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EXTERNAL TRADE AND PAYMENTS SITUATION OF LEAST-DEVELOPED COUNTRIES

Note by the Secretariat

This note reviews recent developments relating to the external trade and payments situation of least-developed countries. It contains a summary of recent information relating in particular to the evolution of external trade, foreign exchange earnings and movements in commodity export prices.

Foreign Merchandise Trade and Payments

According to preliminary estimates, merchandise exports from the group of least-developed countries reached some \$7.6 billion in 1986 (a 4 per cent value increase over 1985), while imports remained virtually unchanged, at roughly \$16.8 billion.

As has been often the case in the past, developments in the 40 least-developed countries in 1986 were markedly different from the trade performance of the larger group of developing countries.¹ As is evident from the figures in Table 1, the least-developed countries' exports have performed better than those of the developing countries as a group in the past six years; however, this is because of the very small share of crude petroleum in those countries external sales. It should be noted, moreover, that the export performance of the least-developed countries was on average weaker than that of the non-oil developing countries as a group.

TABLE 1

	1981	1982	1983	1984	1985	1986
	(Percentage change over previous year)					
EXPORT VALUE						
All developing countries	-2.0	-11.9	-6.9	4.4	-5.5	-6.0
Least-developed countries	-4.9	-3.5	1.2	5.7	-5.9	3.6
IMPORT VALUE						
All developing countries	9.4	-6.3	-7.6	-1.6	-5.8	2.5
Least-developed countries	0.0	-4.9	-4.7	1.7	0.5	-0.1

¹The forty least-developed countries still represent a very small fraction of total developing countries' trade flows: less than 2 per cent of exports and roughly 4 per cent of imports.

The structure of the least-developed countries' imports differs little from that of the other developing economies. The fact that imports have been growing faster - or declining less - in the former group than in the latter during most of the 1980s can be traced to the fact that the least-developed countries' export earnings were not severely affected by developments in the petroleum market.

The overall fob/cif trade deficit of the least-developed countries reached record levels of over \$10 billion in the two first years of the present decade (see charts at the end of this note). Subsequent efforts to reduce trade deficits in a number of these countries succeeded in bringing the deficit down to about \$9 billion.

Trade developments have varied substantially among the forty least-developed countries in the last six or seven years. Table 2 categorizes them in four groups, according to the evolution of the dollar value of their exports and imports between 1980-1981 and the latest available estimates (usually for 1986), and also points at the changes in the f.o.b./c.i.f. merchandise trade balance.

TABLE 2

EXPORT AND IMPORT GROWTH		EXPORT GROWTH AND IMPORT DECLINE	
Bangladesh	Maldives*	Benin	Guinea Bissau
Burundi	Mali*	Botswana	Mauritania
Cape Verde*	Nepal*	Comoros	Sierra Leone
Central African Rep.	Rwanda*	Equatorial Guinea	Yemen AR
Djibouti	Uganda	Gambia	
EXPORT DECLINE AND IMPORT GROWTH		EXPORT AND IMPORT DECLINE	
Afghanistan*		Burkina Faso	Sao Tome
Chad*		Haiti*	and Principe*
Guinea*		Kiribati	Somalia
		Lao PDR	Sudan
		Lesotho	Togo
		Malawi	UR Tanzania
		Niger	Vanuatu*
		Samoa	Yemen DR

*Indicates an increased merchandise trade deficit, or a reduced surplus. All other countries in the table experienced a reduced merchandise trade deficit or an increased surplus.

¹ In two cases, Botswana and Mauritania, there was even a shift from deficit to surplus during the period.

Import reductions were thus the rule among these countries in the 1980s, as pointed out above. Given the generally low export/import ratio in the least-developed economies (around 45 per cent on average), it is somewhat surprising to note that only in three countries with declining imports (Haiti, S. Tome and Principe, and Vanuatu) did the trade balance move towards a larger deficit during the period. This shows that in a number of countries the import adjustment was particularly sharp.

In sum, twenty-seven least-developed countries (out of 40) appear to have managed in the last six or seven years to reduce their chronically large merchandize trade deficits.¹ This helped to lower their need for external financing at a time when the level of official development assistance was stagnant in real terms, and when the least-developed countries had virtually no access to commercial loans. What is unfortunate is the extent to which this adjustment process had to rely on import contraction. The cost in foregone investment opportunities and reductions in already low levels of consumption was undoubtedly very high in many instances.

APPENDIX TABLE - FOREIGN MERCHANDISE TRADE OF THE LEAST-DEVELOPED COUNTRIES, 1980-1986¹

(Million dollars and percentages)

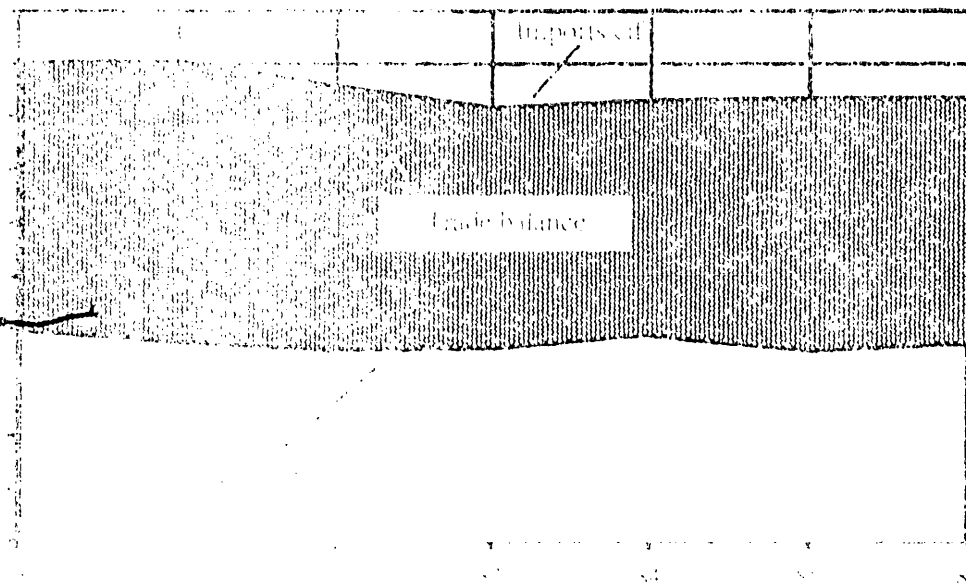
	Exports (f.o.b.)							Imports (c.i.f.)						
	1985 Million dollars	Average annual change						1985 Million dollars	Average annual change					
		1981	1982	1983	1984	1985	1986		1981	1982	1983	1984	1985	1986
ALL LEAST-DEVELOPED COUNTRIES	7 342	-5	-3	1	6	-6	4	16 749	0	-5	-5	2	1	0
Afghanistan	557	4	2	3	-13	-12	-1	1 194	5	9	11	31	-14	18
Bangladesh	999	4	-3	-6	29	7	-12	2 772	4	-9	-12	30	-2	-3
Benin	133	-46	-29	179	43	39	-24	278	64	-15	-37	-30	35	4
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Botswana	744	-20	14	39	6	10	15	583	16	-14	7	-4	-18	17
Burkina Faso	62	-18	-24	4	36	-22	-2	300	-6	3	-16	-28	44	0
Burundi	112	15	16	-9	29	9	49	189	-4	33	-14	2	1	10
Cape verde	5	-25	33	-25	0	67	0	81	4	1	10	-10	14	5
Central African Republic	131	-32	57	-1	-7	14	0	221	17	106	-9	0	24	14
Chad	60	17	-30	28	50	-46	0	210	46	1	44	9	23	-5
Comoros	25	-20	25	0	5	19	0	30	3	-6	0	-6	0	0
Djibouti	14	-25	44	-15	18	8	7	201	-21	35	-2	3	-12	0
Equatorial Guinea	20	14	6	18	0	0	0	30	19	35	-29	0	0	0
Ethiopia	333	-8	4	0	3	-20	37	993	2	6	11	6	7	11
Gambia	43	-16	63	9	2	-12	-20	93	-25	-22	19	-13	-7	10
Guinea	430	26	-16	-2	8	0	-7	400	19	-3	-3	17	14	0
Guinea Bissau	12	27	-14	-25	89	-29	25	50	-9	0	10	-9	0	0
Haiti	174	-21	15	-7	8	-3	-6	442	23	-13	1	11	-2	-5
Kiribati	20	-15	-9	0	0	0	0	13	-18	0	0	0	-7	-23
Lao People's Democratic Rep.	15	6	-9	-13	-54	25	0	40	-4	-20	-8	-48	-17	0
Lesotho	21	-14	-28	-17	-7	-25	19	377	8	2	9	-12	-25	10
Malawi	250	-4	-13	4	29	-20	-3	286	-20	-13	2	-13	6	-9
Maldives	23	13	11	30	38	28	9	53	7	39	33	-7	0	-6
Mali	181	-24	-6	13	24	-12	6	836	-17	-9	6	4	127	5
Mauritania	374	47	-18	25	-1	29	-7	235	-7	4	-18	-17	24	-9
Nepal	160	75	-37	7	36	25	-11	453	8	7	17	-10	9	1
Niger	220	-20	-27	-10	-9	-20	36	290	-14	-9	-30	-12	2	21
Rwanda	131	-2	-6	17	19	-9	43	298	16	-2	-3	3	7	17
Somra	16	-35	18	38	6	-16	-38	51	6	-25	-4	4	2	-8
Sao Tome and Principe	5	-47	11	-50	0	0	0	13	-11	-12	-33	20	8	15
Sierra Leone	130	-33	-20	9	10	-2	79	149	-27	-5	-46	2	5	62
Somalia	91	15	32	-47	-59	107	-1	350	47	-48	31	30	-22	-14
Sudan	369	23	-23	21	1	-41	-32	760	-5	-15	6	-15	-34	-5
Togo	190	-38	-14	-8	18	-1	5	264	-21	-9	-28	-4	-3	33
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	327	-30	44	7	7	-18	13	327	18	9	0	-9	-5	7
United Rep. of Tanzania	255	11	-21	-17	-9	-25	35	1 017	-7	-4	-29	-15	50	-15
Vanuatu	30	-11	-28	30	47	-32	-53	70	-21	2	7	6	4	-17
Yemen Arab Republic	30	104	-17	-31	11	0	67	1 300	-5	-13	5	-12	-7	-23
Yemen Democratic Rep.	650	-22	31	-15	-4	1	-8	1 500	-7	13	-7	4	-3	-13

¹Data in this table are partly estimated from partners' returns.

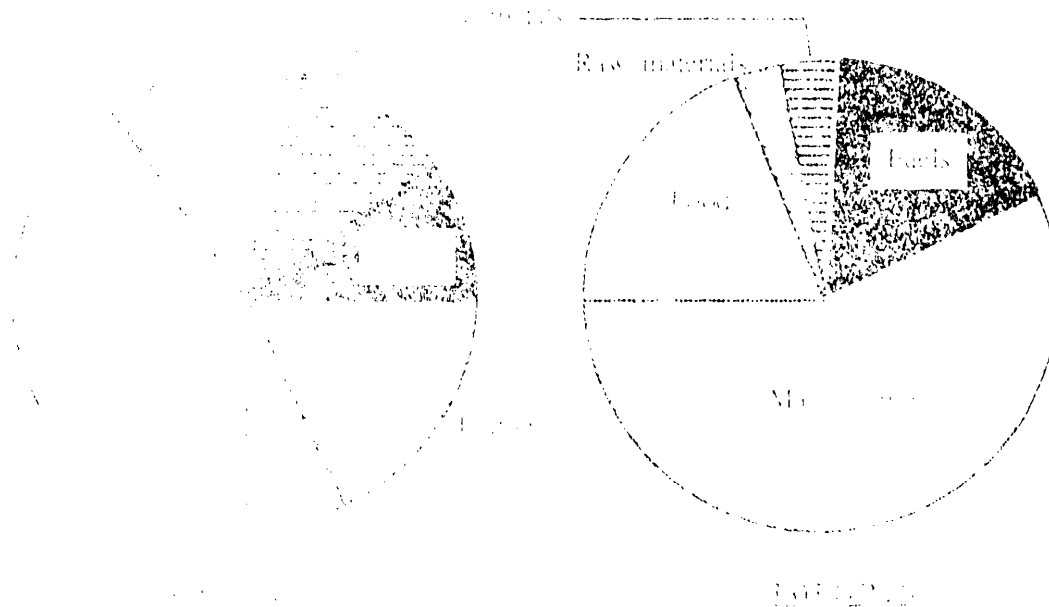
Sources: IMF, International Financial Statistics; UN, Monthly Bulletin of Statistics; UN/UNCTAD, Handbook of International Trade and Development Statistics 1986.

KEY INDICATORS OF THE
ECONOMY OF LEAST DEVELOPED COUNTRIES - I

Total merchandise trade of the least-developed countries, 1980-1986
(in million dollars)



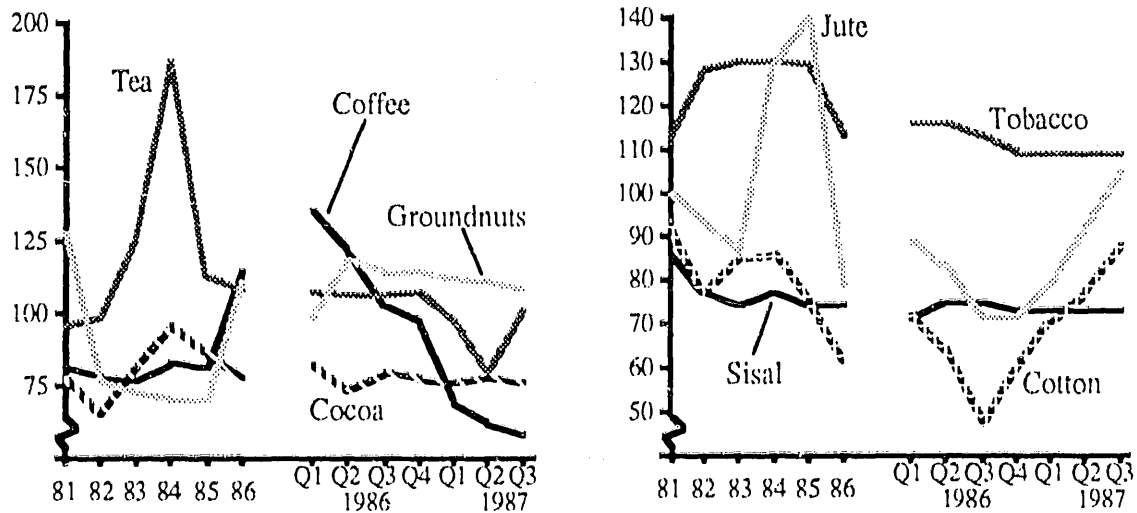
Commodity structure of the least-developed countries' merchandise trade in the 1980s



Source: UNCTAD, *Least Developed Countries Report*, 1987, p. 10. Figures are in million dollars.

**MAJOR TRADE INDICATORS OF THE
LEAST-DEVELOPED COUNTRIES /2**

Prices of main primary commodities exported by the
least-developed countries, 1980-1987
(Index numbers, 1980=100)



Source: United Nations, *Monthly Bulletin of Statistics*.