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GENERAL AGREEMENT ON TARIFFS AND TRADE

GATT

ACCORD GÉNÉRAL SUR LES TARIFS DOUANIERS ET LE COMMERCE

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GATT REPORT ON INTERNATIONAL TRADE 1983/84

A comprehensive account of international trade and trade policies during 1983 and the early part of 1984 is published today.¹

In addition to the discussion of the main developments during the period and of prospects for the future contained in the first chapter - already published as a press release (GATT/1363 of 10 September 1984) - the International Trade 1983/1984 covers trade in commodities as well as the trading performances of the industrialized nations, the developing countries and the eastern trading area.

Since the present report was sent to the printer, GATT estimates of world trade have been carried out for the period January-September 1984. The real growth rate of world trade for that period, as compared with the same period of 1983 is estimated to be around 8½ per cent. The growth rate for the whole year is at present estimated to be at least 8 per cent.

In the introductory chapter, the main features of the recovery in the world economy are summarized in a first section. The second part looks at some reasons why the current recovery has failed to spread internationally to the same extent as previous post-war recoveries. In particular, it singles out the effects of uncertain trade policies on business and

¹GATT International Trade 1983/84. Geneva, 1984. Price Swiss Francs 30.-. Available in English and French language editions (Spanish ready shortly) from: GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, and through booksellers; in the United Kingdom, orders should be placed with HMSO, P.O. Box 276, London SW8 5DT, and in the United States with UNIPUB, 345 Park Ave. South, New York, N.Y. 10010.

investment confidence in many industrial countries. The third section looks, in particular, at the fragmentation of the world market caused by discriminatory protection and suggests that a return to non-discriminatory trade policies - a reversion to the strict application of the most-favoured-nation clause of the General Agreement - is the only means of fundamentally strengthening the multilateral trading system as a whole.

The following pages highlight some of the main features of the new material in the final report.

TRADE IN COMMODITIES

Primary products

In dollar value, world exports of agricultural products are estimated to have dropped by about $\frac{1}{2}$ per cent in 1983, following a fall of 2 per cent in the preceding year.

The value of world trade in ores and minerals (others than fuels) which had sharply contracted in 1981 and 1982 fell by a further $3\frac{1}{2}$ per cent in dollar value, in 1983.

A recovery of 10 per cent in dollar value took place in the case of trade in non-ferrous metals, reflecting essentially an $8\frac{1}{2}$ per cent increase in volume.

The value of world trade in fuels fell by 10 per cent in 1983, following a $10\frac{1}{2}$ per cent decline in 1982. The value of exports of the traditional oil-exporting developing countries dropped by $23\frac{1}{2}$ per cent (after a $25\frac{1}{2}$ per cent decline in 1982). The volume of world trade in fuels is estimated to have decreased by one per cent.

Manufactures - General

In dollar value, world trade in manufactures is estimated to have recovered by $\frac{1}{2}$ per cent in 1983; in volume it expanded by $5\frac{1}{2}$ per cent, following a 2 per cent decline in the preceding year. Whereas manufactured exports from industrial countries dropped in value by 1 per cent, despite a 3 per cent increase in intra-industrial country trade, those from developing countries increased by 3 per cent in dollar value, their share in world trade in manufactures increasing by 1 percentage point to nearly 12 per cent.

In 1983, the main increase in value was recorded by office machinery and telecommunication equipment (17 per cent). There was a 5 per cent recovery in trade in household equipment, and a $3\frac{1}{2}$ per cent gain for road motor vehicles. The developing countries increased their exports of textiles and clothing by 4 per cent in value terms.

Steel

World steel consumption increased by 3 per cent in 1983, to an estimated 705 million tons. United States steel consumption, which had

dropped by about 40 per cent from 144 million tons in 1979 to 88 million tons in 1982, recovered to 99 million tons in 1983, led by a sharp rise in automobile production.

World steel exports are estimated to have expanded by 5½ per cent in 1983, reaching 147 million tons. Japan's steel exports increased by 8½ per cent to 40 million tons.

Textiles and clothing

Production of textiles and clothing in industrial countries as a whole recovered in 1983, to increase by 2½ per cent and 1½ per cent in volume terms, respectively.

In the developing countries as a group, the UN production index for the first nine months of 1983 shows a volume increase of 2½ per cent (textiles) and 7½ per cent (clothing) over the corresponding period in 1982.

In 1983, the decline in the dollar value of world exports of textiles slowed to ½ per cent, and world clothing exports recovered to rise by 2 per cent. Of the two main areas of supply, exports from industrial countries declined, while those from developing countries increased.

Automotive products

After four years of consecutive decline, the output of the world automobile industry recovered by nearly 10 per cent in 1983, remaining about 5 per cent below the 1978 peak production.

Industrial countries' exports of automobiles increased by 6 per cent to a new peak of 14.9 million units. Export growth was strongest in North America (26 per cent), closely followed by Spain (25 per cent), Italy (14 per cent) and Sweden (12 per cent). Japan's exports recorded only a small gain (1 per cent).

The value of world trade in automobiles and parts, excluding the Eastern trading area, is estimated to have grown by nearly 5 per cent in 1983 to about \$135 billion.

Electronic products

In 1983, the electronic industry regained its high-growth path, after a period of near stagnation. The strength in computer demand, together with the sharp rise in shipments of consumer electronics in North America and video tape recorders in other regions, boosted the production of some types of electronic components to near capacity levels.

Protectionist measures remain widespread in the electronics industry and include nearly all forms of non-tariff barriers. Government subsidies to computer industries have been rising since 1980 in many countries, the telecommunications markets are often closed by restrictive procurement policies, and trade in consumer electronics is severely restricted by a large number of bilateral export restraint agreements. However, despite the numerous import barriers, world trade in electronic products expanded by about 13 per cent in dollar value in 1983, while trade in manufactured goods (excluding electronics) stagnated.

Industrial countries' exports of electronic products rose by 13 per cent in 1983 to \$83.9 billion.

Among the industrial countries, Japan's export expansion in electronic products exceeded by far the growth in the other regions for all five product groups.

TRADE OF INDUSTRIAL COUNTRIES

Main features

In an historical perspective, production picked up strongly in North America, moderately in Japan, but only weakly in Western Europe.

Along with the strong growth of production, United States unemployment declined at an unprecedented rate and the level of employment increased rapidly. In contrast, in Western Europe, pressure for structural adjustment, including demographic pressure, encountered a number of rigidities on labour markets so that the number of unemployed significantly increased and employment actually declined.

In the United States, exports and imports expanded more rapidly than during previous recoveries. In most West European countries and in Japan, such dynamism in foreign trade is still lacking.

Compared to previous recoveries, inflationary forces have been kept well under control in Japan and, to a lesser extent, in many West European countries. Nevertheless, in some of the latter countries the rate of inflation continues to be dangerously high.

Shifts in the regional pattern of United States foreign trade suggest that Western Europe's rôle in the world economy is being increasingly challenged by dynamic economies in the Pacific region.

Demand

The combined GDP of industrial countries recovered by 2½ per cent in 1983, a sharp acceleration taking place in the second half of the year which is estimated to have continued in the first months of 1984. Whereas GDP rose at rates of 3 - 3½ per cent in North America and Japan in 1983, it increased by merely 1 - 1½ per cent in Western Europe.

Production

Taking industrial countries as a group, agricultural output fell by 8 per cent to its lowest level since 1978.

Industrial production recovered by 3 per cent on average, remaining, however, slightly below its level of 1980 and 1981. Production accelerated in the first quarter of 1984, to a level 6 per cent higher than in the corresponding period of 1983.

Employment, unemployment and wages

Total employment of the industrial countries levelled off in 1983; in Western Europe, however, it declined by a further 2 per cent. It is estimated that employment in manufacturing fell by 2 per cent (compared with a 5 per cent decline in the preceding year), the fall in Western Europe amounting to 4½ per cent.

Real wages rose by $\frac{1}{2}$ per cent in 1983, against 1 per cent in the preceding year.

The recent divergences among industrial countries in the performance of labour markets do not just stem from differences in aggregate economic activity. They also reflect institutional and behavioural differences of a more profound nature.

As a result of the various forces acting on the demand and supply sides of the labour market, unemployment increased in all three regions under inspection as a long-term trend. In the United States and Japan the increase in the number of unemployed persons was much less dramatic than in Western Europe where it multiplied by a factor of four between 1970 and the first quarter of 1984. Relatively strict about market regulations and the rigid level and structure of real wages, are widely held to be the principal causes of the relatively poor performance of Western European labour markets.

Trade

(i) Unit values

Average export and import unit values of the industrial countries declined for the third consecutive year, expressed in dollars. In 1983, the decrease amounted to about $3\frac{1}{2}$ per cent for export unit values and to some 5 per cent of import unit values, the resulting improvement of the terms of trade essentially reflecting the continued fall in oil prices.

(ii) Volume

In 1983, exports and imports recovered in volume terms by $2\frac{1}{2}$ per cent and 4 per cent, respectively.

(iii) Value

In 1983, the trade of industrial countries declined in value for the third consecutive year; as in the preceding two years, this was exclusively due to the appreciation of the dollar. The decline amounted to 1 per cent for exports and $1\frac{1}{2}$ per cent for imports.

(iv) Trade balances

The trade deficit (f.o.b.-c.i.f.) of the industrial countries declined by \$4.5 billion to \$74.5 billion; it had contracted by \$17.5 billion in 1982 and by \$56 billion in 1981.

Japan's trade surplus expanded by \$13.5 billion in 1983. For most West European countries, their trade surpluses increased or their deficits declined (markedly so in France and Italy, by \$8.5 billion and \$5 billion, respectively). The main counterpart to the rising surpluses (or declining deficits) of the West European countries and Japan was an increase of the United States trade deficit of \$27 billion.

TRADE OF NON-INDUSTRIAL AREAS

Traditional oil-exporters

The downward trend in the aggregate petroleum production of the traditional oil-exporting countries was moderated in 1983. Given the

preponderant position of the petroleum sector in these countries (roughly, one-third of GDP on average) the decline in their combined GDP was reduced from 4 per cent in 1981 and 1982, to about 1 per cent in 1983.

Price declines averaged 12 per cent and resulted in a net decline in total export revenue (of which 80 per cent comes from oil) of 18 per cent, only a little less than in 1982.

For the first time in the post-1974 period, the total imports of the traditional oil-exporting countries declined in 1983. The decline amounted to 16 per cent in current value and is estimated at 10 per cent in real terms, compared to an increase of 6½ per cent in 1982.

Other developing countries

Economic expansion in the non-oil developing countries in 1983 was faster than in the preceding year, through remaining moderate. Outstanding agricultural results in India and the export-led recovery of manufacturing in a few other Asian countries (in particular, Hong Kong, the Republic of Korea and Singapore) contrasted sharply with the prolonged recession in most of Latin America and Africa.

The reduction in the aggregate trade deficit of the non-oil developing countries, from \$82½ billion in 1981 to \$66 billion in 1982 (customs value estimates, f.o.b. basis), was the outcome of falling import volume. By contrast, rapidly expanding exports played the leading role in the further contraction of their deficit in 1983 (to \$51½ billion).

The volume of the non-oil developing countries' exports increased by an estimated 5 per cent in 1984. This was a relatively good performance, both compared with world trade expansion and with their own export results of the preceding year. Manufactured exports were the prime movers, with an estimated volume increase of around 10 per cent.

In 1983, the volume of imports into this group of countries is estimated to have virtually stagnated (after a sharp fall the year before), while in dollars there was a decline of about 2½ per cent.

TRADE OF THE EASTERN TRADING AREA

Production and investment

The growth of national income in Eastern Europe and the USSR, taken together, expanded by nearly 4 per cent in 1983. This was twice the rate of the preceding two years.

Aggregate industrial production of Eastern Europe and the USSR expanded by more than 4 per cent in 1983, nearly twice the rate of the two preceding years. Growth was slightly higher in Eastern Europe than in the USSR.

Agricultural production in Eastern Europe and the USSR taken together, having declined each year between 1979 and 1981, rose by slightly more than 4 per cent in 1982 and by nearly 3½ per cent in 1983.

Investments in Eastern European and the USSR increased by 4 per cent in 1983.

In China, the growth of national income accelerated further in 1983. Both agricultural and industrial production expanded rapidly. Investment also grew at a sustained pace.

Foreign trade

In 1983, the Eastern trading area external sector was characterized by a continued expansion in the volume of exports and a strong revival in the volume of imports. This acceleration was essentially due to trade developments in Eastern Europe. Having decline by 5 per cent in volume terms in both 1981 and 1982, imports into this group of countries grew by about 4 per cent in 1983. Exports from Eastern Europe which had already achieved a 6 per cent growth rate in 1982, continued to expand at a similar rate in 1983. There was also a strong revival in the volume of China's imports in 1983, following an absolute decline in the preceding year, while exports rose only moderately.

The Eastern trading areas overall trade surplus (in f.o.b. terms) which had experienced a remarkable increase in 1982, rose again, but only marginally, to nearly \$17 billion in 1983.

Exports from Eastern Europe to the industrial countries rose in value by nearly 7 per cent in 1983, having declined by 8 per cent in 1981 and by 1 per cent in 1982.

In the USSR, exports to industrial countries rose by 2½ per cent in value in 1983, while imports declined by 5 per cent.

In China, exports to industrial countries declined slightly while imports from that area recovered by 13 per cent in value to about \$11 billion. China's trade balance (f.o.b.-c.i.f.), which was in surplus by \$0.8 billion in 1982, turned into a deficit of about \$0.6 billion in 1983.

In 1983, both the Eastern Europe and the USSR reduced their exports to the traditional oil-exporting developing countries by 20 and 25 per cent respectively, while imports from them rose by 19 and 39 per cent.

Exports from Eastern Europe to the other developing countries declined by 4 per cent in 1983, while those from the USSR rose by 8 per cent.

END