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PROTECTIONISM AND RECENT TRENDS IN THE TRADE OF DEVELOPING COUNTRIES WITH PARTICULAR REFERENCE TO TRADE IN MANUFACTURES

Note by the Secretariat

1. At the last meeting of the Committee on Trade and Development, many delegations expressed their deep concern about recent protectionist developments in international trade and their relation to the implementation of Part IV of the General Agreement (paragraphs 7-15, L/4597). The increasing use of import restrictions against products of export interest to developing countries was widely noted. It was felt by some delegations that the Committee on Trade and Development had an important rôle to play in reviewing such problems and suggesting to the CONTRACTING PARTIES ways which would help to overcome them. To facilitate further discussion of this matter at the forthcoming meeting, the secretariat was requested to provide a background note giving a general picture of recent trends in the trade of developing countries, taking into account the problems identified at the session of the Committee.

2. The present note¹ attempts to provide an overview of the changing pattern of developing country trade in manufactures², having regard to areas where recent protectionist pressures have been most evident. Section I identifies some of the products or product categories of apparent export interest to developing countries that have been recently subject to some form of import restraint in certain markets. Section II examines the main changes in the pattern of developing country trade as related to world trade over the last twenty years. Section III, which deals with trends in the trade in manufactures of the oil-importing

¹The note draws upon a longer paper, entitled "Adjustment, Trade and Growth in Developed and Developing Countries" which is due to be published shortly as study No. 7 in the series of GATT Studies in International Trade. Some of the trade tables in this note, as in the longer Study, are derived from another GATT study (No. 6 in the series), which is a statistical examination of world trade patterns, entitled "Network of World Trade", and which is also scheduled to be published in the near future.

²For the purposes of this note, manufactures have been defined as SITC Sections 5 to 8, but excluding non-ferrous metals (SITC Division 68).

developing countries, looks successively at trends in overall production and trade, in the product pattern and in the geographical distribution of trade and considers the experience of different sub-groups of these developing countries. Developments in the trade of the oil-exporting developing countries are examined in the fourth Section. Section V briefly looks at trends in trade among developing countries. The rôle played by developing countries as suppliers of manufactures to and purchasers of manufactures from the developed countries is considered in a sixth section. Finally, the note attempts to draw together the main points to be derived from the material in the previous sections and to indicate some considerations that might be relevant to commercial policy.

Section I. Manufactures of export interest to developing countries recently affected by import restraint measures.

3. In the context of its reviews of the implementation of Part IV, the Committee examines not only positive commercial policy measures which may have been taken by governments, but also other measures (including measures of a restrictive nature) which may be affecting products of export interest to developing countries. By way of illustration of products and product categories having been subject to restrictive measures, a list of such items extracted from recent secretariat background notes for reviews of the implementation of Part IV is given in Table 1 below.

Table 1 - Indicative List of Manufactures of Apparent Export Interest to Developing Countries to which Measures of Import Restraint have been Applied in Recent Years

Certain carpets	Luggage
Clothing, certain items	Plywood
Electrical apparatus, certain items	Tableware
Footwear	Television sets
Iron and steel and products thereof	Textile fabrics, certain items
Leather goods, certain items	Tyres and tubes
Light engineering products, certain items	Yarns, certain items

Section II. Long-term changes in the pattern of developing countries' foreign trade as related to world trade

4. The most significant long-term change in the product pattern of world trade, reflecting primarily the divergent movements of world demand and prices, has been the continuous rise in the share of manufactures and fuels and the steady decline in that of other primary products. Between 1955 and 1976, as shown in Table 2, the proportion of manufactures in world trade rose from 45 to 57 per cent, while non-fuel primary products¹, until the early 1950's the most important sector, saw their proportion decline continuously to around one fifth, about the same as fuels.

5. The changes in world demand and prices strongly affected the export pattern of developing countries. In the southern European developing countries and other oil-importing developing countries, the proportion of primary products (other than fuels) in total exports, which had been preponderant in 1955, declined from 71 and 80 per cent to 31 and 42 per cent respectively in 1976, remaining, however, significantly higher than that in exports from other areas. On the other hand, the proportion of manufactures in their total exports more than trebled between 1955 and 1976, when it exceeded 60 per cent in the southern European developing countries and attained nearly 40 per cent in other oil-importing developing countries. On the import side, manufactures remained throughout the period the most important product group, accounting in 1975 for 55 per cent of total imports in the southern European oil-importing developing countries, 57 per cent in other oil-importing developing countries and for more than 80 per cent in the oil-exporting developing countries.

¹ Throughout this section, non-ferrous metals are included with primary products.

Table 2 - Composition of World Trade and Trade of
Developing Countries by Broad Categories, 1955 and 1976

(Percentage shares)

	Manufactures		Fuels		Other primary products ^{a/}	
	1955	1976	1955	1976	1955	1976
<u>WORLD</u>	45	57	11	20	42	21
of which:						
Southern European developing countries:						
Exports	19	64	10	5	71	31
Imports	56	55	10	21	34	23
Other oil-importing developing countries:						
Exports	10	39	10	16	80	42
Imports	57	57	15	21	26	19
Oil-exporting developing countries:						
Exports	2	1	67	95	31	3
Imports	75	82	4	2	21	13

^{a/} Including non-ferrous metals.

Source: UN, Yearbook of International Trade Statistics; GATT, Network of World Trade; national trade returns.

6. As can be seen in Table 3, the share of oil-exporting developing countries in world exports rose from 7 to 13 per cent in the years 1955-76, while that of the non-European oil-importing developing countries fell from nearly one fifth to 12 per cent, reflecting the strong concentration of the majority of the latter group on non-fuel primary products. As regards manufactures, the share of the developing countries in world exports amounted to about 10 per cent in 1976, up from 5 per cent in 1955. The same table indicates that developing countries are more important as markets for manufactured products: they accounted for some 28 per cent of world imports in 1976, the southern European developing countries absorbing 5 per cent, other oil-importing developing countries 14 per cent and the oil-exporting developing countries 9 per cent. The share of the developing countries in world imports of manufactures has fallen from 37 per cent in 1955, reflecting for the most part the sharp rise in exchanges of manufactures among industrial countries. However, since 1973 the relative importance of developing countries as markets for manufactures has shown some recovery.¹

Table 3 - Share of Developing Countries in
World Trade, 1955 and 1976

(Percentage shares)

	Exports		Imports	
	1955	1976	1955	1976
<u>All commodities</u>				
DEVELOPING COUNTRIES	28	28	28	29
of which				
- southern European developing countries	2	3	3	5
- other oil-importing developing countries	19	12	21	15
- oil-exporting developing countries	7	13	4	7
<u>Manufactures</u>				
DEVELOPING COUNTRIES	5	10	37	28
of which				
- southern European developing countries	1	3	4	5
- other oil-importing developing countries	4	7	26	14
- oil-exporting developing countries	0	0	7	9

Source: UN, Yearbook of International Trade Statistics; GATT, Network of World Trade; national trade returns.

¹This point is further elaborated in Section VI below.

7. Since 1955, the rate of growth of total exports of manufactures from developing countries has been higher, in both volume and value terms, than that of both their imports of manufactures and of world exports of manufactures. This growth was from a relatively low base, since exports of manufactures from all developing countries amounted to approximately \$2 billion in 1955. If the rôle of the developing countries in world trade in manufactures since 1955 is considered in absolute terms, the following general points can be made:

- (i) As shown in Table 4, the rise in the value of exports of manufactures from developing countries has represented a small proportion of the total expansion in world trade in manufactures - about 10 per cent of the total increase over the period 1955-1973 and 12 per cent in the period 1973-1976;
- (ii) The increase in developing countries' imports of manufactures has constituted a larger proportion of the expansion in world trade in manufactures, their share of the increase rising from 22 per cent in 1955-1973 to 35 per cent in 1973-1976;
- (iii) The deficit of the developing countries in their trade in manufactures has risen from some \$13 billion in 1955 to over \$100 billion in 1976, the increase in the value of their imports (\$145 billion) having been two and a half times that of their exports (\$57 billion).

Table 4 - Increase in the Value of World Trade
and of Developing Countries' Trade in Manufactures
Between 1955 and 1976

(billion dollars f.o.b.)

	1955-1973	1973-1976	1955-1976
WORLD	305	220	525
of which			
- Southern European developing countries			
Exports	9	7	16
Imports	15	9	24
- other oil-importing developing countries			
Exports	21	19	40
Imports	39	32	71
- oil-exporting developing countries			
Exports	$\frac{1}{2}$	$\frac{1}{2}$	1
Imports	13	37	50
- ALL DEVELOPING COUNTRIES			
Exports	$30\frac{1}{2}$	$26\frac{1}{2}$	57
Imports	67	78	145

Source: UN, Yearbook of International Trade Statistics; GATT, Network of World Trade; national trade returns.

Section III. Trends in the trade in manufactures of oil-importing developing countries

(i) Overall trends in production and trade

8. During the post-war period, production of manufactures in developing countries has risen more rapidly than in industrial countries. Between 1955 and 1973, for example, manufacturing output increased at annual rates of 7 per cent in non-European developing countries and 10 per cent in southern European developing countries compared to 4½ per cent in developed countries. Nevertheless, in 1976 manufacturing output in developing countries still represented a small proportion of the world total, the share of the non-European oil-importing developing countries for example being 7 per cent, slightly above the 6 per cent in 1955.

9. Table 5 tends to show that the development of the non-European oil-importing developing countries' imports of manufactures is related to the purchasing power of their exports¹, which constitutes the main factor in their ability to finance imports. The volume of their imports of manufactures grew less rapidly (by 4 per cent on average per year between 1955 and 1963 and again between 1973 and 1976) when the purchasing power of exports rose sluggishly (by 2-3 per cent per year), while during the 1963-1973 period of a more rapid increase in the purchasing power of exports (6 per cent on average per year) their imports of manufactures expanded at an accelerated rate of 7½ per cent per year. Between 1963 and 1973, when the purchasing power of their exports rose most rapidly, imports of manufactures rose roughly in line with production. A similar picture also emerges for the southern European developing countries, although in the most recent period, 1973-1976, the growth of their volume of imports of manufactures exceeded considerably that in the purchasing power of their merchandise exports, reflecting among other factors their large foreign exchange earnings from other sources and their ability to finance substantial balance-of-payments deficits. An additional factor explaining the close relationship between the growth of developing countries' exports and imports of manufactures is the high proportion of imported manufactured inputs in many of their more export-oriented branches.

¹Ratio of value of exports to unit value of imports.

Table 5 - Selected Indicators of Oil-Importing Developing Countries' Trade and Manufacturing Production, 1955 to 1976

	1955-1963	1963-1973	1973-1976 ^{1/}
	(Annual average percentage rate of change)		
<u>Non-European oil-importing developing countries</u>			
Value of total exports	3	11	22
Purchasing power of total exports ^{2/}	2	6	3
Volume of imports of manufactures	4	7½	4
Volume of manufacturing production	6½	7½	6
Volume of exports of manufactures	7	12	10
<u>Southern European developing countries^{3/}</u>			
Value of total exports	8	17	16
Purchasing power of exports ^{2/}	9	12	0
Volume of imports of manufactures	9	12	4
Volume of manufacturing production	n.a.	10	4½
Volume of exports of manufactures	12	18	7½

^{1/} Partly estimated.

^{2/} Ratio of value of exports to unit value of imports.

^{3/} Excluding Romania for which the data on the volume of trade are not available.

Sources: GATT, Network of World Trade; UN, Statistical Yearbook; UN, Monthly Bulletin of Statistics and Commodity Trade Statistics; IMF, International Financial Statistics; GATT, International Trade 1976/77; and estimates.

10. The volume of non-European oil-importing developing countries' exports of manufactures expanded at an accelerated rate of 12 per cent on average per year between 1963 and 1973 and at a less rapid rate of 10 per cent per year between 1973 and 1976, the comparable figures for the southern European developing countries being 18 per cent and 7½ per cent respectively. In both periods exports increased faster than production. However, because of the initial smallness of exports, even between 1963 and 1973 the largest part of the increase of total manufacturing output in developing countries was destined for their growing domestic markets. In some branches, in particular clothing and electrical machinery, a more significant proportion of production was exported, but these branches did not account for the largest part of production. In both 1963 and 1976, the ratio of exports to production remained, in the developing countries, less than half that in developed countries.

(ii) Product pattern of production and trade

11. The growth of manufacturing production in the oil-importing developing countries, as in developed countries, has been accompanied by significant structural changes, including a steady diversification of product composition, during the 1950s, industrial output in these developing countries was heavily concentrated on food processing, textiles and clothing, which together accounted for more than half of the total. Since 1955, engineering has been the most dynamic branch and its share in their manufacturing output more than doubled, reaching about one-quarter in 1976, which is however still less than in the developed countries (40 per cent). During the same period the shares of foodstuffs, of textiles and of clothing declined. In 1976, the last two branches (including footwear) accounted together for about one-fifth of the oil-importing developing countries' output, as compared with 9 per cent in developed countries.

12. The manufactures exports of the oil-importing developing countries have also progressively diversified. In the non-European oil-importing developing countries, the share of semi-manufactures in total exports of manufactures, which had in 1963 been nearly 60 per cent, declined to 35 per cent in 1976, mainly due to the fall in textiles from nearly one-third to 14 per cent. Engineering products more than doubled their share of total exports of manufactures, from 13 to 30 per cent, reflecting in particular the sharp increase from 7 to 18 per cent, in the proportion accounted for by electrical equipment. There was also a strong rise in the share of clothing, from 9 to 19 per cent. The pattern of exports of manufactures from the southern European developing countries was somewhat more diversified in the early 1960s. In these countries, the importance of iron and steel and non-electrical engineering goods was substantially greater and the importance of textiles

and, in particular clothing, markedly less than in the other oil-importing developing countries. Between 1963 and 1976 the pattern of exports further diversified and, in the latter year, engineering products outranked for the first time semi-manufactures as the most important broad export category.¹

13. At a more detailed product breakdown, it appears that the degree of concentration of exports on a few products lessens as industrialization progresses.²

14. Turning to the product pattern of imports of manufactures, for the oil-importing developing countries as a whole there were no significant changes between 1963 and 1976, about 55 per cent of the total being accounted for by engineering products and 35 per cent by semi-manufactures. The share of finished consumer goods was less than 10 per cent in 1976, having declined in the non-European oil-importing developing countries (from 13 per cent to 9 per cent) and increased in the southern European developing countries (from 5 per cent to 8 per cent).

(iii) Geographical distribution of trade

15. The largest part of the manufactures exports of developing countries³ is destined to the markets of industrial countries. The proportion going to the industrial countries rose substantially between 1963 and 1973 (from 51 per cent to 61 per cent for the southern European developing countries and 51 per cent to 64 per cent for other oil-importing developing countries), but has fallen back in the years 1973 to 1976 (to 53 per cent and 62 per cent respectively). In the case of the non-southern European oil-importing developing countries, the decline in the share destined to industrial countries in the latter period was mainly due to reductions for textiles and industrial machinery, the share for clothing and electrical equipment, for which products the industrial countries are the preponderant markets, being maintained. For southern European developing countries, the decline between 1973 and 1976 of the share destined to industrial countries was more general in the different export categories.

¹Table I in the Annex gives further details of the changing product composition of the exports of the oil-importing developing countries.

²This point is further elaborated in GATT Study on International Trade No. 7 (see footnote 1, page 1).

³See Table II in the Annex for further details on the proportions of oil-importing developing countries' exports of manufactures by product group destined to the industrial countries.

16. On the import side, the concentration on industrial countries as suppliers has been more pronounced than for exports throughout the period. For manufactures as a whole, imports from industrial countries accounted in both 1963 and 1973 for more than 80 per cent of the non-European oil-importing developing countries' total imports, the share being the highest for engineering products (87 per cent in both years). In the case of southern European developing countries, in 1963, 1973 and 1976, the industrial countries supplied 88 per cent of total imports of manufactures.

(iv) Main features of the foreign trade and GNP of the oil-importing developing countries since 1973

17. The GATT study, Adjustment, Trade and Growth in Developed and Developing Countries, on which this note draws, looks at how the experience of the oil-importing developing countries since 1973 has varied according to the product composition of their exports. The main features emerging from this examination are the following:

- (i) the close relationship between the diversification into manufactures and the overall growth of exports which is discernible between 1963 and 1973 has continued since 1973. Thus, while the countries with exports which remained concentrated on primary products (other than petroleum) saw their share in total exports of oil-importing developing countries decline from 31 per cent in 1963 to 22 per cent in 1973 and 20 per cent in 1976, the share of the countries with exports concentrated on manufactures, which are mainly situated in East Asia, rose from 11 per cent in 1963 to 22 per cent in 1973 and 26 per cent in 1976;
- (ii) the deceleration in 1973-76 as compared with the preceding decade was very pronounced for oil-importing developing countries. It brought down export volume growth to 1 per cent on average per year (well below the rate of increase in population) for the oil-importing developing countries concentrated on primary products, to 3 per cent for the developing countries with growing exports of manufactures, to 6 per cent for the southern European developing countries and to 12 per cent for the developing countries concentrated on manufactures;

(iii) the close relationship between the growth of exports, the main determinant of foreign exchange earnings in most developing countries, and of imports, is also demonstrated. As the unit values of non-oil primary products exported by the developing countries increased about as much as those of import prices of manufactures (but much less than import prices of fuels), oil-importing developing countries concentrated on primary products experienced the strongest slow-down in import volume, which in 1976 stood at about the same level as in 1973. The growth of the volume of imports in developing countries with growing exports of manufactures and those in southern Europe slowed down to 3 per cent on average per year. In the developing countries concentrated on manufactures the growth of imports (7.5 per cent per year), though less pronounced than in the preceding decade, continued to be much more rapid than in the other oil-importing developing countries.

18. Turning to changes in aggregate and per capita GNP in real terms, in both periods (i.e. 1963-1973 and 1973-1976) the countries whose exports had remained concentrated on primary products did less well than the developing countries with a more diversified export structure.

19. In the group of oil-importing developing countries heavily dependent on primary products¹, the slow-down of aggregate GNP growth since 1973 can be related significantly to the levelling off in the volume of imports, in particular those of manufactures. Conversely, the groups of oil-importing developing countries with a more sizeable manufacturing sector appear to have been less affected by the slowing down in world demand, not only because the volume of their imports continued to grow between 1973 and 1976 (though at a much slower pace) but also because they were able to meet a growing proportion of their internal demand for manufactures from domestic production.

20. The deterioration of the trade and current account deficits of the oil-importing developing countries since 1973², has been partly alleviated by a net inflow of financial resources. The oil-importing developing

¹In this group the share of total active population in the agricultural sector is estimated to have remained above 70 per cent in 1976, slightly less than its level in 1965 (76 per cent).

²The combined trade deficit (f.o.b. - c.i.f.) of the oil-importing developing countries concentrated on primary products increased from \$1.8 billion in 1973 to \$5.7 billion in 1976, that of southern Europe from \$9.9 billion to \$19.1 billion, and that of the other oil-importing developing countries from \$8.7 to \$19 billion.

countries concentrated on primary products received financial assistance from the developed countries mainly in the form of official development assistance (about 60 per cent of the total net inflow from developed countries in 1975), while the largest part (70 per cent in 1975) of the net financial inflow into those oil-importing developing countries with a more diversified structure of exports, consisted of non-ODA inflows of capital (including borrowing on financial markets). In spite of the larger share of ODA (and within it, of a larger proportion of grants), external debt burden as a ratio of GNP was significantly higher in the oil-importing developing countries concentrated on primary products (25 per cent in 1975) than in the other oil-importing developing countries (15 per cent in 1975).¹

Section IV. The oil-exporting developing countries

21. The share of the oil-exporting developing countries in world exports almost doubled between 1955 and 1976, from 7 per cent to 13 per cent, in contrast to the marked decline in the share of the other developing countries.

22. The composition of the exports of the oil-exporting developing countries has become increasingly concentrated on fuels, which in 1976 accounted for 95 per cent of exports compared to two-thirds in 1955. Of the 5 per cent of the value of total merchandise exports consisting of non-oil exports, almost half were agricultural products, the balance being minerals, lumber and manufactures. Most of the oil-exporting developing countries have in recent years placed the major emphasis for export-oriented development on manufacturing, although attention is also being given to strengthening agriculture, which continues to account for the largest share of employment in these countries. The rapid rate of growth of domestic demand in the oil-exporting developing countries since 1973 has limited the industrial capacity available for production for export.

23. The increased export earnings of the oil-exporting developing countries permitted a very rapid increase in their imports, the share of which in world imports also almost doubled between 1955 and 1976. But, at 4 per cent and 7 per cent respectively, these shares were well below their shares in world exports (7 per cent and 13 per cent respectively). The value of their imports rose by 78 per cent in 1974 and 57 per cent in 1975, the latter rise occurring despite an 8 per cent drop in the value of exports. While the growth in imports in 1976 and 1977 continued to exceed that in exports, the rate of increase has diminished significantly in relation to 1974-1975.² The reduction in the rate of growth has been greater for those among the oil-exporting countries with relatively low per capita incomes than for the higher per capita income countries, who continue to run large balance-of-payments surpluses.

¹The southern European developing countries, are not included in the figures contained in this paragraph.

²In 1976 the increase in the value of imports was 13 per cent and in the first three quarters of 1977 it was estimated at 33 per cent.

24. The share of developing countries in the aggregate imports of the oil-exporting developing countries has declined from 13 per cent in 1973 to 11 per cent in 1976. The reasons for this lie in the commodity structure of imports into the oil-exporting developing countries. The share of primary products in total imports has declined from 18 per cent in 1973 to 15 per cent in 1976, despite an acceleration in demand for food products; the share of manufactures, however, increased from 77 to 82 per cent during this same period. The relatively faster growth of manufactures' imports, and the growing share of industrial countries in these imports outweighed the increase in the developing countries' share of primary product imports (from 28 per cent in 1973 to 33 per cent in 1976). About 6 per cent of the total increase in imports of manufactures into the oil-exporting developing countries between 1973 and 1976 (of \$38 billion) came from the oil-importing developing countries.

Section V. Trends in trade among developing countries

25. Total intra-trade of developing countries rose from \$8 billion in 1963 to \$29 billion in 1973 and \$67 billion in 1976. The share of this trade in world trade remained unchanged, at roughly 5 per cent, between 1963 and 1973, and increased to 7 per cent in 1976. As a proportion of their total exports and imports, exchanges among developing countries represented throughout the period 18 and 14 per cent respectively.¹

26. This stability of the share of intra-developing country trade in total developing country trade is largely the consequence of the increasing importance of exports from the oil-exporting to other developing countries counterbalancing a fall in the share of exports from these other developing countries. Exchanges among the non-European oil-importing developing countries, which in 1963 represented nearly 50 per cent of intra-developing country trade, accounted for less than one-third in 1976, whereas the share of exports from the oil-exporting countries rose from 30 per cent to 47 per cent in these years.² The proportion of manufactures in intra-developing country trade in 1975, although less than in 1973, was still well up on that in 1963 and was substantially greater than that in developing country total exports. The share of non-fuel primary products has declined continuously to a little more than half its 1963 level and is considerably below that in total exports of developing countries.

¹Exchanges among the industrial countries accounted in 1976 for more than two-thirds of both their total exports and imports.

²See Table III in the Annex for details of the main trade flows among the non-European oil-importing developing countries, the oil-exporting developing countries and the southern European developing countries.

27. Looking at the structure of intra-developing country trade in manufactures, the share of engineering products and, in particular, industrial machinery is considerably greater than in exports to industrial countries though still much lower than in imports from industrial countries. On the other hand the share of finished, mainly consumer, products in intra-trade is only about one half that in exports to the industrial countries while remaining some two and a half times that of imports from the industrial countries.

28. The tendency for the relative importance of manufactures' trade among developing countries to decline which had been marked for many years, appears to have been reversed since 1973. The share of intra-trade in the non-European developing countries' exports of manufactures declined from 42 per cent in 1963 to 28 per cent in 1973, but rose to an estimated 31 per cent in 1976. Much of the increased share in recent years has been due to a rapid increase in trade in engineering goods, whose share in the intra-trade in manufactures of the non-European developing countries has risen from 33 per cent in 1973 to 38 per cent in 1975.

Section VI. Trends in the trade of industrial countries with developing countries in manufactures

29. The industrial countries overall have traditionally depended on a substantial surplus in their trade with the rest of the world in manufactures to finance their deficit in trade in primary products. While their deficit in primary products was mainly concentrated in fuels, their export surplus was heavily concentrated in engineering goods (industrial machinery, household and office equipment, transportation equipment and so forth).

30. The surplus of the industrial countries in their manufactures' trade has continued to expand, their exports having risen by nearly \$400 billion, \$96 billion more than their imports in the period 1963-1976. \$70 billion of this increased surplus has been in trade with the developing countries which were much more important as markets than as suppliers for the industrial countries. The importance of the developing countries both as suppliers and, more particularly, as markets was considerably greater in 1973-76 than in 1963-73. Between these two periods, the share of developing countries in the increased imports of the industrial countries rose from 10 per cent to 13 per cent, in line with the gradual rise in the share of developing countries in world trade in manufactures. The increased share of developing countries in the rise in industrial countries' exports (36 per cent in 1973-76 compared to 21 per cent in 1963-73) is partly the result of depressed demand resulting in mutual trade in manufactures among the industrial countries growing more slowly than previously and partly also reflects the expenditure of the increased earnings of the oil-exporting developing countries.

Nonetheless, increased purchases by the oil-importing developing countries accounted for 15 per cent of the \$179 billion increase in industrial country exports of manufactures between 1973 and 1976 - a figure twice as large as their contribution to the increase in imports of manufactures into the industrial countries.

31. In order to examine developments in the trade of industrial countries with developing countries at a more disaggregated level, a fifteen category division of manufacturing trade has been employed.¹ In the period 1963-1973, when the increase in industrial country imports of manufactures as a whole from the developing countries was about two-fifths of the increase in their exports to the developing countries, the increased trade was heavily in favour of the industrial countries for nine categories (most types of engineering goods, iron and steel and chemicals), was approximately balanced for four categories (plywood and paper, other semi-manufactures, household appliances and textiles) and heavily in favour of the developing countries for two categories, other consumer goods and, in particular, clothing. For the more recent period, 1973-1976, the balance further moved in favour of the industrial countries, their increased manufactures' exports to the developing countries being over four times their increased manufactures' imports from the developing countries. With the exception of clothing, for which the increase in imports from developing countries continued to be greater than the increase in exports to the developing countries, and other consumer goods and textiles, for which the increased trade was approximately equal, the balance of increased trade was heavily in favour of the developed countries for all categories.²

32. These balances are, however, greatly influenced by the marked difference between the composition of industrial countries' exports to and imports from the developing countries. While 85 per cent of the increased exports of manufactures to developing countries in 1973-76 consisted of engineering products (other than household appliances), iron and steel and chemicals, 69 per cent of increased imports from the developing countries consisted of textiles and clothing, household appliances, other consumer goods, plywood and paper and other semi-manufactures. Among the finished manufactures, the increased exports to developing countries are mainly capital goods, while increased imports from the developing countries are mainly consumer goods.

¹This categorization is used in the GATT statistical study, Network of World Trade, to be released shortly.

²For details, see Table IV in the Annex.

33. Table 6 shows for the periods indicated, the share of the developing countries in the increased exports to, and imports from the industrial countries. Taking the period 1973-1976, when the shares of developing countries were generally higher than in the earlier period, the proportions of the increased imports of the industrial countries supplied by the developing countries were highest for finished consumer goods, textiles and office and telecommunications equipment, but for only one of these categories, clothing, did the share exceed one-half, the others being in the range of 20 to 30 per cent. For all other categories, except other semi-manufactures (18 per cent share), the proportions supplied by developing countries were generally relatively small. The shares of the developing countries in the increased exports of the industrial countries were generally much higher than those in the increased imports of the industrial

Table 6 - Share of Industrial Countries' Increased Imports and Exports
Supplied and Purchased by Developing Countries, 1963-73 and 1973-76
(Percentages)

	Imports		Exports	
	1963-1973	1973-1976	1963-1973	1973-1976
Iron and steel	7	9	25	32
Chemicals	5	4	25	27
Plywood and paper	15	0	14	18
Other semi-manufactures	16	18	16	33
Agricultural and industrial machinery	2	2	33	51
Machine parts n.e.s.	1	4	26	49
Office and telecommunications equipment	14	20	25	37
Power generating machinery	5	11	27	51
Other engineering products and scientific instruments	6	8	22	40
Road motor vehicles	1	2	14	33
Other transport equipment	7	3	24	49
Household appliances	13	24	17	30
Textiles	19	26	20	30
Clothing	42	61	6	15
Other consumer goods	17	27	11	24
TOTAL MANUFACTURES	10	13	21	36

Source: UN, Commodity Trade Statistics.

countries: in 1973-1976, for only two categories, clothing and other consumer goods, was the share in increased imports higher than that in increased exports. These figures tend to illustrate the very important rôle played by the developing countries in sustaining and increasing demand for a wide range of manufactures in the industrial countries, particularly in the period 1973-1976.

Summary

34. From the material contained in the previous sections, a number of general points concerning the rôle of developing countries in world trade in manufactures would seem to emerge. These include the following:

- (i) While some developing countries have shown a more rapid increase in exports of manufactures than others, manufactures account for an important and growing proportion of exports of an increasing number of oil-importing developing countries (averaging nearly two-fifths for the non-European oil-importing developing countries and nearly two-thirds for the southern European developing countries in 1976);
- (ii) Despite the growth in and diversification of developing countries exports of manufactures over the last twenty years, their share in world exports of manufactures was about 10 per cent in 1976;
- (iii) The share of developing countries in world imports of manufactures, which has risen substantially since 1973, is, at 28 per cent, much higher than that in world exports;
- (iv) The deficit of the developing countries in their trade in manufactures has risen from some \$13 billion in 1955 to over \$100 billion in 1976, the increase in the value of their imports (\$145 billion) having been more than two and a half times that of their exports (\$57 billion); most of the increased deficit has been in trade with industrial countries;
- (v) The expanding surplus of the industrial countries in their manufactures trade with the developing countries is evident for all product categories considered, except clothing and certain consumer goods;
- (vi) Whereas the increase in industrial country imports of manufactures from developing countries consists mainly of finished consumer goods and certain semi-manufactures, the largest part of the increase in their exports to the developing countries is made up of capital goods and, to a lesser extent, intermediate products required as inputs in the manufacturing sector of the developing countries;

- (vii) There is a close link between the rate of growth of the developing countries' imports of manufactures and that of their export earnings;
- (viii) Those developing countries with a higher share of manufactures in their exports have generally been more successful in increasing their per capita incomes than those countries heavily dependent on exports of primary products. They also appear to have been better able to weather the post-1973 international economic recession;
- (ix) Trade among developing countries appears to have played an increasingly important rôle since 1973, accounting for an increased share of total developing country exports of manufactures. The product composition of this intra-developing country trade tends to be more diversified than that of their exports to the industrial countries.

35. Although the use of protectionist measures both generally and against developing countries pre-dates the present period of economic recession, the problems of market access have been accentuated in recent years by the recession and the associated stagnation of demand, unused capacity in a number of sectors and levels of unemployment which have been historically high for most industrial countries. In some sectors, it may be that problems are being compounded by changes in input costs and inadequate adjustment. While in a period of recession and economic uncertainty, adjustment is more difficult than in a period of expansion, the question that would seem to arise is whether the policies that are being followed are facilitating or impeding and delaying the process of adjustment and tending to exacerbate the problems in the longer term.

36. In a sense of course, the problem of protectionism vis-à-vis developing countries is part of the more general problem of protectionism, which is also tending to affect trade among the industrial countries. But it may have certain psychological and political aspects of its own, particularly as developing country suppliers tend to be regarded as newcomers in many markets. The important link between the maintenance of a relatively open market and the development of trade flows to the developing countries may not always be recognized in part because trading patterns between developed and developing countries are more likely to be specialized along inter-industry rather than intra-industry lines. This may also lead to the problem of labour adjustment being seen in a different light.

37. Members of the Committee may wish to consider the various issues covered by this note with a view to making comments and suggestions which could contribute to finding solutions to the problems which have recently been arising.

ANNEX

Table I	Product structure of oil-importing developing countries' exports of manufactures in 1963, 1973 and 1976
Table II	Oil-importing developing countries' exports of manufactures to industrial countries, by major product groups, in 1963, 1973 and 1976
Table III	Trade flows among developing countries in 1963, 1973 and 1976
Table IV	Increase in the value of industrial countries' exports to and imports from developing countries, 1963-1973 and 1973-1976

TABLE I- PRODUCT STRUCTURE OF OIL-IMPORTING
DEVELOPING COUNTRIES' EXPORTS OF MANUFACTURES
IN 1963, 1973 AND 1976^a
(Billions of US dollars, f.o.b.; percentages)

Product group	Non-European oil-importing developing countries			Southern European developing countries ^b		
	1963 ^c	1973	1976 ^c	1963	1973	1976
<u>ALL MANUFACTURES</u>	3.2	23.1	42.3	0.9	7.2	11.9
<u>Semi-manufactures</u>						
Textiles	60	42	35	48	40	38
Iron and steel	33	17	14	18	12	9
Plywood and paper	4	4	4	7	9	9
Other	3	4	2	2	2	2
	20	17	15	21	17	18
<u>Engineering products</u> ^d	13	25	30	31	35	39
Industrial machinery	4	5	6	10	9	12
Office, telecommunications and other electrical equipment ^e	7	17	18	8	12	13
Transport equipment	2	3	5	12	14	14
<u>Other finished products</u>	27	33	36	21	25	33
Clothing	9	17	19	5	8	7
Footwear, toys, leather goods and miscellaneous finished products	18	16	17	16	17	16

^a Generally excluding re-export.

^b Excluding Romania.

^c Estimates.

^d Including power equipment.

^e Including metal manufactures and scientific instruments.

Sources: GATT, Network of World Trade, and national statistics.

TABLE II - OIL-IMPORTING DEVELOPING COUNTRIES' EXPORTS OF MANUFACTURES TO INDUSTRIAL COUNTRIES, BY MAJOR PRODUCT GROUPS, IN 1963, 1973 AND 1976^a

(Percentage shares of total exports in each product group)

Product group	Non-European oil-importing developing countries		Southern European developing countries			
	1963 ^c	1973	1976 ^c	1963	1973	1976
	ALL MANUFACTURES					
Semi-manufactures	51	64	62	51	61	53
of which:						
Textiles	55	57	53	64	64	55
Engineering products	47	54	45	69	70	66
of which:						
Office, telecommunications and other electrical equipment ^d	22	60	56	22	48	42
Other finished products	50	67	64	14	56	49
of which:						
Clothing	56	76	77	61	72	68
	70	84	85	75	79	75

^a Excluding re-exports generally.

^b Excluding Romania.

^c Estimates.

^d Including metal manufactures and scientific instruments.

TABLE III
TRADE FLOWS^a AMONG DEVELOPING COUNTRIES IN 1963, 1973 AND 1976
(Billions of US dollars, f.o.b.)

Origin	Year	Destination			
		Non-European oil-importing developing countries	Oil-exporting developing countries	Southern European developing countries	All developing countries
Non-European oil-importing developing countries	1963	3.9	0.4	0.6 ^c	4.9
	1973	11.5	2.3	2.6 ^c	16.4
	1976	21.2	6.1	3.5 ^c	30.8
Oil-exporting developing countries	1963	2.0	0.1	0.3 ^c	2.4
	1973	8.0	0.3	1.8 ^c	10.1
	1976	25.1	0.4	6.3 ^c	31.8
Southern European developing countries ^b	1963	0.4	0.1	0.1	0.6
	1973	1.6	0.5	0.6	2.7
	1976	2.2	1.6	0.7	4.5
Total	1963	6.3	0.6	1.0	7.9
	1973	21.1	3.1	5.0	29.2
	1976	48.5	8.1	10.5	67.1

^aBased on exports, excluding re-exports.

^bExcluding Romania.

^cEstimated.

Source: GATT, Network of World Trade, and national statistics.

TABLE IV - INCREASE IN THE VALUE OF INDUSTRIAL COUNTRIES' EXPORTS
TO AND IMPORTS FROM DEVELOPING COUNTRIES, 1963-1973 AND 1973-1976

	1963-73		1973-76	
	Increase in exports \$ billions (f.o.b.)	Increase in imports \$ billions (c.i.f.)	Increase in exports \$ billions (f.o.b.)	Increase in imports \$ billions (c.i.f.)
Iron and steel	4.3	0.9	4.0	0.6
Chemicals	7.1	1.0	6.6	0.8
Plywood and paper	0.8	0.9	0.7	0.0
Other semi-manufactures	1.8	1.9	2.5	1.0
Agricultural and industrial machinery	4.3	0.2	6.4	0.1
Machine parts n.e.s.	4.4	0.1	7.9	0.2
Office and telecommunications equipment	3.0	1.4	3.3	1.3
Power generating machinery	2.9	0.4	5.3	0.6
Other engineering products and scientific instruments	3.4	0.7	6.0	0.7
Road motor vehicles	4.2	0.3	8.8	0.4
Other transport equipment	3.3	0.4	5.7	0.1
Household appliances	1.8	1.2	2.2	1.4
Textiles	2.3	2.1	1.4	1.0
Clothing	0.3	3.7	0.4	4.3
Other consumer goods	1.5	2.8	2.2	2.6
Total manufactures	45.4	17.9	63.4	14.9
				23

Source: UN, Commodity Trade Statistics.