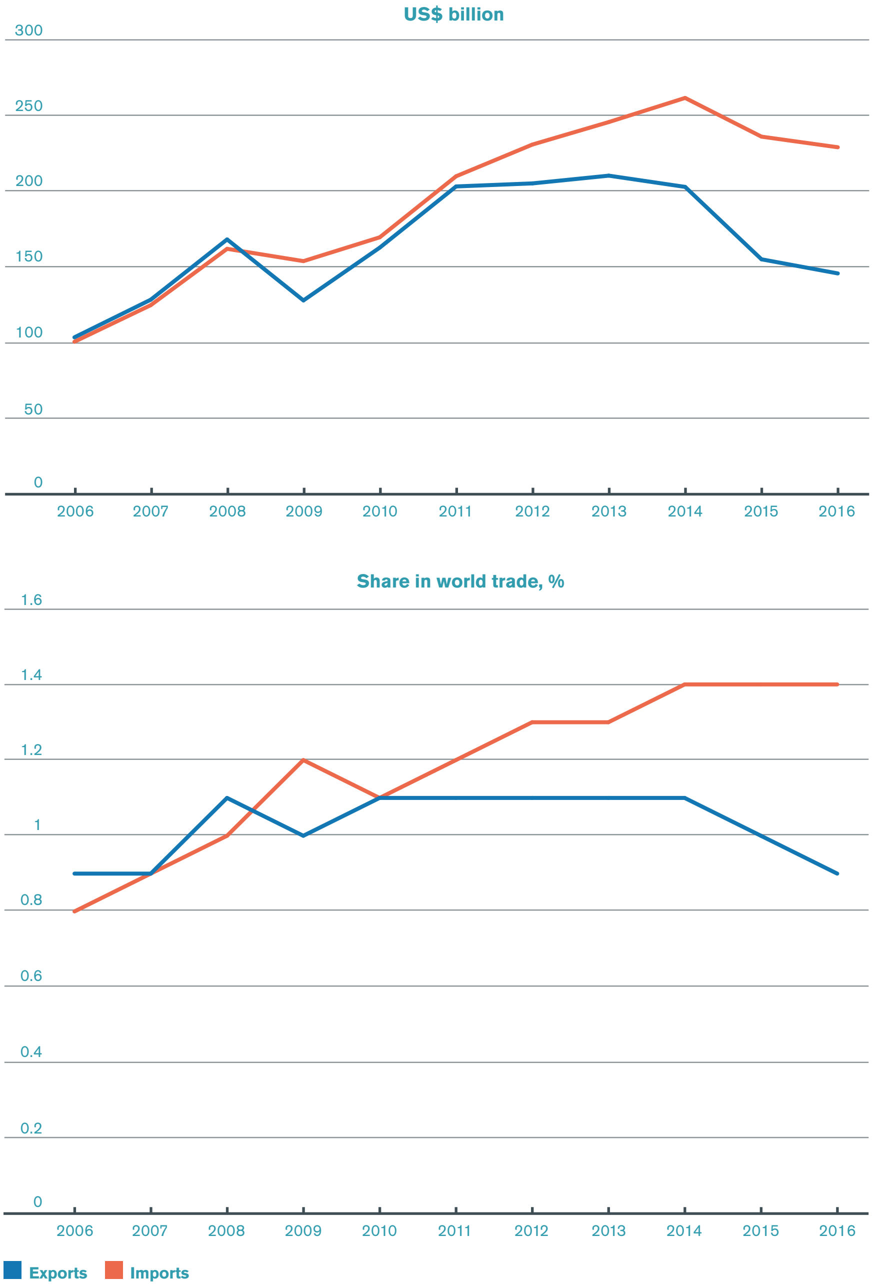
Statistics for 2016 confirm that developing economies in Asia have achieved noteworthy success in penetrating global markets (see Table 6.2), especially in services such as ICT and other business services. On the other hand, developing economies in other regions, especially in Africa, are still facing difficulties in participating in international trade in services. Regulatory issues, infrastructural constraints, high trading costs, and lack of skills hinder their participation in trade, and ultimately prevent them from benefiting from services trade-led economic development and poverty reduction.

LDCs' share of world merchandise exports remains below 1 per cent

Merchandise exports of the LDCs decreased by 6 per cent in 2016, declining more than world exports which fell by 3 per cent. This was a relative improvement from 2015, however, when LDC exports dropped by 24 per cent (see Chart 6.6).

The negative performance in 2016 is mostly linked to the fact that LDCs depend to a high degree on exports of fuels and mining products – which continued to be hit by low prices and declining demand (although less marked than in 2015). LDC imports decreased by 3 per cent compared with a 10 per

Chart 6.6:
Merchandise trade of least-developed countries, 2006-2016
(US$ billion and percentage share, %)



Source: WTO Secretariat.

cent decline in 2015. This resulted in a record merchandise trade deficit of US$ 83 billion in 2016 compared with US$ 81 billion in 2015.

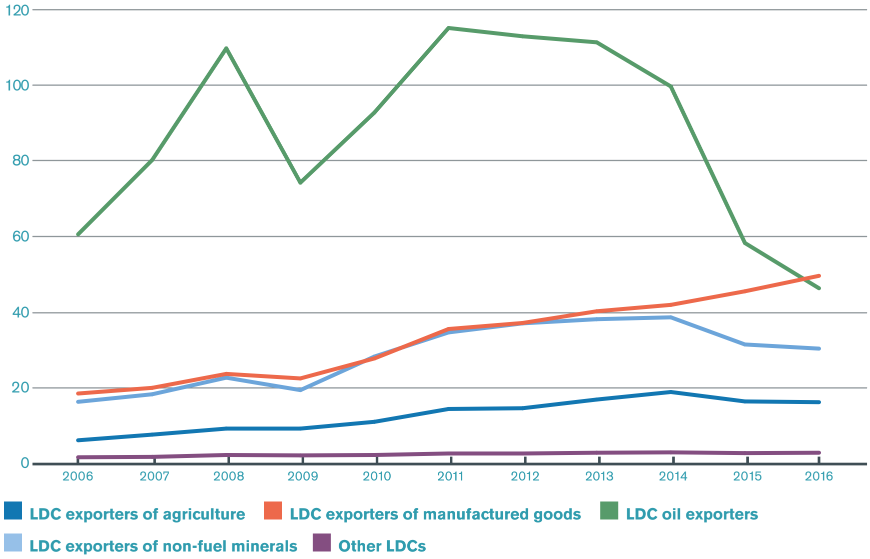
LDCs' share of world merchandise exports remained under 1 per cent, falling to 0.94 per cent from 0.97 per cent in 2015 (see Chart 6.6). This continuing decline is also linked to LDCs' dependence on fuel and mining products. Price fluctuations for these products have a greater impact on LDCs' overall export performance than is the case for economies with more diversified exports.

LDCs' share of world merchandise imports remained at the same level as in 2015, namely at 1.4 per cent. Among developing economies, LDCs' share stayed at 2.2 per cent for exports, the

Chart 6.7:

Merchandise exports of least-developed countries by product specialization, 2006-2016

(US$ billion)

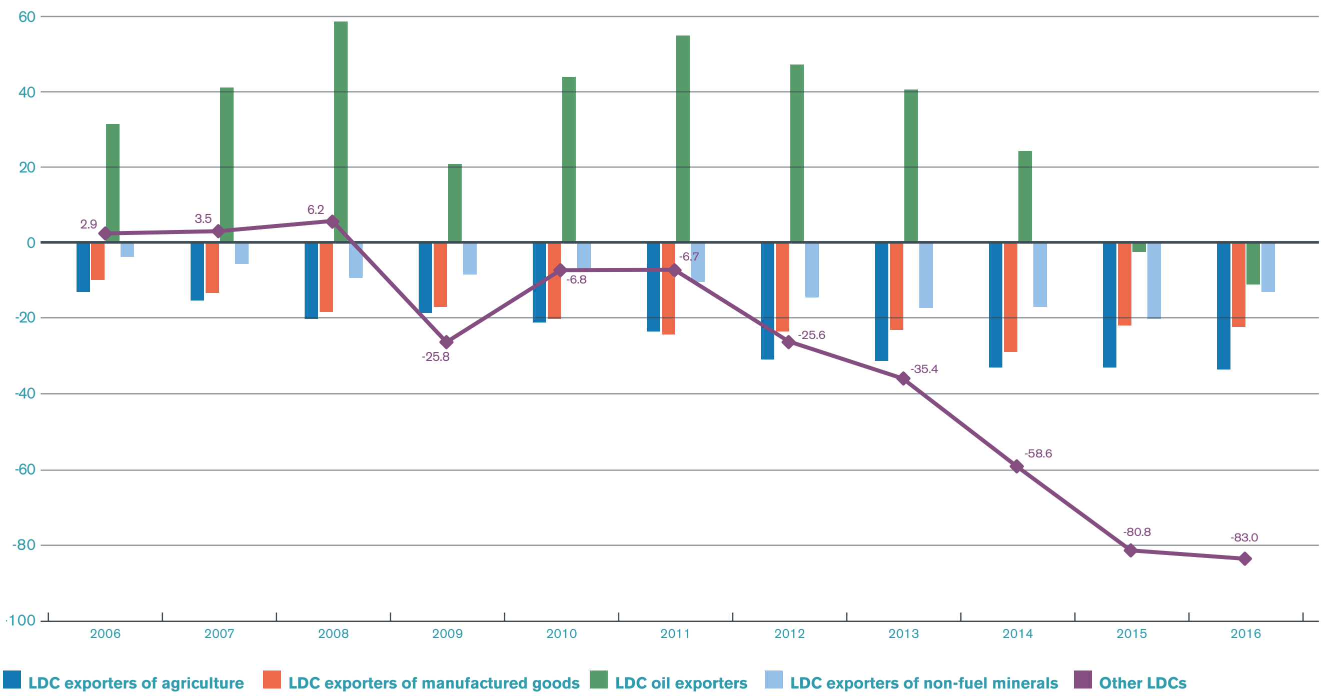


Source: WTO Secretariat

Chart 6.8:

Trade balance of least-developed countries, 2006-2016

(US$ billion)



Source: WTO Secretariat.

same percentage as in 2015, while for imports it increased from 3.5 per cent to 3.6 per cent.

The only group of LDCs to achieve growth in 2016 was "exporters of manufactured goods", which increased by 9 per cent (see Chart 6.7). Agriculture exporters recorded a slightly negative growth rate (-1 per cent), which was a much better performance than the 13 per cent decline in 2015. Stable prices for food and beverages (see Chapter IV) certainly played an important role in this. "Other LDCs" (Djibouti, Senegal and Tuvalu) experienced a 3 per cent decline in exports in 2016, while "exporters of non-fuel minerals" recorded an 18 per cent decline. "LDC oil exporters" experienced the highest decrease (-21 per cent).

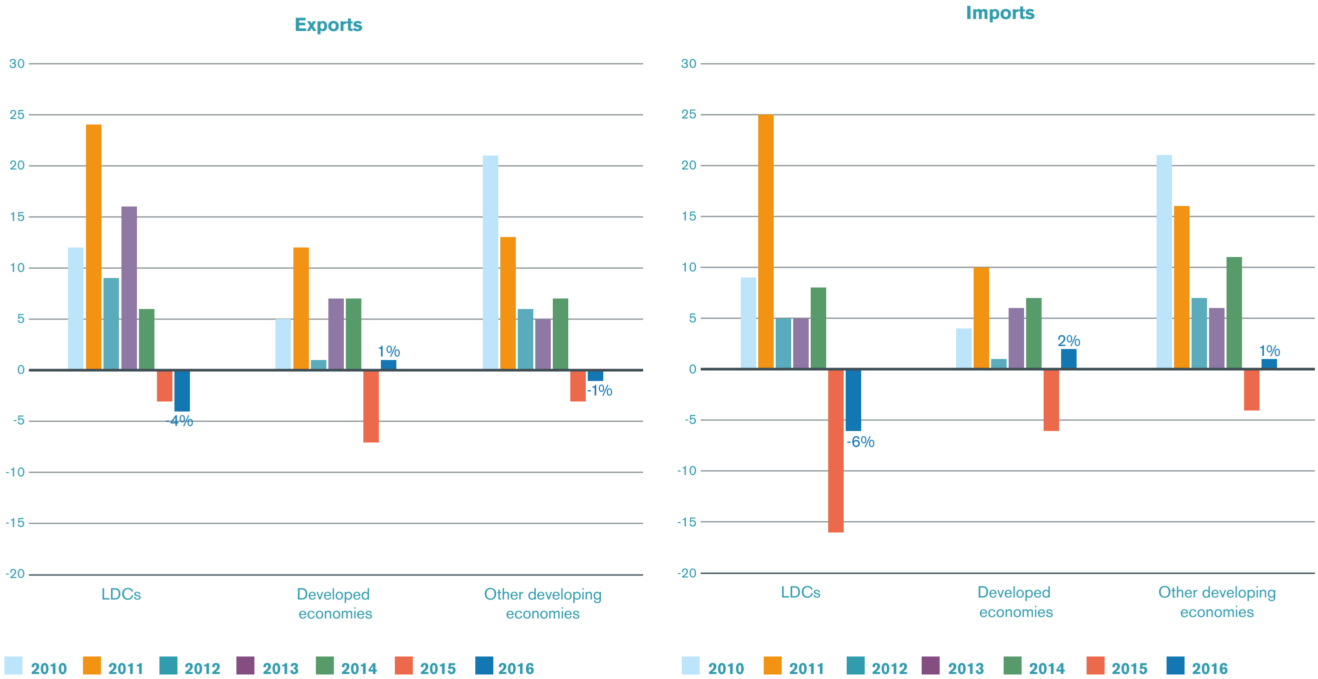
Among the top 20 LDC exporters (in terms of export values), the countries with the highest annual growth rates in 2016 were Guinea (+28 per cent, classified as "exporter of non-fuel minerals"), Cambodia (+18 per cent, "exporter of manufactured goods"), Uganda (+12 per cent, "exporter ofagriculture") and Burkina Faso (+10 per cent, "exporter of agriculture"). The four biggest declines in exports among the top 20 were all recorded by oil exporters: Chad (-38 per cent), Equatorial Guinea (-26 per cent), Sudan (-25 per cent) and Angola (-24 per cent).

The LDCs' overall trade deficit remained at a similar level in 2016 (US$ 83 billion) as in 2015 (US$ 81 billion), albeit hitting a record low (3 per cent greater than in 2015). LDC oil exporters experienced a US$ 11 billion deficit in 2016, almost four times greater than in 2015 (see Chart 6.8), which was the first time in more than 15 years that they had recorded a trade deficit. The greatest deficit was registered by LDC exporters of agriculture (US$ 33 billion), followed by LDC exporters of manufactured goods (US$ 22 billion). LDC exporters of non-fuel minerals recorded a negative trade balance of US$ 13 billion in 2016, a 36 per cent increase on the previous year.

Services in LDCs experience a difficult year

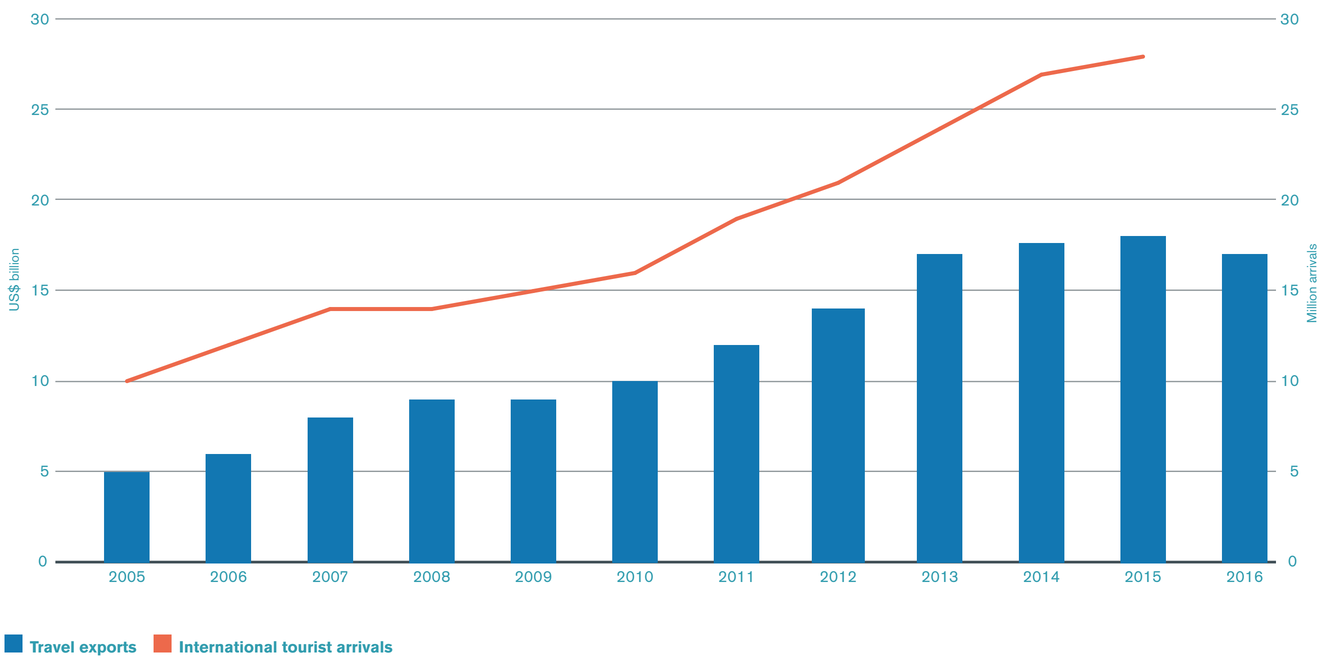
LDCs' trade in services experienced a difficult year in 2016. Exports of commercial services continued to slow (see Chart 6.9) following a decade of sustained growth. Overall, LDCs' services exports declined by 4 per cent.

Chart 6.9:
LDCs' trade in commercial services, 2010-2016
(Annual percentage change, %)



Source: WTO Secretariat.

Chart 6.10:
LDCs' travel exports and international tourist arrivals, 2016
(US$ billion and million arrivals)



Source: WTO estimates based on UNWTO data and WTO-UNCTAD-ITC estimates.

On the imports side, the decline was more pronounced, at -6 per cent. LDC exports fell to US$ 32 billion in 2016, according to estimates, while imports fell to US$ 65 billion. As a result, LDCs' share of global exports of commercial services contracted to 0.7 per cent and to 1.4 per cent of world imports.

All services sectors recorded negative growth in 2016, with travel receipts (the main services export for LDCs) decreasing by 3 per cent. Transport exports declined by 4 per cent as exports stagnated in Ethiopia and Tanzania, the largest exporters. Exports of "other commercial services" were the most affected, with both exports and imports plunging by 9 per cent. Falling commodity prices reduced revenues for LDC exporters, limiting their capacity to import services, in particular business, professional, and technical services, which fell by 11 per cent.

LDCs' performance in services trade varied significantly by region in 2016. African LDCs, which account for more than half of LDCs' services exports, saw the sharpest declines, decreasing by 5 per cent for exports and 11 per cent for imports.

Asian LDCs saw exports decrease by 3 per cent, largely due to falling exports of "other commercial services" (-12 per cent), while imports recorded double-digit growth (+10 per cent). Travel exports grew by 3 per cent, despite a slowdown in foreign tourists visiting Myanmar, the third-largest tourism exporter in the LDC group. Modest growth of 2 per cent was recorded for the services imports of LDC islands and a decline of 6 per cent for their exports according to preliminary estimates.

Intra-regional tourism fuels LDCs' travel receipts

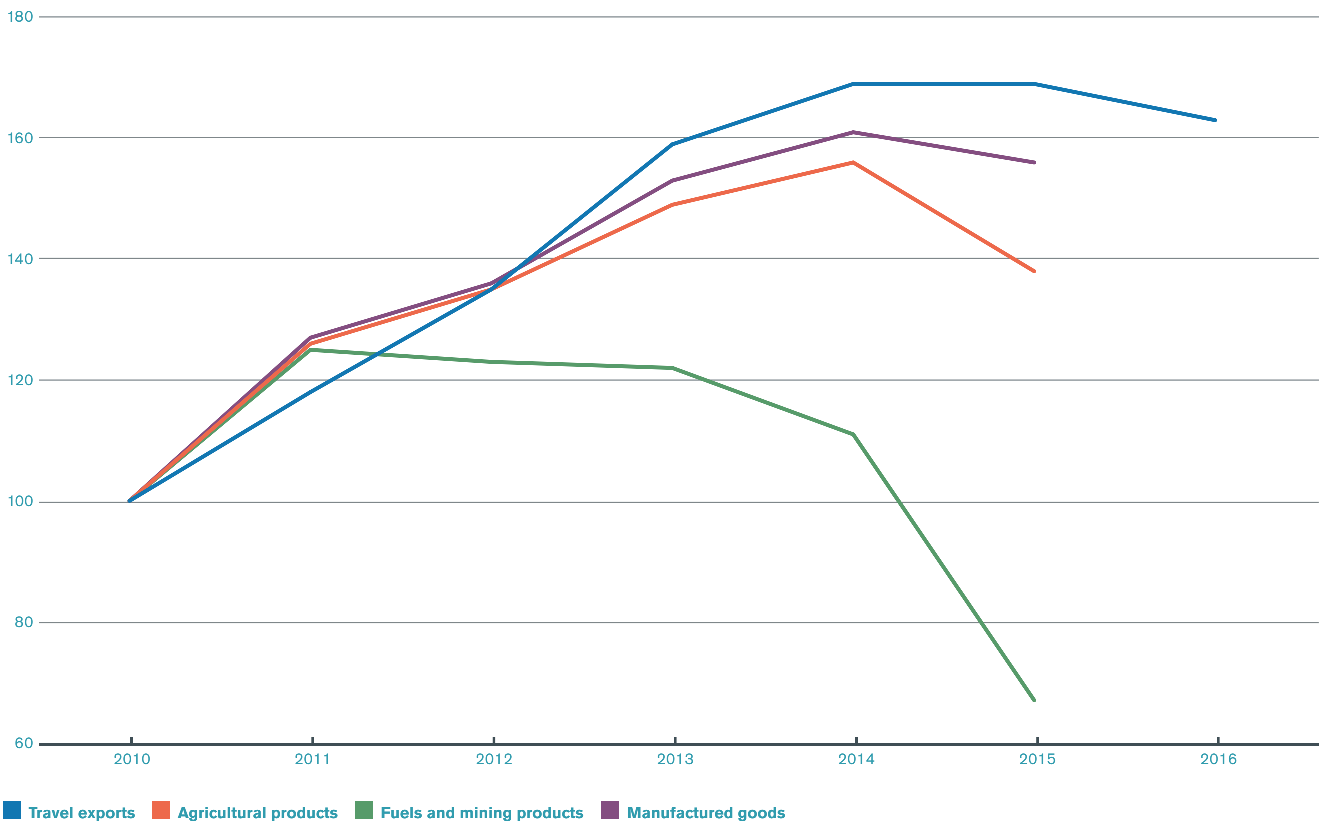
Over recent years, the number of international tourist arrivals to LDCs has multiplied, rising from over 10 million arrivals in 2005 to more than 28 million in 2015 (see Chart 6.10). Increasing inflows of foreign tourists and their purchase of goods and services in the countries they have visited has boosted LDCs' travel revenue. In 2016, revenue reached US$ 17 billion compared with US$ 5 billion in 2005. As a result, LDCs' share of world travel exports has doubled in ten years, reaching 1.4 per cent of global travel receipts in 2016.

Travellers' expenditure in LDCs brings revenue to a variety of sectors, such as accommodation, food and beverages, transport, retail, recreation and cultural activities, creating employment opportunities in both urban and rural areas. In addition, tourism fosters the development of other sectors, such as agriculture (e.g. food supply to hotels and restaurants), construction, communications, utilities (e.g. the supply of electricity and water to hotels), and conference and events management. Travel exports in LDCs have expanded more rapidly than exports of manufactured goods and fuels and mining products, their most traded products (see Chart 6.11).

International tourism in LDCs is essentially intra-regional, according to WTO Secretariat estimates based on UNWTO data. In 2015, around 85 per cent of foreign tourists visiting LDCs in Asia originated from neighbouring economies, up from 59 per cent in 2005. In Myanmar, for example, foreign tourists in 2015 came almost exclusively from Asia, with almost half of them from China and more than one-third from Thailand. In Cambodia, the share of tourists from Asia stood at 77 per cent, with China accounting for 15 per cent and Viet Nam for 21 per cent. China was the main source of foreign tourists to Bhutan (19 per cent) while in Lao People's Democratic Republic half of the tourists came from Thailand. In total, some 4 million Chinese travellers visited LDCs in Asia in 2015, an increase of 52 per cent on average per year since 2011. The increase in travel receipts for LDCs in Asia matches closely the growth of tourist arrivals from Asia in the last ten years. Fuelled by rising

Chart 6.11:

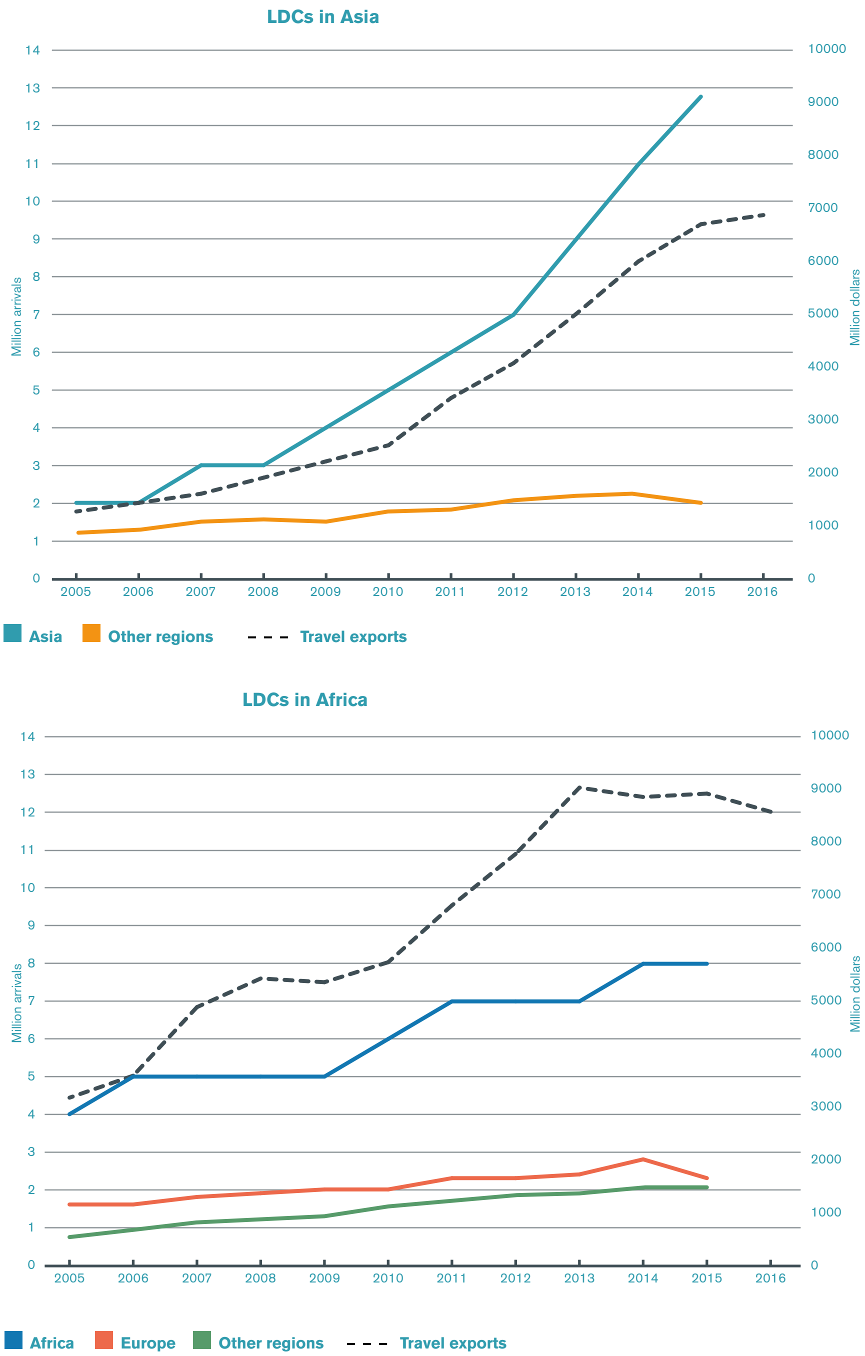
LDCs: Travel exports, and exports of agricultural products, manufactured goods, and fuels and mining products, 2010-2016
(Index 2010 = 100)



Note: For exports of agricultural products, manufactured goods, and fuels and mining products, the latest available year is 2015.
Source: WTO-UNCTAD-ITC estimates.

Chart 6.12:

LDCs in Asia and in Africa: International tourist arrivals by region of origin and travel exports, 2005-2016
(Million arrivals and US$ million)



Note: The breakdown of LDCs by region is coherent with UNCTAD's definition.
Source: WTO estimates based on UNWTO data and WTO-UNCTAD-ITC estimates.

intra-regional tourists, Asian LDCs' travel exports have risen faster than the exports of LDCs in Africa and LDC islands (see Chart 6.12). Consequently, LDCs in Asia increased their share in total LDCs' travel exports to 40 per cent, up from 26 per cent in 2005.

Intra-regional tourists are also the main source of tourists for LDCs in Africa, representing around 63 per cent of travellers in recent years. Tourists from Europe represented on average just over 20 per cent of total arrivals. Although African LDCs comprise more than 30 countries and a population twice as high as Asian LDCs, their travel exports were not significantly higher in 2016. African LDCs are not yet benefiting in the same way as Asian LDCs from the inflows and travel expenditure of Chinese tourists. Although the number of Chinese tourists is on the rise, in 2015 they accounted for only 2 per cent of foreign tourists in Tanzania and Zambia and 1 per cent in Uganda.

Intra-regional travel is therefore a driving force of international tourism in LDCs. However, attracting tourists from other regions through sound policies would open huge growth opportunities for the tourism sector in LDCs. In the case of African LDCs, attracting visitors from China is crucial since it currently represents the largest source of tourists globally and is likely to remain so in years to come.

Aid for Trade

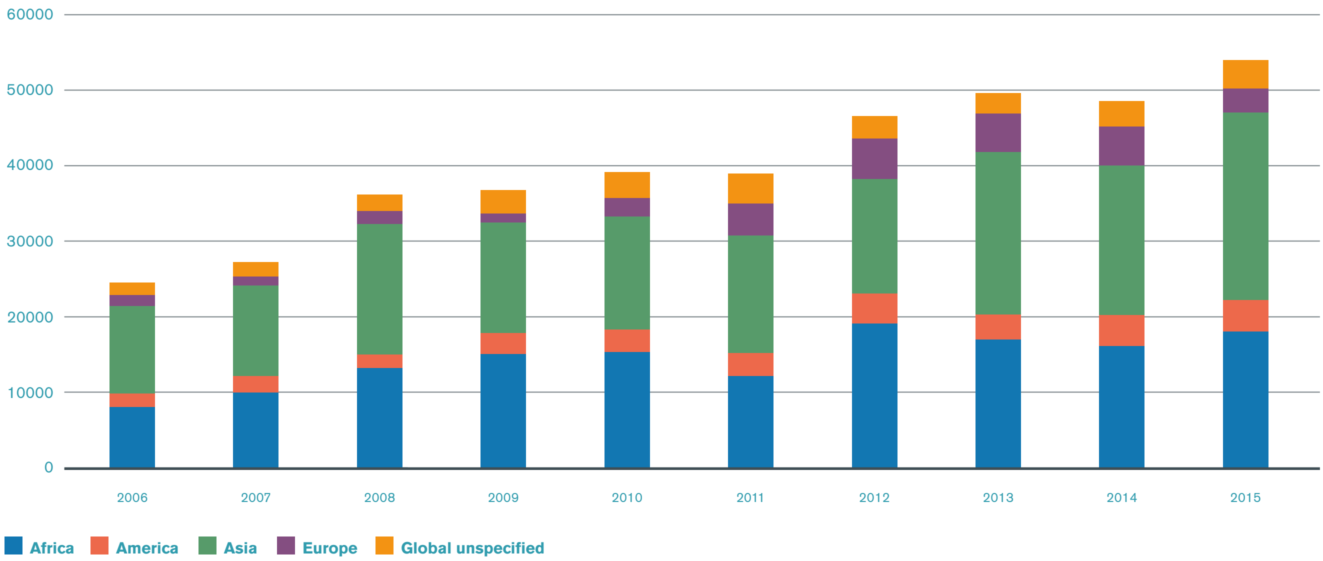
Commitments in 2015 reach almost US$ 54 billion

Total Aid-for-Trade commitments in 2015 (the latest year for which data is available) totalled US$ 53.9 billion. Chart 6.13 shows the regional distribution of Aid-for-Trade commitments from bilateral and multilateral donors. Asia and Africa remain the main recipients of Aid for Trade.

The Aid for Trade initiative aims to help developing economies use trade as a means of achieving economic growth and alleviating poverty. The initiative supports the integration of developing economies – and particularly least-developed countries – into the multilateral trading system by mobilizing international resources to address the constraints experienced by these countries so that they can participate more effectively in global trade and benefit from this activity. One of the key aims of the initiative is to enhance the capacity of developing economies to trade and to take advantage of market access opportunities.

Chart 6.13

Aid for Trade financial commitments by developing region, 2006-2015
(US$ million, constant 2015 prices)



Source: OECD database.