

## The Results of Global Goods and Services Trade Development in 2017

*According to the latest projections released by the WTO, this year the global trade growth rate is going to decrease to 4.4% from its previous level of 4.7% in 2017. In its annual report, the WTO Secretariat warns that the threats voiced by the USA that it may impose duties on imports of goods from China and its other main partners in trade have probably already produced some negative impact on the global economy and international trade.*

In mid-April 2018, the Secretariat of the World Trade Organization (WTO) released its annual international trade data for 2017 and short-term development projections. The document offers some preliminary statistics of global trade in goods and services, as well as an analysis of its main development trends by-country and by-region.<sup>3</sup>

According to the WTO Secretariat's data, global trade in goods in real terms increased, in 2017, by 4.7% (in nominal terms – by 10.7% to \$ 17.2 trillion), which is a record high of the last six years. This index is notably above the six-month-old projection released by the WTO itself (3.6%), as well as the year-end result of 2016 – only 1.8%.

This growth can largely be explained by the dynamic pace of development displayed by the global economy (above 3.0%) in nearly every region around the world, accompanied by a surge in investment and entrepreneurial activities. Meanwhile, the ratio of the growth rate of international trade to that of global GDP amounted to 1.4, i.e., the average index of the 2000s. Besides, the WTO experts have noted the well-planned economic, monetary, and especially trade policies followed by the majority of countries across the globe.

In 2017, the growth of exports in the developed countries amounted to 3.5%, and that of imports – to 3.1%. As for the developing countries, their foreign trade index increased much more significantly - by 5.7% and 7.2% respectively. Last year, the main driver of global trade development was Asia, whose economies accounted for 60% of growth in global merchandise imports and for 51% of growth in global merchandise exports.

According to the latest forecast issued by the WTO Secretariat, merchandise trade volume growth is likely to fall to 4.4% (within a range from 3.1% to 5.5%) if current GDP forecasts come to pass, although a continued escalation of trade restrictive policies could result in trade growth outside of this range.

It is also expected that global trade growth should moderate to 4.0% in 2019, thus remaining sufficiently high (versus the average annual 3% growth in the post-crisis period 2011-2016). Merchandise trade volume in developing economies is expected to grow at accelerated rates.

However, the WTO Secretariat is warning that, in face of 'the rise in tensions that we are seeing between some trading partners', it can be expected that 'even the threat of further escalation may already be having an effect' on the global economy. Obviously, the case in point is the USA threatening to introduce tariffs on merchandise imports from its major trading partners, first of all China. 'So we have to do everything we can to avoid further escalation. I have been urging WTO members to take every action possible to avoid going down this road', remarked WTO Director-General R. Azevêdo.<sup>4</sup> Traditionally, he did not mention any names, and

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<sup>3</sup> WTO Secretariat, Strong trade growth in 2018 rests on policy choices, PRESS/820, Geneva, April 12, 2018, 22 p.

<sup>4</sup> WTO trade forecasts: Press conference Remarks by Director-General R. Azevêdo, Geneva, 12 April 2018, 2 p.

instead diplomatically referred to the USA and China by euphemistically calling them ‘some WTO members’.

‘But let me be clear – these forecasts do not factor-in the possibility of a dramatic escalation in trade restrictions’, said Roberto Azevêdo. He also appealed to the governments of WTO member states to exercise restraint and to resolve their differences through dialogue.<sup>5</sup>

Although new restrictive trade measures can easily trigger an escalating cycle of retaliation capable of affecting the global trade and production volumes, serious problems can also be created by central banks through rapidly raising their interest rates, or by geopolitical conflicts. An additional risk is posed by cyber attacks, although its potential for influencing trade in services is higher than that for influencing trade in goods.

China's economic rebalancing away from investment and toward consumption may add some drag to world trade growth, as China imports fewer capital goods. On the other hand, the WTO Secretariat's experts note that ‘less investment could also help reduce overcapacity in sensitive sectors such as steel and aluminum, thereby alleviating trade tensions’.<sup>6</sup>

Although the WTO is clearly the most respected international institution in the field of global trade, many other international financial and economic organizations have also been paying some attention to global trade in their macroeconomic forecasts. Thus, the International Monetary Fund's quarterly report ‘World Economic Outlook, April 2018: Cyclical Upswing, Structural Change’ estimates growth in the volume of global trade in goods and commercial services to be at 4.2% in 2017, and expects it to rise in 2018 and 2019 to 4.5% and 3.9% respectively; the volumes of trade in goods and services are expected to increase at higher rates in developing countries than in developed economies.<sup>7</sup>

According to the IMF Report, one of the major risks threatening the development of the global economy is ‘an escalating cycle of trade restrictions and retaliation’. ‘The first shots in a potential trade war have now been fired. Conflict could intensify if fiscal policies in the United States drive its trade deficit higher than without action in Europe and Asia to reduce surpluses. The multilateral rule-based trade system that evolved after World War II and that nurtured unprecedented growth in the world economy needs strengthening. Instead, it is in danger of being torn apart’.<sup>8</sup>

In the IMF Report it is admitted that the alarm and misgivings regarding the ongoing technological changes and globalization are clearly on the rise. These misgivings in conjunction with the growing trade imbalances can result in a shift toward isolationist economic policies, which in their turn would create obstacles to trade and investment. The restrictions on imports recently announced by the USA and the retaliatory measures introduced by China, as well as the possible restrictive measures on the part of other countries, have given rise to some serious misgivings in this regard. Such actions undoubtedly involve a risk of negatively affecting the indices of global and domestic economic activity and a risk of seriously impairing the mood of the markets.

According to the International Bank for Reconstruction and Development, in 2017, global goods and services trade volumes increased by 4.3% to become an important growth factor for the global economy<sup>9</sup>. However, the World Bank believes that downside risks still predominate, including increased global protectionism and the resulting decline in the growth rate of international trade.

In this context, some interesting information emerges from a forecast made by experts from another well-known research institution - Economist Intelligence Unit (EIU)<sup>10</sup>. In their

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<sup>5</sup> Ibidem.

<sup>6</sup> WTO Secretariat, Strong trade growth in 2018 rests on policy choices, PRESS/820, Geneva, April 12, 2018, p.3

<sup>7</sup> IMF. World Economic Outlook (WEO). Cyclical Upswing, Structural Change, Wash., April 17, 2018, 302 p.

<sup>8</sup> Ibid, p. iv

<sup>9</sup> International Bank for Reconstruction and Development / World Bank, Global Economic Prospects: Broad-Based Upturn, but for How Long? January 2018, Wash., 264 p.

<sup>10</sup> The Economist Intelligence Unit, Trade war brewing? World trade in 2018, L., April 2018, 7 p.

overview of global trade, these experts note that global trade growth will continue to slow down in 2019-22, to an average of 3.5% a year, while the biggest risks facing the global economy are associated with the inevitable trade conflict between the USA and the People's Republic of China. The experts believe that in the medium-term perspective - that is, after 2021, global trade in goods and services will experience a number of positive effects from the trade liberalization brought about by the implementation of new free-trade deals, first of all those with the EU's active participation.

At present, the USA and China are the world's largest trading nations. Since 2010, having surpassed Germany, they have been holding leading positions in the WTO rating. In 2017, they accounted for 21.5% of global merchandise exports and for 233.7% of global merchandise imports (see Table 1). Therefore any mutual restrictions imposed by the USA and China will inevitably have an impact on the dynamics of world merchandise trade as a whole.

**Table 1**

**Leading exporters and importers in world merchandise trade in 2017**

| Rank | Exporter country   | Value, \$bn | Share, % | Change relative to 2016,% | Rank | Importer country  | Value, \$bn | Share, % | Change relative to 2016,% |
|------|--------------------|-------------|----------|---------------------------|------|-------------------|-------------|----------|---------------------------|
| 1    | China              | 2,263       | 12.8     | 7.9                       | 1    | USA               | 2,409       | 13.4     | 7.1                       |
| 2    | USA                | 1,547       | 8.7      | 6.6                       | 2    | China             | 1,842       | 10.2     | 16.0                      |
| 3    | Germany            | 1,448       | 8.2      | 8.5                       | 3    | Germany           | 1,167       | 6.5      | 10.5                      |
| 4    | Japan              | 698         | 3.9      | 8.3                       | 4    | Japan             | 672         | 3.7      | 10.6                      |
| 5    | The Netherlands    | 652         | 3.7      | 14.1                      | 5    | UK                | 644         | 3.6      | 1.2                       |
| 6    | Republic of Korea  | 574         | 3.2      | 15.8                      | 6    | France            | 625         | 3.5      | 9.2                       |
| 7    | Hong Kong, China   | 550         | 3.1      | 6.5                       | 7    | Hong Kong, China  | 590         | 3.3      | 7.8                       |
|      | -Domestic exports  | 18          | ...      | -27.9                     |      | -Retained imports | 138         | ...      | 6.2                       |
|      | - Re-exports       | 532         | ...      | 8.3                       |      |                   |             |          |                           |
| 8    | France             | 535         | 3.0      | 6.7                       | 8    | The Netherlands   | 574         | 3.2      | 13.7                      |
| 9    | Italy              | 506         | 2.9      | 9.6                       | 9    | Republic of Korea | 478         | 2.7      | 17.8                      |
| 10   | UK                 | 445         | 2.5      | 8.6                       | 10   | Italy             | 453         | 2.5      | 11.2                      |
| 11   | Belgium            | 430         | 2.4      | 7.9                       | 11   | India             | 447         | 2.5      | 23.8                      |
| 12   | Canada             | 421         | 2.4      | 7.8                       | 12   | Canada            | 442         | 2.5      | 7.0                       |
| 13   | Mexico             | 409         | 2.3      | 9.5                       | 13   | Mexico            | 432         | 2.4      | 8.7                       |
| 14   | Singapore          | 373         | 2.1      | 10.4                      | 14   | Belgium           | 403         | 2.2      | 8.2                       |
|      | - Domestic exports | 188         | ...      | 15.9                      |      |                   |             |          |                           |
|      | - Re-exports       | 185         | ...      | 5.4                       |      |                   |             |          |                           |
| 15   | UAE                | 360         | 2.0      | 20.4                      | 15   | Spain             | 351         | 1.9      | 12.7                      |
| 16   | Russia             | 353         | 2.0      | 25.3                      | 16   | Singapore         | 328         | 1.8      | 12.3                      |
|      |                    |             |          |                           |      | -Retained imports | 142         | ...      | 22.7                      |
| 17   | Spain              | 321         | 1.8      | 10.5                      | 17   | Switzerland       | 269         | 1.5      | -0.5                      |
| 18   | Taiwan, China      | 317         | 1.8      | 13.2                      | 18   | UAE               | 268         | 1.5      | -1.1                      |
| 19   | Switzerland        | 300         | 1.7      | -1.1                      | 19   | Taiwan, China     | 259         | 1.4      | 12.5                      |
| 20   | India              | 298         | 1.7      | 13.0                      | 20   | Russia            | 238         | 1.3      | 24.1                      |
| 21   | Thailand           | 237         | 1.3      | 9.9                       | 21   | Turkey            | 234         | 1.3      | 17.7                      |
| 22   | Poland             | 231         | 1.3      | 14.0                      | 22   | Poland            | 230         | 1.3      | 16.8                      |
| 23   | Australia          | 231         | 1.3      | 19.9                      | 23   | Australia         | 229         | 1.3      | 16.6                      |
| 24   | Saudi Arabia       | 218         | 1.2      | 18.8                      | 24   | Thailand          | 223         | 1.2      | 14.7                      |
| 25   | Malaysia           | 218         | 1.2      | 14.9                      | 25   | Vietnam           | 212         | 1.2      | 21.0                      |
| 26   | Brazil             | 218         | 1.2      | 17.5                      | 26   | Malaysia          | 195         | 1.1      | 15.9                      |
| 27   | Vietnam            | 214         | 1.2      | 21.4                      | 27   | Austria           | 176         | 1.0      | 11.5                      |
| 28   | Czech Republic     | 180         | 1.0      | 10.7                      | 28   | Czech Republic    | 162         | 0.9      | 13.2                      |
| 29   | Indonesia          | 169         | 1.0      | 16.5                      | 29   | Brazil            | 157         | 0.9      | 9.7                       |
| 30   | Austria            | 168         | 0.9      | 10.5                      | 30   | Indonesia         | 157         | 0.9      | 15.7                      |

| Rank                | Exporter country | Value, \$bn | Share, % | Change relative to 2016,% | Rank                | Importer country | Value, \$bn | Share, % | Change relative to 2016,% |
|---------------------|------------------|-------------|----------|---------------------------|---------------------|------------------|-------------|----------|---------------------------|
| 30 countries, total |                  | 14,884      | 83.9     | -                         | 30 countries, total |                  | 14,866      | 82.5     | -                         |
| World, total *      |                  | 17,730      | 100.0    | 10.6                      | World, total *      |                  | 18,024      | 100.0    | 10.7                      |

\* - preliminary estimates carried out by the WTO Secretariat.

Source: WTO Secretariat, Press release, PRESS/820, Geneva, April 12, 2018, p.19 (Appendix Table 3 ‘Leading merchandise exporters and importers, 2017’)

After two years of stagnation (+0.7% in 2016 and -5.0% in 2015), trade in commercial services increased in 2017 at a high rate of 7.4%, which pushed its annual turnover to \$ 5.3 trillion. Data on world exports of commercial services by main category indicates that transport services were the most dynamic sector, which was up by 8.3%, while trade-related services were the least dynamic sector, which was up by a mere 5.2%.

In 2017, the world’s leading commercial services suppliers were the USA, the UK, and Germany (see Table 2). China’s positions were less impressive – partly due to the specific features of its national methodology for measurement of transaction costs in that field.<sup>11</sup>

**Table 2**

**Leading exporters and importers in world commercial services trade in 2017**

| Rank | Exporter country  | Value, \$bn | Share, % | Change relative to 2016, % | Rank | Importer country   | Value, \$bn | Share, % | Change relative to 2016, % |
|------|-------------------|-------------|----------|----------------------------|------|--------------------|-------------|----------|----------------------------|
| 1    | USA               | 762         | 14.5     | 3.8                        | 1    | USA                | 516         | 10.2     | 6.8                        |
| 2    | UK                | 354         | 6.7      | 4.9                        | 2    | China              | 464         | 9.2      | 3.3                        |
| 3    | Germany           | 296         | 5.6      | 7.0                        | 3    | Germany            | 319         | 6.3      | 5.2                        |
| 4    | France            | 249         | 4.7      | 5.5                        | 4    | France             | 244         | 4.8      | 3.4                        |
| 5    | China             | 226         | 4.3      | 8.7                        | 5    | UK                 | 218         | 4.3      | 4.2                        |
| 6    | The Netherlands   | 216         | 4.1      | 15.6                       | 6    | The Netherlands    | 211         | 4.2      | 14.7                       |
| 7    | Ireland           | 182         | 3.5      | 19.6                       | 7    | Ireland            | 196         | 3.9      | -3.4                       |
| 8    | Japan             | 180         | 3.4      | 6.7                        | 8    | Japan              | 189         | 3.7      | 3.5                        |
| 9    | India             | 179         | 3.4      | 11.0                       | 9    | Singapore          | 171         | 3.4      | 5.2                        |
| 10   | Singapore         | 165         | 3.1      | 4.3                        | 10   | India              | 150         | 3.0      | 13.1                       |
| 11   | Spain             | 137         | 2.6      | 8.0                        | 11   | Republic of Korea  | 120         | 2.4      | 8.1                        |
| 12   | Switzerland       | 122         | 2.3      | 4.0                        | 12   | Belgium            | 116         | 2.3      | 7.3                        |
| 13   | Belgium           | 113         | 2.2      | 1.8                        | 13   | Italy              | 111         | 2.2      | 8.8                        |
| 14   | Italy             | 110         | 2.1      | 10.4                       | 14   | Canada             | 105         | 2.1      | 6.5                        |
| 15   | Hong Kong, China  | 104         | 2.0      | 5.3                        | 15   | Switzerland        | 104         | 2.1      | 4.9                        |
| 16   | Luxembourg        | 102         | 1.9      | 6.5                        | 16   | Russian Federation | 87          | 1.7      | 18.8                       |
| 17   | Republic of Korea | 86          | 1.6      | -8.0                       | 17   | UAE                | 84          | 1.7      | 1.9                        |
| 18   | Canada            | 86          | 1.6      | 5.8                        | 18   | Hong Kong, China   | 77          | 1.5      | 3.7                        |
| 19   | Thailand          | 75          | 1.4      | 11.7                       | 19   | Luxembourg         | 75          | 1.5      | 4.5                        |
| 20   | Sweden            | 73          | 1.4      | 2.4                        | 20   | Spain              | 74          | 1.5      | 6.2                        |
| 21   | UAE               | 70          | 1.3      | 7.5                        | 21   | Sweden             | 68          | 1.3      | 11.5                       |

<sup>11</sup> China has revised its methodology for data collection regarding trade in commercial services. As a result, the PRC’s statistics in this field were revised downward, starting in 2014, with regard to both exports and imports.

| Rank                | Exporter country   | Value, \$bn | Share, % | Change relative to 2016, % | Rank                | Importer country | Value, \$bn | Share, % | Change relative to 2016, % |
|---------------------|--------------------|-------------|----------|----------------------------|---------------------|------------------|-------------|----------|----------------------------|
| 22                  | Australia          | 65          | 1.2      | 13.5                       | 22                  | Australia        | 66          | 1.3      | 8.5                        |
| 23                  | Denmark            | 64          | 1.2      | 7.0                        | 23                  | Brazil           | 66          | 1.3      | 7.9                        |
| 24                  | Austria            | 64          | 1.2      | 5.0                        | 24                  | Denmark          | 62          | 1.2      | 6.0                        |
| 25                  | Russian Federation | 58          | 1.1      | 15.9                       | 25                  | Austria          | 53          | 1.1      | 9.3                        |
| 26                  | Poland             | 57          | 1.1      | 14.8                       | 26                  | Saudi Arabia     | 53          | 1.0      | 5.6                        |
| 27                  | Taiwan, China      | 45          | 0.9      | 9.0                        | 27                  | Taiwan, China    | 53          | 1.0      | 3.4                        |
| 28                  | Israel             | 44          | 0.8      | 11.1                       | 28                  | Norway           | 49          | 1.0      | 1.7                        |
| 29                  | Turkey             | 44          | 0.8      | 17.4                       | 29                  | Thailand         | 46          | 0.9      | 5.5                        |
| 30                  | Macau, China       | 38          | 0.7      | 16.2                       | 30                  | Malaysia         | 42          | 0.8      | 5.2                        |
| 30 countries, total |                    | 4,365       | 83.1     | -                          | 30 countries, total |                  | 4,189       | 82.6     | -                          |
| World, total        |                    | 5,252       | 100.0    | 7.4                        | World, total        |                  | 5,072       | 100.0    | 6,5                        |

Note: Data for some countries and territories are based on preliminary estimates carried out by the WTO Secretariat.  
Source: WTO Secretariats Press release, PRESS/820, Geneva, April 12, 2018, p.21 (Appendix Table 5 'Leading exporters and importers of commercial services, 2017').

In 2017, the Russian Federation slightly improved its positions in the WTO's rankings of exporters and importers of goods and services relative to the previous year. However, as a matter of fact, the rankings achieved by Russia did not exceed those gained by this country during the pre-crisis period. (See Table 3.) Having reached its historic high in 2012-2013, Russia, at present, is lagging far behind the strategic goals of for this country's external economic complex's development set forth at the beginning of the current decade.<sup>12</sup>

**Table 3**  
**Russia's dynamics in WTO rankings and its share in world trade in goods and commercial services in 2000-2017**

|                  | 2000   | 2005   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016    | 2017    |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Goods exports    | 17/1.7 | 13/2.4 | 12/2.6 | 9/2.9  | 8/2.9  | 10/2.8 | 11/2.6 | 15/2.1 | 17/1.8  | 16 /2.0 |
| Goods imports    | 29/0.7 | 19/1.2 | 18/1.6 | 17/1.8 | 16/1.8 | 16/1.8 | 17/1.6 | 23/1.2 | 24/1.2  | 20/1.3  |
| Services exports | 31/0.7 | 26/1.1 | 23/1.2 | 22/1.3 | 22/1.3 | 21/1.4 | 21/1.4 | 24/1.0 | 24/1.0  | 25/ 1.1 |
| Services imports | 22/1.2 | 17/1.6 | 16/2.0 | 15/2.3 | 14/2.5 | 8 /2.8 | 11/2.5 | 16/1.9 | 17 /1.6 | 16/ 1.7 |

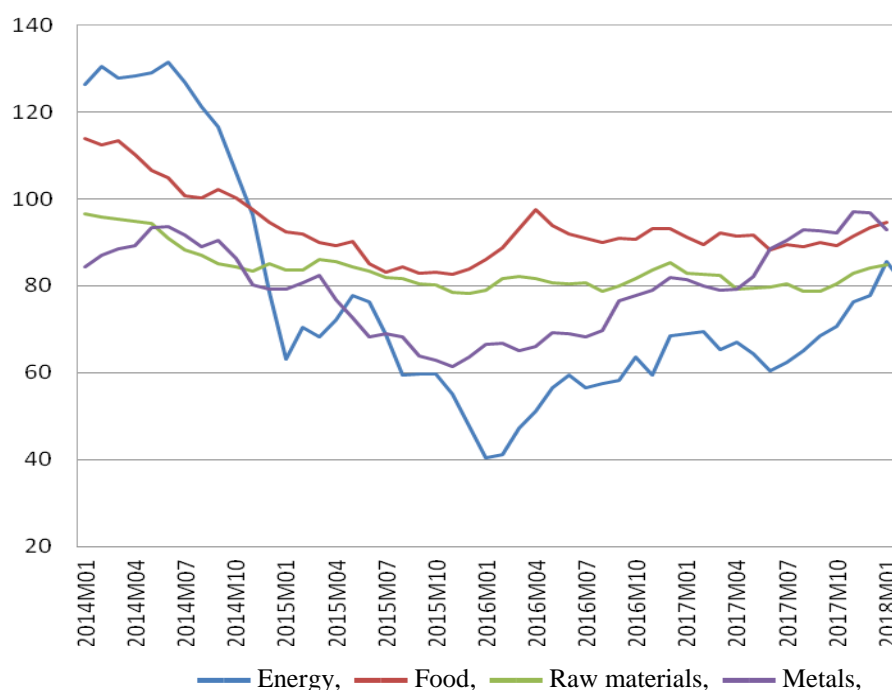
Note: the first figure is Russia's rank in the rating; the second figure is Russia's share as %.

Source: calculated in accordance with WTO statistics for the corresponding years.

Although a significant increase in the value of Russian exports (by 25%) is obvious, that increase was primarily determined by the favorable situation on global raw materials markets. Thus, in 2017, the average annual price of Urals crude oil grew by 27% relative to the previous year – to \$ 53 per barrel, and prices for major metals and wares manufactured thereof went up at stock exchanges (See Fig. 1).

<sup>12</sup> Pakhomov, A. The strategy of development of the external economic complex of the Russian Federation. // Theoretical and Practical Aspects of Management, 2010. No 12, pp. 18-29. [In Russian].

**Fig. 1. The dynamics of global price indexes for major raw materials from January 2014 through March 2018**



Source: World Bank Commodity Price Data (The Pink Sheet) / WTO. See <http://pubdocs.worldbank.org/en/664371522786567489/CMO-Pink-Sheet-April-2018.pdf> (dated 14.04.2018)

In its turn, the positive dynamics of imports (an almost one-quarter increase) was determined by the accelerated growth rates of the import of land transport means - by 36.7%; of hardware, including pipes – by 32.0%; as well as by those of some other import items<sup>13</sup>.

In mid-April 2018, the RF Ministry of Economic Development released a document titled ‘The Expected Results of the Socio-economic Development of the Russian Federation in 2018’. In fact, this document, issued in the framework of the budgeting process, is a macro forecast to be used by various government agencies in order to estimate their future receipts and to assess their sources of revenue for the year 2018. It should be noted that this forecast does not take into account the economic consequences of the latest US trade-cum-political sanctions imposed on Russia.

The initial version of this document, approved in September 2017, envisages the ruble’s weakening to RUB 64.7 per US dollar. That estimate is based on forecasts that Urals crude oil would remain cheap, its average price being \$ 43.8 per barrel. The new version of the document is based on an oil price of \$ 61.4 per barrel (+ 40%). Having taken that factor into consideration, the Ministry’s forecasters significantly increased their export estimates (by 21%) – from \$ 324bn to \$ 394.1bn, and also revised upward (by a more modest 14%) their import estimates – from \$ 234.8bn to \$ 266.9bn. Accordingly, the estimated export surplus was increased from \$ 90.1bn to \$ 127.2bn<sup>14</sup>.

We believe that this forecast can come true in this respect only in conditions of robust foreign demand for key Russian exports, oil including, which will push up their prices, and if the negative effects of the international sanctions imposed on Russia should be limited to a specific set of circumstances. In this case, the question as to whether or not the further development of the Russian economy and its external economic complex will exert any influence in this regard seems rather farfetched.

<sup>13</sup> Data of the Federal Tax Service of Russia. ‘Main merchandise exports and imports in January-December 2017’. [In Russian].

<sup>14</sup> The website of the Ministry of Economic Development of the Russian Federation.

Its farfetchedness can be explained by the fact that the current growth of energy carrier prices has returned Russia to the traditional primary export-led growth model of its external sector's functioning. According to a preliminary analysis, the implementation of import substitution and export promotion programs, which began in 2014, so far has failed to produce any positive effects that could trigger transformations in the structure of Russian exports of goods and services or a more rational distribution of their imports in conditions of the trade-cum-political sanctions imposed on Russia.