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World trade growth accelerated in 1997, despite turmoil in some Asian financial markets

The volume of world merchandise exports grew by 9.5 per cent in 1997, the second highest rate recorded in more than two decades. World output grew at 3 per cent, matching the best performance since 1989. Trade and output growth last year were more evenly spread among regions than in 1996. Trade prospects for 1998 remain clouded by uncertainty over the impact of the Asian financial crisis. But even if merchandise trade growth were to be reduced by as much as 25 per cent of the 1997 rate, global trade expansion in 1998 would still be above the average rate recorded for the first half of the 1990s. These are among the findings of the WTO Secretariat's first report on trade developments last year and the outlook for this year (*see page 2*). Other highlights include the following:

» Trade growth in North America and South America has been strong: Much of the higher than expected trade growth in 1997 is attributable to the dynamism of economies in North America and South America. Both regions recorded a higher share in world trade than they have attained in more than a decade. Some slowdown is expected in these regions in 1998.

» Differences in volume export growth among regions narrowed in 1997: Stronger performance from Asia, Western Europe and the transition economies have reduced the dispersion in merchandise export growth rates among regions.

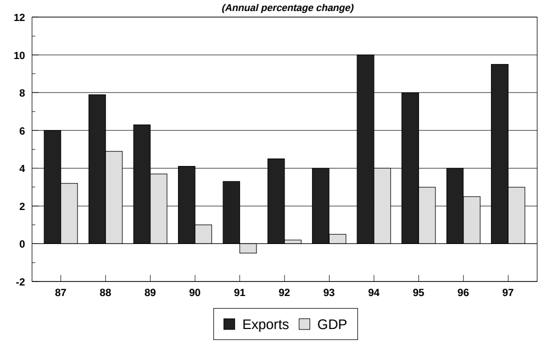
» Exports of merchandise and commercial services exceeded US$6.5 trillion: In value terms merchandise exports amounted to US$5.3 trillion and commercial services to US$1.3 trillion in 1997.

» The strength of the dollar led to large measurement differences in the dollar value and the volume of world trade flows in 1997: The strength of the US dollar vis-à-vis the currencies of many major traders, together with low inflation, led to the strongest annual decrease in dollar prices for world merchandise exports since 1950. Declining dollar prices led to only modest increases in the value of world trade despite strong volume growth.

Continued on page 2

Growth in the volume of world merchandise exports and GDP, 1987-97

(Annual percentage change)



WTO Secretariat study highlights potential trade gains from electronic commerce

A new study, *Electronic Commerce and the Role of the WTO*, from the WTO Secretariat examines the potential trade gains from the rapidly increasing use of the Internet for commercial purposes. The report, authored by a team of economists from the WTO Secretariat, outlines the complexities as well as the potential benefits of trade via the Internet.

Electronic commerce—the production, advertising, sale and distribution of products via telecommunica-

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World trade grows

(Continued from page 1)

- » Manufactures were again the most dynamic product category: Trade in manufactured goods expanded at a rate above total merchandise trade growth despite a marked fall in dollar prices.
- » The trade effects of the Asian financial crisis will be felt most within the Asian region: The bulk of the trade of the countries most affected by the financial crisis—Rep. of Korea, Malaysia, Thailand, Indonesia and the Philippines—takes place within the region, and this is where any trade effects will be most apparent. Because the affected countries account for relatively small shares of world output and trade, the impact of the crisis on trade will be limited.
- » Trade adjustment among the countries most affected by the Asian crisis has largely been through import contraction so far, but exports are likely to play a significant role in economic recovery: Import contraction usually precedes export expansion in these circumstances. Initial difficulties relating to the availability and cost of credit, as well as the cost of imported inputs for export production, will hamper export expansion in the first instance. But currency re-alignment and slack production capacity will favour export expansion.

Excerpts from the report (the full text is available on the WTO Website: *www.wto.org*):

I. Main features of world trade developments in 1997

World GDP and trade grew at impressive rates in 1997, notwithstanding the effects of the Asian financial crisis. Real GDP[1] grew at 3 per cent, matching the best performance achieved since 1989. Merchandise exports grew at 9.5 per cent, and this is the highest rate of trade growth recorded in more than two decades, with the exception of 1994. In 1994, trade expanded at a rate of 10 per cent (*see chart on page 1*). In line with a well-established historical trend, merchandise exports grew much faster than world output—almost three times as fast in 1997.

Trade growth was stronger than expected, largely due to the performance of North and South America. Strong output growth in North and South America boosted export and import growth rates to double digits. Differences in regional output growth rates narrowed in 1997, as economic activity picked up in Western Europe and the transition economies. These two regions together account for about 45 per cent of world trade in goods and services. Despite the improvement in 1997, their trade growth still remained the weakest of all regions.[2] Asia, Africa and the Middle East experienced slower average output growth in 1997 than in 1996. The slowdown in the GDP growth of the Asian region is attributable mainly to Japan. Developing Asia's growth eased on average only sightly, to some 7 per cent, still twice as high as average global growth. According to United Nations data, 120 out of 143 economies, for which data were estimated, registered positive per capita growth in 1997. This matched performance in 1996, the best recorded so far in the 1990s.[3]

While trade volumes were buoyant, the appreciation of the US dollar vis-à-vis the currencies of major trading nations in Western Europe and Asia exerted a strong downward pressure on trade growth rates measured in dollar terms. The weight of the Western European and Asian countries in global trade, combined with low levels of domestic inflation, resulted in a sharp decline in dollar export prices. This is why we observe a *deceleration* of world trade growth in value terms, but an *acceleration* in real terms.[4]

The dollar value of world merchandise exports rose 3 per cent in 1997, which was somewhat less than the 4 per cent rate recorded in 1996. World exports of manufactured goods grew above the average rate, while those of minerals were below the average, and the growth of agricultural shipments decreased. The value of world exports of commercial services

World exports of merchandise and commercial services, 1995-97

(Billion dollars and percentage)

	Value			Annual change		
	1995	1996	1997	1995	1996	1997
Merchandise	4915	5125	5295	20.0	4.0	3.0
Commercial services	1200	1270	1295	15.0	6.0	2.0

increased by 2 per cent in 1997, which almost certainly masks more significant increases in trade volumes (*see above*). Among the three broad sectors of commercial services, the growth of transportation stagnated, travel services grew slowly, and other commercial services recorded an above average rate of export growth. Exports of merchandise and commercial services both reached new record levels, at US$5.3 trillion and US$1.3 trillion respectively in 1997.

The financial crisis in some Asian countries had only a modest impact on average global trade growth in 1997, both in value and volume terms. This is not surprising, as the crisis deepened only in the final months of 1997 and it takes time for the depreciation effects to feed through on trade developments. Moreover, the share in world trade of the five most affected Asian countries (Rep. of Korea, Malaysia, Thailand, Indonesia and the Philippines) amounts to only 6-7 per cent.

II. World trade developments by region

In the sixth year of economic expansion, North America's GDP growth accelerated to nearly 4 per cent in 1997, exceeding the expectations of many forecasters. The strength of overall economic activity was reflected in trade flows. Measured in constant prices, both exports and imports

[1] Global growth measured at 1987 prices and market exchange rates. Measured in purchasing power parity (PPP) terms, the IMF estimated global growth at 4.1 per cent in 1997.

[2] Tables on page 6 provide information on the world's largest traders in 1997.

[3] United Nations Press Release, Dev/2179, 16 December 1997.

[4] The impact of the exchange rate movements on the measurement of growth rates is well illustrated by unit price data. Measured in dollar unit value terms, world merchandise trade recorded a 5 per cent decline in 1997, the most strongly negative annual rate since 1950. If world trade were measured in SDRs, however, the negative dollar rate for 1997 would turn slightly positive, and in ECU terms trade grew last year by more than 6%.

Growth in the volume of world merchandise trade by selected region, 1990-97

(Annual percentage change)

Exports					Imports			
1990-95	1995	1996	1997		1990-95	1995	1996	1997
6.0	**9.0**	**5.0**	**9.5**	**World**	**6.5**	**9.0**	**5.0**	**9.0**
7.0	9.5	6.0	10.5	North America a	7.5	8.0	6.0	12.5
8.0	12.0	11.0	12.5	Latin America	11.5	3.0	11.5	21.5
5.5	8.0	4.5	8.0	Western Europe	4.5	8.0	3.5	7.0
5.5	8.5	4.0	8.0	European Union (15)	4.5	7.5	2.5	6.5
4.5	17.5	7.5	11.0	Transition economies	1.5	17.0	14.5	16.0
7.5	10.0	3.5	11.5	Asia	10.5	14.0	5.0	5.5
1.5	4.0	-0.5	9.5	Japan	6.5	12.5	2.0	2.5
11.0	14.5	6.5	10.0	Six East Asian traders b	12.0	15.5	4.5	5.5

a Canada and the United States.
b Chinese Taipei; Hong Kong, China; the Republic of Korea; Malaysia; Singapore and Thailand.
Note: Separate volume data are not available for Africa and Middle East, although estimates for these regions have been made in order to calculate a world total.

Growth in the value of world merchandise trade by region, 1990-97

(Billion dollars and percentage)

Exports (f.o.b.)						Imports (c.i.f.)				
Value	Annual percentage change					Value	Annual percentage change			
1997	1990-95	1995	1996	1997		1997	1990-95	1995	1996	1997
5295	**7.5**	**20.0**	**4.0**	**3.0**	**World**	**5435**	**7.5**	**19.5**	**4.5**	**3.0**
904	8.5	14.5	6.5	9.5	North America	1100	8.0	11.0	6.0	10.5
280	9.0	22.0	12.0	11.0	Latin America	319	14.5	11.5	12.5	17.5
110	14.0	31.0	21.0	14.5	Mexico	113	12.5	-10.5	25.5	22.5
170	7.0	17.5	7.5	9.0	Other Latin America	207	15.5	25.0	6.5	15.0
2269	6.0	23.0	3.5	-1.0	Western Europe	2236	5.5	22.5	2.5	-1.0
2100	6.5	23.5	3.5	-1.0	European Union (15)	2045	5.5	22.0	2.0	-1.0
179	7.0	27.0	7.5	4.0	Transition economies	192	5.0	26.0	15.5	7.5
89	7.5	26.5	5.5	6.5	Central and Eastern Europe	115	11.5	28.0	16.5	4.0
120	0.5	13.5	11.5	3.0	Africa	127	5.5	21.5	-1.0	5.0
30	3.5	10.5	2.5	6.0	South Africa	32	10.5	30.5	-1.5	5.0
163	1.5	13.5	14.0	0.0	Middle East	144	6.0	14.0	6.0	1.5
1380	12.0	18.0	0.5	5.5	Asia	1317	12.0	23.0	5.0	0.0
421	9.0	11.5	-7.5	2.5	Japan	338	7.5	22.0	4.0	-3.0
183	19.0	23.0	1.5	21.0	China	142	20.0	14.0	5.0	2.5
548	14.0	23.0	3.0	3.0	Six East Asian traders a	581	15.0	26.0	3.5	0.0

a Hong Kong, China; the Republic of Korea; Malaysia; Singapore; Chinese Taipei and Thailand.

recorded double digit growth for the second time in the 1990s.

The value of merchandise exports rose by 9.5 per cent in 1997, three times faster than world trade. Intra-North American trade and exports to Latin American countries expanded at double digit rates. For the first time since 1994, North America's imports grew faster than exports. The strength of North America's import demand led to a sharp rise in imports from Western Europe (21 per cent), China (21 per cent) and Japan (14 per cent). North America's trade performance in recent years has led to a recovery of the region's share in world trade. The share of the United States exports reached 13 per cent, the highest level since 1970. As regards imports, the share was 16.5 per cent, the highest level since 1987. North America's exports and imports of commercial services expanded somewhat less than merchandise trade, but still considerably faster than world services trade.

In 1997, Latin America experienced its highest annual GDP growth rate (5.2 per cent) and largest net private capital inflow so far in the 1990s. These two factors contributed to the outstanding trade performance of the region last year. A question arises as to the sustainability of these trends, given the large increase in the region's current account deficit and the appreciation of the real effective exchange rates of most Latin American currencies.

Latin America's merchandise exports rose in real terms by about 13 per cent, while merchandise imports surged by more than 20 per cent. For both exports and imports, the 1997 performance was the strongest so far in the 1990s. As both export and import prices decreased on average by about

Port of Paranaguá in Brazil: World trade growth in 1997 is attributable to the dynamism of economies in North and South America, both of which recorded a higher share in world trade than they have attained in more than a decade. (ILO Photo)

2 per cent, the rise in the dollar value of merchandise exports and imports was not as high as that recorded in volume terms. A marked difference in import growth over export growth rates was, however, still apparent. The two largest traders in Latin America in 1997—Mexico and Brazil—continued to record double-digit trade growth. Although the data are incomplete, it appears that trade in commercial services has also grown rapidly. This growth was well above the global average, but less dynamic than the region's merchandise trade growth.

Western Europe's trade growth recovered strongly. The export recovery was most pronounced in Germany, France, Spain, Ireland and Turkey, which recorded double digit growth. The depreciation of the ECU vis-à-vis the dollar, together with relatively weaker domestic demand in continental Western Europe than in other regions, caused exports to continue to expand faster than imports.

Exchange rate developments were the major cause behind the decrease of the dollar value of Western Europe's merchandise exports and imports in 1997. Measured in ECU, the region's exports and imports rose by more than 10 per cent. Currency changes, along with strong domestic demand, explain why only the United Kingdom recorded a strong increase in the dollar value of its exports and imports among the major West European traders.

Exports and imports of commercial services stagnated in dollar terms in 1997. Changes in the methodology applied in data collection, together with divergent exchange rate developments, have resulted in major shifts in the ranking of West European traders.[5] The United Kingdom has replaced France as the world's second largest exporter of commercial services and has also moved ahead of France and Italy on the import side.

The large variations in the trade and output performance of the transition economies in 1997 reflects the uneven progress made in the reform process. Strong and steady trade growth over the last three years has been reported by Hungary and Poland. The Russian Federation, the largest regional trader, recorded a strong increase in imports, and a fall in exports owing to the decline in world oil prices.

[5]The largest methodological revision involved France, which has substantially lowered the estimates of its exports and imports of financial services.

The Middle East region, more than 70 per cent of whose exports are fuels, recorded a stagnation in the dollar value of its exports and imports, largely due to the changing fortunes of oil. After rising nearly 20 per cent in 1996, spot crude oil prices fell by 6 per cent on average in 1997. An increase in the region's oil export volumes partly offset the negative price effect on export earnings of lower oil prices.

In 1997, Africa's GDP and agricultural output growth slackened and nominal oil prices fell. Export earnings rose at 3 per cent in dollar value terms, which is the world average rate, but considerably less than the rate attained in 1996. Imports expanded at 5 per cent in 1997, which was sharply higher than the 1996 rate. Commodity price developments varied in 1997, with rises in the prices of beverages (coffee, tea and cocoa) contrasted with a fall in many food prices. Overall, price developments favoured many least developed African countries. A fall in wheat and rice prices has lowered the import bill of net food importing countries, at least to the extent that they relied on imports through commercial channels.

Not only did economic growth slacken in Asia in 1997—particularly in Japan, the region's major market—but changes in major exchange rates (especially the rise of the dollar vis-à-vis the Yen) caused concerns in regard to the competitiveness of East Asian developing countries. These countries, which had closely linked their currencies to the US dollar, were the most dynamic traders in the world during the last decade. Exchange rate developments, together with sluggish intra-Asian trade, as measured in dollar terms, added to the erosion of confidence of foreign investors.

Despite slowing growth in Japan and the countries hit by the financial crisis, the Asian region managed a real import growth rate of 5.5 per cent in 1997. Exports recovered strongly in comparison to 1996 and at a 11.5 per cent growth rate, expanded faster than world trade. In dollar terms, Asia's exports expanded by about 5.5 per cent, while imports stagnated. Japan, China and the Asian developing countries that suffered from financial crises all experienced higher export growth than import growth. Within the latter group of countries, trade growth varied considerably in 1997. The Philippines recorded strong export and import growth, while Malaysia's trade stagnated in dollar terms. Imports of Indonesia, the Republic of Korea and Thailand declined. Commercial service exports of Asia increased somewhat faster than global trade, while imports remained unchanged from the previous year.

III. The trade implications of the Asian financial crisis

Any attempt at this juncture to identify the trade effects of the Asian financial crisis is bound to be partly speculative. Not enough time has elapsed since the crisis began last year for its full effects on trade flows to have become apparent. Moreover, the future evolution of the economies of the five most affected countries—Rep. of Korea, Malaysia, Thailand, Indonesia and the Philippines—is still uncertain. For these reasons, the discussion below is somewhat tentative in character. Moreover, it is important to note that significant differences in the situation facing the individual countries involved tend to be obscured by a summary treatment of the question at the regional level.

The countries concerned account for a relatively modest share of global economic activity. They account for 3.6 per cent of world GDP, around 7 per cent of world trade, 6 per cent of global foreign direct investment (FDI) inflows and 4 per cent of FDI stocks, and less than 4 per cent of gross international bank lending. The effects of the crisis may be severe for the countries concerned, and can spill over in various ways into other countries and the world economy in general. But while the effects of the crisis remain concentrated on this group of countries, its likely impact must be assessed in light of the relative size factor.

As a number of the Asian countries affected by the financial crisis seem to move towards recovery, a question that arises is how far renewed economic activity will be driven by exports. Strong currency depreciations should contribute to rapid export growth. Observers who subscribe to this scenario fear that a flood of imports will damage some industries and lead to lower GDP growth and higher unemployment in the industrialized countries. These fears would seem to be largely unjustified, at least as far as countries outside the Asia region are concerned.

No country outside Asia relied on the markets of the five most affected countries for as much as 10 per cent of their total exports, or received as much as 10 per cent of its total merchandise imports from these countries. While the United States imported 8.6 per cent of its merchandise imports from this group of countries in 1996, all West European economies imported less than 5 per cent of the total from the countries in question. The share of the five most affected Asian countries in EU imports and exports was 2.5 per cent in 1996. Japan, by contrast, received 16.5 per cent of its imports from the five Asian countries. Thus, even a very substantial increase in the exports of these countries—say, by 20 per cent—would not cause a significant problem in relation to the overall trade or current account for countries outside Asia. Particular industries with large spare capacity, on the other hand, could expand exports rapidly, thereby putting pressure on those industries in the importing countries.

Previous episodes of large devaluations such as the Mexico crisis, the CFA-Franc devaluation in West Africa, and the Swedish and Italian devaluations in the early to mid-1990s featured rapid export growth for the three years following the devaluations and import contraction in the first year after devaluation, before import growth resumed. The consistency of this pattern may suggest a similar scenario in the present case.

Several factors speak in favour of reasonably strong export-led recovery in the case of the five most affected Asian economies. First, excess capacity for use in export production will be available as a result of slack domestic demand. Second, the countries concerned have a strong track record as successful exporters. Over the last decade, the export and import growth rates of the five countries exceeded the growth of world trade by at least 50 per cent. Third, for many of these countries, the share of foreign multinationals in total trade is large, which means that a significant segment of trade is partly sheltered from the turmoil of the financial crisis.

On the other hand, some observers question the scope for a substantial rise in exports from the affected countries, as financial sector difficulties undermine trade expansion, at least in the short-run. The argument is that a severe liquidity crisis, together with the steep devaluations, has brought such turmoil to the banking sector that financial intermediation essential for production and external transactions has been weakened. Banks with no liquidity cannot provide new credits or roll over outstanding credits, leading to the closure of businesses in some cases. In other cases the absence or the high costs of trade financing undermine export prospects.

An electro-plating shop in Bangkok: The bulk of trade of the countries most affected by the Asian financial crisis takes place within the region, and this is where the trade effects will be most apparent. (ILO Photo)

Furthermore, imports (especially inputs for export processing) are largely contracted in dollar terms, which means higher production costs for exports that depend on imports. This, together with inflationary pressure on domestic inputs brought about by higher import prices and higher interest rates lead to a smaller real than nominal exchange rate depreciation. In addition, the fact that the affected countries are important trading partners for one another further mitigates the competitiveness gain that might be expected from the currency depreciations.

The nominal depreciations vis-à-vis the US dollar between January 1997 and January 1998 ranged from 40 per cent to more than 75 per cent. Taking into account the inflation differentials and exchange rate developments of the five most affected Asian countries, the real effective exchange rate depreciation ranged from 27 per cent to nearly 70 per cent. Even if inflation accelerates in the affected countries in the months ahead, the devaluations that have occurred represent a substantial boost in price competitiveness.

External factors may also limit increases in the exports of the five most affected countries. Most notably, North America's GDP growth will probably slow down in 1998, implying slower growth in import demand. Slow import growth in the rest of Asia is also likely to lessen export prospects, given that more than 50 per cent of the exports of the most affected Asian countries go to other Asian countries.[6] Concern has also been expressed regarding the evolution of imports of the two largest markets in Asia—Japan and China. Imports of Japan and China were already sluggish in

[6] The share of Asia in the exports of the five Asian countries' exports ranges in 1996 from 45 for the Philippines to 63 per cent for Indonesia.

Leading exporters and importers in world merchandise trade, 1997

(Billion dollars and percentage)

Rank	Exporters	Value (f.o.b.)	Share	Change	Rank	Importers	Value (c.i.f.)	Share	Change
1	United States	688.9	12.6	10	1	United States	899.2	16.1	9
2	Germany	511.7	9.4	-2	2	Germany	441.5	7.9	-4
3	Japan	421.1	7.7	2	3	Japan	338.4	6.0	-3
4	France	287.8	5.3	0	4	United Kingdom	307.2	5.5	7
5	United Kingdom	280.1	5.1	7	5	France	266.8	4.8	-5
6	Italy	238.9	4.4	-5	6	Hong Kong, China	208.7	3.7	4
7	Canada	214.4	3.9	6		- retained imports a	48.0	0.9	0
8	Netherlands	193.5	3.5	-5	7	Italy	208.6	3.7	1
9	Hong Kong, China	188.1	3.4	4	8	Canada	201.0	3.6	15
	- domestic exports	27.4	0.5	0	9	Netherlands	177.1	3.2	-4
10	China	182.7	3.3	21	10	Belgium-Luxembourg	155.5	2.8	-4
11	Belgium-Luxembourg	167.6	3.1	-2	11	Korea, Rep. of	144.6	2.6	-4
12	Korea, Rep. of	136.6	2.5	5	12	China	142.4	2.5	3
13	Singapore	125.0	2.3	0	13	Singapore	132.4	2.4	1
	- domestic exports	72.4	1.3	-2		- retained imports a	79.8	1.4	0
14	Chinese Taipei	121.9	2.2	5	14	Spain	122.7	2.2	1
15	Mexico	110.4	2.0	15	15	Chinese Taipei	113.2	2.0	12
16	Spain	104.3	1.9	2	16	Mexico	112.5	2.0	23
17	Sweden	82.4	1.5	-3	17	Malaysia	78.6	1.4	0
18	Malaysia	78.7	1.4	0	18	Switzerland	75.8	1.4	-4
19	Switzerland	76.1	1.4	-6	19	Australia	65.8	1.2	1
20	Russian Fed. b	65.7	1.2	-5	20	Brazil	65.7	1.2	15
21	Australia	63.2	1.2	4	21	Sweden	65.2	1.2	-2
22	Thailand	58.2	1.1	5	22	Thailand	64.5	1.2	-12
23	Austria	56.9	1.0	-2	23	Austria	63.2	1.1	-6
24	Saudi Arabia	55.2	1.0	-3	24	Russian Fed. b	48.0	0.9	11
25	Indonesia	53.4	1.0	7	25	Turkey	46.8	0.8	10
26	Brazil	53.0	1.0	11	26	Poland	42.0	0.8	13
27	Ireland	52.4	1.0	8	27	Indonesia	41.7	0.7	-3
28	Denmark	48.5	0.9	-5	28	Denmark	40.6	0.7	-10
29	Norway	47.7	0.9	-4	29	India	40.6	0.7	9
30	Finland	41.0	0.8	1	30	Ireland	39.1	0.7	9
	Total of above c	4805.0	88.1	3		Total of above c	4749.0	84.9	2
	World c	**5455.0**	**100.0**	**3**		**World c**	**5600.0**	**100.0**	**3**

a Retained imports are defined as imports less re-exports.

b Data exclude trade with the Baltic States and the CIS. Including trade with these states would lift Russian exports and imports to $86.6 billion and $65.7 billion respectively.

c Includes significant re-exports or imports for re-export.

Leading exporters and importers in world trade in commercial services, 1997

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Change	Rank	Importers	Value	Share	Change
1	United States	230.7	17.8	8	1	United States	151.4	12.0	8
2	United Kingdom	84.8	6.5	9	2	Japan	122.6	9.7	-5
3	France	81.9	6.3	-1	3	Germany	116.3	9.2	-8
4	Germany	72.3	5.6	-8	4	United Kingdom	69.7	5.5	9
5	Italy	71.2	5.5	3	5	Italy	69.1	5.5	3
6	Japan	68.4	5.3	3	6	France	61.4	4.9	-6
7	Netherlands	48.5	3.7	0	7	Netherlands	43.4	3.4	-3
8	Spain	43.6	3.4	-1	8	Canada	35.7	2.8	1
9	Hong Kong, China	37.4	2.9	0	9	Korea, Rep. of	33.4	2.6	5
10	Belgium-Luxembourg	33.3	2.6	-4	10	Belgium-Luxembourg	32.2	2.5	-3
11	Austria	30.6	2.4	-13	11	Austria	26.4	2.1	-14
12	Singapore	30.1	2.3	1	12	Chinese Taipei	24.3	1.9	2
13	Canada	29.2	2.3	5	13	Spain	23.8	1.9	0
14	Korea, Rep. of	28.2	2.2	10	14	China	23.8	1.9	6
15	Switzerland	23.9	1.8	-9	15	Hong Kong, China	22.9	1.8	6
16	China	23.3	1.8	13	16	Sweden	20.1	1.6	8
17	Australia	18.9	1.5	5	17	Australia	19.0	1.5	5
18	Sweden	17.4	1.3	4	18	Singapore	18.9	1.5	1
19	Chinese Taipei	16.6	1.3	3	19	Russian Fed.	18.3	1.4	-2
20	Denmark	16.3	1.3	-1	20	Thailand	17.4	1.4	-10

Note: Secretariat estimates based on incomplete or preliminary data.

WTO Director-General Renato Ruggiero tours an Asian computer plant: If the financial crisis can be contained to the five countries seriously affected, the repercussions should not result in more than a small dent in global economic growth.

1997, and the latest data available (December 1997-January 1998) point to a continuation of weak import growth.

A significant pattern discernible from the most recent information available on the evolution of merchandise trade in value terms for the five most affected countries is that the contraction of imports has so far been more pronounced than export expansion. As suggested above, this is to be expected, and conforms to the experience of other countries that have faced large and sudden reductions in the value of their currencies.

In summary, it is probable that exports from the five most affected Asian economies will accelerate in 1998, but perhaps not as rapidly as might have been anticipated as a result of the strong currency depreciations that followed in the wake of the financial crisis.

Share of Asia and selected Asian countries in the world economy in 1996

	Asia	Japan	China	Asia (5)[a]
A. World population	56.0	2.2	21.3	6.9
B. World GDP				
- at current prices and exch. rates	28.9	15.5	2.4	3.6
- at PPP	34.1	8.0	11.1	(6.0)
C. World merchandise trade				
- exports	25.6	8.0	3.0	6.4
- imports	25.0	6.6	2.6	7.0
D. World commercial services				
- exports	22.7	5.3	1.7	6.0
- imports	27.9	10.2	2.1	7.3
E. World foreign direct investment				
- inflows	26.1	0.1	12.1	5.8
- outlfows	21.2	6.9	0.6	2.3
- inward stocks	20.2	0.6	5.2	4.4
- outward stocks	19.3	10.4	0.6	1.0
F. International bank lending (June 1997)b				
- gross	...	...	1.0	3.8
- net	...	...	0.2	2.8
G. Market capitalization c				
- domestic companies	25.8	25.9	...	3.6

[a] Indonesia, Republic of Korea, Malaysia, Philippines and Thailand
[b] "Gross lending": assets of BIS reporting banks to all sectors in country/country groups as a percentage of total international bank lending (outstanding assets). "Net": "assets" less "liabilities" as a share of total (gross) lending.
[c] Valuation at the end of 1996. World total excludes some emerging stock markets (China and India). Including these emerging stock markets, China's market capitalization accounted for 3.7 per cent of the world total at the end of 1995 (International Federation of Stock Exchanges, FIBV).
Sources: BIS, FIBV, IMF, UNCTAD, World Bank and WTO.

IV. Global trade outlook for 1998

The prospects for world trade and output in 1998 have been clouded to some degree by the Asian financial crisis. Projections for economic growth have been scaled down markedly in Asia. The five countries which are at the core of the crisis are expected to record average GDP growth of 3 per cent or less in 1998. As intra-Asian trade and investment links have developed dynamically over the last decades—more than one half of Asia's trade was intra-regional in 1996—the repercussions of the crisis are foremost within the region. Intra-regional trade, which has more than tripled since 1990, could even decrease.

The Asian crisis will also have some repercussions on trade and output in other regions. Asia became the largest net-importing region for fuels in the 1990s, and slower Asian growth is expected to keep trade volumes and prices for oil under pressure. In the first two months of 1998, oil prices had already fallen 20 per cent below the 1997 average. These developments will clearly affect oil-exporting countries. Enhanced export competitiveness in the affected countries could also affect the export prospects of countries whose exchange rates have maintained a close value relationship with the dollar, including some Asian, Latin American and transition economies.

There are more and more signs that domestic demand—reflected particularly in non-residential fixed investment—is picking up in continental Western Europe. Lower interest rates, together with the likelihood of lower oil prices, should contribute to a strengthening of GDP growth in Western Europe, despite the Asian crisis. The Asian financial crisis is likely to result in reduced capital outflows, in particular from Western Europe. Smaller private capital outflows, together with lower public deficits, will tend to reduce interest rates further and encourage both investment and consumption. This in turn will stimulate import demand, and support both trade and output in its major trading partners. On the other hand, US output growth is expected to slow down in 1988, but the extent of the slowdown is highly uncertain. Latin America's economic growth is also projected to slacken from its record rate in 1997, returning to the average rate for the period 1990-95.[7]

If the financial crisis can be largely contained to the five countries which have been seriously affected, the repercussions should not result in more than a small dent in global economic growth. As world output is expected to slow moderately, and as slower growth in the Americas and Asia is expected to be offset partly by stronger growth in Europe, a decrease in global trade of 2 to 3 percentage points may be expected. This, however, would still leave the rate of global trade expansion above the rate recorded in the first half of the 1990s. □

[7] All GDP projections are taken from the IMF, Interim Assessment of the World Economic Outlook, December 1997.

E-commerce

(Continued from page 1)

tion networks—can be divided into three broad categories for the purpose of policy discussion: i) the searching stage where producers and consumers, or buyers and sellers, first interact; ii) the ordering and payment stage once a transaction has been agreed upon; and iii) the delivery stage. Much of the discussion in the study relates to products that can be delivered electronically through the Internet (stage iii) transactions), as this is where the most significant policy questions arise.

The study was written as a means of providing background information for the 132 WTO Members who are now engaged in the process of developing policy responses to this new form of commerce, which is growing at a staggering rate. In 1991, there were less than 5 million Internet users. By the turn of the century, there are likely to be more than 300 million users. And the value of electronic commerce is predicted to reach US$300 billion by that time.

The study emphasizes the extraordinary expansion of opportunities that electronic commerce offers, including for developing countries. But it notes that much remains to be done by way of improving access to the necessary infrastructure and user skills if these opportunities are to be realized.

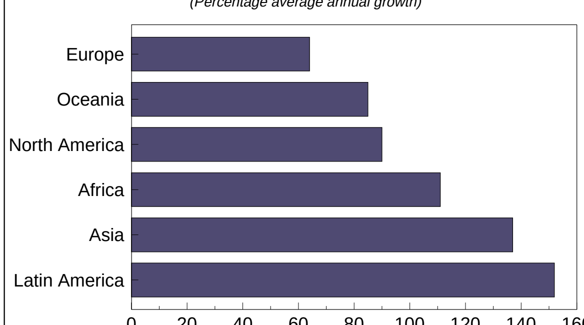
WTO members have begun to explore how the World Trade Organization should deal with the question of electronic commerce. Given the unique nature of this emerging mode of delivering products (goods and services), the authors say that many questions remain to be answered. Products which are bought and paid for over the Internet but are delivered physically would be subject to existing WTO rules on trade in goods. But the situation is more complicated for products that are delivered as digitalized information over the Internet, as a variety of issues arise relating to the appropriate policy regime. The authors say that both the supply of Internet access services and many of the products delivered over the Internet fall within the ambit of the General Agreement on Trade in Services, but they also acknowledge the need for clarification of how far particular activities are covered by the market access commitments of Members.

Among the policy issues identified in the study are the legal and regulatory framework for Internet transactions, security and privacy questions, taxation, access to the Internet, market access for suppliers over the Internet, trade facilitation, public procurement, intellectual property questions, and regulation of content. The study attempts to lay out the issues without pre-judging which of them should be taken up in the WTO, nor how they should be dealt with substantively.

Copies of the study, ***Electronic Commerce and the Role of the WTO***, are available in English, French and Spanish (price Sfr 30.-) from WTO Publications, 154 Rue de Lausanne, CH-1211 Geneva 21, tel: (41.22) 739.5208/5308, fax: (41.22) 739.5792. □

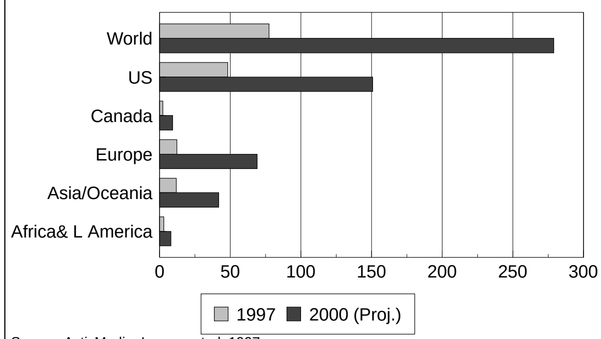
Growth of Internet hosts, by region, 1993-1996

(Percentage average annual growth)



Source: ITU, World Telecommunications Indicators Database, 1997b.

Internet user population, 1997 and projections for 2000 (Millions)



Source: ActivMedia, Incorporated, 1997

MEETINGS

MAY 1998	
1	Committee on Anti-Dumping Practices; Committee on Rules of Origin
4-5	Committee on Regional Trade Agreements
6	Working Party on Preshipment Inspection
7-8	Committee on Regional Trade Agreements
8	Committee on Customs Valuation
11	Council for Trade in Services
12-13	Council for TRIPS
18-20	WTO MINISTERIAL CONFERENCE
19	COMMEMORATION OF THE 50TH ANNIVERSARY OF THE MULTILATERAL TRADING SYSTEM
25	Committee on Rules of Origin
25-27	Textiles Monitoring Body
29	Committee on Rules of Origin

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