

CHAPTER 1

Introduction

Since the mid-1990s, world trade in goods and services has expanded at almost double gross domestic product (GDP) growth rates for developing countries and customs territories, with even higher increases in recent years. Historically, the growth of trade and the move to diversify exports have been uneven. Brazil, China, India, the Russian Federation, and some East Asian countries have been among the strongest long-term performers. In the last dozen years, trade and export growth have become more even across regions and income groups (see figure 3.1 in chapter 3). The long-term expansion of trade is likely to continue and, according to a recent World Bank forecast, global trade in goods and services, growing faster than output, is likely to rise more than threefold to US\$27 trillion by 2030. Roughly half that increase is expected to come from developing countries (World Bank 2006a).

Countries and customs territories¹ will be seeking to gain from the increasing global integration. Each country's share of the world market and benefits from increased integration will naturally be influenced by its initial position, the policies it adopts, and its endowments relative to other participants in world trade. The availability of relevant data and indicators on trade-related policies and outcomes is a critical input into the policy-making process, helping to assess the status quo and to appraise each country's standing relative to its competitors and trading partners.

The World Trade Indicators (WTI) is a comprehensive database that compiles about 300 trade-related policy, institutional, and outcome indicators, with the following objectives:

- enhancing awareness of the different policy factors that work together to influence a country's trade outcomes
- providing incentives for reform by benchmarking and highlighting a country's policy position relative to competitors

- allowing comparisons over time in order to better design policy
- highlighting important gaps in the existing data.

The data sources are chosen to maximize coverage, cross-country comparability, and quality. The indicators are drawn from international databases and are presented for each year between 1995 and 2007 (online only) and also for four time periods: 1995–99, 2000–4, 2005–6, and “latest,” usually 2007.² The WTI database covers 210 countries and customs territories, though data on all indicators for all time periods and countries are not available.³ The indicators have been organized into five main categories:

- trade policy or border protection, reflecting tariffs and nontariff barriers on goods and (to a more limited extent) services
- the external environment, consisting of market access for a country’s exports and the evolution of the real exchange rate
- the overall institutional environment, in terms of business and governance
- trade facilitation, including logistics, trade costs, and some infrastructure and human capital
- trade outcomes, consisting of trade growth in goods and services, structure of trade flows, and export diversification.⁴

When relevant and feasible, broad sectoral breakdowns (for example, agriculture versus nonagriculture, and various services sectors) for WTI indicators are provided.⁵ Within each category, a representative indicator is highlighted in the database and in the country tables for default-ranking purposes. It is supplemented by other indicators, whose pairwise correlations with the representative indicators are usually significant and have the expected signs. Users of the WTI Web site can rank countries by their performance on any of the indicators in the WTI database.

The WTI project has focused mostly on assembling and organizing existing data and indicators from the World Bank and other organizations in a compact, user-friendly, and easily accessible format. In addition, the WTI 2008 database also includes some new indicators:

- production-weighted average tariffs⁶
- the share of tariff lines with a zero most favored nation tariff rate (MFN-0)
- MFN zero-duty imports and exports
- imports and exports to and from partners in free trade areas (FTAs) and customs unions (CUs)
- take-up rates, utilization rates, and value of European Union (EU) and U.S. preferences under unilateral schemes or reciprocal arrangements
- an index of services trade commitments in the general agreement on trade in services (GATS), with a breakdown by (a) national treatment, (b) market access (barriers to entry), and (c) 12 sectors

- an index of logistics performance, based on a new World Bank survey of logistics operators
- an index of import concentration provided by the United Nations Conference on Trade and Development (UNCTAD) to supplement UNCTAD's established export concentration index
- export and import destination concentration indices
- the share of the top five exports in total exports.

This report uses the WTI database to highlight some patterns in world trade and trade policy, complementing existing World Bank publications that focus either on a small subset of such indicators or specific regions or sectors. It averages the country-level indicators in the database to concentrate mainly on the global and regional levels, providing the broader context to country-level analyses. Chapter 2 presents a comparative analysis of the various trade-related policy, market access, institutional, and trade facilitation indicators across income and regional groups and for selected countries. Chapter 3 provides a broad picture of trade outcomes for country groups and for some top and bottom performing countries. Chapter 4 investigates the patterns of key indicators within each region. Appendix A provides a definition of the indicators discussed in this report and their sources, Appendix B addresses the selection criteria used for the indicators, and Appendix C surveys existing databases and benchmarking initiatives by other international organizations. Appendix D provides Trade-At-A-Glance (TAAG) tables for five income groups, patterned after the individual country TAAG tables available online on the WTI Web site.

All period, regional, and income country group averages mentioned in this report are simple averages of annual and country observations.⁷ In the analysis of stylized patterns revealed by the data that follows, the term "significant" indicates statistical significance at least at the 10 percent level, based on two-sided t-tests. Country reporting in the international databases often suffers from gaps and sometimes from inconsistencies. Thus, indicators and group averages are sometimes affected by missing observations for a country for a single year or for entire time periods. In addition, some countries began reporting data after 1995. If their performance is different than the rest of their regional or income groups, their addition to the group can affect the group averages, sometimes substantially. In some cases, explanations as to the possible source of a problem in the level of or the change in a particular indicator are discussed, based on available information regarding weaknesses in primary data or on feedback provided by country and trade economists at the World Bank and at the International Trade Centre (ITC). In other cases, explaining puzzling trends or patterns will require further feedback by users of the database and of the country trade briefs (including TAAG tables), as well as further update and revision work by the WTI team.

The regional groupings discussed here are East Asia and the Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC),

Middle East and North Africa (MNA), South Asia (SAS), Sub-Saharan Africa (SSA), high-income Organisation for Economic and Co-operation and Development countries (HI OECD), and high-income non-OECD countries (HI non-OECD). The World Bank regional and income group classifications are used throughout the paper (see complete country listings at <http://go.worldbank.org/D7SN0B8YU0>). Thus, most West European countries are not included in the ECA regional group, and countries such as Bahrain, Hong Kong (China), Israel, Kuwait, Singapore, or Slovenia are grouped as high-income non-OECD rather than in their respective geographical regions. Low-income and lower-middle-income countries account for more than four-fifths of the EAP countries. In the ECA and MNA regions, most countries are in the lower-middle-income category, with upper-middle-income countries second in importance. In LAC, half of the countries are upper-middle-income ones and only a fifth are low-income. Finally, more than three-quarters of the countries in the SAS and SSA regions are low-income countries.