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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. A detailed examination of trends in the trade of developing countries in 1977 can be found in the GATT publication "International Trade 1977/78". The following paragraphs focus on developments in the trade and payments position of developing countries in 1978 on the basis of information generally of a preliminary nature available for the first half of the year.
2. Export earnings of the oil-exporting developing countries were slightly lower in January-June 1978 than in the first half of 1977, the volume of petroleum exports having dropped by around 10 per cent between the two periods. There have been two major reasons for the decline: first, the continued relatively low level of economic activity in industrial areas and, second, the growing share of the world oil market supplied by other producers.
3. The value of imports into the oil-exporting developing countries can be estimated to have increased by nearly 20 per cent between January-June 1977 and the first half of the current year, a considerably lower rate than in previous years. In particular the deceleration of import volume growth in the lower-income oil-exporting developing countries, already noticed in 1977, appears to have continued in 1978.
4. Despite the slowdown in import growth, the trade surplus of the oil-exporting developing countries was considerably reduced in the first half of 1978.
5. Exports from the oil-importing developing countries had increased by 16 per cent in 1977, reflecting, among other things, the significant price rises for tropical beverages during the first half of the year. Developments during the first half of 1978 suggest, however, that for the whole of this year the growth of their export earnings will be considerably lower than in 1977.

6. The average level of export prices of non-fuel primary products exported by developing countries during the first half of 1978 was about 9 per cent lower (in dollar terms) than in the corresponding period of 1977. This decline was due largely to the strong downward movement in prices of tropical beverages as supplies had recovered from their marked fall in the preceding season. Export prices of non-fuel minerals and non-ferrous metals exported by developing countries were also lower in the first half of 1978 as compared with their level in the first half of 1977, reflecting the continuous weakness of demand in industrial countries. (See Table 1 and, for detail on prices of individual commodities, Table 2.)
7. Exports of manufactures in dollar terms during the first half of 1978 by the oil-importing developing countries appear to have substantially exceeded exports during the same period of 1977. However, available data for the first half of the year, as well as the uncertainty about developments during the second half, do not make it possible to say at this stage whether the growth rate of developing countries' exports of manufactures in US dollars will reach or exceed the 18 per cent recorded in 1977. (In volume terms the growth in 1977 can be estimated to have represented about one half of the rise in value).
8. Imports into the oil-importing developing countries had risen by 12 per cent in 1977, reflecting mainly increased prices. In the first half of 1978 the value of their imports rose at a somewhat faster pace than in 1977. The rise of import prices in dollar terms can be estimated to have been of about the same order of magnitude as in 1977, but in volume terms there was some speeding up especially in the countries which had recorded a faster rise of export earnings in 1977.
9. As a result of these developments, the merchandise trade deficit of oil-importing developing countries widened considerably in January-June 1978 as compared with the corresponding period of 1977.
10. On the basis of developments during the first half of 1978, a provisional estimate of current account balances (goods and services and private transfers) by major areas for the whole of the year is shown in Table 3.¹ For the oil-exporting developing countries their surplus on current account is likely to be sharply reduced, from \$35 billion in 1977 to \$20 billion in 1978. Southern European countries are likely to see their current account deficit diminish only slightly, to \$8 billion, reflecting mainly the stagnation in their imports. The other developing countries could be expected to incur a wider deficit, of some \$30 billion (as compared with \$22 billion in 1977) basically for the reasons summarized in paragraphs 6-8 above. On the other hand, the industrial areas taken together are expected to experience a significant improvement in the level of their current account balances in 1978 after registering a decline over the previous three-year period.

¹Data up to 1977 and forecasts for 1978 are those of the IMF. The figures exclude official transfers.

11. The above summary would seem to broadly confirm a continuation of the 1977 situation referred to in the GATT publication "International Trade 1977/78" to the effect that by sustaining the growth in their levels of imports into 1978, developing countries are making a significant contribution to economic activity in developed countries. However, as the payment deficits of the oil-importing developing countries again widen, the maintenance of this situation will depend increasingly on relatively good earnings for developing countries from primary products, open markets for their manufactured exports and on the basis of the preceding two conditions, liberal access to international credit.

TABLE 1
DEVELOPING COUNTRIES' EXPORT PRICES OF PRIMARY PRODUCTS 1975-1978

(Indices 1970 = 100)

	Food (including fats and oils)	Agricultural raw materials	Minerals ^a and non-ferrous metals	Primary products ^b (excluding fuels)	Fuels	All primary ^b products
1975	220	175	285	228	588	372
1976	229	218	291	243	616	392
1977	299	230	311	288	675	443
1976 Q1	204	199	284	224	628	386
Q2	231	212	295	244	610	390
Q3	235	227	298	250	612	395
Q4	246	235	286	254	615	398
1977 Q1	299	239	317	292	668	442
Q2	331	234	315	307	670	452
Q3	290	227	308	282	680	441
Q4	275	220	308	273	680	436
1978 Q1	276	232	306	275	678	436
Q2	270	240	302	272	676	434

^aExcluding fuels

^bIncluding non-ferrous metals

Note: The indices are computed in US dollars and they are based to a large extent on price quotations.

Source: UN, Monthly Bulletin of Statistics

TABLE 2/TABLIKAU 2
World Export Prices of Selected Primary Products/
Prix mondiaux à l'exportation de certains produits primaires
(Indices: 1970 = 100)

	1976				1977				1978					
	I	II	III	IV	I	II	III	IV	I	II	III	IV		
Wheat/Blé	201	296	258	178	247	239	219	190	182	177	168	185	197	211
Rice/Riz	192	321	231	179	176	170	167	157	152	175	176	215	241	223
Maize/Mais	155	196	191	164	168	182	197	182	179	170	147	160	176	182
Coffee/Café	125	132	147	280	198	272	298	353	501	556	432	371	353	316
Tea/Thé	100	130	133	145	123	137	156	156	234	326	232	211	210	191
Cocoa/Cacao	166	251	217	292	225	268	306	370	462	500	571	582	503	521
Beef/Viande de boeuf	177	157	157	163	161	171	166	175	179	181	186	195	215	220
Sugar/Sucre	205	579	410	237	283	278	216	172	136	192	165	165	185	172
Wine/Vin	180	172	173	164	162	154	152	158	162	162	162	170	180	186
Fish/Poisson	189	234	210	250	226	241	264	270	255	278	303	323
Oilseed cake and meals/Tourteaux et farines d'oléagineux	276	186	166	198	172	189	221	212	255	280	204	205	...	214
Fruit/Fruits	165	173	226	210	203	217	209	212	194	244	285	294	265	290
Olive oil/Huile d'olive	196	302	328	317	335	309	315	303	325	325	310	325	343	327
Copra/Coprah	153	312	118	126	94	103	147	161	193	220	160	170	187	197
Coconut oil/Huile de coco	144	317	124	125	101	109	141	149	180	211	143	154	176	189
Groundnuts/Arachides	160	221	191	178	166	170	176	197	221	244	220	287	227	263
Groundnut oil/Huile d'arachide	144	284	225	194	191	177	186	224	239	247	244	280	348	386
Palm kernels/Amandes de palme	154	382	123	137	104	122	151	163	202	241	163	159	190	214
Palm-kernel oil/Huile de palme	137	312	128	130	107	112	145	157	186	227	159	167	194	205
Palm-oil/Huile de palme	146	258	165	155	140	141	170	171	196	245	177	176	201	233
Soya beans/Fèves de soya	221	233	188	198	162	186	223	220	258	314	193	196	210	241
Soya bean oil/Huile de soya	162	297	209	157	137	138	176	176	176	247	176	168	193	229
Cottonseed oil/Huile de coton	145	285	204	174	189	159	179	170	179	229	160	160	175	208
Wool/Laine	353	249	284	231	217	222	234	250	252	244	239	247	247	248
Cotton/Coton	197	241	192	255	227	238	272	282	286	275	235	211	225	237
Jute	107	122	136	116	117	115	112	120	124	126	128	132	159	158
Sisal	332	680	480	404	403	403	403	407	403	403	401	365	359	354
Lumber/Bois d'oeuvre	214	225	200	233	216	226	240	249	255	261	260	250	265	271
Tobacco/Tabac	119	141	170	183	180	182	184	186	192	196	196	199	204	202
Rubber/Caoutchouc	168	176	136	192	171	200	195	201	200	194	202	217	217	222
Hides and skins/Cuir et peaux	226	180	145	217	190	225	236	219	243	248	238	232	259	276
Bauxite	108	149	268	270	257	263	279	280	273	310	269	256	233	233
Iron ore/Mineral de fer	120	166	225	233	225	232	233	242	232	229	235	239	241	241
Aluminium	91	124	141	152	143	145	157	162	160	179	187	187	186	186
Copper/Cuivre	125	146	88	100	89	108	111	93	103	99	87	88	91	94
Lead/Plomb	139	197	138	149	117	158	165	158	201	205	181	197	197	186
Tin/Étain	129	220	186	205	180	203	219	220	272	268	301	341	306	298
Zinc	224	326	234	248	245	236	254	237	248	220	203	193	186	193

excluding the Eastern Trading Area/A l'exclusion des pays de l'Est

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

TABLE 3
CURRENT BALANCES,^a 1971-1978

(Billion dollars)

	Annual average 1971-1973	1974	1975	1976	1977	1978
Industrial areas	16.5	-6.0	24.0	5.5	-0.5	(12)
Southern Europe ^b	1.0	-7.5	-8.0	-8.5	-9.0	()
Oil-exporting developing countries	3.5	68.0	34.0	41.0	35.0	(20)
Other developing countries	-10.0	-30.0	-38.0	-25.0	-22.0	(-30)
Eastern trading area ^c	-0.5	-4.0	-10.5	-7.0	-2.5	

^aBalance of goods, services and private transfers.

^bIncludes Greece, Portugal, Spain, Turkey and Yugoslavia.

^cTrade balances (exports f.o.b. minus imports f.o.b.), taken from foreign trade statistics

Note: Data for 1978 are provisional estimates.

Sources: IMF, International Financial Statistics and Annual Report; for the Eastern trading area, national statistics and trading partners' returns.