

Overview of World Trade Developments

The value of world merchandise trade increased by 14.8 percent in U.S. dollar terms while the value of services trade grew by 17.8 percent in 2007¹. At these rates, the rate of expansion in services exports was much faster than in 2006 and exceeded the growth rate for merchandise trade. Much of the acceleration in services was due to exchange rate movements and, in some cases, to higher costs of transportation fuels. Europe, with its appreciating currencies accounts for a larger share of services than merchandise exports.

Weaker demand in the developed countries provided a less favourable framework for the expansion of international trade in 2007 than in preceding years. In real terms, growth in world merchandise trade slowed to 5.5 percent, down from 8.5 percent in 2006, and is projected to grow even more slowly in 2008 — at about 4.5 percent. The three percentage point drop brought real merchandise export growth back to the average annual rate of trade expansion recorded over the 1997-2007 period. Notwithstanding the reduction, real growth in trade exceeded real global output growth by about 2 percentage points.

The variation in real trade growth between regions remained large, reflecting marked differences in economic activity and relative price movements. Major terms-of-trade gains² continued in countries and regions exporting primary fuels or minerals. More

recently, net-food exporters have also enjoyed gains from favourable terms-of-trade movements.

Merchandise trade

Trade values (nominal trade)

In nominal terms, world merchandise exports rose by 14.8 percent in 2007 to US\$13.9 trillion — slightly lower than the 15.5 percent rate registered a year earlier (Table 2-1). About two-thirds of the increase in the dollar value was due to price appreciation.

The highest rates of growth for both merchandise exports and imports were recorded for the Commonwealth of Independent States (CIS) region³. This region benefited from strong domestic demand, increases in FDI inflows, and favourable relative price movements over the past few years. Imports into the region were up by more than a third over 2006 levels while exports were up by nearly a fifth.

High commodity prices, especially those for oil and metals, were at the root of the strong expansion of South and Central America's trade performance in 2007. While exports advanced by 14.9 percent, imports were up by even more, at 25.6 percent. Brazil, which accounts for about one quarter of the region's imports and one-third of the region's exports, helped lead the advances. Chile, Argentina, Colombia, and Peru also registered strong growth in both exports and imports, while imports into Venezuela jumped some 44.5 percent.

1 Data used in this chapter are taken from the World Trade Organization Press Release PRESS/520/Rev.1 entitled *World Trade 2007, Prospects for 2008*. 17 April 2008. All data are expressed in U.S. dollar terms and rates of growth are calculated from these data. Services data include transportation services, travel services, and commercial service, but exclude government services.

2 The expression "terms of trade" refers to the ratio between export prices and import prices.

3 This region comprises Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.