A REVIEW OF TRADE IN MERCHANDISE AND SERVICES IN 2014

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In mid-April 2015, the Secretariat of the World Trade Organization (WTO) released its annual World Trade Report 2014, which reviews the international trade over the past year and its development prospects for the current year. The document offers preliminary statistics on global trade in merchandise and services, and also an analysis of the main trends in its development depending on specific countries and regions[1].

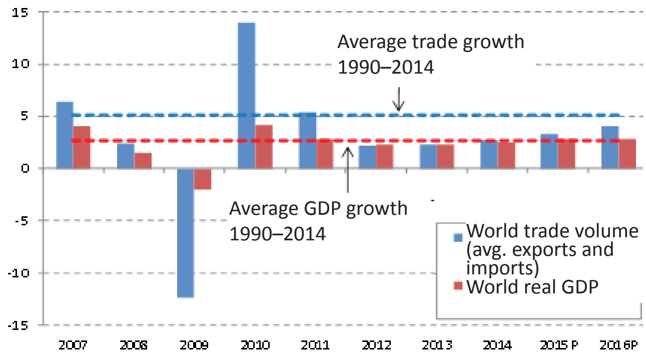
According to the estimates made by WTO experts, global trade growth in 2014 amounted to a mere 2.8% (although only six months earlier they had predicted this index to be at the level of 4%), which roughly corresponds to the previous three-year period's average of 2.4%. In 2015, the growth of world merchandise turnover is expected to be 3.3%, and in 2016 to increase to 4%. However, these predictions aim at a growth rate that is markedly below the annual average growth rates observed since 1990 at the level of 5.1%, and below its pre-crisis value of 6%.

It should be noted that, in 2014, exports from the developing countries demonstrated a higher rate of growth than did exports from the developed economies – 3.3% and 2.2% respectively. At the same time, the indices for imports into these two groups of countries displayed a reverse ratio – 2.0% and 3.2% respectively.

As estimated by the WTO, the fall of world prices for oil by nearly 50% is going to boost growth of imports and real income in the economies dependent on imported energy carriers (including countries like India, South Korea and China), while at the same time pushing down the income of countries that export energy carriers.

On the whole, in the short-term perspective it can be expected that the rate of international trade development international trade will no longer run ahead of that of global economic growth – a phenomenon that has been typical of the past few decades when the rate of growth displayed by world trade was 1.5–2 times above that of global GDP.

The movement of the international trade index in 2014 (2.8%) was slightly ahead of the rate of world GDP growth (2.6%). Besides, the WTO Secretariat predicts that, in 2015–2016, the global trade index will only exceed the expected world output growth[2]



* The indices for 2015 and 2016 are projections. World trade refers to the average of exports and imports in volume terms.

Source: Modest trade recovery to continue in 2015 and 2016 following three years of weak expansion, WTO Secretariat, Geneva, PRESS/739, 14 April 2015, Chart 1: Growth in volume of world merchandise exports and real GDP, 2007-6P, p. 2.

Fig. 1. Growth in Volume of World Merchandise Trade and Real GDP, 2007–2016 (as %)*

(*Fig. 1*). This, the current phase is marked by the emergence of new trends and new types of interrelationship between the growth indices of world trade and global GDP.

This assumption is also confirmed by the forecast released by the International Monetary Fund (IMF), which predicts that world economic growth in 2015 will amount to 3.5%, and in 2016 – to 3.8%. At the same time, the growth rate of global trade in merchandise and services will be somewhat higher: this year it will amount to 3.7%, and next year – to 4.7%. The growth of exports in the developed countries in 2015 and 2016 will be at the rates of 3.2% and 4.1% respectively, and in the developing economies – 5.3% and 5.7% respectively.

According to WTO economists, the modest gains displayed by the world trade index in 2014 and early 2015 can be explained by the impact of several key factors. These include: the relatively low GDP growth in the countries belonging to the developing market, unstable economic recovery in the developed coun-

1 Modest trade recovery to continue in 2015 and 2016 following three years of weak expansion, WTO Secretariat, Geneva, PRESS/739, 14 April 2015, 18 p.

2 For further detail on global trade trends in the post-crisis period, see Makarov A., Pakhomov A. The 2013 Results of Global Trade in Goods and Services. In: Russian Economic Developments (Gaidar Institute for Economic Policy). 2014. V. 21. No 5, p.p. 22–29.

Table 1

WORLD TOPMOST MERCHANDISE EXPORTERS AND IMPORTERS IN 2014

Position	Exporter	Volume, bn USD	Share, %	Change on 2013, %	Position	Importer	Volume, bn USD	Share, %	Change on 2013, %
1	China	2,343	12.4	6	1	USA	2,409	12.7	3
2	USA	1,623	8.6	3	2	China	1,960	10.3	1
3	Germany	1,511	8.0	4	3	Germany	1,217	6.4	2
4	Japan	684	3.6	-4	4	Japan	822	4.3	-1
5	The Netherlands	672	3.6	0	5	UK	683	3.6	4
6	France	583	3.1	0	6	France	679	3.6	0
7	Republic of Korea	573	3.0	2	7	Hong Kong, China	601	3.2	-3
8	Italy	529	2.8	2		– imports for domestic consumption	151	0.8	6
9	Hong Kong, China	524	2.8	-2	8	The Netherlands	587	3.1	0
	– exports of domestic products	16	0.1	-20	9	Republic of Korea	526	2.8	2
	re-exports	508	2.7	-1	10	Canada[1]	475	2.5	0
10	UK	507	2.7	-6	11	Italy	472	2.5	-2
11	Russian Federation	497	2.6	-5	12	India	460	2.4	-1
12	Canada	474	2.5	3	13	Belgium	451	2.4	0
13	Belgium	469	2.5	0	14	Mexico	412	2.2	5
14	Singapore	410	2.2	0	15	Singapore	366	1.9	-2
	– exports of domestic products	216	1.1	-1		– imports for domestic consumption[2]	173	0.9	-5
	re-exports	194	1.0	1	16	Spain	356	1.9	5
15	Mexico	398	2.1	5	17	Russian Federation[1]	308	1.6	-10
16	UAE3	359	1.9	-5	18	Taiwan, China	274	1.4	2
17	Saudi Arabia[3]	354	1.9	-6	19	UAE[3]	262	1.4	4
18	Spain	323	1.7	2	20	Turkey	242	1.3	-4
19	India	317	1.7	1	21	Brazil	239	1.3	-5
20	Taiwan, China	314	1.7	3	22	Australia[3]	238	1.2	-2
21	Australia	240	1.3	-5	23	Thailand	228	1.2	-9
22	Switzerland	239	1.2	4	24	Poland	218	1.1	5
23	Malaysia	234	1.2	3	25	Malaysia	209	1.1	1
24	Thailand	228	1.2	0	26	Switzerland	203	1.1	1
25	Brazil	225	1.2	-7	27	Austria	182	1.0	-1
26	Poland	217	1.1	6	28	Indonesia	178	0.9	-5
27	Austria	177	0.9	1	29	Saudi Arabia[3]	163	0.9	-3
28	Indonesia	176	0.9	-3	30	Sweden	161	0.8	1
29	Czech Republic	174	0.9	7					
30	Sweden	165	0.9	-2					
	Total for 30 countries[4]	15,537	82.1	-		Total for 30 countries[4]	15,581	81.9	-
	World, total[4]	18,935	100.0	1		World, total[4]	19,024		1

[1] Imports, at FOB prices.

[2] The volume of Singapore's imports for domestic consumption is to be understood as total imports less re-exports.

[3] WTO Secretariat's estimates.

[4] Including significant re-exports or imports for the purpose of re-export.

Source: WTO Secretariat, Press release, PRESS/739, Geneva, April 14, 2015, p.14 (Appendix Table 3 'Merchandise Trade: Leading Exporters and Importers, 2014').

tries, and mounting geopolitical risks and threats (the crisis in Ukraine, military conflicts in the Middle East, the Ebola epidemic in West Africa, etc.). The situation was further complicated by the erratic movement of foreign exchange rates, including the US dollar strengthening by 14% against the other major currencies over the period from July 2014 through March 2015.

"Trade growth has been disappointing in recent years, due largely to prolonged sluggish growth in GDP following the financial crisis. Looking forward we expect trade to continue its slow recovery but with

Table 2

WORLD TOPMOST COMMERCIAL SERVICES EXPORTERS AND IMPORTERS IN 2014

Position	Exporter	Volume, bn USD	Share, %	Change on 2013, %	Position	Importer	Volume, bn USD	Share, %	Change on 2013, %
1	USA	686	14.1	3	1	USA	454	9.6	4
2	UK	329	6.8	4	2	China	382	8.1	16
3	Germany	267	5.5	5	3	Germany	327	6.9	1
4	France	263	5.4	4	4	France	244	5.1	6
5	China	222	4.6	8	5	Japan	190	4.0	12
6	Japan	158	3.3	19	6	UK	189	4.0	-1
7	The Netherlands	156	3.2	11	7	The Netherlands	165	3.5	8
8	India	154	3.2	4	8	Ireland	142	3.0	16
9	Spain	135	2.8	5	9	Singapore	130	2.7	0
10	Ireland	133	2.7	9	10	India	124	2.6	-1
11	Singapore	133	2.7	2	11	Russian Federation	119	2.5	-5
12	Belgium	117	2.4	4	12	Republic of Korea	114	2.4	4
13	Switzerland	114	2.3	2	13	Italy	112	2.4	4
14	Italy	114	2.3	2	14	Belgium	108	2.3	4
15	Hong Kong, China	107	2.2	2	15	Canada	106	2.2	-5
16	Republic of Korea	106	2.2	3	16	Switzerland	93	2.0	2
17	Luxembourg	98	2.0	11	17	Brazil	87	1.8	5
18	Canada	85	1.7	-4	18	Hong Kong, China	78	1.6	2
19	Sweden	75	1.5	3	19	UAE a, b	72	1.5	…
20	Denmark	72	1.5	2	20	Spain	72	1.5	11
21	Russian Federation	66	1.3	-5	21	Luxembourg	67	1.4	13
22	Austria	65	1.3	2	22	Sweden	65	1.4	8
23	Taiwan, Chinaa	57	1.2	12	23	Denmark	64	1.3	1
24	Thailand	55	1.1	-6	24	Australia	62	1.3	-7
25	Macau, China	53	1.1	-1	25	Saudi Arabia	60	1.3	17
26	Australia	52	1.1	0	26	Thailand	53	1.1	-4
27	Turkey	50	1.0	9	27	Norway	53	1.1	-5
28	Norway	49	1.0	1	28	Austria	51	1.1	3
29	Poland	46	0.9	2	29	Taiwan, Chinaa	46	1.0	8
30	Greece	42	0.9	14	30	Malaysia	44	0.9	-2
Total for 30 countries		4058	83,5	-	Total for 30 countries		3871	81.7	-
World, total		4860	100	4	World, total		4740	100	5

a) Data are presented in accordance with the balance of payments methodology (Issue 5).

b) WTO Secretariat's estimates.

Note. The data presented here for several countries and territories are based on the WTO Secretariat's estimates. The annual rates of growth and ratings are biased due to gaps in the available data sets for a large number of countries, as well as to the limited opportunities for cross-country comparisons.

Source: WTO and UNCTAD Secretariats, Press release, PRESS/739, Geneva, April 14, 2015, p. 16 (Appendix Table 5 'Leading Exporters and Importers in world trade in commercial services, 2014').

economic growth still fragile and continued geopolitical tensions, this trend could easily be undermined", said WTO Director-General Roberto Azevêdo when presenting the WTO Secretariat's report 'Modest Trade Recovery to Continue in 2015 and 2016 Following Three Years of Weak Expansion'[1].

The plummet of world prices for oil in 2014, which amounted to 47% in Q2 2014, alongside the dwindling quotations of other key raw materials, hit hard the exports of the countries that had been the traditional suppliers of raw materials, and pushed down their domestic demand for imports as well.

This year, the prices for raw-material merchandise continued their decline, and so world trade developments gave rise to excessive supply and depressed demand. In the World Bank's quarterly overview *Commodity Markets Outlook* it is noted that, in 2015, commodities price indices for 9 major raw materials will all decline, which is a rare occurrence. The World Bank predicts that the average spot price of crude oil will amount to 53 $/bbl (which is approximately 45%

1 Modest trade recovery to continue in 2015 and 2016 following three years of weak expansion, WTO Secretariat, Geneva, PRESS/739, 14 April 2015, p. 1.

Table 3

THE MOVEMENT OF RUSSIA'S WTO SCORES AND RUSSIA'S SHARES IN WORLD MERCHANDISE AND COMMERCIAL SERVICES TRADE IN 2000–2014

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Merchandise exports	17/1.7	13 / 2.4	13 / 2.5	12 / 2.5	9 / 2.9	13 / 2.4	12 / 2.6	9 / 2.9	8 / 2.9	10 / 2.8	11/2.6
Merchandise imports	29 / 0.7	19 / 1.2	18 / 1.3	16 / 1.6	16 / 1.8	17 / 1.5	18 / 1.6	17 / 1.8	16 / 1.8	16 / 1.8	17/1.6
Services exports	31 / 0.7	26 / 1.1	25 / 1.1	25 / 1.2	22 / 1.3	22 / 1.3	23 / 1.2	22 / 1.3	22 / 1.3	21 / 1.4	21 / 1.4
Services imports	22 / 1.2	17 / 1.6	18 / 1.7	16 / 1.9	16 / 2.2	16 / 1.9	16 / 2.0	15 / 2.3	14 / 2.5	8 / 2.8	11/2.5

* First value – rating score; second value – share as %.
Source: Calculations based on WTO statistics for relevant year.

below the corresponding index for 2014), which will entail a drop in prices for coal and natural gas[1].

The price indices for nickel, tin, lead, copper, zinc, iron ore and aluminum may all go down in 2015 by 5.3% on the average, possibly picking up again at a moderate rate only as late as 2016. The World Bank experts expect that the prices for precious metals (gold, silver, etc.) may lose 2.9% towards the end of this year, and the downward trend will continue well into 2016. This year, the average price index for fertilizers, which has nearly halved since 2008, will lose 2.1%, and next year – another 0.8%. As for the rate of decline displayed by the food price index, in 2015 it will be twice as high as that of fertilizers – it will lose 4.2% on the average.

On the whole, the past year saw little change in the group of the world's top ten exporters and importers (see *Table 1*). Thus, according to data released by the WTO, China, by its year-end result for 2014, once again topped the list of major exporters (with its exports of $ 2,343bn, and share in world exports of 12.4%), thus for several consecutive years getting ahead of the USA ($ 1,623bn and 8.6% respectively) and Germany ($ 1,511bn and 8.0% respectively).

In its turn, just as last year, the USA retained its topmost position on the list of major importers (imports of $ 2,409bn; share in world imports of 12.7%), followed by China ($ 1,960bn and 10.3% respectively) and Germany ($ 1,217bn and 6.4% respectively).

The Russian Federation's position in terms of world exporter rating has somewhat worsened since 2013 (it comes 11th with imports of $ 497bn, after being 10th with imports of $ 523bn), which can be explained first of all by the significant decline in energy carriers prices and the dwindling volumes of Russian traditional top imports. This state of affairs is caused, among other things, by the recently introduced economic sanctions and the national economy's weakening. Russia's share in global exports also shrank from 2.8% to 2.6%, which is a record low for the past 5-year period.

In terms of imports, Russia stepped down one point (to 17th), its share shrinking to 1.6%. If the volume of intra-EU merchandise trade is to be disregarded, Russia's position in world trade was 7th in exports and 11th in imports (vs. 7th and 8th respectively in 2013).

Global commercial services exports in 2014 rose by 4% to $ 4.9 trillion. In 2014, the world's all regions demonstrated growth of commercial services exports at a rate between 1% and 6%. The only exception was the CIS zone, where this index dropped by 8%, including exports of transport services (-3%), tourism services (-12%), and the so-called 'other' services (-5%). Similar trends over the course of 2014 were also displayed by services imports: overall growth by 5% for the world's all regions, with the exception of the CIS (decline by 4%).

The structure of leaders in commercial services imports over recent years has also remained unchanged (*Table 2*): once again, first comes the USA ($ 686bn, share in world exports – 14.1%), followed by the UK ($ 329bn and 6.8% respectively) and Germany ($ 267bn and 5.5% respectively). Among the world consumers of services, the topmost position once again belongs to the USA ($ 454bn, share in world imports – 9.6%), followed by China ($ 382bn and 8.1% respectively) and Germany ($ 327bn and 6.9% respectively).

Russian commercial services exports dropped by 6% to $ 66bn, and their share in global exports amounted to 1.4%, as in 2013 (21st position). Imports of commercial services declined by 5% to $ 119bn, which corresponds to 11th position, and their share in world imports was 2.5%. If the volume of intra-EU commercial services trade is to be disregarded, Russia's position in world commercial services trade is 11th in exports and 7th in imports (vs. 11th and 6th respectively in 2013).

Thus, in 2014, Russian Federation has stepped down, on the previous year, with regard to nearly

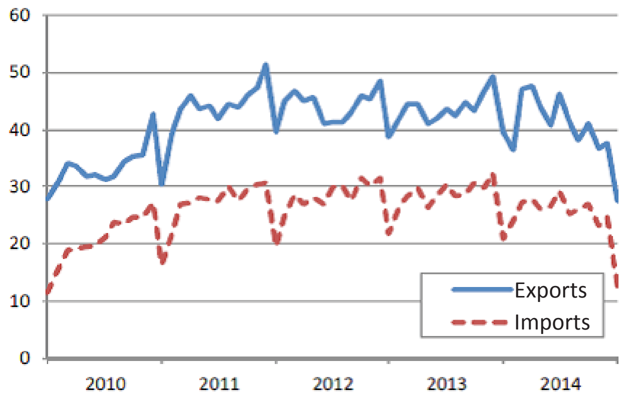
1 A World Bank Quarterly Report Commodity Markets Outlook, Wash., January 2015, p.p. 1–2.

all WTO indices, except commercial services exports (*Table 3*).

As can be seen from *Fig. 2*, over recent year the monthly behavior of Russia's exports and imports has been very unstable, with a constant downward trend, which point to the existence of systemic issues in this country's foreign trade sector.

For 2015, all major international financial and economic organizations (WTO, the World Bank and the IMF) predict that Russia's positions in world markets are going to become significantly worse. Their experts' estimations are based primarily on the expected further decline in oil prices as well as in prices for natural gas and other raw materials, which take up a major part of Russia's exports and generate the bulk of revenue in this country's economic budget.

In addition, it can be noted that the tension in Russia's relations with many of the developed economies in connection with the conflict in Ukraine has already disrupted the habitual rhythm of multilateral trade and capital flows. In its turn, the economic recession in Russia is going to depress growth in the Central Asian economies, while the worsening bilateral relations with the EU may push down the volume of Russia's natural gas supplies to the EU countries[1].



Sources: IMF international financial statistics; Global Trade Atlas (GTA) from Global Trade Information Services (international trade data); national statistics.

Fig. 2. Russia's Merchandise Exportsa and Imports, April 2009 – January 2014 (Annual Movement, as Percentage and in Current Prices)

1 See, for example, A World Bank Quarterly Report 'Commodity Markets Outlook', Wash., January 2015.