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DEVELOPMENTS IN INTERNATIONAL TRADE WHICH HAVE A BEARING ON THE TRADE AND PAYMENTS POSITION OF DEVELOPING COUNTRIES[1]

Note by the Secretariat

1. For the regular review by the Committee of developments in international trade which have a bearing on the trade and payments position of developing countries, this note revises certain of the material provided for the July meeting in document COM.TD/W/314. Basically, Part I of the document dealing with the situation in the first half of 1980 has been updated in the light of information which has more recently come to hand, and also takes into account the situation of oil-exporting developing countries. The longer-term perspective summarized in Part II has been expanded to include certain developments in the trade of oil-exporting developing countries as suggested by some delegations in July.

PART I: SUMMARY OF DEVELOPMENTS IN THE FIRST HALF OF 1980

2. In the first half of 1980 the value of exports from the oil-exporting developing countries was about 70 per cent higher than in the corresponding period of 1979. Though the crude oil price almost doubled, the net impact on revenue was considerably less, due to a continuous downward trend in production and export volume since mid-1979.

3. A renewed growth in import demand by the oil-exporting developing countries occurred in the second half of 1979. In the first six months of 1980, imports by these countries were about one-third higher in value and 15 per cent greater in volume than in the coresponding period of the preceding year. This compares with a real annual growth rate averaging about 40 per cent in 1974-75.

4. In the non-oil developing countries, the value of both imports and exports is estimated to have expanded by roughly one-third between the first half of 1979 and the corresponding period of 1980 (i.e. at about the same rate as in 1979, compared to 1978). Most of the increase in the value of exports and, in particular, of imports was due to price developments.

[1]A detailed examination of trends in the trade of developing countries may be found in the GATT publication International Trade 1979/80 to be issued shortly. Chapter 1 of this publication, containing the main conclusions to be drawn, has been circulated as a GATT press release (GATT/1271) dated 9 September.

5. Prices of primary products exported by developing countries (excluding crude petroleum) continued to increase during the second quarter of 1980. Their average level in the first half of 1980 was 21 per cent higher than in the corresponding period of the previous year. (See Table 1.) Prices of agricultural raw materials and non-ferrous metals exported by developing countries declined considerably in the second quarter of 1980, reflecting the sluggishness of demand in the industrial areas. In contrast, prices of food (including feedingstuffs, beverages and tobacco) continued moving upwards throughout the first half of 1980 and, according to fragmentary data, also in the third quarter of the year.

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[a]	Agricultural raw materials	Non-ferrous metals	Primary products (excluding crude petroleum)	Crude petroleum	Manufactures
1976	116	127	112	115	106	100
1977	160	137	117	145	117	109
1978	137	154	127	133	117	125
1979	148	188	172	150	170	142
1978 Q1	143	141	116	134	117	119
Q2	140	146	119	133	117	121
Q3	132	159	130	132	117	127
Q4	139	171	141	138	117	133
1979 Q1	134	172	163	138	126	137
Q2	142	185	171	146	151	137
Q3	154	198	171	157	184	145
Q4	159	196	183	161	216	148
1980 Q1	163	215	214	170	266	152
Q2	173	209	181	174	285	155

[a]Including feedingstuffs, beverages and tobacco.

Note: The indices are computed in US dollars.

Source: UN, Monthly Bulletin of Statistics.

6. World export price movements by individual primary commodities of major interest to developing countries are shown in Table 2. The most marked developments in the recent periods are: a further rise in sugar prices, to an average level in the first half of 1980 almost three times higher than one year before; rising prices for maize, rice, coffee and fish; a continuing downward trend in prices of cocoa and of most oilseeds and products thereof; and declining prices of major non-ferrous metals exported by developing countries.

TABLE 2 - WORLD[a] EXPORT PRICES OF SELECTED PRIMARY COMMODITIES AND EXPORT UNIT VALUES 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	Q1	Q2
Wheat	86	64	77	96	72	77	77	82	84	92	103	106	102	97
Maize	102	113	145	176	140	143	144	152	165	175	182	184	197	203
Rice	72	78	98	92	108	109	94	82	78	91	97	104	114	121
Coffee	200	350	228	242	261	233	207	211	189	223	280	276	254	264
Tea	112	200	159	158	168	154	151	165	159	150	150	173	171	164
Cocoa	161	308	259	243	253	276	277	294	260	250	234	229	234	195
Beef	105	114	143	178	138	142	143	151	176	176	177	180	180	177
Oilseed cake	129	152	137	152	134	138	133	145	152	157	152	146	138	130
Fishmeal	150	182	165	159	172	169	162	154	156	151	162	169	201	188
Fish	131	147	179	188	178	175	182	180	183	178	184	206	183	207
Sugar	57	40	39	48	41	37	36	41	40	40	46	66	95	134
Soyabeans	105	127	123	137	114	132	119	127	135	141	140	131	128	119
Copra	108	158	184	263	158	167	188	225	265	282	268	236	217	165
Groundnuts	92	119	134	122	121	141	136	139	134	127	121	106	106	97
Soyabean oil	76	97	104	113	95	111	106	106	110	111	119	111	98	90
Palm oil	94	121	138	156	124	136	148	146	163	161	155	144	154	136
Groundnut oil	88	108	140	114	124	145	139	151	125	119	113	99	95	91
Coconut oil	100	139	169	238	142	152	174	208	227	268	255	203	198	150
Palm-kernel oil	106	151	179	246	158	167	174	215	235	262	264	224	208	163
Cotton	132	127	125	133	115	122	126	136	131	131	134	136	151	149
Wool	109	118	123	139	119	121	125	126	133	134	146	143	145	148
Sisal	73	81	78	105	80	78	78	77	77	94	123	128	128	123
Jute	83	89	110	111	114	109	105	110	110	113	118	104	107	106
Natural rubber	138	146	177	227	155	164	185	203	202	235	235	236	271	256
Tobacco	102	111	118	130	115	114	120	122	127	128	130	135	135	136
Iron ore	97	92	85	102	83	85	87	91	95	99	106	107	120	123
Copper	114	106	111	161	101	106	114	122	153	160	159	172	212	166
Aluminium	104	131	149	173	148	142	150	157	160	166	182	185	203	193
Lead	108	148	162	281	148	140	162	197	250	281	295	297	276	212
Zinc	98	82	81	100	71	76	84	92	101	104	97	98	105	95
Tin	112	159	188	223	173	170	192	216	212	222	223	237	252	252
Crude petroleum	106	117	119	152	117	117	117	117	126	155	184	216	266	285
Manufactures	100	109	125	142	119	121	127	133	137	137	145	148	152	155

[a]Excluding the Eastern trading area.

Note: The indices are computed in US dollars.

Source: UN, *Monthly Bulletin of Statistics*.

7. A further increase in the current account surplus of the oil-exporting developing countries, to $115 billion, is forecast for 1980. (See Table 3.) The sharp rise in export earnings, owing to higher petroleum prices, is expected to substantially offset the increase in merchandise imports and in payments for other current transactions.

TABLE 3. - CURRENT ACCOUNT BALANCES[a] BY REGIONS, 1973-1980
(Billion dollars)

	1973	1974	1975	1976	1977	1978	1979	1980[b]
Industrial areas	17	-14	13	-4	-10	30	-17	-60
Oil-exporting developing countries	7	68	35	40	32	5	68	115
Non-oil developing countries	-11	-32	-38	-26	-21	-34	-50	-62

[a]Goods, services and private transfers.

[b]Forecasts.

Source: IMF, World Economic Outlook, May 1980; national sources.

8. In the non-oil developing countries, the deficit on current account is estimated to widen to roughly $62 billion in 1980, mainly as a result of a strong deterioration in these countries' terms of trade and increased interest payments on loans.[1]

PART II: DEVELOPMENTS IN THE 1970'S

9. This review presents some findings from continuing research in the secretariat. The experience of the developing countries, between 1973 and 1979, is thought to be of particular relevance at the beginning of the 1980s, when these countries are again faced with recession in the world economy and a further rise in energy prices.

A. OIL-EXPORTING DEVELOPING COUNTRIES[2]

10. For this group as a whole, 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 4), due exclusively to the stagnation since 1973 of production and exports of petroleum.

11. 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, 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 per year on average between 1973 and 1978.

[1]Between the first half of 1979 and the same period in 1980, the non-oil developing countries' terms of trade are estimated to have deteriorated by roughly 10 per cent.

[2]For reasons of data availability, this group includes only the member countries of the Organization of Petroleum Exporting Countries.

TABLE 4. - REAL GROWTH OF DOMESTIC PRODUCTION, EXPENDITURE AND TRADE IN OIL-EXPORTING DEVELOPING COUNTRIES, 1963-1973 AND 1973-1978[a]

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

[a]Growth rates are based on rough estimates at constant 1975 prices. They should be considered as indicating mere orders of magnitude.

[b]Goods and services.

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

12. Imports into the oil-exporting developing countries became increasingly concentrated on manufactured goods during the 1970s (see Table 5). Reflecting the particularly high growth of fixed investment in these economies, the share of engineering products (mainly industrial machinery and transport equipment) in total imports rose from 45 per cent in 1973 to 53 per cent in 1978.

TABLE 5. - COMMODITY COMPOSITION OF THE OIL-EXPORTING DEVELOPING COUNTRIES' IMPORTS FROM THE WORLD AND FROM OTHER DEVELOPING COUNTRIES, 1973, 1975 AND 1978

(Billion dollars f.o.b. and percentage shares)

	Imports from the world			Imports from other developing countries		
	1973	1975	1978	1973	1975	1978
	($b, f.o.b.)					
All commodities	20.70	57.90	98.50	2.40	5.90	10.30
	(Percentage shares)					
Primary products of which:	18	16	16	40	47	42
Food	13	12	11	32	37	27
Fuels	1	2	2	2	5	10
Manufactures	77	79	79	58	52	58
Textiles	6	4	3	14	9	8
Iron and steel	9	10	6	6	4	4
Chemicals	8	7	6	4	4	3
Other semi-manufactures	5	4	5	7	7	7
Engineering products	45	50	53	17	18	24
Clothing	1	1	1	5	5	6
Other consumer goods	3	3	5	5	5	6

Source: GATT, International Trade 1979/80 (forthcoming).

13. Imports originating in the other developing countries expanded during 1973-1978 at a somewhat slower pace than the total. The non-oil developing countries supplied about 10 per cent of the total increase in the oil-exporting developing countries' imports during that period. Although the share of manufactures in these imports was broadly maintained between 1973 and 1978, there was a relative decline in imports of textiles from the non-oil developing countries. The increased share of engineering products, from 17 per cent in 1973 to 24 per cent in 1978, reflected not only the generally strong demand for these goods in the oil-exporting developing countries but also the increasing competitiveness of some non-oil developing countries.

14. Table 6 provides details on the growth of trade of three groups of oil-exporting developing countries between 1974 and 1979.[1] A sharp increase in petroleum prices was behind the 46 per cent rise in the oil-exporting developing

TABLE 6. - FOREIGN TRADE OF THE OIL-EXPORTING DEVELOPING COUNTRIES
1974-1979

(Percentage and billion dollars)

	Exports			Imports			Trade Balance		
	Annual Rate of Change			Annual Rate of Change			Billion Dollars		
							Yearly average		
	1974-77	1978	1979	1974-77	1978	1979	1974-77	1978	1979
Oil-exporting developing countries	10	-10	46	38	16	3	72	44	107
High-income countries[a]	6	-4	58	48	22	37	44	33	60
Middle-income countries[b]	12	-20	29	31	12	-18	22	8	31
Low-income countries[c]	10	-2	51	38	12	-13	6	3	16

[a]Kuwait, United Arab Emirates, Qatar, Libya, Saudi Arabia.

[b]Gabon, Venezuela, Iran, Iraq, Algeria, Ecuador.

[c]Nigeria, Indonesia.

Source: International Monetary Fund, International Financial Statistics.

[1]Among the oil-exporting developing countries there are considerable differences in the value of per capita GNP and trade. For analytical purposes, three groups have been distinguished: in the "high-income group" (Kuwait, the United Arab Emirates, Qatar, Libya, Saudia Arabia) average per capita GDP was about $9,000 in 1978; the "middle-income group" (Gabon, Venezuela, Iran, Iraq, Algeria, Ecuador) had an average per capita GDP of $2,000; for the "low-income group" (Nigeria and Indonesia) average per capita GDP was $450.

countries' total merchandise export revenue in 1979. This was in contrast to the previous year, when the value of exports fell significantly, as prices remained constant and the volume of shipments fell. In the first quarter of 1979, prices began to rise in response to demand and continued to do so throughout the rest of the year and into 1980. The average petroleum price in 1979 was almost 45 per cent, and the volume of exports 1 per cent, above that in 1978.

15. Despite the upturn in export revenue in 1979, imports by the oil-exporting developing countries fell in volume for the first time since the 1974 oil price rise. This decline stemmed from the middle- and low-income countries, where in the first half of 1979 the value of imports in current dollars declined. The volume of imports by the high-income countries, as in the previous year, continued to increase.

16. It would appear that an important reason for this divergence in import trends has been the differing balance-of-payments positions of the different groups of oil-exporting countries. Aggregate current account data for the oil-exporting developing countries show a sharp decline in the surplus in 1978. In that year, the high-income countries maintained a comfortable surplus while both the middle- and low-income countries recorded substantial deficits, which placed a constraint on their ability to spend the increased export receipts in 1979. This is supported by the fact that the decline in imports was generally confined to the end of 1978 and the first half of 1979. The sharp curtailment of import demand by Iran, which had previously been the second largest importing country after Saudi Arabia, also helped to pull the aggregate growth rate down.

17. An additional reason for the lack of responsiveness of imports to the increase in export revenue in 1979 is that a number of these countries were already heavily committed in their development programmes and anxious to avoid a repeat of the inflation and problems of resource utilization which succeeded the 1974 rise in export revenue. Public expenditure, an important source of import demand in most of the oil-exporting countries, has been more restrained since 1977 and appears unlikely to grow again at the high rates experienced in the mid-1970s.

18. Some of the above considerations are borne out by an examination of the commodity structure of oil-exporting developing countries' imports in recent years (shown in Table 7). In 1979, while non-oil developing countries' exports (f.o.b.) to the oil-exporting developing countries increased by 13 per cent in current value, those by industrial countries declined slightly. This decline resulted entirely from reduced demand for manufactured imports, those of primary products (80 per cent food) having increased by some 18 per cent. In particular, it reflected a sharp decline in imports by the middle- and low-income countries of machinery and industrial equipment, which dropped in value by about 20 per cent, motor vehicles by 17 per cent and consumer goods, which declined by 14 per cent. While imports of these commodities by the high-income group of countries continued to grow in value, there was a significant deceleration and, in the case of machinery and equipment and road motor vehicles, a decline in volume. In contrast, expenditure by the high-income countries on imported consumer goods, the category of manufactured imports least directly affected by public spending, grew by 23 per cent. Thus the reduction in imports by the lower-

income countries, which was widespread among most categories of manufactured goods, can be seen as resulting both from balance-of-payments constraints and from contractionary domestic economic policy, while for the high-income countries, where the reduction in demand was mainly confined to investment goods, the second influence has undoubtedly been more important.

TABLE 7. - TRENDS IN INDUSTRIAL COUNTRIES' EXPORTS TO THE OIL-EXPORTING DEVELOPING COUNTRIES, 1973-1979

(Annual percentage rate of change)

	TOTAL	PRIMARY		MANUFACTURES			
		Total	of which: Food	Total	Machinery and parts	of which: Motor Vehicles	Other Consumer Goods
All countries							
1973-77	43	33	33	45	47	48	41
1978	17	22½	22½	17	9	8½	17
1979	-1	18	14	-4½	-11	-5½	6
High-income countries							
1973-77	52	36	33	56	57	58	50
1978	25	21	21½	26	23½	12½	27
1979	21	39	37	19	9	12	23
Middle-income countries							
1973-77	39	32	32	39½	45	39	33½
1978	14½	17½	18	15	3	18	7½
1979	-15	5½	10½	-17½	-21	-13	-9½
Low-income countries							
1973-77	38½	33	31½	39½	38	51	33
1978	9	35½	32½	5	4	-22	6
1979	-11½	16½	-8	-18	-20	-24½	-17

Source: UN, trade data tapes.

B. OTHER DEVELOPING COUNTRIES

1. The growth and pattern of domestic expenditure in real terms[1]

19. The aggregate gross domestic production of the non-oil 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.

[1] Throughout this sub-section, movements in production and expenditure are measured in real terms.

20. 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.

21. In the non-oil developing countries, the growth of domestic expenditure decelerated more than that of production (from 5 1/2 per cent yearly between 1963 and 1973 to 4 1/2 per cent between 1973 and 1978), reflecting the faster growth in the volume of exports as compared with imports.[1]

22. The deceleration in domestic expenditure growth was concentrated on consumption. The growth of aggregate consumption in the non-oil developing countries slowed down from an annual rate of 5 per cent in 1963-73 to 3 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 8), and was thus significantly less than in the industrial countries (2 1/2 per cent per year).

TABLE 8. - REAL GROWTH OF DOMESTIC PRODUCTION AND EXPENDITURE IN NON-OIL DEVELOPING COUNTRIES AND INDUSTRIAL AREAS, 1963-1973 AND 1973-1978[a]

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

[a]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.

[1]Foreign trade is discussed in greater detail in sub-section 2 below.

23. By restraining consumption, the non-oil developing countries were able to maintain an annual growth of 6 1/2 per cent in capital formation between 1973 and 1978.

24. A relevant issue here is the composition of investment. It has generally been the case that capital formation in the form of buildings and infrastructure is supplied locally, whereas machinery and transport equipment are mostly imported. Preliminary 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.

25. 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), whereas there was practically no improvement in consumption per head over that period.

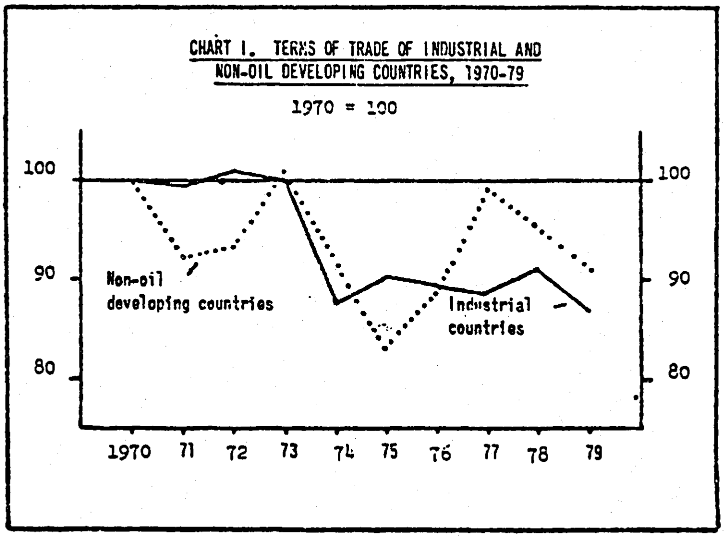
2. Merchandise trade: growth, product composition and share in world total

(i) Growth of trade

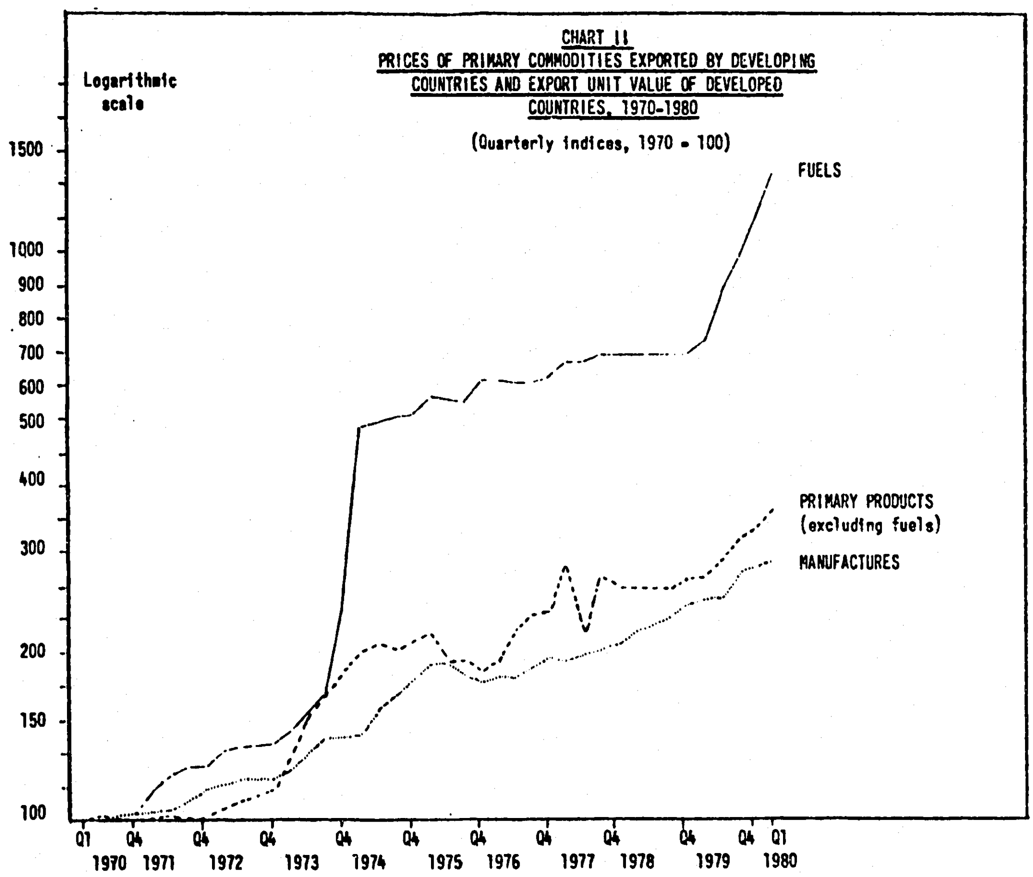
26. The volume growth of exports from the non-oil developing countries slowed down from about 6 per cent on average per year between 1963 and 1973 to roughly 4 per cent between 1973 and 1978. The fastest increase in both periods was recorded in the countries whose exports are heavily concentrated on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

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

28. The terms of trade of the non-oil 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-oil developing countries moved downwards again in 1978 and 1979 (see Chart I).



29. The decline in the terms of trade of the non-oil developing countries in 1971, 1975 and 1978 reflected the slower growth in export prices of non-fuel primary products, 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

30. During the 1970s the shift in the composition of non-oil 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 9). 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 divergent trends in demand for and supply of various products.

TABLE 9. - EXPORTS FROM THE NON-OIL DEVELOPING COUNTRIES
BY PRODUCT GROUPS, 1963,1973,1978

	Value (billion dollars)			Percentage shares		
	1963	1973	1978	1963	1973	1978
All commodities	23.50	67.40	157.00	100	100	100
Fuels	1.70	5.98	23.30	7	9	15
Other primary products of which:	18.40	38.27	69.70	78	57	44
Food[1]	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

[1]Including feedingstuffs, beverages and tobacco.

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

31. 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), as shown in Table 10. The combined share of these products in exports of all foodstuffs exported by developing countries declined from 44 per cent in 1973 to about one-third in 1978. For several of these products, such as sugar and meat, protectionist developments in important foreign markets contributed to the overall sluggishness. For other products, mainly those where the bulk of production is consumed domestically by the exporting countries, inadequate growth 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-oil developing countries also increased, from 25 per cent in 1973 to one-third in 1978, mainly reflecting a rise in prices.

TABLE 10. - COMMODITY COMPOSITION OF THE NON-OIL DEVELOPING COUNTRIES' FOOD EXPORTS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
Food[1]	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

[1]Including feedingstuffs, beverages and tobacco.

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

32. Exports of agricultural raw materials (including forestry products) were more affected in volume than foodstuffs by the slowing down of demand in the industrial countries since 1973. The proportion of the value of these exports accounted for by rubber recovered between 1973 and 1978, but did not regain its level of the early 1960s (see Table 11). 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 11. - COMMODITY COMPOSITION OF THE NON-OIL DEVELOPING COUNTRIES' EXPORTS OF AGRICULTURAL RAW MATERIALS, 1963, 1973, 1979

(Percentage shares)

	1963	1973	1978
Agricultural raw materials of which:	100	100	100
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.

33. Within the category 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 12, the share of iron ore in exports of non-fuel minerals increased slightly (from 14 to 15 per cent).

TABLE 12. - COMMODITY COMPOSITION OF THE NON-OIL DEVELOPING COUNTRIES' EXPORTS OF NON-FUEL MINERALS AND NON-FERROUS METALS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
Non-fuel minerals and non-ferrous metals of which:	100	100	100
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	8	7	14
Phosphate rock	5	4	7

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

34. Within the broad category manufactures, 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 13). The proportion accounted for by textiles declined to 12 per cent in 1978 (as against 17 per cent in 1973 and 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). In 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.

TABLE 13. - COMMODITY COMPOSITION OF THE NON-OIL DEVELOPING COUNTRIES' EXPORTS OF MANUFACTURED GOODS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
All manufactures	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.

35. Turning to the product pattern of imports into the non-oil developing countries, it can be seen from Table 14 that manufactures remained throughout the period the most important category, accounting for about 60 per cent of

TABLE 14 - COMMODITY COMPOSITION OF NON-OIL DEVELOPING COUNTRIES' IMPORTS, 1963,1973,1978

	Value (billion dollars)			Percentage shares		
	1963	1973	1978	1963	1973	1978
All commodities	26.65	79.35	191.50	100	100	100
Fuels	3.10	9.50	35.35	12	12	19
Other primary products	7.20	19.80	36.65	27	25	19
of which:						
Food[1]	5.10	13.05	24.40	19	16	13
Agricultural raw materials, non-fuels minerals and non-ferrous metals	2.10	6.75	12.25	8	9	6
Manufactures	16.35	50.05	119.50	61	63	62

[1]Including feedingstuffs, beverages and tobacco.

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

the total. Fuels have now become the second most important category. These are estimated to have represented about 22 per cent of total imports in 1979, as compared with 12 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.

36. In imports of 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 15). 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 consists of consumer goods, continued to represent only a minor part (6 per cent) of total imports in the 1970s.

TABLE 15. - COMMODITY COMPOSITION OF THE NON-OIL DEVELOPING COUNTRIES' IMPORTS OF MANUFACTURED GOODS, 1963, 1973, 1978

(Percentage shares)

	1963	1973	1978
All manufactures	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.

37. In volume terms, the growth of imports of manufactures into the non-oil 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 in manufactures has grown continuously from $13 billion in 1963 to $27 billion in 1973 and $56 billion in 1978.

38. With regard to the product composition of the non-oil 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 16,

TABLE 16. - TRADE BALANCES IN MANUFACTURING OF THE NON-OIL DEVELOPING COUNTRIES BY PRODUCT GROUPS, 1963, 1973, 1978

(Billion dollars f.o.b.)

	1963	1973	1978
All manufactures	-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.

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.[1] The sustained expansion of the import surplus in engineering products is obviously related to the maintenance of the investment growth in the non-oil developing countries, as shown above in sub-section 1.

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

39. The share of non-oil developing countries in world exports 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-oil 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, the share of these countries in world exports of foodstuffs and agricultural raw materials, which had declined sharply between 1963 and 1973, thereafter remained stable (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-oil 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-oil 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 17)

40. It is noteworthy that whereas in the preceding decade the fall in the share of the non-oil 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 from 19 to 18 per cent, while for engineering products it rose from 14 to 16 per cent.

[1] The import surplus of non-oil developing countries in their trade in manufactures with industrial countries continued to expand substantially in 1979 to $69.3 billion for all manufactures and $56.4 billion for engineering products. Details are shown in Table 6 of Chapter I of International Trade 1979/80 (GATT press release GATT/1271 dated 9 September 1980).

TABLE 17. - SHARE OF NON-OIL 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
All commodities	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[1]	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

[1]Including feedingstuffs, beverages and tobacco.

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

3. Current account: merchandise trade and other items

41. The aggregate current account deficit of the non-oil developing countries has shown considerable year-to-year fluctuations during the 1970s, 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, as a 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, and there was a further deterioration in the terms of trade.

42. In contrast with the wide fluctuations in the merchandise trade deficit, the deficit on the non-merchandise components of the current account (services, private unrequited transfers, and investment income) has increased in the six years following 1973, reaching about $15 billion in 1979. (See Table 18).[1]

[1]The figures shown in Table 18 do not cover all non-oil developing countries because of lack of data. They cannot be compared to the estimates of the current account deficits in Table 3 which refer to all non-oil developing countries.

TABLE 18. - COMPOSITION OF THE CURRENT ACCOUNT IN NON-OIL DEVELOPING COUNTRIES 1973-1979[a]

(Billion dollars)

	1973	1974	1975	1976	1977	1978[b]	1979[b]
Merchandise trade balance	-5.0	-20.7	-27.2	-14.9	-9.7	-18	-28
Other current account balances	-4.2	-6.8	-8.4	-8.2	-7.6	-9	-15
Balance on services	-0.9	-2.6	-2.7	-1.3	-0.2	-½	...
Net private unrequited transfers	2.4	2.6	3.0	4.0	5.0	6½	...
Net investment income	-5.7	-6.8	-8.7	-10.9	-12.4	-15	...
of which:							
(Net interest on loans[c])	(-3.1)	(-3.7)	(-5.5)	(-7.2)	(-8.0)	(-10)	...

[a]Based on a large sample of countries.

[b]Rough estimates.

[c]Including dividends on equity securities and income payable to, by , or through the IMF.

Sources: IMF, Balance of Payments Yearbook (Supplement to Volume 30), December 1979, and World Economic Outlook, May 1980; national sources.

43. The balance on services[1] showed a relatively small deficit in 1973 ($0.9 billion), which increased in 1974-75 but tended to decline in the three following years. This decline may be attributed to the following factors: (a) a shift from deficit to surplus in the non-oil 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 oil-exporting developing countries).

44. Similarly, as a result of an increased flow of migrant workers from some low-income developing countries to the oil-exporting developing countries, there was a sharp rise in their private unrequited transfer earnings (migrant workers' remittances). The aggregate surplus of the non-oil developing countries on private unrequited transfers increased from $2.4 billion in 1973 to about $6.5 billion in 1978.

[1]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.

45. These positive developments were, however, more than offset by the steadily growing deficit registered on the investment income account, which went up from $5.7 billion in 1973 to some $15 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-oil 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 on non-concessional terms. Differences among countries were in this case very wide. Interest payments increased at a very fast rate in the countries with good credit standing, which borrowed heavily on international financial markets. In the lowest-income countries, which had more limited access to international financial markets, interest payments also rose, though less rapidly.

46. Between 1973 and 1978, merchandise trade remained the backbone of non-oil 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.

47. Detailed balance-of-payments data for 1979 are not yet available. Fragmentary information suggests that the merchandise account played a preponderant rôle, as it did in 1974 and 1975, in contributing to the strong increase in non-oil developing countries' current account deficit. Estimates indicate, however, that interest payments on loans have had in recent years an increasing impact on changes in this deficit.

Concluding Remarks

48. The oil-exporting developing countries, as a group, were in 1974-1978 the world's most dynamic import market, in particular for manufactures and services. A high and sustained growth of imports, together with deteriorating terms of trade caused their overall current account surplus virtually to disappear by 1978. In 1979, the volume of imports into the oil-exporting developing countries declined considerably. Despite the recent upturn in their terms of trade, the volume of their imports is not expected to grow in the next few years as fast as in the period 1974-1978. Indeed, in most oil-exporting developing countries the rate of construction of large-scale public works can no longer be significantly increased and public spending is now being restrained to avoid inflation and resource wastage.

49. By restraining consumption and striving to maintain a high rate of investment in real terms, the non-oil 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.

50. 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-oil developing countries had in more recent years to contract their commercial loans in increasingly short maturities.

51. The non-oil 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-oil developing countries is not expected to increase substantially in 1980.[1] Nor can financing available on concessional terms, which has continuously diminished in relative terms, be expected to increase significantly.

52. In the absence of a faster flow of financial resources, and given the high dependence of the non-oil 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-oil developing countries and for the working of the international financial system.

[1]See OECD, Financial Market Trends, February 1980 and IMF, Survey, 3 June 1980, p. 165.