

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

COM.TD/LLDC/W/43
18 September 1989

Limited Distribution

Sub-Committee on Trade of
Least-Developed Countries
Eleventh Meeting
25th September 1989

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 trade and payments

1. In 1987, growth in real GDP in the least-developed countries (LDCs) at an estimated 3.8 per cent was less than the 4.4 per cent recorded in 1986, but, in both years, substantially above the average of 2.2 per cent for 1980-86. Predictably, real growth performance varied strongly from one LDC to the other, reflecting among other things the product structure of output and foreign trade performance. For example, the average annual growth in real GDP from 1980 to 1987 is estimated to have been over 12 per cent in Botswana, while Chad and Niger recorded significant negative rates.

2. Total exports valued at over \$11 billion in 1986 rose to an estimated \$12.2 billion in 1987, including \$8.8 billion in merchandise exports. Between 1980 and 1987, reported dollar values of non-factor services remained broadly stable at some \$2.5 billion on average, but exports of factor services were off slightly from the early part of the decade (Table 1).

Table 1 - Exports of goods and services from
least-developed countries, 1980-87
(Billion dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Merchandise	8.5	8.5	7.3	7.6	8.1	7.7	8.0	8.8
Non-factor services	2.5	2.7	2.7	2.4	2.3	2.5	2.4	2.5
Travel	0.5	0.6	0.6	0.6	0.6	0.6	0.5	...
Factor services	1.0	1.0	1.0	0.8	0.8	0.7	0.8	0.9
Interest income	0.6	0.6	0.6	0.4	0.4	0.4	0.4	...
Labour income	0.4	0.4	0.5	0.4	0.3	0.3	0.4	...
Total	11.9	12.2	11.0	10.9	11.3	10.9	11.3	12.2

Note: data are on BOP basis.

3. Year-to-year changes in import values have often been significant, reflecting on balance rather more movements in international commodity prices than in export volumes. However, compared with developing countries as a group, annual percentage changes in the value of LDC exports (Table 2) have been less pronounced, for a variety of reasons, including the fact that few LDCs are net exporters of crude oil. Figures for individual LDCs are shown in the Appendix table.

Table 2 - Merchandise trade of least-developed countries, 1982-1987
(percentage change over previous year)

	1982	1983	1984	1985	1986	1987
EXPORT VALUE						
All developing countries	-12.5	-6.9	4.1	-5.0	-7.3	20.0
Least-developed countries	-3.5	0.9	7.8	-5.9	3.3	14.5
IMPORT VALUE						
All developing countries	-6.5	-6.1	-1.3	-6.7	-0.5	14.9
Least-developed countries	-6.6	-2.1	8.7	-3.9	0.8	4.5

Note: data are on customs basis.

The values of LDC imports consistently exceeded, usually by large margins, those of exports between 1980 and 1987. In 1986 and 1987, imports represented nearly 18 per cent of GDP on average for the group, almost twice as large as exports.

4. While export performance has apparently been more strongly influenced by domestic supply-side conditions, including climatic factors and domestic economic management, than by demand conditions in importing markets, import performance is determined largely by the behaviour of international commodity prices, movements in LDCs' terms of trade, and in the level of financial inflows. Variations in commodity prices have been quite significant (see Chart 1). Between 1980-81 and 1986-87, the capacity to import of LDCs (as reflected in levels of export earnings and capital inflows) increased each year by considerably less than that of developing countries as a group.

5. Few striking changes occurred since 1980 in the product composition of LDCs' foreign trade. The majority of LDCs continue to depend on two or three export products, mainly in the food, agricultural raw materials, ores and minerals, fuels, textiles and other manufactures groups. As with most developing countries, imports are mainly of manufactured goods, food, fuels and agricultural and industrial raw materials. None the less, efforts are being variously intensified, particularly in some of the larger LDCs, such as Bangladesh, Burma, Tanzania and Sudan, to speed up established programmes of diversification out of commodities, vertical diversification into processed forms, and horizontal diversification into other commodity products. These developments inevitably feed only slowly into the structure of trade flows, in view, among other things, of current high levels of LDC dependence on commodity trade.

6. Movements in the aggregate LDC merchandise trade balance since 1980 are shown in Chart 2, in which export values are on an f.o.b. basis and imports c.i.f. Following a decline between 1981 and 1983, the trade

deficit has stabilised at an annual level of some \$9 to \$10 billion. Movements in financial inflows are a major element in LDC balance of payments performance and prospects. Concessional assistance from all sources was \$9.8 billion in 1986, and total non-concessional assistance, \$42.5 million. Clearly, however, least-developed countries continue to face serious problems in the area of trade adjustment and financing.

7. Most LDCs have embarked on structural adjustment programmes and external sector policies designed, among other things, to strengthen external trade competitiveness, improve the efficiency of public production enterprises, promote the expansion and diversification of exports, and upgrade the quality of resource use, including imports. These policies, some of which have been inspired by international financing institutions or required of LDC governments under their conditional lending programmes, have included currency depreciation and/or greater exchange rate flexibility, retrenchment in public sector spending, reduction or elimination of subsidies, tighter monetary and credit measures, and so forth. It is also increasingly acknowledged that the LDCs' adjustment efforts along these lines need to be strongly supported by more liberal and sustained multilateral trade and financing initiatives. The LDCs have, for example, advocated strongly more open and/or preferential access to their export markets, as well as significant amounts of debt relief.

Chart 1
Prices of main primary commodities
exported by the least-developed
countries, 1982-88

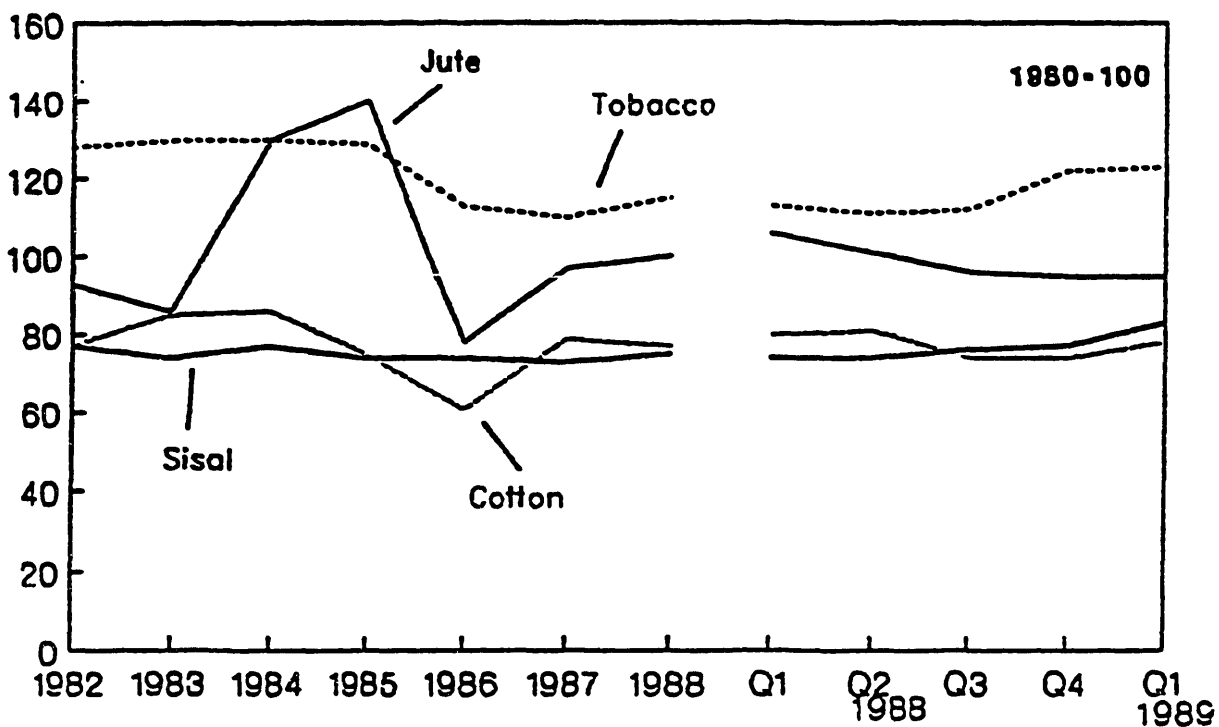
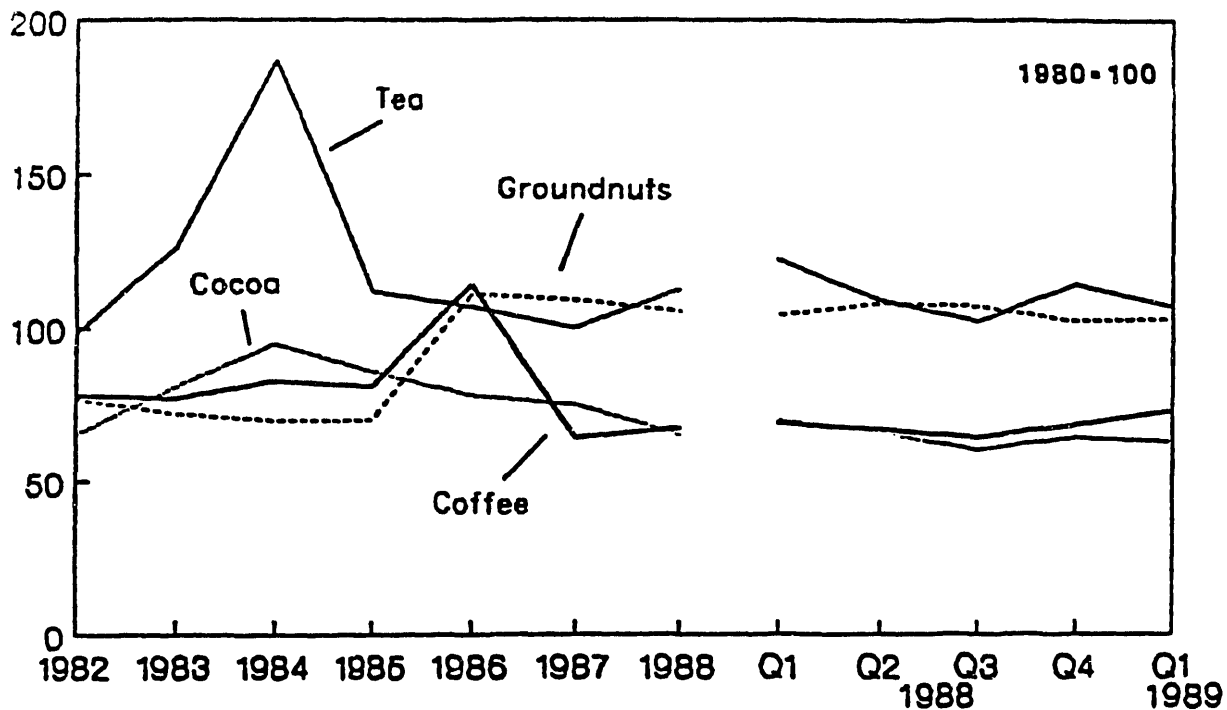
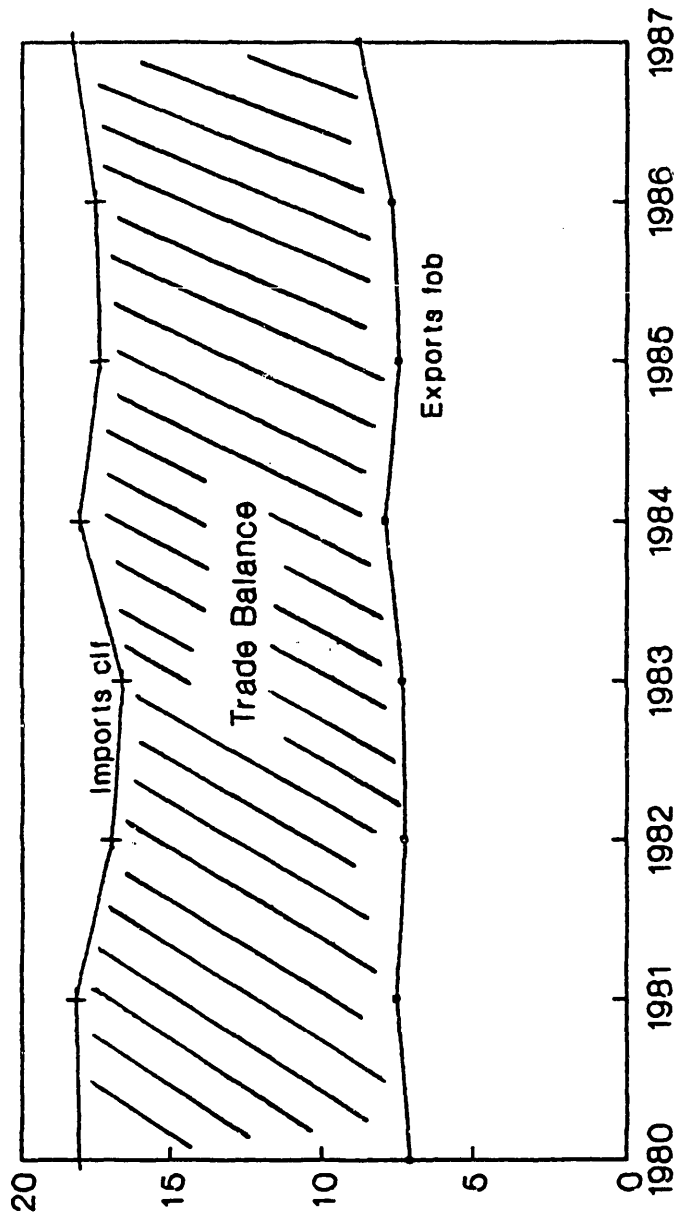


Chart 2
Least-Developed Countries
Merchandise Trade, 1980-87
(Billion dollars)



APPENDIX TABLE-FOREIGN MERCHANDISE TRADE OF THE LEAST DEVELOPED COUNTRIES, 1982-1987
(Million dollars and percentages)

	Exports(fob)							Imports(cif)						
	1987	Annual change						1987	Annual change					
	Million dollars	1982	1983	1984	1985	1986	1987	Million dollars	1982	1983	1984	1985	1986	1987
ALL LEAST-DEVELOPED COUNTRIES:	9691	-5	-1	6	-6	3	13	19200	-7	-4	8	-4	1	5
Afghanistan	512	2	3	-13	-12	-1	-7	996	14	11	31	-14	18	-29
Bangladesh	1067	-3	-5	29	7	-12	21	2680	-11	-6	39	-2	-10	8
Benin	87	-29	103	146	-26	-19	-12	345	40	27	-51	3	5	10
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Botswana	1587	14	39	6	10	16	82	936	0	7	-4	-18	22	31
Burkina Faso	155	-24	4	36	-10	17	87	434	-3	-16	-28	59	22	7
Burundi	90	17	-9	29	9	50	-46	206	27	-14	2	1	7	1
Cape Verde	5	33	-25	0	67	0	0	124	6	10	-10	14	23	24
Central Af. Rep.	100	37	-31	13	8	42	-24	125	52	-37	13	25	131	-50
Chad	111	-30	28	77	-33	13	12	366	47	44	15	33	20	27
Comoros	12	25	-5	-63	129	25	-40	52	14	3	26	-16	3	41
Djibouti	30	44	-15	18	8	14	25	201	6	-2	0	-9	0	0
Equat. Guinea	39	6	6	11	25	56	0	50	62	-40	0	8	52	22
Ethiopia	355	4	0	3	-29	37	-22	1066	9	11	6	7	11	-3
Gambia	48	63	9	2	-12	-19	37	128	-41	19	-13	-7	6	29
Guinea	520	-16	-2	18	2	-6	16	470	15	-3	20	17	2	9
Guinea Bissau	15	-14	-25	89	-29	25	0	70	-9	10	-13	25	0	17
Haiti	220	7	-6	16	-3	7	18	374	2	14	2	-2	-20	5
Kiribati	5	-50	50	267	-55	0	0	15	-18	0	0	-7	15	0
Lao Pep. Dem. Rep.	30	21	-35	-54	142	3	3	89	-1	-27	-48	35	8	27
Lesotho	40	-26	-16	-6	-21	13	54	420	13	8	-11	-28	10	5
Malawi	277	-13	4	27	-21	0	13	295	-31	2	-13	5	-9	13
Maldives	31	11	39	38	28	9	24	80	48	33	-7	0	21	25
Mali	260	-6	13	24	-14	17	26	493	-24	6	4	27	6	-1
Mauritania	428	-11	25	0	29	-7	23	235	-6	-16	-8	13	-10	10
Mozambique	100	-19	-42	-35	-10	4	25	660	5	-24	-15	-30	17	50
Myanmar, Union of	219	-17	-4	-20	1	-5	-24	268	-48	-34	-11	18	7	-12
Nepal	151	-37	7	35	25	-11	6	570	15	17	-10	9	1	24
Niger	310	-27	-10	-9	-23	24	19	370	-22	-30	-12	21	-4	12
Rwanda	113	-6	17	19	-9	44	-40	352	14	-3	3	7	17	1
Senegal	12	18	46	0	-21	-20	0	62	-19	-4	4	2	-8	32
Sao Tome and Princi	5	-35	-33	17	-29	0	0	17	-21	-33	20	8	15	13
Sierra Leone	129	-20	9	10	-2	10	-10	137	-30	-46	-2	-4	-13	4
Somalia	104	32	-47	-59	107	-7	22	132	-24	31	-70	9	0	18
Sudan	504	-24	25	1	-41	-11	51	871	-19	6	-15	-33	25	-9
Togo	220	-14	-8	18	-1	26	-8	360	-29	-28	-4	6	18	6
Tuvalu	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	320	44	7	7	-12	13	-19	477	29	0	-9	-5	5	39
United Rep. of Tan	288	-21	-17	-9	-25	35	-16	923	-10	-29	-15	50	-15	6
Vanuatu	17	-28	30	47	-32	-53	21	68	-19	7	6	4	-17	17
Yemen Arab Rep.	95	-17	-31	15	-16	-42	533	2483	-18	5	95	-16	-11	7
Yemen Demo. Rep.	490	31	-15	-4	7	-28	-2	1200	5	-7	4	-16	-11	4

Sources: IMF, International Financial Statistics, August 1989 and International Financial Statistics Yearbook, 1988;
UN/UNCTAD, Handbook of International Trade Statistics, 1989 and Secretariat estimates.