

Chapter 5

International Trade

Currently, the world economy was still in the phase of deep-level restructure in the post-crisis era. Against that backdrop, the emerging economies led by the E11 still faced severe challenges in promoting their trade development as their trade situation had become more complicated and their external risks had increased. For both developed and emerging economies, trade protectionism remained prevalent and the process of trade liberalization remained slow.

5.1 More Severe Trade Growth Situation

Global trader faced a more severe situation thanks to such factors as sustained global economic downturn, spreading trade protectionism and slow progress of multilateral and regional trade negotiation in 2015, when trade growth failed to rise to the average pre-crisis level. The WTO predicted in September, 2015 that the global trade growth could reach 2.8% in 2015, 0.5 percentage point down from its forecast level in April, 2015. UNCTAD statistics show that in the first half of 2015, global trade of goods dropped by 11.2% to hit a historical low. Some emerging economies faced an even more complicated situation thanks to such factors as weak foreign demand, slumping prices of bulk commodities, including oil, and the major fluctuations in global exchange rate markets.

5.1.1 Slowing Trade Growth

The E11 suffered from weak foreign trade growth

momentum in 2014, when their trade volume was only slightly more than that of the previous year. The overall foreign trade growth of the E11 economies decreased significantly and faced gloomy prospects. The IMF statistics show that trade of goods of the E11 economies stood at USD9.87 trillion in 2014, USD62.931 billion more than the previous year; their exports were valued at USD4.178,5 trillion, up by USD90.848 billion year on year, while their imports were valued at USD4.691,5 trillion, USD27.916 billion less than the previous year. In the first half of 2015, trade of goods of the E11 reached USD4.218 trillion, USD572.569 billion less than the previous year; their exports reached USD2.274,8 trillion, down by USD210.296 billion year on year, while their imports stood at USD1.943,2 trillion, down by USD362.273 billion compared with the same period of the previous year. Statistics from the UNCTAD show that trade of services of the E11 reached USD1.785,5 trillion in 2014, up by USD87.735 billion year on year; their exports of services were valued at USD721.981 billion, up by USD11.699 billion, while their imports of services were valued at USD1.063,5 trillion, up by USD76.03 billion year on year. China had become the second-largest service trader in 2014, only after the US. In the first half of 2015, its service trade volume reached USD815.193 billion, down by USD32.195 billion year on year; its exports of services reached USD325.847 billion, down by USD16.919 billion year on year, while its imports stood at USD489.346 billion, down by USD15.275 billion compared with the same period of the previous year (See Table 5.1).

Table 5.1 Changes of foreign trade values of the E11 in 2012-2015 (USD million)

	Trade of Goods				Trade of Services			
	2012	2013	2014	H1, 2015	2012	2013	2014	H1, 2015
Exports								
Argentina	78,591	74,297	67,424	28,720	15,038	14,678	13,854	6,763
Brazil	242,138	241,690	225,100	94,329	39,864	39,127	40,169	17,261
China, People's Republic of	2,050,092	2,210,661	2,343,221	1,071,436	216,154	215,107	214,911	98,267
India	297,261	315,127	317,733	135,936	145,524	148,649	156,252	77,887
Indonesia	190,031	182,551	176,292	80,252	23,660	22,944	23,531	10,502
Korea, Republic of	547,860	559,625	572,651	268,738	103,533	103,739	106,855	47,429
Mexico	370,770	380,015	397,129	188,538	16,146	20,116	21,037	12,044
Russia	524,483	527,266	497,615	181,885	62,340	70,123	65,745	24,893
Saudi Arabia	364,673	348,658	332,561	109,907	11,050	11,845	12,217	3,409
South Africa	99,556	95,956	91,164	41,627	17,640	16,815	16,837	7,789
Turkey	152,462	151,802	157,610	73,448	43,566	47,139	50,574	19,604
E11	4,917,916	5,087,651	5,178,499	2,274,816	694,515	710,282	721,981	325,847
Imports								
Argentina	68,514	74,003	65,249	32,079	18,086	18,424	16,927	8,751
Brazil	245,417	263,570	251,965	101,318	80,939	86,224	88,461	37,771
China, People's Republic of	1,817,344	1,949,300	1,963,105	775,856	282,055	331,494	386,614	208,414
India	490,413	467,950	460,512	195,609	130,271	126,559	127,645	61,529
Indonesia	191,691	186,628	178,179	79,333	34,224	35,015	33,539	15,004
Korea, Republic of	519,584	515,585	525,514	222,275	108,747	110,238	115,019	56,861
Mexico	407,827	419,331	439,975	211,849	30,708	32,128	34,910	17,192
Russia	316,850	314,967	285,844	86,877	108,927	128,382	121,022	42,985
Saudi Arabia	152,986	163,120	169,571	83,275	73,407	76,652	96,921	21,280
South Africa	114,119	113,265	109,374	47,959	18,914	18,054	17,042	8,065
Turkey	236,545	251,661	242,177	106,756	21,139	24,295	25,399	11,494
E11	4,561,291	4,719,381	4,691,465	1,943,186	907,418	987,465	1,063,501	489,346
Exports & Imports								
Argentina	147,105	148,300	132,673	60,798	33,125	33,103	30,781	15,514
Brazil	487,555	505,260	477,065	195,647	120,803	125,351	128,630	55,032
China, People's Republic of	3,867,436	4,159,962	4,306,326	1,847,292	498,209	546,601	601,525	306,681
India	787,674	783,077	778,246	331,545	275,795	275,208	283,897	139,417

continued

	Trade of Goods				Trade of Services			
	2012	2013	2014	H1, 2015	2012	2013	2014	H1, 2015
Indonesia	381,722	369,180	354,470	159,585	57,885	57,959	57,070	25,506
Korea, Republic of	1,067,445	1,075,210	1,098,165	491,013	212,280	213,978	221,874	104,290
Mexico	778,597	799,346	837,104	400,387	46,854	52,243	55,947	29,235
Russia	841,333	842,233	783,458	268,762	171,267	198,504	186,767	67,878
Saudi Arabia	517,659	511,779	502,132	193,182	84,457	88,496	109,138	24,689
South Africa	213,675	209,221	200,538	89,586	36,554	34,870	33,879	15,853
Turkey	389,007	403,464	399,787	180,204	64,705	71,434	75,973	31,098
E11	9,479,208	9,807,033	9,869,964	4,218,002	1,601,932	1,697,747	1,785,482	815,193

Sources: IMF, DOT database, Dec. 2015; UNCTADSTAT, Dec. 2015.

Growth of foreign trade of the E11 had been on the decline in 2014 and 2015, a trend that had failed to be reversed and even worsened. Regarding trade of goods, the E11 registered a nominal growth rate of 0.6% in 2014, down by 2.9 percentage points from the previous year and 0.3 percentage point lower than the global trade growth. The E11 registered an export growth of 1.8%, down by 1.7 percentage points year on year, while its import growth was -0.6%, down by 4.1 percentage points year on year. In the first half of 2015, the value of trade of goods of the E11 fell by 12.0% year on year, 0.6 percentage point lower than the global growth.

Their export value fell by 8.5% year on year in the same period and their import value fell by 15.7% year on year (See Figure 5.1). Regarding trade of services, the E11 registered a nominal growth of 5.2%, down by 0.8 percentage point year on year and 0.4 percentage point higher than the global growth. Their export of services rose by 1.6% year on year while their import of services rose by 7.7% year on year. In the first half of 2015, their trade of services fell by 3.8% year on year while the global trade of services fell by 9.2%. The export of services of the E11 fell by 4.9% year on year while their import of services fell by 3.0% over the previous year (See Figure 5.2).

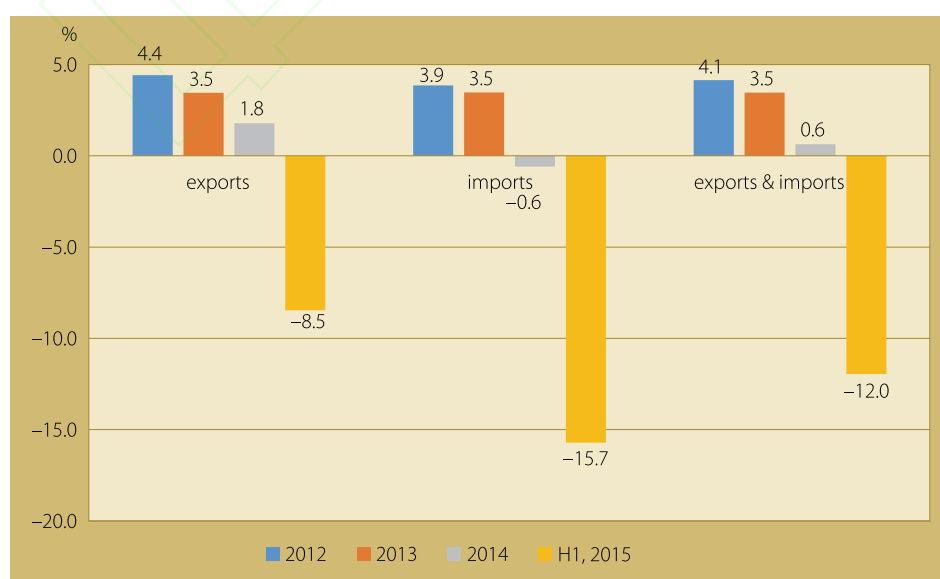


Figure 5.1 Nominal growth of trade of goods of the E11 in 2012-2015 (%)

Source: IMF, DOT database, Dec. 2015.

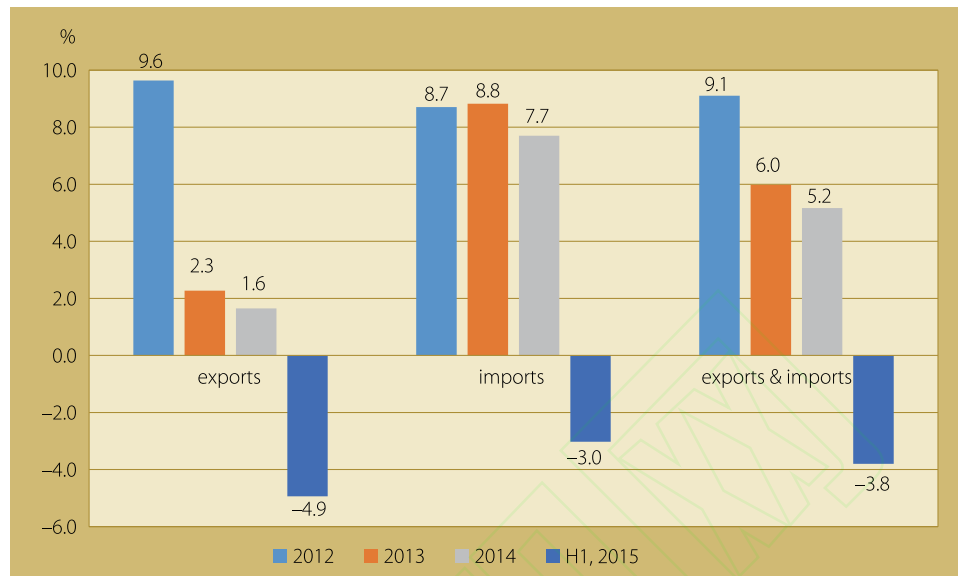


Figure 5.2 Nominal growth of trade of services of the E11 in 2012-2015 (%)

Source: UNCTADSTAT, Dec. 2015.

In terms of performance of the individual E11 economies, in the first half of 2015, the E11 economies all saw their foreign trade value fall by varying degrees compared with the previous year and the divergence of trade growth had worsened. Such a divergence was reflected by the widening gap of trade growth of those economies and, on the other hand, by the widening gap between trade of goods and trade of services in those economies. According to the IMF, in the first half of 2015, major oil and gas powers, such as Saudi Arabia and Russia, saw their trade of goods fall by as much as 32.5% and 25.5%, respectively. Mexico's trade growth fell moderately by 1.1%, or 31.5 percentage points higher than that of Saudi Arabia. Compared with trade of goods, trade services of the E11 saw more entrenched trend of divergence. According to the UNCTAD, in the first half of 2015, eight E11 economies saw their trade of services fall year on year, with the declines of Saudi Arabia, Russia, Brazil and Indonesia higher than that of the global average level. Saudi Arabia's trade of services fell by 52.0% year on year in the same period while China performed the best as its trade of services rose by 13.5%, 65.5 percentage points higher than that of Saudi Arabia.

Compared with the developed G20 economies, the E11 registered moderately lower trade of goods growth and relatively higher trade of services growth in 2014. In the first half of 2015, the gap

between the two blocs in terms of both trade of goods and trade of services widened. In 2014, the developed G20 economies saw their trade of goods total USD12.865,4 trillion, up by 1.0% year on year and slightly higher than that of the E11. The trade of services of the developed G20 economies totaled USD3.800,8 trillion, up by 4.8% year on year and 0.4 percentage point lower than that of the E11. In the first half of 2015, the trade of goods of the developed G20 economies totaled USD5.771,0 trillion, down by 10.8% year on year and 1.2 percentage points higher than that of the E11. The trade of services of the developed G20 economies, meanwhile, was valued at USD1.692,3 trillion in the same period, down by 9.7% year on year and 5.9 percentage points lower than that of the E11.

5.1.2 Overall Weight Falls but Weight in terms of Trade of Services Rises

Regarding trade of goods, the proportion of the E11's foreign trade in global total had started to decline. Statistics from the IMF show that the proportion was 26.9% in 2014, down by 0.1 percentage point year on year. The proportion of the E11's imports in global total dropped by 0.4 percentage point while their export proportion rose by 0.3 percentage point. In the first half of 2015, the E11's trade of goods proportion further dropped to 26.1%, down by 0.8 percentage point compared with 2014; the proportion of their

exports and imports dropped by 0.1 percentage point and 1.6 percentage points, respectively, from the 2014 levels (See Figure 5.3). In terms of performance of individual countries, in the first half of 2015, Russia saw its proportion of foreign trade

in global total drop the most — its proportion fell by 0.5 percentage point to 1.7% year on year. China followed Russia to register a fall of 0.3 percentage point to 11.4% from 11.7%. Mexico's proportion rose by 0.2 percentage point to reach 2.5%.

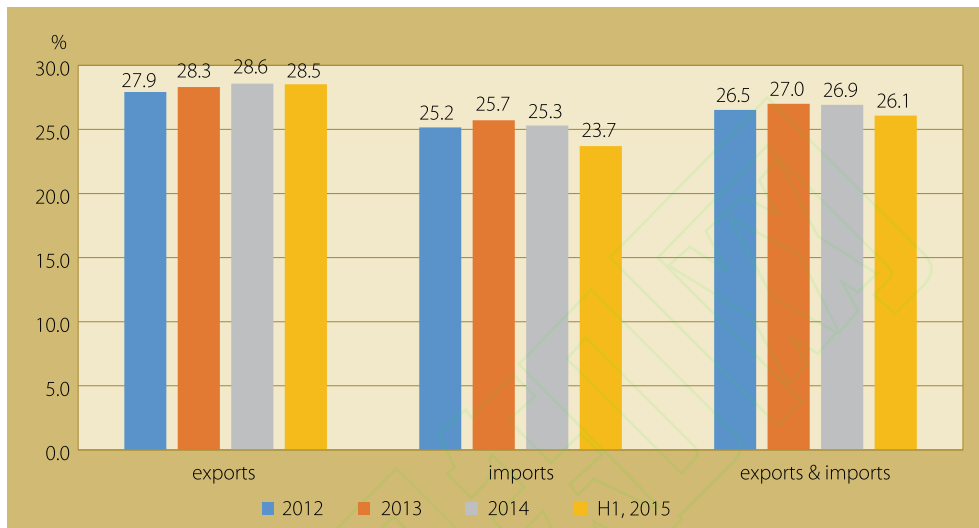


Figure 5.3 Weight of the E11 in trade of goods in 2012-2015 (%)

Source: IMF, DOT database, Dec. 2015.

Regarding trade of services, the emerging economies had seen their role of service trade in their foreign trade grow continually as a result of the widened opening-up of their services industries and the strengthening of the industrial foundations for the services industries. Statistics from the UNCTAD show that the foreign trade value of the E11 accounted for 18.5% of the global total in 2014, roughly at the same level compared with the previous year; their export proportion fell by 0.4 percentage point while their import proportion rose by 0.5 percentage point. In the first half of 2015, the service trade proportion of the E11 rose by 0.6 percentage point to reach 19.1%, with their export proportion and import proportion rising by 0.2 percentage point and 1.0 percentage point, respectively (See Figure 5.4). In terms of performance of individual countries, China performed well in service trade growth. China had released a slew of policies encouraging the development of trade of services in recent years and more fields had been opened to the trade of services. The trade of services, therefore, had played an increasingly important role in national economy and social development. China's role in the global trade

system, meanwhile, had been further consolidated. In 2014, China's trade of services accounted for 6.2% of the global total, the second highest in the world. Its export proportion and import proportion were 4.6% and 8.1%, respectively, the fifth and second highest in the world. In the first half of 2015, China's trade of services accounted for 7.2% of the global total, with its export proportion and import proportion standing at 4.5% and 10.0%, respectively. India had seen its trade of services account for a higher proportion of the global total. In the first half of 2015, it rose by 0.4 percentage point to reach 3.3%. Meanwhile, the trade of services proportions of Saudi Arabia and Russia were 0.6% and 1.6%, respectively, down by 0.5 percentage point and 0.3 percentage point, respectively, compared with the same period of the previous year.

5.1.3 Worsening External Imbalance

Trade growth of the E11 fell sharply, but since imports of the E11 contracted more seriously, the trade surplus of the E11 had increased. In 2014, the E11's foreign trade surpluses amounted to USD145.513 billion, up by USD54.427 billion from the previous year, or 59.8%. Their trade of goods surpluses reached USD487.033 billion, up by

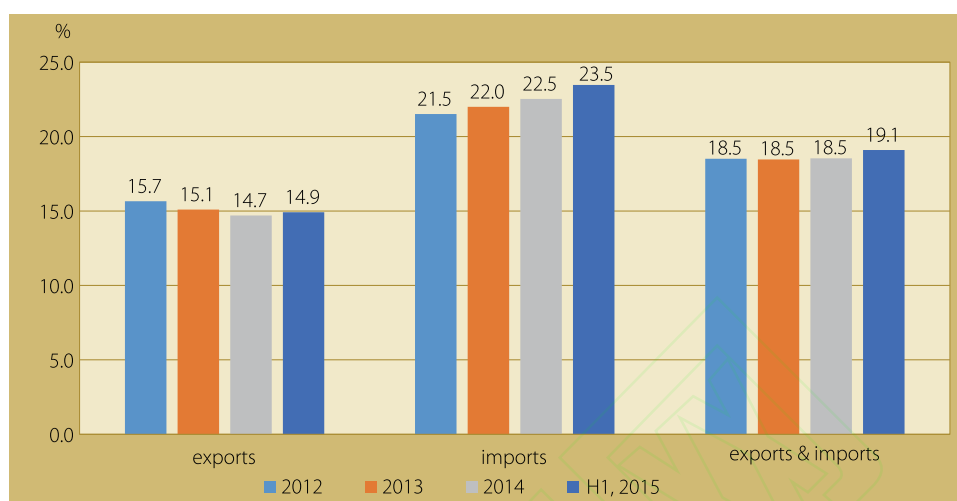


Figure 5.4 Weight of the E11 in trade of service goods in 2012-2015 (%)

Source: IMF, DOT database, Dec. 2015.

USD118.764 billion, or 32.2%, while they suffered from trade of services deficits of USD341.52 billion, up by USD64.337 billion, or 23.2% (See Table 5.2). In the first half of 2015, the E11 registered foreign trade surpluses of USD168.13 billion, up by 89.4%

year on year. Their trade of goods surpluses reached USD331.63 billion, up by 84.6% year on year, while they registered trade of services deficits of USD163.5 billion, up by 1.0% year on year (See Table 5.2 and Figure 5.5).

Table 5.2 Foreign trade balances of the E11 in 2012-2015 (USD million)

	Trade of Goods				Trade of Services			
	2012	2013	2014	H1, 2015	2012	2013	2014	H1, 2015
Argentina	10,077	295	2,175	-3,359	-3,048	-3,746	-3,074	-1,988
Brazil	-3,280	-21,880	-26,866	-6,989	-41,075	-47,096	-48,293	-20,509
China, People's Republic of	232,748	261,361	380,116	295,580	-65,902	-116,387	-171,704	-110,147
India	-193,152	-152,823	-142,779	-59,673	15,253	22,090	28,607	16,358
Indonesia	-1,660	-4,077	-1,887	919	-10,564	-12,070	-10,008	-4,503
Korea, Republic of	28,276	44,040	47,137	46,464	-5,214	-6,499	-8,163	-9,433
Mexico	-37,057	-39,316	-42,846	-23,311	-14,563	-12,012	-13,874	-5,148
Russia	207,632	212,299	211,771	95,008	-46,586	-58,259	-55,278	-18,092
Saudi Arabia	211,687	185,538	162,990	26,632	-62,357	-64,807	-84,704	-17,872
South Africa	-14,564	-17,309	-18,210	-6,331	-1,275	-1,239	-205	-276
Turkey	-84,083	-99,859	-84,567	-33,309	22,427	22,844	25,175	8,110
E11	356,625	368,270	487,033	331,630	-212,903	-277,183	-341,520	-163,500

Sources: IMF, DOT database, Dec. 2015; UNCTADSTAT, Dec. 2015.

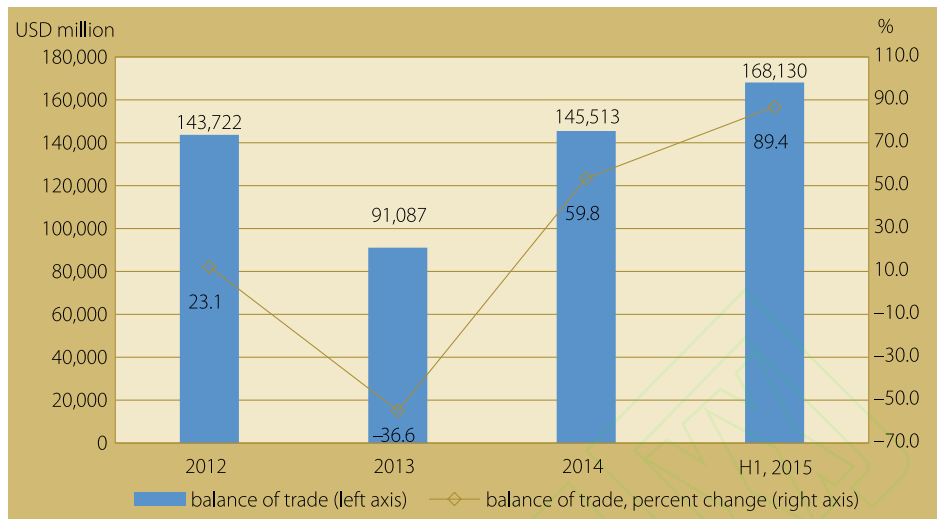


Figure 5.5 Foreign trade balances and growth rates of the E11 in 2012-2015 (USD million, %)

Sources: IMF, DOT database, Dec. 2015; UNCTADSTAT, Dec. 2015.

Statistics from the IMF show that in 2014, the current account surpluses of the E11 reached USD191.7 billion, or 0.8% of their GDP, up by 0.2 percentage point; in 2015, the ratio was expected to rise to 1.2%. In 2014, the current account deficits of the G7 accounted for 0.8% of their GDP, which was at the same level with the previous year; in 2015, the ratio was expected to drop to 0.6% (See Figure 5.6).

In essence, the external economic imbalance had been caused by their unbalanced internal economic structure and the external imbalance will, in return, worsen the domestic problem of economic imbalance. Therefore, the rising current account to GDP ratios of the E11 signified the urgency of the E11 economies in pushing economic restructuring and adjustments.

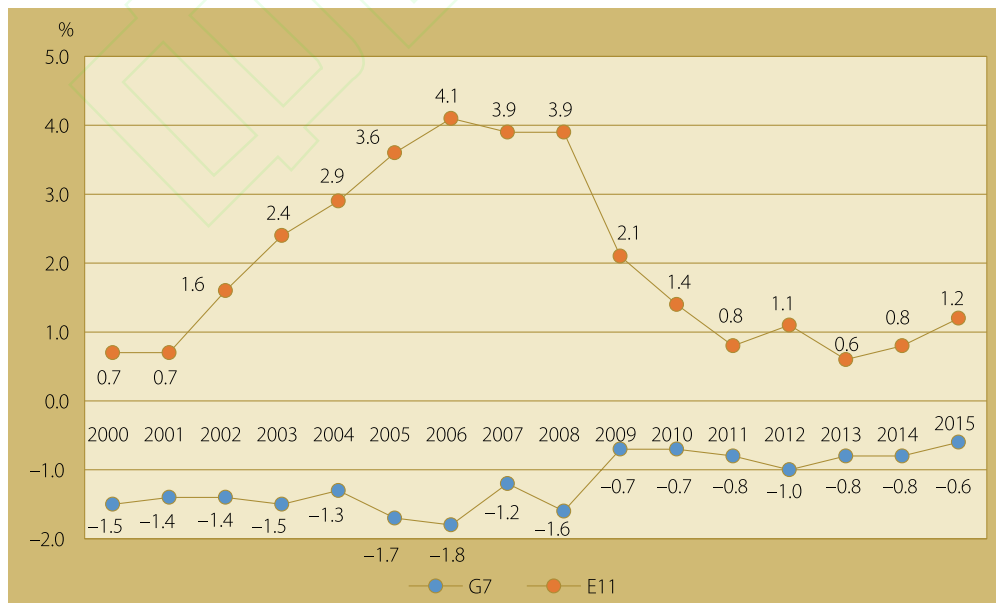


Figure 5.6 Ratio of current account balance to GDP of the E11 and the G7 in 2000-2015 (%)

Note: The 2015 data are estimates.

Source: IMF, WEO, Oct. 2015.