Summit Level Group of Developing Countries

GROUP OF FIFTEEN

The Current Status of G-15 International Trade

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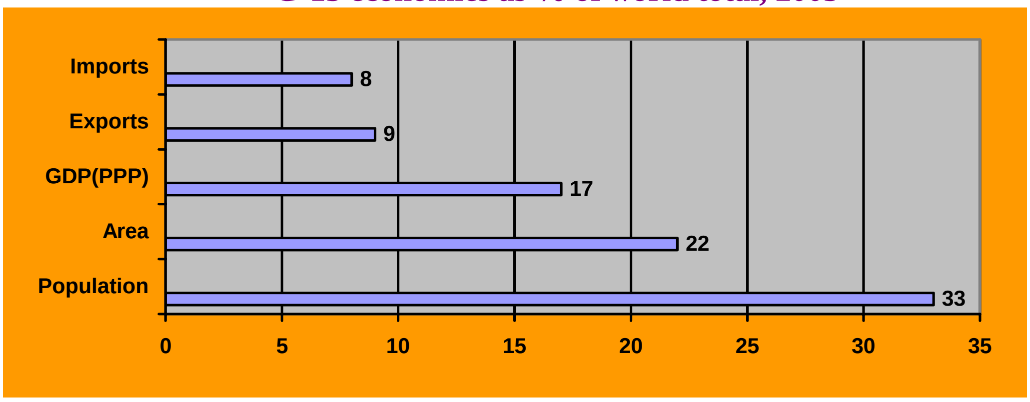
The Current Status of G-15 International Trade

1. The desire to enhance trade between G-15 member countries has remained a recurring theme in the efforts to improve the Group's relevance. The 13th Summit in Havana too recognized the importance of exploiting the full potential of South-South trade and stressed the need to work towards further expansion and deepening of preferential trade liberalization among developing countries on a global basis. This discussion paper uses the most recent available data to highlight current trends and patterns of G-15 international trade with a view to initiating a review of this important area of economic relations between member countries.

How G-15 countries trade with the world

2. Figure 1 displays the position of G-15 economies on a number of parameters with respect to the world.

Figure 1
G-15 economies as % of world total, 2005



It is evident that the share of exports and imports of G-15 countries in global trade is not commensurate with the pool of potential consumers (population) they possess or with their share of the world's purchasing power (GDP). Table 1 shows the share of

Table 1
Country shares in world exports and imports (2005)

	Exports ($b)	World share (%)	Imports ($b)	World share (%)
Algeria	44.7	0.35	25.4	0.19
Argentina	48.8	0.38	34.4	0.26
Brazil	136.6	1.06	95.9	0.73
Chile	46.7	0.36	39.9	0.3
Egypt	30	0.23	42.4	0.32
India	154.1	1.2	186.9	1.42
Indonesia	93.1	0.73	80.8	0.62
Iran	61.1	0.48	50.8	0.39
Jamaica	3.9	0.03	6.4	0.05
Kenya	4.6	0.04	7.7	0.06
Malaysia	160	1.25	135.2	1.03
Mexico	230.3	1.79	242.7	1.85
Nigeria	50.1	0.39	30.6	0.23
Peru	19.3	0.15	15	0.11
Senegal	2	0.02	3.9	0.03
Sri Lanka	10.4	0.06	12.3	0.09
Venezuela	24	0.55	29.3	0.22
Zimbabwe	2.7	0.02	3.2	0.02
Total G-15	1166	9.08	1042.9	7.94

Source: TSF calculations based on Direction of Trade Statistics, IMF, Sept.2006 and International Trade Statistics, WTO, 2006.

individual G-15 countries in world trade of goods and services in 2005. The figures indicate that apart from Mexico, Malaysia, India and Brazil, the rest of G-15 countries have a share in global trade that is well below 1 %.

How G-15 countries trade with each other

3. This section takes a look at intra-G15 trade from a macro perspective. (Delegates interested in detailed country statistics are invited to look at country profiles under the Trade & Investment Issues page on the website www.g15.org). Table 2 gives the total value of merchandise goods exports and imports of G-15 countries to one another in 2005. The figures show that intra-G15

Table 2

Intra –G15 merchandise exports & imports 2005

	Exports to G15 ($m)	% of all exports	Imports from G15 ($m)	% of all imports
Algeria	3083	7.1	1602	6.8
Argentina	16025	38.5	11320	42.2
Brazil	25261	20.8	18918	25.7
Chile	6011	15.2	11273	34.9
Egypt	648	4.3	3675	11.2
India	9847	10.1	9023	6.7
Indonesia	8595	10	5449	9.4
Iran	1543	2.7	4000	9.1
Jamaica	15	1	610	12.9
Kenya	308	8.7	789	11.2
Malaysia	9601	6.8	7236	6.4
Mexico	4824	2.3	15034	6.8
Nigeria	6471	14.1	2187	8.9
Peru	2464	14.3	3457	28.8
Senegal	195	13.5	720	22.4
Sri Lanka	702	10.8	3643	35
Venezuela	1981	3.2	5350	22.3
Zimbabwe	51	2.6	100	3.6
Total G-15	97625	9.8	104386	12.3

Source: TSF calculations based on Direction of Trade Statistics, IMF, September 2006

trade comprises around 10 percent of the total global trade of G-15 countries. In general, intra–G15 trade is most significant for the South American group of member countries comprising Argentina, Brazil, Chile, Peru and Venezuela in terms of both value as well as proportion of their total trade. Trade with G-15 countries is also fairly important for Sri Lanka and Senegal. For most of the others, trade with other G-15 nations amounts to less than 10% of their total trade.

4. How fast has intra-G-15 trade been expanding over time? Table 3, which shows the share of intra-G15 trade in total trade for the years 1998 and 2005, reveals that for the Group as a whole, intra-G15 trade has remained stagnant at around 11% of the total trade of member countries. 12 countries have registered a rise in the share of intra-G-15 trade while six have shown a decline. The largest increases have been in the case of Sri Lanka and Jamaica, where the importance of intra-trade has more than doubled between 1998 and 2005. Of the six countries that have shown a decline, the sharpest downturn (25%) appears to have taken place in the case of Iran.

Table 3
Percentage of intra-G15 trade in the total merchandise trade (Exports + Imports) of member countries

	1998	2005
Algeria	5.4	7
Argentina	36.7	40
Brazil	22.9	22.6
Chile	20.5	24.1
Egypt	8.5	9
India	9.8	8.1
Indonesia	6.6	9.8
Iran	7.4	5.5
Jamaica	4.5	10
Kenya	11.6	10.4
Malaysia	5.2	6.6
Mexico	2.6	4.6
Nigeria	14.8	12.3
Peru	16.8	20.2
Senegal	14.9	19.6
Sri Lanka	12	25.7
Venezuela	9.5	8.5
Zimbabwe	4	3.2
Total G-15	10.7	10.9

Source: TSF calculations based on Direction of Trade Statistics, IMF, Yearbook 2005 and Quarterly, Sept. 2006.

The geographical pattern of G-15 trade

5. Another indicator of how inclusive the Group of 15 has functioned as a trading bloc is to glance at the top export destinations and import sources of individual countries. Data on exports and imports for the year 2005 reveals that for the most part, trade ties of individual G-15 countries are strongest with the world's rich countries as well as with immediate neighbours. The US figures in the top five export destinations for all G-15 countries with the exception of Iran, Senegal and Zimbabwe, and at least one EU country figures in either top five export destination or import source of all G-15 countries with the exception of Indonesia, Malaysia, Peru and Zimbabwe. Geographical proximity also appears to matter significantly in G-15 trade ties. Thus, Mexico and Jamaica's trade is closely tied to the US just as Algeria and Egypt's is with Italy, Spain and Germany. Similarly, Indonesia and Malaysia have the strongest trade links with Singapore, China and Japan, just as Zimbabwe is economically tied to South Africa[1].

6. How strong are G-15 countries trade linkages with one another? In 2005 Argentina, Brazil, Kenya, Peru, Sri Lanka and Senegal had one or more G-15 countries featuring in both top five export destinations and top five sources of imports. Another four countries, namely Chile, Jamaica, Nigeria and Venezuela had at least one other G-15 country in either its top five export destinations or top five sources of imports. For the remaining eight countries, viz. Algeria, Egypt, India

[1] The 'gravity model' of international trade, derived from a fundamental law of physics, states that the volume of international trade is directly related to the size of trading partners and inversely related to the distance between them. G-15 trade appears to follow this model to a significant degree.

Indonesia, Iran, Malaysia, Mexico and Zimbabwe, the top five export destinations as well as the top five sources of imports were all countries outside the Group.

Some suggestions for reviving G-15 trade

7. Historically, global trade has revolved around 'hubs' represented by large trading nations such as the US, EU, Canada and Japan (sometimes called Quad by WTO trade negotiators). The rest of the world depended on them for the bulk of their exports on account of the sheer size of their markets. Currently, there is talk of a 'new geography' of international trade marked by the phenomenon of large developing countries imparting dynamism not only to North-South trade but also to South-South trade. The benefits received by numerous developing countries from high prices of their commodity exports driven by rising demand from the large economies of the South during this decade is a milestone in the history of international trade. Is there any evidence of similar potential trading hubs within the G-15?

8. Table 4 lists the single largest trading partners of each G-15 country, measured by the combined value of exports and imports in 2005.

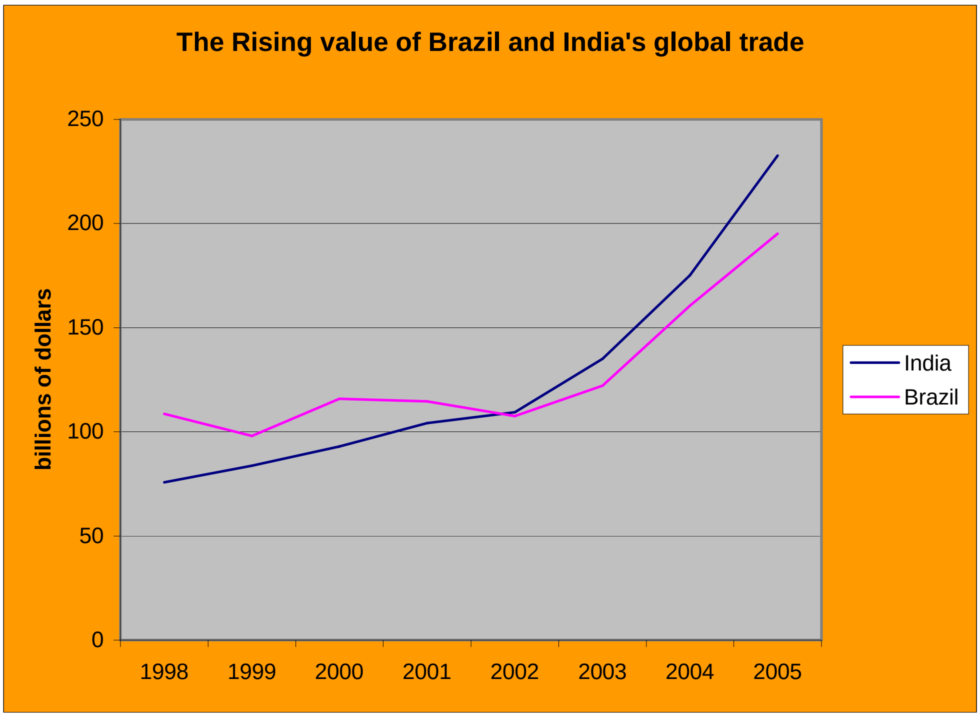
Table 4
Intra G-15 trade-potential hubs

Country	Leading G-15 trading partner
Algeria	Brazil
Argentina	Brazil
Brazil	Argentina
Chile	Brazil
Egypt	India
India	Indonesia
Indonesia	Malaysia
Iran	India
Jamaica	Venezuela
Kenya	India
Malaysia	Indonesia
Mexico	Brazil
Nigeria	Brazil
Peru	Chile
Senegal	Nigeria
Sri Lanka	India
Venezuela	Brazil
Zimbabwe	India

Source: TSF calculations based on Direction of Trade Statistics, IMF Yearbook 2005 and Sept. 2006

The table reveals that for six countries Brazil is the primary trading partner while for five countries, India is the leading trading partner. The fact that both Brazil and India are also relatively developed economies with large diversified industrial bases appears to lend support to the case that they possess sufficient potential for emerging as key hubs of international trade within the Group of Fifteen. Despite the share of G-15 trade in the total trade of both economies remaining approximately the same since 1998, the fact remains that Brazil and India have been opening their large economies to the rest of the world. This is reflected in Figure 2, which shows how the value of India's total trade has risen three-fold from $75 billion to $228 billion between 1998-2005 while the value of Brazil's trade rose from $109 billion to $195 billion during the same period.

Figure 2



9. Critical to any attempt to infuse new life into G-15 trade will be the identification and exploitation of complementarities and strengths of different member countries. The following paragraph lists some of the strengths of different G-15 countries that can provide opportunities for mutual trade in goods and services.

10. G-15 countries together are responsible for 28% of global *crude oil* output with Iran, Mexico, Venezuela, Nigeria and Algeria among the world's leading producers of oil and natural gas. Some member countries are abundantly endowed with extractive resources such as c*opper* (Chile, Peru, Indonesia); *zinc* (Peru) and *tin* (Indonesia, Peru, Brazil). Many are the world's leading producers of commodities like *sugar* (Brazil, India); *tea* (India, Kenya, Sri Lanka); *coffee* (Brazil, Indonesia); *cocoa* (Indonesia, Nigeria, Brazil); *rubber* (Indonesia, Malaysia); *cassava* (Nigeria, Brazil, Indonesia) and o*il-seeds* (Brazil, Indonesia, Malaysia). Some have relatively developed economies with large diversified industrial bases (Brazil, India, Mexico), developed infrastructure (Chile, Malaysia) and advanced technological capabilities in critical areas like *pharmaceuticals* (Argentina, Brazil, India) and *information technology* (Malaysia, India, Argentina). In terms of market size, 11 member countries counted among the world's 50 biggest economies in 2005, with four (India, Brazil, Mexico, Indonesia) ranking among the biggest 15.

Geneva, 16 January 2007.

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