

EMBARGO: NOT FOR PUBLICATION  
BEFORE 0001 HOURS GMT FRIDAY  
15 SEPTEMBER 1989

GATT/1462  
5 September 1989

International Trade 1988/89 - Release Three

'INDUSTRIAL COUNTRIES SHOULD NOT MARGINALIZE THE LEAST-DEVELOPED',  
SAYS GATT, 'GIVE THEM SECURE ACCESS TO YOUR MARKETS'

In highlighting the plight of the world's least developed countries, the GATT Secretariat warns against their "marginalization" and calls upon policy-makers in other countries to encourage their fuller participation in the world economy and, particularly, in the trading system.

The report, Volume I of International Trade 1988/89, published today, points out that according to official trade figures, more than four-fifths of the foreign exchange earnings of the least developed countries of Africa depend on trade links outside Africa. For the highly indebted countries of Latin America, there is a similar degree of reliance on extra-regional trade. In neither case, say GATT economists, are those figures likely to change much in the foreseeable future. Thus, the importance of an open and efficient world trading system to these countries cannot be overstated.

In the Uruguay Round, says the report, "the industrial countries would do well to consider including in their reciprocity calculations the benefits they themselves would reap from faster growth in the least developed and highly indebted countries. This is especially true in the case of the countries in these two groups which at first glance have relatively little to offer in the way of conventional reciprocity for improved access for their own exports."

Considering the recent experience of the forty-two least developed countries, the GATT's economists note that in the period 1980-87, when world merchandise trade was expanding on average at 3 per cent a year in value terms, more than half of those countries saw their export revenues decline. In 1987, only eight of the 28 least developed countries located in sub-Saharan Africa reported export earnings above their peaks of the 1970s.

Although commodity prices have recovered recently, increases have not always been important for commodities of particular export interest to the least-developed countries. More generally, these countries are dependent on primary commodities for three-quarters of their foreign exchange earnings, and given the outlook for prices and the changes underway in the world economy, the Report comments that "for most countries an abundant supply of natural resources is no longer a safe ticket to economic growth".

Looking at the 15 highly indebted countries whose trade performance has been followed by GATT's economists for several years, 13 of the 15 reported increased export earnings last year with export growth collectively strong enough to raise the dollar value of exports above the 1981 peak for the first time since the debt service problem emerged.

Nevertheless, the most pressing problem for these countries is the effect rising international interest rates, a lack of fresh capital inflows and certain domestic policies have had on per capita income growth rates (which have declined since 1986) and on per capita investment. Aggregate imports into these countries remain well below their peak 1981 level, and despite some recovery in recent years, imports of investment goods remain depressed.

In considering the answers to these problems, the GATT Secretariat suggests the need for remedies in three areas:

- improvements in domestic economic (including trade) policies designed to increase investment and to ensure that investment funds go into areas where they can be used efficiently;
- supportive action by the international community in the area of financial flows, meaning a combination of debt relief and new money, and
- improved access to export markets for traditional and non-traditional products of interest to least-developed and highly indebted countries.

As far as export access is concerned, the Report comments:

"The gains that come from limited preferential access lack the security that comes from bound reductions in trade barriers. What these countries need are commitments that their efforts to develop export industries based upon comparative advantage will not fail because of structural rigidities and protection in their principal markets."