Committee on Trade and Development
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DEVELOPMENTS IN INTERNATIONAL TRADE WHICH HAVE A BEARING
ON THE TRADE AND PAYMENTS POSITION OF DEVELOPING COUNTRIES

Note by the Secretariat

1.   The Committee undertakes, at each of its sessions, a review of developments
in international trade which may have a bearing on the trade and payments position
of developing countries in order to permit members to offer comments and
suggestions on points of particular interest to them. The following paragraphs
contain a summary of such recent developments on the basis of the more extensive
GATT publication "International Trade 1976/77", incorporating where possible
available information on developments during the early months of 1978.

2.   World production of goods (excluding services) increased by about 5 per cent
in volume terms in 1977, as compared with nearly 7 per cent in 1976. The rates
of increases recorded in 1977 for each of the three sectors shown in Table 1, of
about 1½ per cent for agriculture, 3 per cent for mining and 6 per cent for
manufacturing, were lower than in 1976.

3.   There was a marked slowing down in the rate of increase of world manufactu-
ring production during the second half of 1977. According to preliminary indi-
cations available, no acceleration of the growth rate of world industrial pro-
duction was noticeable during the first five months of 1978.

4.   The value of world trade in 1977 amounted to about $1,120 million. The
increase in dollar terms, by about 13 per cent, was roughly the same as in 1976.

5.   In terms of volume the growth of world trade decelerated sharply, from
11 per cent in 1976 to 4 per cent in 1977. The relatively small rise in the
volume of world trade in 1977 reflected mainly the pronounced slowing down of
its rate of increase during the second half of the year. According to the
fragmentary indications available, there was no speeding up in the growth rate
of the volume of world trade in the early months of 1978.

6. The volume of world exports of manufactures can be estimated to have increased by about 5 per cent in 1977 as compared with the 13 per cent recovery recorded in 1976 following the recession of 1975. There was in particular a pronounced slowing down of trade in manufactures among industrial countries in 1977. Industrial countries' trade in manufactures with developing countries, on both the import and export side, expanded in 1977, as in the preceding year, at a higher rate than exchanges among themselves. Imports from developing countries accounted for an estimated 8 per cent of total imports of manufactures into industrial countries in 1977, while the proportion of industrial countries' exports of manufactures absorbed by the oil-importing and the oil-exporting developing countries amounted to 14 and 11 per cent, respectively.

7. The difference between the growth in dollar value and in volume represents the change in dollar unit values of world trade, which increased by almost 9 per cent in 1977 as against 2 per cent in 1976. This statistical change in dollar unit values is a composite of two more basic changes, first in the domestic price of goods entering world trade and second in the exchange rate of the United States dollar. The rate of inflation in the domestic prices of export products appears to have continued at about the same pace in both years. However, this inflationary effect was largely offset in 1976 by appreciation of the United States dollar, whereas in 1977 the depreciation of the dollar accentuated the statistical effect of inflation on world trade unit values recorded in dollars.[1]

8. The rise in dollar unit values was fairly uniform among the major product groups in 1977. Unit values of world exports of manufactures[2], of fuels and of other primary products are estimated to have averaged each in 1977 about 9 per cent more than in 1976. However, whereas expressed in dollar terms export prices of manufactures have risen throughout 1977, export prices of primary products (excluding fuels) after having reached a peak in the second quarter of 1977 declined during the remainder of the year according to the United Nations index shown in Table 2. After a slight recovery during the first quarter of 1978, world export prices of primary products (excluding fuels) in dollar terms can be estimated to have moved again slightly downwards in the subsequent two months.

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[1] In 1976 the exchange rate of the United States dollar against the SDR (Special Drawing Right) averaged 5 per cent more than in 1975, while in 1977 it averaged about 1 per cent less than in 1976.

[2] Excluding non-ferrous metals.

9.   Within the broad category of primary products there were divergent
movements between various product groups and espcially between individual
primary commodities as can be seen in Tables 2 and 3. For example, if
the first quarter of 1977 is compared with the first quarter of 1978,
world export prices of foodstuffs rose slightly, the increases for cereals
and beef being largely offset by declines for coffee, tea and most oil-
seeds and vegetable oils. However, world export prices of raw materials
of both agricultural and mineral origin, reflecting among other things the
continued weak demand in developed market economies as well as the supply
situation, were lower in the first quarter of 1978 as compared with their
level during the first quarter of 1977.

10.   In the industrial countries the slowing down of domestic demand in 1977
largely explains why the rise in the volume of their imports, of 4 per
cent, was much less pronounced than in the preceding year (14 per cent)
following the recession-induced fall of 1975. The volume growth of exports
from industrial countries also decelerated, to 4½ per cent in 1977, as
compared with 11 per cent in 1976. The dollar value of industrial
countries' exports and imports rose by roughly 13 per cent in 1976.

11.   For the oil-importing developing countries in value terms the growth
of exports, of 17 per cent, exceeded that of imports (12 per cent). This
was largely due to the fact that the unit values of their exports rose
more rapidly than those of imports for 1977 as a whole and reflected
mainly the fact that for some of their major export products (in particular
coffee, cocoa and tea) the average export prices in 1977 were substantially
higher than in the preceding year. In volume terms the growth of the oil-
importing developing countries' exports and imports was of about the same
order of magnitude, both probably slightly below the rate of expansion of
world trade. As can be seen in Table 4, the trade deficit (c.i.f.-f.o.b.)
of the oil-importing developing countries declined slightly, to roughly
$25 billion, in 1977. This suggests, though more comprehensive balance-
of-payments data are not available, that in 1977 the current account
deficit of the oil-importing developing countries was only slightly lower
than in 1976 ($26 billion). .

12.   For the oil-exporting developing countries in value terms the rise of
imports (one third) by far exceeded that of exports (9 per cent), for which
there was hardly any increase in volume. Their combined export surplus
(f.o.b.-c.i.f.) amounted to $60 billion in 1977..

Concluding remarks

13. Recent information available, admittedly of a provisional character,
indicates that for a number of reasons the rates of demand and output
growth in developed market economies generally, continue to remain
sluggish after their slowing down in 1977 and the early months of 1978.
While the trade deficit of the oil-importing developing countries at
$25 billion in 1977, showed a small improvement on 1976, if present
trends continue, it is to be expected that the trade deficit of these
countries will increase significantly in 1978. A feature exacerbating the
situation is the introduction of new measures of protection in recent
months, not only inhibiting the expansion of trade, but also creating.
uncertainty regarding conditions of market access for the future. It
might also be noted that because of the difficulties of assessing the
impact of movements in exchange rates on world trade, it is not easy to
forecast developments in international trade over the coming months.

TABLE 1

DEVELOPMENT OF WORLD EXPORTS AND PRODUCTION,
BETWEEN 1973 AND 1977

	1973	1974	1975	1976	1977[a]
World exports					
Value ($ billion f.o.b.)					
Total	576	836	872	991	1,120
Agricultural products	121	148	149	164	...
Minerals[b]	96	215	206	237	...
Manufactures	347	459	501	568	650
Unit value (1960 = 100)					
Total	161	226	242	248	269
Agricultural products	199	248	228	233	259
Minerals[b]	194	480	489	508	551
Manufactures	156	193	218	218	238
Volume (1960 = 100)					
Total	280	295	282	313	325
Agricultural products	152	149	164	176	...
Minerals[b]	230	209	200	222	...
Manufactures	347	370	360	408	427
World commodity output					
Volume (1960 = 100)					
All commodities	204	210	208	222	233
Agriculture	138	140	143	148	150
Mining	190	193	190	200	206
Manufacturing	235	242	239	258	273

[a] Preliminary data.

[b] Including fuels and non-ferrous metals.

Note: For sources and methods, see Appendix of International Trade 1976/77.

TABLE 2

WORLD[a] EXPORT PRICES OF PRIMARY PRODUCTS AND MANUFACTURES

(Indices 1970 = 100)

	Food (including fats and oils)	Agricultural raw materials	Minerals[b] and non-ferrous metals	Primary products[c] (excl. fuels)	Fuels	All primary[c] products	Manu-factures[d]
	1	2	3	1-3	4	1-4	5
1975	216	198	175	202	588	298	186
1976	212	227	174	205	616	308	186
1977	240	239	180	224	675	337	204
1975 QI	241	199	170	214	586	307	191
QII	213	201	168	199	583	295	192
QIII	211	195	167	196	577	291	182
QIV	199	196	166	190	628	299	180
1976 QI	203	212	165	195	628	303	182
QII	214	222	176	206	610	307	182
QIII	215	234	180	210	612	310	188
QIV	216	240	176	211	615	312	195
1977 QI	237	245	183	224	668	335	198
QII	254	244	183	233	670	342	200
QIII	235	235	177	220	680	335	204
QIV	235	229	179	219	660	334	211
1978 QI	243	232	179	224	678	338	217

[a]Excluding the Eastern trading area.

[b]Excluding fuels.

[c]Including non-ferrous metals.

[d]Excluding non-ferrous metals.

Source: United Nations, Monthly Bulletin of Statistics, May 1978 and GATT secretariat estimates.

Note: All indices are computed in US dollars. The index of primary commodities is based to a large extent on price quotations while that for manufactured goods on export unit values. The two index series are there-fore not fully compatible. In general, indices calculated from price quotations somewhat overstate price movements in international trade and those based on unit values are affected by changes in the quality and in the composition of the goods traded. The index for manufactured goods covers exports from developed countries only.

TABLE 3/TABLEAU 3

World[a] Export Prices of Selected Primary Products/
Prix mondiaux[a] à l'exportation de certains produits primaires

(Indices: 1970 = 100)

	1973	1974	1975	1976	1977	1976 I	II	III	IV	1977 I	II	III	IV	1978 c
All primary products[b]/Ensemble des produits primaires[b]														
Incl. fuels/combustibles et carburants compris	173	305	298	308	337	303	301	310	312	335	342	335	334	337
Excl. fuels/combustibles et carburants non compris	168	214	202	205	224	195	206	210	211	224	233	220	219	224
of which/dont:														
Wheat/Blé	201	290	258	224	178	247	239	219	190	182	177	168	184	195
Rice/Riz	192	321	231	168	179	176	170	167	157	152	175	176	215	241
Maize/Maïs	155	195	191	183	165	168	165	197	182	179	170	147	165	180
Coffee/Café	125	132	147	280	443	198	272	298	353	415	522	420	355	332
Tea/Thé	100	130	133	143	251	123	137	156	156	234	326	232	212	209
Cocoa/Cacao	166	251	219	292	529	225	268	306	370	462	500	571	583	517
Beef/Viande de boeuf	177	157	157	168	185	161	177	166	173	179	181	186	195	205
Sugar/Sucre	205	519	410	237	177	283	273	216	172	186	192	165	165	190
Wine/Vin	180	172	178	156	164	162	154	152	158	162	162	162	170	178
Fish/Poisson	189	234	210	250	...	226	241	264	270	285	...	...	...	...
Oilseed cake and meals/Tourteaux et farines d'oléagineux	276	186	166	198	239	172	189	221	212	255	280	207	254	212
Fruit/Fruits	165	173	226	210	244	203	217	209	212	194	244	285	254	249
Olive oil/Huile d'olive	196	302	328	317	321	335	309	315	308	323	325	310	325	347
Copra/Coprah	158	312	118	126	186	94	103	147	161	193	220	160	170	181
Coconut oil/Huile de coco	144	317	124	125	172	101	109	141	149	180	211	160	154	197
Groundnuts/Arachides	160	221	191	178	223	166	170	176	197	221	244	220	207	229
Groundnut oil/Huile d'arachide	144	284	225	194	252	191	177	186	224	239	247	244	280	337
Palm kernels/Amandes de palmiste	154	282	123	137	193	104	122	151	168	202	241	158	159	183
Palm-kernel oil/Huile de palmiste	137	315	128	130	185	107	112	145	157	186	227	159	167	198
Palm-oil/Huile de palme	146	258	165	155	198	140	141	170	171	196	245	177	176	197
Soya beans/Fèves de soya	221	233	188	198	240	162	186	223	220	258	314	193	196	226
Soya bean oil/Huile de soya	162	297	209	157	196	137	138	176	176	193	247	176	168	177
Cottonseed oil/Huile de coton	145	285	204	174	182	189	159	130	170	179	229	160	160	170
Wool/Laine	353	249	204	231	246	217	222	234	250	252	244	239	247	248
Cotton/Coton	197	241	192	255	252	277	238	272	282	286	275	235	211	195
Jute	107	122	136	116	128	117	115	112	120	124	126	128	132	157
Sisal	332	680	400	403	394	403	403	403	407	403	403	401	368	376
Lumber/Bois d'oeuvre	214	226	200	233	256	216	226	240	249	255	261	260	249	262
Tobacco/Tabac	119	141	170	183	196	180	182	184	186	192	195	196	199	205
Rubber/Caoutchouc	168	176	136	192	204	171	200	195	201	200	194	202	219	227
Hides and skins/Cuirs et peaux	226	180	145	217	240	190	225	236	219	243	248	238	232	248
Bauxite	108	149	258	270	277	257	263	279	280	273	310	269	256	233
Iron ore/Minéral de fer	120	166	225	233	234	225	232	233	242	232	229	235	239	240
Aluminium	91	124	141	152	178	143	145	157	162	160	179	187	187	186
Copper/Cuivre	125	146	88	100	94	89	108	111	93	103	99	87	88	92
Lead/Plomb	139	197	138	149	196	117	158	165	158	201	205	181	197	209
Tin/Etain	129	220	186	205	296	180	203	219	220	272	268	301	341	313
Zinc	224	326	254	248	214	245	256	254	237	248	220	198	190	191

[a] Excluding the Eastern Trading Area/A l'exclusion des pays de l'Est

[b] Including non-ferrous base metals/Y compris les métaux communs non ferreux

c Two months/Deux mois

Source: UN, Monthly Bulletin of Statistics, May 1978/Nations Unies, Bulletin mensuel de statistique, Mai 1978

TABLE 4

VALUE OF WORLD TRADE BY AREAS

(Billion dollars and percentages)

	Exports (f.o.b.)			Imports (c.i.f.)			Balance	
	Value		Change over previous year 1977[a]	Value		Change over previous year 1977[a]	Value	
	1976	1977[a]		1976	1977[a]		1976	1977[a]
WORLD[b,c]	998	1,130	+13	1,022	1,160	+13		
of which:								
Industrial areas[c]	628	710	+13	686	776	+13	-58	-66
Main oil-exporting developing countries	132	145	+9	65	85	+33	+67	+60
Other developing areas	120	140	+17	147	165	+12	-27	-25
Eastern trading area[d]	94	110	+16	101	111	+9	-7	-1

[a]Figures for 1977 are based on incomplete returns and are subject to revision

[b]Including Australia, New Zealand and South Africa

[c]Including trade in gold.

[d]Imports f.o.b.

Note: Percentage changes have been calculated on figures before rounding.

Source: IMF, International Financial Statistics, May 1978; GATT, Network of World Trade; National trade returns.