While the general situation remains highly uncertain, GATT's economists believe that the growth in the volume of world trade in 1990 is unlikely to be seriously affected by the Gulf crisis and that merchandise exports should be of the order of 6 per cent higher than in 1989.

Such an outcome for this year would represent only a marginal decline in the performance of world trade from 1989 when export growth amounted to 7 per cent.

These estimates are included in the first volume of the 1989/90 edition of International Trade, published today by the GATT.

A 7½ per cent increase in the value of world merchandise trade in 1989 - nearly identical to the 7 per cent volume increase - brought merchandise trade to a new record of $3.1 trillion (thousand billion).

World trade in commercial services - including transportation, tourism, telecommunications, banking, insurance and other professional services - is estimated to have grown by 9 per cent last year to $680 billion, accounting for nearly one-fifth of the total value of world exports.

*The GATT Secretariat's annual report International Trade appears in two volumes. Volume II, which will be published later in the year, is devoted primarily to statistical tables and charts. The two volumes are available in English, French and Spanish language editions, and may be ordered from the GATT Secretariat or through booksellers at a price of 30 Swiss francs per volume.
While the 7 per cent growth in the volume of merchandise exports in 1989 represented a slow-down from 1988's very rapid expansion, it was more than 50 per cent faster than that in world merchandise production for the fourth consecutive year. On a volume basis, exports of manufactures out-performed exports of agricultural and mining products last year by a wide margin.

Increased petroleum prices produced a sharp rise in the value of exports of mining products (12 per cent) alongside a moderate increase in volume. The volume of agricultural exports also grew moderately in 1989 (by 4 per cent), but modest increases in prices kept the rise in the value of exports to 5 per cent compared to 14 per cent in the previous year.

Merchandise exports from fifteen highly indebted countries increased 10 per cent in value terms last year, a sharp deceleration from the 17 per cent increase recorded in 1989 but well above the increase for total world merchandise exports. The combined foreign exchange earnings of these countries from merchandise exports were almost $20 billion above the pre-debt crisis peak in 1981. Although last year's 8 per cent increase in imports marked the third consecutive year of import growth, debt service needs kept imports more than $20 billion below the 1981 peak.

At the individual country level, last year saw the United States regain its position as the world's leading merchandise exporter after three years in second place behind the Federal Republic of Germany. There was also a change in the top place among importers of services, as Japan moved up from third spot to replace the United States as the leading importer of commercial services.

In their report, GATT's economists also take a detailed look at trade trends for the decade of the 1980s. Highlights of specific trade developments include:

- During those 10 years, the volume of world trade increased by about 50 per cent and its value, in dollar terms, rose by three-quarters.

- Generally depressed prices and trade volumes of primary commodities - particularly fuels - had important effects on the product composition and geographic pattern of trade in the 1980s: in particular, the shares of mining and agricultural products in world trade declined, as did the shares of the Middle East, Africa and Latin America.

- Exports of manufactured goods expanded faster than total trade, as did exports of travel (tourism) services, and of the group of services which includes telecommunications, banking, nonmerchandise insurance, and other professional services.

- Although Asia clearly was the most dynamic region in terms of the growth of output and trade, North America recorded the largest increase in the ratio of trade to output.

MORE
Trade flows between or within Western Europe, North America and Asia were not only the largest but generally the most rapidly expanding regional trade flows. Moreover, trade between these three regions grew, on average, faster than trade within the regions. This suggests a situation not of evolving trading blocs, with the inward orientation which the term "bloc" suggests, but of evolving trade centres with worldwide commercial interests.

The leading gainers in the ranking of the 25 leading merchandise traders were China, Mexico, Hong Kong, the Republic of Korea, Singapore and Taiwan. Leading gainers in the export ranking were among the gainers on the import side.

For commercial services, the largest gains in export ranking among the 25 leading traders were recorded by Turkey, Thailand, Taiwan, Hong Kong and the Republic of Korea.

By the end of 1989, the world stock of foreign direct investment (FDI) is estimated to have been of the order of $1.5 trillion dollars, more than doubling in size since 1980. Limited evidence suggests that in the past decade, the share of services in FDI has shown the most significant growth, with mining and manufacturing losing relative importance.

The Report also documents a considerable amount of change in the 1980s in both the product and geographic composition of individual countries' trade.

These and other findings have important implications for national trade policies, for the Uruguay Round negotiations and for future trade relations. Ongoing integration of the world economy is not only providing an important stimulus to economic growth, but also adding to adjustment pressures and blurring the distinction between "domestic issues" and issues stemming from participation in world markets for goods, services and capital. Economic policies that ten years ago were of little or no interest to trading partners are now potential sources of serious trade conflicts. The authors note that in such a constantly changing setting, the rules and disciplines of the trading system are important both as a framework for the conduct of international economic relations and as an aid to governments in dealing with the protectionist demands of special interest groups at home.