

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/314  
2 July 1980

Limited Distribution

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Committee on Trade and Development  
Forty-First Session  
10-11 July 1980

## DEVELOPMENTS IN INTERNATIONAL TRADE WHICH HAVE A BEARING ON THE TRADE AND PAYMENTS POSITION OF DEVELOPING COUNTRIES

### Note by the Secretariat

1. The Committee regularly reviews developments in international trade which have a bearing on the trade and payments position of developing countries. The first part of this note, intended to assist the Committee in its review, presents a brief summary of developments in the trade and payments of developing countries in 1979 and, on the basis of fragmentary and preliminary data, in the early months of 1980. The second part of the note deals with developments during the 1970s. The aim of examining the factors underlying the upheavals in the world economy and world trade, and their impact on developing countries in the past decade, is to contribute to the discussion and understanding of current trade and payments issues.

#### PART I: SUMMARY OF DEVELOPMENTS IN 1979 AND THE EARLY MONTHS OF 1980

2. In 1979, the export earnings of OPEC countries are estimated to have increased by more than 40 per cent, exceeding for the first time \$200 billion. The bulk of this increase resulted from higher prices for petroleum. Production of crude petroleum in the OPEC countries, following a decline in the preceding year, recovered by about 2<sup>1</sup>/<sub>2</sub> per cent in 1979 remaining, however, below its 1977 level. The value of imports into the OPEC countries, the growth of which had already decelerated to 15 per cent in value in 1978, levelled off in 1979<sup>1</sup>, implying a strong fall in volume.

3. The current account surplus of the OPEC countries, which had declined to \$6 billion in 1978, expanded sharply to about \$60 billion in 1979. Even on the assumption that there will be no further increase in prices during the second half of this year, it can be estimated that world export prices of petroleum for the whole of 1980 will be around 60 per cent higher than in 1979.<sup>2</sup> The

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<sup>1</sup>In 1979, the value of imports declined by about one-half in Iran, by nearly one-quarter in Nigeria, by 15 per cent in Venezuela and by 5 per cent in Algeria. The decline for the whole of 1979 resulted from the strong downward movement in the value of imports during the first half of the year, which was only partly offset during the second half.

<sup>2</sup>During the first quarter of 1980, the UN index of world export prices of crude petroleum shows an increase of 110 per cent over the corresponding period of 1979.

current account surplus of the OPEC countries is estimated to rise substantially, to perhaps \$115 billion, in 1980.

4. In the other developing countries, taken together, agricultural production increased by only 1 per cent in 1979. Apart from 1973, when there was no increase at all, 1979 thus witnessed the slowest growth recorded in the agricultural production of developing countries in two decades, implying a decline on a per capita basis. Manufacturing production, which had increased by about 6 1/2 per cent in 1978, can be estimated to have risen at roughly the same rate in 1979.

5. The rate of inflation, which had decelerated to 25 per cent for developing countries as a whole in 1978, rose again in 1979, reaching about 33 per cent in the fourth quarter of the year (as compared with the corresponding period of 1978). The rate of unemployment remained high, or increased further, in most developing countries.

6. Export earnings of non-OPEC developing countries increased by an estimated 28 per cent in 1979, as compared with 10 per cent in the preceding year, reaching roughly \$200 billion. The value of imports, after an increase of 19 per cent in 1978, rose in 1979 at roughly the same rate as exports and can be estimated at \$255 billion.

7. The acceleration in the dollar value of both exports and imports in 1979 was largely due to price developments. Prices of non-fuel primary products exported by developing countries, which had shown a declining trend in 1977 and the first three quarters of 1978, moved upwards between the last quarter of 1978 and the last quarter of 1979. (See Table 1) For the whole of 1979 they averaged

TABLE 1 - PRICES OF PRIMARY PRODUCTS EXPORTED BY DEVELOPING COUNTRIES AND EXPORT UNIT VALUES OF MANUFACTURES OF DEVELOPED COUNTRIES, 1976-1980

(Indices, 1975 = 100).

	Food <sup>a</sup>	Agricultural raw materials	Minerals <sup>b</sup> & non-ferrous metals	Primary products (excluding fuels)	Fuels	Manufactures
1976	115	128	108	113	106	101
1977	160	137	116	135	116	109
1978	139	154	120	137	117	126
1979	148	188	169	159	165	142
1978 Q1	143	141	116	136	117	119
Q2	140	146	117	136	117	122
Q3	133	159	121	135	117	128
Q4	140	170	126	142	117	133
1979 Q1	134	172	139	142	124	136
Q2	142	185	159	153	151	137
Q3	154	198	177	166	178	146
Q4	159	196	200	174	207	150
1980 Q1	163	217	241	188	253	153

<sup>a</sup>Including feedingstuffs, beverages and tobacco.

<sup>b</sup>Excluding fuels.

Note: The indices are computed in US dollars.

Source: UN, Monthly Bulletin of Statistics.

16 per cent more than in 1978, due to increases of 40 per cent for the sub-group non-fuel minerals and non-ferrous metals and a 22 per cent increase for agricultural raw materials. Foodstuff prices increased by 6 per cent. The marked increases in the dollar prices of non-ferrous metals and other raw materials in 1979 was due, apart from the relative strength of demand for current production in most industrial countries, to the pronounced rise in stockbuilding in Western Europe and Japan, and also to hedging against inflation, especially towards the end of the year. On the import side, prices of fuels can be estimated to have risen by roughly 40 per cent in 1979, following a marginal rise in the preceding year. Unit values of exports of manufactures from the developed countries, which had increased some 16 per cent in 1978, rose by about 13 per cent in 1979. The terms of trade of the non-OPEC developing countries, declined in 1979 for the second consecutive year. But whereas in 1978 the decline resulted essentially from the faster increase in prices of manufactures imported by the non-OPEC developing countries as compared with their export prices of primary products, in 1979 the deterioration resulted primarily from the sharp increase in their import prices of fuels.

8. During the first quarter of 1980, prices of primary products (excluding fuels) exported by the non-OPEC developing countries continued to move upwards. Preliminary indications suggest, however, that during the second quarter of 1980 prices of primary products exported by these countries declined reflecting partly the onset of recession in some industrial countries, particularly in the United States and the United Kingdom.

9. Price movements by broad categories conceal wide variations between individual primary commodities of major interest to developing countries (see Table 2). In particular, even when the average level of non-fuel primary products exported by developing countries was rising, there was a decline in export prices of rice, tea, cocoa, fishmeal, groundnuts and groundnut oil in 1979 (as compared with 1978), and of cocoa, oilseed cake, oilseeds, vegetable oils and jute in the first quarter of 1980 (as compared with the corresponding period of 1979).

10. In volume terms, the growth rate of both imports and exports of manufactures exceeded significantly that of primary products. Imports of manufactures into the non-OPEC developing countries coming from industrial countries, their main suppliers<sup>1</sup>, can be estimated to have increased by about 7 per cent in 1979. Although in relative terms exports of manufactures to the industrial countries, their main markets<sup>2</sup>, expanded at a somewhat faster rate than imports from them, the net import surplus of manufactures of the non-OPEC developing countries in their trade with the industrial countries continued to grow, from \$56 billion in 1978 to an estimated \$64 billion (in f.o.b. terms) in 1979.

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<sup>1</sup>Industrial countries supplied in 1978 about 80 per cent of total imports of manufactures into the non-OPEC developing countries.

<sup>2</sup>Industrial countries absorbed in 1978 about 63 per cent of total exports of manufactures from the non-OPEC developing countries.

TABLE 2 - WORLD<sup>a</sup> EXPORT PRICES OF SELECTED PRIMARY COMMODITIES AND EXPORT UNIT VALUE OF MANUFACTURES OF DEVELOPED COUNTRIES, 1976-1980

(Indices, 1975 = 100)

	1976	1977	1978	1979	1978				1979				1980
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Wheat	86	64	77	96	72	77	77	82	84	92	103	106	102
Maize	102	113	145	176	140	143	144	152	165	175	182	184	198
Rice	72	78	98	92	108	109	94	82	78	91	97	104	114
Coffee	200	350	228	242	261	233	207	211	189	223	280	276	254
Tea	112	200	159	158	168	154	151	165	159	150	150	173	170
Cocoa	161	308	259	243	253	276	277	303	260	250	234	229	234
Beef	105	114	142	178	138	142	143	161	176	176	177	182	179
Oilseed cake	129	152	157	152	134	139	133	145	152	157	152	146	138
Fishmeal	150	182	165	159	172	169	162	154	156	151	162	169	199
Fish	131	147	179	188	178	175	182	181	183	178	184	206	181
Sugar	57	40	39	48	41	37	36	41	40	40	46	66	95
Soyabeans	105	127	123	137	114	132	119	129	135	141	140	131	126
Copra	108	158	184	263	158	167	188	225	265	282	268	236	217
Groundnuts	92	119	134	122	121	141	136	139	134	127	121	106	106
Soyabean oil	75	97	104	113	95	111	106	106	110	111	119	111	98
Palm oil	94	121	138	156	124	136	148	146	163	161	155	144	154
Groundnut oil	88	108	140	114	124	145	139	151	125	110	113	99	95
Coconut oil	100	139	169	238	142	152	174	208	227	268	255	203	198
Palm kernel oil	106	151	179	246	158	167	174	215	235	262	264	224	208
Cotton	132	127	125	133	115	122	126	134	131	131	134	136	153
Wool	109	118	123	139	119	121	125	126	133	134	146	143	145
Sisal	73	81	78	105	80	78	78	77	77	94	123	128	128
Jute	83	89	110	111	114	109	105	110	110	113	118	104	107
Natural rubber	138	146	177	227	155	164	185	203	202	235	235	236	275
Tobacco	102	111	118	130	115	114	120	122	127	128	130	135	134
Iron ore	97	92	85	102	83	85	87	94	95	99	106	107	117
Copper	114	106	111	161	101	106	114	122	153	160	159	172	212
Aluminium	104	131	149	173	148	142	150	157	160	166	182	185	196
Lead	108	148	162	276	148	140	162	196	250	283	286	286	265
Zinc	98	82	81	102	71	76	84	90	101	107	101	102	110
Tin	112	159	188	223	173	170	192	219	212	222	223	237	243
Fuels	106	116	117	164	117	117	117	117	124	147	178	207	253
Manufactures	101	109	126	142	119	122	128	133	136	137	146	150	153

Note: The indices are computed in US dollars.

<sup>a</sup>Excluding the Eastern trading area.

Source: UN, Monthly Bulletin of Statistics.

11. The deficit on current account (goods, services and private transfers) of the non-OPEC developing countries had increased in each of the preceding two years, to \$36 billion in 1978 and \$50 billion in 1979. It is forecast to reach a new peak of nearly \$70 billion in 1980, under the combined impact of a further decline in their terms of trade and the expected slowing down of industrial countries' import demand in the course of the year. Clearly, of course, a deficit of this magnitude can materialize only if the financing of it is secured. Some of the problems related to the financing of this deficit are discussed at the end of Part II.

## PART II: DEVELOPMENTS IN THE 1970S

12. This review presents preliminary findings of research still underway in the secretariat. The experience of the developing countries, between 1973 and 1978, is thought to be of particular relevance at the beginning of the 1980s, when

developing countries are faced again with prospects of recessionary trends in the world economy and a further rise in energy prices.

#### A. OPEC COUNTRIES

13. In the OPEC countries, the growth of gross domestic production in real terms slowed down from 8 per cent on average per year between 1963 and 1973 to 5 per cent between 1973 and 1978 (see Table 3), due exclusively to the stagnation since 1973 of production and exports of petroleum.

TABLE 3. - REAL GROWTH OF DOMESTIC PRODUCTION,  
EXPENDITURE AND TRADE IN OPEC COUNTRIES,  
1963-1973 AND 1973-1978<sup>a</sup>

	1963-1973	1973-1978
	(Annual average percentage change)	
<u>Gross domestic production</u>	<u>8</u>	<u>5</u>
<u>Domestic expenditure</u>	<u>6</u>	<u>16</u>
- Fixed investment	10	20
- Consumption	4	14
Exports <sup>b</sup>	9	-
Imports <sup>b</sup>	7	19

<sup>a</sup>Growth rates are based on rough estimates at constant 1975 prices. They should be considered as indicating mere orders of magnitude.

<sup>b</sup>Goods and services.

Sources: United Nations, Yearbook of National Accounts Statistics, 1978; and national statistics.

14. The growth in the volume of imports accelerated from 7 per cent on average per year in the former period to 19 per cent in the latter as a result of the sharp rise in their terms of trade. Therefore, in contrast with the deceleration in production growth, domestic expenditure in real terms expanded between 1973 and 1978 at 16 per cent on average per year, as compared with 6 per cent in the preceding decade. There was a strong acceleration in the growth of both consumption and capital formation, the latter having expanded by about one-fifth on average per year between 1973 and 1978.

#### B. OTHER DEVELOPING COUNTRIES

##### 1. The growth and pattern of domestic expenditure in real terms<sup>1</sup>

15. The aggregate gross domestic production of non-OPEC developing countries increased in real terms in 1973-1978 at a rate of 5 per cent on average per year, slightly slower than during the previous decade.

<sup>1</sup>Throughout this sub-section, movements in production and expenditure are measured in real terms.

16. The maintenance of the developing countries' aggregate production growth in spite of strains which the world economy has experienced since 1973 was made possible by a sharply increased volume of external borrowing, and important changes in the structure of domestic economic activity. Some of these changes, and their implications, are identified below.

17. In the non-OPEC developing countries, the growth of domestic expenditure decelerated more than that of production (from  $5\frac{1}{2}$  per cent yearly between 1963 and 1973 to  $4\frac{1}{2}$  per cent between 1973 and 1978)<sup>1</sup>, reflecting the faster growth in the volume of exports as compared with imports.

18. The deceleration in domestic expenditure growth was concentrated on consumption. The growth of aggregate consumption in the non-OPEC developing countries slowed down from an annual rate of 5 per cent in 1963-73 to  $3\frac{1}{2}$  per cent in 1973-78. On a per capita basis, consumption growth in these countries slowed down to 1 per cent per year between 1973 and 1978 (see Table 4), and was thus significantly less than in the industrial countries ( $2\frac{1}{2}$  per cent per year).

TABLE 4. - REAL GROWTH OF DOMESTIC PRODUCTION AND EXPENDITURE  
IN NON-OPEC DEVELOPING COUNTRIES AND INDUSTRIAL AREAS,  
1963-1973 AND 1973-1978<sup>a</sup>

	1963-1973	1973-1978
	(Annual average percentage change)	
<b>NON-OPEC DEVELOPING COUNTRIES:</b>		
<u>Gross domestic production</u>	<u>5½</u>	<u>5</u>
<u>Domestic expenditure</u>	<u>5½</u>	<u>4½</u>
- Fixed investment	6½	6½
- Consumption	5	3½
(Per capita consumption)	(2½)	(1)
<b>INDUSTRIAL AREAS:</b>		
<u>Gross domestic production</u>	<u>5</u>	<u>2½</u>
<u>Domestic expenditure</u>	<u>5</u>	<u>2</u>
- Fixed investment	6	½
- Consumption	5	3½
(Per capita consumption)	(4)	(2½)

<sup>a</sup>Growth rates are based on rough estimates at constant 1975 prices. They should be considered as indicating mere orders of magnitude.

Sources: United Nations, Yearbook of National Accounts Statistics, 1978; and national statistics.

19. By restraining consumption, the non-OPEC developing countries were able to maintain an annual growth of  $6\frac{1}{2}$  per cent in capital formation between 1973 and 1978.

20. A relevant issue here is the composition of investment, capital formation in the form of buildings and infrastructure being largely supplied by domestic producers whereas machinery and transport equipment are mostly imported. Preliminary

<sup>1</sup>Foreign trade is discussed in greater detail in sub-section 2 below.

estimates suggest that (a) between 1973 and 1978 investment in machinery and transport equipment increased in developing countries at least as fast as investment in buildings and infrastructure, and (b) for machinery and transport equipment the volume of imports increased more rapidly than domestic production of these goods.

21. The responses of individual countries to the changing conditions of the world economy after 1973 have varied widely, according to their size, their human and natural resources, the level of industrial development, their borrowing capacity, and so on. A systematic analysis by individual countries is beyond the scope of this note. However, there are indications that in the lowest-income developing countries the growth rate of capital formation was generally well maintained between 1973 and 1978 (as compared with the preceding decade), with practically no improvement in consumption per head over that period.

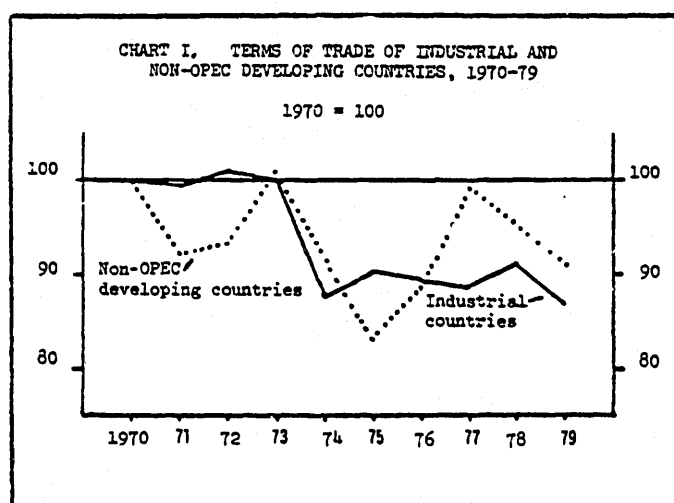
## 2. Merchandise trade: growth, product composition and share in world total

### (i) Growth of trade

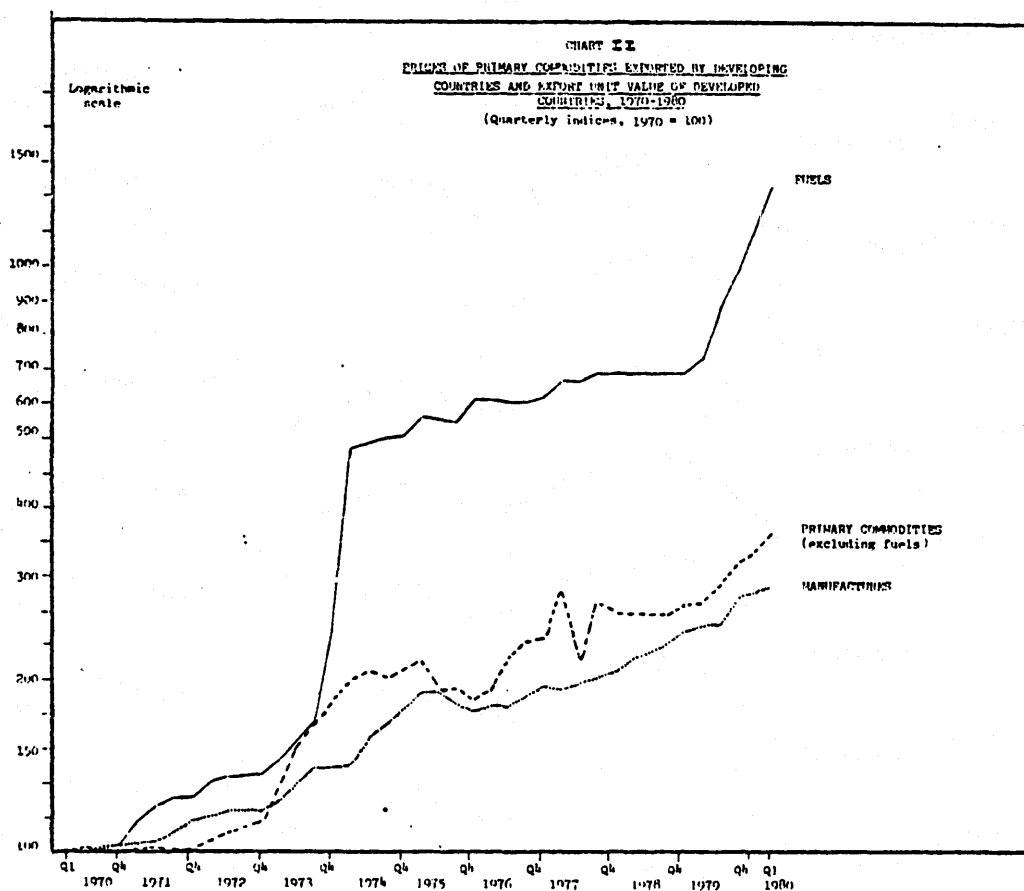
22. The volume growth of exports from the non-OPEC developing countries slowed down from about 6 per cent on average per year between 1963 and 1973 to roughly 4 per cent between 1973 and 1978. The fastest increase in both periods was recorded in the countries whose exports are heavily concentrated on finished manufactures. In the countries where unprocessed primary products and semi-finished manufactures (especially textiles) are the most important export items, the volume growth of exports was considerably lower than in the other non-OPEC developing countries throughout the period under review.

23. The deceleration in the volume growth of imports between 1973 and 1978 was even more pronounced. The growth in imports remained in most countries closely related to that of exports.

24. The terms of trade of the non-OPEC developing countries showed wide variations during the 1970s. After some decline in 1971 and a recovery in the subsequent two years, they fell sharply in 1974 and again in 1975. This was followed by a recovery in 1976 and 1977, but the terms of trade of the non-OPEC developing countries moved again downwards in 1978 and 1979 (see Chart I).



25. The decline in the terms of trade of the non-OPEC developing countries in 1971, 1975 and 1978 reflected the slower growth in their export prices of the non-fuel primary products as compared with the dollar unit values of their imports of manufactures from developed countries. The sharp deterioration in 1974 and in 1979 was due essentially to the strong increases in the price of petroleum. The improvements of 1972-73 and 1976-77 were due to the faster rise in the dollar prices of exports of primary products exported by developing countries as compared with both the prices of manufactures exported by developed countries and the price of petroleum. Over the whole decade, the rise in the export prices of non-fuel primary products exported by developing countries was roughly in line with the increase in the prices of manufactures exported by developed countries (see Chart II).



(ii) The product composition of trade

26. During the 1970s the shift in non-OPEC developing countries' exports from primary commodities to manufactures continued. In 1978, manufactures (valued at \$64 billion) accounted for more than 40 per cent of total exports, as against one-third (\$23 billion) in 1973 and only 14 per cent (\$3.4 billion) in 1963 (see Table 5). By contrast, the proportion accounted for by non-fuel primary products declined to 44 per cent (\$69.7 billion) in 1978 (as against 57 per cent (\$38.3 billion) in 1973 and 78 per cent (\$18.4 billion) in 1963), as a result of



declines in the share of each of the three main categories of non-fuel primary commodities (foodstuffs, agricultural raw materials and non-fuel minerals). Within each of these categories there were also important shifts, summarized below, reflecting widely divergent trends in demand for and supply of various products.

TABLE 5 - EXPORTS FROM NON-OPEC DEVELOPING COUNTRIES  
BY PRODUCT GROUPS, 1963, 1973, 1978

	Value (billion dollars)			Percentage shares		
	1963	1973	1978	1963	1973	1978
<u>All commodities</u>	23.50	67.40	157.00	100	100	100
Fuels	1.70	5.98	23.30	7	9	15
Other primary products	18.40	38.27	69.70	78	57	44
of which:						
Food <sup>1</sup>	10.64	22.05	46.50	45	33	29
Agricultural raw materials	4.72	7.69	11.00	20	11	7
Non-fuels minerals and non-ferrous metals	3.04	8.53	12.20	13	13	8
Manufactures	3.40	23.15	64.00	14	34	41

<sup>1</sup>Including feedingstuffs, beverages and tobacco.

Source: GATT, International Trade 1978/79 and Networks of World Trade.

27. Within foodstuffs (including feedstuffs, beverages and tobacco) the slowest growth in the value of exports between 1973 and 1978 was recorded for cereals, livestock products, sugar, oilseeds (including oilcakes and vegetable oils) (see Table 6). The combined share of these products in exports of all foodstuffs exported by developing countries declined from 44 per cent in 1973 to about

TABLE 6 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES'  
FOOD EXPORTS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
<u>Food</u> <sup>1</sup>	100	100	100
of which:			
Cereals	10	8	7
Livestock products	5	8	4
Sugar	15	13	10
Soyabeans and products	1	4	5
Palm oil	1	2	2
Other oilseeds and products	12	9	6
Fish	2	6	7
Bananas	3	2	2
Other fruit	3	3	3
Coffee	18	18	21
Cocoa	5	5	9
Tea	6	2	3
Tobacco	3	2	2

<sup>1</sup>Including feedingstuffs, beverages and tobacco.

Sources: GATT, International Trade 1978/79 and Networks of World Trade; FAO, Trade Yearbook.

one-third in 1978. For several of these products, such as sugar and meat, protection from imports in important foreign markets contributed to the overall sluggishness. For other products, mainly those where the bulk of production is consumed by the exporting countries domestically, the inadequate rise in supplies in the face of growing domestic demand was another contributory factor. The export value of some products, such as fish, which benefited from a strong world demand, increased faster than the average. The share of tropical beverages in the value of food exports from the non-OPEC developing countries also increased, from 25 per cent in 1973 to one-third in 1978, mainly reflecting a rise in prices.

28. Within agricultural raw materials (including forestry products), which were more affected in volume than foodstuffs by the slowing down of demand in the industrial countries since 1973, the proportion accounted for by rubber recovered between 1973 and 1978, without however regaining its level of the early 1960s (see Table 7). The share of cotton and other fibres in exports of agricultural raw materials continued to decline to less than one-quarter in 1978 (as against more than 40 per cent in 1963). The proportion accounted for by roundwood and sawnwood, which had grown rapidly until 1973, remained relatively stable thereafter.

TABLE 7 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES' EXPORTS OF AGRICULTURAL RAW MATERIALS, 1963, 1973, 1979

(Percentage shares)

	1963	1973	1978
<u>Agricultural raw materials</u>	100	100	100
of which:			
Rubber	28	19	22
Cotton	28	22	19
Other fibres	13	8	5
Roundwood	9	20	19
Sawnwood	3	8	9

Sources: GATT, International Trade 1978/79 and Networks of World Trade; FAO, Trade Yearbook and Yearbook of Forest Products.

29. Within the category of non-fuel minerals (including non-ferrous metals) the most notable shift between 1973 and 1978, reflecting mainly divergent price movements, was the decline in the share of copper ore and metal (from 41 per cent in 1973 to 28 per cent in 1978), while the proportion accounted for by tin ore and metal rose markedly (from 9 to 16 per cent). As can also be seen in Table 8, the share of iron ore in exports of non-fuel minerals increased slightly (from 14 to 15 per cent).

TABLE 8 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES'  
EXPORTS OF NON-FUEL MINERALS AND NON FERROUS METALS,  
1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
<u>Non-fuel minerals and non-ferrous metals</u>	100	100	100
of which:			
Iron ore	17	14	15
Copper ore	3	9	6
Copper	19	32	22
Bauxite	5	3	4
Aluminium	1	2	4
Tin ore	5	2	2
Tin metal	6	7	14
Phosphate rock	5	4	7

Sources: GATT, International Trade 1978/79 and Networks of World Trade; national trade statistics.

30. Within the broad category of manufactures exported by the non-OPEC developing countries, the most significant development was the continuous shift from semi-processed products, which in the 1960s had accounted for the largest part of the total, to finished manufactures, among which engineering products have now become the most important (see Table 9). The proportion accounted for by textiles declined to 12 per cent in 1978 (as against 17 per cent in 1973 and

TABLE 9 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES'  
EXPORTS OF MANUFACTURED GOODS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
<u>All manufactures</u>	100	100	100
of which:			
Textiles	31	17	12
Other semi-manufactures	32	27	24
Engineering products	13	26	33
Clothing	9	17	16
Other finished goods	15	14	15

Sources: GATT, International Trade 1978/79 and Networks of World Trade.

more than 30 per cent in 1963) and that of other semi-manufactures to 24 per cent (as compared with 27 per cent in 1973 and nearly one-third in 1963). By contrast, the share accounted for by engineering products, which had already doubled between 1963 and 1973 rose further, to one-third, by 1978. The proportion of clothing, which had also doubled in the preceding decade, declined slightly thereafter, from 17 per cent in 1973 to 16 per cent in 1978. The share of other finished goods was maintained at around 14-15 per cent throughout the last two decades.

31. Turning to the product pattern of imports into the non-OPEC developing countries, it can be seen from Table 10 that manufactures remained throughout the period the most important category, accounting for more than 60 per cent of the total. Fuels have now become the second most important category. These can be estimated to have represented about 22 per cent of total imports in 1979, as compared with 9 per cent in 1973. The share of other primary products has continued to decline, from one-quarter in 1973 to around 16-17 per cent in 1979, in spite of the sustained rise in the imports of foodstuffs.

TABLE 10 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES'  
EXPORTS OF MANUFACTURED GOODS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
<u>All manufactures</u>	100	100	100
of which:			
Textiles	31	17	12
Other semi-manufactures	32	27	24
Engineering products	13	26	33
Clothing	9	17	16
Other finished goods	15	14	15

Sources: GATT, International Trade 1978/79 and Networks of World Trade.

32. Within manufactures, the share of engineering products, by far the most important on the import side, has continued to grow, from 54 per cent in 1973 to 58 per cent in 1978 (see Table 11). The combined share of textiles, chemicals and other semi-manufactures declined slightly from 40 per cent in 1973 to 36 per cent in 1978. Other finished goods, the largest part of which are consumer goods, continued to represent only a minor part (6 per cent) of total imports in the 1970s.

TABLE 11 - COMMODITY COMPOSITION OF NON-OPEC DEVELOPING COUNTRIES'  
IMPORTS OF MANUFACTURED GOODS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
<u>All manufactures</u>	100	100	100
of which:			
Textiles	10	8	6
Chemicals	14	16	15
Other semi-manufactures	15	16	15
Engineering products	53	54	58
Other finished goods	8	6	6

Sources: GATT, International Trade 1978/79 and Networks of World Trade.

33. In volume terms the growth of imports of manufactures into the non-OPEC developing countries has been slower than the growth of exports. However, given the very small level of their exports at the beginning of the period, their import surplus of manufactures has grown continuously from \$13 billion in 1963 to \$27 billion in 1973 and \$56 billion in 1978.

34. With regard to the product composition of the non-OPEC developing countries' import surplus in manufactures, the most striking feature is its heavy concentration on engineering products, i.e. capital goods. As can be seen from Table 12, the import surplus in engineering products expanded more rapidly than the total of all manufactures, from \$8 billion in 1963 to \$21 billion in 1973 and \$48 billion in 1978, when it represented 86 per cent of the import surplus of all manufactures. The sustained further expansion of the import surplus in engineering products is obviously related to the maintenance of the investment growth in the non-OPEC developing countries, as shown above in sub-section 1.

TABLE 12 - TRADE BALANCES IN MANUFACTURING OF NON-OPEC  
DEVELOPING COUNTRIES BY PRODUCT GROUPS,  
1963, 1973, 1978  
(Billion dollars f.o.b.)

	1963	1973	1978
<u>All manufactures</u>	-12.95	-26.90	-55.60
of which:			
Textiles	-0.64	0.13	0.65
Chemicals	-1.84	-6.08	-12.70
Other semi-manufactures	-1.76	-3.74	-7.50
Engineering products	-8.22	-21.13	-48.35
Clothing	-0.68	2.93	8.50
Other finished goods	0.19	0.99	3.80

Sources: GATT, International Trade 1978/79 and Networks of World Trade.

(iii) The share of the non-OPEC developing countries in world trade

35. The share of non-OPEC developing countries in world exports had declined from 16 per cent in 1963 to 12 per cent in 1973. After having fallen further in 1975 to 11 per cent, it recovered to slightly more than 12 per cent in the subsequent three years and, according to preliminary estimates, remained at that level in 1979. The fact that there was no further decline in the share of the non-OPEC developing countries in world exports of all commodities in 1978 as compared with 1973 reflects a number of factors, among which two deserve particular mention. First, their share in world exports of foodstuffs and agricultural raw materials, which had declined sharply between 1963 and 1973, was either maintained (for agricultural raw materials) or recovered (for foodstuffs, due partly to the rise in prices of tropical beverages mentioned above). Therefore, although the share of the non-OPEC developing countries in world exports of non-fuel minerals (including non-ferrous metals) continued to decline between 1973 and 1978, for non-fuel primary commodities as a group these countries' share in world exports, which had declined from 34 per cent in 1963 to 25 per cent in 1973, remained at about the same level in 1978. Second, the small increase in the non-OPEC developing countries' share in world exports of manufactures, from 7 per cent in 1973 to 8 per cent in 1978, helped to offset other factors affecting their share in global exports of all commodities. (See Table 13)

TABLE 13 - SHARE OF NON-OPEC DEVELOPING COUNTRIES IN WORLD EXPORTS AND IMPORTS BY PRODUCTS GROUPS, 1963, 1973, 1978

(Percentage shares)

	Share in World Export			Share in World Import		
	1963	1973	1978	1963	1973	1978
<u>All commodities</u>	16	12	12	18	14	15
of which:						
Fuels	11	9	11	20	15	16
Other primary products	34	25	26	13	13	14
of which:						
Food <sup>1</sup>	35	26	29	17	15	15
Agricultural raw materials	33	22	22	10	13	14
Non-fuel minerals and non-ferrous metals	31	27	23	6	7	9
Manufactures	4	7	8	20	14	15
of which:						
Textiles	15	17	19	24	17	17
Chemicals	4	4	5	23	19	18
Other semi-manufactures	5	8	8	17	14	15
Engineering products	1	3	5	21	14	16
Clothing	14	30	37	44	7	6
Other finished goods	9	13	16	6	9	10

<sup>1</sup>Including feedingsuffs, beverages and tobacco.Sources: GATT, International Trade 1978/79 and Networks of World Trade.

36. It is noteworthy that whereas in the preceding decade the fall in the share of the non-OPEC developing countries in world exports had been accompanied by a similar decline on the import side (from 18 per cent in 1963 to 14 per cent in 1973), the relative importance of these countries as markets has been well maintained thereafter. Their share in world imports throughout the period 1974 to 1979 was about 15 per cent. For textiles their share in world imports remained at 17 per cent between 1973 and 1978, for chemicals it fell slightly from 19 to 18 per cent, while for engineering products it rose from 14 to 16 per cent.

### 3. Current account: merchandise trade and other items

37. The aggregate current account deficit of the non-OPEC developing countries has shown considerable year-to-year fluctuations between 1973 and 1978, mainly due to movements in the merchandise trade deficit, which in turn reflected changes in the terms of trade and in the volume of exports and imports. The trade deficit increased substantially in 1974, in consequence of the sharp rise in petroleum prices combined with a strong expansion in the volume of imports, and it continued to grow in 1975, when the volume of exports declined mainly as a result of the recession in industrial areas.

38. Except in 1974 and 1975 the combined deficit on other current account items (services, private unrequited transfers, and investment income) exceeded substantially the deficit in merchandise trade (see Table 14). In contrast with the wide fluctuations in the merchandise trade deficit, the deficit on the non-merchandise components of the current account ("invisibles") has increased steadily in the five years following 1973, reaching about \$10 billion in 1978.<sup>1</sup>

<sup>1</sup>The figures shown in Table 14 do not cover all non-OPEC developing countries because of lack of data. They cannot be compared to the estimates of the current account deficits in Table 15 which refer to all non-OPEC developing countries.

TABLE 14 - COMPOSITION OF THE CURRENT ACCOUNT IN NON-OPEC  
DEVELOPING COUNTRIES, 1973 TO 1978

(Billion dollars)

	1973	1974	1975	1976	1977	1978
Merchandise trade balance	-2.00	-16.56	-22.18	-9.87	-4.08	-8.64
Other current account balances	-5.71	-8.06	-9.18	-9.73	-9.64	-10.04
Balance on services	-0.91	-2.69	-2.69	-1.57	-0.58	-0.43
Net private unrequited transfers	0.85	1.23	1.78	2.24	2.96	4.60
Net investment income	-5.65	-6.60	-8.27	-10.40	-12.02	-14.21
of which:						
Net interest on loans <sup>a</sup>	-3.06	-3.56	-5.22	-6.86	-7.63	-9.27

<sup>a</sup>Including dividends on equity securities and income payable to, by or through the IMF.

Source: IMF, Balance of Payments Yearbook.

39. The balance on services<sup>1</sup> showed a relatively small deficit in 1973 (\$0.9 billion), which increased in 1974-75 but tended to decline thereafter. This decline may be attributed to the following factors: (a) a shift from deficit to surplus in the non-OPEC developing countries' aggregate balance of transportation services (other than freight and services related to merchandise trade); (b) a doubling of the surplus on the travel account (mainly tourism); and (c) a ten-fold rise (to \$3.5 billion in 1978) in the surplus on miscellaneous private services, reflecting essentially the sharp increase in the earnings of a few countries from their construction activities abroad (especially in the OPEC countries).

40. Similarly, as a result of an increased flow of migrant workers from some low-income non-OPEC developing countries to OPEC countries, there was a sharp rise in their private unrequited transfer earnings (migrant workers' remittances). The aggregate surplus of the non-OPEC developing countries on private unrequited transfers increased from \$0.8 billion in 1973 to \$4.6 billion in 1978.

41. These positive developments were, however, more than offset by the steadily growing deficit registered on the investment income account, which went up from \$5.6 billion in 1973 to \$14.2 billion in 1978. On the debit side, payments of dividends accruing to direct foreign investors increased at a relatively slow rate between 1973 and 1978; this may be related to the sluggishness of foreign direct investment inflows into the non-OPEC developing countries during this period, compared with other capital flows. Interest payments were the largest and most rapidly growing debit item, mainly as a result of the increase in loans contracted by non-OPEC developing countries on non-concessional terms. Differences among countries were in this case very wide. Interest payments increased rapidly in the countries with good credit standing, which borrowed heavily on international

<sup>1</sup>In the balance of payments, services include: freight and services related to merchandise trade, other transportation, travel, government services, labour income, fees, royalties, advertising, etc.

financial markets. In the lowest income countries, which had more limited access to international financial markets, interest payments also rose, though less rapidly.

42. Between 1973 and 1978, merchandise trade remained the backbone of non-OPEC developing countries' current balance position. Imports of goods accounted throughout the period for about 70 per cent of all current payments. The share of merchandise exports in total current earnings was even more preponderant, having fluctuated between 73 per cent (in 1978) and 77 per cent (in 1974). In several countries, merchandise exports accounted in some years for more than 80 per cent of total current receipts.

43. Detailed balance-of-payments data for 1979 are not yet available. Fragmentary information suggests, however, that the merchandise account played a preponderant rôle, as it did in 1974 and 1975, in contributing to the strong increase, to \$50 billion, in the non-OPEC developing countries' current account deficit. The further rise in this deficit in 1980, forecast at nearly \$70 billion, can also be explained mainly by movements in the terms of trade and the volume of exports and imports (see Table 15).

TABLE 15 - CURRENT ACCOUNT BALANCES<sup>a</sup> BY REGION, 1973-1980  
(Billion dollars)

	Cumulative 1971-73	1973	1974	1975	1976	1977	1978	1979	1980 <sup>b</sup>
Industrial areas	17	19	-13	14	-3	-7	20	-15	-48
OPEC	4	6	68	35	40	32	6	60	115
Other developing countries	-10	-11	-30	-38	-26	-21	-36	-50	-68

<sup>a</sup>Excluding official unrequited transfers.

<sup>b</sup>Forecasts.

Sources: IMF, Annual Report and Survey, June 3, p. 171.

### Concluding Remarks

44. By restraining consumption and striving to maintain a high rate of investment in real terms, the non-OPEC developing countries have responded to the adjustment problems with which they were faced in 1974 and 1975 when their current account balances had deteriorated sharply.

45. The further expansion in the volume of imports of capital goods, another essential condition for the maintenance of a sustained growth of investment, was made possible largely by increased flows of commercial borrowing and financial assistance. This has resulted however in growing debt service charges, with interest payments rising rapidly in recent years. Amortization has also grown at a high rate, and must be expected to continue growing rapidly since the non-OPEC developing countries had in more recent years to contract their commercial loans in increasingly short maturities.



46. The non-OPEC developing countries are now faced with financing problems which appear to be more difficult than those of 1974-75, given the existing levels of indebtedness. The present magnitude of their debt service in relation to their export receipts make the terms and opportunities of borrowing on international financial markets less favourable than in 1974-75. Owing to these tighter market conditions, borrowing by the non-OPEC developing countries is not expected to increase substantially in 1980.<sup>1</sup> Nor can financing available on concessional terms, which has continuously diminished in relative terms, be expected to increase significantly.

47. In the absence of a faster flow of financial resources, and given the high dependence of the non-OPEC developing countries on merchandise exports as a source of foreign receipts, the internal adaptation process is highly sensitive to uncertainty about market access. The need to limit this uncertainty and to continue efforts to contain protectionism has to be seen both in this context and in the context of the difficulties it would create for the balance-of-payments adjustment process of the non-OPEC developing countries and for the working of the international financial system.

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<sup>1</sup>See OECD, Financial Market Trends, February 1980 and IMF, Survey, 3 June 1980, p. 165.