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PROTECTIONISM AND RECENT TRENDS IN THE TRADE OF DEVELOPING COUNTRIES

Note by the Secretariat

1. At its last session, the Committee examined the question of trade protectionism as it was affecting the trade of developing countries on the basis of a secretariat background note entitled "Protectionism and Recent Trends in the Trade of Developing Countries with Particular Reference to Trade in Manufactures" (COM.TD/W/272), which provided an overview of the changing pattern of developing country trade in manufactures, having regard to areas where recent protectionist pressures had been most evident. Among the general points that emerged from the note were the growing but still relatively low share of developing countries in world trade in manufactures; the much greater and increasing share of developing countries in world imports of manufactures; the growing surplus of the industrial countries in their manufactures trade with the developing countries; and the close link between the rate of growth of the developing countries' imports of manufactures and that of their export earnings. The point was also made that the use of protectionist measures both generally and against developing countries pre-dates the present period of economic recession. However, the problems of market access appeared to 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. While in a period of recession and economic uncertainty, adjustment is more difficult than in a period of expansion, the question that seemed to arise was whether the policies being followed were facilitating or impeding and delaying the process of adjustment and tending to exacerbate the problem in the longer term.

2. In the course of the Committee's discussion¹ of this matter, a number of points were made concerning the mutuality of trade interests between developed and developing countries and the extent and level of dependence of different

¹COM.TD/100, paragraphs 19-26

manufacturing sectors in the industrial countries on the markets of the developing countries as a whole, as well as on the problems relating to the magnitude and nature of the adjustment process involved. Reference was also made to the effects of protectionism on trade in agricultural products.

3. Since that discussion, GATT Study in International Trade No. 6, entitled "Adjustment, Trade and Growth in Developed and Developing Countries", was made available to contracting parties in September 1978. Section B of Chapter I of the Study examines for the industrial countries as a whole as well as for each major group of industrial countries (North America, EEC and EFTA, and Japan) the importance of trade with developing countries in a fifteen-category division of manufacturing trade.¹ The point is made that imports from developing countries accounted for about 2 per cent of apparent consumption of manufactures in industrial countries in 1976, the highest shares of 3.2 per cent and 8.6 per cent being for textiles and clothing respectively; and that in 1976 each of the main industrial areas sold more manufactured goods to the developing countries than to the other two industrial areas combined.

4. The note also examines the empirical work that has been done on estimating the effect on employment of increased imports and concludes that the job displacement effect of increased imports is typically quite small relative to other regular developments which give rise to concerns about an adequate supply of new jobs, and that the job displacement effect of imports from developing countries is very small relative to the (already small) job-displacement effect of total imports.² In addition, it points to the need to take into account the new jobs generated in export industries from the additional foreign exchange available to countries supplying the increased imports. The Study also discusses the various reasons why there is often disproportionate concern with imports and takes up the issue as to whether imports from developing countries can be considered to be relatively more "disruptive" than imports from developed countries.³

5. The Study describes on the basis of available data the important rôle played by developing countries in sustaining and increasing demand for a wide range of manufactures in the industrial countries, particularly in the

¹Additional statistical information on industrial countries' imports and exports of manufactures from and to the major developing country groups is presented in Appendix Tables I, II and III of the Study, and also in the recently published statistical paper, "Networks of World Trade by Areas and Commodity Classes 1955-76" (GATT Study in International Trade No. 7).

²Pages 72-75, GATT Study in International Trade, No. 6.

³Pages 76-80, GATT Study in International Trade, No. 6.

period 1973-1976, when their share of industrial countries' increased exports rose to 37 per cent (compared to 21 per cent in 1963-1973) whereas their share in the industrial countries' increased imports was 13 per cent (10 per cent in the earlier period). This point is further examined in the secretariat report International Trade, 1977/78, which emphasizes the significant contribution that steady economic and trade growth in the developing countries has made as a stabilizing force in the world economy in recent years.¹ Available information indicates that in 1977, the growth rate of industrial countries' exports to the developing countries again exceeded that of their inter-trade.

6. More recent information on the trade and payments situation of developing countries contained in document COM.TD/W/281 suggests that the trade and payments deficit of the oil-importing developing countries after showing some reduction in its level in 1977 is likely to increase appreciably in 1978.

7. The Committee may wish to take the above additional points into account in any further consideration of the problem of protectionism in relation to the interests of developing countries at its forthcoming meeting.

¹The main conclusions of International Trade 1977/78 were released in GATT Press Release 1218. The section entitled "Changes in the pattern of trade expansion" (pages 9-11) examines the increased importance of the developing countries in the manufactures trade of industrial countries.