

2004

Development and Globalization:

Facts and Figures



UNITED NATIONS

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Development

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UNITED NATIONS

New York and Geneva, 2004

Development and Globalization: Facts and Figures was prepared under the auspices of the Central Statistics and Information Retrieval Branch of UNCTAD's Division on Globalization and Development Strategies, in collaboration with all UNCTAD divisions.

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UNCTAD/GDS/CSIR/2004/1

UNITED NATIONS PUBLICATION

Sales No. E.04.II.D.16

ISBN 92-1-112623-1

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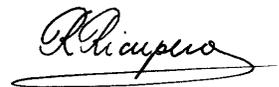
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This year marks the fortieth anniversary of the establishment of UNCTAD. Since the 1960s, the world has changed considerably, and so has the situation of developing countries. Indeed, a comparison of individual countries' paths of development reveals many disparities. Some developing countries are progressing faster than others in their integration into the global economy, and economic, social and demographic indicators are not moving in the same direction everywhere.

As a part of their quest for economic and social progress over the last four decades, developing countries in general have gradually adopted policies of greater openness to international trade, and as a result, their share in merchandise exports has increased from less than one fourth in 1960 to one third in the last few years. However, the picture is nuanced across regions: while East Asia and Central America have actively participated in the expansion of international trade, other regions, especially Africa, have not increased their exports as much.

Today, external development financing increasingly comes in the form of foreign direct investment: the share of FDI in private capital flows to developing countries and to countries in Central and Eastern Europe rose from 30% in 1980 - 1985 to 82% in 1998 - 2002. Nevertheless, a similar picture of widely differing experiences emerges, with private capital inflows being concentrated in a small number of emerging-market economies, while least developed countries, which are the most dependent on external financing, receive FDI only in small amounts or none at all.

The situation calls for development policies adapted to the specific needs of countries and regions. UNCTAD, working towards the achievement of that goal, issues publications with specific, in-depth information on subjects of particular interest to the developing world. Analyses are supported by detailed statistical documentation. *Globalization and Development: Facts and Figures* combines essential features of different UNCTAD flagship reports, offering key data on major trends from the 1960s to the present, in a quick-reference format, for those in search of basic information about world economic and social issues. It is my hope that this book will increase readers' desire for a more in-depth understanding of the specific topics tackled by other UNCTAD publications.



Rubens Ricupero
Secretary-General of UNCTAD

Acknowledgements

This publication was prepared by a team coordinated by Henri Laurencin, Head of the Central Statistics and Information Retrieval Branch of UNCTAD's Division on Globalization and Development Strategies.

The team included Arunas Butkevicius, Carlos Cañamero, Alexandre Dabbou, Marquise David, Pierre Encontre, Pilar Fajarnés-Garcés, Günter Fischer, Marco Fugazza, Alberto Gabriele, Samuel Gayi, Detlef Kotte, Kamran Kousari, Hiroaki Kuwahara, Micheline Massabni, Olivier Matringe, Jörg Mayer, Ludger Odenthal, Olle Ostensson, Antti Piispanen, Marie-Estelle Rey, Susan Teltscher and Katja Weigl.

Assistance in the preparation of statistics was provided by Sana Al-Jadir, Makameh Bahrami, Nelly Berthault, Sonia Blachier, Sanja Blazevic, Mohamed Chiraz Baly, Agnès Collardeau, Flavine Creppy, Yutian Meng, Yumiko Mochizuki, Alf Neumann, Xavier Petit, Alicia Rapin-Orrego, Utumporn Reungsuwan, Laurence Schlosser and Jean-Pascal Stancu.

The publication also benefited from comments by Mehmet Arda, Masataka Fujita, Richard Kozul-Wright, Samuel Laird and Anne Miroux.

Production support and advice was received from Jean-Claude Petitjean. Philippe Terrigeol did the desktop publishing, and Talvi Laev edited the publication. Günter Fischer contributed with the photographs he made. Claudia Cardenas, Petra Hoffmann and Madasamyraja Rajalingam provided assistance with various aspects of the production process.

Sita Kotamraju developed the Internet version.

The Statistics Division and the Population Division of the United Nations Department of Economic and Social Affairs, as well as numerous international organizations, contributed to *Development and Globalization: Facts and Figures*, especially by providing data and other information. Their cooperation is gratefully acknowledged.

Through succinct explanations and key data presented in easy-to-read tables and charts, this publication surveys major developments in the world economy over the past 40 years. Aimed at a broad audience, including readers with little or no background in economics, it describes in a straightforward manner the evolution of developing countries, particularly in the context of globalization. *Development and Globalization: Facts and Figures* is a quick-reference tool for evaluating the growth prospects of developing countries. It gives an overview of UNCTAD's work to identify the best policies and practices for developing countries to adopt in their quest for efficient economic and social progress and well-being.

The publication covers subjects tackled by UNCTAD and also includes relevant facts about population, added in order to present a more complete overview. General topics covered include international trade, transnational corporations, foreign direct investment, external finance and debt, production and trade of commodities and manufactures, and information and communication technologies (ICT). For some topics, there is a focus on selected country groups, in particular the least developed countries. Essential data are provided about the proliferation of trade agreements, intra-trade of trade groupings, trade structure by commodity sets, and ICT development. The publication also provides basic information on international trade in services, maritime transport, tariff protection measures, production, trade and pricing of primary commodities, and trade in manufactures. The explanatory texts complement the tables and graphs by highlighting key data and situating it in the context of the broader topic.

For each topic, a "To learn more" section highlights UNCTAD secretariat activities and points to a selection of UNCTAD publications and reference documents offering detailed analysis of the issues discussed and means of accessing other relevant information. UNCTAD's Digital Library (www.unctad.org) provides direct links to the materials, as well as to numerous related sources.

Development and Globalization: Facts and Figures is also available on the Internet at www.unctad.org/GlobStat.

More UNCTAD data can be obtained at www.unctad.org/statistics.

Explanations and symbols:

- Because of rounding, details and percentages in tables do not necessarily add up to totals.
- "Dollars" and "US\$" refer to US dollars.
- A zero (0) means that the amount is nil or negligible.
- The symbol underscore () indicates that the item is not applicable.
- Two dots (..) indicate that the data are not available or are not separately reported.
- Use of a hyphen (-) between years (e.g. 1965-1970) signifies the full period involved, including the initial and final years.
- Numbers in square brackets [] next to tables and graphs correspond to data source information on the facing text page.

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1

Countries, population and economic trends



1.1 Selected groups of developing countries

1.2 Population and gender issues

1.3 Output and demand

OVERVIEW

Since 1971, the United Nations has used the term **least developed countries (LDCs)** to denote a category of countries (originally 24, currently 50) that are poor and considered highly disadvantaged in their development process. Countries on this **list** are considered to have a particularly high risk of failing to overcome poverty, and to need the highest degree of support from the international community in their development efforts. By periodically identifying the LDCs and highlighting their structural problems, the United Nations sends a strong signal to the development partners of these countries and underscores the need for special concessions and **benefits** in their favour.

In 2002, the LDCs accounted for 11% of the world's population but only 0.6% of world GDP. Their average gross national income per capita was \$438, compared with \$2,848 in other developing countries. Over the period 1979–2001, LDCs experienced 9.5% more instability in their agricultural production and 49% more instability in their exports of goods and services than other developing countries. In 2002, their share of world merchandise exports was 0.6%, while that of other developing countries was 31%.

People in LDCs can expect to live an average of 50 years, compared with 63 years in developing countries as a group. About 95 out of 1,000 children in LDCs die in their first year, compared with 35 out of 1,000 in other developing countries. In 2001, one-third of the three million people who died of AIDS in the world were inhabitants of LDCs. In the past three decades, adult literacy in LDCs has increased from 22% to only 56%, compared with an increase from 53% to 83% in other developing countries.

DEFINITIONS

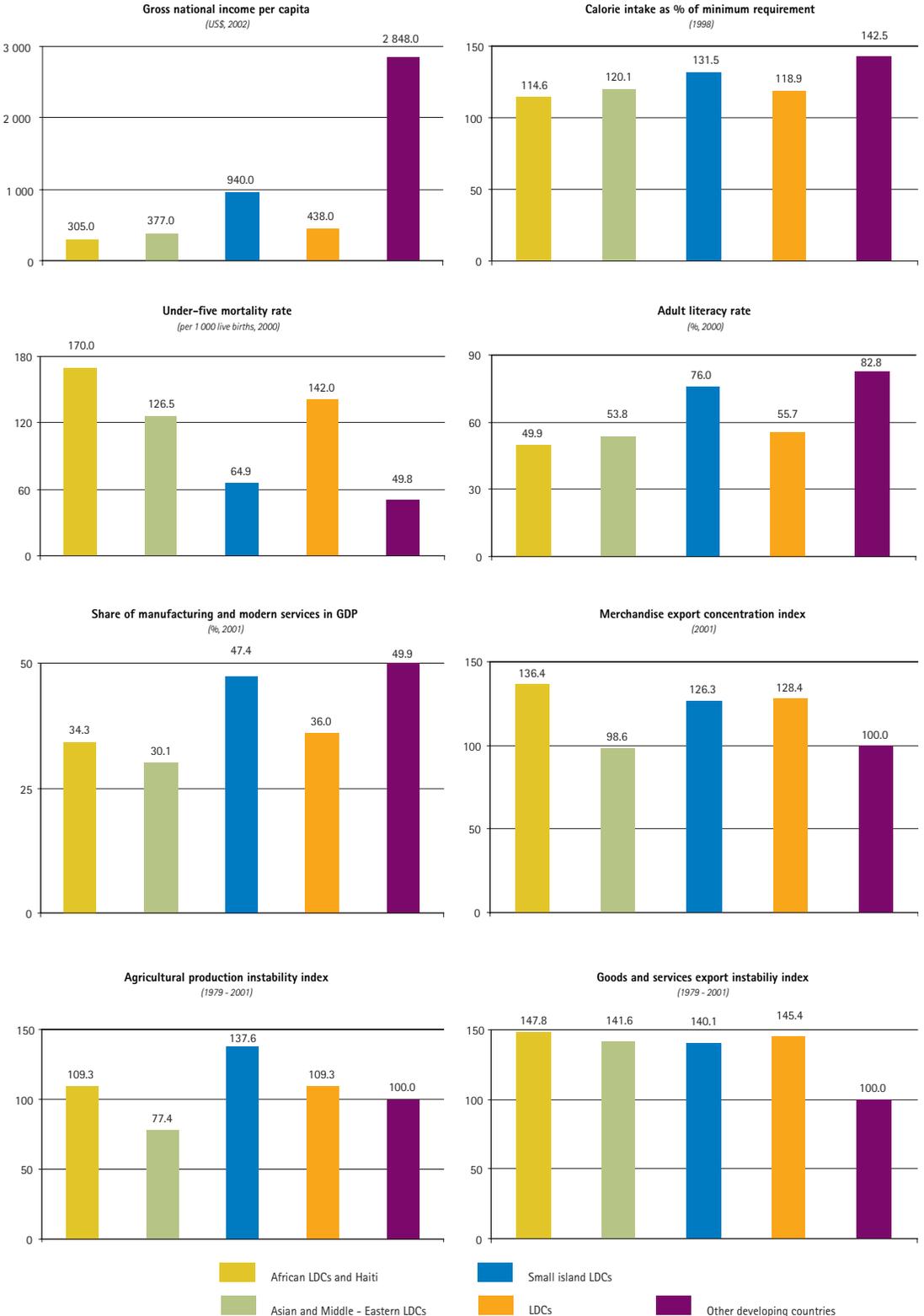
- In the 2003 triennial review of the list of **least developed countries (LDCs)** by the United Nations, the criteria used for inclusion in the new list were low income, based on a three-year average estimate of the gross national income per capita (under \$750 for inclusion, above \$900 for graduation); human resource weakness, involving a composite human assets index (HAI); and economic vulnerability, involving a composite economic vulnerability index (EVI).
- The official **list** of LDCs currently includes Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, the Central African Republic, Chad, Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.
- **Benefits** derived from LDC status include development financing from bilateral, regional, and multilateral donors and financial institutions, including grants and loans at very favourable terms; benefits in the multilateral trading system in the form of special concessions under several Agreements in the World Trade Organization and preferential market access by several trading partners; and technical assistance, including priority programmes in the United Nations system and through bilateral and multilateral development partners.

DATA SOURCES

[1] UN Economic and Social Council's Committee for Development Policy.

UNCTAD's Special Programme for Least Developed, Landlocked and Island Developing Countries is the main source of statistical information on the LDCs. It conducts research and analysis on the challenges LDCs face in the context of globalization and publishes the results in the periodic **Least Developed Countries Report**. The programme contributes to the triennial review of the list of LDCs and monitors the benefits derived from LDC status. It coordinates UNCTAD's capacity-building assistance in the LDCs, particularly through the inter-agency Integrated Framework for Trade-Related Technical Assistance to LDCs. Finally, it plays a catalytic role in supporting the development of some economic sectors particularly important to LDCs, such as cultural industries and international tourism. Information on UNCTAD's work in this area is available at www.unctad.org/lDCs.

Indicators relevant to the criteria for determining the list of LDCs [1]



OVERVIEW

The United Nations Convention on the Law of the Sea defines a landlocked country as a country that has no sea coast. Nearly all of the 31 **landlocked developing countries (LLDCs)** have a low per capita GDP, reflecting a wide range of development constraints, including small domestic markets, high vulnerability to economic shocks and natural disasters, low levels of human resources development, and limited domestic savings capacity.

The economic development of most LLDCs is adversely affected by remoteness from world markets. Four LLDCs in Central Asia are located at least 3,500 kilometres from the nearest maritime port. Another seven LLDCs face more than 1,500 kilometres of overland transport for merchandise, while the remaining LLDCs – with the exception of Ethiopia, Macedonia TFYR, Malawi, Moldova, Paraguay and Swaziland – are situated more than 1,000 kilometres from maritime ports. Given the long distances and the structure of these countries' exports, which are dominated by low-value bulk commodities, freight and related transit costs are especially burdensome and significantly reduce the potential for export-led growth in LLDCs. These countries are also negatively affected by the high costs of their imports. In addition, inadequate infrastructure, poor transport organization and a proliferation of official and non-official controls of transported goods make it difficult for these countries to compete in markets where just-in-time production, flexibility, speed and reliability in delivery of products have become crucial. However, the example of prosperous developed landlocked countries in Europe suggests that geographical disadvantages can be overcome.

Tackling the transit problems of LLDCs requires a multidimensional approach. In addition to development of adequate national transport networks and efficient transit systems, expansion of regional trade and economic integration, as well as efforts to attract foreign direct investment for the purpose of promoting industries that are not distance-sensitive, can help compensate for the geographical handicap of these countries.

DEFINITIONS

- Of the 31 **landlocked developing countries (LLDCs)**, 15 are located in Africa, 12 in Asia, 2 in Latin America and 2 in Europe. 16 landlocked developing countries also belong to the group of least developed countries (LDCs). For the listing of LLDCs, refer to the pages presenting country groups at the end of this booklet.

DATA SOURCES

- [1] UNCTAD *Handbook of Statistics 2003*, tables 3.2.1 and 4.1.
 [2] IMF, *Balance of Payments Statistics*.

In 2003 in Almaty, Kazakhstan, the United Nations convened an international ministerial conference aimed at helping landlocked and transit developing countries in the domain of transit transport cooperation. The conference adopted the **Almaty Programme of Action**. UNCTAD contributes to the implementation of the Programme in the areas of e-commerce and other trade issues, including trade facilitation. It also conducts economic analysis and provides technical assistance related to transit transport problems of landlocked developing countries.

Recent UNCTAD publications concerning these issues include ***Challenges and Opportunities for Further Improving the Transit Systems and Economic Development of Landlocked and Transit Developing Countries***; ***The Improvement of Transit Transport in Different Parts of the World: Strategies for Landlocked and Transit Developing Countries to Plan and Implement Sustainable Trade and Transport Facilitation Initiatives***; ***Improving Trade and Development Prospects of Landlocked and Transit Developing Countries***; and ***FDI in Landlocked Developing Countries at a Glance***.

Exports by commodity group, 2001 [1]

(in %)



Costs of insurance and freight services [2]

As % of merchandise imports

Regions	1980	1985	1990	1995	2000	2002
World	4.7	4.4	3.6	3.7	3.5	3.3
Developing countries	8.0	7.2	6.5	6.4	5.2	4.8
Landlocked countries	13.5	12.9	14.9	10.5	9.3	8.6
Countries in Central and Eastern Europe	4.3	4.0	5.3	3.0	2.4	2.4
Developed countries	3.8	3.6	2.8	2.8	2.9	2.9

Landlocked developing countries



OVERVIEW

The United Nations has recognized the specific problems of **small island developing states (SIDS)** since 1994, and UNCTAD's advocacy on behalf of these countries dates from 1974.

Though they differ significantly in terms of income level and human development, SIDS as a group are considered at greater risk of marginalization from the global economy than are many other developing countries. This risk results mainly from the combined adverse consequences of SIDS' remoteness from large markets, their high transport costs, their small size (more than half of SIDS are archipelagic), and their acute economic vulnerability to external shocks. With their exceptionally fragile ecosystems, SIDS are also environmentally highly vulnerable not only to domestic pollution factors but also to globally induced phenomena beyond their control, such as rising sea levels.

Over the last two decades, the relative importance of SIDS in global merchandise trade has diminished by half (from 0.4% of world exports of goods in 1980 to 0.2% in 2000), while their share of global trade in services has remained stable (0.7% of world exports of services). During the same period, SIDS were estimated to be economically 34% more vulnerable than other developing countries. Partly because of their exposure to natural disasters, their agricultural production was more unstable than that of other developing countries by 31%, and their exports of goods and services were more unstable by 10%. In 2001, SIDS had a 24% higher level of merchandise export concentration than other developing countries.

Support to SIDS under United Nations auspices since 1994 has focused on issues related to the consequences of climate change and rising sea levels; natural and environmental disasters; coastal and marine resources; land resources; freshwater resources; biodiversity; waste management; energy resources; tourism; transport and communication; science and technology; human resource development; and institutional capacities.

DEFINITIONS

- *The United Nations has never established criteria for inclusion of countries in any official list of **small island developing states (SIDS)**. Its list of SIDS is mainly based on the membership of the Alliance of Small Island States. In the absence of official criteria, UNCTAD, for analytical purposes only, uses the following list of SIDS: Antigua and Barbuda, Bahamas, Barbados, Cape Verde, Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, Marshall Islands, Micronesia (Federated States of), Mauritius, Nauru, Palau, Papua New Guinea, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu (29 countries).*
- *UNCTAD pursues comprehensive examination of the impact of globalization and trade liberalization on the economies of small island developing States. No special treatment has so far been granted by development partners on grounds of SIDS status. However, the World Bank Group has been implementing a "small island exception" in its policy of eligibility for International Development Association (IDA, concessionary) treatment. In the World Trade Organization, proposals particularly relevant to SIDS members have been considered under the Work Programme on Small Economies.*

DATA SOURCES

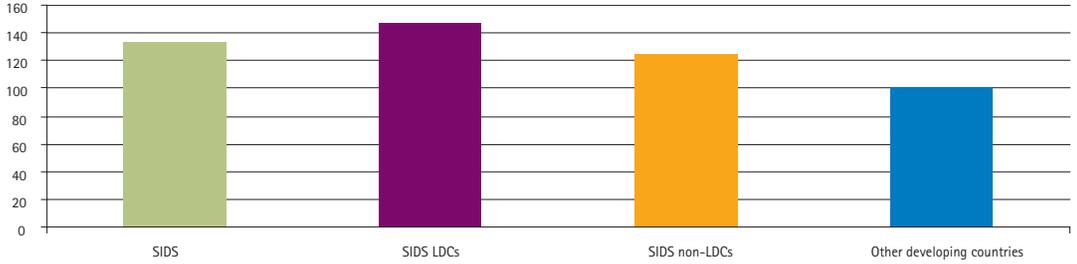
- [1] UN Economic and Social Council's Committee for Development Policy.

UNCTAD works to enhance SIDS' capacity to find new economic opportunities and avoid further marginalization from the global economy. UNCTAD's Special Programme for Least Developed, Landlocked and Island Developing Countries conducts research and analysis on SIDS-specific issues; offers policy advice to individual SIDS and to the category as a whole, especially in the multilateral trading system; and provides technical assistance at the national and regional levels. Information on UNCTAD's work in this area is available at www.unctad.org/ldcs. Another interesting related website is <http://www.un.org/ohrls>.

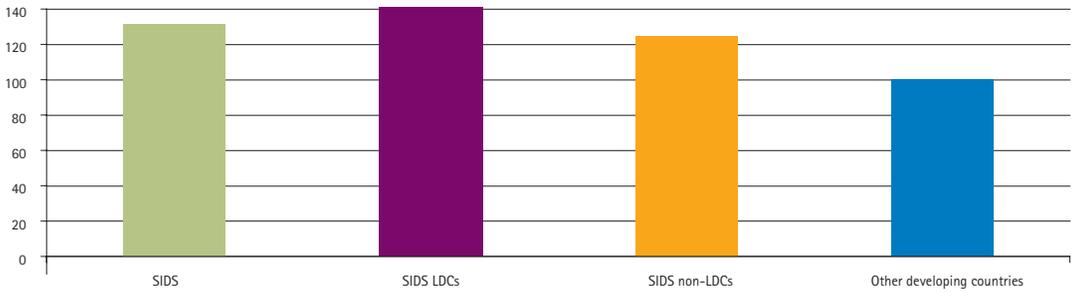
The Global Conference on the Sustainable Development of SIDS (Barbados, April–May 1994) resulted in the **Programme of Action for the Sustainable Development of SIDS**. The decennial review of the implementation of the Barbados Programme of Action will be completed at an international meeting in Mauritius in August–September 2004.

Indicators relevant to the criteria for determining the list of SIDS [1]

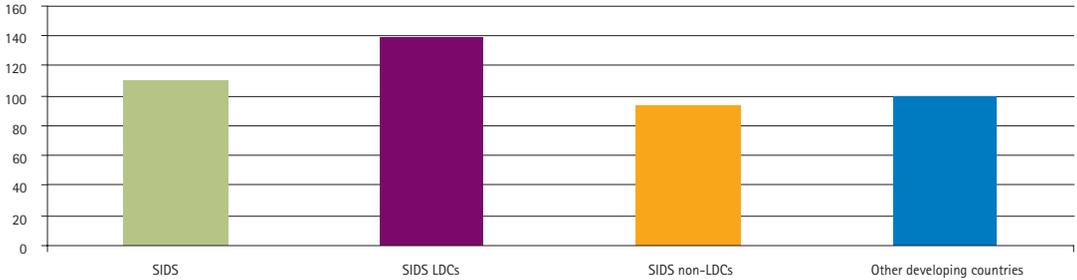
United Nations Economic Vulnerability Index (2003)
100 = Other developing countries



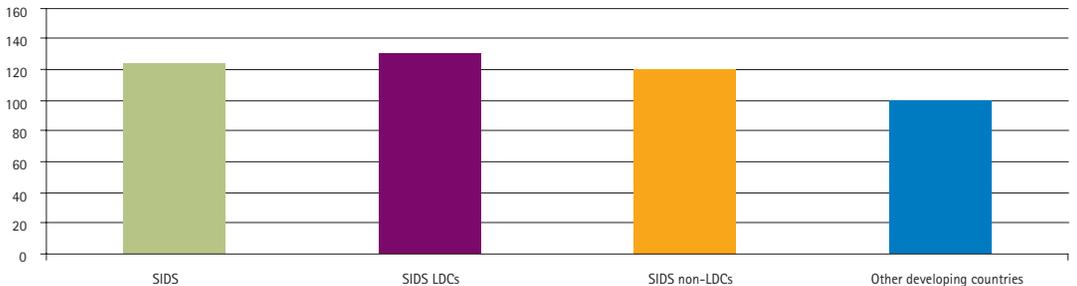
Index of instability of agricultural production (1979 - 2001)
100 = Other developing countries



Index of instability of exports of goods and services (1979 - 2001)
100 = Other developing countries



UNCTAD merchandise export concentration index (2001)
100 = Other developing countries



OVERVIEW

Africa's economic performance in the past two decades has been marked by slow and erratic growth. On average, real per capita GDP growth was negative during the 1990s, despite a marginal increase for **West** and **North Africa**. In **sub-Saharan Africa**, per-capita income fell to below \$300 during the mid-1990s and thereafter recovered only slightly.

The continent's share in world merchandise trade has declined steadily since 1980, reaching around 2% in 2002. Paradoxically, despite its heavy commodity dependence, Africa has even lost market share for its non-fuel commodity exports. Intra-regional trade, meanwhile, has grown in value in some regional economic communities, although it has not surpassed 13% of the total exports of any community.

High commodity price volatility, along with a decline in real prices and associated terms of trade losses, has exacted a heavy toll in terms of low incomes and investment and high levels of indebtedness and poverty. From the late 1980s to mid-1999, the ratio of external debt stock to exports deteriorated significantly, reaching more than 300% before dipping to below 200% in 2000. These figures are far above the ratios for the 1970s. Official development assistance flows to the continent have declined steadily since the mid-1990s, while foreign direct investment inflows have remained minuscule and are concentrated in a few countries' extractive industries.

Increased inflows of external resources – according to UNCTAD estimates, on the order of some 10% of GDP yearly for a decade – are needed to close the savings-investment gap. Only then can the continent diversify its economic base, attain and sustain high levels of growth, reduce aid dependence in the long term, and improve its chances of meeting the Millennium Development Goal of halving poverty by 2015.

DEFINITIONS

The sub-regions of Africa are as follows:

- **North Africa:** Algeria, Egypt, Libyan Arab Jamahiriya, Morocco, Sudan and Tunisia.
- **Sub-Saharan Africa:**
 - **West Africa:** Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.
 - **Central Africa:** Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda and Sao Tome and Principe.
 - **East and Southern Africa:** Angola, Botswana, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Reunion, Seychelles, Somalia, South Africa, Swaziland, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

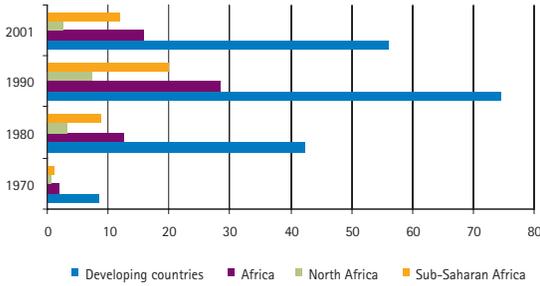
DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, tables 1.1, 1.4, 2.1, 6.5, 6.6, 7.1, 7.2 and 8.1.

Studies of Africa's economic performance have appeared in the following publications (available via the UNCTAD website): **Capital Flows and Growth in Africa**; **Economic Development in Africa: Performance, Prospects and Policies**; **Economic Development in Africa – From Adjustment to Poverty Reduction: What Is New**; and **Economic Development in Africa: Trade Performance and Commodity Dependence**. More detailed information can be obtained from the Office of the Special Coordinator for Africa, UNCTAD.

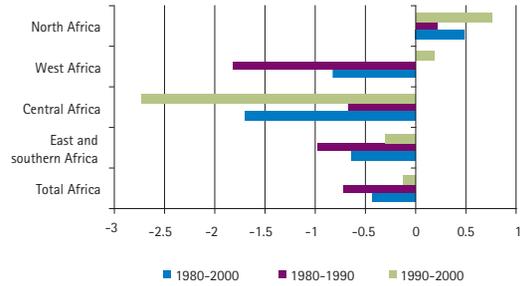
Official financial flows, 1970 - 2001 [1]

(in billion US\$)

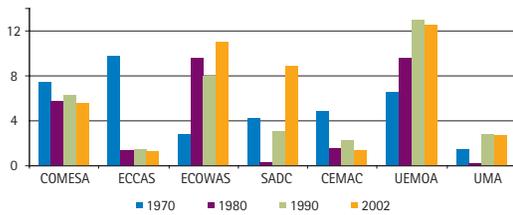


Growth of real GDP per capita, 1980 - 2000 [1]

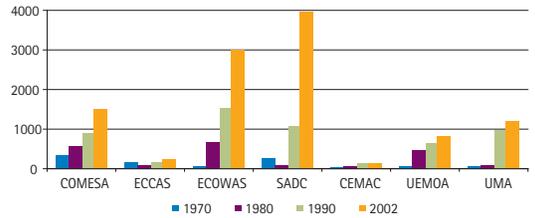
(in %)



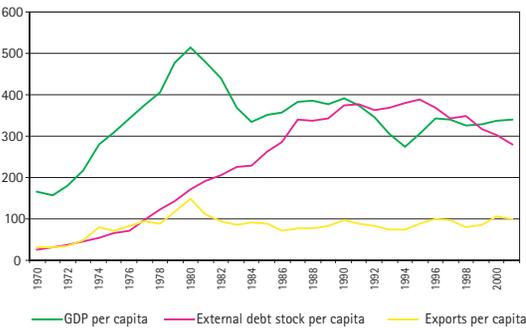
Share of intra-trade of major trade groupings in their total exports, 1970 - 2002 [1] (in %)



Intra-trade of major trade groupings, 1970 - 2002 [1] (in million US\$)

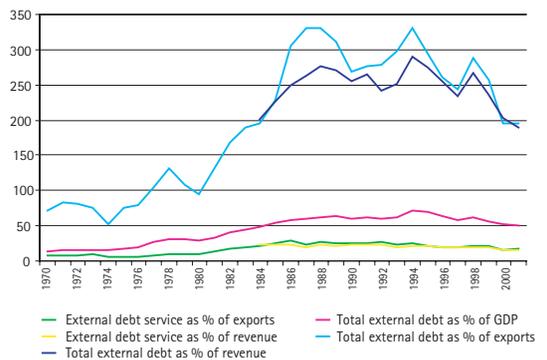


Sub-Saharan Africa's GDP, exports and external debt per capita, 1970 - 2001 [1] (in US\$)



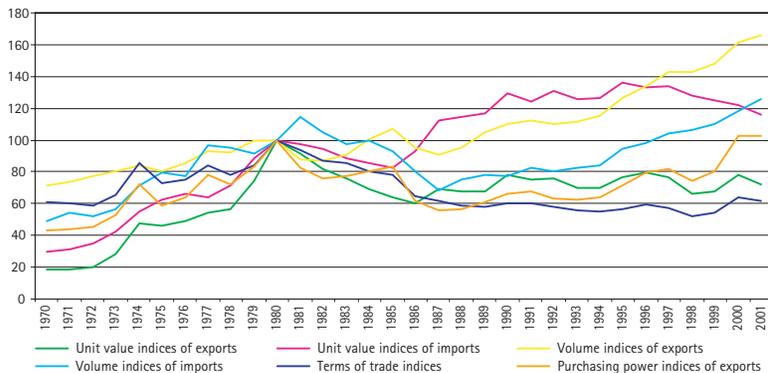
Selected indicators of debt ratios, 1970 - 2001 [1] (in %)

(in %)



Trade indices, 1970 - 2001 [1]

(1980 = 100)



1.2 Population and gender issues

OVERVIEW

During the past 50 years, the world has experienced record rates of population growth. **Total population** is currently growing at a rate of 1.2% annually, implying a net addition of 77 million people per year. The past five decades have also seen the ageing of the world population. The global **median age** increased by 2.8 years, from 23.6 years in 1950 to 26.4 years in 2000.

Population growth is much slower in industrialized countries (0.3%) than in developing regions (1.5%) and particularly the least developed countries (2.4%). From 1950 to 2010, Europe and North America's share of the world population will have fallen from 19.5% to 12% despite a considerable absolute increase, from 320 million in 1950 to more than 700 million in 2010. In contrast, a population explosion began in 1950 in Asia, followed, some decades later, by Africa and Latin America. Together, these three continents will account for 82% of the world's population by 2010.

At the world level, **life expectancy at birth** is likely to rise from 65 years today to 74 years in 2045–2050. But whereas more developed regions, with a life expectancy today of about 75 years, will see it rise to 82 years, the life expectancy in less developed regions will be at most 73 years by mid-century (up from 63 years today). According to the 2002 revision of United Nations population estimates and projections, in the 38 African countries, which are greatly affected by the HIV/AIDS epidemic, the population by 2015 is projected to be 91 million (10%) smaller than it would have been without AIDS. The number of excess deaths in these countries will be nearly 15 million during 2000–2005.

DEFINITIONS

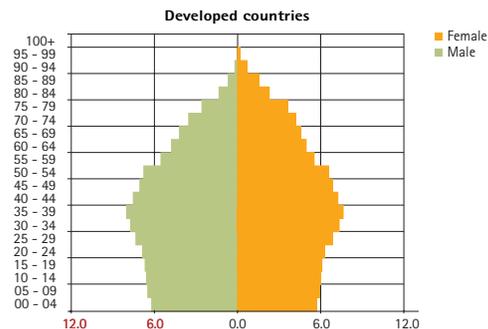
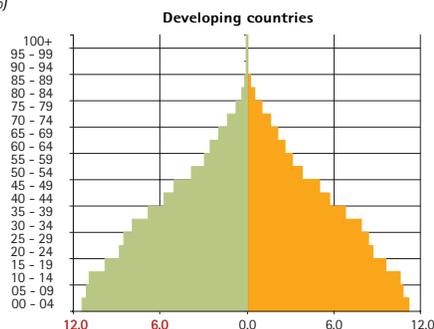
- The **total population** refers to the *de facto* population, which includes all people actually present in a given area at a given time.
- The **median age** is the age for which one-half (50%) of the population, ranked by age, falls above that value and one-half falls below that value.
- **Life expectancy at birth** is the average number of years that a newborn infant would live if age-specific mortality rate patterns prevailing at the time of birth remained constant.

DATA SOURCES

[1] United Nations Population Division database.

Population structure by age, 2000 [1]

(in %)



Population growth [1]

Population increase in % and population in millions

Regions	Population increase		2000			2010
	1960-1980	1980-2000	Male	Female	Total	Total
World	46.8	36.9	3 054	2 989	6 043	6 840
Developing countries	59.1	45.5	2 471	2 399	4 870	5 601
Africa	69.3	70.0	396	400	796	984
North Africa	65.1	56.3	87	86	174	208
Sub-Saharan Africa	70.7	74.4	308	314	622	776
Sub-Saharan Africa less South Africa	70.9	75.5	287	291	578	731
America	65.5	43.9	257	262	520	594
Central America and the Caribbean	70.4	45.1	85	87	172	198
South America	63.2	43.4	172	175	347	395
Asia	56.5	41.2	1 814	1 732	3 547	4 014
West Asia	78.7	73.2	121	115	236	287
Central Asia	62.1	30.7	36	37	73	79
South, East and South-East Asia	55.2	39.6	1 657	1 580	3 238	3 649
South, East and South-East Asia less China	57.9	48.3	1 013	972	1 985	2 284
Oceania	58.9	57.5	4	4	8	9
Countries in Central and Eastern Europe	16.8	3.5	160	151	311	335
Developed countries	19.2	13.4	422	440	862	904
North America	25.4	23.4	155	161	316	348
Europe	12.6	6.6	190	199	390	396
Others	27.0	12.8	77	79	156	160
<i>Memorandum</i>						
Developing countries less China	62.4	52.9	1 827	1 790	3 617	4 236
Least developed countries	62.6	66.8	334	334	668	845

Life expectancy at birth [1]

In years

Regions	1960 - 1965	1980 - 1985	2000 - 2005		2010 - 2015	
	Both sexes	Both sexes	Male	Female	Both sexes	Both sexes
World	52.4	61.3	63.3	67.6	65.4	67.2
Developing countries	47.7	58.5	61.7	65.1	63.4	65.3
Africa	42.0	49.8	47.9	50.0	48.9	51.0
North Africa	46.3	56.7	64.5	68.2	66.3	68.8
Sub-Saharan Africa	40.7	47.9	44.3	46.2	45.3	47.2
Sub-Saharan Africa less South Africa	40.0	47.3	44.6	46.0	45.3	47.9
America	56.8	64.9	67.1	73.9	70.4	72.6
Central America and the Caribbean	57.0	65.6	68.5	73.9	71.2	72.9
South America	56.7	64.6	66.5	73.9	70.1	72.5
Asia	47.7	59.7	65.0	68.3	66.6	68.8
West Asia	49.4	61.0	67.2	70.7	68.9	71.7
Central Asia	61.7	67.1	65.3	72.8	69.1	71.5
South, East and South-East Asia	47.3	59.4	64.9	68.0	66.4	68.5
South, East and South-East Asia less China	45.9	55.5	62.8	65.1	63.9	66.7
Oceania	44.4	54.3	60.6	63.2	61.7	65.3
Countries in Central and Eastern Europe	68.3	69.2	64.6	74.6	69.5	71.1
Developed countries	70.2	74.7	75.5	81.6	78.6	79.9
North America	70.1	74.1	74.5	80.1	77.4	78.5
Europe	70.5	74.5	75.4	81.6	78.5	79.9
Others	69.4	76.6	77.6	84.5	81.2	82.9
<i>Memorandum</i>						
Developing countries less China	47.0	56.0	59.7	62.7	61.2	63.5
Least developed countries	39.7	47.1	48.8	50.5	49.6	52.9

1.2 Population and gender issues

OVERVIEW

Literacy among men and women over age 15 is increasing, albeit slowly. The proportion of literate adults grew from roughly 70% in 1980 to 80% in 2000. Nevertheless, illiteracy remains the lot of nearly 1 billion adults. Of the estimated 862 million illiterate people in 2000, two-thirds are women, 99% of whom live in developing countries. In addition to its growing concentration among women, world illiteracy is also increasingly concentrated geographically in South Asia and sub-Saharan Africa: of the 23 countries with estimated **adult illiteracy rates** higher than 50% today, 15 are in sub-Saharan Africa and 5 in South Asia.

Despite rapid increases in school enrolments, which began in most parts of the world by the mid-1950s, in 1999 an estimated 115 million school-age children worldwide were still out of school, 56% of them girls. Some 94% of these children live in developing countries. Girls' **gross enrolment rate (GER)** in primary school increased 3%, from 93% in 1990 to 96% in 1999. Over the same period, the GER for boys fell from 106% to 104%. The **gender parity index (GPI)** improved in all regions, particularly in Latin America and the Caribbean, where the index is in favour of girls.

If gender disparities remain significant in primary education, they are amplified at the secondary level, especially in the developing regions. In 1990–1996, the secondary school enrolment GER was 55% for males and 46% for females. For the same period, the lowest observed secondary school enrolment GERs for both males and females were in sub-Saharan Africa (respectively 27% and 22%), and the widest gender gap was in South Asia (a 52% GER for males versus a 33% GER for females).

DEFINITIONS

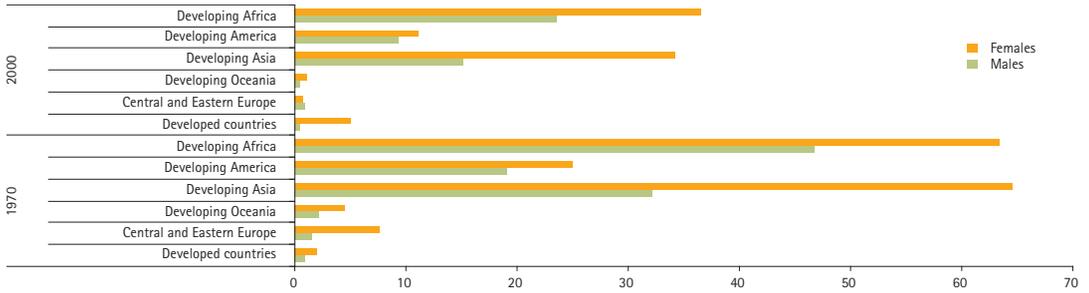
- The **adult illiteracy rate** is the number of illiterate adults expressed as a percentage of the total adult population aged 15 and above. A person is considered illiterate if he or she is unable to read and write a short, simple statement related to his or her daily life.
- The **gross enrolment rate (GER)** is the number of pupils enrolled in a level of education, regardless of age, expressed as a percentage of the population in the relevant official age group. Because of grade repetition and entry at younger and older ages than the typical grade-level age, GER can be higher than 100%.
- The **gender parity index (GPI)** is the ratio of female and male values of a given indicator. A GPI of 1 indicates parity between sexes; a GPI between 0 and 1 means a disparity in favour of boys; and a GPI greater than 1 indicates a disparity in favour of girls.

DATA SOURCES

- [1] UNESCO database.
- [2] UNESCO *Statistical Yearbook*, 1971 and 1999 editions.
- [3] UNESCO, *Global Education Digest 2003* (CD-ROM).

For more information, see UNESCO, *The 2002 Education for All (EFA) Global Monitoring Report* and *The World Education Report 2000*; United Nations Statistics Division, *The World's Women 2000: Trends and Statistics*; and the UN Research Institute for Social Development, *Visible Hands: Taking Responsibility for Social Development*.

■ Illiteracy rate [1]



■ Primary school enrolment [2] [3]

Total in thousands and female as % of total

Regions	1960/1961		1980/1981		1999/2000	
	Total	Female	Total	Female	Total	Female
World	341 815	-	538 679	44.0	601 525	46.7
Developing countries	207 969	41.0	454 181	43.1	524 422	46.4
Africa	18 639	35.2	62 524	41.2	72 874	46.2
North Africa	5 141	35.6	13 135	40.6	20 441	46.3
Sub-Saharan Africa	13 498	35.1	49 389	41.3	52 434	46.2
Sub-Saharan Africa less South Africa	11 246	32.2	45 036	40.5	44 498	45.7
America	26 615	46.2	64 924	47.7	67 727	48.4
Central America and the Caribbean	9 015	41.3	22 158	45.7	22 454	48.4
South America	17 600	48.8	42 767	48.7	45 273	48.4
Asia	162 335	40.8	326 180	42.6	383 014	46.1
West Asia	6 356	33.6	20 959	35.0	27 267	46.9
Central Asia	..	..	3 557	42.0	3 362	48.7
South, East and South-East Asia	155 979	41.1	301 664	43.1	352 385	46.0
South, East and South-East Asia less China	65 979	35.7	155 394	41.8	222 253	45.1
Oceania	380	40.9	553	42.2	807	46.0
Countries in Central and Eastern Europe	54 275	46.3	22 240	46.6	14 736	48.4
Developed countries	79 571	-	62 257	48.7	62 367	48.5
North America	33 134	..	22 605	48.8	27 402	48.4
Europe	31 253	48.7	25 094	48.6	24 451	48.6
Others	15 184	48.3	14 558	48.7	10 513	48.7
<i>Memorandum</i>						
Developing countries less China	117 969	37.9	307 911	42.4	394 290	46.0
Least developed countries	12 775	33.0	57 287	41.5	59 293	46.0

■ Secondary school enrolment [2] [3]

Total in thousands and female as % of total

Regions	1960/1961		1980/1981		1999/2000	
	Total	Female	Total	Female	Total	Female
World	70 726	39.2	248 732	44.1	418 318	45.3
Developing countries	26 701	33.3	163 435	41.1	316 990	44.0
Africa	1 928	31.0	13 541	35.0	27 743	45.1
North Africa	899	27.1	5 728	37.5	14 454	44.4
Sub-Saharan Africa	1 029	34.5	7 813	34.0	13 289	45.9
Sub-Saharan Africa less South Africa	566	22.6	7 271	32.0	9 052	42.7
America	4 030	46.0	16 712	49.0	52 866	50.7
Central America and the Caribbean	1 158	43.3	7 732	46.6	12 653	48.8
South America	2 872	47.1	8 979	51.1	40 213	51.3
Asia	20 721	31.0	133 004	36.5	236 194	42.4
West Asia	1 202	26.3	7 890	36.7	20 019	45.1
Central Asia	..	..	7 203	46.9	4 603	48.8
South, East and South-East Asia	19 519	31.3	117 911	35.8	211 572	42.0
South, East and South-East Asia less China	9 529	23.3	61 133	32.6	125 055	43.3
Oceania	21	42.6	178	41.0	186	42.3
Countries in Central and Eastern Europe	7 230	20.3	23 274	50.9	27 270	49.8
Developed countries	36 795	47.3	62 022	49.5	74 059	49.4
North America	10 594	49.4	23 908	49.3	25 000	49.0
Europe	16 221	45.8	26 904	49.7	36 761	49.7
Others	9 980	47.4	11 210	49.4	12 298	49.1
<i>Memorandum</i>						
Developing countries less China	16 711	29.9	106 657	42.1	230 473	45.5
Least developed countries	491	18.4	8 374	29.4	19 750	45.6

1.2 Population and gender issues

OVERVIEW

Every year, some 585,000 women die as a result of pregnancy and childbirth, 99% of them in developing countries. In this part of the world, **maternal death** continues to be a leading cause of death for women of reproductive age.

Although the global **under-five mortality rate (U5MR)** declined from 92 per 1,000 live births in the early 1990s to 82 in 2001, significant challenges remain in sub-Saharan Africa, where the rate is 172. Nearly 11 million children under age five died in 2000. Malnutrition is associated with half of all under-five deaths. In sub-Saharan Africa, the increasing number of under-five deaths is caused by HIV/AIDS and low immunization coverage as a result of weak health care systems.

The limited economic resources of girls and women, which are a fundamental determinant of maternal mortality, have been aggravated by health sector reforms initiated by various countries in the 1990s. Cost recovery schemes in particular have prevented many women from attending **antenatal** clinics and delivering in the presence of **skilled attendants**. Between 1995 and 2000, in developing and least developed countries, only 52% and 27% of births respectively were attended by skilled health personnel, compared to 98% in developed countries, and only 40% of deliveries in developing countries occurred in a hospital or health centre.

Moreover, women now account for almost half of all cases of **HIV/AIDS**. In 2002, 2.5 million adults died of AIDS, 1.2 million of them women. Of the 4.2 million newly infected adults in 2002, 2 million were women. Out of a total of 42 million adults and children estimated to be living with HIV/AIDS (as of the end of 2002), 29 million live in sub-Saharan Africa and 6 million in South and South-East Asia. In sub-Saharan Africa, more than 55% of infected adults are women. In South and South-East Asia, 60% of young people with HIV/AIDS are female.

DEFINITIONS

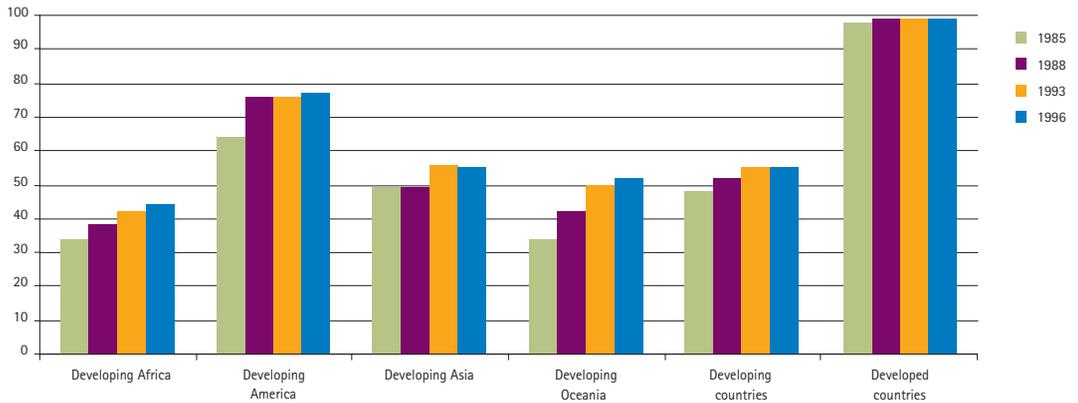
- **Maternal death** is the death of a woman during pregnancy or within 42 days of termination of the pregnancy, regardless of the site or duration of the pregnancy, from any cause related to or aggravated by the pregnancy or its management.
- The **under-five mortality rate (U5MR)** is the probability per 1,000 live births of dying between birth and exactly five years of age. For industrialized countries, the data come from vital registration systems; for many other countries, where the majority of under-five deaths occur, the data are derived from censuses and household surveys.
- An **antenatal examination** is a medical examination of a pregnant woman. The World Health Organization recommends a minimum of four prenatal consultations for a normal pregnancy.
- The term "**skilled attendant**" refers exclusively to health personnel with midwifery skills, who have been trained to proficiency in the skills necessary to manage normal deliveries and diagnose, manage or refer obstetric complications.
- **HIV** (Human Immunodeficiency Virus) is a virus that destroys a certain kind of blood cells that are crucial to the normal function of the human immune system. Although it is known that HIV is the cause of **AIDS** (Acquired Immune Deficiency Syndrome), much remains to be known about how HIV causes the immune system to break down. People infected with HIV will most eventually develop AIDS, but scientists and researchers have observed a wide variation in disease progression. The most common measure of the HIV/AIDS epidemic is the prevalence of HIV infections among a country's adult population (the percentage of the adult population living with HIV) correlated with HIV incidence (the number of new infections observed over a year among previously uninfected people).

DATA SOURCES

- [1] World Health Organization database.
- [2] United Nations, *Statistical Yearbook*, 46th edition (2002).
- [3] UNAIDS/WHO, *AIDS Epidemic Update*, (December 2002).

Maternal care [1]

Skilled attendant at delivery (%)



Maternal care, 1996 [1]

Thousands of pregnant women

Regions	Women with			Women not having		
	Antenatal care	Deliveries in health facilities	Skilled attendant at delivery	Antenatal care	Deliveries in health facilities	Skilled attendant at delivery
World	96 010	64 780	80 690	44 730	75 960	60 040
Developing countries	82 130	50 750	66 540	44 240	75 630	59 840
Africa	19 290	11 180	12 790	11 440	19 550	17 930
Asia	53 900	30 890	44 600	29 510	52 530	38 820
America	8 770	8 570	9 030	3 240	3 440	2 980
Oceania	170	110	120	50	110	110
Developed countries	13 880	14 030	14 160	480	330	200

Reported AIDS cases [2]

Total reported cases up to 1991, 1996, 2000 and new cases reported in 1997, 1998, 1999

Regions	Cumulative 1991	Cumulative 1996	1997	1998	1999	Cumulative 2000
World	574 627	1 682 658	222 835	226 251	220 068	2 514 887
Developing countries	239 721	852 579	152 082	166 763	160 532	1 439 023
Africa	161 741	535 150	78 012	96 420	95 392	861 876
America	75 050	237 846	41 916	37 455	33 667	370 768
Asia	2 768	79 162	32 011	32 649	31 239	205 329
Oceania	162	421	143	239	234	1 050
Countries in Central and Eastern Europe	524	4 457	1 192	1 324	1 281	9 892
Developed countries	334 382	825 622	69 561	58 164	58 255	1 065 972
<i>Memorandum</i>						
Developing countries less China	239 713	852 424	151 956	166 627	160 302	1 438 143
Least developed countries	96 927	263 511	53 809	49 092	61 588	471 206

Global summary of the HIV/AIDS epidemic, December 2002 [3]

In millions

	Adults			Children under 15 years	Total
	Total	Male	Female		
Number of people living with HIV/AIDS	38.6	19.4	19.2	3.2	42.0
People newly infected with HIV	4.2	2.2	2.0	0.8	5.0
AIDS deaths	2.5	1.3	1.2	0.6	3.1

1.2 Population and gender issues

OVERVIEW

Although the share of the **economically active population** in the agricultural sector has been declining steadily in developing countries, the sector still absorbs the largest share of economically active people, mainly in Africa and Asia (respectively 63% and 64% in 1990). Only in Central and South America is its share (25% in 1990) approaching the low percentage prevailing in developed countries (5% in the same year).

Women's participation in the world **labour force** has grown slowly, rising from 36% in 1960 to 40% by 1997. In the past two decades, the largest increase among developing countries occurred in South America, where the employment rate for women rose from 26% to 45% between 1980 and 1997. The lowest rates were found in North Africa and West Asia, where fewer than one third of women are economically active.

Indeed, changing production structures in open economies have increased the demand for female labour. Sectors with strong female participation include the agro-industries, low-skilled export manufacturing – notably in the textile, clothing, leather and electronics industries – and the “non-traditional” agricultural sector, which includes products such as cut flowers and seasonal fruits and vegetables. Expanding export-oriented industries, particularly in manufacturing, depend heavily on the unskilled and semi-skilled female labour force. It is estimated that women comprise most of the workforce in **export processing zones** around the world.

Female workers in developing countries are often found in the category of **self-employment**. In Africa, South America, South Asia and Eastern Europe, between 1970 and 1990, self-employment increased mainly in non-agricultural activities such as petty trading, service repairs, transport and small manufacturing. In these regions, women's self-employment as a proportion of the non-agricultural labour force has grown. Micro- and small enterprises include a particularly high percentage of self-employed women.

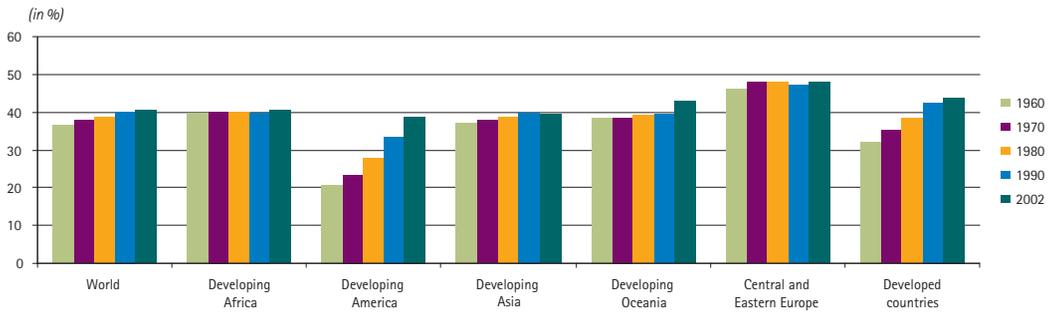
DEFINITIONS

- The **labour force**, or **economically active population**, includes all persons who meet the requirements for inclusion among the employed or the unemployed as defined in the relevant resolution adopted by the 13th International Conference of Labour Statisticians (October 1982).
- An **export processing zone** is a delimited geographical area or an export-oriented manufacturing or service enterprise, located in any part of a country, that benefits from special investment promotion incentives, including exemptions from customs duties and preferential treatment with respect to various fiscal and financial regulations.
- **Self-employment** includes employers and own-account workers.

DATA SOURCES

- [1] ILO Bureau of Statistics, on the basis of ILO's Preliminary Results of the Economically Active Population 1950-2020, 5th edition (2004).
- [2] United Nations, *Women's Indicators and Statistics Database (Wistat)*, version 4 (CD-ROM).

■ Participation of women in total economically active population [1]



■ Total economically active population [2]

Share by sector in % and total in thousands

Regions	1970				1990			
	Total	agriculture	industry	services	Total	agriculture	industry	services
World	1 655 195	56.2	19.2	24.6	2 504 201	48.9	20.0	31.1
Developing countries	1 192 072	71.3	11.9	16.8	1 936 977	60.6	16.1	23.3
Africa	158 677	75.8	8.9	15.3	265 398	62.8	11.1	26.1
North Africa	28 344	63.2	13.3	23.5	48 769	42.9	21.8	35.3
Sub-Saharan Africa	130 333	78.5	8.0	13.5	216 629	67.3	8.6	24.1
Sub-Saharan Africa less South Africa	121 945	81.8	6.5	11.8	202 309	71.1	7.0	21.9
America	95 145	42.0	22.2	35.8	174 833	25.4	23.6	51.0
Central America and the Caribbean	29 478	45.8	21.2	33.0	54 942	30.0	23.3	46.7
South America	65 667	40.4	22.6	37.0	119 891	23.3	23.8	52.9
Asia	936 758	73.5	11.3	15.2	1 494 452	64.3	16.1	19.6
West Asia	35 346	60.2	17.2	22.6	63 627	38.1	21.0	41.0
Central Asia	17 758	35.3	27.4	37.3	28 531	29.5	28.8	41.7
South, East and South-East Asia	883 654	74.8	10.8	14.4	1 402 294	66.1	15.7	18.2
South, East and South-East Asia less China	455 345	71.5	11.4	17.2	718 172	60.3	16.2	23.4
Oceania	1 492	82.4	6.0	11.7	2 294	75.3	7.5	17.2
Countries in Central and Eastern Europe	154 853	28.7	38.7	32.6	173 792	18.0	40.5	41.5
Developed countries	308 270	11.5	37.8	50.8	393 432	5.3	30.0	64.8
North America	98 127	4.6	32.3	63.1	142 716	2.9	25.9	71.2
Europe	149 265	13.2	42.6	44.2	174 725	6.4	32.0	61.6
Others	60 878	18.3	34.7	47.0	75 991	7.1	33.0	59.9
<i>Memorandum</i>								
Developing countries less China	763 763	67.4	12.8	19.8	1 252 855	54.2	16.7	29.2
Least developed countries	172 756	82.5	6.2	11.3	270 402	71.3	8.6	20.0

■ Female economically active population [2]

Participation of women in the employment sector in %

Regions	1970				1990			
	Total	agriculture	industry	services	Total	agriculture	industry	services
World	37.8	41.1	27.7	38.2	39.9	42.7	31.0	41.4
Developing countries	37.2	40.9	26.0	29.5	38.9	42.9	31.1	34.0
Africa	40.0	44.5	15.9	32.1	39.9	46.4	17.7	33.6
North Africa	26.0	33.7	11.3	13.7	27.5	40.5	15.3	19.1
Sub-Saharan Africa	43.1	46.3	17.6	39.1	42.7	47.2	19.0	38.4
Sub-Saharan Africa less South Africa	43.8	46.7	19.5	36.8	43.1	47.5	19.7	36.2
America	23.5	14.3	18.9	37.3	32.5	16.9	21.9	45.3
Central America and the Caribbean	23.0	13.8	18.8	38.6	31.3	14.8	25.3	45.0
South America	23.7	14.5	19.0	36.7	33.1	18.1	20.3	45.4
Asia	38.1	41.8	28.8	27.1	39.5	43.5	34.3	30.6
West Asia	27.2	37.2	14.4	10.6	25.4	43.1	12.1	15.8
Central Asia	47.0	50.5	35.0	52.5	45.5	42.7	35.4	54.4
South, East and South-East Asia	38.4	41.9	29.4	26.9	40.0	43.5	35.6	31.0
South, East and South-East Asia less China	35.3	39.5	28.1	22.2	35.3	39.2	32.0	27.6
Oceania	38.7	43.1	5.6	24.7	39.7	44.6	18.6	27.6
Countries in Central and Eastern Europe	47.8	50.3	38.2	57.0	47.2	39.9	39.1	58.4
Developed countries	35.2	35.2	24.3	43.3	41.8	35.4	26.0	49.7
North America	35.9	17.1	22.9	44.0	44.3	22.5	25.6	52.0
Europe	33.5	30.7	23.7	43.8	40.6	36.3	24.3	49.5
Others	38.0	50.6	28.2	40.4	40.0	43.3	30.2	45.0
<i>Memorandum</i>								
Developing countries less China	34.7	38.8	23.8	27.9	35.6	39.7	26.8	33.1
Least developed countries	42.6	45.1	29.7	30.8	42.3	46.8	31.5	31.2

1.3 Output and demand

OVERVIEW

World output remains heavily concentrated in developed countries. In 2001, developing countries accounted for only about one fifth of world **nominal gross domestic product (GDP)**, while they represented 80% of the global population.

Real per capita GDP declined in Africa and Central and Eastern Europe between 1980 and 2000. The lowest level was recorded in Africa, particularly sub-Saharan Africa (excluding South Africa), where it was \$337 in 2000. The situation was even worse for the group of least developed countries, where real per capita GDP was only \$297.

While in developing countries real per capita GDP increased from \$936 in 1980 to \$1,417 in 2000, in developed countries it soared from \$20,397 to \$30,557. Income gaps that had persisted during the first three decades after 1950 widened further subsequently as growth momentum stalled in many poorer countries, particularly after the debt crisis of the 1980s.

The most remarkable success stories are in developing Asia, where real per capita GDP more than doubled between 1980 and 2000. In particular, countries in the South and East Asian region, which until the financial crisis of 1997 showed rapid and uninterrupted economic growth, overtook other developing countries and narrowed the income gap with major industrial economies. Notably, China had annual average GDP growth rates of 10% beginning in the early 1980s. By contrast, in Africa and Latin America, the 1980s were characterized by negative per capita growth, followed by a weak recovery for Latin America in the 1990s.

DEFINITIONS

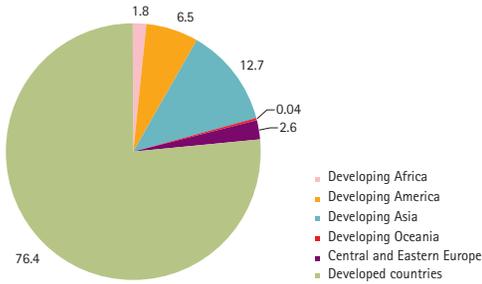
- **Gross domestic product (GDP)** is an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). It is the sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units.
- **Nominal GDP** is expressed in current prices. Nominal GDP in US\$ is computed with current exchange rates.
- **Per capita GDP** is GDP divided by population.
- **Real GDP** is expressed in base-year prices. In this chapter, real GDP is at 1995 constant prices and in 1995 US\$.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, tables 7.1 and 7.2.

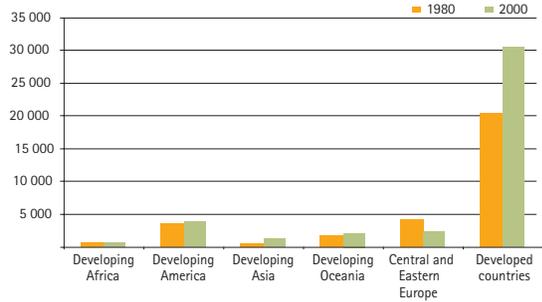
Share of nominal GDP by region, 2001 [1]

(in %)



Real GDP per capita by region [1]

(in US\$)



GDP growth [1]

Average annual growth rates of real GDP in % and 2001 nominal GDP in million US\$

Regions	1980-1985	1985-1990	1990-1995	1995-2000	2000-2001	2001
World	2.6	3.6	2.1	3.0	1.1	31 075 808
Developing countries	2.8	4.5	5.1	3.9	2.4	6 522 739
Africa	1.7	2.7	1.0	3.4	3.2	559 136
North Africa	3.3	2.7	1.2	4.0	3.8	248 497
Sub-Saharan Africa	0.8	2.7	0.9	3.0	2.8	310 640
Sub-Saharan Africa less South Africa	1.1	3.2	1.0	3.6	3.3	197 366
America	0.3	1.8	3.9	2.8	0.4	2 005 658
Central America and the Caribbean	1.1	2.3	2.5	5.1	0.7	851 749
South America	0.1	1.6	4.4	2.0	0.4	1 153 909
Asia	5.3	6.9	6.6	4.6	3.2	3 944 810
West Asia	0.7	3.8	2.6	3.1	-0.4	660 425
Central Asia	..	..	-10.5	3.2	11.1	53 042
South, East and South-East Asia	7.0	7.7	7.9	4.9	3.7	3 231 343
South, East and South-East Asia less China	6.1	7.6	6.6	3.7	2.2	2 072 312
Oceania	2.5	5.2	4.3	1.5	-0.3	13 135
Countries in Central and Eastern Europe	2.9	1.3	-7.2	1.8	4.0	806 241
Developed countries	2.5	3.7	1.8	2.9	0.7	23 746 827
North America	3.1	3.4	2.6	4.2	0.4	10 759 745
Europe	1.7	3.2	1.3	2.6	1.5	8 318 175
Others	3.2	4.9	1.4	1.4	-0.2	4 668 907
<i>Memorandum</i>						
Developing countries less China	2.3	4.2	4.3	3.3	1.5	5 363 708
Least developed countries	2.5	1.7	1.9	4.6	4.8	202 781

Per capita GDP growth [1]

Average annual growth rates of real GDP per capita in % and 2001 nominal GDP per capita in US\$

Regions	1980-1985	1985-1990	1990-1995	1995-2000	2000-2001	2001
World	0.6	1.9	0.5	1.7	-0.2	5 055
Developing countries	0.3	2.4	3.3	2.3	0.9	1 319
Africa	-1.2	-0.1	-1.5	1.0	0.9	687
North Africa	0.5	0.3	-0.9	2.1	1.9	1 405
Sub-Saharan Africa	-2.1	-0.3	-1.3	0.5	0.4	488
Sub-Saharan Africa less South Africa	-1.8	0.2	-1.8	0.9	0.8	333
America	-1.8	-0.2	2.1	1.2	-1.0	3 798
Central America and the Caribbean	-1.1	0.3	0.6	3.2	-1.0	4 846
South America	-2.0	-0.3	2.6	0.5	-1.1	3 275
Asia	2.8	4.8	4.8	3.1	1.8	1 097
West Asia	-2.8	0.4	0.1	1.1	-2.3	2 742
Central Asia	..	..	-11.3	2.5	10.3	724
South, East and South-East Asia	4.5	5.7	6.2	3.4	2.4	985
South, East and South-East Asia less China	2.9	5.4	4.6	1.9	0.6	1 027
Oceania	0.0	2.7	1.8	-0.8	-2.4	1 586
Countries in Central and Eastern Europe	2.1	0.6	-7.1	2.1	4.4	2 396
Developed countries	1.9	3.0	1.1	2.2	0.1	27 400
North America	2.1	2.3	1.5	3.1	-0.6	33 724
Europe	1.4	2.8	0.9	2.3	1.3	21 273
Others	2.4	4.3	0.9	0.9	-0.6	29 812
<i>Memorandum</i>						
Developing countries less China	-0.7	1.8	2.2	1.4	-0.3	1 457
Least developed countries	0.0	-0.9	-0.7	2.1	2.3	296

1.3 Output and demand

OVERVIEW

Analyzing gross domestic product (GDP) by economic activity reveals the increasing importance of **services** worldwide. This trend is most noteworthy in developed countries, where structural change is taking the form of de-industrialization. In developing countries, especially Africa and Oceania, **agriculture** is a much more essential economic activity. Structural change in most developing countries takes place primarily through industrialization. Asian developing countries have the highest weight (40%) of **industry** in GDP, while the lowest weight (31%) is found in developing America.

The structure of demand, measured by the expenditure components of GDP, has remained relatively stable since 1980. Most of global output goes to final consumption. The least developed countries have the highest share of **private consumption**. They are followed by North America and developing America. **Government consumption** shares are lower in developing countries than in developed countries.

Capital accumulation is an essential element of economic growth in developing countries. In 2001, the share of **investment** in GDP was highest in Asian developing countries, particularly the rapidly growing economies of South, East and South-East Asia. The lowest shares of investment in GDP are found in South America and sub-Saharan Africa.

Major changes come from trade, which has increased as a proportion of output in most economies, reflecting greater openness. While in developed countries trade shares in GDP have not changed substantially, in developing countries the export share increased from 26% in 1980 to 36% in 2001, and the import share from 22% to 33%. The evolution of international trade shares in GDP is most remarkable in developing Asia, specifically South and East Asia.

DEFINITIONS

- **Services** are outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers. By the time the production of services is completed, they must have been provided to consumers. The category corresponds to International Standard Industrial Classification (ISIC) divisions 50–99.
- **Agriculture** includes agriculture, hunting, forestry and fishing and corresponds to International Standard Industrial Classification (ISIC) divisions 01–05.
- **Industry** includes mining and quarrying, manufacturing, electricity, gas and water supply, and construction and corresponds to International Standard Industrial Classification (ISIC) divisions 10–45.
- **Private consumption** (household final consumption) expenditure consists of expenditure, including imputed expenditure, by resident households with regard to individual consumption goods and services, including those sold at prices that are not economically significant.
- **Government consumption** (general government final consumption) expenditure consists of expenditure, including imputed expenditure, incurred by general government with regard to individual consumption goods and services and collective consumption services.
- **Investment** (gross capital formation) is measured by the total value of gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables for a unit or sector. Gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period, plus certain additions to the value of non-produced assets (such as subsoil assets or major improvements in the quantity, quality or productivity of land) realized by the productive activity of institutional units.

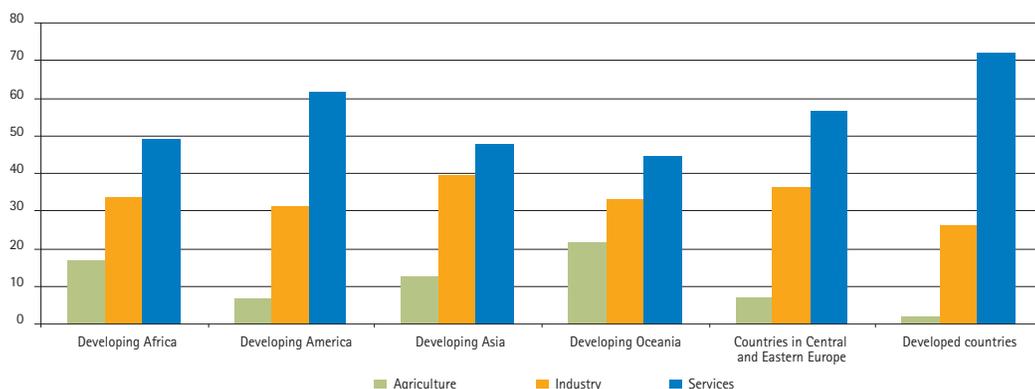
DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, table 7.3.

Gross domestic product by expenditure and economic activity 1.3 B

GDP by economic activity, 2001 [1]

(in %)



GDP by expenditure [1]

Share in %

		Total	Final consumption		Gross domestic investment	Exports	Less imports
			Government	Private		Of goods and services	
World	1980	100	17.1	59.0	24.1	20.7	20.9
	2001	100	16.6	62.1	21.3	24.4	24.4
Developing countries	1980	100	12.7	58.7	25.1	25.8	22.3
	2001	100	13.8	59.9	24.0	35.7	33.4
Africa	1980	100	15.1	56.8	23.9	33.6	29.4
	2001	100	16.1	65.1	19.5	30.6	31.3
North Africa	1980	100	17.4	47.9	28.6	38.8	32.8
	2001	100	13.6	65.3	20.7	27.0	26.6
Sub-Saharan Africa	1980	100	13.8	62.0	21.1	30.5	27.4
	2001	100	17.9	65.0	18.7	33.3	34.9
Sub-Saharan Africa less South Africa	1980	100	13.6	65.9	20.0	27.9	27.4
	2001	100	17.2	65.9	21.0	36.7	40.8
America	1980	100	10.4	66.5	24.3	16.3	17.5
	2001	100	14.0	67.8	19.3	20.9	22.0
Central America and the Caribbean	1980	100	10.8	65.9	25.8	17.5	20.0
	2001	100	12.1	70.6	20.6	27.9	31.2
South America	1980	100	10.2	66.8	23.4	15.5	15.9
	2001	100	15.3	66.0	18.5	16.2	16.0
Asia	1980	100	13.3	54.4	26.0	29.1	22.8
	2001	100	13.4	55.4	26.9	43.6	39.2
West Asia	1980	100	16.1	40.8	23.5	45.3	25.8
	2001	100	19.1	50.7	20.1	42.3	32.2
Central Asia	1980	100	-	-	-	-	-
	2001	100	15.3	62.9	24.2	39.5	41.8
South, East and South-East Asia	1980	100	11.7	62.3	27.5	19.5	21.0
	2001	100	12.2	56.2	28.3	43.9	40.6
South, East and South-East Asia less China	1980	100	10.4	67.2	24.5	24.3	26.4
	2001	100	11.3	62.1	22.8	54.3	50.5
Oceania	1980	100	21.7	60.7	27.6	45.0	55.0
	2001	100	..	..	..	..	..
Countries in Central and Eastern Europe	1980	100	11.8	54.4	32.6	36.8	35.6
	2001	100	15.8	59.0	23.0	42.4	40.2
Developed countries	1980	100	18.3	59.1	23.8	19.2	20.4
	2001	100	17.4	62.7	20.5	20.8	21.5
North America	1980	100	17.4	63.0	20.3	11.6	12.3
	2001	100	15.3	68.9	18.7	12.5	15.4
Europe	1980	100	20.4	57.1	24.1	27.1	28.7
	2001	100	19.9	58.2	20.3	36.4	34.8
Others	1980	100	14.5	55.6	31.3	14.3	15.7
	2001	100	17.8	56.7	25.1	12.2	11.8
<i>Memorandum</i>							
Developing countries less China	1980	100	12.5	59.6	24.1	27.6	23.7
	2001	100	13.8	63.1	20.8	37.9	35.6
Least developed countries	1980	100	11.8	84.3	15.4	15.9	27.3
	2001	100	10.2	75.9	21.6	23.6	31.3



2

External finance, debt and foreign direct investment



- 2.1 External finance and debt
- 2.2 Foreign direct investment

2.1 External finance and debt

OVERVIEW

Total **aggregate net resource flows** rose sharply between 1990 and 1996. After surging in the 1970s, when they increasingly replaced official flows as the major source of external financing, **net private capital flows** to developing countries had fallen considerably during the debt crisis of the 1980s, reaching their lowest level in 1986. After that they accelerated until 1996 and then declined sharply in connection with the East Asian financial crisis.

These developments were accompanied by a shift from syndicated bank lending to foreign direct investment (FDI) as the major source of external financing for developing countries. Whereas in 1980–1985 bank lending and suppliers' credits accounted for 69% of all private capital flows to developing countries and countries in Central and Eastern Europe, this share fell to 11% in 1998–2002. During the same period, the share of FDI rose from 30% to 82%, and that of portfolio equity investment from less than 0.1% to more than 6%.

The evolution of private capital flows suggests that they are not a reliable source of financing for development, partly because portfolio equity flows are very volatile and because financial liberalization has led to an increase in short-term speculative flows. Moreover, private capital flows, including FDI, are concentrated in a small number of emerging-market economies, while most low-income and least developed countries, which are the most dependent on external financing, receive no or very small amounts of such flows.

Official development assistance (ODA) to all developing countries and countries in Central and Eastern Europe grew steadily, in nominal terms, between the mid-1980s and the early 1990s, but then declined until 2001. In particular, assistance to Africa fell both in absolute terms and as a share of the total. While official development assistance to African countries fell by one third, flows to countries in Central and Eastern Europe more than tripled between 1990 and 2001.

DEFINITIONS

- **Aggregate net resource flows**, as reported by the World Bank, are the sum of net private capital flows and official flows, including loans and grants.
- **Net private capital flows** include flows of FDI, portfolio equity investment flows, bank lending, bonds, and trade-related lending from private creditors, less repayments on outstanding debt.
- **Official development assistance (ODA)**, as reported by the OECD, includes concessional loans (with a grant element of at least 25%) and grants by members of the OECD Development Assistance Committee (DAC). The main objective of such aid is to promote the economic development of developing countries (official development assistance) or countries in Central and Eastern Europe (official aid).

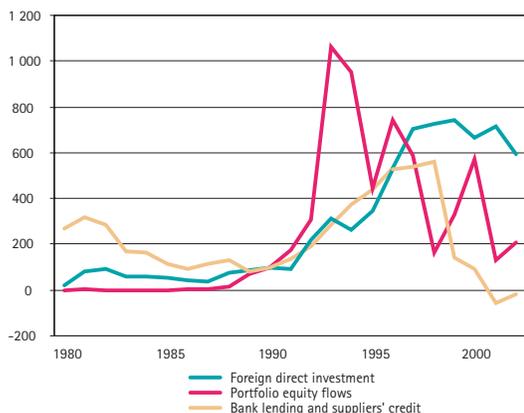
DATA SOURCES

- [1] UNCTAD Handbook of Statistics 2003, table 6.2. World Bank, *Global Development Finance*.
- [2] UNCTAD Handbook of Statistics 2003, table 6.5. OECD Development Assistance Committee online database.

Financial flows to developing countries and Central and Eastern Europe 2.1 A

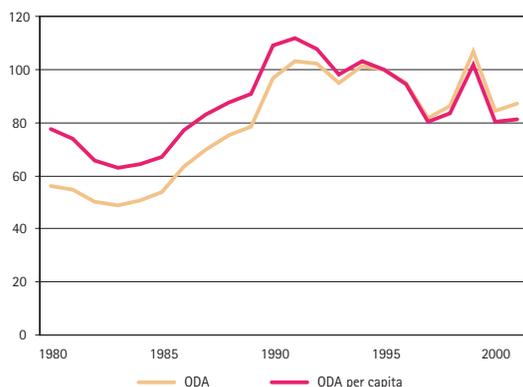
Net private capital inflows by type [1]

(1990 = 100)



Official development assistance [2]

(1990 = 100)



Aggregate net resource flows [1]

In million US\$

Region	Total flows				Private capital flows			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries	70 794	86 648	211 719	175 399	41 441	38 013	190 154	145 985
Africa	19 067	26 169	23 244	28 887	7 560	1 927	12 475	19 322
North Africa	7 563	8 079	2 923	6 109	3 234	469	2 684	6 625
Sub-Saharan Africa	11 504	18 091	20 321	22 778	4 325	1 458	9 790	12 697
Sub-Saharan Africa less South Africa	..	..	13 962	15 936	..	..	3 741	6 070
America	29 263	21 448	88 290	78 018	24 784	13 147	87 309	71 373
Asia and Oceania	22 464	39 031	100 186	68 495	9 098	22 939	90 371	55 290
West Asia	6 077	3 579	12 050	3 470	666	1 532	11 774	968
Central Asia	..	..	3 402	6 109	..	..	2 422	5 247
South, East and South-East Asia and Oceania	16 387	35 452	84 733	58 916	8 431	21 407	76 175	49 075
South, East and South-East Asia and Oceania less China	..	25 218	27 754	13 281	..	13 149	20 995	5 837
Countries in Central and Eastern Europe	..	9 919	28 094	22 330	..	5 925	26 143	24 764
<i>Memorandum</i>								
Developing countries less China	..	76 415	154 740	129 765	..	29 755	134 974	102 746
Least developed countries	7 532	12 145	10 017	11 105	1 375	685	2 096	2 642

Official development assistance [2]

In million US\$

Region	Total assistance				Bilateral DAC assistance			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries*	32 511	56 074	47 820	49 532	15 940	36 924	34 861	33 960
Africa*	10 510	25 311	15 791	16 514	6 336	15 817	10 384	10 042
North Africa	3 339	7 843	2 412	2 533	1 932	4 501	1 750	1 753
Sub-Saharan Africa	6 802	16 474	12 123	12 841	4 111	10 476	7 787	7 378
Sub-Saharan Africa less South Africa	..	..	11 636	12 412	..	..	7 433	7 064
America*	2 259	5 288	5 161	6 065	1 322	4 188	4 034	4 512
Asia and Oceania*	14 772	19 395	17 820	18 472	6 371	11 780	12 381	11 966
West Asia	5 188	3 893	2 558	2 669	1 067	1 403	1 385	1 084
Central Asia	..	..	1 271	1 463	..	..	763	821
South, East and South-East Asia and Oceania	9 188	14 293	13 267	13 838	5 208	10 075	9 737	9 674
South, East and South-East Asia and Oceania less China	9 122	12 256	11 535	12 367	5 185	8 610	8 481	8 599
Countries in Central and Eastern Europe*	..	2 222	8 034	7 656	..	1 789	4 240	3 790
<i>Memorandum</i>								
Developing countries less China	32 445	54 037	46 088	48 061	15 918	35 459	33 604	32 885
Least developed countries	8 723	16 751	12 450	13 633	4 753	9 888	7 735	7 602

* Includes unspecified groups.

2.1 External finance and debt

OVERVIEW

In the past two decades, **workers' remittances** from developed countries, but also from developing countries with higher levels of per-capita income, have become an increasingly important source of external development finance, both in absolute terms and relative to other sources of external finance. Remittances rose steadily in the 1990s, reaching more than \$60 billion in 2001. During the 1990s, they were the most stable source of external finance, and, unlike foreign aid, they are not a burden on public budgets.

The importance of workers' remittances as a source of foreign exchange income differs considerably among developing countries. India, Mexico and the Philippines receive the largest amounts of workers' remittances (more than \$5 billion each in 2001). However, in relation to GDP, such flows are even more important for smaller economies such as El Salvador, Jamaica, Jordan, Nicaragua and Yemen. In the 1990s, remittances increased particularly fast in India, Jordan, the Philippines, Sudan and a number of countries in Latin America and the Caribbean. Indeed, some developing countries have come to depend on this type of financial inflow, which in some cases constitutes the single most important source of foreign exchange income.

In absolute terms, the United States is the most important country of origin of workers' remittances to developing and other countries, but these flows constitute only a small item in that country's balance of payments. Expressed as a percentage of total imports, the outflow of remittances is particularly large in Saudi Arabia, where they correspond to almost 30% of the total import bill, and some other resource-rich countries in the Middle East. It also exceeds 5% of total imports in countries as diverse as Israel, Kazakhstan and Switzerland.

DEFINITIONS

- According to the *IMF Balance of Payments Manual*, **workers' remittances** are goods and financial instruments transferred by migrants living and working (residing) in a new economy to residents of the economy in which the migrants formerly resided. A migrant must live and work in the new economy for more than one year to be considered a resident there. The Manual classifies workers' remittances separately from compensation of employees and migrants' capital transfers. Workers' remittances as presented here include all three categories in order to show a clearer picture of the flows that enter or exit economies via transfers by migrant workers. For example, if temporary movements of labour to another country were seen as an export, then migrants' transfers, workers' remittances and compensation of employees could be considered part of the payment for "exporting labour services".

DATA SOURCES

[1] UNCTAD *Handbook of Statistics* 2003, tables 6.3A and 6.3B.

The data on workers' remittances, compensation of employees and migrants' transfers come from balance-of-payments statistics and correspond to concepts described in the IMF *Balance of Payments Manual*. Labour force migration, with its multiple economic and social implications, is discussed in various forums. The *Manual on Statistics of International Trade in Services* (2002), a joint publication by the United Nations, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, UNCTAD and the World Trade Organization, gives preliminary recommendations for compiling relevant statistics on the movement of natural persons. The UNCTAD document *Report of the expert meeting on market access issues in mode 4 (movement of natural persons to supply services) and effective implementation of article iv on increasing the participation of developing countries* (2003) provides additional information relevant to this subject.

Inflows of workers' remittances to developing countries by destination [1]

In million US\$ and in % of total exports and GDP, ranked by the year 2000 values

Country	Million US\$		As % of total exports		As % of GDP	
	1990	2000	1990	2000	1990	2000
India	2 384	9 160	10.4	14.9	0.8	2.0
Mexico	3 098	7 596	6.3	4.2	1.2	1.3
Philippines	1 465	6 212	12.8	15.1	3.3	8.3
Turkey	3 246	4 560	15.4	8.9	2.2	2.3
Egypt	4 284	2 852	43.3	16.9	9.9	2.9
Morocco	2 006	2 161	32.2	20.7	7.8	6.5
Bangladesh	779	1 968	37.7	27.3	2.6	4.2
Jordan	499	1 845	19.9	52.2	12.4	21.8
Dominican Republic	315	1 839	17.2	20.5	4.5	9.4
El Salvador	366	1 765	37.6	48.2	7.6	13.4
Thailand	973	1 697	3.3	2.1	1.1	1.4
Brazil	573	1 650	1.6	2.6	0.1	0.3
Colombia	495	1 608	5.7	10.3	1.2	1.9
Yemen	1 498	1 437	100.6	33.4	31.0	15.7
Ecuador	51	1 322	1.6	22.1	0.5	9.7
Indonesia	166	1 190	0.6	1.7	0.1	0.8
Sri Lanka	401	1 166	17.5	18.3	5.0	7.2
Pakistan	2 006	1 075	29.4	10.6	5.0	1.8
Jamaica	229	892	10.3	24.8	5.4	11.6
Tunisia	551	796	10.6	9.2	4.5	4.1
China	124	758	0.2	0.3	0.0	0.1
Korea, Republic of	1 037	735	1.4	0.4	0.4	0.2
Peru	87	718	2.1	8.3	0.3	1.3
Sudan	62	641	12.4	34.9	0.5	5.7
Guatemala	119	596	7.6	15.4	1.6	3.1
Honduras	63	416	6.1	16.8	2.1	7.0
Malaysia	185	342	0.6	0.3	0.4	0.4
Nicaragua	..	320	..	33.5	..	13.4
Georgia	–	274	–	41.1	–	9.1
Paraguay	34	265	1.3	9.3	0.6	3.4

Outflows of workers' remittances by origin [1]

In million US\$ and in % of total imports, ranked by the year 2000 values

Country	Million US\$		As % of total imports	
	1990	2000	1990	2000
United States	11 850	26 820	1.9	1.9
Saudi Arabia	11 236	15 411	25.6	29.1
Germany	6 856	7 804	1.6	1.2
Switzerland	7 868	7 304	8.2	6.7
France	6 949	3 786	2.5	1.1
Belgium-Luxembourg	2 310	3 588	1.7	1.8
Israel	850	3 337	4.2	7.2
Japan	..	3 167	..	0.7
Netherlands	1 393	3 120	0.9	1.3
Italy	3 764	2 582	1.7	0.9
Spain	254	2 059	0.3	1.1
United Kingdom	2 034	2 027	0.8	0.5
Kuwait	770	1 734	10.7	15.2
Oman	856	1 451	25.6	23.6
Russian Federation	–	1 101	–	1.8
Australia	674	1 066	1.3	1.2
Bahrain	332	1 013	8.3	19.7
Korea, Republic of	364	972	0.5	0.5
Austria	320	858	0.5	0.9
China	5	790	0.0	0.3
Norway	295	718	0.8	1.5
Denmark	..	662	..	1.0
Czech Republic	–	605	–	1.6
Malaysia	230	599	0.7	0.6
Greece	122	545	0.6	1.3
Sweden	654	545	0.9	0.6
New Zealand	367	542	3.1	3.1
Kazakhstan	–	440	–	5.0
South Africa	1 199	390	5.7	1.2
Côte d'Ivoire	471	390	13.7	10.7

2.1 External finance and debt

OVERVIEW

The **total external debt** of developing countries and countries in Central and Eastern Europe has risen considerably over the past decade. This rise has been accompanied by a shift from commercial bank debt to bond debt, mostly dollar-denominated and issued mainly by middle-income emerging-market economies. Moreover, the share of public and publicly guaranteed debt fell, while that of private debt increased as a consequence of financial and capital account liberalization.

The share of debt owed to multilateral official creditors rose considerably, especially beginning in the mid-1990s, when the international financial institutions began to provide credits to emerging markets in the context of financial crises.

The increase in external debt and **debt service** obligations has been greatest in Asian developing countries and Central and Eastern Europe, where the stock of debt more than doubled in the past decade, and in Latin America, where debt service payments tripled. In many countries, particularly in East and South-East Asia, this trend was accompanied by a large increase in foreign exchange reserves as countries strove to reduce their vulnerability to the increased volatility in international financial markets. The debt of African and least developed countries, most of which have no or very limited access to international capital markets, also grew, albeit at a lower rate. This slower growth rate was partly caused by reduced official development assistance flows and partly by debt relief.

Unfavourable developments in commodity export earnings and terms of trade have made the debt burden of many poor countries unsustainable. While the **HIPC Initiative** addresses part of this problem, a systematic international solution to the debt burdens of other low- and middle-income countries, and to problems related to debt owed to private creditors, remains to be found.

An increasing number of developing countries has been trying to strengthen their capacity for debt management at the national level and, in this context, has sought international technical support.

DEFINITIONS

- **Total external debt** comprises long-term debt, short-term debt and use of International Monetary Fund credits.
- **Debt service** is the sum of interest payments on outstanding debt and repayments of principal.
- The **HIPC Initiative** was launched by the World Bank and the International Monetary Fund in 1996 to coordinate and harmonize official debt relief by the multilateral financial institutions and bilateral creditors for heavily indebted poor countries (HIPC).

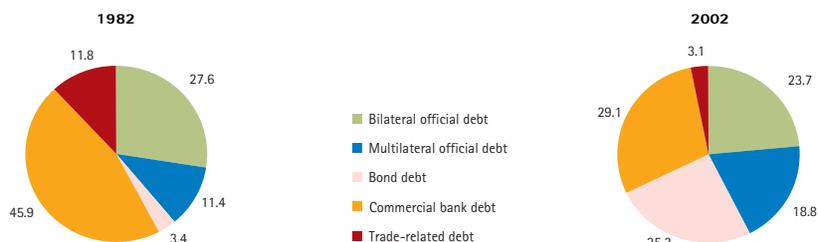
DATA SOURCES

- [1] UNCTAD *Handbook of Statistics 2003*, table 6.6.
World Bank, *Global Development Finance* online database.

External debt of developing countries and Central and Eastern Europe 2.1 C

Debt profile of developing countries and Central and Eastern Europe by type of creditor [1]

(in %)



Total and long-term external debt [1]

In billion US\$

Region	Total debt				Long-term debt			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries	480.5	1 091.9	1 823.7	1 777.8	355.8	895.1	1 526.0	1 464.7
Africa	117.3	285.0	310.0	297.9	93.9	244.6	256.3	247.1
North Africa	56.5	108.1	98.6	94.9	47.3	95.0	84.8	82.6
Sub-Saharan Africa	60.8	176.9	211.4	203.0	46.6	149.7	171.6	164.6
Sub-Saharan Africa less South Africa	..	..	186.5	178.9	..	..	156.3	148.9
America	241.4	440.8	754.6	735.9	171.9	349.4	642.8	619.6
Asia and Oceania	151.5	459.2	947.8	930.4	114.8	372.7	768.3	740.9
West Asia	29.6	93.1	167.5	162.4	24.8	71.6	122.1	121.4
Central Asia	..	..	21.3	24.0	..	..	19.3	21.6
South, East and South-East Asia and Oceania	121.8	366.1	759.1	744.1	90.0	301.1	626.9	597.9
South, East and South-East Asia and Oceania less China	..	310.8	613.4	574.0	..	255.6	494.3	471.8
Countries in Central and Eastern Europe	9.8	144.3	327.3	321.9	7.1	116.3	274.6	266.8
<i>Memorandum</i>								
Developing countries less China	..	1 036.6	1 678.0	1 607.7	..	849.6	1 393.4	1 338.5
Least developed countries	34.9	104.8	118.5	112.3	27.3	89.0	98.7	93.5

Debt service [1]

In billion US\$

Region	Debt service				Interest payments			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries	75.4	120.1	313.2	296.1	39.8	52.8	98.7	92.9
Africa	14.3	26.0	24.3	23.6	7.0	10.0	8.4	7.5
North Africa	7.6	15.2	10.8	10.3	3.5	4.7	3.9	3.7
Sub-Saharan Africa	6.7	10.9	13.5	13.3	3.5	5.3	4.5	3.8
Sub-Saharan Africa less South Africa	..	..	9.6	8.9	..	..	3.2	2.6
America	45.9	43.6	178.8	158.4	24.3	21.8	54.3	53.2
Asia and Oceania	18.7	61.3	140.9	145.3	10.2	25.7	45.6	40.8
West Asia	3.4	10.8	26.2	26.6	1.6	4.6	8.5	7.5
Central Asia	..	..	4.6	4.6	..	..	1.1	1.1
South, East and South-East Asia and Oceania	15.3	50.5	110.1	114.1	8.5	21.0	36.0	32.2
South, East and South-East Asia and Oceania less China	..	43.4	83.0	89.8	..	17.8	28.8	24.6
Countries in Central and Eastern Europe	1.5	18.7	45.2	62.0	0.6	6.5	13.8	16.3
<i>Memorandum</i>								
Developing countries less China	..	113.1	286.1	271.8	..	49.6	91.5	85.2
Least developed countries	2.7	3.8	3.1	2.8	1.2	1.4	1.0	0.8

2.1 External finance and debt

OVERVIEW

Ratios of debt and debt service to **gross national income (GNI)** or exports of goods and services indicate the debt burden of an economy relative to its size and foreign exchange income, from which both imports and debt service have to be paid.

During the 1990s, the ratio of debt to GNI fell slightly for developing countries as a group. If fast-growing China is excluded, the ratio remained constant. It more than doubled for countries in Central and Eastern Europe. By contrast, the ratio of **total external liabilities** to GNI, which also considers the stock of foreign direct investment and portfolio investments, rose during the 1990s for all regions.

Debt service as a percentage of exports rose not only for Central and Eastern European countries but also for developing regions (with the exception of North Africa), in particular Latin America. While interest payments as a percentage of exports have been decreasing since the mid-1980s owing to lower international interest rates, outward transfers related to foreign direct investment (FDI) and equity investment (profit remittances) rose considerably in the 1990s. The latter are, by definition, not reflected in external debt indicators, but their effect on the balance of payments can be similar to that of debt service.

It is worth noting, however, that within the regional aggregates, debt indicators differ considerably across countries. For many countries, these indicators have reached levels that are unsustainable in the medium term. When interpreting traditional debt and debt service indicators, it is also necessary to take account of the higher import content – and, thus, foreign exchange requirement – of exports resulting from international production networks, which have gained increasing importance for many developing countries. Finally, in response to the volatility of private capital flows, many developing countries have substantially increased their **international reserves**, and this is reflected in the decreasing ratio of short-term debt to reserves.

DEFINITIONS

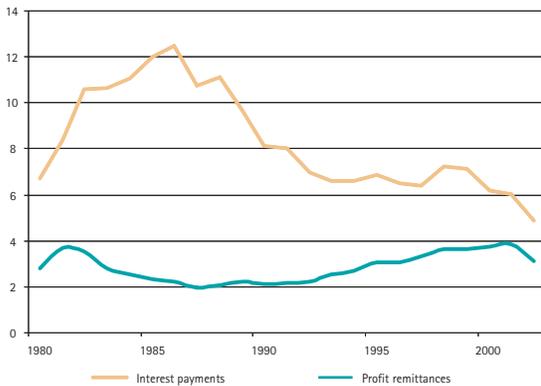
- **Gross national income (GNI)** is gross domestic product (GDP) less net taxes on production and imports, less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world (in other words, GDP less primary incomes payable to non-resident units plus primary incomes receivable from non-resident units).
- **Total external liabilities** are the sum of total debt and inward foreign direct investment (FDI) stocks.
- **International reserves** consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of international payments imbalances, for indirect regulation of the magnitude of such imbalances through intervention in foreign exchange markets to affect their currency's exchange rate, and for other purposes. The category of international reserves defined in the IMF Balance of Payments Manual (BPM5) comprises monetary gold, special drawing rights (SDRs), reserve position in the IMF, foreign exchange assets (consisting of currency, and deposits and securities), and other claims.

DATA SOURCES

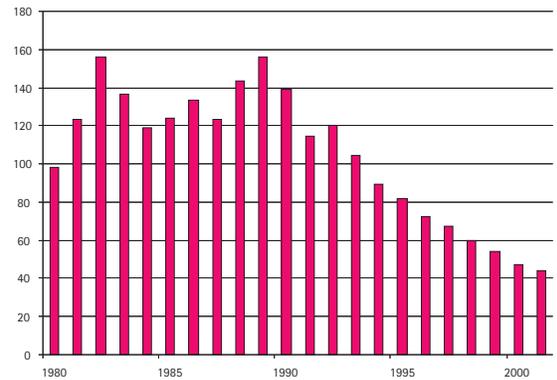
- [1] UNCTAD secretariat calculations based on the World Bank's *Global Development Finance* (CD-ROM).
UNCTAD Handbook of Statistics 2003, table 6.4.

External financial indicators of developing countries and Central and Eastern Europe 2.1D

Interest payments and profit remittances [1] (as % of exports of goods and services)



Short-term debt [1] (as % of international reserves)



Total external liabilities [1]

Region	Total liabilities as % of gross national income				Total debt as % of gross national income			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries	38.1	48.3	61.9	64.5	31.6	39.3	36.9	36.3
Africa	42.8	78.8	88.8	90.0	33.0	66.0	59.8	58.0
North Africa	65.6	85.4	66.9	66.6	58.2	71.5	46.6	44.3
Sub-Saharan Africa	34.2	75.2	103.8	106.7	23.5	63.1	68.8	67.7
Sub-Saharan Africa less South Africa	..	..	135.2	129.0	..	..	102.2	94.1
America	40.2	51.3	67.1	73.1	34.1	41.9	40.0	40.4
Asia and Oceania	28.8	35.8	53.4	54.9	23.5	28.7	32.4	31.9
West Asia	22.4	36.1	55.6	60.8	15.8	30.7	47.3	51.9
Central Asia	..	..	90.8	102.7	..	..	53.6	57.0
South, East and South-East Asia and Oceania	31.4	35.8	52.5	53.3	26.6	28.3	30.0	29.0
South, East and South-East Asia and Oceania less China	..	41.1	56.9	56.0	..	33.4	41.9	40.0
Countries in Central and Eastern Europe	..	19.6	69.7	63.2	..	19.5	53.0	45.7
<i>Memorandum</i>								
Developing countries less China	..	52.3	66.1	68.9	..	42.9	43.3	42.7
Least developed countries	50.5	96.3	104.1	98.5	47.7	92.6	88.7	82.0

Debt service [1]

Region	Debt service as % of exports of goods and services				Debt service as % of gross national income			
	1980	1990	2000	2001	1980	1990	2000	2001
Developing countries	21.3	20.1	19.7	19.2	5.0	4.3	6.3	6.0
Africa	11.3	20.5	12.8	12.4	4.0	6.0	4.7	4.6
North Africa	22.7	35.8	15.6	14.4	7.8	10.0	5.1	4.8
Sub-Saharan Africa	7.2	12.8	11.2	11.2	2.6	3.9	4.4	4.4
Sub-Saharan Africa less South Africa	..	..	11.7	10.9	..	..	5.3	4.7
America	36.7	23.8	38.9	35.7	6.5	4.1	9.5	8.7
Asia and Oceania	14.2	17.4	13.1	14.0	2.9	3.8	4.8	5.0
West Asia	11.5	17.2	22.1	23.3	1.8	3.6	7.4	8.5
Central Asia	..	..	25.5	24.9	..	..	11.7	10.9
South, East and South-East Asia and Oceania	14.9	17.5	11.7	12.6	3.3	3.9	4.4	4.4
South, East and South-East Asia and Oceania less China	..	19.0	12.8	15.1	..	4.7	5.7	6.3
Countries in Central and Eastern Europe	..	40.6	15.4	20.0	..	2.5	7.3	8.8
<i>Memorandum</i>								
Developing countries less China	..	21.0	22.0	22.1	..	4.7	7.4	7.2
Least developed countries	18.8	17.3	8.8	7.4	3.7	3.3	2.4	2.0

2.2 Foreign direct investment

OVERVIEW

Global **foreign direct investment (FDI) flows** have grown steadily in the past 30 years, with some declines between the early 1980s and the early 1990s. After climbing sharply in 1999 and 2000, investments fell dramatically during 2001–2002. The decrease resulted mainly from weak economic growth, tumbling stock markets that contributed to a steep decline in **cross-border mergers and acquisitions**, and institutional factors such as the winding down of privatization in several countries.

In 2002, FDI **inflows** declined by 21% to \$651 billion, or just half the peak amount in 2000. The decline was distributed across all major regions and countries except Central and Eastern Europe, where inflows were up by 15%. The main recipients of FDI inflows remain developed countries, with about 71% of the total in 2002, although the share of inflows to developing economies increased to 25% (from 18% during 1986–1990). Inflows to least developed countries, at \$5 billion, represented a small but increasing share (3%) of developing countries' inflows, compared to 2% in 1997. When FDI is broken down by economic activity, services are the most important sector: in 2001, they accounted for almost two-thirds of the total, compared to less than half in the late 1980s.

Global FDI **outflows** declined by 9% in 2002, reaching \$647 billion. Again, all regions experienced a decline except Central and Eastern Europe, which was up by 20%. Developing countries' share in total outflows remained relatively stable during the past two decades, at around 7%.

Although FDI flows declined much more sharply than gross domestic product figures, exports and domestic investment, they remain the biggest component of net resource flows to developing economies. Since 1990, they have been a growing part of total investment in developing economies.

DEFINITIONS

- **Foreign direct investment (FDI)** is investment involving a long-term relationship and lasting interest in and control by a resident entity in one economy in an enterprise resident in another economy. In FDI, the investor exerts significant influence on the management of the enterprise resident in the other economy. The ownership level required in order for a direct investment to exist is 10% of the voting shares. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated. FDI may be undertaken by individuals or by business entities. (Some countries use a definition of FDI that differs from the preceding one.)
- **FDI flows** have three components: equity capital, reinvested earnings, and other capital (including short- and long-term intra-company loans as well as trade credits).
- **FDI inflows** are capital received, either directly or through other related enterprises, in a foreign affiliate from a direct investor.
- **FDI outflows** are capital provided by a direct investor to its affiliate abroad.
- **Cross-border mergers and acquisitions (M&A)** involve FDI in a host country by merging with or acquiring an existing local firm. In the latter case, the acquisition involves an equity stake of 10% or more. The share of FDI accounted for by cross-border M&As is difficult to determine, since data sets are not directly comparable. First, the value of cross-border M&As includes funds raised in local and international financial markets. Second, FDI data are reported on a net basis, using the balance-of-payments concept, while data on cross-border M&A purchases or sales report only the total value of the transaction. Finally, payments for cross-border M&As are not necessarily made in a single year but may be spread over a longer period.

DATA SOURCES

[1] UNCTAD, *World Investment Report 2003*.

In its annual **World Investment Report**, UNCTAD analyses current FDI trends and the activities of transnational corporations and provides policy recommendations. The *Report* is available at www.unctad.org/wir. UNCTAD's databases on FDI and transnational corporations contain data on inward and outward flows of FDI for almost 200 countries and economies since 1970. In addition to national data sources, these databases utilize secondary sources, data published by international organizations and UNCTAD estimates. The data can be accessed via www.unctad.org/fdistatistics. More detailed and customized information, as well as information on the methodology used for data compilation, can be obtained via statfdi@unctad.org.

FDI flows by region in 2002 [1]



FDI inflows [1]

In million US\$

Region	1970	1980	1990	2000	2001	2002
World	12 938	54 957	208 674	1 392 957	823 825	651 188
Developing countries	3 461	8 392	36 959	246 057	209 431	162 145
Africa	928	392	2 430	8 489	18 769	10 998
Northern Africa	403	152	1 157	3 125	5 474	3 546
Sub-Saharan Africa	525	239	1 272	5 364	13 295	7 452
Sub-Saharan Africa less South Africa	190	259	1 351	4 476	6 506	6 698
America	1 586	7 485	9 701	95 358	83 725	56 019
Central America and the Caribbean	1 063	3 854	4 826	38 110	44 032	30 183
South America	522	3 631	4 874	57 248	39 693	25 836
Asia	811	396	24 264	142 091	106 778	94 989
West Asia	168	-3 162	2 141	1 523	5 211	2 341
Central Asia	..	..	4	1 871	3 963	4 035
South, East and South-East Asia	644	3 558	22 120	138 698	97 604	88 613
South, East and South-East Asia less China	..	3 501	18 633	97 926	50 758	35 913
Oceania	136	119	564	118	159	140
Countries in Central and Eastern Europe	..	35	640	26 373	25 015	28 709
Developed countries	9 477	46 530	171 076	1 120 528	589 379	460 334
North America	3 083	22 725	56 004	380 764	172 787	50 625
Europe	5 207	21 427	103 363	709 877	400 813	384 391
Others	1 187	2 377	11 708	29 887	15 778	25 319
<i>Memorandum</i>						
Developing countries less China	..	8 335	33 472	205 285	162 585	109 445
Least developed countries	-153	494	331	3 175	5 368	5 027

FDI outflows [1]

In million US\$

Region	1970	1980	1990	2000	2001	2002
World	14 158	53 674	242 490	1 200 783	711 445	647 363
Developing countries	47	3 310	16 683	99 052	47 382	43 095
Africa	19	1 119	2 102	1309	-2 522	173
Northern Africa	2	126	135	228	202	267
Sub-Saharan Africa	17	993	1 967	1 081	-2 725	-94
Sub-Saharan Africa less South Africa	..	247	1 940	810	455	307
America	29	1 129	3 163	13 534	7 961	5 770
Central America and the Caribbean	11	717	2 072	5 714	8 720	2 044
South America	18	411	1 090	7 820	-758	3 726
Asia	-1	1 044	11 414	84 139	41 827	37 121
West Asia	..	586	-496	3 508	4 718	2 131
Central Asia	..	..	..	17	201	765
South, East and South-East Asia	-1	458	11 910	80 614	36 907	34 225
South, East and South-East Asia less China	..	..	11 080	79 698	30 023	31 375
Oceania	..	18	4	69	116	30
Countries in Central and Eastern Europe	..	21	54	3 936	3 505	4 205
Developed countries	14 110	50 343	225 754	1 097 796	660 558	600 063
North America	8 521	23 328	36 219	189 251	140 406	148 534
Europe	5 104	24 065	138 667	872 422	468 807	411 665
Others	485	2 950	50 868	36 122	51 345	39 864
<i>Memorandum</i>						
Developing countries less China	..	..	15 853	98 136	40 498	40 245
Least developed countries	..	229	-11	768	-54	75

2.2 Foreign direct investment

OVERVIEW

In the past two decades, world inward **foreign direct investment (FDI) stock** has grown more than ten-fold to reach \$7.1 trillion in 2002. The recent economic downturn has not changed the importance of FDI in the integration of global production activities. The global stock of FDI continues to grow, albeit more slowly. Developed countries remain dominant, hosting about two-thirds of world **inward FDI stock**, although developing countries' share has increased, with the least developed countries remaining marginal.

Outward stock originating from developing countries grew to 12% of the global total by 2002. South, East and South-East Asia constitute the most important developing-country home region, whose stock increased to almost twice Japan's. The Latin American and Caribbean region registered a three-fold increase between 1980 and 2002. The European Union became the most important source of **outward FDI stocks**, reaching \$3.4 trillion in 2002, more than twice the figure for the United States.

Some 60% of FDI stock is now in the services industries, compared to less than 50% a decade ago. The share of manufacturing in FDI inward stock has fallen from more than 40% in 1990 to 35% today, while the share of the primary sector has declined from 10% to 6%.

DEFINITIONS

- **Foreign direct investment (FDI) stock** is the value of the share of the capital and reserves, including retained profits, attributable in an affiliate enterprise to the parent enterprise, plus the net indebtedness of the affiliate to the parent enterprise. For branches, it is the value of fixed assets and current assets and investment, excluding amounts due from the parent, less liabilities to third parties. Data on FDI stocks are not always readily available. For several economies, stocks are estimated either by cumulating FDI flows over a period of time or by adding flows to or subtracting them from an FDI stock figure obtained for a particular year from national official data sources or the IMF data series on assets and liabilities of direct investment. Estimating FDI on the basis of flows can be misleading, and in many countries FDI stock surveys are performed regularly. It is recommended that FDI stock data be valued at market prices. If market prices are not available, book values from the balance sheets of direct investment enterprises can be used to determine the value of stocks. Changes in the stock of an economy's external financial assets and liabilities result from transactions recorded in the financial account (FDI inflows and outflows). In addition, price changes, exchange rate variations and other adjustments affect the estimated amount of financial assets and liabilities.
- **Inward FDI stock** reflects the position at the end of a reporting period of a country's external financial liabilities, owned by direct investors either directly or through other related enterprises, in foreign affiliates.
- **Outward FDI stock** reflects the position at the end of a reporting period of a country's external financial assets, owned by direct investors either directly or through other related enterprises, in affiliates abroad.

DATA SOURCES

[1] UNCTAD, *World Investment Report 2003*. Statistics on FDI stocks are only available from 1980 onwards.

In its annual **World Investment Report**, UNCTAD analyses current FDI trends and the activities of transnational corporations and provides policy recommendations. The *Report* is available at www.unctad.org/wir. UNCTAD's databases on FDI and transnational corporations contain data on inward and outward stocks of FDI for almost 200 countries and economies since 1980. In addition to national data sources, these databases utilize secondary sources, data published by international organizations and UNCTAD estimates. The data can be accessed via www.unctad.org/fdistatistics. More detailed and customized information, as well as information on the methodology used for data compilation, can be obtained via statfdi@unctad.org.

FDI stocks by region in 2002 [1]



Inward FDI stock [1]

In million US\$

Region	1980	1985	1990	1995	2000	2002
World	699 415	977 755	1 954 203	3 001 995	6 146 656	7 122 350
Developing countries	307 469	406 805	551 481	920 400	2 029 412	2 339 632
Africa	32 162	33 844	50 775	77 400	144 503	170 876
Northern Africa	4 322	8 242	16 903	26 300	38 082	48 310
Sub-Saharan Africa	27 840	25 602	33 872	51 101	106 421	122 566
Sub-Saharan Africa less South Africa	11 321	16 578	24 751	36 002	59 003	71 568
America	50 404	80 129	116 963	201 755	608 924	762 229
Central America and the Caribbean	21 059	37 890	50 337	89 605	228 863	321 119
South America	29 345	42 238	66 625	112 150	380 061	441 110
Asia	223 707	291 626	381 481	638 222	1 272 245	1 402 488
West Asia	7 568	37 657	41 196	51 662	69 979	72 376
Central Asia	..	..	..	4 018	16 123	25 139
South, East and South-East Asia	216 139	253 969	340 285	582 542	1 186 143	1 304 973
South, East and South-East Asia less China	209 888	243 470	315 523	445 107	837 797	857 081
Oceania	1 196	1 207	2 263	3 022	3 740	4 039
Countries in Central and Eastern Europe	..	49	2 841	40 187	129 169	187 868
Developed countries	391 946	570 901	1 399 880	2 041 408	3 988 075	4 594 850
North America	137 209	249 272	507 793	658 843	1 419 383	1 572 561
Europe	232 717	286 179	796 179	1 213 733	2 361 428	2 779 857
Others	22 021	35 450	95 908	168 833	207 263	242 432
<i>Memorandum</i>						
Developing countries less China	301 219	396 306	526 719	782 965	1 681 066	1 891 740
Least developed countries	3 720	5 398	8 256	15 096	31 761	41 888

Outward FDI stock [1]

In million US\$

Region	1980	1985	1990	1995	2000	2002
World	563 997	743 267	1 762 963	2 901 059	5 991 756	6 866 362
Developing countries	64 606	78 176	133 088	310 864	817 450	849 464
Africa	6 871	10 960	20 777	33 004	48 591	43 574
Northern Africa	460	872	1 474	1 528	2 998	3 471
Sub-Saharan Africa	6 412	10 088	19 303	31 475	45 592	40 103
Sub-Saharan Africa less South Africa	690	1 124	4 439	8 042	10 315	11 348
America	51 529	55 517	63 358	90 861	160 186	173 187
Central America and the Caribbean	5 444	8 161	11 882	26 240	64 728	75 002
South America	46 085	47 356	51 476	64 620	95 458	98 185
Asia	6 193	11 662	48 868	186 574	608 232	632 114
West Asia	1 447	2 143	7 609	7 112	13 318	19 777
Central Asia	..	..	..	0	558	1 521
South, East and South-East Asia	4 746	9 519	41 259	179 462	594 356	610 816
South, East and South-East Asia less China	..	9 388	38 771	163 660	568 552	575 278
Oceania	13	37	85	426	442	588
Countries in Central and Eastern Europe	..	..	616	6 372	19 339	29 152
Developed countries	499 391	665 090	1 629 259	2 583 824	5 154 968	5 987 746
North America	239 158	281 512	515 358	817 224	1 528 943	1 775 134
Europe	237 694	330 825	874 369	1 463 467	3 248 357	3 771 452
Others	22 539	52 754	239 533	303 132	377 667	441 160
<i>Memorandum</i>						
Developing countries less China	64 606	78 046	130 600	295 062	791 646	813 926
Least developed countries	82	446	689	1 799	3 090	3 105

2.2 Foreign direct investment

OVERVIEW

The downturn in foreign direct investment (FDI) inflows in 2002 reinforced the trend towards liberalization of FDI policies and regulations. Like 2001, 2002 saw a record number of favourable changes in national FDI legislation. Indeed, during 1991–2002, 95% of the changes introduced by 165 countries in their FDI laws were in the direction of greater liberalization.

The international policy dimension of countries' efforts to attract FDI and benefit from it continues to intensify, especially at the bilateral, subregional, regional and interregional levels. The existing network of investment rules is laid out in a large number of **bilateral investment treaties (BITs)**, free trade agreements with investment components, **double taxation treaties (DTTs)**, regional trade agreements and multilateral agreements.

Since 1959, the year of the first bilateral investment treaty, their number has grown steadily; they numbered 385 by 1989, and 2,181 in 2002, encompassing 176 countries. The number of DTTs has reached 2,256 in 2002.

At the regional level, the trend is towards comprehensive agreements that include both trade-related and investment-related provisions. Out of 60 regional trade agreements in force, 65% contain specific chapters on investment, and 18% have general provisions on investment. At the international level, certain instruments dealing with specific aspects of investment exist, but efforts applied during the last 50 years to create comprehensive multilateral rules have not borne fruit.

This network of agreements is multi-layered and multi-faceted, with obligations differing in geographical scope and coverage and ranging from voluntary to binding, thus constituting an intricate web of commitments that partly overlap and partly supplement one another.

DEFINITIONS

- **Bilateral investment treaties (BITs)** are agreements between two countries for the reciprocal encouragement, promotion and protection of investments in each other's territories by companies based in either country. Treaties typically cover the following areas: scope and definition of foreign investment; admission and establishment; national treatment in the post-establishment phase; most-favoured-nation treatment; fair and equitable treatment; guarantees and compensation in the event of expropriation; guarantees of free transfers of funds and repatriation of capitals and profits; and dispute settlement provisions, both state-state and investor-state.
- **Double taxation treaties (DTTs)** are agreements between two countries to relieve the double taxation that occurs when income or gains are taxable in both countries. The treaties are designed to avoid double taxation; prevent tax evasion; promote international trade; create certainty and tax stability; provide mechanisms for resolving international tax disputes; promote tax incentives to developing countries; allocate taxing rights between contracting states; and prevent tax discrimination.

DATA SOURCES

[1] UNCTAD, *World Investment Report 2003*.

UNCTAD runs a technical assistance programme on international investment agreements. The programme is designed to help developing countries participate as effectively as possible in international discussions on investment at the bilateral, regional and international levels. Key activities include publication of the series **Issues in International Investment Agreements** and of **International Investment Agreements: A Compendium**. The technical cooperation focuses on training sessions for negotiators, seminars for policy makers, advisory missions, and facilitation of negotiations of bilateral investment treaties and double taxation treaties. For more information visit www.unctad.org/iia.

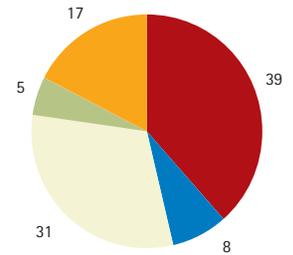
Changes in national FDI regulations, 1992 – 2002 [1]

Types of changes in laws, 2002 [1]

(in %)

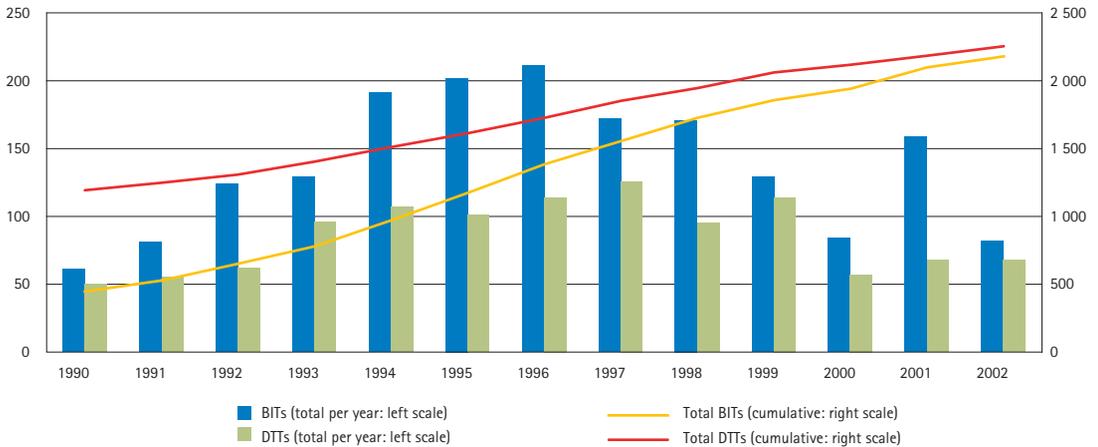
Item	1992	1995	1999	2000	2001	2002
Number of countries that introduced changes in their investment regimes	43	64	63	69	71	70
Number of regulatory changes of which:	79	112	140	150	208	248
More favourable to FDI ^a	79	106	131	147	194	235
Less favourable to FDI ^b	–	6	9	3	14	12

^a Including liberalizing changes or changes aimed at strengthening market functioning, as well as increased incentives.
^b Including changes aimed at increasing control as well as reducing incentives.

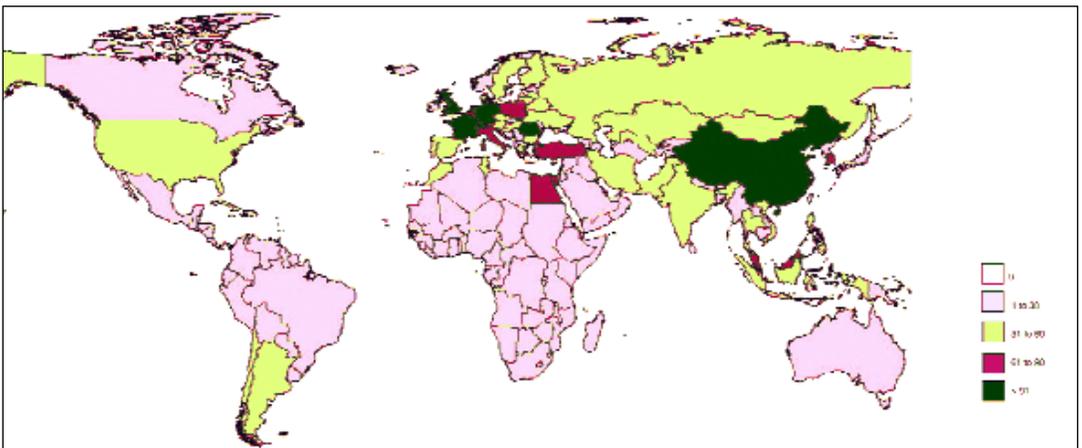


- More liberal entry/operational conditions
- More sectoral liberalization
- More promotion (including incentives)
- More control (restrictions)
- More guarantees

Number of BITs and DTTs concluded, cumulative and yearly total [1]



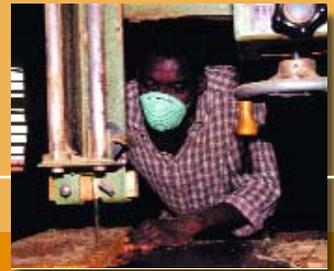
Concentration of BITs worldwide, 1 January 2003 [1]





3

Transnational corporations and foreign affiliates



3.1 Transnational corporations

3.2 Foreign affiliates

3.1 Transnational corporations

OVERVIEW

After years of expansion, the foreign operations of the top 50 non-financial **transnational corporations (TNCs)** worldwide (as measured by foreign **assets, sales and employment**) stagnated in 2001. Despite the bursting of the information and communication technology bubble, the industrial composition of the top 50 did not change significantly compared to earlier years. Petroleum and automobile companies remain high on the list, led in 2001 by Vodafone, a telecommunications company. In general, the top 50 span a wide range of industries covering all major sectors. Owing to privatization programmes in many developed and developing countries, the list has in recent years included an increasing number of TNCs involved in telecommunications and utilities.

Most TNCs are headquartered in the United States, the European Union or Japan – the so-called Triad, which also accounts for the largest share of foreign direct investment worldwide. The United States is home to the largest number of TNCs (11), followed by France (8), Germany (8), the United Kingdom (7) and Japan (4). The list also includes numerous TNCs from smaller countries such as Switzerland, Finland and the Netherlands, demonstrating that a large home market is not an indispensable precondition for the emergence of large TNCs.

In recent years, the number of developing-country TNCs on the top-100 list has increased. In 2001, the list included four companies from developing countries – Hutchinson Whampoa, Singtel, Cemex and LG Electronics. This trend is expected to continue as companies from developing countries (especially in Asia) increasingly internationalize their operations, not just within the region but also worldwide.

DEFINITIONS

- A **transnational corporation (TNC)** is an enterprise that controls assets of other entities in economies other than its home economy, usually by owning a certain equity capital stake. An equity capital stake of 10% or more of the ordinary shares or voting power for an incorporated enterprise, or the equivalent for an unincorporated enterprise, is normally considered a threshold for the control of assets.
- **Total assets** may be tangible (having physical substance, such as land and buildings) or intangible (without physical substance, such as patents and rights granted by a government). The assets of a direct investment enterprise include all the assets on the enterprise's balance sheet, regardless of how they are financed – whether by the direct investors or from other non-resident or resident sources.
- **Sales** consist of all goods and services invoiced by an enterprise during the reporting period. They also include all other charges passed on to the customer (for example, for transportation or packaging). Sales should be measured exclusive of consumption and sales taxes on consumers and value-added taxes. The figure used for sales should be that remaining after any price reductions, discounts and rebates, and credits for returned packaging.
- **Employment** should include full- and part-time employees on the payroll, but not contract and temporary employees. Ideally, figures for part-time employees should be reported on a full-time equivalent basis.

DATA SOURCES

[1] UNCTAD/ERASMUS database (based on data obtained from the companies themselves as well as secondary sources).
UNCTAD, *World Investment Report 2003*.

Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission.

In its annual **World Investment Report**, UNCTAD in collaboration with Erasmus University (Rotterdam) compiles key data on TNCs. The *Report* focuses on the largest TNCs from developed, developing and Central and Eastern European countries, analysing recent trends in their internationalization strategies. The UNCTAD/ERASMUS database includes data about these companies' foreign assets, total assets, foreign sales, total sales, and foreign and total employment. Based on the key variables, a Transnationality Index (TNI) is calculated. The data, which go back to 1996 (and for some companies more than a decade), can be accessed via www.unctad.org/fdistatistics. More detailed and customized information, as well as information on the methodology used for data compilation, can be obtained at statfdi@unctad.org.

World's top 50 non-financial TNCs in 2001 [1]

Million US\$ and number of employees

Corporation (home economy)	Industry	Foreign assets	Total		
			assets	sales	employees
1 Vodafone (UK)	Telecommunications	187 792	207 458	32 744	67 178
2 General Electric (US)	Electrical and electronic equipment	180 031	495 210	125 913	310 000
3 BP (UK)	Petroleum expl./ref./distr.	111 207	141 158	175 389	110 150
4 Vivendi Universal (FR)	Diversified	91 120	123 156	51 423	381 504
5 Deutsche Telekom AG (GE)	Telecommunications	90 657	145 802	43 309	257 058
6 Exxonmobil Corporation (US)	Petroleum expl./ref./distr.	89 426	143 174	209 417	97 900
7 Ford Motor Company (US)	Motor vehicles	81 169	276 543	162 412	354 431
8 General Motors (US)	Motor vehicles	75 379	323 969	177 260	365 000
9 Royal Dutch/Shell Group (UK/NL)	Petroleum expl./ref./distr.	73 492	111 543	135 211	89 939
10 Total Fina Elf (FR)	Petroleum expl./ref./distr.	70 030	78 500	94 418	122 025
11 Suez (FR)	Electricity, gas and water	69 345	79 280	37 975	188 050
12 Toyota Motor Corporation (JP)	Motor vehicles	68 400	144 793	108 808	246 702
13 Fiat Spa (ITA)	Motor vehicles	48 749	89 264	52 002	198 764
14 Telefonica SA (SP)	Telecommunications	48 122	77 011	27 775	161 527
15 Volkswagen Group (GE)	Motor vehicles	47 480	92 520	79 376	324 413
16 ChevronTexaco Corp. (US)	Petroleum expl./ref./distr.	44 943	77 572	104 409	67 569
17 Hutchison Whampoa Ltd. (HK)	Diversified	40 989	55 281	11 415	77 253
18 News Corporation (AUS)	Media	35 650	40 007	15 087	33 800
19 Honda Motor Co., Ltd. (JP)	Motor vehicles	35 257	52 056	55 955	120 600
20 E.On (GE)	Electricity, gas and water	33 990	87 755	71 419	151 953
21 Nestlé SA (CH)	Food and beverages	33 065	55 821	50 717	229 765
22 RWE Group (GE)	Electricity, gas and water	32 809	81 024	58 039	155 634
23 IBM (US)	Electrical and electronic equipment	32 800	88 313	85 866	319 876
24 ABB (CH)	Machinery and equipment	30 586	32 305	19 382	156 865
25 Unilever (UK/NL)	Diversified	30 529	46 922	46 803	279 000
26 ENI Group (ITA)	Petroleum expl./ref./distr.	29 935	55 584	43 861	80 178
27 BMW AG (GE)	Motor vehicles	29 901	45 415	34 482	97 275
28 Philips Electronics (NL)	Electrical and electronic equipment	29 416	34 070	28 992	188 643
29 Carrefour SA (FR)	Retail	29 342	41 172	62 294	358 501
30 Electricité de France (FR)	Electricity, gas and water	28 141	120 124	36 502	162 491
31 Repsol YPF SA (SP)	Petroleum expl./ref./distr.	27 028	45 575	39 135	35 452
32 Sony Corporation (JP)	Electrical and electronic equipment	26 930	61 393	57 595	168 000
33 Aventis SA (FR)	Pharmaceuticals	26 368	34 761	20 567	91 729
34 Wal-Mart Stores (US)	Retail	26 324	83 451	217 799	1 383 000
35 DaimlerChrysler AG (GE/US)	Motor vehicles	25 795	183 765	137 051	372 470
36 Lafarge SA (FR)	Construction materials	24 906	26 493	12 280	82 892
37 Nissan Motor Co., Ltd. (JP)	Motor vehicles	24 382	54 113	47 091	125 099
38 AES Corporation (US)	Electricity, gas and water	23 902	36 736	9 327	38 000
39 Roche Group (CH)	Pharmaceuticals	22 794	25 289	17 463	63 717
40 BASF AG (GE)	Chemicals	20 872	32 671	29 136	92 545
41 Deutsche Post AG (GE)	Transport and storage	20 840	138 837	29 924	276 235
42 Bayer AG (GE)	Pharmaceuticals/chemicals	20 297	32 817	27 142	116 900
43 GlaxoSmithkline Plc (UK)	Pharmaceuticals	20 295	31 758	29 689	107 470
44 Royal Ahold NV (NL)	Retail	19 967	28 562	59 701	270 739
45 Compagnie de Saint-Gobain SA (FR)	Construction materials	19 961	28 478	27 245	173 329
46 BHP Billiton Group (AUS)	Mining and quarrying	19 898	29 552	17 778	51 037
47 Diageo Plc (UK)	Food and beverages	19 731	26 260	16 020	62 124
48 Conoco Inc. (US)	Petroleum expl./ref./distr.	19 383	27 904	38 737	20 033
49 Philip Morris Companies Inc. (US)	Diversified	19 339	84 968	89 924	175 000
50 National Grid Transco (UK)	Electricity, gas and water	19 080	24 839	6 308	13 236

3.1 Transnational corporations

OVERVIEW

The picture of the 50 largest non-financial **transnational corporations (TNCs)** from developing economies and Central and Eastern European countries is more complex than that of the top 50 worldwide. Owing to the economic downturn, both total and foreign **sales** declined in 2001. Total **assets** and **employment** also fell. Like many of the largest 50 TNCs, the companies in question underwent restructuring in order to remain competitive in a difficult economic environment.

However, these TNCs continued to expand their production capacities abroad, as is shown by increases in foreign assets and employment. The ranking remains fairly stable and, like the worldwide top-50 list, covers a wide range of industries. Hutchison Whampoa and Singtel, two companies with major interests in telecommunications, head the list. Industries prominent on the list include electrical and electronic equipment and petroleum.

Most of the companies on the list are headquartered in Asia. The region's predominance as a source of foreign direct investment reflects its economic importance and dynamism. Among the Asian companies, Chinese firms from Hong Kong (China), Singapore, Taiwan Province of China and, of course, mainland China feature prominently. Malaysia has also emerged as an important home country for TNCs. Except for five companies from South Africa, the remaining firms hail from Latin America, particularly Brazil and Mexico. Only two companies from Central and Eastern Europe appear in the top 50. With foreign assets of more than \$5.8 billion, Lukoil, the largest Russian TNC, is comparable to the top 10 developing-country TNCs. The lack of Central and Eastern European TNCs on the list can be attributed largely to accounting and reporting practices in these countries, and to the fact that many companies are not publicly listed.

DEFINITIONS

For definitions, refer to 3.1A.

DATA SOURCES

- [1] UNCTAD/ERASMUS database (based on data obtained from the companies themselves as well as secondary sources).
UNCTAD, *World Investment Report 2003*.
Industry classification for companies follows the United States Standard Industrial Classification as used by following the United States Securities and Exchange Commission.

In its annual **World Investment Report**, UNCTAD in collaboration with Erasmus University (Rotterdam) compiles key data on TNCs. The *Report* focuses on the largest TNCs from developed, developing and Central and Eastern European countries, analysing recent trends in their internationalization strategies. The UNCTAD/ERASMUS database includes data about these companies' foreign assets, total assets, foreign sales, total sales, and foreign and total employment. Based on the key variables, a Transnationality Index (TNI) is calculated. The data, which go back to 1996 (and for some companies more than a decade), can be accessed via www.unctad.org/fdistatistics. More detailed and customized information, as well as information on the methodology used for data compilation, can be obtained at statfdi@unctad.org.

Top 50 non-financial TNCs from developing countries and Central and Eastern Europe in 2001 [1]

Million US\$ and number of employees

Corporation (home economy)	Industry	Foreign assets	Total		
			assets	sales	employees
1 Hutchison Whampoa Ltd. (HK)	Diversified	40 989	55 281	11 415	77 253
2 Singtel Ltd. (SG)	Telecommunications	15 594	19 108	4 054	21 535
3 Cemex S.A. (MEX)	Non-metallic mineral products	12 645	16 282	6 730	25 519
4 LG Electronics Inc. (KOR)	Electrical and electronic equipment	11 561	20 304	22 528	42 512
5 Petróleos de Venezuela (VEN)	Petroleum expl./ref./distr.	7 964	57 542	46 250	46 425
6 Petronas – Petroliaim Nasional Berhad (MY)	Petroleum expl./ref./distr.	7 877	37 933	17 681	25 724
7 Lukoil Oil Co. (RU)	Petroleum and natural gas	5 830	15 859	14 892	140 000
8 New World Development Co., Ltd. (HK)	Diversified	4 715	16 253	2 933	26 100
9 Neptune Orient Lines Ltd. (SG)	Transport and storage	4 674	4 951	4 737	11 777
10 Citic Pacific Ltd. (HK)	Diversified	4 184	7 798	2 212	11 733
11 Jardine Matheson Holdings Ltd. (HK)	Diversified	4 080	7 166	9 413	110 000
12 Samsung Electronics Co., Ltd. (KOR)	Electrical and electronic equipment	3 840	41 692	37 155	73 682
13 Guangdong Investment Ltd. (HK)	Diversified	3 694	4 042	932	7 641
14 Shangri-La Asia Ltd. (HK)	Hotels and motels	3 606	4 565	560	16 500
15 Sappi Ltd. (SA)	Paper	3 463	4 504	4 184	18 231
16 Hyundai Motor Company (KOR)	Motor vehicles	3 210	33 216	33 199	91 958
17 Flextronics International Ltd. (SG)	Electrical and electronic equipment	2 983	4 115	6 691	70 000
18 City Developments Ltd. (SG)	Hotels	2 870	6 454	1 302	14 337
19 Samsung Corporation (KOR)	Electrical and electronic equipment	2 800	9 400	32 300	4 164
20 China National Chemicals, Imp. & Exp. Corp. (CN)	Diversified	2 788	4 928	16 165	7 950
21 South African Breweries Plc (SA)	Food and beverages	2 785	4 399	4 364	33 230
22 América Móvil (MEX)	Telecommunications	2 323	10 137	4 385	14 786
23 Perez Companc (ARG)	Petroleum expl./ref./distr.	2 154	6 244	1 655	3 427
24 Guangzhou Investment Company Ltd. (HK)	Paper	2 129	2 559	433	13 120
25 Taiwan Semiconductor Manufacturing Co., Ltd. (TW)	Computer and related activities	2 033	10 446	3 751	13 669
26 First Pacific Company Ltd. (HK)	Electrical and electronic equipment	2 007	2 046	1 852	48 046
27 Petroleo Brasileiro S.A. - Petrobras (BRA)	Petroleum expl./ref./distr.	1 715	36 864	24 549	38 483
28 Acer Inc. (TW)	Electrical and electronic equipment	1 686	3 344	3 754	4 480
29 Posco (KOR)	Metal and metal products	1 589	18 164	10 497	28 619
30 San Miguel Corporation (PH)	Food and beverages	1 584	3 203	2 384	26 697
31 CLP Holdings (HK)	Electricity, gas and water	1 559	6 798	3 205	4 085
32 Panamco (MEX)	Food and beverages	1 549	2 693	2 651	26 000
33 Metalurgica Gerdau S.A. (BRA)	Metal and metal products	1 488	4 379	2 495	16 000
34 United Microelectronics Corporation (TW)	Electrical and electronic equipment	1 462	9 140	2 081 543	
35 Keppel Corporation Ltd. (SG)	Diversified	1 422	6 332	3 283	16 223
36 Barloworld Ltd. (SA)	Diversified	1 409	2 403	3 521	23 233
37 Fraser & Neave Ltd. (SG)	Food and beverages	1 229	4 282	1 660	11 455
38 Sime Darby Berhad (MY)	Diversified	1 225	3 290	3 174	26 384
39 Orient Overseas International Ltd. (HK)	Transport and storage	1 170	2 136	2 379	4 686
40 Gruma S.A. de C.V. (MEX)	Food and beverages	1 118	1 828	1 889	15 585
41 Novoship Co. (RU)	Transport	999	1 134	392	6 976
42 Naspers Ltd. (SA)	Media	979	1 470	1 059	10 706
43 Copec – Compania de Petroleos de Chile (CL)	Petroleum expl./ref./distr.	969	6 432	3 577	8 367
44 Savia SA de CV (MEX)	Diversified	961	1 585	683	8 085
45 Amsteel Corporation Berhad (MY)	Diversified	959	3 171	1 480	26 745
46 Johnnic Holdings Ltd. (SA)	Telecommunications	839	2 606	1 687	9 408
47 Grupo Imsa (MEX)	Metal and metal products	828	3 041	2 233	16 373
48 Great Eagle Holdings Ltd. (HK)	Business services	781	3 721	343	2 656
49 Delta Electronics Inc. (TW)	Electrical and electronic equipment	774	1 510	1 273	11 480
50 Genting Berhad (MY)	Hotels	740	2 690	829	15 200

3.2 Foreign affiliates

OVERVIEW

As international production systems play an increasingly important economic role, it also becomes more important to measure the extent and impact of the activities of **transnational corporations (TNCs)** and their **foreign affiliates**. There are now about 64,000 TNCs engaged in international production, with about 866,000 affiliates located abroad.

Foreign affiliates also raise investment funds from sources other than their parent firms. Their production capacity, not sufficiently reflected by the value of foreign direct investment (FDI) flows, can be illustrated by the ratio of FDI inward stock to total **assets**, which is only about one to four. The number of employees in foreign affiliates worldwide, a measure of the **employment** capacity of TNCs, has grown dramatically: it reached 53 million in 2002, up from 19 million two decades ago. Also, in a number of developing countries, the share of employment in foreign affiliates compared to total employment rose during the past two decades. **Sales** by foreign affiliates grew about sevenfold during the same period. This share varies among host countries; for example, in 1999 it was 28% for China and 81% for Singapore.

Foreign affiliates tend to have higher labour productivity (expressed as value added per employee) than domestic firms. Their innovative activity in some developing and transition economies is also significant: for example, in Hungary and Taiwan Province of China the share in total research and development is over 50%.

Developed countries, specifically in the European Union, still host the largest number of TNCs. Developing economies are home to less than one quarter of TNCs, while they host more than half of the foreign affiliates worldwide. Most of these affiliates are in Asia, followed by Latin America and the Caribbean.

DEFINITIONS

- A **foreign affiliate** or **direct investment enterprise** is an incorporated or unincorporated enterprise in which a foreign direct investor, resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10% for an incorporated enterprise or its equivalent for an unincorporated enterprise).

For other definitions, refer to 3.1A.

DATA SOURCES

- [1] UNCTAD, *World Investment Report and World Investment Directory series* (various issues).

In its **World Investment Directory** series, UNCTAD provides statistics on FDI and the activities of TNCs worldwide. Each volume contains FDI country profiles for a particular region. The individual FDI country profiles are accessible online at www.unctad.org/fdistatistics. UNCTAD's FDI/TNC databases contain data on inward and outward flows and stocks of FDI as well as the operations of TNCs and their foreign affiliates, based on national data sources. More detailed and customized information, as well as information on the methodology used for data compilation, can be obtained at statfdi@unctad.org.

Selected indicators of international production, 1982 – 2002 [1]

In % and billion US\$

Production indicator	Average annual growth rate				Value at current prices (billion US\$)	
	1986–1990	1991–1995	1996–2000	2001	2002	2002
Sales of foreign affiliates	16.0	10.1	10.9	9.2	7.4	17 685
Gross product of foreign affiliates	17.3	6.7	7.9	14.7	6.7	3 437
Total assets of foreign affiliates	18.8	13.9	19.2	4.5	8.3	26 543
Exports of foreign affiliates	13.5	7.6	9.6	-3.3	4.2	2 613
Employment of foreign affiliates (thousands)	5.5	2.9	14.2	-1.5	5.7	53 094
Gross fixed capital formation	13.4	4.2	1.0	-3.9	1.3	6 422
Royalties and licences fees receipts	21.3	14.3	6.2	-3.1	..	72
Export of goods and non-factor services	15.6	5.4	3.4	-3.3	4.2	7 838

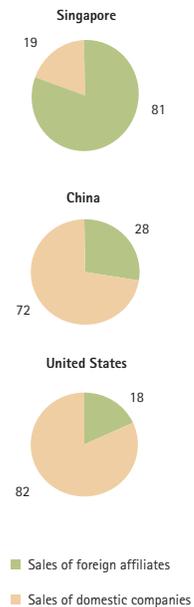
Parent corporations and foreign affiliates [1]

Number for latest year available

Region	Parent corporations	Foreign affiliates
World	63 834	866 119
Developing countries	13 936	517 611
Africa	1 202	7 049
Africa less South Africa	261	5 005
Latin America and the Caribbean	2 022	45 383
Asia	10 685	464 631
West Asia	751	11 672
Central Asia	-	7 687
South, East and South-East Asia	9 934	445 272
South, East and South-East Asia less China	9 584	81 387
Oceania	27	548
Countries in Central and Eastern Europe	850	242 678
Developed countries	49 048	105 830
North America	4 674	19 437
Europe	39 715	79 546
Others	4 659	6 847
<i>Memorandum</i>		
Developing countries less China	13 586	153 726
Least developed countries	38	1 363

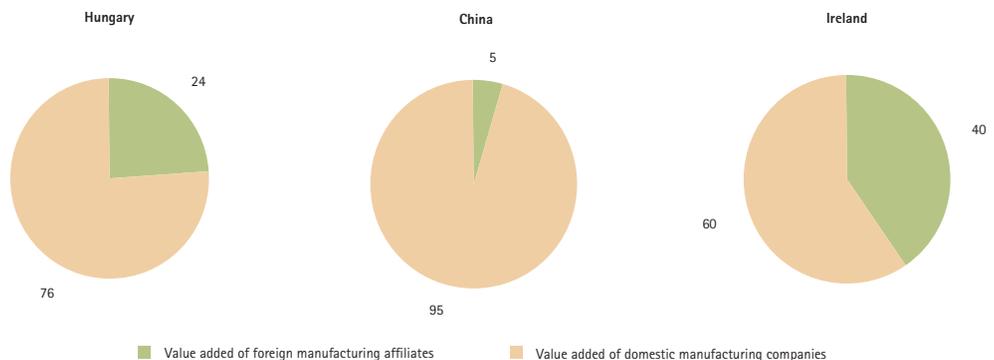
Shares of foreign affiliates in sales of selected countries [1]

(in %)



Significance of value added of foreign affiliates in manufacturing [1]

(in %)





4

International trade in merchandise and services



4.1 International trade in merchandise and services

4.2 International trade in merchandise

4.3 International trade in services

4.4 Tariff protection

OVERVIEW

In 2002 the value of total **merchandise exports** from all countries of the world was \$6,414 billion (in current US dollars). Two-thirds of these exports were from developed countries. The value of total **exports of services** was \$1,611 billion (in current US dollars), and almost three-fourths of these were from developed countries.

In 1960 the share of world merchandise exports in the world gross domestic product was 10%. By 2000 it had climbed to 20%. The share of services in world output was 3% in 1960 and almost 5% in 2000.

Over the past four decades, developing countries' participation in total world exports of merchandise and services has increased. Developing countries' merchandise exports grew, on average, 12% a year in the period 1960–2002. The corresponding figures are 11% for developed countries and 8% for Central and Eastern Europe. Exports of services grew 9% a year in developing countries and 8% in developed countries during 1980–2002.

In the early 1970s, developing countries faced a merchandise trade deficit: their exports represented only 96% of **imports**. During the 1970s their **trade balance** improved substantially. In 1980, exports totalled 20% more than imports. This improvement was largely attributable to the rise in oil prices after the oil crises of 1974 and 1979. In the 1980s and 1990s, developing countries' trade balance deteriorated. In 1990 the balance was still positive, but exports were only 2% greater than imports. By the mid-1990s, the exports-to-imports ratio had returned to its 1970 level. Meanwhile, developed countries' trade balance remained essentially negative during the whole period under consideration.

As far as services are concerned, although developing countries' trade balance remained negative, it improved in the 1980s and 1990s, at least in relative terms. Developed countries as a group had a positive trade balance over the two decades.

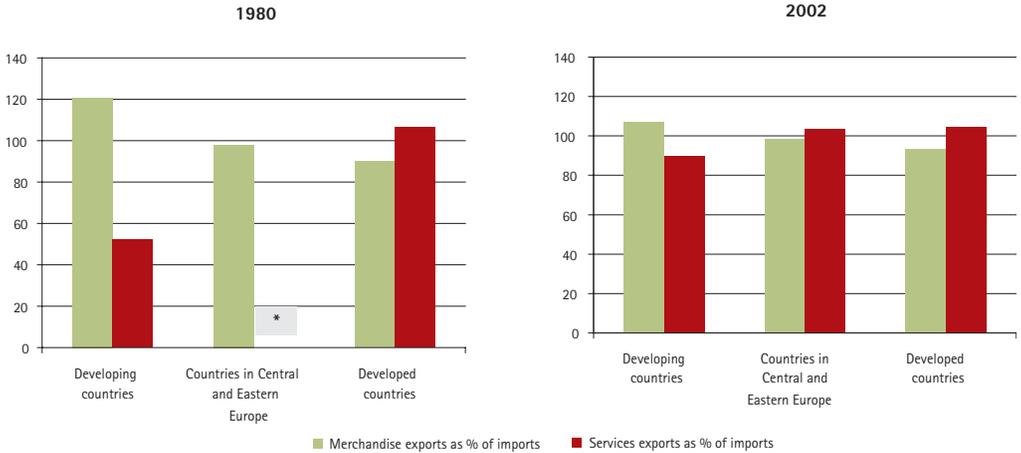
DEFINITIONS

- **Merchandise exports** are goods leaving the *statistical territory* of a country.
- **Merchandise imports** are goods that add to a country's stock of material resources by entering its statistical territory.
- The *statistical territory* of a country coincides with its economic territory in the general trade system. In the special trade system, the statistical territory corresponds to the area within which goods circulate freely and comprises only a particular part of the economic territory.
- **Exports and imports of services** reflect, respectively, the value of services provided to residents of other countries by a country's residents and those received by residents of the domestic territory. They are the values of credits and debits of international service transactions as presented in the International Monetary Fund's Balance of Payments Statistics. Services are defined as the economic output of intangible commodities that may be produced, transferred and consumed at the same time.
- The **trade balance** is the difference between exports and imports.

DATA SOURCES

- [1] UNCTAD *Handbook of Statistics 2003*, tables 1.1, 1.2 and 5.1. Merchandise exports and imports are based on customs statistics while exports and imports of services are based on balance-of-payments statistics.

Trade in merchandise and services [1]



* Statistics on trade in services are not available prior to 1990.

Share of merchandise and services exports [1]

World exports in million US\$ and shares in % by country group

Regions	1960	1970	1980	1990	2000	2002
Merchandise						
World	130 135	316 428	2 031 219	3 500 278	6 426 893	6 414 058
Developing countries	24.7	19.2	29.4	24.1	32.0	31.7
Countries in Central and Eastern Europe	10.6	10.1	8.0	5.0	4.2	4.9
Developed countries	64.7	70.7	62.6	70.8	63.8	63.5
Services						
World	..	..	385 352	824 724	1 511 935	1 610 608
Developing countries	..	..	17.9	18.1	23.1	22.6
Countries in Central and Eastern Europe	..	..	..	..	3.6	4.2
Developed countries	..	..	79.1	79.9	73.2	73.2

Growth in merchandise and services exports [1]

Average annual growth rates in %

Regions	1960-1970	1970-1980	1980-1990	1990-2000	1960-1980	1980-2002
Merchandise						
World	9.2	20.5	6.0	6.7	15.3	6.8
Developing countries	6.7	26.0	3.1	9.1	16.4	7.6
Countries in Central and Eastern Europe	8.5	18.1	2.2	8.2	13.3	1.8
Developed countries	10.1	19.0	7.6	5.7	15.2	6.9
Services						
World	-	-	7.9	6.4	-	8.1
Developing countries	-	-	7.3	9.1	-	9.4
Countries in Central and Eastern Europe	-	-	-	-	-	-
Developed countries	-	-	8.3	5.4	-	7.6

4.2 International trade in merchandise

OVERVIEW

An important feature of international trade over the four past decades has been the growing participation of developing countries. Between 1960 and 2002, their **merchandise exports** grew at an average annual rate of 12%, compared to the 11% world average. As a result, their share of world exports of goods increased from less than one fourth to one third. The 1970s saw particularly vigorous growth in overall world trade.

In the last 20 years, the picture for developing countries has become much more nuanced. With the exception of East Asian and Central American economies, developing countries did not see their exports increase significantly. This is particularly true for African states, which have averaged a modest annual growth rate of 2% since 1980. The growth of Asian exports took off in the 1970s, with South and East Asian countries generating the bulk of the region's export growth. The shares in total world exports of South American, Central and Eastern European, and African economies were actually lower in 2002 than in 1960.

Least developed countries' share in world exports was 0.7% in 1980. It fell to 0.4% in 1990 and began to increase slightly only in the late 1990s, reaching 0.6% in 2000. While world exports grew at an annual pace of 6% in the 1980s, the corresponding figure for least developed countries was only 2%. During the past decade, these countries' exports grew 7% annually, keeping pace with the world average.

In addition, for most developing countries from Oceania and America – particularly Central America – and for least developed countries, **imports** expanded faster than exports during the past four decades, resulting in increasing **trade deficits** for those economies.

DEFINITIONS

- It is recommended that **merchandise exports** be reported **f.o.b.** and **merchandise imports c.i.f.**
- The **c.i.f. (cost, insurance and freight) price** is the price of merchandise delivered at the frontier of the importing country, including any insurance and freight charges incurred up to that point.
- The **f.o.b. (free on board) price** equals the c.i.f. price less transportation costs and insurance charges between the customs frontier of the exporting (importing) country and that of the importing (exporting) country.
- A **trade deficit** is a negative trade balance. The trade balance as a percentage of imports is calculated to indicate the relative magnitude of the trade balance.

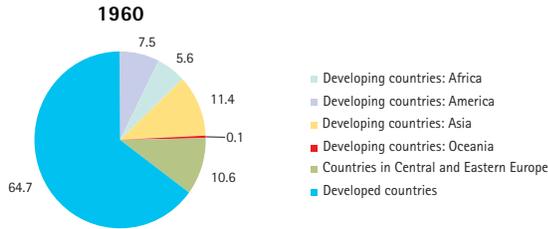
DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 1.1 and 1.2.

For more information, see UNCTAD's annual **Trade and Development Report**. In the 2003 issue, *Capital Accumulation, Economic and Structural Change*, Chapter 3 covers trade flows and balances, and Chapter 6 deals with policy reforms and economic performance in Latin America. The 2002 issue is devoted to *Developing Countries in World Trade*.

Distribution of world merchandise exports by region [1]

(in %)



Growth in merchandise exports [1]

Average annual growth rates in % and 2002 exports in million US\$

Regions	1960-1970	1970-1980	1980-1990	1990-2000	1960-2002	2002
World	9.2	20.5	6.0	6.7	10.7	6 414 058
Developing countries	6.7	26.0	3.1	9.1	11.6	2 031 937
Africa	8.6	21.6	-1.7	3.1	7.7	134 881
North Africa	13.9	23.7	-3.9	2.5	8.4	45 237
Sub-Saharan Africa	6.7	20.5	-0.5	3.4	7.4	89 644
Sub-Saharan Africa less South Africa	7.2	20.2	-1.2	3.9	7.3	59 921
America	5.6	20.9	1.7	10.3	9.7	344 074
Central America and the Caribbean	5.1	23.2	0.8	14.1	10.9	183 281
South America	5.8	19.6	2.3	7.1	8.9	160 793
Asia	6.3	30.2	4.7	9.7	13.4	1 549 566
West Asia	8.6	36.0	-6.0	6.1	10.5	247 734
Central Asia	-	-	-	-	-	18 726
South, East and South-East Asia	5.2	25.3	11.1	10.3	14.5	1 283 105
South, East and South-East Asia less China	6.1	26.1	10.9	9.5	14.5	957 514
Oceania	11.2	13.5	4.3	2.9	8.4	3 416
Countries in Central and Eastern Europe	8.5	18.1	2.2	8.2	7.4	311 501
Developed countries	10.1	19.0	7.6	5.7	10.7	4 070 620
North America	9.0	17.5	6.0	7.5	10.1	946 254
Europe	10.1	19.4	8.0	5.2	10.7	2 598 730
Others	13.9	19.8	8.6	4.4	12.0	525 636
<i>Memorandum</i>						
Developing countries less China	7.0	26.2	2.6	8.5	11.4	1 706 346
Least developed countries	5.3	10.2	2.4	7.2	6.0	37 777

Merchandise trade balance [1]

Trade balance as % of imports

Regions	1960	1970	1980	1990	2000	2002
World	-5.4	-4.0	-1.9	-3.2	-1.9	-2.4
Developing countries	-8.7	-2.0	20.7	3.3	8.8	7.1
Africa	-15.1	8.3	25.8	2.7	6.5	2.2
North Africa	-43.7	31.5	39.6	-17.9	-8.8	-12.1
Sub-Saharan Africa	-0.6	0.0	18.9	18.5	15.8	11.3
Sub-Saharan Africa less South Africa	-9.6	7.1	14.0	14.2	24.4	16.8
America	-4.8	-6.3	-11.1	10.0	-5.3	-0.3
Central America and the Caribbean	-23.1	-33.0	-21.8	-21.6	-14.4	-16.9
South America	8.3	16.9	-1.7	50.7	8.1	29.3
Asia	-7.7	-3.3	34.5	2.3	12.9	9.5
West Asia	28.0	48.4	116.4	25.9	53.5	26.7
Central Asia	-	-	-	-	31.8	23.5
South, East and South-East Asia	-16.8	-19.7	-8.8	-3.2	6.6	6.6
South, East and South-East Asia less China	-20.4	-22.2	-8.7	-5.7	5.7	5.3
Oceania	-11.9	-36.5	-35.0	-43.6	-20.3	-40.0
Countries in Central and Eastern Europe	-3.3	-1.8	-1.7	-9.8	4.9	-1.6
Developed countries	-4.4	-4.8	-9.9	-4.7	-6.9	-6.5
North America	13.3	4.9	-8.2	-18.6	-27.4	-33.8
Europe	-9.7	-8.5	-10.8	-3.0	0.0	5.4
Others	-15.0	-4.3	-8.7	14.7	19.3	14.2
<i>Memorandum</i>						
Developing countries less China	-9.1	-2.1	22.0	2.4	8.5	6.5
Least developed countries	-5.9	-1.0	-35.6	-23.0	-13.9	-13.1

4.2 International trade in merchandise

OVERVIEW

Over the past four decades, trade among developing countries has increased substantially and steadily.

In 1960, **exports directed** from and to developing countries represented 24% of developing countries' total exports. In 2001, this proportion was more than 40%. Growth was essentially driven by the rise in the share of exports from South-East Asian developing countries. Trade among developed countries increased only slightly, while trade within Central and Eastern Europe actually fell sharply. The share of exports of Central and Eastern European states directed towards other countries in that region declined from 63% of total group exports in 1960 to 25% in 2001.

The percentage of exports from developing countries directed to developed states decreased during the 1980s and has since remained at around 57%. This tendency has been observed for Africa, Asia and Oceania, but not for South American economies, which delivered 75% of their total exports to developed parts of the world in 2001. The figures pertaining to large regions, especially to Asia as a whole, include very different performances by countries and sub-regions. It is worth noting that 10% of developed countries imports originated from South-East Asian economies in 1990 and then reached almost 17% in 2000.

During the past three decades, the aggregate share of exports from developed states to developing parts of the world remained between 20% and 25%. Nonetheless, the United States, Japan, New Zealand and Australia have seen their shares of exports to developing countries increase, although not substantially.

The share of exports from developed economies to Central and Eastern European countries increased significantly during the last 10 years. The trend is a result of substantial growth in trade between these countries and the European Union. On the other hand, shares in exports to Central and Eastern Europe fell in general for all developing regions.

DEFINITIONS

- Data on **exports directed** towards countries may differ considerably from data on imports as reported by these countries of destination. The differences are accounted for by a variety of factors, of which the following may be particularly important:
 - Most import data are reported on a c.i.f. rather than an f.o.b. basis. (For more information, refer to the Definitions in 4.2A.)
 - Imports arrive at their destination and are registered with some time lag from the date they were recorded as exports.
 - There may be considerable differences between the recorded destination of exports and the actual destination as shown in import statistics.
 - Both exports and imports may be over- or under-invoiced for various reasons (for example, to avoid taxes or controls or facilitate capital flight).
- Despite efforts to allocate trade flows by destination and origin, a margin of unallocated trade flows remains.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, table 3.1.

For more information, see UNCTAD's annual **Trade and Development Report**. In the 2003 issue, *Capital Accumulation, Economic and Structural Change*, Chapter 3 covers trade flows and balances. The 2002 issue is devoted to *Developing Countries in World Trade*.

Distribution of exports by destination [1]

(in %)

Year	Africa	America	Asia	Oceania	Developing countries	Countries in Central and Eastern Europe	Developed countries	Total
World								
1960	6.2	7.9	11.5	..	25.6	10.2	63.6	100
1970	4.9	6.0	9.1	0.2	20.2	10.2	68.9	100
1980	4.9	6.3	13.5	0.1	24.8	8.2	66.1	100
1990	2.7	4.0	16.3	0.1	23.2	4.9	70.1	100
2001	2.2	5.6	20.0	0.1	27.9	4.4	66.1	100
Developing countries								
1960	4.4	6.4	12.9	..	23.8	7.6	67.5	100
1970	3.9	6.4	11.7	0.2	22.2	6.1	70.1	100
1980	2.8	7.6	15.6	0.1	26.2	3.6	68.9	100
1990	2.5	4.1	27.4	0.2	34.2	2.8	58.2	100
2001	2.4	5.4	33.3	0.1	41.2	1.5	56.9	100
Developing Africa								
1960	9.5	0.8	6.5	..	16.8	4.8	76.6	100
1970	7.6	1.9	3.8	0.0	13.3	6.1	79.3	100
1980	4.3	5.8	3.9	0.0	13.9	3.1	82.1	100
1990	7.2	2.0	8.9	0.0	18.2	2.8	69.0	100
2001	11.5	3.2	13.0	0.1	27.9	1.5	68.8	100
Developing America								
1960	1.2	16.5	1.1	..	18.9	2.6	78.2	100
1970	0.9	17.3	1.7	0.0	19.9	6.1	73.7	100
1980	2.4	21.3	3.5	0.1	27.3	6.8	64.2	100
1990	2.1	15.1	7.5	0.1	24.8	3.2	69.8	100
2001	1.1	17.8	5.5	0.0	24.5	0.9	73.3	100
Developing Asia								
1960	4.4	1.7	24.5	..	30.6	12.5	55.5	100
1970	4.0	1.9	22.5	0.3	28.7	6.1	62.6	100
1980	2.6	4.2	22.6	0.2	29.6	2.9	66.3	100
1990	1.8	1.8	35.6	0.2	39.4	2.7	53.4	100
2001	1.9	2.7	41.5	0.2	46.2	1.9	51.8	100
Developing Oceania								
1960	..	..	..	..	..	..	..	100
1970	..	..	0.6	1.5	2.1	..	97.7	100
1980	0.0	0.3	6.5	3.8	10.6	..	88.4	100
1990	0.1	7.3	16.3	3.6	27.3	0.1	72.6	100
2001	0.3	9.9	18.0	1.7	29.9	1.0	51.3	100
Countries in Central and Eastern Europe								
1960	1.9	1.8	13.5	..	17.1	63.4	19.3	100
1970	3.3	3.0	7.6	..	13.8	61.4	24.6	100
1980	3.1	3.2	8.5	0.0	14.8	56.4	28.4	100
1990	2.3	5.0	16.7	0.0	24.1	41.3	34.2	100
2001	1.2	2.1	9.8	0.0	13.1	24.8	57.1	100
Developed countries								
1960	7.5	9.3	10.7	..	27.5	3.0	69.0	100
1970	5.4	6.3	8.7	0.3	20.6	3.8	75.0	100
1980	6.1	6.1	13.1	0.2	25.5	4.1	69.7	100
1990	2.8	3.9	12.6	0.2	19.5	2.6	77.0	100
2001	2.2	5.9	14.3	0.1	22.5	4.3	71.3	100

4.2 International trade in merchandise

OVERVIEW

The past 30 years have seen a substantial increase in the number of regional and sub-regional trade agreements signed worldwide. While this trend has helped many areas to intensify their mutual trade and allowed various countries to profit from expanding exports, it has not systematically resulted in increased **intra-trade** within the **trade groupings** that have been created.

Since 1980, intra-regional trade has grown in all regions except Central and Eastern Europe. The biggest absolute rise in intra-trade has occurred in the Asian region. After declining during the 1970s and 1980s, intra-trade almost tripled in Africa during the past 20 years. However, in 2001, it still represented only 12% of total exports from that continent.

For internal trade within trade groupings, the picture is more subdued. Despite the significant rise in intra-trade for the Asian region, trade within the region's trade groups did not evolve proportionately. This simply indicates that economic integration was broad based. The past decade also witnessed the emergence of sub-regional trading blocs in Latin America. This yielded mainly positive, although in some groups modest results for the countries involved with regard to increasing their exports to other members of the trade blocs. In Africa, numerous sub-regional trade agreements were signed, but none of the groups managed to surpass the threshold of 13% of exports directed to other members within a trade bloc.

For Central and Eastern European states, the perspective of their accession to the European Union has boosted their trade with members of that group. A similar effect occurred with the North American Free Trade Agreement (NAFTA): commercial exchange between Canada, Mexico and the United States started to increase significantly before NAFTA entered into force in January 1994.

DEFINITIONS

- **Intra-trade** is international trade among countries that belong to the same group (for example, a regional or trade grouping).
- Depending on their level of economic integration, countries may participate concurrently in various **trade groupings**. Economic integration among countries ranges from strict trade integration to economic policy harmonization. The lowest degree of economic integration corresponds to a preferential trade arrangement. The highest degree of integration corresponds to a single market. In between are free trade agreements, customs unions and common markets.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, table 1.4.

In its *Policy Issues in International Trade and Commodities Study Series*, UNCTAD has published the following studies on the effects of trade agreements: *Assessing South-South Regional Integration: Same Issues, Many Metrics* and *Assessing Regional Trade Arrangements: Are South-South RTAs More Trade Diverting?* For more information, see also *North, South, East, West: What's best? Modern RTAs and Their Implications for the Stability of Trade Policy*, a Research Paper from the University of Nottingham, and the *General Agreement on Tariffs and Trade*, Article XXIV, which defines the meaning of a customs union and a free trade area in the GATT context.

Exports of trade groupings [1]

Intra-trade as % of total exports and total 2002 exports in million US\$

Trade groupings	Date of creation	1970	1980	1990	2002	Total exports 2002
Africa						
Economic Community of the Great Lakes Countries	1976	0.4	0.1	0.5	0.7	12
Common Market for Eastern and Southern Africa*	1994	7.4	5.7	6.3	5.6	1 487
Economic Community of Central African States	1983	9.8	1.4	1.4	1.3	238
Economic Community of West African States	1975	2.9	9.6	8.0	11.1	2 987
Mano River Union	1973	0.2	0.8	0.0	0.3	5
Southern African Development Community	1992	4.2	0.4	3.1	8.8	3 954
Economic and Monetary Community of Central Africa	1994	4.9	1.6	2.3	1.3	130
West African Economic and Monetary Union	1994	6.5	9.6	13.0	12.6	826
Arab Maghreb Union	1989	1.4	0.3	2.9	2.8	1 214
America						
Andean Community	1996	1.8	3.8	4.1	10.6	5 673
Central American Common Market	1961	26.0	24.4	15.3	11.5	2 598
Caribbean Community	1973	4.2	5.3	8.1	13.5	1 276
Free Trade Area of the Americas	1994	45.0	43.4	46.6	60.7	788 114
Latin American Integration Association	1980	9.9	13.9	11.6	13.6	43 094
Southern Common Market	1994	9.4	11.6	8.9	17.7	16 544
North American Free Trade Agreement	1992	36.0	33.6	41.4	56.0	612 965
Organisation of Eastern Caribbean States	1981	–	9.0	8.1	3.8	43
Asia						
Association of South-East Asian Nations	1967	22.4	17.4	19.0	22.8	94 760
Bangkok Agreement	1975	2.8	1.7	1.6	7.4	44 470
Economic Cooperation Organisation**	1985	2.2	6.3	3.2	5.5	4 758
Gulf Cooperation Council	1981	4.6	3.0	8.0	5.8	8 861
Melanesia Spearhead Group	1994	0.3	0.8	0.4	0.8	34
South Asian Association for Regional Cooperation	1985	3.2	4.8	3.2	3.9	2 697
Europe						
Baltic countries	1991	–	–	–	13.1	1 571
European Free Trade Association	1968	1.5	1.1	0.8	0.6	925
European Union	1957	59.5	60.8	65.9	61.0	1 469 856
Euro zone	2002	53.2	51.4	55.1	49.8	1 002 845
European Union and accession countries	2004	60.1	60.9	67.1	66.6	1 699 581
Interregional groupings						
Asia-Pacific Economic Cooperation	1989	57.9	57.9	68.4	73.5	2 169 919
Black Sea Economic Cooperation	1992	3.3	5.9	4.2	13.9	25 599
Commonwealth of Independent States	1991	–	–	–	18.9	26 833

* Prior to 2000, data unavailable for Namibia and Swaziland.

** Prior to 1995, data unavailable for Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

4.2 International trade in merchandise

OVERVIEW

During the last four decades, the share of **primary commodities** in total world exports of merchandise has fallen dramatically. Primary commodities, excluding fuels, represented 38% of the value of world exports in 1960 and only 12% in 2001. In developing countries, the share was initially 63%, but by 2001 it had fallen to 13%. In 1960, food items represented 17% of world exports, while in 2001 they accounted for only 7%. A similar drop occurred for agricultural raw materials. These patterns held true for both developed and developing countries. The only exception is exports of ores and metals, whose share remained fairly constant.

Developing countries have increased their share in the world trade of **manufactured goods**. South-East Asian countries were the main contributors to this trend. The share of manufactured goods in developing-country exports increased from 12% in 1960 to 65% in 2001. The share of manufactures in world exports to developing countries also increased substantially, from 62% in 1980 to 74% in 2001. This trend underscores the intensification of trade in manufactures among developing countries.

The share of manufactured goods in developed countries' overall exports increased from 65% in 1960 to 80% in 2001. However, the rate of increase was slower than that for developing countries. Consequently, the share of world manufactured goods imported from developed countries by other economies decreased during the last 40 years, from 83% in 1960 to 69% in 2001. The remaining shares were imported from developing countries (27.5% in 2001 compared to 5.5% in 1960) and Central and Eastern Europe (3.5% in 2001 compared to 11% in 1960).

DEFINITIONS

Commodities are classified in accordance with the United Nations Standard International Trade Classification (SITC), as follows:

- **Primary commodities:**

- All food items: SITC 0, plus SITC 1, plus 22, plus SITC 4
- Agriculture raw materials: SITC 2, less 22, less 27 – 28
- Ores and metals: SITC 27, plus 28, plus 68
- Fuels: SITC 3

- **Manufactured goods:**

- Chemicals and related products: SITC 5
- Manufactured goods classified chiefly by material: SITC 6 less 68
- Machinery and transport equipment: SITC 7
- Miscellaneous manufactured articles: SITC 8

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 3.2.1 and 3.2.2. Some exports are not allocated to a commodity group. The sum of shares in the distribution of exports by commodity group may be less than 100.

Distribution of exports by commodity group [1]

(in %)

Year	All food items	Agricultural raw materials	Ores and metals	Fuels	Manufactured goods	All products
World						
1960	17.4	16.7	3.6	9.9	51.3	100
1970	13.2	10.6	4.0	9.2	60.9	100
1980	11.1	3.7	4.7	24.0	54.2	100
1990	9.3	3.0	3.6	11.0	70.5	100
2001	7.4	1.8	3.0	9.1	74.1	100
Developing countries						
1960	29.1	28.7	4.9	25.2	11.9	100
1970	24.1	18.6	6.6	31.1	19.0	100
1980	11.9	3.8	4.8	59.4	19.1	100
1990	11.6	3.1	4.1	26.5	52.7	100
2001	7.9	1.9	3.6	16.3	65.2	100
Developing Africa						
1960	32.9	41.8	10.5	4.1	10.3	100
1970	24.4	20.7	13.2	29.3	11.1	100
1980	11.7	3.8	8.4	67.0	8.2	100
1990	12.0	4.0	5.5	49.5	20.1	100
2001	12.8	4.5	4.8	46.1	30.6	100
Developing America						
1960	40.6	18.7	5.3	31.9	3.4	100
1970	39.3	16.5	8.6	24.7	10.6	100
1980	29.1	3.1	9.5	42.4	14.7	100
1990	27.3	3.3	11.9	25.2	31.4	100
2001	16.8	2.3	6.1	15.4	58.0	100
Developing Asia						
1960	18.9	30.0	1.9	30.0	18.8	100
1970	14.0	18.3	2.0	36.6	28.6	100
1980	6.8	4.1	2.2	62.4	23.6	100
1990	7.7	2.9	1.8	22.7	63.8	100
2001	5.3	1.7	2.9	14.5	69.3	100
Developing Oceania						
1960	..	..	..	..	..	..
1970	31.7	49.4	..	1.0	17.4	100
1980	42.9	4.8	36.3	1.4	12.3	100
1990	20.6	7.3	29.5	2.4	27.6	100
2001	16.4	3.7	22.9	13.4	36.5	100
Countries in Central and Eastern Europe						
1960	14.3	13.6	2.1	12.4	56.8	100
1970	10.6	10.0	3.3	9.2	59.1	100
1980	6.6	4.3	3.4	25.9	51.5	100
1990	5.7	5.3	7.7	30.5	47.7	100
2001	4.6	2.6	4.8	22.3	55.7	100
Developed countries						
1960	13.7	12.8	3.3	4.0	64.7	100
1970	10.7	8.5	3.3	3.4	72.4	100
1980	11.2	3.5	4.8	7.0	71.3	100
1990	8.9	2.8	3.2	4.2	78.4	100
2001	7.4	1.8	2.6	4.7	79.7	100

Distribution of imports of primary commodities and manufactured goods by origin [1]

% of total primary commodities imports

% of total manufactured goods imports

Year	Developing countries	Countries in Central and Eastern Europe	Developed countries	Developing countries	Countries in Central and Eastern Europe	Developed countries
1960	44.1	9.0	46.8	5.5	11.2	83.2
1970	41.3	9.2	49.5	5.9	10.0	84.0
1980	54.4	7.6	38.0	10.4	7.8	81.8
1990	39.6	10.4	49.9	17.7	3.9	78.4
2001	43.3	7.5	49.2	27.5	3.5	69.0

4.2 International trade in merchandise

OVERVIEW

Between 1980 and 2000, the volume of developing country exports increased more than six-fold, compared to a three-fold increase for developed countries. Most of the expansion of exports has been concentrated in developing countries of Asia. However, an increase in the volume of imports of developing Asia has been even more striking – ten-fold – compared to a three-fold increase globally.

The **unit value index** of exports for developing countries as a whole fell sharply in the 1980s. This trend continued, although less markedly, during the 1990s. More detailed data show that the value index of exports for South and East Asian countries remained fairly steady in the 1980s and increased slightly in the 1990s. The index for African countries is driven by the index of major African petroleum exporters. The price index for developed countries showed a slight tendency to increase over the whole period.

Since 1985, the **purchasing power of exports** has increased for both developed and developing countries, despite the large decrease in developing countries' **terms of trade** prior to the mid-1990s. While African countries' terms of trade worsened until 1999, the purchasing power of their exports has been increasing substantially since 1999. Least developed countries' terms of trade fluctuated until recent years, in 2001 recovering their 1980 level. While terms of trade for South and East Asian countries have also fluctuated, the purchasing power of their exports has increased over the past two decades and grew by a factor of almost 2.5 in the last 10 years.

DEFINITIONS

- An **index** reflects changes over time in a quantity that cannot itself be directly measured or observed. Important features of index construction are the coverage, the base period, the weighting system and the method of averaging observations.
- **Value index** of exports or imports is the current value of exports (f.o.b.) or imports (c.i.f.) converted to dollars and expressed as a percentage of the average for the base period.
- **Unit value index** of exports or imports is an indicator reflecting changes in the price levels of exports or imports during the reporting period in comparison with the base period.
- **Volume (quantum) index** of exports or imports is the ratio of the value index of exports or imports to the corresponding unit value index and reflects changes in the volume of exports and imports.
- **Purchasing power of exports** is the value index of exports deflated by the unit value index of imports.
- **Terms of trade**, or "net barter" terms of trade, are defined as the ratio of the unit value index of exports to the unit value index of imports.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2003, tables 2.1 and 8.1.

Terms of trade [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	–	–	–	–	–	–
Developing countries	143.6	121.6	98.4	98.4	99.0	99.8
Africa	171.0	142.7	112.0	97.6	126.5	119.1
America	153.4	123.3	93.4	98.4	105.9	102.2
Asia	124.4	113.0	97.1	98.6	94.2	97.0
Oceania	..	..	..	..	..	..
Developed countries	85.6	83.5	95.3	100.1	97.2	98.3
Least developed countries	106.2	105.7	100.4	89.8	112.8	102.7

Volume indices of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.7	53.8	72.8	130.9	148.7	144.9
Developing countries	22.6	26.5	53.7	123.5	140.9	137.1
Africa	66.8	75.0	82.4	120.6	108.7	116.6
America	30.3	42.8	65.7	145.7	159.5	164.5
Asia	16.6	18.3	48.6	119.8	142.0	134.4
Oceania	42.2	55.2	61.1	..	..	..
Developed countries	49.0	56.8	74.3	126.5	139.4	137.8
Least developed countries	30.1	43.3	66.3	130.3	125.8	139.3

Unit value indices of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	82.5	67.0	92.0	84.6	83.5	81.9
Developing countries	137.5	98.4	94.5	88.1	92.4	90.1
Africa	136.5	89.2	108.0	90.4	113.8	101.8
America	136.9	103.4	93.4	90.6	99.5	92.9
Asia	138.2	99.4	92.2	86.9	88.1	87.9
Oceania	92.1	63.3	72.6	..	..	..
Developed countries	73.7	64.5	94.9	85.8	83.5	81.6
Least developed countries	133.5	112.5	123.7	91.0	110.9	100.2

Volume indices of imports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.6	50.4	70.2	127.2	142.6	141.4
Developing countries	25.6	27.9	49.1	118.2	136.4	133.1
Africa	86.7	91.3	84.6	112.5	117.9	127.5
America	47.6	34.7	48.0	145.7	163.9	164.1
Asia	12.7	18.6	44.7	111.9	131.7	126.0
Oceania	..	..	..	..	..	..
Developed countries	47.1	51.5	75.1	133.1	147.1	145.4
Least developed countries	34.7	45.7	62.5	116.8	121.3	128.4

Unit value indices of imports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	83.6	73.8	97.6	87.3	88.4	85.1
Developing countries	95.8	80.9	96.1	89.5	93.3	90.3
Africa	79.8	62.5	96.4	92.6	90.0	85.5
America	89.2	83.8	100.0	92.0	94.0	90.9
Asia	111.1	87.9	94.9	88.1	93.5	90.6
Oceania	..	..	..	..	..	..
Developed countries	86.1	77.2	99.6	85.7	86.0	83.0
Least developed countries	125.7	106.4	123.2	101.3	98.3	97.5

Purchasing power of exports [1]

1995 = 100

Regions	1980	1985	1990	1999	2000	2001
World	45.1	48.9	68.7	127.0	140.4	139.4
Developing countries	32.5	32.3	52.9	121.6	139.5	136.9
Africa	114.2	107.0	92.3	117.7	137.5	138.9
America	46.4	52.8	61.4	143.5	168.9	168.2
Asia	20.7	20.7	47.2	118.1	133.9	130.4
Oceania	..	..	..	..	..	..
Developed countries	42.0	47.4	70.8	126.6	135.5	135.5
Least developed countries	31.9	45.8	66.6	117.0	141.9	143.0

4.3 International trade in services

OVERVIEW

International trade in **services** worldwide expanded rapidly in the late twentieth century, growing on average much faster than both the world GDP and world merchandise trade. In current US dollars, total exports of services more than quadrupled between 1980 and 2002, from approximately \$400 billion to about \$1 600 billion.

International trade in services is dominated by developed countries, which account for the bulk of services imports and exports and constantly run a surplus in their balance of trade in services. In 1980, developing countries' imports of services were over 30% of the world total, almost twice as much as their exports. Developing countries' exports of services grew on average 9% annually, against 8% for developed countries. However, developing countries' share of total imports of services fell abruptly in the 1980s and recovered only partially afterwards, reaching about one fourth of the world total by the early 2000s. As a result of these diverging trends, developing countries' overall trade deficit in services has been declining markedly.

Among developing regions, the most active and successful in world trade in services is Asia. Its share of world services exports rose from less than 10% in 1980 to 17% in 2002, progressively improving Asia's balance of trade in this area. By contrast, the relative positions of American and African developing countries deteriorated as their exports of services grew more slowly than the world average. Their imports of services also increased relatively slowly, driving down these regions' shares of world imports of services in the long run.

Finally, the least developed countries did not take advantage of the expansion of international trade in services, and their position in total exports was weaker in 2002 (0.4%) than it had been 20 years before (0.8%).

DEFINITIONS

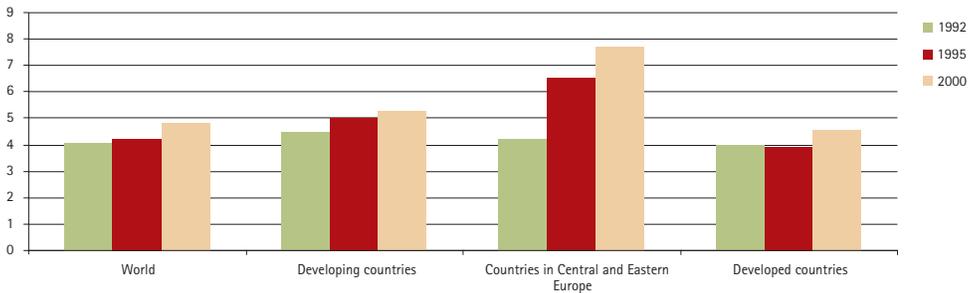
- **Services**, according to the *International Monetary Fund's Balance of Payments Manual*, are economic output of intangible commodities that may be produced, transferred and consumed at the same time. However, services cover a heterogeneous range of intangible products and activities that are difficult to capture within a single definition and are sometimes hard to separate from goods. Services are outputs produced to order, and they typically include changes in the condition of the consumers realized through the activities of the producers at the demand of customers. Ownership rights over services cannot be established. By the time production of a service is completed, it must have been provided to a consumer. Examples of services are wholesale, hotel, catering, transport, insurance, education, property rental, telecommunications, marketing, health, and cultural and recreational services.
- **International trade in services** is conventionally seen as trade in services between residents and non-residents of an economy. Since services require an immediate relationship between suppliers and consumers and in many cases are non-transportable, either the customer must go to the supplier or vice versa (for example, to get a haircut). International trade agreements concerning services often include provisions for suppliers' moving to the country of consumers. In such cases the traditional definition of "residents" and "non-residents" of an economy may not cover some important aspects of the international trade, such as services provided by foreign affiliates established abroad, many of which are considered "residents". The *Manual on Statistics of International Trade in Services (2002)* extends the scope of international trade in services to include foreign affiliates' trade in services and trade resulting from movement of natural persons. It is not suggested that these extensions be regarded as exports or imports.

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, tables 5.1 and 7.1.

The data presented here are collected mainly through balance-of-payments statistics and they are established according to concepts described in the IMF *Balance of Payments Manual* (1993). The *Manual on Statistics of International Trade in Services* (2002), a joint publication by the United Nations, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, UNCTAD and the World Trade Organization, provides an extended framework and recommendations for collection of data in this domain. See also UNCTAD's *Trade in services and development implications* (2003).

Exports of services as % of GDP [1]



Services exports [1]

% of the world total, 1980 - 2002 average annual growth rate in % and 2002 exports in million US\$

Country groupings	1980	1990	2000	2002	1980 - 2002	2002
World	100.0	100.0	100.0	100.0	8.1	1 610 608
Developing countries	17.9	18.1	23.1	22.6	9.4	363 549
Africa	3.5	2.6	2.2	2.1	5.6	33 083
North Africa	1.3	1.3	1.1	1.1	6.6	17 561
Sub-Saharan Africa	2.1	1.3	1.0	1.0	4.7	15 522
Sub-Saharan Africa less South Africa	1.5	0.9	0.7	0.7	4.6	11 036
America	4.8	3.8	4.1	3.7	7.0	59 492
Central America and the Caribbean	2.5	2.2	2.4	2.2	7.2	36 000
South America	2.3	1.6	1.7	1.5	6.7	23 492
Asia	9.5	11.7	16.8	16.8	11.0	269 804
West Asia	2.7	2.1	2.4	1.9	6.8	30 344
Central Asia	-	-	0.2	0.2	-	3 607
South, East and South-East Asia	6.8	9.5	14.2	14.6	11.9	235 853
South, East and South-East Asia less China	6.3	8.8	12.2	12.2	11.5	196 109
Oceania	0.1	0.1	0.1	..	..	..
Countries in Central and Eastern Europe	..	..	3.6	4.2	..	67 377
Developed countries	79.1	79.9	73.2	73.2	7.6	1 179 682
North America	14.3	20.1	22.2	20.2	9.1	325 917
Europe	57.6	52.7	44.0	46.9	7.1	755 184
Others	7.2	7.1	7.1	6.1	7.3	98 581
<i>Memorandum</i>						
Developing countries less China	17.4	17.4	21.1	20.1	9.1	323 805
Least developed countries	0.8	0.5	0.5	0.4	4.7	7 031

Services imports [1]

% of the world total, 1980 - 2002 average annual growth rate in % and 2002 imports in million US\$

Country groupings	1980	1990	2000	2002	1980 - 2002	2002
World	100.0	100.0	100.0	100.0	7.5	1 595 606
Developing countries	30.7	21.4	26.3	25.3	6.7	404 401
Africa	6.9	3.5	2.6	2.7	2.7	43 262
North Africa	2.3	1.1	0.9	0.9	1.8	13 685
Sub-Saharan Africa	4.7	2.4	1.7	1.9	3.2	29 577
Sub-Saharan Africa less South Africa	3.9	2.0	1.4	1.5	3.1	24 256
America	6.9	4.2	4.9	4.2	5.9	67 651
Central America and the Caribbean	2.6	1.9	2.0	1.9	5.9	30 916
South America	4.3	2.4	2.9	2.3	5.9	36 735
Asia	16.8	13.5	18.7	18.3	7.8	292 200
West Asia	9.9	4.4	3.3	2.6	0.2	41 338
Central Asia	-	-	0.3	0.5	-	8 082
South, East and South-East Asia	6.9	9.2	15.1	15.2	11.9	242 779
South, East and South-East Asia less China	6.5	8.7	12.7	12.3	11.2	196 251
Oceania	0.1	0.1	0.1	..	..	..
Countries in Central and Eastern Europe	..	..	3.4	4.1	..	65 152
Developed countries	66.7	75.9	70.3	70.6	7.7	1 126 053
North America	12.0	16.9	17.6	16.9	7.7	269 861
Europe	44.6	46.6	42.7	44.8	7.8	714 277
Others	10.0	12.4	10.1	8.9	7.2	141 915
<i>Memorandum</i>						
Developing countries less China	30.3	20.8	23.9	22.4	6.2	357 873
Least developed countries	1.9	1.2	0.9	1.0	3.9	16 100

4.3 International trade in services

OVERVIEW

The main developing-country exporters of services are China and a few other large and medium-sized Asian and Latin American countries.

The largest and fastest-growing exporter of **transport services** is the Republic of Korea, which also has a high concentration of services exports in this category (over 45% of the total in 2000). China's exports of transport services would be even higher than Korea's if the figures included statistics from Hong Kong, SAR of China. Other large transport services exporters are Singapore, Taiwan Province of China, and Thailand.

Travel services exports from China grew exceptionally rapidly (almost 25% per year) between 1990 and 2000, reaching more than \$16 billion in 2000. They constitute over 50% of China's total exports of services and are far larger than those of any other developing country. Other major exporters of travel services are Mexico, Hong Kong, SAR of China and Turkey.

China and Mexico are by far the largest exporters of **communication services**; in 2000, each had more than \$1 billion in exports. Other important exporters are the Republic of Korea, Hong Kong, SAR of China and Egypt.

Turkey is the dominant exporter of **construction services** (over \$1 billion in 2000), followed by China, Hong Kong, SAR of China, Malaysia, Thailand and Brazil.

Hong Kong, SAR of China is the largest financial centre in the developing world, with over \$2.6 billion in exports of **financial services** in 2000. Taiwan Province of China, the Republic of Korea, Brazil and Turkey are other major exporters in this sector of services.

The leading developing-country exporter of **insurance services** is Mexico. Its exports of these services are very high (\$1.8 billion in 2000) and constitute a sizeable share (13%) of Mexico's total services exports. Other large exporters of insurance services are Singapore, Taiwan Province of China and South Africa.

DEFINITIONS

- **Transport services** cover all transportation performed by residents of one economy for residents of another that involves the carriage of passengers or goods (freight), rentals of carriers with crew, or related services. Freight insurance, repairs of transport equipment or harbors or airfields, and rentals of charters without crew are not included.
- **Travel services** include goods and services acquired from an economy by travellers during visits of less than one year. Transportation of passengers is excluded, as are goods purchased by travellers for resale in any economy.
- **Communication services** include postal and courier services and telecommunications services. The first group comprises transport and delivery of letters, other printed matter and packages, plus post office counter and mailbox rental services. Telecommunications services include transmissions of sound, images or other information by telephone, telex, telegram, facsimile, radio and television cables, e-mail, satellite and other means, including business networks and support services. The value of the information transmitted is not taken into account.
- **Construction services** cover work performed on construction projects and installation by employees of an enterprise in locations outside the economy to which the enterprise belongs.
- **Financial services** consist of financial intermediation and auxiliary services, except those involving life insurance and pension funds. These services are mainly related to banks, stock exchanges, factoring or credit card enterprises and similar companies.
- **Insurance services** involve different types of insurance provided by enterprises of one economy for residents of another or vice versa. They are valued according to the service charges included in premiums, rather than the total value of the premiums.

DATA SOURCES

[1] UNCTAD Handbook of Statistics 2002, table 5.2.

The data presented here are collected through balance-of-payments statistics and they are established according to concepts described in the IMF *Balance of Payments Manual* (1993). The *Manual on Statistics of International Trade in Services* (2002), a joint publication by the United Nations, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, UNCTAD and the World Trade Organization, recommends a more detailed disaggregating of different services sectors and provides an extended framework for services classification.

Top 10 developing-country exporters of services, by sector [1]

Ranked by year 2000 values

Country or area	1990		2000		1990 - 2000
	Million US\$	% of country's total	Million US\$	% of country's total	Average annual growth rate
Transport					
Korea, Republic of	3 179	33.0	13 687	44.8	15.4
China, Hong Kong SAR	..	..	12 772	31.3	..
Singapore	2 225	17.4	5 336	19.9	8.9
China, Taiwan Province of	2 323	33.1	4 063	20.4	5.1
China	2 706	46.2	3 671	12.1	3.2
Thailand	1 327	20.7	3 250	23.4	9.3
Turkey	920	11.5	2 955	14.5	13.8
Malaysia	1 198	31.0	2 802	20.1	8.7
Egypt	2 410	40.4	2 645	27.0	-0.3
Chile	714	38.6	2 188	53.6	12.9
Travel					
China	1 738	29.7	16 231	53.3	24.8
Mexico	5 527	68.3	8 294	60.3	3.6
China, Hong Kong SAR	..	..	7 930	19.5	..
Turkey	3 225	40.2	7 636	37.4	10.0
Thailand	4 325	67.4	7 483	54.0	5.7
Korea, Republic of	3 161	32.8	6 834	22.4	11.0
Singapore	4 650	36.3	5 394	20.2	0.6
Malaysia	1 684	43.6	5 011	35.9	9.6
Indonesia	2 153	86.5	4 974	95.4	8.4
Egypt	1 100	18.4	4 345	44.3	12.9
Communications					
China	159	2.7	1 345	4.4	14.9
Mexico	..	..	1 213	8.8	..
Korea, Republic of	395	4.1	387	1.3	3.2
China, Hong Kong SAR	..	..	362	0.9	..
Egypt	..	..	306	3.1	..
China, Taiwan Province of	315	4.5	294	1.5	1.8
Jamaica	..	..	209	10.3	..
Chile	17	0.9	207	5.1	29.2
Pakistan	..	..	190	13.8	..
Philippines	..	..	182	4.6	..
Construction					
Turkey	741	9.2	1 033	5.1	8.1
China	..	..	602	2.0	..
China, Hong Kong SAR	..	..	338	0.8	..
Malaysia	..	..	314	2.3	..
Thailand	..	..	230	1.7	..
Brazil	..	..	228	2.4	..
China, Taiwan Province of	31	0.4	119	0.6	11.2
Philippines	3	0.1	97	2.4	44.7
Egypt	..	..	93	0.9	..
Tunisia	..	..	50	1.8	..
Financial services					
China, Hong Kong SAR	..	..	2 677	6.6	..
China, Taiwan Province of	..	..	805	4.0	..
Korea, Republic of	1	0.0	705	2.3	80.6
Brazil	..	..	376	4.0	..
Turkey	..	..	368	1.8	..
Malaysia	..	..	160	1.1	..
Panama	23	2.1	141	7.1	19.2
Philippines	..	..	80	2.0	..
China	..	..	78	0.3	..
Barbados	..	..	75	6.9	..
Insurance					
Mexico	335	4.1	1 799	13.1	11.5
Singapore	88	0.7	957	3.6	23.6
China, Taiwan Province of	146	2.1	607	3.0	11.7
South Africa	355	10.4	451	9.2	9.5
China, Hong Kong SAR	..	..	443	1.1	..
Brazil	115	3.1	312	3.3	..
India	123	2.7	249	1.4	8.9
Malaysia	3	0.1	156	1.1	..
Iran, Islamic Republic of	..	..	118	8.5	..
Peru	80	10.0	112	7.0	7.4

4.3 International trade in services

OVERVIEW

The world's most visited country is France, which hosted 75 million **tourists** in 2001. The highest level of tourist expenditures, \$72 billion, was recorded in the United States, thanks to high per-capita spending by tourists travelling there.

The main tourist destination in East Asia is China, which received more than 33 million tourists in 2001, the highest figure for any developing country. **Tourism expenditures** in China increased sharply from \$2.2 billion in 1990 to almost \$18 billion in 2001. Malaysia and Thailand are also popular destinations. The most important tourist country in West Asia is Turkey, with over 10 million arrivals.

Tourism in Africa is much more developed in the north than in the sub-Saharan region of the continent. Tunisia, Egypt and Morocco each received more than 4 million tourists in 2001. Owing to rather high per-capita expenditures, Egypt's total tourist expenditures were much higher than those of the Maghreb countries. With the exception of South Africa, all countries in sub-Saharan Africa recorded fewer than 1 million **tourist arrivals** in 2001. This was true even in Botswana, Kenya, Mauritius and the United Republic of Tanzania, where the tourist industry is most developed.

By far the most popular tourist destination in Latin America is Mexico, with almost 20 million arrivals in 2001. Yet tourists' per-capita expenditures in Mexico are not very high. Several smaller Caribbean and Central American countries attract fewer but richer visitors, thereby generating sizeable benefits for the tourist industry. The leading destination in South America is Brazil, which in 2001 was visited by 4.8 million people, followed by Argentina, Uruguay and Chile.

Russia is the most visited country in Central and Eastern Europe, with almost 22 million arrivals in 2001, followed by Hungary and Poland with about 15 million each. Yet, since per-capita tourist expenditures in Russia are quite low, total tourist expenditures in Poland and Hungary are higher than in Russia.

DEFINITIONS

- **Tourists** in this context are non-resident tourists or international visitors, including all persons who arrive in an economy to stay for less than a year for business or personal reasons. Tourists are those who stay at least one night in collective or private accommodation in a country visited.
- **Tourism expenditures** correspond to the item "travel receipts" in the IMF balance-of-payments data. They refer to expenditures by non-resident tourists and visitors within the territory of a reporting economy. Transport expenditures are not included.
- **Tourist arrivals** represent the total number of non-resident tourists and visitors who arrived in a reporting economy during a given year. When the same person visits a country several times in a year, the total number of arrivals is counted. Similarly, when a person travels to several countries during one trip, his or her arrival in each country is recorded separately. Countries differ in how they count arrivals: some take into account all arrivals of non-resident visitors at national borders, while others count arrivals at hotels and other types of tourist accommodation.

DATA SOURCES

[1] UNCTAD *Handbook of Statistics 2003*, table 5.3.

For more information, see the World Tourism Organization's *Yearbook of Tourism Statistics*. To examine the economic impact of tourism on least developed countries, refer to *Tourism in the Least Developed Countries* (2001), by UNCTAD and World Tourism Organization.

Arrivals and expenditures of tourists in selected countries [1]

	Tourist arrivals (thousand)			Tourism expenditures (million US\$)			Tourism expenditure per tourist (US\$)		
	1990	2000	2001	1990	2000	2001	1990	2000	2001
Africa									
South Africa	1 029	6 001	5 908	992	2 513	2 501	964	419	423
Tunisia	3 204	5 058	5 387	948	1 496	1 605	296	296	298
Egypt	2 411	5 116	4 357	1 100	4 345	3 800	456	849	872
Morocco	4 024	4 113	4 223	1 259	2 040	2 526	313	496	598
Zimbabwe	605	1 868	2 068	60	125	81	99	67	39
Central and South America and the Caribbean									
Mexico	17 176	20 641	19 810	5 467	8 295	8 401	318	402	424
Brazil	1 091	5 313	4 773	1 444	4 228	3 701	1324	796	775
Puerto Rico	2 560	3 341	3 551	1 366	2 388	2 728	534	715	768
Dominican Republic	1 305	2 973	2 882	900	2 860	2 798	690	962	971
Argentina	1 930	2 909	2 620	1 131	2 817	2 547	586	968	972
Uruguay	1 267	1 968	1 892	262	652	561	207	331	297
Cuba	327	1 741	1 736	243	1 737	1 692	743	998	975
Chile	943	1 742	1 723	540	827	788	573	475	457
Bahamas	1 562	1 544	1 538	1 324	1 719	1 636	848	1113	1064
West and Central Asia									
Turkey	4 799	9 586	10 783	3 225	7 636	8 090	672	797	750
United Arab Emirates	633	3 907	4 134	169	1 012	1 064	267	259	257
Cyprus	1 561	2 686	2 697	1 258	1 894	1 981	806	705	735
Kazakhstan	–	1 471	1 845	–	356	396	–	242	215
Jordan	572	1 427	1 478	512	722	700	895	506	474
Iran, Islamic Republic of	154	1 342	1 402	61	863	920	396	643	656
Syrian Arab Republic	562	1 416	1 318	320	1 082	..	569	764	..
South, East and South-East Asia and Oceania									
China	10 484	31 229	33 167	2 218	16 224	17 792	212	520	536
Malaysia	7 446	10 222	12 775	1 667	4 562	6 374	224	446	499
Thailand	5 299	9 579	10 133	4 326	7 489	7 077	816	782	698
Singapore	4 842	6 917	6 726	4 937	6 018	5 081	1020	870	755
China, Macao SAR	2 513	5 197	5 842	1 473	3 205	3 745	586	617	641
Indonesia	2 178	5 064	5 154	2 105	5 749	5 411	966	1135	1050
Korea, Republic of	2 959	5 322	5 147	3 559	6 811	6 373	1203	1280	1238
Guam	780	1 287	1 160	936	..	..	1200	..	..
Countries in Central and Eastern Europe									
Russian Federation	–	21 169	21 800	–	3 429	3 560	–	162	163
Hungary	20 510	15 571	15 340	824	3 445	3 770	40	221	246
Poland	3 400	17 400	15 000	358	6 100	4 815	105	351	321
Developed countries									
France	52 497	77 190	75 202	20 184	30 754	29 979	384	398	399
Spain	34 085	47 898	49 519	18 593	31 454	32 873	545	657	664
United States	39 362	50 945	44 898	43 007	82 400	71 893	1093	1617	1601
Italy	26 679	41 181	39 563	16 458	27 500	25 796	617	668	652

4.3 International trade in services

OVERVIEW

International trade in goods is conducted mainly by sea, and transport also plays a major role in international trade in services. Between 1968 and 2003, the world merchant fleet grew from 260 to 844 million **DWT** at an average annual rate of 3.5%.

The world merchant fleet is specialized. In 1970, 67% of the fleet consisted of tankers (45%) and bulk carriers (22%) for carrying dry bulks (goods such as iron ore, coal and grain). More recently, use of containers has given birth to the container ship, whose share in the world fleet has grown from 2% in 1980 to 10% in 2003. Meanwhile the share of tankers and bulk carriers has risen to 71%.

The structure of the world merchant fleet by group of country of registration has also changed over the years. Between 1968 and 2003, developing countries' share rose from 7% to 25%, and the share of **open-registry countries** increased from 19% to 47%. During this period, the shares of developed countries and Central and Eastern European countries decreased from 66% to 25% and from 7% to 2%, respectively. Most of the tonnage registered in open-registry countries in fact belongs to owners from developed countries, in the sense that they reap the benefits of ownership. At the beginning of 2003, 64 % of the fleet - measured in DWT - from 35 most important maritime countries and territories was registered under a foreign flag.

Between 1980 and 2000, the world **freight ratio** decreased slightly from 6.4 to 6.2%. The ratio for developed countries decreased from 5.5 to 5.2%, while the ratio for developing countries decreased from 10.4 to 8.8%. During this period, the freight ratio for countries in Africa and Oceania remained above 10%.

DEFINITIONS

- **DWT (deadweight tons)** is weight measure of a vessel's carrying capacity. It includes cargo, fuel and stores.
- A ship owner who registers his or her vessel in an **Open-registry country** does not need to have any connection with the country of registry. The number of open-registry countries has varied over the years, but six (the Bahamas, Bermuda, Cyprus, Liberia, Malta and Panama) consistently appear in this group.
- **Freight ratio** represents freight costs as a percentage of a country's import bill.

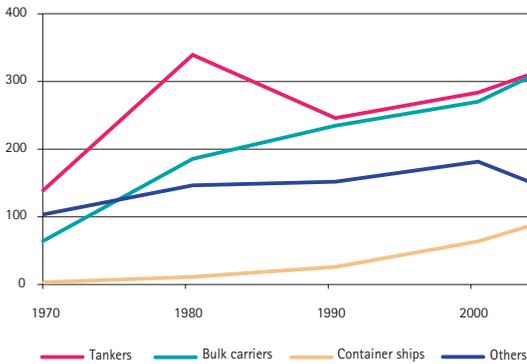
DATA SOURCES

[1] UNCTAD Review of Maritime Transport 2003.

Key developments affecting shipping, ports and multimodal transport are reviewed in UNCTAD's annual **Review of Maritime Transport**. For information on technical aspects of shipping, including security, see www.imo.org. To read about seafarers' working conditions, see www.ilo.org. For daily shipping highlights with in-depth coverage of tankers and bulk traffics, see www.lloydlist.com, and for coverage of containerized traffic see www.ci-online.co.uk. See also **Maritime Economics** by Martin Stopford.

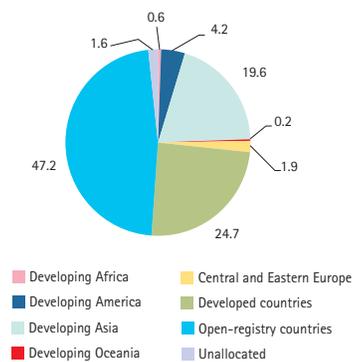
World fleet by major ship type [1]

(in millions of DWT)



Distribution of fleet in 2003 [1]

(in %)



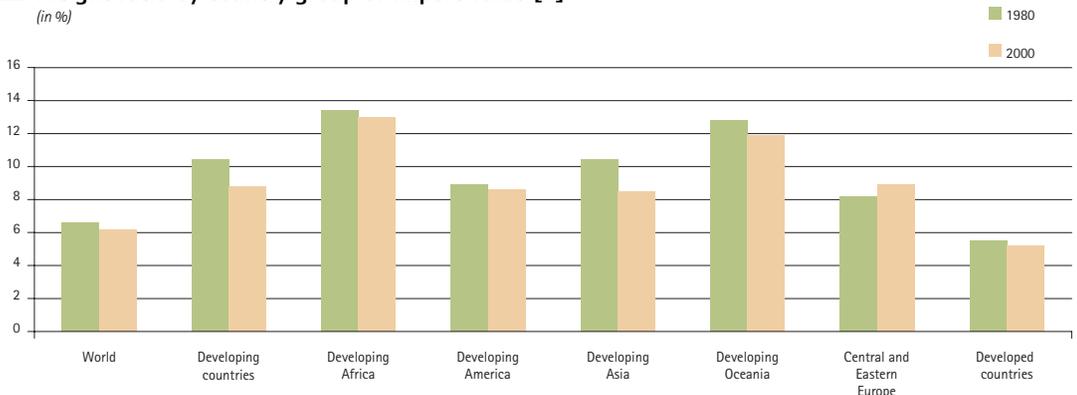
2003 fleet by type of ship and country group [1]

Distribution by major ship type and country group in % and fleet size in thousand DWT

Regions	Tankers	Bulk carriers	Container ships	Others	Fleet size
World	36.1	35.6	9.8	18.6	844 239
Developing countries	28.3	37.8	8.4	25.6	208 314
Africa	22.5	24.7	2.6	50.2	5 407
North Africa	13.6	32.8	3.0	50.7	3 616
Sub-Saharan Africa	40.5	8.4	1.8	49.2	1 791
America	25.1	27.4	11.5	36.0	35 651
Central America and the Caribbean	17.2	26.5	14.8	41.6	25 934
South America	46.2	29.8	2.7	21.3	9 717
Asia	29.3	40.4	8.0	22.3	165 241
West Asia	43.5	29.4	5.8	21.4	25 182
Central Asia	22.9	15.8	0.0	61.2	1 338
South, East and South-East Asia	26.8	42.7	8.4	22.1	138 721
Oceania	10.7	45.0	1.4	42.9	2 015
Countries in Central and Eastern Europe	17.3	25.3	2.4	54.9	15 909
Developed countries	45.6	21.9	13.3	19.3	208 405
North America	57.5	19.5	14.8	8.1	35 061
Europe	44.5	21.5	13.7	20.2	152 688
Others	32.7	28.9	7.2	31.2	20 656
Open registry countries	37.1	41.1	9.2	12.6	398 468
Unallocated	0.0	59.9	4.3	35.8	13 143
Memorandum					
Least developed countries	45.2	25.8	13.7	15.3	84 206

Freight ratio by country group of import value [1]

(in %)



4.4 Tariff protection

OVERVIEW

Tariffs of developed countries are currently at historically low levels. In the past decade, average **weighted tariffs** have fallen by half, from 6% in 1989–92 to 3% in 2001.

With few exceptions, average **unweighted** and **weighted tariffs** imposed by developed countries have fallen on exports from all trading partner regions. On the whole, the decline in tariffs has slowed since completion of the **Uruguay Round**. Tariff levels are relatively consistent across regions, with few apparent differences between average unweighted tariffs for all developing countries and those for all developed countries.

Significantly, almost all average weighted tariffs (except those for least developed countries) have fallen so low that they have only **nuisance** value. While the average unweighted tariff for least developed countries decreased during the past decade, its corresponding weighted rate increased. This could mean that these countries have shifted their export structure towards products that are more protected by developed countries.

The data are based on most-favoured-nation rates and do not include preferential tariffs. Inclusion of these tariffs may further reduce the tariff levels facing developing and least developed countries. Nevertheless, most-favoured-nation rates provide a ceiling reference for those countries in the absence of preferential treatment.

DEFINITIONS

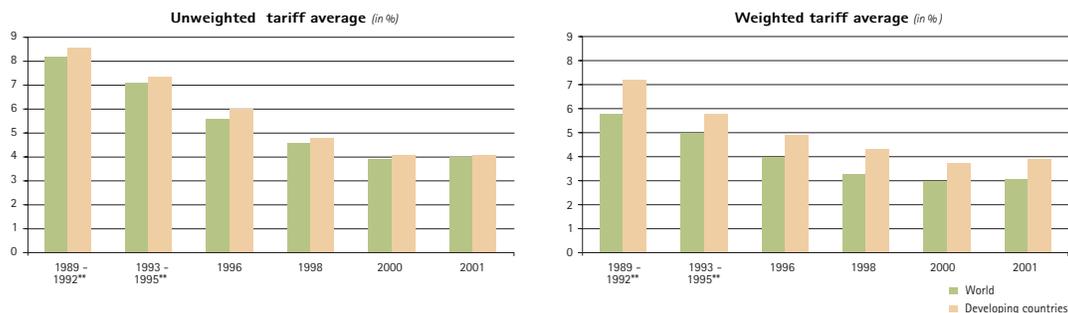
- **Tariffs** are the most common tool for regulating imports. They are used to protect domestic industries from foreign competition, to protect balances of payments, and to raise revenues. Tariff measures are applied when a product crosses the boundary of a customs area. These measures increase the import price by a fixed percentage or amount, which is calculated on the basis of the product's value (*ad valorem* tariffs) or physical quantity (*specific tariffs*). In addition to tariffs, non-tariff measures are often used to control imports. Typical non-tariff measures include quantity control measures such as licensing, quotas and prohibitions, as well as price control measures and health and safety measures.
- **Unweighted tariffs** are calculated by taking the simple average of the most-favoured-nation rates for each developed country using the 6-digit HS (Harmonized Commodity Description and Coding System) representing non-agricultural, non-fuel products, and then aggregating across all corresponding 6-digit HS items and developed countries for which bilateral trade with each partner region has taken place. Non-agricultural and non-oil products have been selected to avoid difficulties in dealing with non-*ad valorem* (non-value-based) rates, which are often used for agricultural and petroleum products by many developed countries.
- **Weighted tariffs** are calculated from the simple average rate obtained at the HS 6-digit level (see the above definition of unweighted tariffs) and aggregating across products and countries using bilateral trade with trading partner regions as weights.
- The **Uruguay Round** is the largest trade negotiation ever held. It lasted from 1986 to 1994 and involved 123 countries. Agreements concluded during the Uruguay Round have led to significant liberalization of international trade. The process also created monitoring mechanisms, including the World Trade Organization.
- Tariffs with low rates are often called **nuisance tariffs** because, even though they no longer serve their original purpose, importers are still obliged to go through the sometimes lengthy procedure of paying them.

DATA SOURCES

[1] UNCTAD Database on Trade Analysis and Information System (TRAINS).

WITS (World Integrated Trade Solution), developed jointly by UNCTAD and the World Bank, is a software that allows users to consult databases, extract data from them, and perform simulations. Use of WITS is free, although some databases themselves charge a fee or limit access depending on the user's status. For more information, visit the TRAINS and WITS websites at www.unctad-trains.org and wits.worldbank.org. See also the **UNCTAD Handbook of Statistics 2003**.

Most-favoured-nation tariff of developed countries* by partner region for non-fuel and non-agricultural products [1]



Most-favoured-nation tariff of developed countries* [1]

Unweighted tariff average in % by partner region for non-fuel and non-agricultural products

Partner region	1989-1992**	1993-1995**	1996	1998	2000	2001
World	8.2	7.1	5.6	4.6	3.9	4.0
Developing countries	8.6	7.3	6.0	4.8	4.1	4.1
Africa	8.7	7.6	7.0	5.8	4.8	4.7
North Africa	9.0	8.0	10.0	8.4	5.8	5.7
Sub-Saharan Africa	8.3	7.4	6.5	5.4	4.5	4.5
Sub-Saharan Africa less South Africa	7.7	7.2	7.3	5.9	4.8	4.7
America	8.2	7.2	6.3	5.1	4.4	4.3
Central America and the Caribbean	7.9	7.2	6.5	5.2	4.5	4.4
South America	8.2	7.1	6.3	5.2	4.4	4.3
Asia	8.7	7.4	6.1	4.9	4.2	4.2
West Asia	9.0	7.7	8.2	6.9	5.4	5.3
Central Asia	5.5	5.4	4.7	4.9	4.1	4.2
South, East and South-East Asia	8.8	7.4	6.1	4.9	4.2	4.2
South, East and South-East Asia less China	8.9	7.6	6.2	5.0	4.2	4.2
Oceania	13.1	10.5	10.8	9.1	6.6	6.2
Countries in Central and Eastern Europe	8.3	6.8	6.8	5.6	4.7	4.7
Developed countries	8.2	7.1	5.7	4.6	4.0	4.1
North America	8.3	7.2	5.8	4.6	4.0	4.0
Europe	8.3	7.2	5.8	4.7	4.0	4.1
Others	8.9	7.6	6.1	4.9	4.1	4.2
<i>Memorandum</i>						
Developing countries less China	8.6	7.4	6.0	4.9	4.2	4.2
Least developed countries	9.4	8.6	9.5	7.7	6.0	5.9

Most-favoured-nation tariff of developed countries* [1]

Weighted tariff average in % by partner region for non-fuel and non-agricultural products

Partner region	1989-1992**	1993-1995**	1996	1998	2000	2001
World	5.8	5.0	4.0	3.3	3.0	3.1
Developing countries	7.2	5.8	4.9	4.4	3.8	3.9
Africa	5.0	5.3	2.9	3.2	4.0	4.0
North Africa	9.3	9.3	7.4	7.7	7.5	7.3
Sub-Saharan Africa	2.8	2.9	2.3	2.5	2.3	2.4
Sub-Saharan Africa less South Africa	3.1	3.1	3.0	4.2	3.3	3.4
America	5.1	5.0	5.3	4.8	3.9	4.1
Central America and the Caribbean	5.6	5.7	5.8	5.2	4.2	4.5
South America	4.3	3.6	3.3	2.9	2.5	2.4
Asia	7.8	6.0	4.8	4.2	3.7	3.9
West Asia	8.9	8.1	6.8	6.7	6.6	6.6
Central Asia	3.2	2.5	3.4	2.9	2.5	2.8
South, East and South-East Asia	7.8	6.0	4.8	4.1	3.6	3.7
South, East and South-East Asia less China	7.3	5.4	3.9	3.5	3.1	3.3
Oceania	3.6	3.1	7.2	8.7	4.8	3.8
Countries in Central and Eastern Europe	6.5	4.5	2.6	2.5	3.6	4.1
Developed countries	5.1	4.6	3.5	2.7	2.5	2.5
North America	4.8	4.6	3.8	3.0	2.4	2.5
Europe	5.2	4.6	3.3	2.6	2.6	2.6
Others	5.4	4.5	3.0	2.3	2.3	2.4
<i>Memorandum</i>						
Developing countries less China	6.7	5.4	4.4	4.0	3.5	3.8
Least developed countries	4.9	5.9	8.9	10.5	8.6	8.8

* Australia, Canada, European Union, Japan, New Zealand, United States.

** The rates shown are taken from the most recent year within the period for which data are available.

4.4 Tariff protection

OVERVIEW

The past two decades have seen dramatic drops in both **unweighted** and **weighted tariffs** of developing countries. While the momentum seems to have slowed, almost all average weighted tariffs, including those of least developed countries, have fallen 40% to 70%. Exceptions are North Africa and West Asia, where tariffs have fallen 16% and 19% respectively. However, since 1996, a majority of average unweighted and weighted tariffs have stabilized. During this period average weighted tariffs for all developing countries have declined only 4%.

Although average tariff rates of all developing regions have fallen, they remain relatively high compared with rates elsewhere in the world. There is also wide variation among regions. The average unweighted tariff ranges from around 9% in Central America and the Caribbean to 26% in North Africa. The weighted average remains above 10% in all regions of Africa and America, but has dropped below this threshold in Asia in recent years.

The data are based on **most-favoured-nation** (MFN) rates and do not include preferential tariffs. The inclusion of any preferential arrangements or tariffs (ASEAN, COMESA, etc.) would offer further advantage to those member countries.

DEFINITIONS

- **Unweighted tariffs** for the three most recent periods are calculated by taking the simple average of the most-favoured-nation rates of developing countries at the 6-digit HS (Harmonized Commodity Description and Coding System) and then aggregating across all HS 6-digit items. For more information on tariffs, refer to 4.4A.
- **Weighted tariffs** are calculated from the simple average rate obtained at the HS 6-digit level (see the above definition of unweighted tariffs) and aggregating across products and countries using each country's total imports from the world as weights.
- **Most-favoured-nation** (MFN) tariff rates are the "normal", non-discriminatory rates charged on imports. The term "most favoured nation" comes from the GATT negotiations in which participants agreed to treat all members equally, without discrimination. Today the term is misleading: in practice, a country's MFN rates are sometimes its highest tariff rates, since the country may apply lower rates to imports of certain products from selected countries.

DATA SOURCES

[1] UNCTAD, *Directory of Import Regimes, Part I: Monitoring Import Regimes*, (Part I), United Nations, 1994 (for 1980–83, 1984–87, 1988–90 and 1991–93).
UNCTAD Database on Trade Analysis and Information System (TRAINS) (for 1994–96, 1997–99 and 2000–01).

Comparison of data for the first four periods with data for the three more recent ones requires caution. In the *Directory of Import Regimes*, the base nomenclature of product classification for tariff rates was the CCCN (Customs Cooperation Council Nomenclature), and therefore the initial simple averages were calculated at the most detailed level of that nomenclature.

Within each period, all developing countries in the respective regions for which data are available were considered. Therefore not all countries are represented in all periods. If a country has data for more than two years within a period, only the most recent years are used.

South America and Central Asia in 1980–83, Central America and the Caribbean in 1988–93 and all periods for Oceania are omitted because data available are not sufficient. South Africa has no available data pre-1994, which affects the figures for sub-Saharan Africa.

WITS (World Integrated Trade Solution), developed jointly by UNCTAD and the World Bank, is a software that allows users to consult databases, extract data from them, and perform simulations. Use of WITS is free, although some databases themselves charge a fee or limit access depending on the user's status. For more information, visit the TRAINS and WITS websites at www.unctad-trains.org and wits.worldbank.org. See also the *UNCTAD Handbook of Statistics 2003*.

Most-favoured-nation tariff of developing countries for all products [1]



Most-favoured-nation tariff of developing countries [1]

Unweighted tariff average in % for all products

Region	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	34.4	27.3	27.6	21.9	18.0	15.1	12.6
Africa	35.1	25.6	26.1	26.5	20.5	20.6	15.8
North Africa	38.3	31.2	28.5	24.4	22.3	25.0	26.1
Sub-Saharan Africa	33.8	22.8	25.4	32.8	20.0	19.2	15.0
Sub-Saharan Africa less South Africa	33.8	22.8	25.4	32.8	20.2	20.2	15.3
America	24.9	26.6	23.9	12.3	14.0	12.7	10.4
Central America and the Caribbean	29.5	18.4	..	..	14.9	12.1	8.9
South America	11.2	29.7	25.7	12.2	13.2	13.5	12.1
Asia	36.5	29.6	31.0	26.8	21.0	14.4	11.9
West Asia	12.5	13.9	13.0	10.6	10.7	8.8	10.1
South, East and South-East Asia	43.7	36.2	35.9	29.5	22.6	16.5	12.6
South, East and South-East Asia less China	43.0	35.9	35.5	28.8	22.6	16.4	12.4
<i>Memorandum</i>							
Developing countries less China	34.0	27.1	27.2	21.3	17.9	15.1	12.6
Least developed countries	41.7	29.2	34.4	48.7	23.5	18.2	13.4

Most-favoured-nation tariff of developing countries [1]

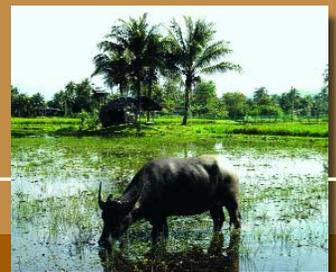
Weighted tariff average in % for all products

Region	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	19.7	22.2	17.9	14.1	11.4	9.9	11.0
Africa	26.3	20.9	22.5	19.4	15.5	14.8	14.0
North Africa	26.9	21.2	20.0	19.4	19.7	18.6	22.7
Sub-Saharan Africa	25.8	20.3	26.8	..	12.1	10.2	10.7
Sub-Saharan Africa less South Africa	25.8	20.3	26.8	..	16.0	19.3	14.6
America	24.7	28.6	20.0	12.4	11.9	14.1	13.5
Central America and the Caribbean	25.1	13.2	..	..	11.6	14.8	14.7
South America	..	36.4	24.9	12.5	12.1	13.1	11.2
Asia	16.6	20.9	17.1	14.2	11.0	8.2	9.7
West Asia	-	10.3	13.4	10.4	8.2	7.6	8.3
South, East and South-East Asia	23.8	24.0	17.6	14.5	11.2	8.3	9.8
South, East and South-East Asia less China	23.8	22.6	14.9	11.5	8.7	6.6	7.8
<i>Memorandum</i>							
Developing countries less China	19.7	18.6	14.2	10.5	10.0	9.2	10.4
Least developed countries	42.8	37.7	42.0	..	49.0	19.1	14.6



5

Production and international trade of commodities



5.1 Production and processing of commodities

5.2 International trade in commodities

5.3 Commodity prices

5.1 Production and processing of commodities

OVERVIEW

In developing countries, the most important trend since 1961 with regard to production and processing of **agricultural commodities** has been the growth in developing Asia's share. For cotton lint, **grains** and **sugar**, the share of developed countries has remained constant or decreased somewhat, while the shares of Latin America and countries in Central and Eastern Europe have declined. Least developed countries have been able to maintain their shares of world production. Growth in global production of agricultural commodities in general has been relatively slow, owing to the fact that demand is not very sensitive to increases in income. At the same time, the composition of total demand has changed, with the share of basic foods declining and that of higher value products rising.

With respect to **metals**, the rapid industrialization of Asian developing countries, particularly China, and their consequent emergence as major producers (in terms of value) are striking. This expansion of production has occurred largely in response to domestic and regional demand. Countries in Latin America have also increased their share of global metals production, mainly for export of developed countries has fallen dramatically - partly owing to reduced competitiveness in natural-resource-based industries, partly because the most dynamic markets are now in developing countries. Significantly, the **market share** of developed countries has fallen much more for metals, where there are few barriers to trade, than for agricultural commodities, where tariffs are high (especially for processed items) and where developed countries' subsidies to domestic producers make it difficult for developing countries to compete.

DEFINITIONS

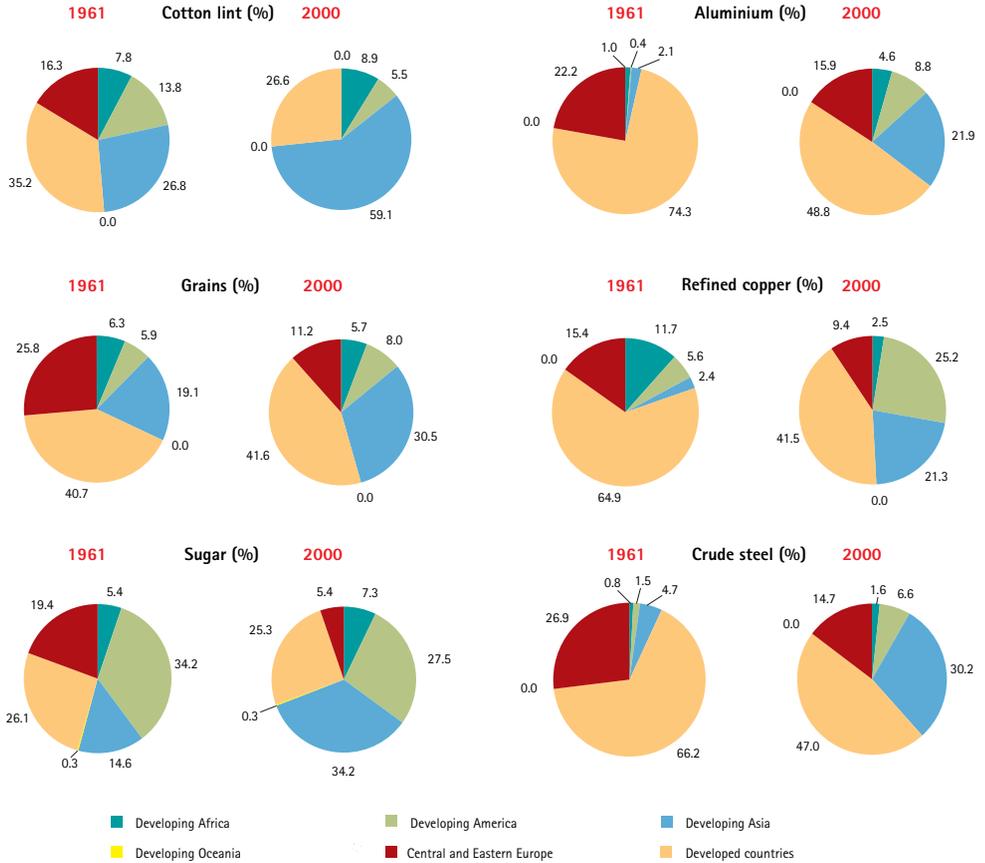
- **Agricultural commodities** include food items and agricultural raw materials.
- **Grains** incorporate: wheat, maize, barley, rye, oats, millet, sorghum, buckwheat, canary seed, cereals n.e.s., mixed grains, quinau.
- **Sugar** covers: sugar, raw centrifugal production: sum of cane sugar and beet sugar processed further to obtain refined sugar.
- **Metals** include minerals, ores and metals.
- **Market share**, in this context, refers to the share of a particular country grouping (for example, developing countries) in total world production of a specific commodity.

DATA SOURCES

- [1] UNCTAD, *Commodity Yearbook* (various issues).
UNCTAD, *Handbook of World Mineral Trade Statistics* (various issues).

UNCTAD provides detailed and comprehensive data on commodities production and trade. The UNCTAD e-portal **INFOCOMM** at www.unctad.org/infocomm gives information in English, French and Spanish on a large number of commodities, as well as documents on commodity-related issues and links to other sites with commodity information. The **World Commodity Survey** analyses main trends in commodities and examines global factors affecting commodity markets. The **Commodity Yearbook** offers detailed statistical data on production and trade of a wide range of commodities. The **Handbook of World Mineral Trade Statistics** provides detailed statistics on international trade in all economically important minerals and metals.

Production of selected commodities by region [1]



Production of selected commodities [1]

Annual average growth rate 1961 - 2000 in % and 2000 production in thousand tons

Regions	Cotton lint		Grains		Sugar	
World	1.8	18 836	2.0	1 440 879	2.3	127 200
Developing countries	2.9	13 831	2.9	636 812	2.9	88 175
Africa	2.1	1 671	1.7	81 723	3.1	9 313
America	-0.6	1 031	2.8	115 623	1.7	35 034
Asia	3.9	11 128	3.2	439 451	4.5	43 505
Oceania	..	..	4.7	14	2.0	322
Countries in Central and Eastern Europe	-14.6	3	-0.1	161 142	2.2	6 833
Developed countries	1.0	5 002	2.1	599 094	1.7	32 193
Memorandum						
Developing countries less China	2.4	9 481	2.6	420 049	2.8	80 374
Least developed countries	2.6	1 032	2.3	44 112	3.0	2 392

Regions	Aluminium		Refined copper		Steel	
World	4.4	24 488	2.8	14 826	2.3	849 579
Developing countries	10.7	8 645	5.2	7 270	6.9	325 854
Africa	8.4	1 122	-1.2	376	4.2	13 767
America	13.0	2 167	6.8	3 732	6.2	55 896
Asia	10.8	5 356	8.6	3 161	7.3	256 191
Oceania	..	..	..	..	..	..
Countries in Central and Eastern Europe	3.5	3 905	1.5	1 400	0.7	124 535
Developed countries	3.3	11 938	1.6	6 156	1.4	399 190
Memorandum						
Developing countries less China	11.1	5 656	4.8	5 898	7.1	198 618
Least developed countries	..	..	-1.8	283	5.9	94

5.1 Production and processing of commodities

OVERVIEW

Developing countries as a group have made progress towards one of their main economic development goals: to increase the degree of processing of their commodities. However, these efforts have not been equally successful for all commodities and countries.

To take a positive example, Asian developing countries have increased their share of world production and world exports of processed metal products. An important reason for this success is that domestic demand for metal products has grown rapidly in these countries, providing producers with a nearby customer base from which to launch export efforts. Another reason is that, although tariffs are higher for more processed metal products than for less processed forms, these tariffs are not prohibitive, and there are few other obstacles to trade.

Developing countries have been much less successful in increasing the degree of processing of many key agricultural products. This is true even for products that are produced exclusively in developing countries, such as **cocoa** and **coffee**. One reason is tariff escalation, whereby tariffs increase with the degree of processing. Another reason is that developing-country producers find it difficult to compete with the marketing efforts of large food companies in developed countries and to meet the requirements of customers from developed economies. Furthermore, because of issues such as transport costs and the need to respond quickly to changing consumer demand, it may be more cost-effective to process agricultural commodities closer to their final market. For cocoa, developing countries were relatively successful in acquiring larger market shares for more processed products until the 1980s, when their shares started falling. Since the 1990s, the shares have been roughly constant. In the case of coffee, developing countries' share of world exports of processed products increased until the 1990s and has stagnated since then.

DEFINITIONS

According to the United Nations Standard International Trade Classification (SITC) Revision 2:

- **Cocoa:** Cocoa beans SITC 072.1, cocoa powder SITC 072.2, cocoa cake and paste SITC 072.31, cocoa butter SITC 072.32, chocolate and chocolate products SITC 073.
- **Coffee:** Coffee beans SITC 071.1, Extract, essence or concentrate of coffee SITC 071.2.

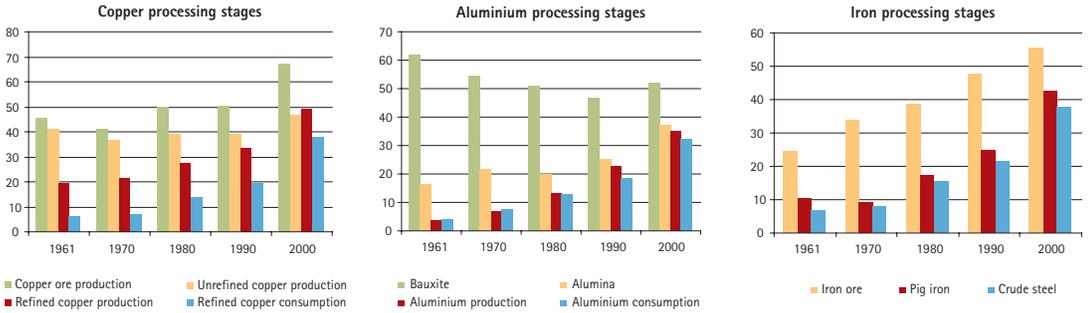
DATA SOURCES

[1] UNCTAD, *Commodity Yearbook* (various issues).

UNCTAD, *Handbook of World Mineral Trade Statistics* (various issues).

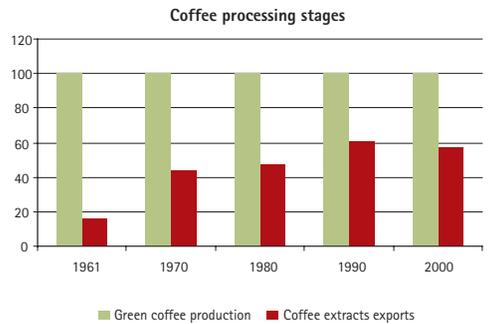
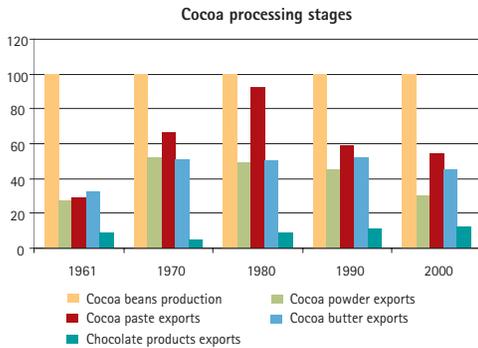
Owing to data availability, the figures in the table and the graphs for later processing stages of cocoa and coffee refer to shares of world exports rather than world production.

Raw material output processed in developing countries as % of world output [1]



Average annual growth rate in % and 2000 quantity in thousand tonnes

Commodity	Regions	1961-1970	1971-1980	1981-1990	1991-2000	1961-2000	2000
Copper ore (Cu content): primary production	World	4.3	2.1	0.8	4.3	2.9	13 256
	Developing countries	3.1	4.2	1.1	7.4	3.9	8 938
Unrefined copper: 1st processing stage	World	4.3	2.1	1.3	3.1	2.6	11 862
	Developing countries	3.0	2.9	1.7	5.2	2.9	5 537
Refined copper: 2nd processing stage	World	4.5	2.6	1.4	3.7	2.8	14 841
	Developing countries	5.4	5.0	4.3	7.9	5.2	7 276
Refined copper consumption: 3rd processing stage	World	4.3	2.9	1.1	4.0	2.9	15 149
	Developing countries	4.9	9.2	5.6	9.9	7.6	5 752
Bauxite (Al content): primary production	World	8.4	3.8	2.7	1.8	4.0	28 710
	Developing countries	6.9	3.6	1.9	2.2	3.5	14 929
Alumina (Al content): 1st processing stage	World	9.6	4.8	2.5	2.3	4.6	26 408
	Developing countries	13.1	3.7	5.3	6.4	6.8	9 773
Aluminium: 2nd processing stage	World	9.4	4.3	2.3	2.4	4.4	24 488
	Developing countries	17.9	10.8	8.1	6.7	10.7	8 645
Aluminium consumption: 3rd processing stage	World	9.4	4.1	3.0	3.2	4.5	24 932
	Developing countries	17.1	9.4	6.6	8.7	10.2	8 057
Iron ore (Fe content): primary production	World	6.5	2.2	1.0	1.5	2.5	615 421
	Developing countries	10.4	3.8	2.8	2.9	4.6	340 961
Pig iron: 1st processing stage	World	5.9	2.0	2.0	0.4	2.2	575 929
	Developing countries	4.8	8.2	6.0	5.0	5.9	245 041
Crude steel production: 2nd processing stage	World	5.8	2.3	2.9	-0.2	2.3	841 098
	Developing countries	7.2	8.9	6.3	4.5	6.8	317 373



Average annual growth rate in % and 2000 quantity in thousand tonnes

Commodity	Regions	1961-1970	1971-1980	1981-1990	1991-2000	1961-2000	2000
Cocoa beans: primary production	World	3.0	0.2	4.3	3.3	2.7	3 384
	Developing countries	3.0	0.2	4.3	3.3	2.7	3 384
Cocoa powder and cake exports: 1st processing stage	World	5.4	3.3	6.2	5.7	5.0	547
	Developing countries	13.0	2.4	5.8	0.6	5.2	163
Cocoa paste exports: 2nd processing stage	World	17.8	25.2	0.3	6.1	10.8	269
	Developing countries	29.1	29.9	-4.1	6.0	12.6	146
Cocoa butter exports: 3rd processing stage	World	6.5	2.6	7.9	3.6	5.1	499
	Developing countries	12.1	2.4	8.2	2.2	6.0	228
Chocolate product exports: 4th processing stage	World	10.7	5.8	8.1	7.5	8.0	2 589
	Developing countries	3.9	12.7	11.5	8.4	8.9	319
Green coffee: primary production	World	-1.8	0.4	0.0	2.0	1.2	7 259
	Developing countries	-1.8	0.4	0.0	2.0	1.2	7 256
Coffee extracts and substances containing coffee exports: 1st processing stage	World	14.9	6.5	2.7	10.4	8.4	390
	Developing countries	28.5	7.7	4.8	10.9	11.9	221

5.2 International trade in commodities

OVERVIEW

In recent decades, developed countries' share of the world market for commodities has increased, mainly at the expense of the formerly socialist countries of Eastern Europe, but also at developing countries' expense. Of developing regions, only Asia has consistently increased its share of the world market for all commodity groups. Latin America has lost market share in all groups, while Africa has increased its market share for **fuels** but experienced severe losses for agricultural and non-fuel mineral commodities. The least developed countries have lost market share for all commodity groups except fuel, and their participation in international commodity trade, which was already low, has become almost insignificant.

Developments for **agricultural commodities** reflect the importance of developed countries' financial support to domestic producers and the disappearance of extension services and government supported marketing and distribution systems in many developing countries, particularly in Africa. Asian countries that have maintained technical support to farmers have been successful both in improving domestic food security and in promoting exports.

For **minerals and metals**, the drop in Africa's share resulted from a lack of investor confidence and a subsequent fall in production, while investors preferred "safe havens" in developed countries. Asian countries were able to build on rapidly growing domestic demand, which provided a secure base for expanding exports of processed metal products. Unlike agricultural products, metal products can enter developed-country markets at very low tariffs. Latin American countries continued being able to attract foreign investment in mining.

DEFINITIONS

Commodities are classified in accordance with the United Nations Standard International Trade Classification (SITC) Revision 2.

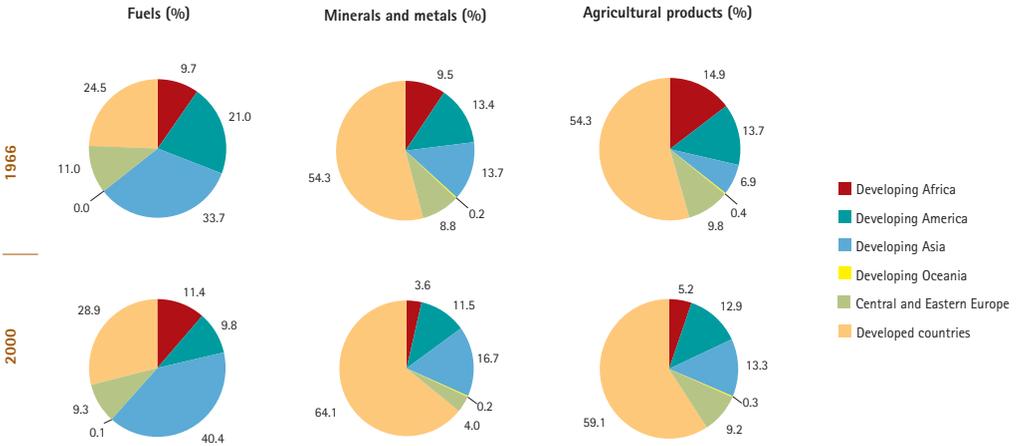
- **Fuels:** SITC section 3.
- **Agricultural commodities:** SITC sections 0, 1, 2 (less divisions 27 and 28 and groups 233, 244, 266 and 267) and 4.
- **Minerals and metals:** SITC divisions 27, 28 and 68 and item 522.56.

DATA SOURCES

- [1] UNCTAD, *World Commodity Survey* (various issues).
UNCTAD, *Handbook of World Mineral Trade Statistics* (various issues).
UNCTAD, *Commodity Yearbook* (various issues).

Share of commodity exports by region [1]

(In millions of DWT)



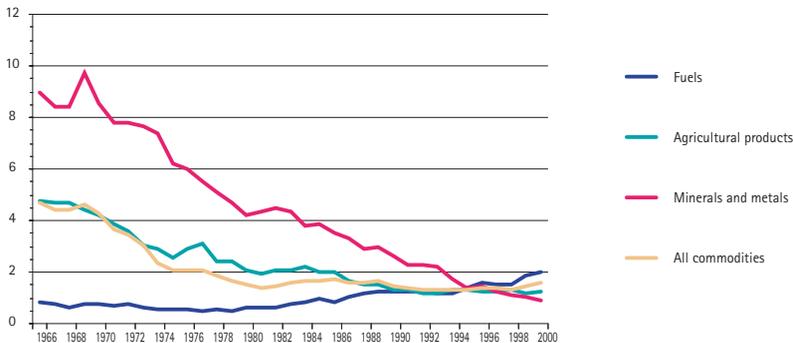
Evolution of market share of commodity aggregates [1]

Average annual growth rate 1966 - 2000 in % and 2000 exports in million US\$

Regions		Fuels		Agricultural products		Minerals and metals		All commodities	
Developing countries		-0.1	408 049	-0.4	166 858	-0.4	55 795	0.2	630 112
Africa		0.5	75 608	-2.9	18 599	-3.1	9 096	-1.0	103 298
North Africa		-0.8	38 387	-3.7	3 290	-2.7	975	-0.2	42 652
Sub-Saharan Africa		3.1	37 220	-2.6	15 309	-3.1	8 121	-1.4	60 646
Sub-Saharan Africa less South Africa		3.3	35 220	-2.8	12 303	-5.6	2 802	-1.5	50 321
America		-2.2	64 880	-0.5	59 920	-0.2	22 723	-1.0	147 520
Central America and the Caribbean		-1.2	24 752	-1.3	16 653	-0.2	4 014	-1.0	45 414
South America		-2.7	40 129	-0.1	43 268	-0.2	18 709	-1.0	102 106
Asia		0.5	266 828	0.6	87 205	2.0	23 370	1.5	376 826
West Asia		-0.1	190 830	0.1	9 783	2.1	3 087	2.0	203 124
Central Asia		19.1	8 939	-1.8	2 357	8.1	2 551	9.2	13 847
South, East and South-East Asia		2.9	67 059	0.5	75 064	1.5	17 732	0.8	159 855
South, East and South-East Asia less China		2.8	59 196	0.3	58 871	1.0	13 143	0.7	131 210
Oceania		5.6	733	-0.2	1 135	-0.7	606	-0.6	2 468
Countries in Central and Eastern Europe		-0.5	61 794	-2.3	20 840	-0.2	16 278	-0.8	98 912
Developed countries		0.5	191 272	0.5	335 611	0.2	104 240	-0.1	631 118
North America		-0.2	49 963	-0.3	100 796	-1.3	25 390	-1.1	176 149
Europe		0.6	125 585	1.3	207 625	0.4	57 533	0.5	390 738
Others		3.2	15 724	-1.0	27 190	4.0	21 317	-0.2	64 231
Memorandum									
Developing countries less China		-0.2	400 187	-0.6	150 665	-0.6	51 206	0.2	601 468
Least developed countries		2.7	13 387	-3.9	6 326	-6.5	1 593	-3.2	21 306

Share of least developed countries in commodity exports [1]

(in %)



5.2 International trade in commodities

OVERVIEW

Least developed countries have not kept up with the growth of the commodity sector in developing countries and industrialized economies. While commodity exports globally increased at an annual average rate of 7.2% from 1966 to 2000, the corresponding figure for developing countries was 6.8%. Least developed countries had an even lower figure of 2.2%.

During this period, developing countries' **market share** in commodity exports fell slightly, while the share of least developed countries suffered a decline of 5%. These countries are losing market share even in traditional commodities, mainly owing to situations with their physical and social infrastructures, lack of technical and institutional capacity (transfer of technology and know-how), and subsidies observed in some key sectors.

Attempts by developing countries as a group to shift away from **commodity dependence** have generally been frustrated by restrictive trade rules' bias against agricultural commodities (for example, via **tariff escalation**). Countries such as Brazil, China and India have been rather successful in diversifying away from commodities, but most developing countries still depend heavily on commodities. In today's world village, the benefits of globalization have not yet reached least developed countries. Initiatives such as the **Everything But Arms** arrangement between the European Union and the least developed countries group are supposed to facilitate market access and help the later states improve their performance.

DEFINITIONS

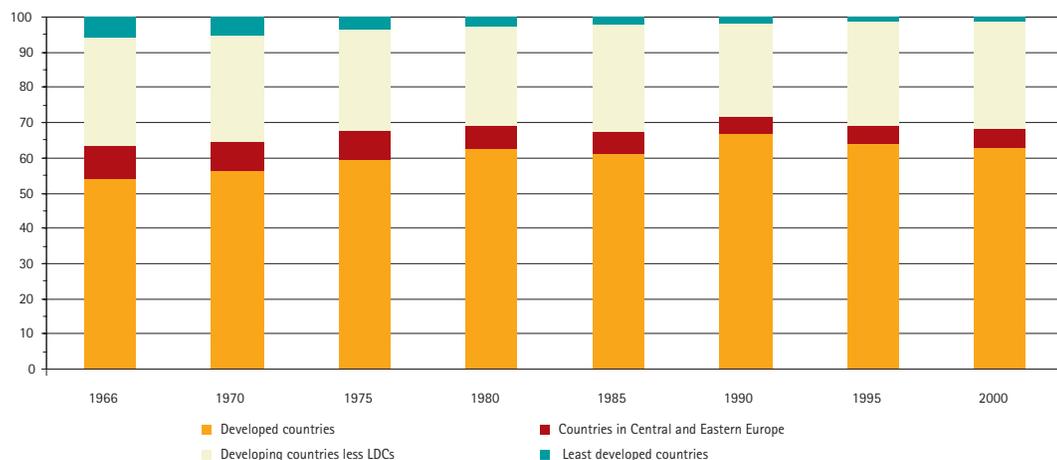
- **Market share** here refers to the share of a particular group (for example, developing countries, LDCs) in total world commodity exports.
- **Commodity dependence** is generally measured by the share of the three leading commodities in a given country's total exports. The bigger the share, the more dependent the country is.
- **Tariff** often rises significantly with the level of processing in many industrialized economies and high-income developing countries. **Tariff escalation** has the potential of reducing demand for processed imports from developing countries, hampering diversification into higher value-added exports.
- Under the **Everything But Arms** arrangement, least developed countries since 2000 have free access to the European Union market, with temporary exceptions for the following commodities: rice, sugar and bananas.

DATA SOURCES

- [1] UNCTAD, *Commodity Yearbook* (various issues).
UNCTAD, *Handbook of World Mineral Trade Statistics* (various issues).

Distribution of non-fuel commodity exports by country group [1]

(in % of world total)



Non-fuel commodity exports [1]

Average annual growth rate in % and 2000 exports in million US\$

	1966 – 1970	1971 – 1980	1981 – 1990	1991 – 2000	1966 – 2000	2000
World	7.1	17.6	4.6	3.2	7.2	699 047
Developing countries	5.9	16.6	3.5	4.3	6.8	222 077
<i>of which least developed countries</i>	5.5	10.0	0.1	0.0	2.2	7 919

Market share average in %

	1966 – 1970	1971 – 1980	1981 – 1990	1991 – 2000	1966 – 2000	2000
Developing countries	36.0	32.7	30.9	30.6	32.1	31.8
<i>of which least developed countries</i>	5.6	3.6	2.2	1.3	2.9	1.1

Share of three leading commodities in total exports of selected countries and country groups [1]

In %

Country or group	1965	1970	1975	1980	1985	1990	1995	2000
Developing countries	11.9	37.1	60.3	61.2	44.6	29.1	17.7	21.8
Of which:								
Brazil	56.7	47.6	33.0	27.6	22.1	17.8	14.1	12.5
China	5.7	15.4	27.9	28.8	29.2	12.2	6.8	5.2
India	23.9	21.5	25.3	14.5	17.9	9.5	10.4	6.0
Least developed countries	29.1	35.5	34.7	42.0	44.1	39.6	34.1	45.7
Of which:								
Angola								
<i>Fuels, diamonds, fishery commodities*</i>	56.4	57.0	82.8	87.1	94.5	93.7	94.3	99.8
Burundi								
<i>Green & roasted coffee, tea & mate, hides & skins*</i>	97.5	92.5	91.0	94.3	91.0	89.6	87.8	73.6
Gambia								
<i>Sugar, fishery commodities, groundnuts*</i>	75.2	97.1	95.2	89.2	53.3	49.8	70.0	79.1
Mauritania								
<i>Iron ore & concentrates, live animals, fishery commodities*</i>	95.2	92.6	90.4	89.8	82.8	85.6	58.5	59.3
Somalia								
<i>Live animals, bananas, fishery commodities*</i>	65.1	90.1	88.8	89.9	91.8	55.9	63.8	56.8
Developed countries	4.9	5.7	8.5	9.5	9.7	5.8	4.7	6.0

* Three leading commodities in 2000.

5.3 Commodity prices

OVERVIEW

Today the **Prebisch–Singer thesis** about the deterioration of terms of trade and the long-term decline of commodity prices is more valid than ever. For instance, in 2002 the price index of agricultural commodities deflated by the price index of manufactured exports of industrial economies in US dollars (74) was one half of the same index in 1980 (145).

For tropical beverages and food, the decline was even steeper, with corresponding indices decreasing by 63% (from 102 to 37) and 56% (from 204 to 90) between 1980 and 2002. Despite an upswing since 2003, the long-term real decline in commodity prices has led to severe deterioration in terms of trade for many commodity-dependent developing countries. This in turn has influenced balance-of-payments sustainability, impeded development and affected social welfare, while increasing impoverishment and environmental degradation.

For example, between 1999 and 2002, coffee-producing countries and West African cotton-producing countries suffered opportunity costs of \$19 billion and \$1 billion respectively compared to the situation that would have prevailed had prices remained at 1998 levels.

DEFINITIONS

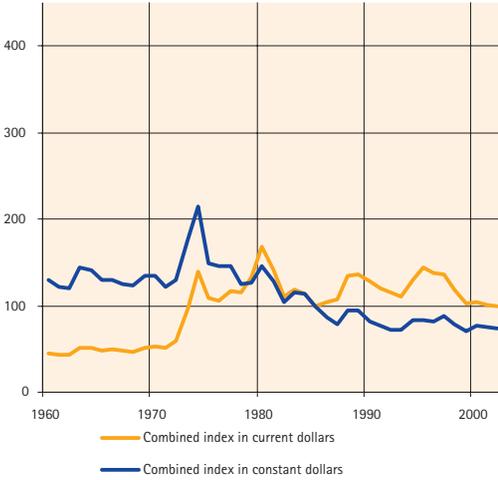
- *The **Prebisch–Singer thesis**, proposed in 1950, suggests that, in the long-term, prices for primary commodity exports fall in relation to prices of manufactured imports. According to the hypothesis, this drop results from a number of factors, including divergence between the income elasticity of demand for primary products and the income elasticity of demand for manufactured products. Thus, the net barter terms of trade for commodity-producing developing countries are declining.*

DATA SOURCES

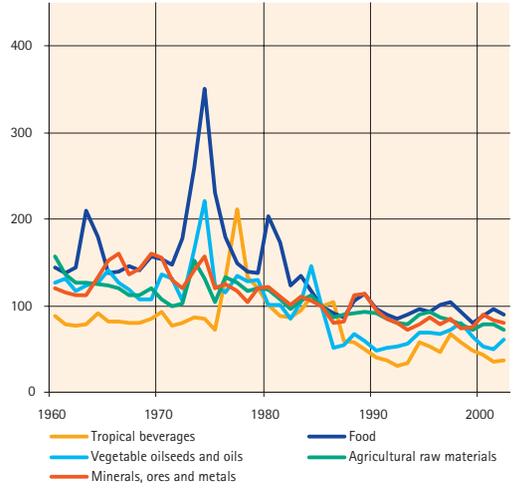
[1] UNCTAD, *Commodity Price Bulletin*.

Commodity price indices [1]

Combined price indices in current and constant dollars (1985 = 100)

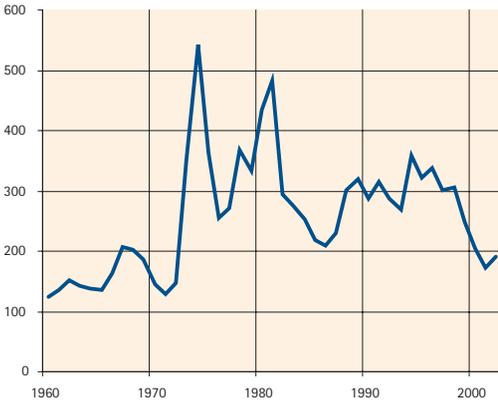


Price indices of product groups in constant dollars (1985 = 100)

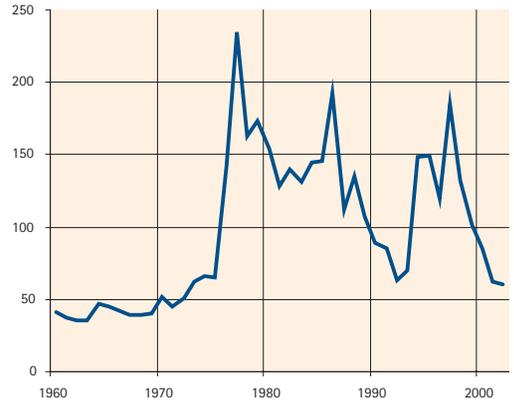


Selected commodity prices [1]

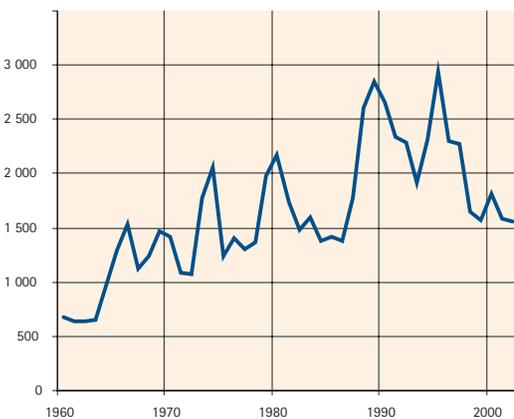
Rice (US\$/metric ton)



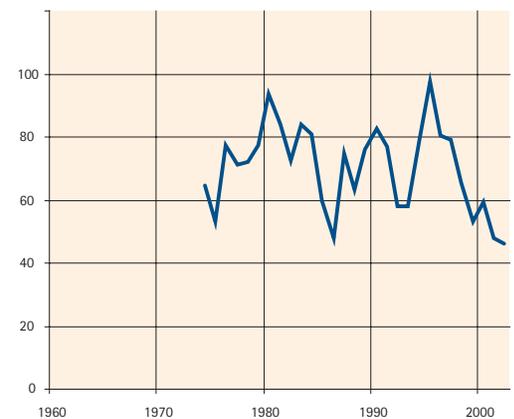
Coffee (US¢/lb.)



Copper (US\$/metric ton)



Cotton (US¢/lb.)



5.3 Commodity prices

OVERVIEW

The removal of international and domestic commodity price stabilization schemes, combined with the recent dismantling of compensatory mechanisms, has completely reshaped the systems governing commodity sectors. Today, commodity producers in developing countries are no longer protected against price volatility.

There is no clear evidence about the long-term impact of globalization on commodity price fluctuation. However, **price instability indices** in monthly market prices for all commodities increased slightly in the past decade, from 1.8 in 1990–1992 to 2.5 in 2000–2002. Significantly, this instability is passed on to producing countries and is a major impediment for trade in some commodities such as cocoa, banana, pepper, coconut oil, nickel and crude petroleum. Instability indices for these products in 2000–2002 were 10.4, 15.0, 20.3, 18.1, 12.5 and 9.5.

Past attempts to smooth the negative effects of instability – including **Keynes's plan** in 1943, the **Compensatory Financing Facility** in 1963, **STABEX** in 1975, and measures stipulated in UNCTAD's **Integrated Programme for Commodities** in 1976 – have either been discontinued or never been implemented. Price instability strongly affects both the macro-economic vulnerability of developing-country economies, including debt, and the micro-economic and social stability of those who depend on commodities.

DEFINITIONS

- The **price instability index** is the measure of price instability $\frac{1}{n} \sum_{t=1}^n [(|Y(t)-y(t)|)/y(t)] * 100$, where $Y(t)$ is the observed magnitude of the variable, $y(t)$ is the magnitude estimated by fitting an exponential trend to the observed value, and n is the number of observations. Instability is measured as the percentage deviation of the variables concerned from their exponential trend levels for a given period.
- In 1943, John Maynard **Keynes** proposed a world currency based on a price index of the 30 most-traded commodities. The idea was to link currencies to the index in order to automatically stabilize commodity prices.
- In 1963, the International Monetary Fund began offering a **Compensatory Financing Facility** that later became the **Compensatory and Contingency Financing Facility**. In 1988 it introduced a **Buffer Stock Financing Facility**; this was discontinued in the early 2000s.
- The first **Lomé Convention** in 1975 gave birth to the **STABEX** system, which was designed to alleviate the effect of non-structural problems such as fluctuation in world commodity prices and unforeseen events such as natural disasters. **STABEX** was discontinued in 2000 with the signature of the **Cotonou Agreement**, and was replaced by the more narrowly focused **Flex programme**.
- The **Integrated Programme for Commodities** set up an approach for an international policy framework that included the negotiation of a series of price-stabilizing agreements for commodities with very unstable prices.

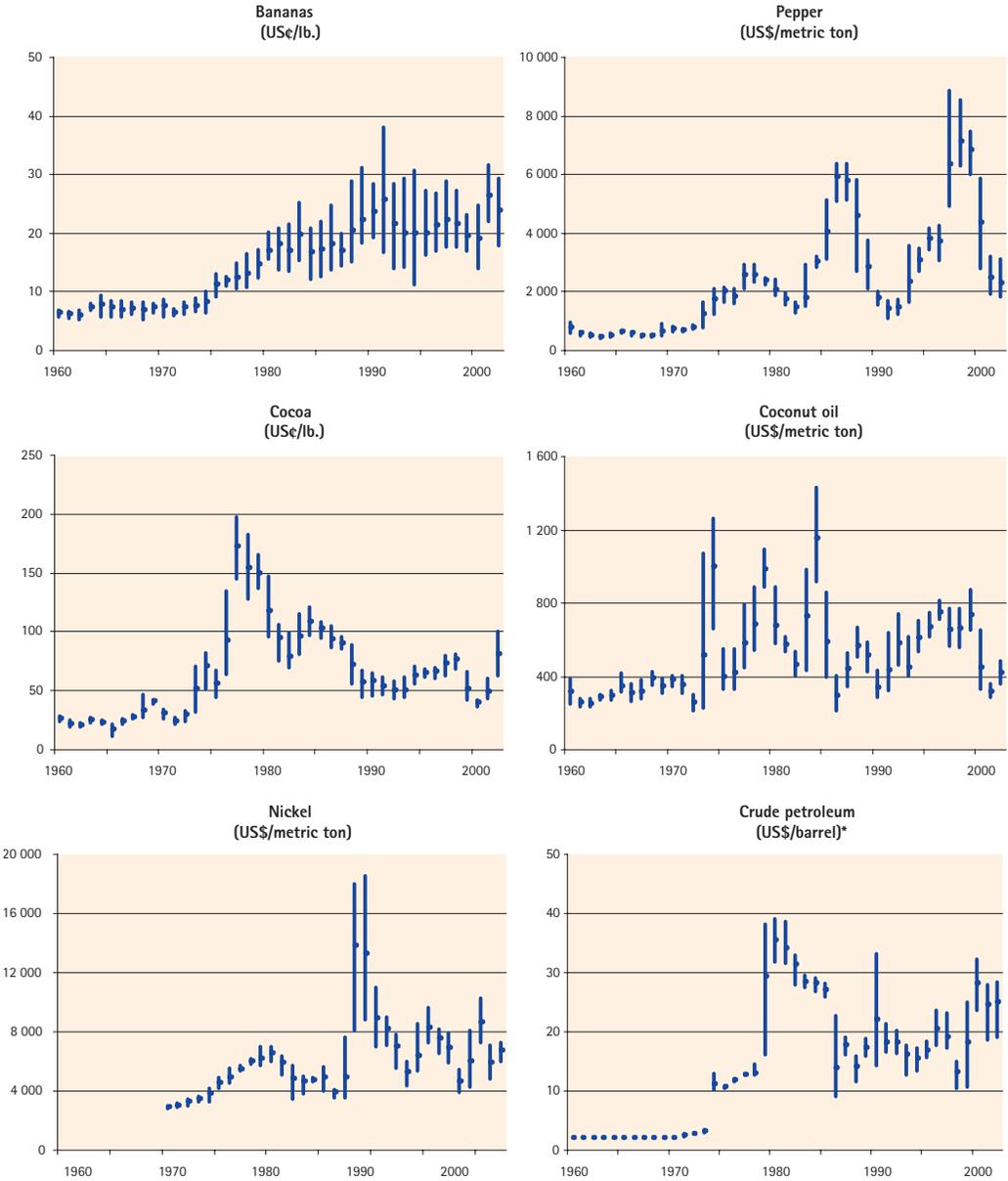
DATA SOURCES

- [1] UNCTAD, *Commodity Price Bulletin*.
UNCTAD, *Commodity Yearbook 2003*, volumes I and II.

UNCTAD assists developing-country governments and other institutions in reducing the effects of price instability, including by creating relevant publications and providing training in risk management techniques. It also carries out research on international instruments for smoothing commodity export revenue fluctuations. The **INFOCOMM** site at www.unctad.org/infocomm presents several studies on commodity price instability and potential strategies for dealing with this issue. See, for instance, **Report of the Meeting of Eminent Persons on Commodity Issues** and **Integrated Approach to the Management of Production and Marketing in the Primary Sector of the Developing Countries**.

Commodity price volatility [1]

(minimum, maximum and average based on monthly data)



* Memo item: not included in the calculation of price indices.

Instability indices in monthly market prices [1]

	1960 - 1962	1970 - 1972	1980 - 1982	1990 - 1992	2000 - 2002
All commodities in current dollars	..	4.33	4.88	1.79	2.48
All food	2.15	5.14	7.21	2.43	2.58
Food and tropical beverages	2.70	6.03	7.65	2.52	3.05
Tropical beverages	2.39	6.47	5.10	5.41	8.95
Food	3.16	6.37	10.10	3.65	3.86
Vegetable oilseeds and oils	4.35	4.81	6.01	3.30	10.18
Agricultural raw materials	2.24	3.91	3.11	3.06	4.53
Minerals, ores and metals	..	4.34	1.92	3.65	2.87



6

Production and international trade of manufactures



6.1 Production of manufactures

6.2 International trade in manufactures

6.1 Production of manufactures

OVERVIEW

Global **industrial activity** is heavily concentrated in a few countries. Developed countries account for about three-fourths of global value added.

Developing countries' share of world **manufacturing value added** has risen substantially in the past two decades. Measured in terms of current prices, this rise largely corresponds to the declining share of countries in Central and Eastern Europe. However, the rise in developing countries' share is heavily concentrated in Asian countries, which now account for about two-thirds of developing-country value added. Moreover, the increase in developing countries' share of world manufacturing value added is much lower than the increase in their share of world manufactured exports.

If one looks at industrial sectors, for petroleum products, developing countries' share of world value added almost matches that of developed countries. By contrast, the share is only about half in other natural-resource- or labour-intensive sectors (such as tobacco, textiles and wearing apparel), and particularly low in capital- or technology-intensive sectors (such as paper, printing and publishing, and electrical and non-electrical machinery). While developing countries have succeeded in increasing their **share in world manufacturing value added** in several industrial sectors, these increases have been concentrated in a few sectors that, apart from textiles and transport equipment, include the natural-resource-intensive sectors of petroleum products, basic metals, tobacco and non-metallic mineral products.

The structure of manufacturing value added within the group of developing countries has remained largely unchanged over the past decade, except for a major increase in the shares of electrical machinery and transport equipment and a large decline in the shares of textiles and wearing apparel.

DEFINITIONS

The classification of **industrial activities** follows the United Nations International Standard Industrial Classification (ISIC) revision 2. There the definition of manufactures also includes a number of processed primary commodities, such as food products and beverages, tobacco, petroleum products, non-metallic mineral products and basic metals, and thus is broader than for trade statistics, which are based on the Standard International Trade Classification (SITC).

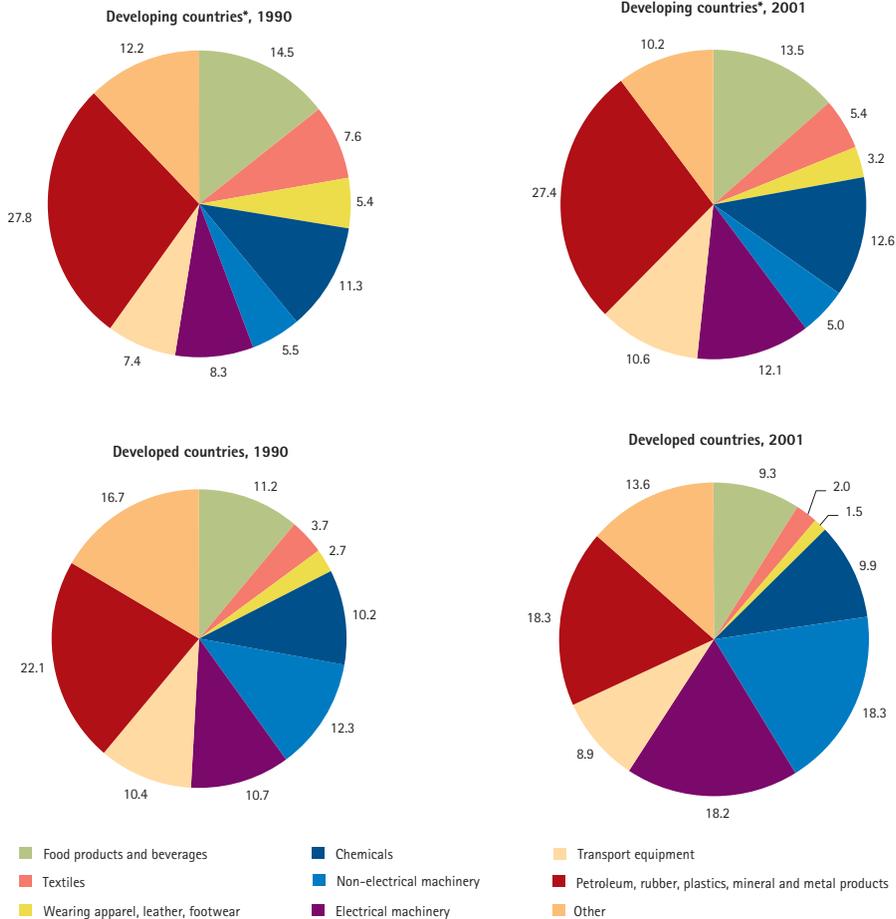
- **Manufacturing value added** is the sum of gross output less the value of intermediate inputs used in production.
- Different regions' **share in world manufacturing value added** can be measured in terms of current prices or constant prices referenced to a selected base year. Because of variations in official exchange rates, the world distribution, particularly the share of countries in Central and Eastern Europe, may change considerably depending on the base year used.

DATA SOURCES

[1] UNIDO, *International Yearbook of Industrial Statistics*, various issues. Country groupings presented there differ slightly from those used in this publication.

Distribution of manufacturing value added, at 1990 prices, in developing and developed countries, by ISIC division [1]

(in %)



* China is excluded, but China, Hong Kong SAR and Taiwan Province of China are not.

Distribution of world manufacturing value added, at current prices, by region [1]

(in %)

Region	1980	1990	2001
World	100.0	100.0	100.0
Developing countries	13.7	14.4	23.7
Africa	0.9	0.9	0.8
America	7.1	5.6	5.7
South and East Asia	4.1	6.1	16.0
West Asia and Europe	1.6	1.8	1.2
Countries in Central and Eastern Europe	19.3	8.9	2.7
Developed countries	67.0	76.7	73.6
North America	22.1	23.3	30.1
Western Europe	32.1	34.0	26.2
Others	12.8	19.4	17.3
<i>Memorandum</i>			
China**	3.9	2.6	7.2
Least developed countries	..	0.3	1.0

** The data shown for the year 1980 corresponds to 1981 data at constant 1980 prices.

6.2 International trade in manufactures

OVERVIEW

The structure of world trade in **manufactures** has changed substantially in the past two decades, with the share of electronics doubling to reach almost one-fourth of world trade in manufactures.

Between 1980 and 2001, average annual growth in developing-country exports of all main categories of manufactures was much faster than that in either developed countries or Central and Eastern European countries. As in these latter two groups, in developing countries export growth was particularly rapid for **electronics**. South, East and South-East Asian countries saw growth rates more than twice the world rates in their exports of chemicals and of machinery and transport equipment less electronics. Among developing countries, this group had the most balanced increase in the structure of its manufactured exports.

One factor in the strong growth of developing-country electronics exports was their relatively low absolute level in 1980. But the main reason for this surge is probably the increasing participation of developing countries in international production networks, where developing-country exports typically have a strong import content. This is reflected in the fact that developing countries' trade balance for electronics has remained slightly negative and that even the regions most involved in international production sharing in the electronics sector (South, East and South-East Asia and Central America) have only slight positive balances.

Unlike two decades ago, when developing countries were net importers of manufactures, they are now net exporters of the category "other manufactured goods", while developed countries have become net importers of both electronics and other manufactured goods.

DEFINITIONS

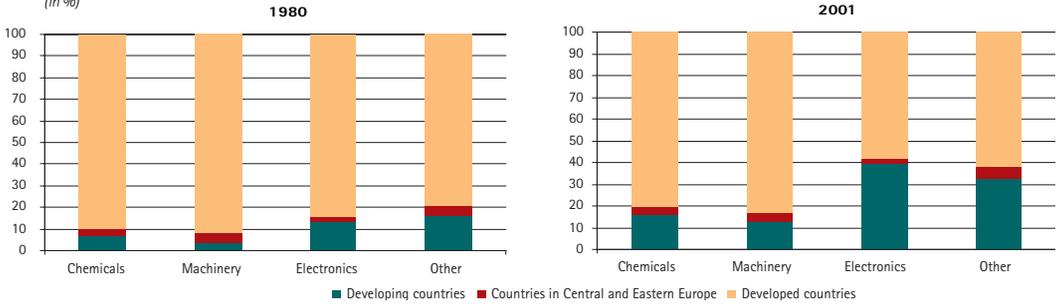
- **Manufactures** are classified in accordance with the *United Nations Standard International Trade Classification (SITC) revision 2*:
 - *Chemicals and related products: SITC 5*
 - *Machinery and transport equipment less electronics: SITC 7 less 75 –77*
 - *Electronics: SITC 75 –77*
 - *Other manufactured goods: SITC 6 less 68, plus SITC 8*
- **Electronics** include office machines and automatic data processing equipment, telecommunications and sound recording and reproducing apparatus and equipment, and electrical machinery, apparatus and appliances such as semi-conductors – in short, goods that have been closely associated with the revolution in information technology.

DATA SOURCES

- [1] United Nations Commodity Trade Statistics Database (COMTRADE) and estimates by the United Nations Statistics Division.

Distribution of manufactured exports by country group [1]

(in %)



Manufactured exports by main category [1]

Average annual growth rates 1980 - 2001 in % and 2001 exports in million US\$

Regions	1980 - 2001				2001			
	Chemicals	Machinery and transport equipment less electronics	Electronics	Other manufactured goods	Chemicals	Machinery and transport equipment less electronics	Electronics	Other manufactured goods
World	8.5	7.8	12.4	7.9	566 590	1 282 746	1 073 847	1 417 002
Developing countries	13.0	14.3	19.3	11.1	91 847	167 297	422 722	459 777
Africa	6.8	12.6	16.4	9.1	5 242	4 446	2 355	27 474
North Africa	6.2	7.9	21.7	12.0	2 351	432	1 478	7 851
Sub-Saharan Africa	7.4	13.3	12.7	8.0	2 891	4 014	877	19 623
America	9.0	15.0	18.4	11.3	16 535	59 080	60 608	65 928
Central America and the Caribbean	8.7	20.0	21.1	15.7	7 477	42 140	56 472	42 152
South America	9.3	10.0	7.2	7.9	9 059	16 940	4 136	23 776
Asia	15.8	14.1	19.6	11.2	70 057	103 666	359 740	364 844
West Asia	14.1	10.1	17.5	11.6	9 559	7 373	3 622	25 824
Central Asia	1.2	19.2	18.7	12.3	458	520	96	1 794
South, East and South-East Asia	16.1	14.4	19.6	11.1	60 040	95 773	356 022	337 226
South, East and South-East Asia less China	16.9	13.6	18.6	8.7	46 894	74 316	282 705	209 276
Oceania	10.4	15.7	18.5	13.3	13	105	19	1 531
Countries in Central and Eastern Europe	7.6	3.8	9.6	9.1	17 991	44 635	26 791	77 635
Developed countries	8.0	7.4	10.3	6.7	456 752	1 070 814	624 334	879 591
North America	7.9	7.5	10.8	9.1	92 482	277 627	152 786	180 321
Europe	7.8	7.7	10.9	6.5	326 863	628 764	347 995	604 439
Others	9.5	6.4	8.7	4.6	37 407	164 424	123 553	94 831
<i>Memorandum</i>								
Developing countries less China	13.0	13.8	18.4	9.3	78 701	145 840	349 405	331 827
Least developed countries	5.0	7.3	5.7	11.1	530	289	101	9 663

Manufactured trade balance by main category [1]

In % of imports

Regions	1980 - 1984				1997-2001			
	Chemicals	Machinery and transport equipment less electronics	Electronics	Other manufactured goods	Chemicals	Machinery and transport equipment less electronics	Electronics	Other manufactured goods
World	-1.0	11.7	0.4	-0.3	-8.4	1.1	-9.0	-8.9
Developing countries	-71.5	-81.9	-46.2	-25.9	-53.2	-50.8	-3.8	4.7
Africa	-76.4	-97.5	-97.5	-74.8	-62.5	-84.2	-83.6	-27.8
North Africa	-66.3	-99.1	-98.2	-88.0	-53.6	-97.2	-74.2	-45.8
Sub-Saharan Africa	-82.2	-96.5	-97.0	-63.5	-67.9	-75.6	-89.3	-13.1
America	-60.7	-68.8	-41.4	-33.9	-64.8	-38.4	-26.9	-33.9
Central America and the Caribbean	-47.5	-66.0	29.2	-53.1	-63.9	-19.1	5.0	-37.5
South America	-67.7	-70.1	-76.8	-14.5	-65.3	-58.6	-86.0	-26.5
Asia	-73.9	-78.9	-34.8	-6.8	-47.7	-51.2	4.6	19.9
West Asia	-87.9	-95.0	-97.9	-87.7	-52.1	-85.3	-81.7	-40.0
Central Asia	..	..	..	..	-62.1	-84.8	-90.8	-46.4
South, East and South-East Asia	-68.0	-66.0	-2.4	61.4	-46.7	-40.8	9.7	30.2
South, East and South-East Asia less China	-78.5	-68.4	-5.1	53.3	-43.7	-38.0	8.8	2.9
Oceania	-97.8	-96.4	-98.4	-73.9	-94.5	-88.2	-89.4	-3.1
Countries in Central and Eastern Europe	11.4	104.4	73.5	142.2	-37.4	-26.8	-35.5	9.8
Developed countries	27.8	48.0	16.8	5.6	14.8	20.8	-10.7	-15.3
North America	67.9	3.8	-12.8	-43.6	3.7	-15.8	-38.9	-49.0
Europe	26.3	45.6	-5.6	13.6	20.1	24.4	-8.4	3.0
Others	-16.7	332.5	345.8	118.4	4.6	204.9	72.9	-8.9
<i>Memorandum</i>								
Developing countries less China	-75.5	-82.6	-47.5	-28.6	-52.8	-50.8	-6.0	-13.6
Least developed countries	-86.3	-98.6	-96.2	-73.5	-88.4	-96.2	-95.9	-24.5

6.2 International trade in manufactures

OVERVIEW

Trade growth rates have varied greatly from product to product over the past two decades. For some products, rates grew twice as fast as the average annual growth in world trade, whereas for others export values declined in absolute terms. The majority of the 20 most **market-dynamic manufactures** in world trade for the period 1980–2001 fall into three categories: electronic and electrical goods, textiles and labour-intensive products (particularly clothing), and finished products from industries that require high research and development spending.

Trade in all four categories of **supply-dynamic manufactures** (as determined by **factor intensity**) has expanded considerably since the mid-1980s. Trade in manufactures with high **technology intensity** grew particularly fast, increasing about sixfold between 1980 and 2001. Developing-country exports of all four categories of manufactures have grown more rapidly than world exports in the same product categories, and the difference has been proportionate to the technology intensity of the products.

Several goods in all four categories of manufactures have experienced rapid growth in world as well as developing-country exports in the past two decades; in this sense, dynamism is broad based. However, the products with a high share in developing-country manufactured exports have also experienced the highest growth. Thus, the manufactured exports of developing countries are concentrated in computers and office equipment, telecommunications, audio and video equipment and semiconductors, and clothing. All these products involve labour-intensive processes, which suggests that the increased importance of global production sharing has been a crucial factor in the growth of their exports.

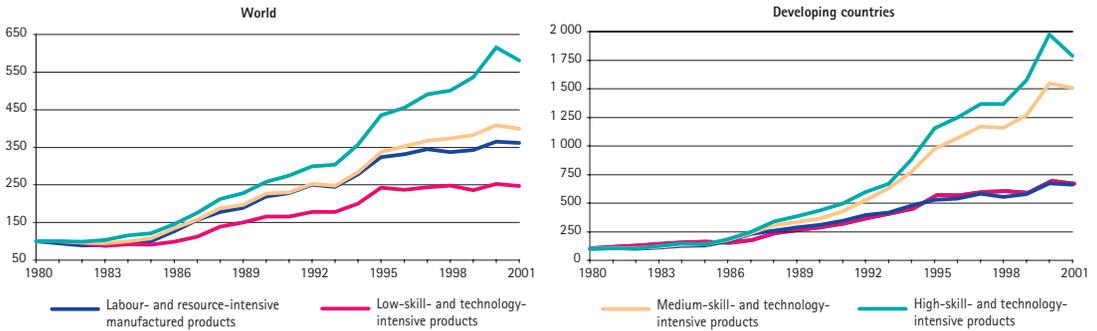
DEFINITIONS

- *Manufactures are classified in accordance with the Standard International Trade Classification (SITC, Rev. 2).*
- ***Market-dynamic manufactures** are defined with respect to their global demand potential (export value growth). The most dynamic three categories of manufactures are electronic and electrical goods (SITC 75, 76 and 77), textiles and labour-intensive products, particularly clothing (SITC 61, 65, 84), and finished products from industries that require high research and development spending (SITC 5 and 87).*
- ***Supply-dynamic manufactures** are defined with respect to their productivity potential. This definition results in four categories of manufactures based on **factor intensity**: labour- and resource-intensive manufactures; low-skill-intensive and low-technology-intensive manufactures; medium-skill-intensive and medium-technology-intensive manufactures; and high-skill-intensive and high-technology-intensive manufactures.*
- *Although the **technology intensity** of a product does not necessarily indicate the productivity growth potential of the sector producing it, the relationship is close enough to focus the analysis on product categories based on their technology intensity. This analysis of the market dynamism of products is concerned with export earnings rather than export volumes, since for most products separate volume and price data are not available. However, readily available evidence suggests that product rankings would remain largely unchanged if the growth rates of products in world exports could be calculated on the basis of constant rather than current prices.*

DATA SOURCES

- [1] United Nations Commodity Trade Statistics Database (COMTRADE) and estimates by the United Nations Statistics Division.

Export growth of different categories of manufactures, by factor intensity, 1980–2001 [1] (1980=100)

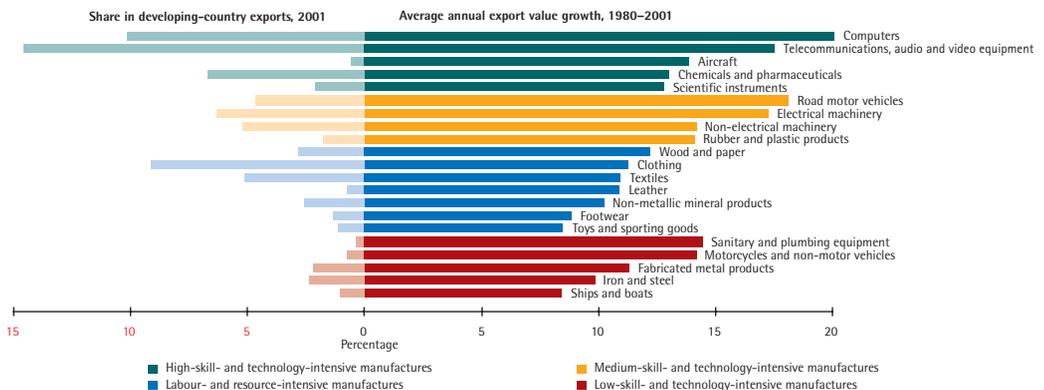


Export growth and share in total manufactured exports of the 20 most market-dynamic manufactures, 1980–2001 [1] Average annual growth rates and share in total exports in %

SITC code	Product group	Average annual export value growth	Share in total world exports		Share in total exports from developing countries	
		1980 – 2001	1980	2001	1980	2001
776	Thermionic, cold and photo-cathode valves, tubes and parts	16.7	1.5	5.1	3.9	9.1
871	Optical instruments and apparatus	15.9	0.1	0.4	0.0	0.4
759	Parts of and accessories suitable for 751, 752	14.6	0.9	3.1	0.6	5.4
752	Automatic data processing machines and units thereof	14.6	1.3	4.1	0.3	6.7
771	Electric power machinery and parts thereof	12.8	0.4	0.7	0.4	1.1
553	Perfumery, cosmetics and toilet preparations	12.8	0.3	0.6	0.2	0.3
846	Undergarments, knitted or crocheted	12.6	0.4	0.7	1.5	1.6
764	Telecommunications equipment and parts	12.6	2.0	4.5	3.5	5.6
893	Articles of materials described in division 58	12.5	0.9	1.5	1.2	1.4
541	Medicinal and pharmaceutical products	12.1	1.5	3.1	0.7	0.8
872	Medical instruments and appliances	12.0	0.3	0.6	0.1	0.4
773	Equipment for distributing electricity	11.8	0.6	0.8	0.4	1.2
655	Knitted or crocheted fabrics	11.2	0.3	0.3	0.3	0.7
778	Electrical machinery and apparatus, n.e.s.	11.1	1.5	2.0	1.4	2.1
612	Manufactures of leather or of composition leather, n.e.s.	11.1	0.1	0.2	0.3	0.3
772	Electrical apparatus such as switches, relays, fuses and plugs	11.0	1.4	1.9	1.3	2.1
821	Furniture and parts thereof	10.7	1.1	1.5	0.8	1.5
844	Undergarments of textile fabrics	10.6	0.3	0.3	1.5	0.8
514	Nitrogen-function compounds	10.5	0.6	0.8	0.3	0.3
783	Road motor vehicles n.e.s.	10.4	0.4	0.3	0.2	0.2
	20 most dynamic manufactures	12.4	15.6	32.7	19.0	41.8
Memorandum						
	World manufactured exports	8.8	100.0	100.0	–	–
	Developing country manufactured exports	13.8	10.3	26.4	100.0	100.0

Dynamism of developing country exports, by factor intensity, 1980–2001 [1]

Average annual growth rates and share in total exports in %





7

Information and communication technology



7.1 Information and communication
technology development

OVERVIEW

The diffusion of information and communication technologies (ICT) across countries is highly uneven, and regional rankings show considerable polarization. Developed countries consistently capture the top spots, while African and South Asian countries are falling behind. However, regional average rankings may mask great diversity among countries. For example, East Asia includes ICT leaders such as Hong Kong, SAR of China, and Singapore, as well as trailing countries such as Cambodia, the Lao People's Democratic Republic and Myanmar. In sub-Saharan Africa, countries like Mauritius and South Africa are gaining ground, while the majority of the countries in the region are lagging behind.

Even if there is a relationship between economic growth and the **Index of ICT Diffusion**, countries with similar income levels may have different rankings, which highlights the importance of policy choices.

Indices show relatively consistent rankings over time, although an analysis of movements in country rankings and of the distribution of computer hardware shows a small reduction in inequality across countries. This trend applies especially to older technologies such as fixed-line telephony and to leapfrogging in mobile telephony, suggesting that mobile telephone technology can help bridge the **digital divide**.

DEFINITIONS

- The **Index of ICT Diffusion** developed by UNCTAD is designed to evaluate ICT diffusion across countries. It measures the average achievements in a country along three dimensions:

- Connectivity, as measured by per-capita numbers of Internet hosts, personal computers, telephone mainlines and mobile subscribers.
- Access, as measured by the estimated number of Internet users, the adult literacy rate, the cost of a local call and GDP per capita.
- Policy, as measured by the presence of Internet exchanges, levels of competition in local-loop and domestic long-distance telecommunications, and the level of competition in the Internet service provider market.

An index score is calculated for each of these indicators by applying the formula: value achieved / maximum reference value. Connectivity, Access and Policy indices are then calculated by averaging the index scores of their respective components. The Index of ICT Diffusion is an average of these three dimensions.

- The term **digital divide** refers to the gap between individuals, households, businesses, countries and geographic areas at different socio-economic levels with regard to both their opportunities to access information and communication technologies (ICTs) and to their use of the Internet for a wide variety of activities.

DATA SOURCES

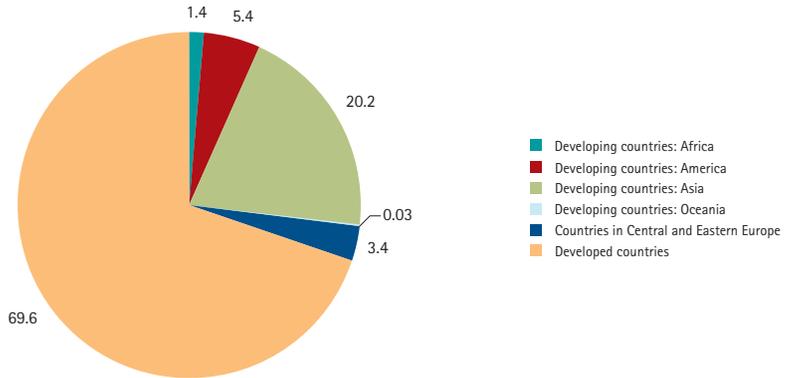
[1] ITU *World Telecommunication Indicators 2003* (including data on Internet hosts, personal computers, cellular mobile telephone subscribers, and main telephone lines in operation).
United Nations, Statistics Division.

Official statistics on access to and use of ICT are scarce. Limited supply-side data on Internet access, hosts and users are available from national sources and are collected by the International Telecommunication Union (ITU).

ICT development indices were developed by UNCTAD in conjunction with the work programme of the Commission on Science and Technology for Development for the inter-sessional period 2001–2003 on “Technology Development and Capacity-Building for Competitiveness in a Digital Society”. Publications, studies and an indicators database can be downloaded from the *Science and Technology for Development Network* at www.unctad.org/stdev.

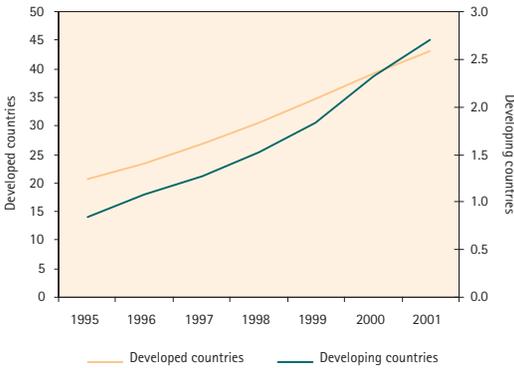
Estimated share of Internet users in 2001 [1]

(in %)

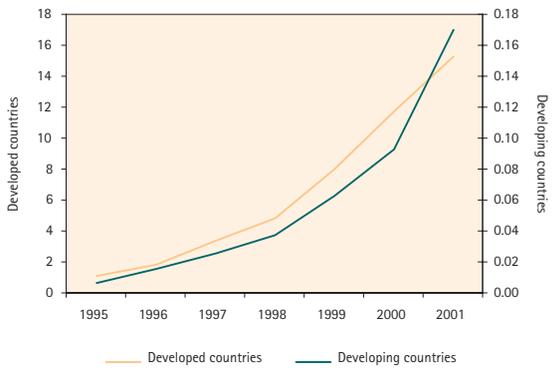


The digital divide: PCs and hosts [1]

Number of PCs per 100 inhabitants

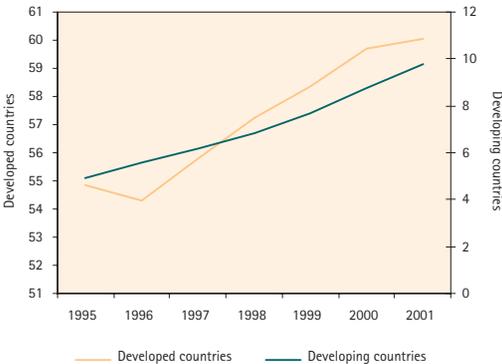


Number of hosts per 100 inhabitants

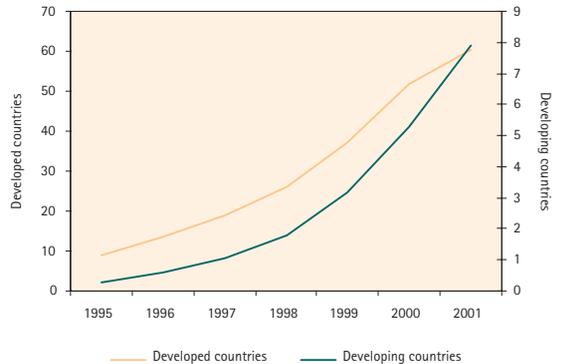


The digital divide: telephones [1]

Number of mainlines per 100 inhabitants



Number of cellular telephones per 100 inhabitants



OVERVIEW

The use of information and communication technology (ICT) by enterprises – or **e-business** – is closely linked to the growth of the Internet. The global number of **Internet users** grew 26% between 2001 and 2002. In 2001, 27% of Internet users were from developing countries, a figure that rose to 32% of the world's 591 million Internet users in 2002. By the year 2008, 50% of total Internet users could be in developing countries. Particularly significant growth is foreseen for Asia.

In 2002, 95% of **e-commerce** took place in developed countries, with Africa and Latin America together accounting for less than 1%. However, the beginnings of a rapid expansion of e-commerce, mainly business to business (B2B), are foreseen in the developing world, albeit again concentrated in key exporting developing countries.

The United States is by far the largest user of e-commerce. In 2001, annual B2B online sales in the United States totalled 995 billion US\$. The value of e-commerce in the European Union in 2002 was estimated at around 185 billion to 200 billion US\$. In Central and Eastern Europe, B2B e-commerce amounted to about 4 billion US\$ in 2003. In the Asia-Pacific region, it was expected to grow rapidly, to about 200 billion US\$ in 2003. In Latin America, 6.5 billion US\$ of online B2B transactions were forecast for 2002 and 12.5 billion for 2003. African B2B e-commerce was expected to amount to 0.5 billion US\$ in 2002 and 0.9 billion in 2003, with South Africa accounting for 80% to 85% of these figures.

In the area of business-to-consumer (B2C) e-commerce, estimates of total online retail sales for 2002 were 43.5 billion US\$ for the United States (73 billion including travel), 28.3 billion US\$ for the European Union, 15 billion US\$ for the Asia-Oceania region, 2.3 billion US\$ for Latin America and as little as 4 million US\$ for Africa.

DEFINITIONS

- **E-business** covers a range of business activities or processes carried out over computer-mediated networks. It can be intra-firm or extra-firm and can include customer acquisition and retention; e-commerce; finance, budget and account management; human resource management; product design and development; order fulfilment and tracking; logistics (inbound and outbound) and inventory control; and product service and support.
- **Internet users** are the people in a particular country who have used the Internet at any point during a given year. An Internet host is a computer that is connected to the Internet at a given moment and has an Internet protocol (IP) address. Not all hosts are servers, and a server may host one, several or even hundreds of sites.
- **E-commerce** is the sale and purchase of goods and services over the Internet by businesses, households, individuals, governments and other public-private organizations. The goods and services are ordered over networks, but payment and final delivery of the good or service may occur offline or online.

DATA SOURCES

- [1] UNCTAD, *E-Commerce and Development Report* (2002 and 2003 editions).
- [2] International Telecommunication Union (ITU).
- [3] Organization for Economic Co-operation and Development (OECD).

While e-business- and e-commerce-related statistics are collected in some developed countries, in most developing countries they are not yet available. Currently available data at the global level come from private data providers.

There is growing interest worldwide in developing ICT indicators. So far most of the conceptual, definitional and methodological work on measuring e-commerce and e-business has been done in the OECD Working Party on Indicators for the Information Society. UNCTAD is disseminating the results of this undertaking to developing countries and assisting their efforts to develop statistical compilation programmes. The site measuring-ict.unctad.org follows developments in this area and includes an online forum enabling practitioners worldwide to share information and experiences on ICT statistics. UNCTAD's annual *E-Commerce and Development Report* surveys the latest data on ICT and e-business and provides comprehensive analysis of ICT use in development-related areas. See also ro.unctad.org/ecommerce.

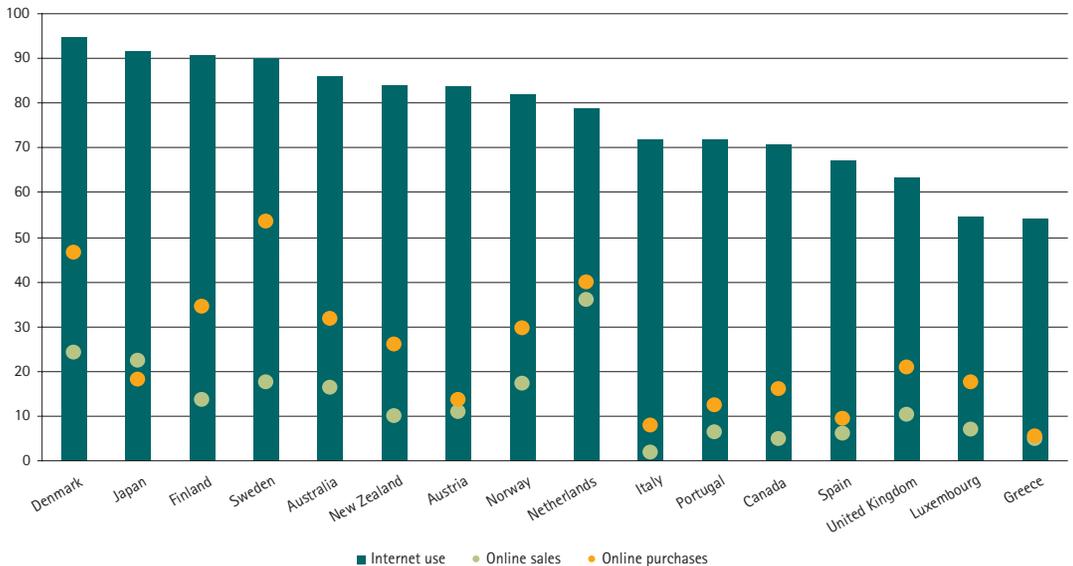
Total e-commerce forecast [1]

Share in %, total e-commerce in billion US\$ and annual growth in %

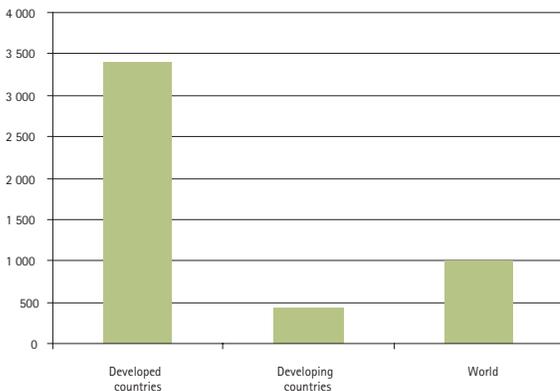
Regions	Share in % and total e-commerce in billion US\$				Compound annual growth rate 2002 - 2006
	2002		2006		
World	100.0	2 293.5	100.0	12 837.3	53.8
Developing countries	4.2	95.7	6.0	767.3	69.1
Africa	0.0	0.5	0.1	6.9	91.1
America	0.3	7.6	0.8	100.1	90.5
Asia and Oceania	3.8	87.6	5.1	660.3	65.7
Countries in Central and Eastern Europe	0.4	9.2	0.7	90.2	77.0
Developed countries	95.4	2 188.4	93.3	11 979.7	53.0
North America	73.1	1 677.3	58.2	7 469.0	45.3
Europe	10.7	246.3	19.2	2 458.6	77.7
Asia and Oceania	11.5	264.8	16.0	2 052.1	66.8

Business-to-business e-commerce in OECD countries in 2001 [3]

(% of entreprises)



Internet users per 10 000 people in 2002 [1] [2]



Growth of number of Internet users [1] [2]

(in %)

Regions	2000 - 2001	2001 - 2002
World	25.7	26.3
Developing countries	40.8	54.0
Developed countries	20.6	15.6
Africa	35.9	59.9
Latin America	49.6	47.5
Asia	35.9	39.7
Oceania	9.2	25.4
North America	13.5	14.2
Europe	27.9	20.3

**Countries and
territories of the world**

Abbreviations

Index

Distribution of countries and territories by region

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North Africa 7

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Tunisia
Western Sahara

Sub-Saharan Africa 51

Angola
Benin
Botswana
British Indian Ocean Territory
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo
Côte d'Ivoire
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho

Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mayotte
Mozambique
Namibia
Niger
Nigeria
Reunion
Rwanda
Saint Helena
Sao Tome and Principe
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Swaziland
Togo
Uganda
United Republic of Tanzania
Zambia
Zimbabwe

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Barbados
Belize
Bermuda
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Cayman Islands
Costa Rica
Cuba
Dominica
Dominican Republic
El Salvador
Greenland
Grenada
Guadeloupe

Guatemala
Haiti
Honduras
Jamaica
Martinique
Mexico
Montserrat
Netherlands Antilles
Nicaragua
Panama
Puerto Rico
Saint Kitts and Nevis
Saint Lucia
Saint Pierre and Miquelon
Saint Vincent and the Grenadines
Trinidad and Tobago
Turks and Caicos Islands
United States Virgin Islands

South America 14

Argentina
Bolivia
Brazil
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Ecuador
Falkland Islands (Malvinas)

French Guiana
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Paraguay
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Venezuela

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Cyprus
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Iraq
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Bhutan
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China, Macao SAR
China, Taiwan Province of
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Korea, Republic of

Kyrgyzstan
Tajikistan
Turkmenistan
Uzbekistan

Lao People's Democratic Republic
Malaysia
Maldives
Mongolia
Myanmar
Nepal
Pakistan
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Christmas Island
Cocos (Keeling) Islands
Cook Islands
Fiji
French Polynesia
Guam
Johnston Island
Kiribati
Marshall Islands
Micronesia, Federated States of
Midway Islands
Nauru
New Caledonia

Niue
Norfolk Island
Northern Mariana Islands
Palau
Papua New Guinea
Pitcairn
Samoa
Solomon Islands
Tokelau
Tonga
Tuvalu
Vanuatu
Wake Island
Wallis and Futuna Islands

CENTRAL AND EASTERN EUROPE 19

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Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania

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Poland
Romania
Russian Federation
Serbia and Montenegro
Slovakia
Slovenia
Ukraine

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Belgium
Denmark
Faeroe Islands
Finland
France
Germany
Gibraltar
Greece
Holy See
Iceland
Ireland

Italy
Liechtenstein
Luxembourg
Malta
Monaco
Netherlands
Norway
Portugal
San Marino
Spain
Sweden
Switzerland
United Kingdom

North America 2

Canada

United States of America

Others 4

Australia
Israel

Japan
New Zealand

LEAST DEVELOPED COUNTRIES (LDCs) 50

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Maldives
Benin	Mali
Bhutan	Mauritania
Burkina Faso	Mozambique
Burundi	Myanmar
Cambodia	Nepal
Cape Verde	Niger
Central African Republic	Rwanda
Chad	Samoa
Comoros	Sao Tome and Principe
Democratic Republic of the Congo	Senegal
Djibouti	Sierra Leone
Equatorial Guinea	Solomon Islands
Eritrea	Somalia
Ethiopia	Sudan
Gambia	Timor-Leste*
Guinea	Togo
Guinea-Bissau	Tuvalu
Haiti	Uganda
Kiribati	United Republic of Tanzania
Lao People's Democratic Republic	Vanuatu
Lesotho	Yemen
Liberia	Zambia

* Timor-Leste was included among LDCs in 2003. However, the data and charts here do not incorporate figures for Timor-Leste.

SMALL ISLAND DEVELOPING STATES (SIDS) 29

Antigua and Barbuda	Palau
Bahamas	Papua New Guinea
Barbados	Samoa
Cape Verde	Sao Tome and Principe
Comoros	Seychelles
Dominica	Solomon Islands
Fiji	Saint Kitts and Nevis
Grenada	Saint Lucia
Jamaica	Saint Vincent and the Grenadines
Kiribati	Timor-Leste
Maldives	Tonga
Marshall Islands	Trinidad and Tobago
Micronesia, Fed. States of	Tuvalu
Mauritius	Vanuatu
Nauru	

LANDLOCKED DEVELOPING COUNTRIES (LLDCs) 31

Afghanistan	Malawi
Armenia	Mali
Azerbaijan	Moldova, Republic of *
Bhutan	Mongolia
Bolivia	Nepal
Botswana	Niger
Burkina Faso	Paraguay
Burundi	Rwanda
Central African Republic	Swaziland
Chad	Tajikistan
Ethiopia	Turkmenistan
Kazakhstan	Uganda
Kyrgyzstan	Uzbekistan
Lao People's Democratic Republic	Zambia
Lesotho	Zimbabwe
Macedonia, TFYR *	

* Macedonia, TFYR, and Moldova, Republic of, are classified as countries in Central and Eastern Europe (neither developed nor developing). However, as they are landlocked states, they are also members of this particular grouping.

Distribution of countries by trade grouping

AFRICA

CEPLG 3

(Economic Community of the Great Lakes Countries)

Burundi
Democratic Republic of the Congo
Rwanda

ECOWAS 15

(Economic Community of West African States)

Benin
Burkina Faso
Cape Verde
Côte d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Niger
Nigeria
Senegal
Sierra Leone
Togo

ECCAS 11

(Economic Community of Central African States)

Angola
Burundi
Cameroon
Central African Republic
Chad
Congo
Democratic Republic of the Congo
Equatorial Guinea
Gabon
Rwanda
Sao Tome and Principe

SADC 14

(Southern African Development Community)

Angola
Botswana
Democratic Republic of the Congo
Lesotho
Malawi
Mauritius
Mozambique
Namibia
Seychelles
South Africa
Swaziland
United Republic of Tanzania
Zambia
Zimbabwe

COMESA 20

(Common Market for Eastern and Southern Africa)

Angola
Burundi
Comoros
Democratic Republic of the Congo
Djibouti
Egypt
Eritrea
Ethiopia
Kenya
Madagascar
Malawi
Mauritius
Namibia
Rwanda
Seychelles
Sudan
Swaziland
Uganda
Zambia
Zimbabwe

MRU 3

(Mano River Union)

Guinea
Liberia
Sierra Leone

CEMAC 6

(Economic and Monetary Community of Central Africa)

Cameroon
Central African Republic
Chad
Congo
Equatorial Guinea
Gabon

UEMOA 8

(West African Economic and Monetary Union)

Benin
Burkina Faso
Côte d'Ivoire
Guinea-Bissau
Mali
Niger
Senegal
Togo

UMA 5

(Arab Maghreb Union)

Algeria
Libyan Arab Jamahiriya
Mauritania
Morocco
Tunisia

AMERICA

ANCOM 5

(Andean Community)

Bolivia
Colombia
Ecuador
Peru
Venezuela

CACM 5

(Central American Common Market)

Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua

CARICOM 15

(Caribbean Community)

Antigua and Barbuda
Bahamas
Barbados
Belize
Dominica
Grenada
Guyana
Haiti
Jamaica
Montserrat
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago

MERCOSUR 4

(Southern Common Market)

Argentina
Brazil
Paraguay
Uruguay

OECS 9

(Organization of Eastern Caribbean States)

Anguilla
Antigua and Barbuda
British Virgin Islands
Dominica
Grenada
Montserrat
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines

FTAA 34

(Free Trade Area of the Americas)

Antigua and Barbuda
Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
United States of America
Uruguay
Venezuela

NAFTA 3

(North American Free Trade Agreement)

Canada
Mexico
United States of America

LAIA 12

(Latin American Integration Association)

Argentina
Bolivia
Brazil
Chile
Colombia
Cuba
Ecuador
Mexico
Paraguay
Peru
Uruguay
Venezuela

Distribution of countries by trade grouping

ASIA

Bangkok Agreement 6

Bangladesh
China
India
Lao People's Democratic Republic
Republic of Korea
Sri Lanka

ASEAN 10

(Association of South-East Asian Nations)

Brunei Darussalam
Cambodia
Indonesia
Lao People's Democratic Republic
Malaysia
Myanmar
Philippines
Singapore
Thailand
Viet Nam

GCC 6

(Gulf Cooperation Council)

Bahrain
Kuwait
Oman
Qatar
Saudi Arabia
United Arab Emirates

SAARC 7

(South Asian Association for Regional Cooperation)

Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

ECO 10

(Economic Cooperation Organization)

Afghanistan
Azerbaijan
Iran, Islamic Republic of
Kazakhstan
Kyrgyzstan
Pakistan
Tajikistan
Turkey
Turkmenistan
Uzbekistan

MSG 4

(Melanesia Spearhead Group)

Fiji
Papua New Guinea
Solomon Islands
Vanuatu

EUROPE

Baltic countries 3

Estonia
Latvia
Lithuania

EFTA 3

(European Free Trade Association)

Iceland
Norway
Switzerland

EU 15

(European Union)

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain
Sweden
United Kingdom

Euro Zone (of EU) 12

Austria
Belgium
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain

EU 25

(European Union and countries acceding in 2004)

EU 15
Cyprus
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Malta
Poland
Slovakia
Slovenia

INTERREGIONAL GROUPINGS

APEC 21

(Asia-Pacific Economic Cooperation)

Australia
Brunei Darussalam
Canada
Chile
China
China, Hong Kong SAR
China, Taiwan Province of
Indonesia
Japan
Malaysia
Mexico
New Zealand
Papua New Guinea
Peru
Philippines
Republic of Korea
Russian Federation
Singapore
Thailand
United States of America
Viet Nam

CIS 12

(Commonwealth of Independent States)

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Moldova, Republic of
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

BSEC 11

(Black Sea Economic Cooperation)

Albania
Armenia
Azerbaijan
Bulgaria
Georgia
Greece
Moldova, Republic of
Romania
Russian Federation
Turkey
Ukraine

Abbreviations

ANCOM	Andean Community	IMF	International Monetary Fund
APEC	Asia-Pacific Economic Cooperation	ISIC	International Standard Industrial Classification
ASEAN	Association of South-East Asian Nations	LAIA	Latin American Integration Association
BIT	bilateral investment treaty	LDCs	least developed countries
BPM	<i>Balance of Payments Manual</i> (World Bank)	LLDCs	landlocked developing countries
BSEC	Black Sea Economic Cooperation	M&A	mergers and acquisitions
CACM	Central American Common Market	MERCOSUR	Southern Common Market
CARICOM	Caribbean Community	MFN	most favoured nation
CDIAC	Carbon Dioxide Information Analysis Centre	MRU	Mano River Union
CEMAC	Economic and Monetary Community of Central Africa (formerly UDEAC)	MSG	Melanesia Spearhead Group
CEPLG	Economic Community of the Great Lakes Countries	NAFTA	North American Free Trade Agreement
c.i.f.	cost, insurance and freight	n.e.s.	not elsewhere specified
CIS	Commonwealth of Independent States	NIE	newly industrialized economies
COMESA	Common Market for Eastern and Southern Africa (formerly PTA)	n.i.e.	not included elsewhere
DAC	Development Assistance Committee (of OECD)	ODA	official development assistance
DRS	Debtor Reporting System	OECD	Organisation for Economic Co-operation and Development
DTT	double taxation treaty	OECS	Organisation of Eastern Caribbean States
DWT	deadweight tons	RTA	regional trade agreement
ECCAS	Economic Community of Central African States	SAARC	South Asian Association for Regional Cooperation
ECO	Economic Cooperation Organization	SADC	Southern African Development Community
ECOWAS	Economic Community of West African States	SAR	Special Administrative Region
EFTA	European Free Trade Association	SDRs	special drawing rights
EU	European Union	SIDS	Small Island Developing States
EU 25	European Union and countries acceding in 2004	SITC	Standard International Trade Classification
FDI	foreign direct investment	TFYR	The former Yugoslav Republic of Macedonia
f.o.b.	free on board	TNC	transnational corporation
FTAA	Free Trade Area of the Americas	UEMOA	West African Economic and Monetary Union
GATS	General Agreement on Trade in Services	UMA	Arab Maghreb Union
GATT	General Agreement on Tariffs and Trade	UNAIDS	Joint United Nations Programme on HIV/AIDS
GCC	Gulf Cooperation Council	UNCTAD	United Nations Conference on Trade and Development
GDP	gross domestic product	UN/DESA/SD	United Nations Department of Economic and Social Affairs, Statistics Division
GFCF	gross fixed capital formation	UNESCO	United Nations Educational, Scientific and Cultural Organization
GNI	gross national income	UNRISD	United Nations Research Institute for Social Development
GNP	gross national product	WHO	World Health Organization
HIPCs	heavily indebted poor countries	WTO	World Trade Organization
HS	Harmonized Commodity Description and Coding System	WTO	World Tourism Organization
ICT	Information and communication technology		
ILO	International Labour Organization		

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gross domestic product (GDP)	18	total assets	40
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gross fixed capital formation	20	total external liabilities	30
gross national income (GNI)	30	total population	10
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Designed and printed by Publishing Services UN Geneva
GE.04-50509–April 2004–8,000

United Nations publication

Sales No. E.04.II.D.16
ISBN 92-1-112623-1

[UNCTAD/GDS/CSIR/2004/1](#)

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