

# Global perspectives – who are the leading players?

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# 0.6%

LDCs accounted for 0.6% of global exports of commercial services in 2017.

# 13%

China was the biggest merchandise exporter in 2017, accounting for 13% of the world total.

# 20%

Ireland's exports of commercial services grew by 20% in 2017.

# 13%

Africa's commercial services exports grew by 13% in 2017.

# 38%

Top five merchandise traders accounted for 38% of the value of world trade in 2017.

# 26%

Oil exporters in the Commonwealth of Independent States, Africa and the Middle East benefited from a 26% rise in world fuel prices in 2017.

# 12%

Developing economies' merchandise exports increased by 12% in 2017 after a two-year dip, reaching US\$ 7.43 trillion.

# 13%

LDCs' merchandise exports increased by 13% after three years of decline.

# 34%

The European Union remains the largest regional trade agreement, accounting for 34% of world trade in 2017.

# 21.4%

South-South trade represented 21.4% of total world exports in 2016.

# 38.1%

The share of developing economies in world imports of commercial services was 38.1% in 2017.

# 25%

Developing economies' receipts of charges associated with intellectual property increased by 25% in 2017.

# 53%

The top ten commercial services traders accounted for 53% of the world total in 2017.

# Leading players

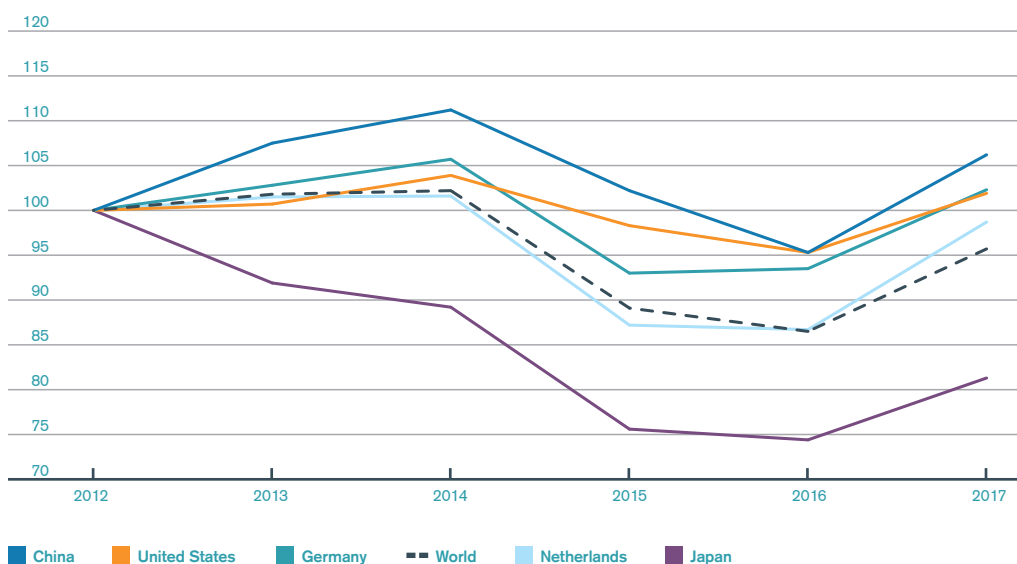
## Top merchandise traders bounce back

China remained the largest exporter of goods and the United States the largest importer in 2017, even if the European Union is considered as a single trader (excluding intra-EU trade). The top five traders, measured as the sum of exports and imports of merchandise trade, in 2017 remained the same: China, the United States, Germany, Japan and the Netherlands (see Chart 5.1). On the import side, the United Kingdom moved ahead of the Netherlands into fifth place. Collectively, the top five traders account for more than one-third of world trade, recording 38.2 per cent of world exports and imports.

There were few major changes in the rankings of merchandise exporters and importers in 2017. However, the Republic of Korea rose from eighth to sixth position for exports while the United Arab Emirates jumped from 19th to 15th place, mostly due to higher petroleum prices. Japan overtook the United Kingdom as the world's fourth-largest merchandise importer while Canada fell from ninth to 12th place.

Appendix tables A6 and A7 provide detailed breakdowns of the value of annual merchandise trade.

Chart 5.1  
**Total trade for the top five traders, 2012-17**  
 (Value Index, 2012=100)



**38%**  
 The top five traders accounted for more than one-third of world trade in 2017.

Source: WTO-UNCTAD estimates.

The five main traders all recovered from the lacklustre performance of the previous two years for exports and imports. In value terms, China and the Netherlands grew above the world average of 11 per cent. China recorded stronger import growth than exports (16 per cent and 8 per cent respectively) while the Netherlands increased both its exports and imports by 14 per cent.

When compared with the trade performance in 2012, the pace of recovery varies among the top traders (see Chart 5.1). Japan is the only economy among the top five traders that is still significantly below the levels of 2012, on average 20 per cent lower.

Despite a slow recovery, Japan's trade balance remained positive for the second year in a row, with a surplus of US\$ 26.2 billion. According to preliminary data for 2017<sup>1</sup>, the increase in exports of office and telecom equipment (10 per cent) and automotive products (3 per cent) made the largest contribution to its exports, which grew by 8 per cent overall. The recovery of Japan's private consumption and investment in the domestic economy contributed to the rise in total imports (11 per cent).

China's trade surplus, the highest among the top five traders, was US\$ 421.4 billion in 2017, 14 per cent lower than its 2016 level. Chinese exports totalled US\$ 2.22 trillion, up from US\$ 2.09 trillion in 2016, mainly due to a rise in exports of office and telecom equipment. This included a 14 per cent increase in exports of mobile phones and component parts and a 5 per cent increase in automatic data processing machines. China's total imports were US\$ 1.82 trillion, a 16 per cent increase. The surge in fuel and copper prices contributed to this import growth (see also Chart 4.2).

Among the EU's top traders, Germany and the Netherlands maintained a steady growth in their trade surpluses, with a trade balance 14 per cent higher than their 2012 levels. Germany's trade surplus was US\$ 281.3 billion in 2017. Exports of automotive products (up by 5 per cent) and pharmaceuticals (up by 11 per cent) contributed to an overall rise in exports of 11 per cent. The Netherlands' trade surplus was US\$ 77.7 billion in 2017. Exports of petroleum oil, which rose by 17 per cent after three years of decline, contributed to the country's overall export increase of 14 per cent.

The United States reported a trade deficit of US\$ 862.8 billion, 8 per cent higher than in 2016. With the increase in private consumption and fixed investment, total imports grew by 7 per cent after two consecutive years of very modest growth. Exports totalled US\$ 1.55 trillion. The increase in petroleum oil exports and electronic circuits, up by 26 per cent and 9 per cent respectively, contributed to overall export growth of 7 per cent in 2017.

### **In services, trade remains concentrated in ten countries**

The ten leading traders in global services remained unchanged in 2017, with the same ten countries ranking as top services exporters and importers (see Chart 5.2). Overall, these economies accounted for 53 per cent of global trade in commercial services.

With a share in world services exports of 14.4 per cent, and of 10.2 per cent in imports, the United States remained the world's leading trader of commercial services in 2017, with US\$ 761.7 billion in exports and US\$ 516.0 billion in imports.

The United Kingdom's services exports increased by 11 per cent in national currency terms in 2017. However, a further depreciation of the British pound resulted in only a 6 per cent rise in UK services exports in US dollar terms (see Chart 5.2). Services growth was boosted by "other business services", which rose by 22 per cent, recording their highest rise ever. "Other business services" - comprising professional and management consulting services, research and development services, as well as technical and trade-related services - is the United Kingdom's leading sector, accounting for almost one-third of the country's services exports. The UK was the second-largest services exporter and the sixth-largest importer, slipping one position behind the Netherlands.

Germany remained the third-largest exporter and importer of commercial services globally. All of its services categories, from transport to audio-visual and related services, recorded robust growth in 2017.

Following a decline in tourists in 2016 due to fears of terrorism, France's travel earnings recovered in 2017 (+12 per cent) thanks partly to high expenditure by Chinese tourists. Tourism is a key sector for France, which is the number one global destination in terms of the number of international tourist arrivals. France once again ranked fourth in both services exports and imports.

<sup>1</sup> Preliminary numbers were extrapolated on the basis of data published by UN Comtrade database and Trade Data Monitor (TDM).

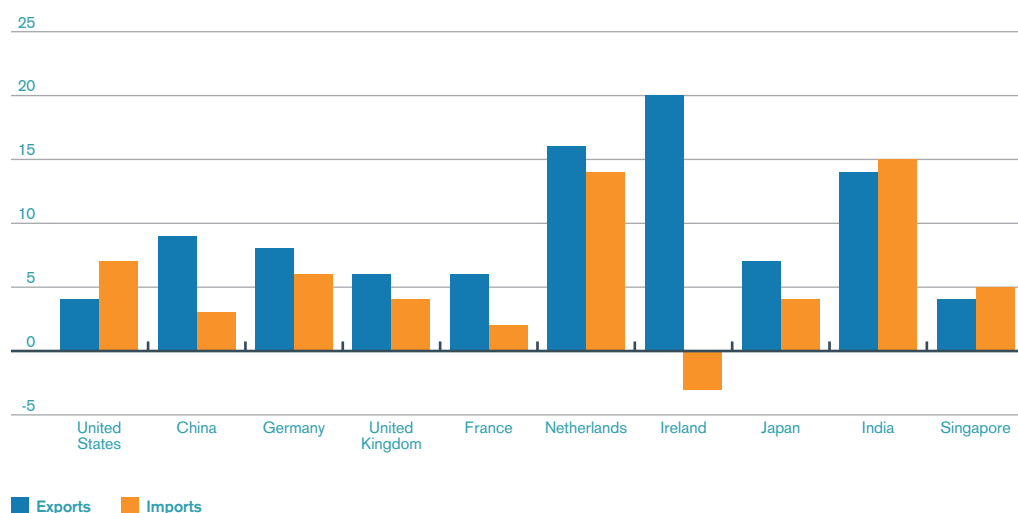
China maintained its position as the fifth-largest services exporter. China confirmed its ranking as the second-largest importer of commercial services, with a share in world imports of 9.2 per cent, thanks to its high travel expenditure abroad.

In 2017, the Netherlands recorded the second-strongest growth among leading traders for both exports (behind Ireland), and for imports (behind India). In both cases, it was due to “other commercial services”, which accounts for more than 70 per cent of the Netherlands’ trade in commercial services. Within this category, receipts of charges for the use of IP n.i.e. expanded by 27 per cent while exports of professional and management consulting services grew by 35 per cent. The Netherlands remained the sixth-largest services exporter and became the fifth-largest importer, overtaking the United Kingdom.

Ireland recorded the best exports performance among leading traders in 2017 (+20 per cent) due mostly to rising exports of computer services. The country rose from tenth to seventh position, overtaking India, Japan and Singapore. Computer services form almost half of Ireland’s services exports. A fall in payments for R&D services (-41 per cent), which were not offset by higher payments for trade-related and other business services, drove Ireland’s imports growth downwards.

In India, rapid growth in other business services (+9 per cent), which account for around one-third of its services exports, boosted the country’s performance in 2017. India recorded the highest exports and imports growth among the leading Asian traders. On imports, all sectors saw strong increases, in particular payments for overseas travel, transport and other business services. However, India remained the eighth-largest services exporter and the tenth-largest services importer.

Chart 5.2  
**Leading traders of commercial services, 2017**  
 (Annual percentage change)



Note: The order in the chart reflects the economies’ ranking in total trade in commercial services (exports plus imports) in 2017.  
 Source: WTO-UNCTAD-ITC estimates.

# Regional performance

## Regions exporting commodities record strong merchandise trade growth

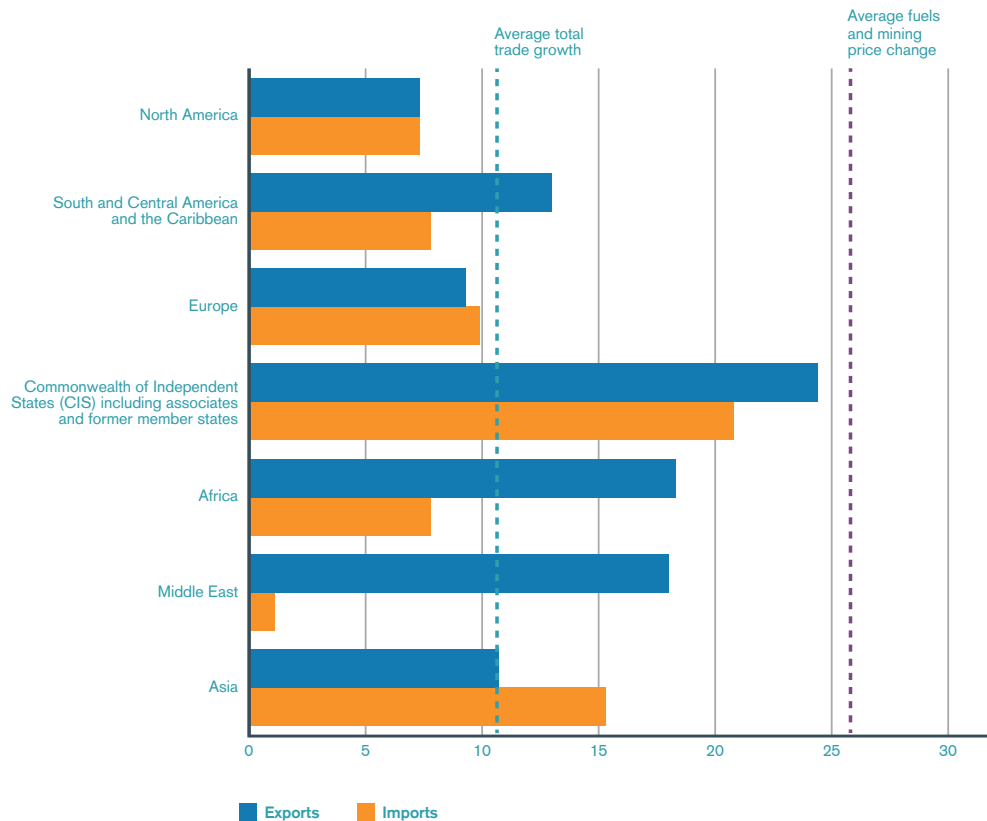
Merchandise trade growth accelerated across all regions in 2017. However, the rise in commodity prices, most notably for fuels and mining products, meant that net exporters of commodities grew well above the world trade average (see Chart 5.3).

The Commonwealth of Independent States (CIS) was the best performing region in 2017, with total trade growth of 23 per cent. Exports soared by 24 per cent, totalling US\$ 517.5 billion. The overall increase in exports was particularly evident in the Russian Federation, where total exports amounted to US\$ 353.1 billion in 2017, up by 25 per cent, despite the effect of economic sanctions applied by the European Union and the United States since 2014.

Total imports for the CIS grew by 22 per cent. This was mostly due to the increase in the region's export revenue, allowing for more purchases of other goods, mostly manufactured goods. Exports of the Middle East rose to US\$ 961.0 billion in 2017, up from US\$ 814.3 billion in 2016, with fuels and mining products accounting for more than half of total exports. Africa saw an increase of 18 per cent in exports, mostly due to oil and mining exports, after a weak performance in 2016. The rise in coal prices and an increase in shipments of platinum to Japan and the United States (up by 9 per cent) contributed to an 18 per cent increase in South African exports.

African oil exporters saw their total exports increase for the first time since 2012, with the exception of Chad and Sudan, which have been hit by internal armed conflicts. Collectively,

Chart 5.3  
**Merchandise trade by region, 2017**  
 (Annual percentage change)



Source: WTO estimates.

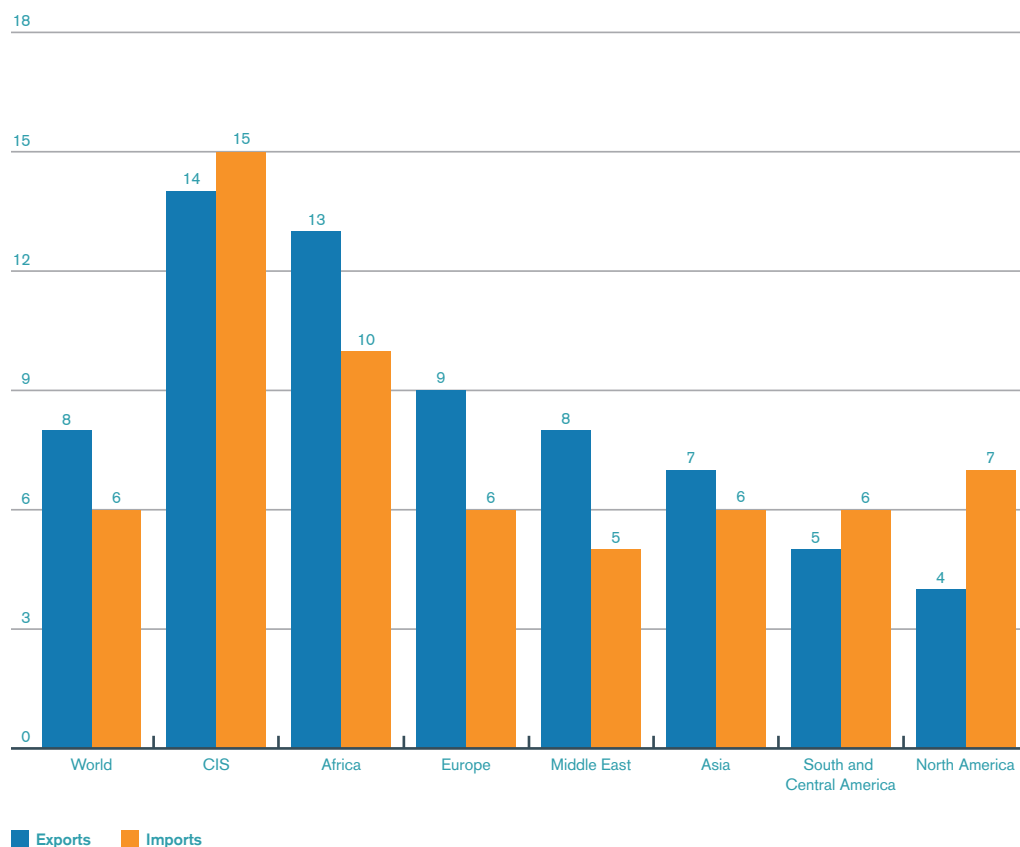
**11%**  
 Fuel-exporting regions - the Commonwealth of Independent States, Africa and the Middle East - grew above the world average of 11% growth for merchandise trade in 2017.

African oil exporters accounted for 35.0 per cent of African exports in 2017, up from 31.9 per cent in 2016.

North African exports of manufactured goods benefited from a recovery in demand from the European Union and the Americas. Morocco's exports increased by 11 per cent, mostly due to the increase in exports of fertilizers to Brazil and the United States and electrical machinery to the European Union.

Merchandise exports from South and Central America rose by 13 per cent, with a surge in exports of agricultural goods and energy commodities. Almost all countries in the region saw growth in exports, with the exception of several islands in the Antilles archipelago that were hard hit by the hurricane season of 2017, namely Anguilla, Antigua and Barbuda, British Virgin Islands, Cuba, Dominica, Grenada, Jamaica, Saint Lucia, and Trinidad and Tobago. After a period of political turmoil and weak economic performance, Brazil recorded an 18 per cent increase in exports, accounting for 37.3 per cent of the region's overall exports. Exports of soybeans, petroleum oil and iron ores contributed to this increase.

Chart 5.4  
**Trade in commercial services by region, 2017**  
 (Annual percentage change)



**13%**  
 Growth in Africa's commercial services exports in 2017.

Source: WTO-UNCTAD-ITC estimates.

### All regions see growth in services trade

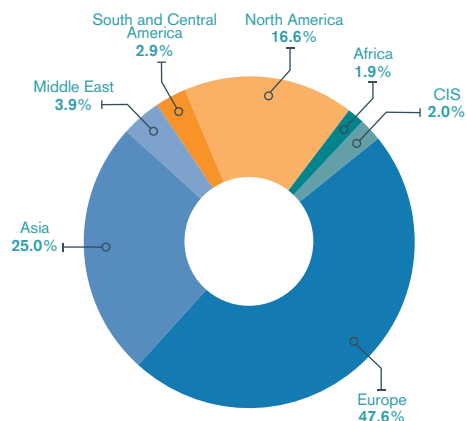
In 2017, world trade in services completed its recovery, with exports and imports finally exceeding their 2014 levels. Trade in commercial services expanded by 7 per cent on average, with all regions contributing to growth (see Chart 5.4), unlike in 2016.

The Commonwealth of Independent States and Africa bounced back, with services exports rising by 14 per cent and 13 per cent respectively in 2017. The Russian Federation saw positive growth following three consecutive years of decline, and foreign tourists returned to destinations in northern Africa, in particular to Egypt, boosting tourism revenue. As energy prices rebounded, increasing revenues in both regions, the demand for services in Africa and the CIS went up, in particular for transport and for travel abroad.

Chart 5.5

### Exports of commercial services by region, 2017

(Percentage share)



Source: WTO-UNCTAD-ITC estimates.

Despite the rebound, Africa's share in world services exports remained the lowest regionally in 2017, at 1.9 per cent (see Chart 5.5). This is equivalent to the share of Luxembourg, one of the smallest countries in the world.

Europe and Asia enjoyed similar growth patterns in services trade. Europe's exports growth was driven by various sectors, such as transport, tourism, financial services, computer services and IP-related services. In Asia, the main contributors were charges for the use of IP n.i.e., tourism and transport.

The Middle East, the only region which fared well in 2015 and 2016, continued its steady expansion in services trade in 2017. The most dynamic exports sectors were transport, which increased by 12 per cent, three percentage points above the world average, tourism and IT services.

In South and Central America and the Caribbean, growth in services exports was uneven. South America rose by 7 per cent in 2017, more than twice as much as the Caribbean, where some islands were hard hit by an active hurricane season. However, Brazil posted growth of only 3 per cent as its travel receipts declined.

North America recorded the weakest exports performance regionally due to a contraction in US travel earnings, which was not offset by the swift growth of its financial services exports.



## Regional trade agreements (RTAs)

### EU remains largest RTA with more than one-third of world trade

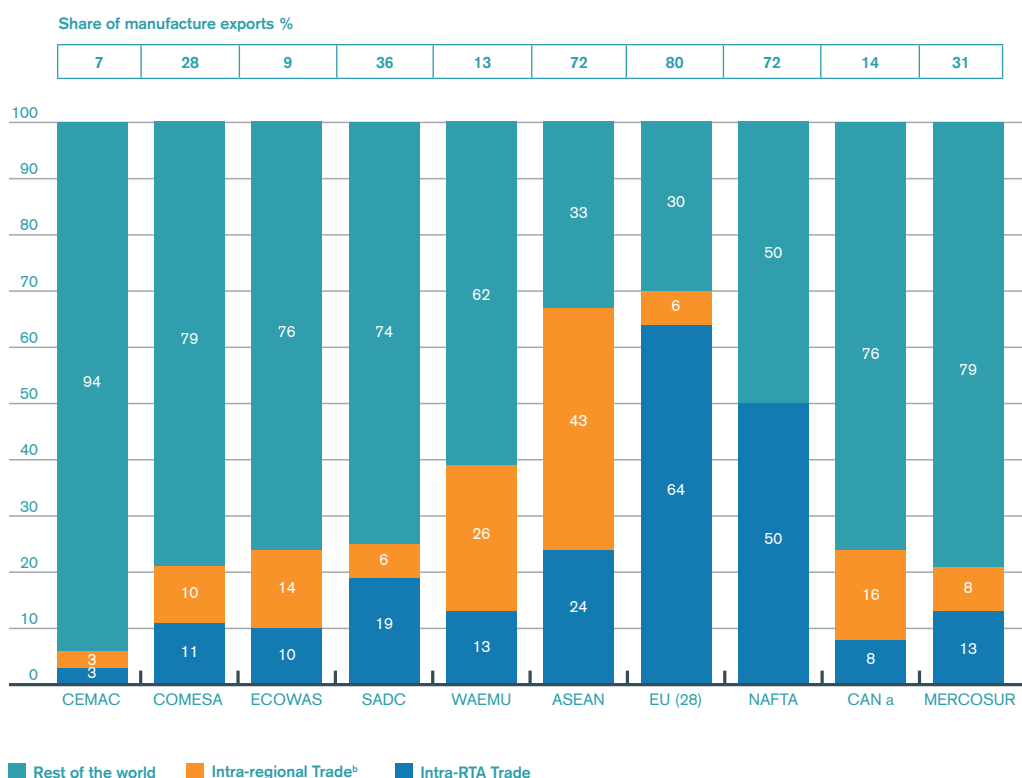
The European Union (EU) and the North American Free Trade Agreement (NAFTA) had the highest share of intra-RTA trade in 2017 among major RTAs (see Chart 5.6). For the Association of Southeast Asian Nations (ASEAN), most trade occurs with neighbouring countries outside of the agreement. In Africa and South America, trade within RTAs accounts for less than 20 per cent of total exports for these agreements.

The European Union saw an increase in trade in 2017 and remains the largest RTA, accounting for 34 per cent of world trade. Exports totalled US\$ 5.90 trillion, up by 10 per cent. This was fuelled by strong growth

in internal and external demand. Intra-EU trade flows grew by 10 per cent in 2017, accounting for more than half of EU total trade (64 per cent). Trade with countries outside the EU bounced back with a 10 per cent increase, after modest growth since 2010. The increase was helped by a recovery in exports of machinery and transport equipment, up 4 per cent according to preliminary estimates.

NAFTA recorded a 7 per cent increase in exports in 2017, with a total value of US\$ 2.38 trillion. Manufactured goods represented 72 per cent of this total. Roughly one half of NAFTA's total exports are based on intermediate goods (see Table A.65). NAFTA's strong performance was due to a recovery in US demand, the increase in exports of manufactured goods and higher commodity prices.

Chart 5.6  
Exports of regional trade agreements (RTA), 2016  
(Percentage share)



**64%**  
Share of intra-EU exports among total EU exports in 2016 and 2017.

<sup>a</sup> Andean Community

<sup>b</sup> Intra-regional trade is calculated as total RTA exports to members of the geographical region (e.g. South America) who are not part of the RTA (e.g. MERCOSUR). The next update, to be released in October 2018, will include 2017 figures.

Note: For composition of regional trade agreements, see Chapter VII.  
Source: WTO estimates.

The impact of global value chains (GVCs) for manufactured goods in China, Japan and the newly industrialized countries (NICS), such as the Republic of Korea and Malaysia, help to explain the composition of intra-regional trade in South-East Asia. Exports to the NICS, China and Japan accounted for 14 per cent, 8 per cent and 6 per cent respectively of total exports to ASEAN countries. ASEAN exports totalled US\$ 1.31 trillion in 2017, a 15 per cent increase, following a lacklustre performance over the past four years.

Africa and Latin America have experienced challenges in increasing intra-regional trade as they are highly dependent on global commodity exports. High trade costs make it difficult for these regions to achieve diversification of exports (see Box 5.1). However, new initiatives, such as the African Continental Free Trade Area, could encourage the creation of regional value chains among African countries (see Box 5.2).

Box 5.1

**African RTAs depend highly on fuels and mining products**

Regional trade agreements (RTAs) in Africa mostly concern the Sub-Saharan region. With RTAs ranging in size from five to 14 economies, membership of these RTAs tends to overlap. The Common Market for Eastern and Southern Africa (COMESA) is the largest RTA in terms of number of member countries (20 countries), accounting for 21 per cent of total African exports in 2017. In value terms, the Southern African Development Community (SADC) ranks first among African RTAs, representing 41 per cent of total African exports in 2017. Rising commodity prices allowed RTA members to record double-digit export and import growth

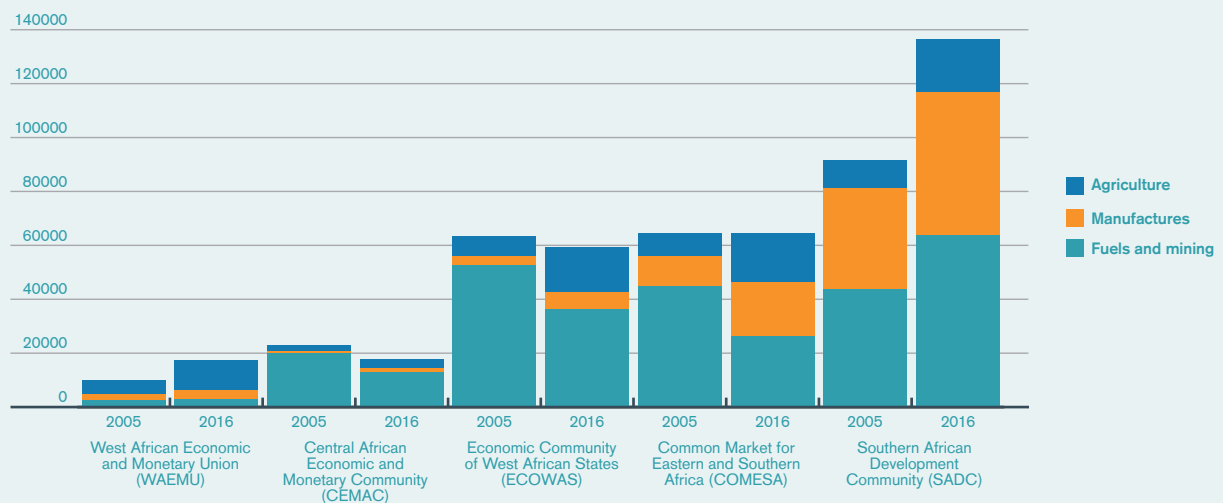
in 2017. This is due partly to the contribution of fuels and mining products, which constitute more than 50 per cent of total exports for the Economic Community of West African States (ECOWAS) and the Central African Economic and Monetary Community (CEMAC) - (see Chart 5.7). Export diversification in recent years has allowed COMESA members to have a more balanced range of exports due to a great extent by the increase in exports of “other food products” to EU members and other African countries. Its fuels and mining exports constituted 38 per cent of total exports in 2016.

**+50%**  
Share of fuels and mining in ECOWAS and CEMAC exports.

Chart 5.7

**Exports of regional trade agreements in Africa by main product group, 2005 and 2016**

(US\$ million)



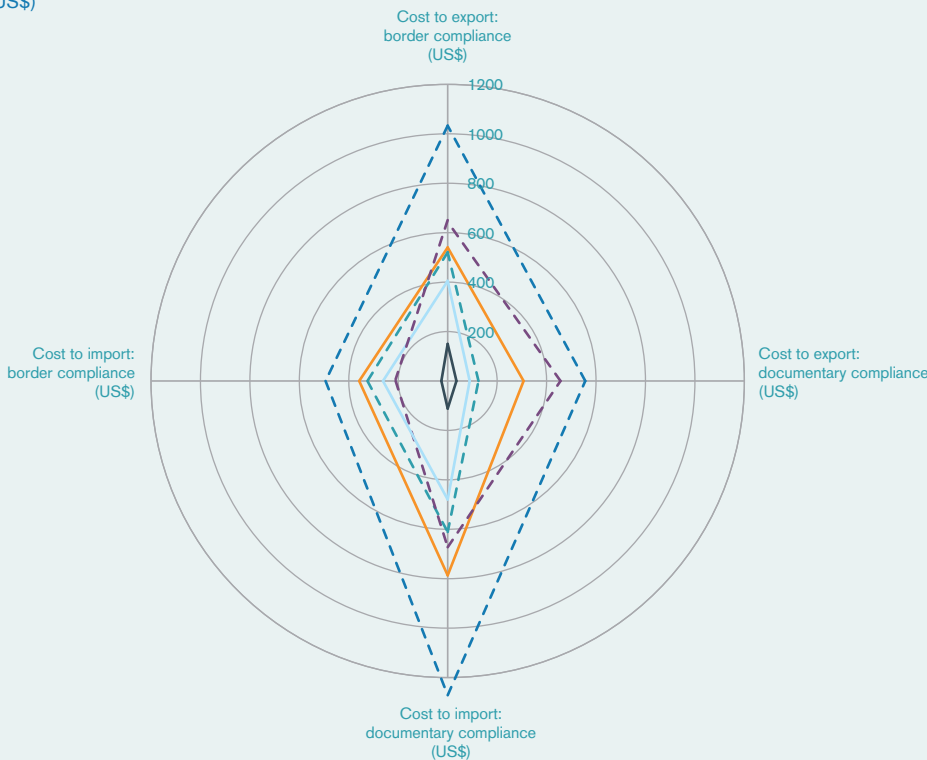
Note: For composition of regional trade agreements, see Chapter VII.  
Source: WTO estimates.

Intra-regional trade is not highly developed among African RTAs. As seen in Chart 5.7, intra RTA trade varies from 2 per cent to 11 per cent of total exports, with the exception of the Southern African Development Community (SADC) which accounts for 19 per cent. SADC also shows the highest share of manufacturing exports of the agreements shown in Chart 5.7.

Challenges lie ahead for increasing intra-regional trade in Africa. Lack of infrastructure and high costs for exporting and importing make it hard for African economies to fully benefit from their proximity to markets.

Compared with high-income economies, the cost of exports regarding customs issues can be three times higher for members of the West African Economic and Monetary Union (WAEMU), which has the lowest trade costs of all African RTAs. These costs can be up to seven times higher for CEMAC members (see Chart 5.8). Initiatives such as the African Continental Free Trade Area (AfCFTA) that aim for the creation of a single market for goods and services in the African continent should lead to the reduction of trade costs for intra-regional trade flows, fostering the creation of regional global value chains and the diversification of export products.

Chart 5.8  
**Export and import costs of selected regional trade agreements in Africa, 2017**  
 (US\$)



Note: For composition of regional trade agreements, see Chapter VII.  
 Source: Data derived from "World Bank Doing Business, 2018" using WTO country groupings.

- Central African Economic and Monetary Community (CEMAC)
- Common Market for Eastern and Southern Africa (COMESA)
- Economic Community of Western African States (ECOWAS)
- Southern African Development Community (SADC)
- West African Economic and Monetary Union (WAEMU)
- OECD High Income

**7**  
 Cost of exports and imports of CEMAC countries are seven times higher than the average for high income countries.

## Developing economies

### Merchandise trade bounces back after a two-year downturn

Merchandise exports of developing economies increased by 12 per cent in 2017, totalling US\$ 7.43 trillion and showing a return to growth after a two-year downturn (see Chart 5.9). All five regions of developing economies saw a double-digit increase in growth in 2017, with particularly strong growth in Africa and the Middle East, two large exporters of fuels and mineral products. There was also a return to growth for developing economies' merchandise imports after two years of decline. Developing Asia recorded growth of 16 per cent in import demand in 2017. Overall, merchandise imports of developing economies increased by 13 per cent, reaching US\$ 7.14 trillion in 2017 (see Table 5.1).

A return to positive growth in 2017 was partly due to an increase in commodity prices in 2017 following years of a global surplus in fuel products and weaker demand. Developing economies' share of world exports grew slightly to 43.2 per cent in 2017, up from 42.7 per cent in 2016. However, the participation of developing economies in world trade has made only steady progress over the past few years.

### Manufactured goods remains a strong sector

South-South trade, or trade between developing economies, continued to account for an important share of developing economies' trade, totalling 50.5 per cent of their overall trade in 2016, the most recent year for which data are available. South-South trade represented 21.4 per cent of world trade in 2016<sup>2</sup>.

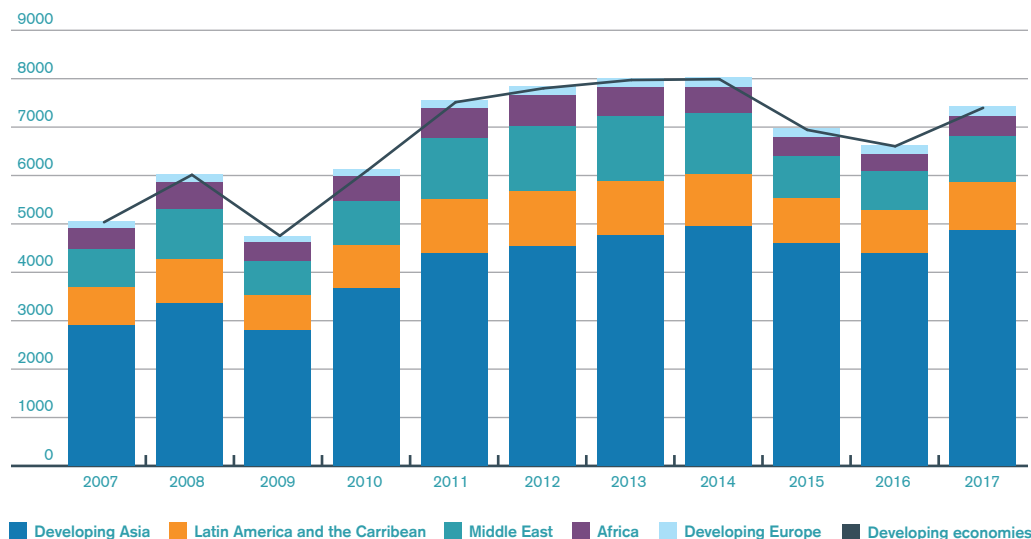
In recent years, the share of South-South trade in fuels exports has weakened while the share of its exports in manufactured goods has increased (see Chart 5.10). Manufactured goods remains the most important sector for developing economies overall, accounting for the largest share of merchandise trade in Latin America (51.9 per cent), developing Europe (74.3 per cent) and developing Asia (85.1 per cent) in 2016.

Developing Asia increased its overall share of South-South trade because manufactured goods is such a strong sector for this region. Trade within developing Asia increased its share of South-South trade to 54.3 per cent in 2016, up from 52.2 per cent in 2015 and 47.5 per cent in 2014.

Chart 5.9

### Merchandise exports by developing region, 2007-2017

(US\$ billion)



Source: WTO estimates.

<sup>2</sup>Origin and destination figures and product group shares discussed here are based on available WTO data on world merchandise trade, published in October 2017. The next update, to be released in October 2018, will include 2017 figures.

**18%**  
Merchandise export growth of Africa and the Middle East in 2017.

Table 5.1

**Developing economies' merchandise trade by region, 2016-2017**

(US\$ billion and annual percentage change)

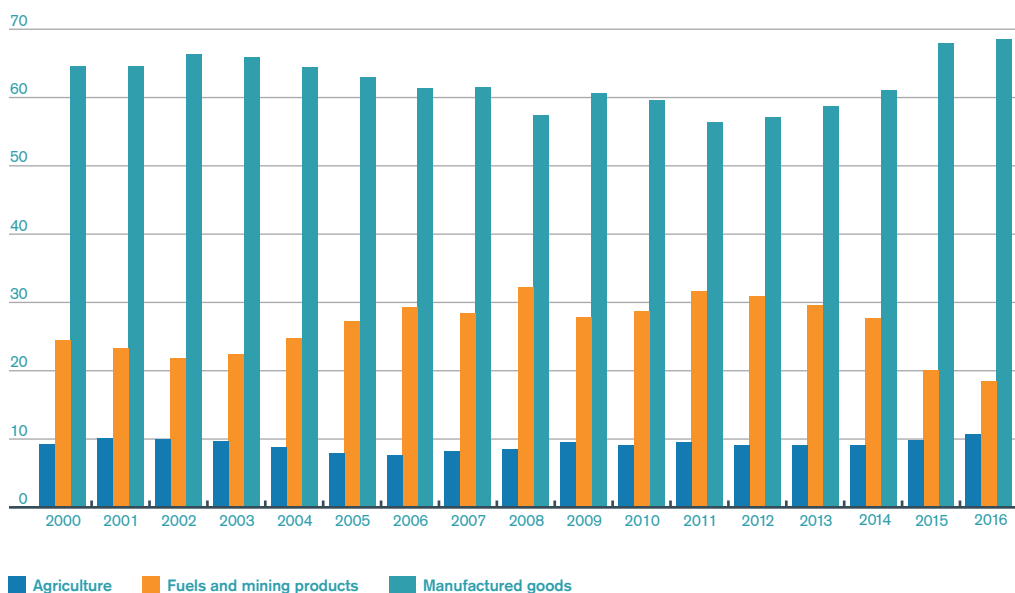
	EXPORTS					IMPORTS				
	Value	Share in world		Annual% change		Value	Share in world		Annual % change	
	2017	2016	2017	2016	2017	2017	2016	2017	2016	2017
Developing economies <sup>a</sup>	7433	42.7	43.2	-5	12	7138	39.9	40.6	-5	13
Latin America	993	5.7	5.8	-4	12	1011	5.9	5.8	-9	8
Developing Europe	189	1.1	1.1	0	11	282	1.5	1.6	-3	17
Africa	417	2.3	2.4	-10	18	534	3.1	3.0	-11	8
Middle East	961	5.2	5.6	-7	18	712	4.4	4.1	-5	1
Developing Asia <sup>a</sup>	4875	28.3	28.3	-5	11	4600	25.0	26.2	-4	16
Memorandum items										
World <sup>a</sup>	17198	100.0	100.0	-3	11	17572	100.0	100.0	-3	11
Developed economies	9247	54.6	53.8	-1	9	10032	58.0	27.1	-1	9
Commonwealth of Independent States, including associate and former member states	518	2.7	3.0	-16	24	402	2.1	2.3	-3	21

<sup>a</sup> Excluding Hong Kong (China) re-exports or imports for re-exports. Source: WTO estimates.

Chart 5.10

**South-South merchandise trade by product group, 2000-2016**

(Percentage share)



**69%**  
Share of manufactured goods in South-South trade in 2016.

Source: WTO estimates.

Fuels and mining products continues to be the second-most dynamic sector of South-South trade. However, as China, the largest of the developing economies, has begun to shift from an investment-driven economy to a consumption-driven model, its demand for minerals and non-ferrous metals and fuel products has slowed.

Overall, developing Asia's imports from the Middle East (which represented 60.8 per cent of its imports from outside the region in 2014) fell by 14 per cent in 2016 following a 42 per cent decline in 2015. Imports from Africa and Latin America showed a similar trend. Developing Asia's imports from Africa contracted by 18 per cent in 2016 following a 36 per cent decline in 2015. Imports from Latin America contracted by 3 per cent in 2016 after a 20 per cent decline in 2015.

Trade in agricultural products continues to represent a relatively low share of South-South trade but has increased in recent years, growing by 11 per cent in 2016 following growth of 10 per cent in 2015 and 9 per cent in 2014.

Box 5.2:

### Intra-African trade in 2018

In March 2018, 44 African countries signed the African Continental Free Trade Area (AfCFTA), which aims to accelerate economic integration in Africa and increase trade within the continent. In 2016, intra-Africa trade grew to 19.6 per cent of Africa's total trade, up from 15.2 per cent in 2014. This is significantly higher than the 10.3 per cent share of intra-Africa trade in 2008.

### Developing economies' exports of commercial services remain stable while imports contract in 2017

Developing economies' participation in global services remained stable in terms of exports with a 30.6 per cent share and contracted on imports to 38.1 per cent in 2017 (see Table 5.2). The main areas of growth were transport (7 per cent), a leading sector for developing Asia, and international tourism for all developing regions (8 per cent).

Table 5.2

### Developing economies' trade in commercial services, 2017

(US\$ billion and percentage)

	EXPORTS					IMPORTS				
	Value	Share in world		Annual % change		Value	Share in world		Annual % change	
		2017	2016	2017	2016		2017	2017	2016	2017
Developing economies	1615	30.6	30.6	0	8	1936	38.2	38.1	0	6
Latin America	182	3.5	3.5	1	6	214	4.2	4.2	-5	7
Developing Europe	59	1.0	1.9	-14	17	32	0.6	0.6	1	11
Africa	102	1.8	3.9	-6	13	150	2.9	3.0	-11	10
Middle East	207	3.9	2.2	5	8	291	5.8	5.7	0	5
Developing Asia	1065	20.3	28.3	0	7	1248	24.7	24.6	2	6
Memorandum items										
World	5279	100.0	100.0	1	8	5074	100.0	100.0	1	6
Developed economies	3559	67.5	67.4	1	8	3005	59.4	59.2	2	6
Commonwealth of Independent States	105	1.9	2.0	-2	14	134	2.4	2.6	-12	15

Source: WTO-UNCTAD-ITC estimates.

Chart 5.11  
**Developing economies' trade in commercial services by main category, 2015-17**  
 (US\$ billion)

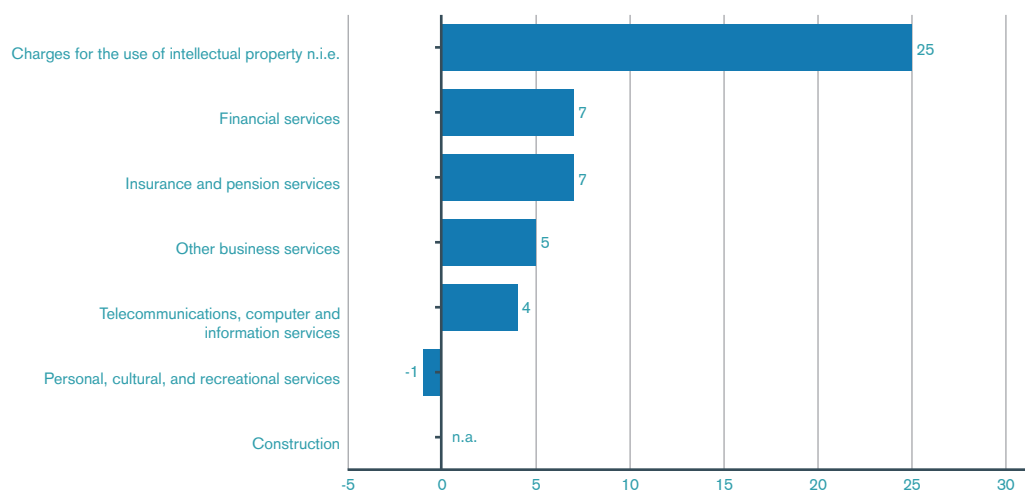


\* Break in series in 2017 due to construction.  
 Source: WTO-UNCTAD-ITC estimates.

Other commercial services made the largest contribution to services trade in developing economies in 2017 (see Chart 5.11). Within this category, intellectual property (IP)-related services expanded most rapidly, with developing economies' receipts for the use of licences and charges up by 25 per cent in

2017 (see Chart 5.12). However, as indicated in Chapter IV, world trade in charges associated with IP is dominated by flows between developed countries, largely between affiliated firms. The share of developing economies in this sector is only 8.0 per cent.

Chart 5.12  
**Developing economies' exports of other commercial services by main category, 2017**  
 (Annual percentage change)



**25%**  
 Increase in developing economies' receipts of charges associated with intellectual property in 2017.

Source: WTO-UNCTAD-ITC estimates.

However, the number of applications for patents, trademarks, industrial designs and utility models over recent years by developing Asian economies, in particular China, has undergone a remarkable growth (see Chart 5.13).

For example, in 2017, Chinese residents filed 48,882 applications for patents, ranking second after the United States and overtaking Japan, and 5,230 applications for trademarks, ranking third after the United States and Germany. The main areas of technology for China's patents in 2017 were digital communication, computer technology and electrical machinery and apparatus. Trademarks related mostly to

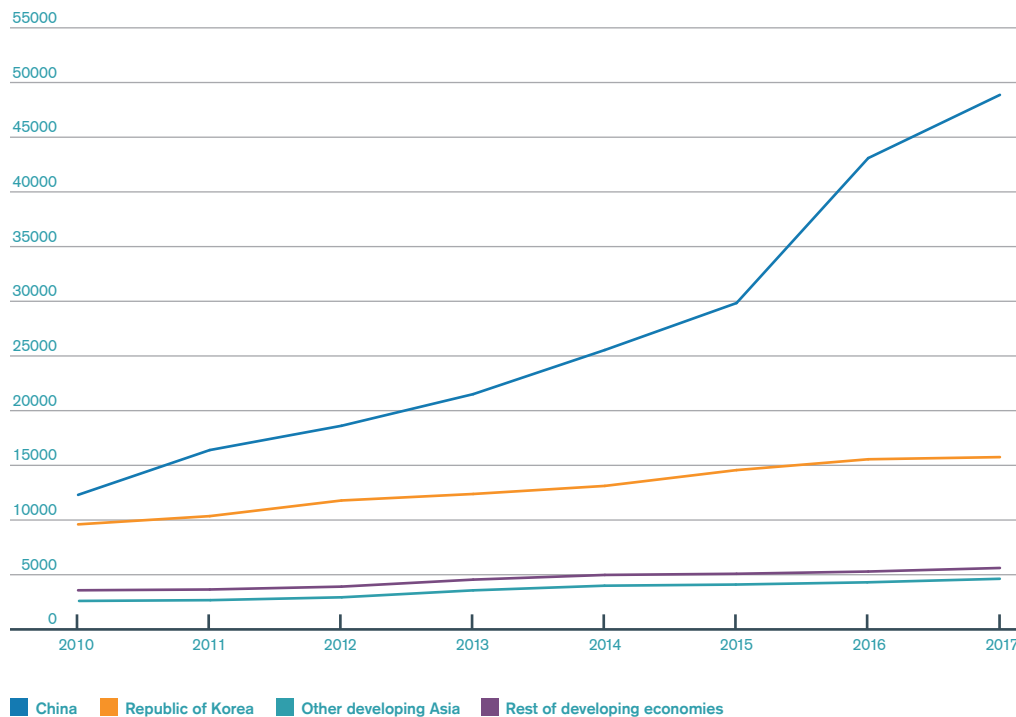
transportation, research and technology, and clothing. China ranked first for the number of new industrial designs contained in applications, with more than 650,000 in 2017, over half of the world total.

The Republic of Korea made over 15,700 patent applications in 2017, three times as many as those filed by developing economies in other regions. The country also ranked third globally for industrial designs, with 69,120 designs, mainly relating to information and communication technology and audio-visuals, followed by designs of tools and machines.

Chart 5.13

### Number of patent applications filed by developing economies, 2010-17

(Number of patent applications)



Note: Patent applications under the Patent Cooperation Treaty (PCT)  
Source: WIPO and WTO calculations based on WIPO statistics.

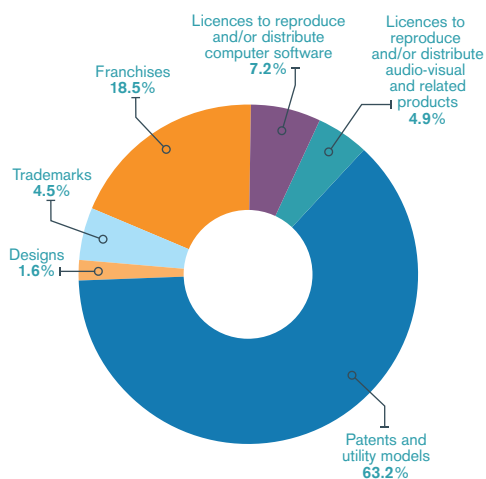
The high level of innovation in developing economies has rapidly translated into a significant rise in their exports. Between 2010 and 2017, leading exporters of charges for the use of IP in the developing group saw increases of 20-30 per cent on average per year.

In 2017, the Republic of Korea's exports were worth US\$ 7.1 billion, of which almost two-thirds were generated by receipts for copyrights from patents and utility models (see Chart 5.14). Exports were predominantly from large domestic firms in electronics manufacturing. The country's main partners in 2017 were China, the European Union and the United States.



Chart 5.14  
**Republic of Korea's receipts of charges for the use of IP n.i.e. by product, 2017**

(Percentage share)



Source: Bank of Korea.

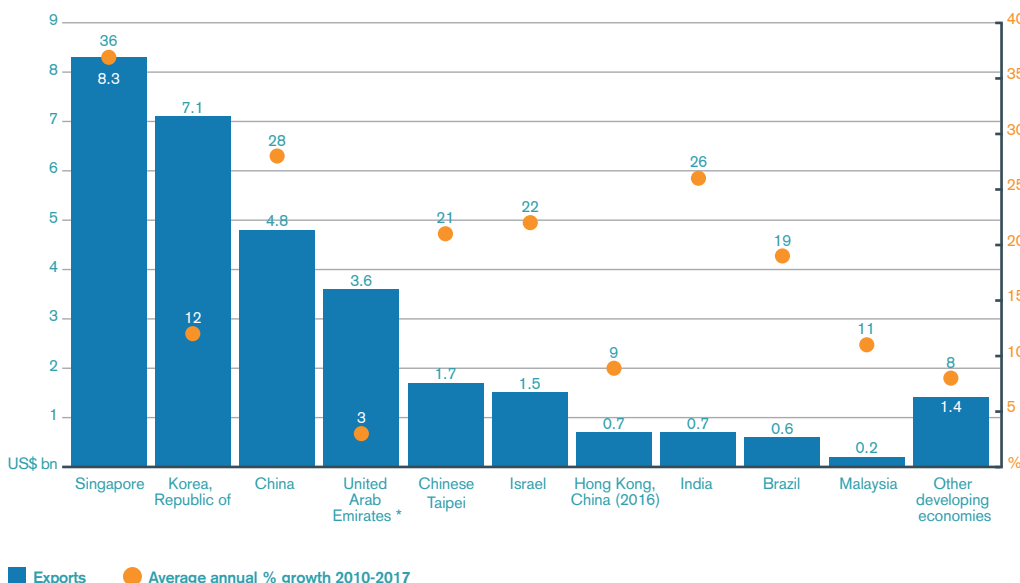
Singapore, the leading exporter of charges for the use of IP, had exports totalling US\$ 8 billion in 2017 (see Chart 5.15). Between 2010 and 2017, Singapore's receipts of charges have expanded annually by 36 per cent on average. Singapore published 860 patents in 2017, covering areas such as computer technology, semiconductors, pharmaceuticals, and medical and biotechnologies. With US\$ 4.8 billion worth of exports in 2017, China is ranked the third-highest recipient of charges associated with IP rights, with an annual growth as high as 308 per cent.

Some developing economies in other regions have also recorded a strong exports performance regarding IP. For example, Israel, a leading hub for research and innovation ranging from IT to medical technologies and pharmaceuticals, recorded an annual average growth of 22 per cent in the period 2010-17.

However, most developing economies, in particular the least-developed, are lagging behind in innovation, as shown by their low level of IP activity and the low value of their exports of charges associated with IP.

Chart 5.15  
**Receipts of charges for the use of IP n.i.e. in leading developing exporters, 2017**

(US\$ billion and average annual percentage change)



**US\$ 8 billion**

Singapore was the leading exporter of charges for the use of IP, with its exports totalling US\$ 8 billion in 2017.

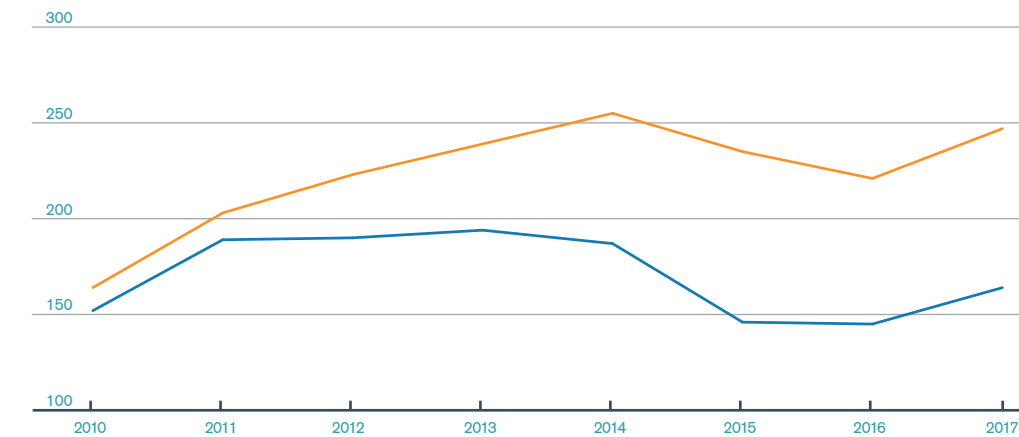
\* For the United Arab Emirates, the average annual growth refers to the period 2015-17.  
 Note: For Hong Kong, China, the value refers to 2016 and the average annual growth to the period 2010-16.  
 Source: IMF, OECD, national statistics and WTO-UNCTAD-ITC estimates.

**Merchandise exports of least-developed countries increase by 13 per cent**

Merchandise exports of the least-developed countries (LDCs) increased by 13 per cent in 2017 after three years of decline. This was higher than world growth of 11 per cent in 2017. LDC exports benefited in particular from the increase in energy prices, especially as fuels and mining products represent a high proportion of their exports. Merchandise imports of the LDCs increased by 12 per cent in 2017.

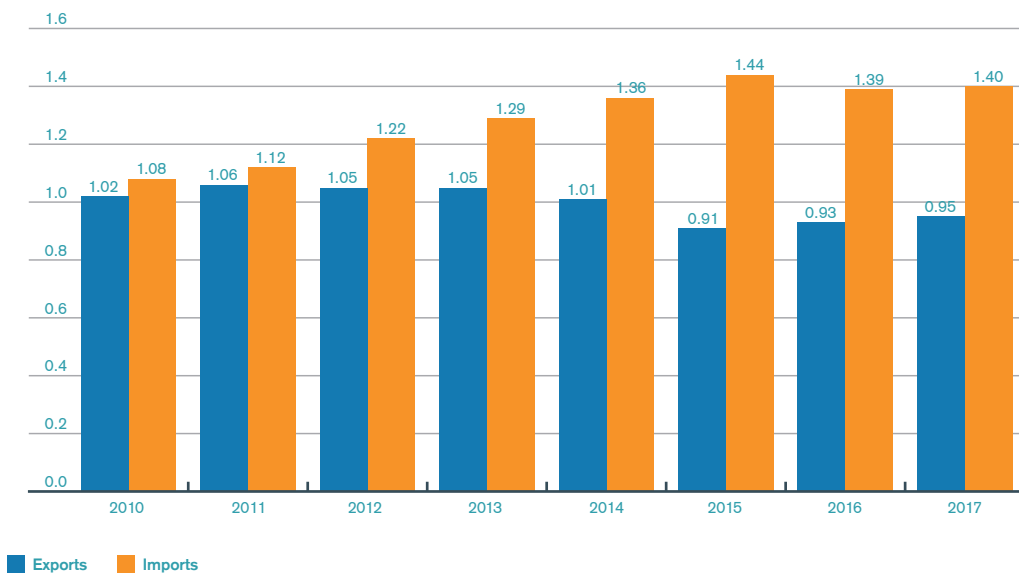
LDCs' share in world merchandise exports remained under 1 per cent in 2017, increasing slightly to 0.95 per cent from 0.93 per cent in 2016 (see Chart 5.16). Their share in world merchandise imports remained at 1.4 per cent. Among developing economies, LDCs' share stayed at 2.2 per cent for exports and 3.5 per cent for imports.

Chart 5.16  
**Merchandise trade of LDCs, 2010-2017**  
(US\$ billion)



**13%**  
Increase in merchandise exports of the least-developed countries in 2017.

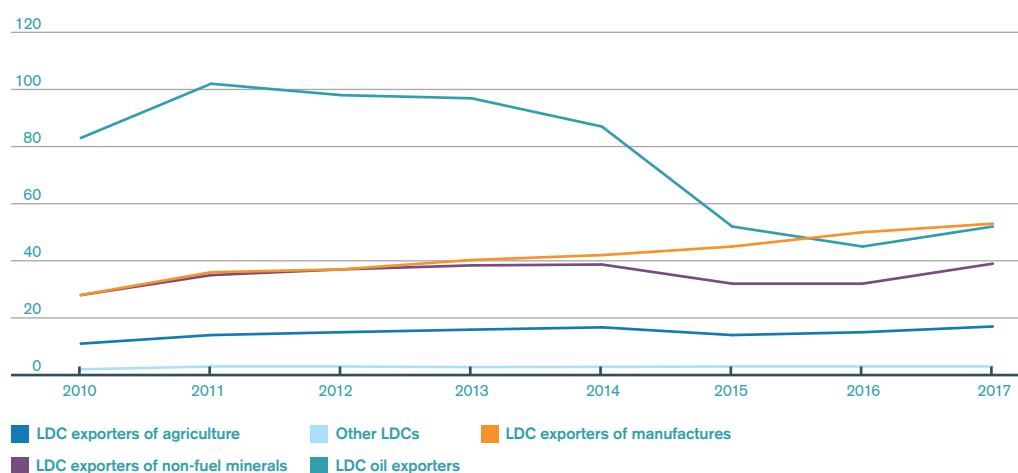
(Percentage share)



**0.95%**  
Share of LDC merchandise exports in world exports in 2017.

Source: WTO estimates.

Chart 5.17  
**LDC exporters by product group, 2010-2017**  
 (US\$ billion)



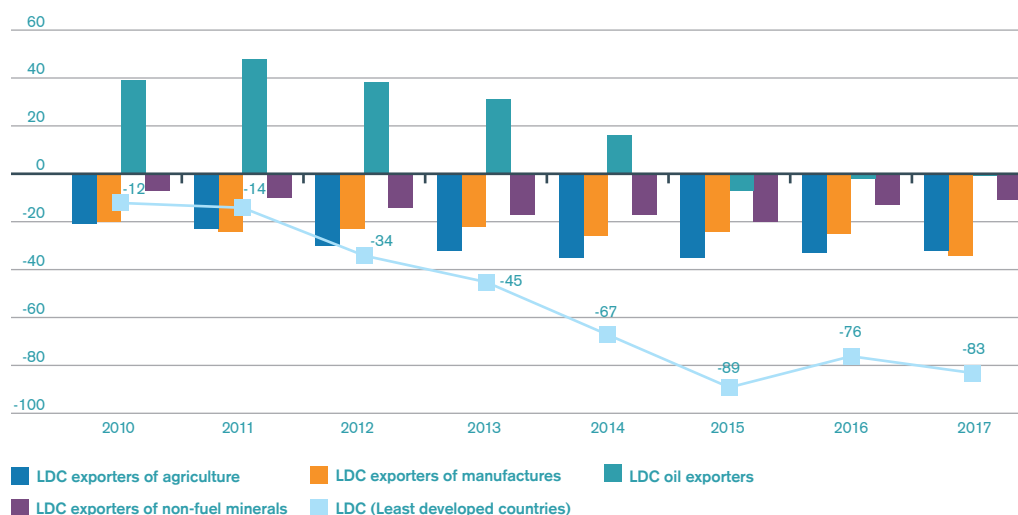
Source: WTO estimates.

Exporters of all LDC product groups (see Chart 5.17) recorded positive growth in 2017, ranging from 6 per cent for exporters of manufactured goods to 22 per cent for exporters of non-fuel minerals. LDC exporters of agriculture (+14 per cent), exporters of non-fuel minerals (+22 per cent) and other LDCs (+11 per cent) slightly exceeded the export values recorded in 2013 – the last year that LDC exports achieved positive growth. However, oil exporters (with growth of 16 per cent) were only just above half of the value recorded in 2013.

Among the top 20 LDC exporters (in terms of export values), the highest growth in exports was achieved by the Democratic Republic of the Congo (+46 per cent), followed by Mozambique (+42 per cent) and Guinea (+35 per cent). All three fall into the “exporters of non-fuel minerals” category. Declines were recorded for Chad (-28 per cent), Tanzania (-12 per cent) and Sudan (-2 per cent). Chad and Sudan are fuel exporters and Tanzania an exporter of non-fuel minerals.

**22%**  
 Growth in exports for LDC exporters of non-fuel minerals in 2017.

Chart 5.18  
**LDCs' trade balance, 2010-2017**  
 (US\$ billion)



Source: WTO estimates.

**US\$ 34 billion**  
 Trade deficit for LDC exporters of manufactured goods in 2017.

LDCs' trade deficit increased slightly to US\$ 83 billion (from US\$ 76 billion in 2016) but remained under the level recorded in 2015 (US\$ 89 billion – see Chart 5.18). The deterioration was mostly due to a significantly higher trade deficit for LDC exporters of manufactured goods (US\$ 34 billion in 2017 versus US\$ 25 billion in 2016). This was mainly caused by a marked increase in Bangladesh's imports (18 per cent), especially for agricultural products (sugar, cereals and cotton). All other groups of exporters reduced their trade deficit. LDC oil exporters almost achieved an equalized trade balance in 2017, with a trade deficit of just US\$ 0.9 billion.

**LDCs' services trade recovers in 2017**

Following two years of negative growth, LDCs' trade in commercial services recovered in 2017, with exports increasing by 7 per cent to reach US\$ 34.2 billion. This is almost equivalent to the total recorded in 2014 (US\$ 34.5 billion), the highest-ever level.

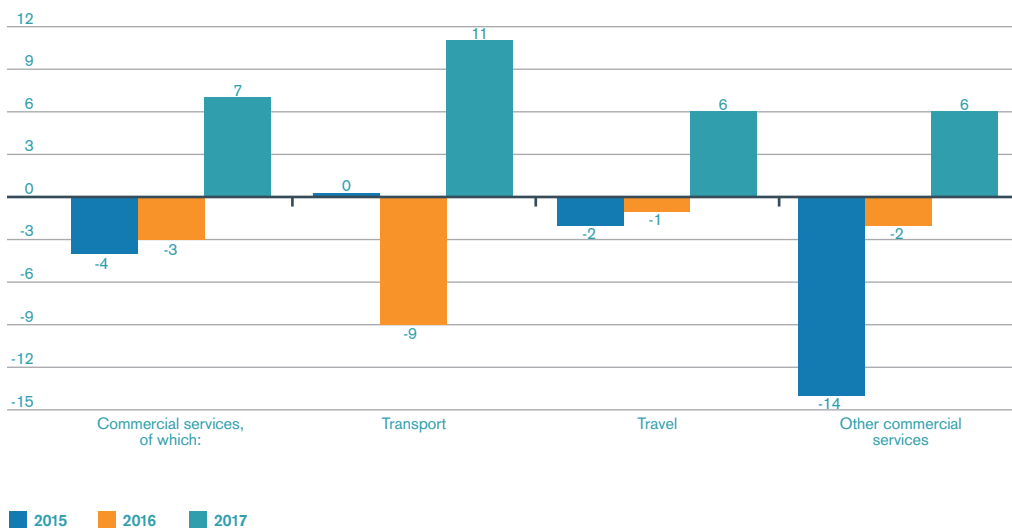
All services sectors saw growth, with transport exports rising by 11 per cent and travel earnings up by 6 per cent (see Chart 5.19).

Tourism is the main services sector for the LDCs, accounting for around 53 per cent of their total services exports. Exports of "other commercial services" also rebounded, with exports up by 6 per cent, largely due to the strength of other business services as well as personal, cultural, and recreational services.

However, LDCs' contribution to world services exports in 2017 remained well below 1 per cent (0.6 per cent), up by only 0.3 percentage points since 2005. Collectively, LDCs exported roughly the same value of services as Portugal or Greece. In addition, services exports remained concentrated in a few economies, with the ten leading exporters constituting 70.4 per cent of all services exported by LDCs.

LDCs imported services totalling US\$ 67.7 billion, an 8 per cent increase. However, LDCs' imports were significantly below the levels recorded in 2014, a decline of more than US\$ 13 billion. Overall, LDCs are net services importers, with a negative balance of US\$ 33.4 billion in 2017.

Chart 5.19  
**LDCs' exports of commercial services by main category, 2015-2017**  
(Annual percentage change)



Source: WTO-UNCTAD-ITC estimates.

Box 5.3

## Why is LDCs' participation in services trade so low?

The low participation of LDCs in services exports is due to a small domestic supply base. According to WTO Secretariat estimates, the share of commercial services (excluding public administration and defence and compulsory social security) in LDCs' total GDP averaged 41 per cent in 2014, the latest year for which estimates are available. This is significantly less than in high-income economies (where it is generally above 70 per cent) and in middle-income economies (over 50 per cent). It is

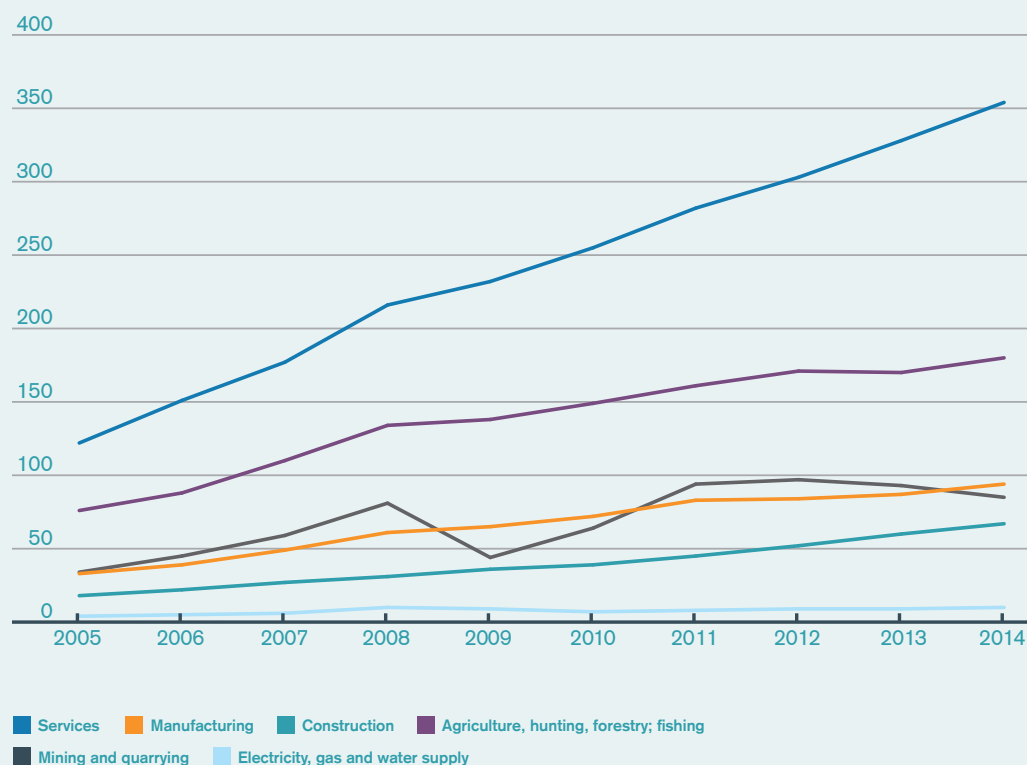
estimated that the value of LDCs' commercial services production in 2014 was US\$ 354 billion (see Chart 5.20). Of this total, US\$ 212 billion was generated by LDCs in Africa and US\$ 142 billion by LDCs in Asia. Although the value of services has risen rapidly over the last decade, the total for LDCs collectively was five to six times lower than in France or Germany.

LDCs' economies are mostly dominated by the primary sector, which contributes almost

Chart 5.20

### GDP by main economic activity in LDCs, 2005-14

(US\$ billion)

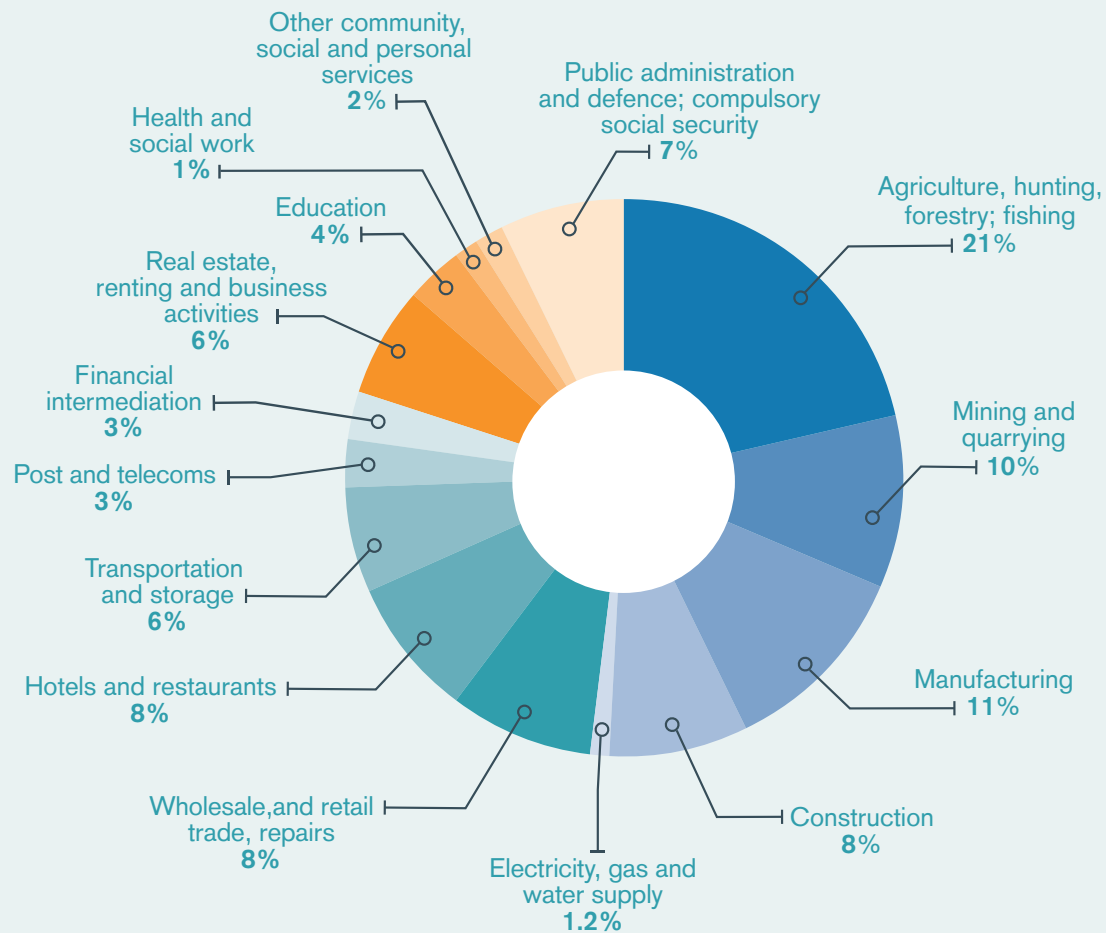


Source: WTO estimates on the basis of National Accounts statistics of 42 LDCs.

Chart 5.21

**GDP by main economic activity in LDCs, 2014**

(Percentage share)



Source: WTO estimates.

one-third of GDP. Agriculture, hunting, forestry and fishing accounted for 21.4 per cent in 2014, and mining and quarrying for an additional 10.2 per cent, predominantly due to LDCs in Africa (13.9 per cent). Manufacturing formed 11.2 per cent of LDCs' GDP, with the highest share found in LDCs in Asia (16.4 per cent), twice as high as in LDCs in Africa.

A breakdown by services reveals that the hotels and restaurants sector made the biggest

contribution to LDCs' GDP, accounting for 8.2 per cent of the total, peaking to 10 per cent of GDP for LDCs in Africa. Transport and storage stood at 6.2 per cent and communications at 2.8 per cent of the total GDP. Financial intermediation activities represented only 2.7 per cent, compared with 6 per cent for the world's leading financial services traders. Similarly, real estate, renting and business activities contributed 6.3 per cent in LDCs compared with 22 per cent in the European Union in the same year.