



## 6.1 Integration with the global economy

	Trade in goods				Growth in real trade less growth in real GDP percentage points 1988-98	Gross private capital flows		Gross foreign direct investment	
	% of PPP GDP		% of goods GDP			% of PPP GDP		% of PPP GDP	
	1988	1998	1988	1998		1988	1998	1988	1998
Albania	9.0	10.9	44.0	42.4	15.8	4.3	1.9	0.0	0.5
Algeria	13.2	16.4	38.3	79.1	-1.0	0.7	..	0.0	..
Angola	22.4	33.0	87.5	151.3	7.5	0.8	3.9	0.8	0.9
Argentina	5.3	12.9	23.3	48.4	9.0	1.6	6.2	0.4	1.9
Armenia	2.8	13.2	..	..	-12.6	..	5.5	..	2.7
Australia	24.9	27.8	78.4	110.5	4.7	14.8	12.0	6.5	3.3
Austria	51.0	69.1	128.2	152.7	3.1	9.1	25.7	0.6	4.7
Azerbaijan	2.5	14.0	..	..	..	..	..	..	..
Bangladesh	4.2	7.0	29.9	56.1	7.2	0.3	0.8	0.0	0.2
Belarus	4.4	24.1	13.2	109.6	-6.7	..	1.3	..	0.2
Belgium	101.0	126.1	309.6	366.3	2.6	..	..	..	..
Benin	16.5	19.1	67.3	81.8	-2.6	4.1	5.7	0.3	0.8
Bolivia	10.2	15.9	72.4	71.7	2.9	2.1	7.3	0.6	4.9
Bosnia and Herzegovina	..	..	..	..	..	..	..	..	..
Botswana	47.7	42.4	127.3	178.6	-3.6	1.4	4.6	0.8	1.1
Brazil	5.8	9.9	32.9	30.4	6.5	1.9	9.3	0.4	3.2
Bulgaria	36.6	22.8	115.1	133.6	-13.4	4.3	2.9	0.0	1.0
Burkina Faso	12.0	7.7	52.2	50.2	-2.3	0.3	..	0.1	..
Burundi	7.9	4.9	36.1	29.5	0.1	0.5	0.6	0.0	0.0
Cambodia	6.2	12.5	51.6	96.0	..	..	1.5	..	0.9
Cameroon	16.0	14.6	44.4	54.2	0.1	5.7	..	0.7	..
Canada	42.7	59.0	104.7	..	5.2	10.0	13.3	2.8	6.3
Central African Republic	10.2	9.2	36.3	46.1	2.6	1.8	..	0.3	..
Chad	8.8	7.2	48.2	47.4	-3.2	1.9	..	0.4	..
Chile	21.9	24.7	91.1	83.5	4.2	6.8	13.9	1.8	5.7
China	6.3	8.3	40.8	49.8	3.5	0.6	2.3	0.3	1.3
Hong Kong, China	149.8	258.5	713.7	1,121.7	6.9	..	..	..	..
Colombia	5.5	10.4	36.0	53.8	6.5	0.7	3.3	0.1	1.5
Congo, Dem. Rep.	6.8	13.7	74.1	121.3	-5.3	..	..	..	..
Congo, Rep.	63.1	90.2	141.0	207.4	3.0	22.8	8.3	0.4	0.0
Costa Rica	19.9	53.7	134.4	274.1	5.0	2.2	4.4	1.0	2.7
Côte d'Ivoire	29.0	31.4	79.5	135.9	1.1	3.1	2.4	0.3	1.9
Croatia	..	44.1	..	115.8	..	..	8.7	..	3.2
Cuba	..	..	..	..	..	..	..	..	..
Czech Republic	..	43.5	..	..	11.0	..	7.2	..	2.0
Denmark	59.3	71.8	114.0	..	2.0	24.8	16.2	1.4	8.3
Dominican Republic	11.3	33.1	112.9	178.5	0.7	1.1	2.8	0.5	1.8
Ecuador	14.7	25.7	75.3	125.9	1.9	2.2	4.5	0.6	2.3
Egypt, Arab Rep.	11.1	10.2	68.8	43.4	-0.7	2.5	3.8	1.1	0.6
El Salvador	11.5	25.2	81.2	129.7	7.0	0.5	5.1	0.2	3.6
Eritrea	..	..	..	..	8.2	..	..	..	..
Estonia	5.5	58.3	20.4	306.8	..	..	13.4	..	6.0
Ethiopia	5.9	4.6	26.6	..	-0.8	0.0	0.2	0.0	0.0
Finland	54.0	69.2	85.9	127.1	3.7	16.9	62.6	3.9	35.5
France	36.5	46.3	92.6	116.6	2.8	10.4	22.8	2.5	5.5
Gabon	44.6	51.2	93.1	112.1	0.1	11.8	..	3.2	..
Gambia, The	16.6	18.2	173.4	158.9	-1.0	0.5	1.5	0.2	0.7
Georgia	1.0	7.5	..	36.1	..	..	..	..	..
Germany	..	55.0	..	67.3	2.4	..	36.7	..	5.8
Ghana	10.0	13.0	54.5	320.8	3.6	0.1	0.6	0.0	0.2
Greece	16.9	18.8	46.5	..	2.1	1.6	7.9	0.9	0.7
Guatemala	11.1	18.8	..	..	3.7	3.1	10.3	1.5	5.3
Guinea	13.8	10.0	74.6	59.3	-1.8	1.4	0.9	0.2	0.1
Guinea-Bissau	12.4	15.2	61.1	70.4	-2.1	6.9	0.4	0.0	..
Haiti	4.6	8.9	43.2	..	8.4	0.4	1.5	0.1	0.1
Honduras	19.6	29.1	88.9	140.7	-0.7	1.3	2.5	0.5	0.6



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	% of PPP GDP		% of goods GDP			% of PPP GDP		% of PPP GDP	
	1988	1998	1988	1998		1988	1998	1988	1998
Hungary	20.5	42.4	104.7	185.5	5.1	0.3	7.7	0.0	2.3
India	3.3	3.9	18.2	33.6	4.5	0.2	0.9	0.0	0.1
Indonesia	12.1	15.2	62.8	134.9	3.2	0.6	4.4	0.2	0.9
Iran, Islamic Rep.	12.1	8.4	36.1	73.9	-4.2	0.4	1.1	0.0	0.0
Iraq	..	..	..	..	..	..	..	..	..
Ireland	96.5	134.0	189.8	..	3.3	16.6	111.9	0.3	5.1
Israel	42.1	47.7	..	..	2.1	14.3	9.1	0.5	2.3
Italy	28.3	37.9	77.7	110.2	4.2	6.0	25.0	1.3	1.3
Jamaica	32.3	49.5	141.7	195.3	0.9	2.5	12.9	0.4	5.2
Japan	20.4	21.3	37.8	49.5	3.5	7.4	20.7	1.7	1.0
Jordan	41.7	34.1	143.2	175.9	4.9	6.0	2.1	0.3	2.0
Kazakhstan	5.6	18.2	..	126.4	6.8	..	3.6	..	1.7
Kenya	14.5	17.6	58.5	86.5	3.9	0.9	3.3	0.2	0.0
Korea, Dem. Rep.	..	..	..	..	..	..	..	..	..
Korea, Rep.	34.8	35.6	112.5	146.7	5.3	3.3	13.2	0.5	1.6
Kuwait	..	..	144.6	..	..	..	..	..	..
Kyrgyz Republic	3.6	11.9	30.3	103.6	..	..	2.6	..	1.0
Lao PDR	5.6	9.8	48.7	90.0	..	1.1	0.9	0.1	0.5
Latvia	5.5	36.7	16.2	188.4	7.1	..	8.9	..	3.1
Lebanon	..	..	..	..	5.2	..	..	..	..
Lesotho	38.2	31.6	215.2	214.7	-3.8	3.2	8.2	1.3	7.9
Libya	..	..	..	..	..	..	..	..	..
Lithuania	9.9	39.6	33.1	170.0	..	..	8.1	..	3.9
Macedonia, FYR	..	..	..	..	..	..	4.6	..	1.4
Madagascar	7.2	11.2	36.3	..	2.2	0.5	0.4	0.0	0.2
Malawi	14.9	23.3	53.4	133.9	0.8	0.7	..	0.0	..
Malaysia	45.7	70.1	192.1	307.6	6.3	4.2	7.6	0.9	2.6
Mali	14.7	15.1	52.3	58.3	1.4	1.7	1.7	0.2	0.6
Mauritania	31.7	17.2	108.5	115.9	-3.8	3.4	10.3	0.1	0.0
Mauritius	43.7	39.0	190.6	181.5	0.3	4.0	3.5	0.5	0.3
Mexico	12.6	32.9	71.5	153.9	9.4	3.0	3.4	0.6	1.4
Moldova	..	20.2	..	157.2	19.9	..	4.0	..	0.9
Mongolia	69.2	24.8	..	156.8	..	32.7	4.0	0.0	0.5
Morocco	12.9	18.1	71.1	96.1	2.6	1.6	1.1	0.1	0.4
Mozambique	11.1	7.8	52.2	52.5	-1.7	0.1	2.3	0.1	1.6
Myanmar	..	..	..	..	..	..	..	..	..
Namibia	33.2	31.7	134.9	176.1	-1.1	7.6	4.5	2.1	1.4
Nepal	5.9	6.5	35.7	..	8.0	0.5	0.1	0.0	0.0
Netherlands	86.2	93.2	222.1	..	1.9	25.1	56.7	5.2	21.0
New Zealand	32.5	35.7	98.5	..	3.2	8.6	9.4	4.6	5.2
Nicaragua	14.0	19.1	70.7	175.8	6.0	0.4	4.3	0.0	1.8
Niger	16.1	8.5	73.6	53.4	-0.8	1.6	..	0.2	..
Nigeria	20.7	18.9	68.3	60.2	1.5	4.1	4.1	0.7	1.1
Norway	61.9	68.3	115.5	126.1	1.8	16.6	34.5	1.7	7.7
Oman	..	..	129.3	..	..	..	..	..	..
Pakistan	9.3	8.2	54.8	53.4	0.1	0.7	1.6	0.2	0.3
Panama	60.9	96.6	387.4	644.5	-1.1	396.7	44.6	9.0	8.7
Papua New Guinea	42.0	26.3	123.5	114.1	2.0	4.2	25.1	2.7	1.1
Paraguay	12.8	34.7	58.8	176.5	9.2	0.9	3.1	0.1	1.1
Peru	7.5	13.1	74.4	50.6	4.6	1.0	3.7	0.1	1.8
Philippines	8.8	22.1	69.2	186.9	6.8	1.3	3.6	0.5	0.7
Poland	13.0	26.4	59.0	99.0	13.9	1.5	5.9	0.0	2.5
Portugal	28.3	43.9	119.6	..	4.3	6.8	25.9	1.0	3.2
Puerto Rico	..	..	..	..	..	..	..	..	..
Romania	12.1	15.1	64.0	83.8	4.7	2.4	3.0	0.0	1.6
Russian Federation	5.9	14.0	21.0	101.4	6.6	..	1.9	..	0.4



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	Trade in goods				Growth in real trade less growth in real GDP percentage points 1988-98	Gross private capital flows		Gross foreign direct investment	
	% of PPP GDP		% of goods GDP			% of PPP GDP		% of PPP GDP	
	1988	1998	1988	1998		1988	1998	1988	1998
Rwanda	..	..	25.6	22.9	4.9	..	..	..	..
Saudi Arabia	31.3	31.9	113.6	..	..	9.3	9.1	0.2	2.2
Senegal	20.6	17.3	82.0	105.2	-1.4	3.2	3.5	0.4	1.6
Sierra Leone	8.8	10.0	26.8	49.9	12.5	2.6	..	0.8	..
Singapore	263.8	269.1	839.5	690.8	..	32.6	57.6	12.2	13.5
Slovak Republic	..	45.5	..	324.5	9.1	..	6.8	..	1.7
Slovenia	..	66.9	..	191.1	-0.5	..	4.7	..	0.6
South Africa	14.7	16.1	82.7	102.3	4.5	0.8	7.1	0.1	0.6
Spain	22.8	37.3	72.2	44.1	6.0	4.9	26.0	1.9	5.1
Sri Lanka	11.5	17.9	88.0	118.8	2.9	2.1	1.8	0.2	0.4
Sudan	6.5	5.9	..	..	..	0.7	1.1	0.0	0.9
Sweden	65.7	83.5	125.0	..	3.7	18.7	88.6	6.4	23.0
Switzerland	92.4	103.0	..	..	1.4	34.2	71.9	7.7	13.6
Syrian Arab Republic	11.4	14.6	62.4	..	-0.9	0.6	5.2	0.0	0.2
Tajikistan	2.1	24.7	9.9	205.8	..	..	..	..	..
Tanzania	14.2	12.7	39.8	38.2	0.2	0.0	2.1	0.0	1.1
Thailand	20.0	26.7	107.5	153.2	4.2	2.8	5.9	0.7	2.1
Togo	20.5	14.6	123.5	93.5	-4.4	2.0	..	0.3	..
Trinidad and Tobago	36.0	54.7	139.0	193.5	2.0	5.6	8.7	1.3	7.6
Tunisia	21.0	27.0	137.6	166.7	0.7	2.6	4.1	0.2	1.3
Turkey	10.9	18.8	51.3	79.0	6.4	1.6	4.5	0.2	0.3
Turkmenistan	6.7	15.0	46.6	101.4	..	..	3.8	..	0.9
Uganda	7.7	7.1	17.8	35.8	1.7	0.3	1.0	0.0	0.8
Ukraine	5.8	18.7	39.5	126.3	7.8	..	2.8	..	0.5
United Arab Emirates	73.5	114.3	153.5	..	..	..	..	..	..
United Kingdom	36.4	48.1	88.3	81.4	2.8	26.5	47.2	7.7	18.5
United States	14.5	19.9	53.8	78.9	5.3	6.9	10.3	2.0	4.6
Uruguay	13.9	22.7	69.1	97.1	6.5	6.7	8.6	0.3	0.6
Uzbekistan	..	15.4	..	57.6	..	..	..	..	..
Venezuela, RB	23.4	24.0	79.2	81.2	3.0	4.2	13.3	0.2	3.7
Vietnam	5.1	13.1	12.3	..	20.4	..	..	..	..
West Bank and Gaza	..	..	..	..	..	..	..	..	..
Yemen, Rep.	36.3	31.0	105.6	140.2	0.1	6.9	4.1	1.7	1.8
Yugoslavia, FR (Serb./Mont.)	..	..	..	..	..	..	..	..	..
Zambia	33.6	37.3	75.9	141.6	-0.7	14.4	..	1.7	..
Zimbabwe	13.8	15.5	66.6	147.5	7.7	0.7	..	0.2	..
<b>World</b>	<b>21.2 w</b>	<b>28.3 w</b>	<b>71.9 w</b>	<b>92.1 w</b>	<b>..</b>	<b>6.9 w</b>	<b>14.5 w</b>	<b>1.7 w</b>	<b>3.8 w</b>
<b>Low income</b>	<b>6.8</b>	<b>8.3</b>	<b>38.6</b>	<b>62.5</b>	<b>..</b>	<b>0.7</b>	<b>2.0</b>	<b>0.2</b>	<b>0.9</b>
Excl. China & India	..	..	..	..	..	..	..	..	..
<b>Middle income</b>	<b>13.2</b>	<b>22.1</b>	<b>66.6</b>	<b>98.9</b>	<b>..</b>	<b>3.0</b>	<b>6.4</b>	<b>0.4</b>	<b>1.6</b>
Lower middle income	11.4	17.2	63.6	106.8	..	1.6	3.5	0.3	1.0
Upper middle income	14.5	26.4	68.3	94.5	..	3.9	8.8	0.5	2.2
<b>Low &amp; middle income</b>	<b>10.7</b>	<b>15.7</b>	<b>57.8</b>	<b>88.8</b>	<b>..</b>	<b>2.0</b>	<b>4.4</b>	<b>0.3</b>	<b>1.3</b>
East Asia & Pacific	13.3	15.5	74.8	98.1	..	1.3	4.0	0.4	1.3
Europe & Central Asia	9.0	21.1	48.7	106.4	..	..	3.8	..	1.0
Latin America & Carib.	9.4	19.1	52.3	74.5	..	3.7	7.1	0.5	2.5
Middle East & N. Africa	17.6	17.4	70.3	80.5	..	3.1	7.3	0.3	0.9
South Asia	4.2	4.8	24.2	40.5	..	0.3	0.9	0.0	0.1
Sub-Saharan Africa	15.4	16.8	73.2	99.5	..	1.7	4.9	0.3	0.7
<b>High income</b>	<b>28.3</b>	<b>38.3</b>	<b>75.2</b>	<b>95.1</b>	<b>..</b>	<b>9.9</b>	<b>22.3</b>	<b>2.6</b>	<b>5.7</b>
Europe EMU	41.0	54.4	111.1	106.4	..	9.4	32.2	2.1	6.1



# Integration with the global economy 6.1

## About the data

The growing importance of trade in the world's economy is one indication of the increasing global economic integration. Another is the increased size and importance of private capital flows to developing countries that have liberalized their financial markets. This table presents standardized measures of the size of trade and capital flows relative to gross domestic product. For three of the indicators GDP measured in purchasing power parity (PPP) terms has been used in the denominator to adjust for differences in domestic prices. (No adjustment has been made to the numerators because goods and capital exchanged on international markets are assumed to be valued at international prices.)

The numerators are based on gross flows that capture the two-way flow of goods and capital. In conventional balance of payments accounting exports are recorded as a credit and imports as a debit. And in the financial account inward investment is a credit and outward investment a debit. Thus net flows, the sum of credits and debits, represent a balance in which many transactions are canceled out. Gross flows are a better measure of integration because they show the total value of financial transactions during a given period.

The growth of services has affected the historical record. Compared with the levels achieved at the end of the 19th century, trade in goods appears to have declined in importance relative to GDP, especially in economies with growing service sectors. Measuring merchandise trade relative to GDP after deducting value added by services thus provides a better measure of its relative size than does comparing it with total GDP, although this neglects the growing service component of most goods output.

Trade in services, traditionally called invisibles, is becoming an important element of global integration. The difference between the growth of real trade in goods and services and the growth of GDP helps to identify economies with dynamic trade regimes.

The investment indicators in the table were constructed from data recorded at the most detailed level available. Higher-level aggregates tend to be affected by the netting out of credits and debits and so produce a smaller total. The comparability of these indicators between countries and over time is affected by the accuracy and completeness of balance of payments records and by their level of detail.

## Definitions

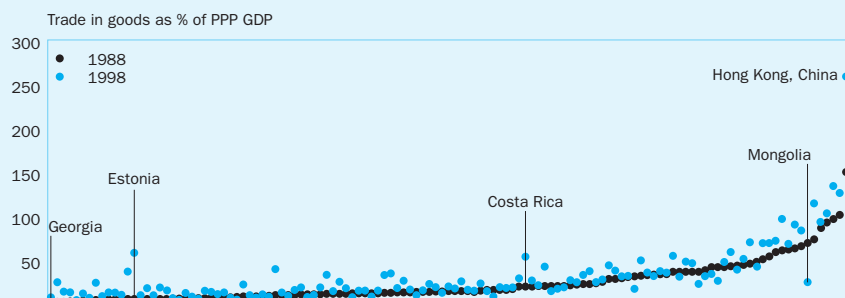
- **Trade in goods as a share of PPP GDP** is the sum of merchandise exports and imports measured in current U.S. dollars divided by the value of GDP converted to international dollars using purchasing power parity rates.
- **Trade in goods as a share of goods GDP** is the sum of merchandise exports and imports divided by the value of GDP after subtracting value added in services, all in current U.S. dollars.
- **Growth in real trade less growth in real GDP** is the difference between annual growth in trade of goods and services and annual growth in GDP. Growth rates are calculated using constant price series taken from national accounts and are expressed as a percentage.
- **Gross private capital flows** are the sum of the absolute values of direct, portfolio, and other investment inflows and outflows recorded in the balance of payments financial account, excluding changes in the assets and liabilities of monetary authorities and general government. The indicator is calculated as a ratio to GDP converted to international dollars using purchasing power parity rates.
- **Gross foreign direct investment** is the sum of the absolute values of inflows and outflows of foreign direct investment recorded in the balance of payments financial account. It includes equity capital, reinvestment of earnings, other long-term capital, and short-term capital. This indicator differs from the standard measure of foreign direct investment, which captures only inward investment (see table 6.7). The indicator is calculated as a ratio to GDP converted to international dollars using purchasing power parity rates.

## Data sources

The data on merchandise trade are from the World Trade Organization. The data on GDP in PPP terms come from the World Bank's International Comparison Programme database. The data on real trade and GDP growth come from the World Bank's national accounts files. Gross private capital flows and foreign direct investment were calculated using the International Monetary Fund's Balance of Payments database.

Figure 6.1

### The importance of trade continues to grow



Source: World Trade Organization.

World trade in goods increased from 21.2 to 28.3 percent of PPP GDP between 1988 and 1998. A few well-integrated trading nations—Singapore, Hong Kong (China), and Belgium—remained in the top spots, but there were many more gainers than losers.