

World Trade: Is It Taking 'U' Turn?

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Abstract

Volume of world trade was just marginal up to 1800s and has grown since 1945. But it has grown by leaps and bounds due to the second stage of globalization, establishment of World Trade Organisation in 1995, reduction of export and import restrictions particularly tariffs, technological revolution particularly paradigm shifts in information technology during 1990s, etc. However, there have been indications of 'U' turn of volume world trade as well as exports and imports of most of the countries since 2012. This paper presents the trends in exports and imports and explores the reasons for decline in the volume of world trade.

Key Words: World Trade, Merchandise Trade, Trade in Commercial Services, Merchandise Exports, Merchandise Imports, Trade in Commercial Services, Exports of Commercial Services, Imports of Commercial Services, Tariffs.

Acronyms Used:

GDP= Gross Domestic Product, USA=United States of America, UK=United Kingdoms, CIS=Commonwealth of Independent States, US\$= United States Dollars.

Introduction: International business was just marginal up to 1800s. Technological shifts enhanced the growth of international business during 19th Century resulting in the first wave of globalization. International business in terms of merchandise trade and trade in commercial services has grown phenomenally across the boundaries since 1945 and particularly during the third wave of globalisation and the establishment of World Trade Organization.

Merchandise Trade and World GDP: Merchandise trade includes merchandise exports and merchandise imports. The World Gross Domestic Product (GDP) increased by 4.0% in 2010, the strongest annual growth rate in more than a decade. However, it dwindled to 2.0% in 2012. World merchandise exports increased by 3.5% during 2005 to 2012, but declined to 1.3 in 2016, whereas the World production increased by only 2.5% during 2005 to 2012. World GDP increased from 2.0% during 2005-12 to 4.00% in 2010, but declined to 2.3 in 2016.

Merchandise trade of agricultural products increased from US\$964 billion to US\$1610 billion and

manufacture products augmented from US\$ 8,431 billion to US\$11,557 billion during 2006 to 2016 whilst that of fuels and mining products declined from US\$2,342 billion to US\$2,117 billion.

Merchandise Exports and Merchandise Imports: Table-1 depicts world merchandise exports and imports during 1948 to 2016. It is observed from this table that world merchandise exports increased from US \$ 59 billion in 1948 to US\$ 3677 billion in 1993. It increased significantly to US\$ 17,930 billion in 2012, but declined to US\$ 15,955 billion in 2016. World merchandise imports increased from US\$ 62 billion in 1948 to US\$ 3,787 billion in 1993. It significantly increased to US\$ 18,188 in 2012, but declined to US\$ 16,225 billion 2016.

Table-1: World merchandise exports and imports during 1948 to 2016. (in billion of US\$)

Year	World Merchandise Exports	World Merchandise Imports
1948	59	62
1953	84	85
1963	157	164
1973	579	594
1983	1,838	1,882
1993	3,677	3,787
2003	7,380	7,696
2012	17,930	18,188
2015	16,482	16,725
2016	15,955	16,225

Source: www.wto.org

Table-2 depicts growth in the volume of world merchandise trade by selected region and economy in terms of annual percentage change during 2005 to 2016. It is observed from this table that both exports and imports increased significantly in 2011, compared to other years during 2005 to 2012, but declined during 2015 and 2016. Among the world countries the growth rates of exports and imports were highest for India in 2011 except for Commonwealth of Independent States. Merchandise exports and merchandise imports of most of the countries declined in 2015 and 2016.

Table-2: Growth in the volume of world merchandise trade by selected region and economy, 2005-2016 (Annual Percentage Change)

Merchandise Exports					Merchandise Imports			
2005-12	2012	2015	2016		2005-12	2012	2015	2016
3.5	2.5	-0.3	-1.0	World	3.5	2.0	0.1	-1.6
3.5	4.5	-3.3	-0.2	North America	1.5	3.0	1.9	-6.0
-0.5	3.0	-1.6	-3.2	Canada	2.0	1.5	2.6	-1.9
4.5	8.5	-2.4	-2.4	Mexico	4.5	7.5	6.1	-11.1
4.5	4.0	-4.0	1.1	United States	0.5	3.0	2.0	-5.9
1.5	0.5	4.8	-0.5	South and Central America	8.5	2.5	-3.5	-3.0
2.0	1.0	1.6	-2.1	Europe	1.0	-2.0	1.0	-1.2
2.0	0.5	1.9	-2.3	European Union (27)	0.5	-2.0	0.9	-1.4
-1.0	1.0	1.8	-4.3	Norway	3.0	-0.5	2.8	-6.4
2.5	0.5	-2.5	0.2	Switzerland	2.0	-1.5	1.6	1.5
3.0	1.5	-0.2	-2.9	Commonwealth of Independent States (CIS)	8.5	6.5	-14.9	39.8
7.0	2.5	-3.0	0.7	Asia	6.0	3.5	-0.1	-0.8
3.0	2.5	-3.0	4.0	Australia	5.5	5.0	3.1	-6.1
11.0	6.0	-6.1	0.9	China	10.0	3.5	-4.6	5.0
-1.0	29.0			Hong Kong, China	5.0	3.0		
10.5	-0.5	-5.3	-5.0	India	13.5	7.0	11.3	-14.7
2.5	-1.0	0.6	0.8	Japan	1.0	3.5	1.1	0.5
4.5	1.0	-1.8	0.4	Six East Asian traders a	3.0	2.0	-1.2	-1.5

a Hong Kong, China; Malaysia; Republic of Korea; Singapore; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and Thailand.

Source: www.wto.org

Table-3 presents world merchandise trade and trade in commercial services by regional and selected economy during 2005 to 2016. It is observed from this table that highest growth rate of exports in merchandise was recorded for Saudi Arabia in 2011 and it is also observed that highest growth rate of imports was recorded for Argentina in 2011. Growth rates of merchandise exports and merchandise imports of most of the countries were negative during 2015 and 2016.

Table-3: World merchandise trade and trade in commercial services by regional and selected economy during 2010 to 2016 (Annual Percentage Change)

Exports			Imports		
2010-16	2015	2016	2010-16	2015	2016

1	-14	-3	World	1	-13	-3
2	-8	-3	North America	2	-4	-3
2	-7	-3	United States	2	-4	-3
0	-14	-5	Canada	1	-9	-5
-2	-21	-6	South and Central America	-2	-16	-14
-1	-15	-3	Brazil	-5	-25	-20
-3	-17	-4	Argentina	0	-14	-6
1	-12	0	Europe	0	-13	0
1	-12	0	European Union (27)	0	-13	0
...	-7	5	Switzerland	...	-8	6
			Commonwealth of Independent States (CIS)			
-6	-32	-16	Russian Federation	-4	-32	-3
-6	-31	-17	Ukraine	-4	-37	-1
-8	-42	-20	Africa	-3	-26	-18
-7	-30	-12	South Africa	1	-14	-10
-3	-12	-8	Nigeria a	-1	-14	-13
-15	-45	-36	Middle East	-2	-20	-19
-3	-34	-9	Saudi Arabia, Kingdom of	2	-8	-7
4	-28	-2	United Arab Emirates a	5	-8	-2
-6	-41	-14	Asia	5	0	-20
2	-8	-4	China	1	-15	-5
5	-3	-8	Japan	2	-14	-5
-3	-9	3	Commercial services	-2	-20	-6
			World			
4	-6	0	North America	4	-6	1
5	0	1	United States	3	0	2
5	1	0	Canada	4	2	3
1	-10	1	South and Central America	0	-10	-2
3	-4	0	Brazil	2	-11	-5
2	-16	-1	Argentina	1	-20	-11
-1	2	-9	Europe	5	7	11
3	-9	0	European Union (27)	3	-7	2
3	-9	1	Switzerland	3	-7	2
3	-7	1	Commonwealth of Independent States (CIS)	5	-5	1
			Russian Federation			
1	-16	-2	Ukraine	1	-24	-12
0	-21	-2	Africa	0	-27	-16
-6	-16	-1	Egypt	-3	-17	4
0	-3	-6	South Africa	-1	-13	-10
-8	-11	-23	Middle East	4	-1	-3
-2	-11	-5	United Arab Emirates	-4	-9	-4
...	4	4	Saudi Arabia, Kingdom of	...	-6	-1
...	4	8	Asia	...	-4	3
7	15	11	China	...	-3	3
...	-3	1	Japan	...	1	4
...	-1	-4		...	1	4
4	-1	7		2	-7	3

Source: www.wto.org

Merchandise Exports: Region and Selected Economy

Table-4 presents merchandise exports by region and selected economy during 1948 to 2016. It is observed from this table that the share of the USA in world merchandise exports declined from 21.7% in 1948 to 8.6 % in 2012, but increased to 9.4% in 2016. The share of the UK in world merchandise exports also declined from 11.3% in 1948 to 2.6% in 2016. But the share of Mexico, Germany, Italy, China and Japan in world exports increased significantly. In fact, the share of China increased from mere 0.9% in 1948 to 13.6% in 2016. China was the largest exporter of merchandise in the World in 2016.

Table-4: World merchandise exports in Value and share by region and selected economy, 1948, 1953, 1963, 1973, 1983, 1993, 2003, 2012 and 2016

	1948	1953	1963	1973	1983	1993	2003	2012	2016
	Value								
World	59	84	157	579	1838	3677	7380	17930	15955
	Share								
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	28.1	24.8	19.9	17.3	16.8	18.0	15.8	13.2	14.3
United States	21.7	18.8	14.9	12.3	11.2	12.6	9.8	8.6	9.4
Canada	5.5	5.2	4.3	4.6	4.2	3.9	3.7	2.5	2.5
Mexico	0.9	0.7	0.6	0.4	1.4	1.4	2.2	2.1	2.4
South and Central America	11.3	9.7	6.4	4.3	4.4	3.0	3.0	4.2	3.3
Brazil	2.0	1.8	0.9	1.1	1.2	1.0	1.0	1.4	1.2
Argentina	2.8	1.3	0.9	0.6	0.4	0.4	0.4	0.5	0.4
Europe	35.1	39.4	47.8	50.9	43.5	45.3	45.9	35.6	38.4
Germany	1.4	5.3	9.3	11.7	9.2	10.3	10.2	7.8	8.7
France	3.4	4.8	5.2	6.3	5.2	6.0	5.3	3.2	3.7
Italy	1.8	1.8	3.2	3.8	4.0	4.6	4.1	2.8	3.2
United Kingdom	11.3	9.0	7.8	5.1	5.0	4.9	4.1	2.6	2.6
Commonwealth of Independent States (CIS) b	-	-	-	-	-	1.5	2.6	4.5	2.7
Africa	7.3	6.5	5.7	4.8	4.5	2.5	2.4	3.5	2.2
South Africa c	2.0	1.6	1.5	1.0	1.0	0.7	0.5	0.5	0.5
Middle East	2.0	2.7	3.2	4.1	6.8	3.5	4.1	7.5	5.0
Asia	14.0	13.4	12.5	14.9	19.1	26.1	26.1	31.5	34.0
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	11.4	13.6
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.4	4.5	4.7
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.6	1.2
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.4	1.2	1.6	1.4
Six East Asian Traders	3.4	3.0	2.5	3.6	5.8	9.7	9.6	9.7	9.9
Memorandum item:									
UE d	-	-	24.5	37.0	31.3	37.4	42.3	32.4	34.7
USSR Former	2.2	3.5	4.6	3.7	5.0	-	-	-	-
GATT/WTO Members e	63.4	69.6	75.0	84.1	78.4	89.3	94.3	96.6	98.4

World Merchandise Imports

Table-5 presents merchandise imports by region and selected economy during 1948 to 2016. It is observed from this table that the share of the USA in world merchandise imports declined marginally from 13 % in 1948 to 12.8 % in 2012, but increased to 14.3% in 2016. The share of the UK in world imports also declined from 13.4% in 1948 to 3.2% in 2016. But

the share of China, Germany and Japan increased significantly. In fact, China's share increased from 0.6% in 1948 to 10.0% in 2016.

Table -5: World merchandise imports by region and selected economy, 1948, 1953, 1963, 1973, 1983, 1993, 2003 and 2016 (Billion dollars and percentage)

	1948	1953	1963	1973	1983	1993	2003	2012	2016
	Value								
World	62	85	164	594	1882	3787	7696	18188	16225
	Share								
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North America	18.5	20.5	16.1	17.2	18.5	21.4	22.4	17.6	19.4
United States	13.0	13.9	11.4	12.3	14.3	15.9	16.9	12.8	14.3
Canada	4.4	5.5	3.9	4.2	3.4	3.7	3.2	2.6	2.6
Mexico	1.0	0.9	0.8	0.6	0.7	1.8	2.3	2.1	2.5
South and Central America	10.4	8.3	6.0	4.4	3.8	3.3	2.5	4.1	3.4
Brazil	1.8	1.6	0.9	1.2	0.9	0.7	0.7	1.3	0.9
Argentina	2.5	0.9	0.6	0.4	0.2	0.4	0.2	0.4	0.4
Europe	45.3	43.7	52.0	53.3	44.2	44.6	45.0	35.9	37.5
Germany a	2.2	4.5	8.0	9.2	8.1	9.0	7.9	6.4	6.7
France	5.5	4.9	5.3	6.4	5.6	5.7	5.2	3.7	4.0
Italy	2.5	2.8	4.6	4.7	4.2	3.9	3.9	2.7	3.6
United Kingdom	13.4	11.0	8.5	6.5	5.3	5.5	5.2	3.8	3.2
Commonwealth of Independent States (CIS) b	-	-	-	-	-	1.2	1.7	3.1	2.1
Africa	8.1	7.0	5.2	3.9	4.6	2.6	2.2	3.4	3.2
South Africa c	2.5	1.5	1.1	0.9	0.8	0.5	0.5	0.7	0.5
Middle East	1.8	2.1	2.3	2.7	6.2	3.3	2.8	4.1	4.2
Asia	13.9	15.1	14.1	14.9	18.5	23.6	23.5	31.8	30.3
China	0.6	1.6	0.9	0.9	1.1	2.7	5.4	10.0	10.0
Japan	1.1	2.8	4.1	6.5	6.7	6.4	5.0	4.9	3.8
India	2.3	1.4	1.5	0.5	0.7	0.6	0.9	2.7	2.3
Australia and New Zealand	2.9	2.3	2.2	1.6	1.4	1.5	1.4	1.6	1.4
Six East Asian Traders	3.5	3.7	3.2	3.9	6.1	10.3	8.6	9.6	8.9
Memorandum item:									
EU d	-	-	-	-	-	-	41.8	32.6	33.7
USSR, Former	1.9	3.3	4.3	3.6	4.3	-	-	-	-
GATT/WTO Members e	58.6	66.9	75.3	85.5	81.3	88.7	94.8	97.6	98.1

a Figures refer to the Fed. Rep. of Germany from 1948 through 1983.

b Figures are significantly affected by including the mutual trade flows of the Baltic States and the CIS between 1993 and 2003.

c Beginning with 1998, figures refer to South Africa only and no longer to the Southern African Customs Union.

d Figures refer to the EEC(6) in 1963, EC(9) in 1973, EC(10) in 1983, EU(12) in 1993, EU(25) in 2003 and EU(27) in 2012.

e Membership as of the year stated.

Note: Between 1973 and 1983 and between 1993 and 2003 export shares were significantly influenced by oil price developments.

Source:www.wto.org

The USA imported merchandise worth of US\$ 2,336 billion in 2012 and US\$ 2,251 billion in 2016. It was the largest global importer of merchandise with a share of 12.6% of global imports in 2012 and with a share of 13.9% in 2016. China was the second largest importer with 9.8% share in global imports in 2016. Germany was the third largest importer followed by China. India was the 14th largest importer with a share of 2.2% in global merchandise imports. Australia was the 22nd largest global importer of merchandise in 2016. China was the major exporter while the USA was the major importer in 2016.

World Trade in Commercial Services

World trade in commercial services includes commercial services exports and commercial services imports. Table-6 presents world leading exporters and importers of commercial services in 2016.

Exports of Commercial Services: It is observed from table-6 that the USA was the largest exporter of commercial services with a monetary value of US\$ 733 billion and a share of 15.2% in 2016 followed by the United Kingdom with a share of 6.7%. China was in the fifth position of commercial exports whilst it was in the first position in merchandise exports. India stood at the 8th position on global exporters of commercial services after China and Japan in 2016. Australia was the 22nd largest global exporter of commercial services in 2016.

Table-6: Leading exporters and importers in world trade in commercial services, 2016

Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
(Billion dollars and percentage)									
	USA	733	15.2	0	1	USA	482	10.3	3
2	United Kingdom	324	6.7	-5	2	China	450	9.6	4
3	Germany	268	5.6	3	3	Germany	311	6.6	4
4	France	236	4.9	-2	4	France	236	5.0	2
5	China	207	4.3	-4	5	United Kingdom	195	4.1	-6
6	Netherlands	177	3.7	1	6	Ireland	192	4.1	15
7	Japan	169	3.5	7	7	Japan	183	3.9	3
8	India	161	3.4	4	8	Netherlands	169	3.6	1
9	Singapore	149	3.1	1	9	Singapore	155	3.3	1
10	Ireland	146	3.0	9	10	India	133	2.8	8
11	Spain	127	2.6	7	11	Republic of Korea	109	2.3	-2
12	Switzerland	112	2.3	1	12	Belgium	107	2.3	2
13	Belgium	109	2.3	-2	13	Italy	102	2.2	4
14	Italia	101	2.1	3	14	Canada	96	2.1	-2
15	Hong Kong, China	98	2.0	-6	15	Switzerland	95	2.0	1
16	Luxemburg	94	2.0	-1	16	United Arab Emirates	82	1.7	3
17	Republic of Korea	92	1.9	-5	17	Hong Kong, China	74	1.6	0
18	Canada	80	1.7	1	18	Russian federation	73	1.6	-16
19	Sweden	71	1.5	-1	19	Luxemburg	72	1.5	-2
20	Thailand	66	1.4	8	20	Spain	71	1.5	9
21	United Arab Emirates	63	1.3	8	21	Brazil	61	1.3	-11
22	Austria	59	1.2	3	22	Switzerland	61	1.3	-1
23	Denmark	58	1.2	-8	23	Australia	55	1.2	-2
24	Australia	53	1.1	9	24	Denmark	55	1.2	-2
25	Russian Federation	50	1.0	-2	25	Taipei Chino	52	1.1	2
26	Poland	49	1.0	9	26	Kingdom of Saudi Arabia	51	1.1	-8
27	Taipei China	41	0.9	1	27	Austria	49	1.0	4
28	Israel	39	0.8	10	28	Norway	47	1.0	-1
29	Turkey	37	0.8	-20	29	Thailand	42	0.9	-1
30	Norway	36	0.8	-11	30	Malaysia	39	0.8	-2
31	Malaysia	34	0.7	-2	31	Poland	34	0.7	3
32	Brazil	33	0.7	-1	32	Indonesia	31	0.7	-1
33	Macao, China	32	0.7	-3	33	Qatar	30	0.6	5
34	Philippines	31	0.7	8	34	México	29	0.6	0
35	Portugal	29	0.6	4	35	Finland	28	0.6	1
36	Greece	28	0.6	-10	36	Kuwait, Estado de	25	0.5	15
37	Finland	25	0.5	-2	37	Filipinas	24	0.5	2
38	México	24	0.5	5	38	Israel	23	0.5	6
39	Czech Republic	24	0.5	5	39	Turkey	20	0.4	-2
40	Indonesia	23	0.5	9	40	Czech Republic	20	0.4	1
	Total of Above	4289	89.2	-		Total of Above	4163	88.7	-
	world	4808	100.0	0		World	4694	100.0	1

Import of Commercial Services: The USA was the largest importer of commercial services with a share of 10.3% of global commercial imports. China and Germany were the second and the third largest importers of commercial services with a share of 9.6% and 6.6% respectively in global imports of commercial services. India was the 10th largest importer of commercial services in 2016. India exported commercial services to the tune of US\$ 161 billion and imported commercial services to the tune of US\$133 billion resulting a surplus of US\$ 28 billion in 2016.

World Trade Forecast

One of the major reasons for decline in the value of global exports and imports during 2012 to 2016 was decline in commodity and oil prices which in turn enabled stabilization of global trade. This trend would enable to enhance living standards across globe and increase in demand for goods and services in 2018 and beyond.

It is estimated that the emerging economies like China, India, South Africa, Korea and Malaysia will grow at a faster rate and countries like Chile, Peru, Malaysia, Poland, Mexico will pick-up fast growth. In addition, most of the African countries will also pick-up growth at the earliest. The US economy is expected to recover soon. It is estimated that the US economy will pick-up strong momentum of growth and unemployment levels will come down soon in 2018.

World Trade Organisation indicates that World GDP has risen from 2.3% in 2016 to 2.7% in 2017 and it is estimated that it will grow by 2.8% in 2018. It is assumed that developed countries will maintain generally accommodative fiscal and monetary policies. Estimations show that recovery of Chinese economy will continue and grow with the speed-up recovery process of global economy. It is therefore estimated that the trade volume in 2018 will grow between 2.1% and 4.0 %.

World trade in terms of merchandise and commercial services exports and imports augmented double the rate of Growth of GDP during 1985 and 2007. The rate of growth has been declining since 2012. Things appear to be getting worse. On 27th September 2017 the World Trade Organisation slashed its forecast for growth in trade of goods from 2.8% in 2016 to just 1.7%, implicitly predicting that for the first time in 15 years, trade would grow more slowly than GDP.

Conclusion: The above analysis indicates that world trade in terms of merchandise exports, merchandise imports, commercial services exports and commercial services imports augmented significantly during 1990s and 2012 due to globalization, information technology revolution, establishment of World Trade Organisation, and decline in tariffs. But some countries like the USA has been tending towards protectionism. Donald Trump-President of the USA in response to his promise in his election campaign to fix China's long-time abuse of the broken international system and unfair practices started in April 2018 imposing tariffs and/or increasing tariff rates on imports from mostly China. In response, China also increased tariff rates on imports from the USA. These trends, in addition to other factors may lead to 'U' turn of World Trade.

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