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**NOTES ON THE PARTICIPATION OF DEVELOPING COUNTRIES
IN THE WORLD TRADING SYSTEM**

Note by the Secretariat

I. Introduction

1. In November 1992, the Committee on Trade and Development conducted a review of the participation of developing countries, including the least-developed countries, in the multilateral trading system. In carrying out the review, delegations had before them a document prepared by the Secretariat (COM.TD/W/498), setting out developments in international trade, external developments having an influence on the trade and economic situation of developing countries, and developments in trade policies affecting developing countries.

2. With the conclusion of the Uruguay Round, there will be a strengthening of the rules on which the multilateral trading system is based and the extension of rules to new areas of activity. Within the World Trade Organization, a Committee on Trade and Development is to be created. The Secretariat is currently developing an approach to the presentation of information that could be provided to the Committee on a regular basis to assist it in carrying out its functions. As a first contribution, the document presents a broad picture of the economic background relevant to the situation of developing countries in the world trading system.

II. Trade, Output and Investment in Developing Countries: An Overview

3. Developing countries as a group have increased their share of world trade. They now account for an estimated 25 per cent of world trade (Table 1), compared with 19 per cent two decades ago and 21 per cent one decade ago.¹ A key feature has been the increasing share of developing countries in world trade in manufactured products: it was 20 per cent in 1993, double the level of a decade ago, and four times the level of 1963. Among developing regions, Asia and Latin America are already major exporters of manufactures. These exports account for almost 80 per cent of exports of developing Asia, and almost 50 per cent of the exports of Latin America (Table 2 and Charts 1 and 2). This reflects a significant re-orientation away from primary products over the past decade, particularly in Latin America. Africa and the Middle East continue to export mainly primary products, with the share of manufactures in each case at roughly 20 per cent.

4. The increasing share of developing countries in world trade is a reflection of the fact that the recent expansion of world trade has increasingly depended on the growth of trade of developing countries.

¹Comparisons across time are affected by changes in terms of trade and must be interpreted with caution. For example, the substantial decline in the relative price of oil since 1980 sharply reduced the share of oil-exporting countries in world trade, and with them, the share of developing countries.

While trade (both exports and imports) of developing countries increased at a slower pace than world trade during the period 1985-90, the reverse has been true for 1991 to 1993, a period of recession in the OECD countries (Table 3). For least-developed countries, however, the expansion of exports and imports remained well below the world average. In recent years, exports have probably stagnated while imports grew only moderately.

5. There are significant variations in the trade performance of developing country regions. Exports and imports of Africa and the Middle East expanded at well below the world average both in the period 1985-90 and in more recent years. Exports were adversely affected by developments in world markets for primary products, where demand was depressed, particularly by recession in OECD countries. In recent years, while the export growth of Latin America was below the world average, the import growth was well above the average. In contrast, both exports and imports of developing Asia expanded rapidly, growing annually at a rate of more than ten per cent per annum in value terms over the last ten years.

At the same, demand for imports has been growing even faster, so that Asia has not only expanded its share in world exports, but it is also a rapidly expanding market for its own exports and for exports from countries in other regions.

6. Intra-regional trade has been an important element in the trade expansion of Asia and Latin America. For Asia, intra-regional trade accounts for 33 per cent of total exports, while for Latin America, the corresponding figure is 21 per cent (Table 4). The shift to intra-regional trade is a reflection of the growing importance of trade in manufactures and the regionalization of production and distribution. On the whole, however, developing regions continue to export primarily to OECD countries. For Africa, exports to OECD countries account for 70 per cent of total exports.

7. At the individual country level, the most dynamic 15 trading nations over the period 1980-93 were developing countries. Countries that averaged an annual rate of growth of exports of at least 9 per cent include Botswana, China, French Guiana, French Polynesia, Hong Kong, Republic of Korea, Macau, Malaysia, Maldives, Mauritius, Mexico, Singapore, Chinese Taipei, Thailand, Turkey and Viet Nam. In comparison, developed countries with the most rapidly expanding exports during the same period were Portugal (9.7 per cent), Spain (8.9 per cent) and Japan (8.2 per cent).

8. Cross-border trade in commercial services has been a rapidly expanding component of world trade. Available data for developing countries indicates that commercial services represented roughly 20 per cent of total trade in 1992 (Table 5), and has been growing rapidly in developing Asia. Total exports of commercial services from developing countries in 1992 was 177 billion dollars, well over one half of which originated in Asia. In 1990, developing country exports of commercial services were valued at 146 billion dollars. However, available figures should be treated with caution due to the many shortcomings in data relating to trade in services.

9. Export and import expansion has come hand in hand with faster economic expansion in recent periods.² This is evidenced by the fact that, among developing regions, economic growth has been consistently higher in Asia, where real GDP growth has averaged more than 8 per cent over the last three years (Table 6). Lower growth has been recorded in the Middle East, Latin America and, in particular, Africa. For the least-developed countries, annual growth rates since 1990 have averaged 2 per cent.

10. Economic growth in developing countries as a group has accelerated since 1990, rising from 3.8 per cent to 6.1 per cent in 1993. The IMF expects that real GDP growth will decelerate slightly in 1994 to 5.6 per cent, but this rate will continue to exceed the growth rates of OECD countries by

²See, for example, IMF, World Economic Outlook, May 1993, pp.70-80.

a wide margin. For the group, income growth has generally exceeded population growth rates. Real GDP per capita of developing countries has therefore also been rising: over the period 1990 to 1993, real per capita income for developing countries as a group expanded by 12 per cent. This growth in per capita income reflects almost entirely the gains in Asia, since per capita income has largely stagnated in Latin America, the Middle East and developing Europe, and declined in Africa. For 1994, the IMF expects per capita income to rise in Africa as a result of increased economic growth rates. With the exception of Asia, economic growth in developing regions continues to be insufficiently high to provide the basis for sustained real per capita income gains.

11. For developing countries as a group, debt-service payments in relation to exports of goods and services (Table 7) account for about 15 per cent of exports of goods and services. This figure has varied little since 1990. Among developing regions, however, the corresponding figure is almost four times higher in Africa and Latin America (each roughly one-third of annual exports of goods and services), than in Asia. While the debt servicing payments as a share of exports has been reduced in Asia in recent years, it has increased in other regions. For 1994, the IMF expects a sharp increase in the share for both Africa and the Middle East, due to substantial debt service payments and sluggish export growth. A high level of indebtedness may however reflect external borrowings which provide the basis for future growth. A decade ago for instance, the debt burden of developing Asia was significantly higher than present levels, suggesting that the debt servicing payments as a share of exports can be reduced or eliminated through economic growth. However, a rising debt service ratio increases the fragility of external equilibrium and exposes a country to external shocks.

12. There has been a substantial increase of foreign direct investment into developing countries, from \$32 billion in 1990 to \$52.3 billion in 1993 (Table 8). The major recipients have been Asia and Latin America where gross direct investment flows are estimated to have reached \$29 billion and \$18 billion respectively in 1992. In Latin America, foreign direct investment more than doubled between 1990 and 1992. In contrast, the level of new foreign direct investment in Africa and the Middle East, as well as in the least-developed countries, remains small.

Table 1

**Share of developing countries in world merchandise exports
by major product groups, 1991 and 1993**

(Percentages)

	Agricultural products		Mining products		Manufactures		Total	
	1991	1993	1991	1993	1991	1993	1991	1993
Developing countries	24.5	24.8	52.1	52.1	17.9	20.5	23.6	25.1
Latin America	9.0	8.9	9.6	9.4	2.4	2.9	4.2	4.4
Africa	3.8	3.5	11.5	10.4	0.7	0.7	2.9	2.5
Middle East	1.1	1.1	20.8	21.5	0.8	0.9	3.5	3.4
Developing Asia*	13.1	14.0	10.2	10.9	13.9	16.0	13.1	14.8

*Including China.

Source: GATT Secretariat, *International Trade*.**Table 2**

Merchandise exports of developing countries by product, 1993

(Share in total exports of each country group)

	Latin America	Africa	Middle East	Developing Asia
Agricultural products	25	19	4	12
Mining products	26	57	76	9
Manufactures	49	24	20	79
Total*	100	100	100	100

*Excluding unspecified products.

Source: GATT Secretariat, *International Trade*.

Table 3**Merchandise exports and imports of developing countries, 1985-93**

(Billion dollars and percentage)

	Value	Average change			
	1993	1985-90	1991	1992	1993
A. EXPORTS					
Developing countries ^a	914	9.8	4.1	7.2	5.1
Latin America	159	6.0	-0.9	4.7	5.9
Africa	91	4.8	-2.3	-1.5	-5.7
Middle East	124	5.3	-9.3	3.8	-0.7
Developing Asia ^a	540	15.3	11.9	10.7	8.4
Least developed countries	14 ^b	5.5	-6	0	...
World	3640	12.1	1.5	6.5	-0.5
B. IMPORTS					
Developing countries ^a	980	10.3	11.2	12.1	6.1
Latin America	185	9.2	15.3	18.9	7.7
Africa	94	6.5	-0.5	5.0	-5.9
Middle East	122	2.2	12.4	15.6	-5.4
Developing Asia ^a	580	14.7	12.4	10.6	10.6
Least developed countries	26 ^b	4.0	2	4	...
World	3730	12.2	1.5	6.0	-1.0

^aIncludes China and excluding Hong Kong re-exports and imports for re-export.^b1992 instead of 1993.Source: GATT Secretariat, *International Trade Statistics*.

Table 4**Merchandise exports of developing countries by destination, 1993**

(Billion of US dollar and share in total exports of each country group)

Destination Origin	North America	Western Europe	Japan, Australia and N.Z.	C. E./E and the f. USSR	Latin America	Africa	Middle East	Developing Asia
A. Billion dollars								
Latin America	77.2	27.4	6.9	1.3	33.2	1.9	2.3	7.2
Africa	14.5	45.8	3.5	1.2	1.9	7.5	2.3	7.0
Middle East	15.9	32.9	24.4	1.9	2.9	2.9	11.4	28.2
Developing Asia	134.2	95.7	86.0	7.5	11.6	8.0	15.8	177.7
B. Shares								
Latin America	48.5	17.2	4.3	0.8	20.9	1.2	1.4	4.5
Africa	15.9	50.3	3.9	1.3	2.1	8.2	2.5	7.7
Middle East	12.9	26.6	19.7	1.5	2.4	2.3	9.2	22.8
Developing Asia	24.9	17.7	15.9	1.4	2.1	1.5	2.9	32.9

Source: GATT Secretariat, *International Trade*.**Table 5****Trade in commercial services trade of developing countries, 1990 and 1992**

(Billions of U.S. dollars)

	Exports		Imports	
	Value 1990	Value 1992	Value 1990	Value 1992
Developing countries ^a	146	177	170	208
Latin America	33	38	34	41
Africa	20	23	28	30
Middle East	15	17	29	34
Developing Asia	79	102	79	96
World	854	1000	846	988

^aIncomplete coverage.Source: GATT Secretariat, *International Trade*.

Table 6**Economic growth in developing countries, 1990-94**

(Annual percentage change)

	1990	1991	1992	1993	1994 ¹
1. Real GDP growth					
Developing countries	3.8	4.5	5.9	6.1	5.6
Latin America	0.3	3.4	2.5	3.4	2.8
Africa	1.9	1.4	0.2	1.0	3.3
Middle East and developing Europe	4.0	1.9	7.0	4.8	1.4
Developing Asia	5.8	6.2	8.2	8.5	8.0
Least-developed countries	2.1	1.1	2.0	2.8	4.6
2. Real per capita GDP growth					
Developing countries	1.9	2.5	3.3	4.1	3.6
Latin America	-1.6	1.4	0.5	1.5	0.8
Africa	-1.0	-1.3	-2.3	-1.6	0.6
Middle East and developing Europe	2.2	0.0	-0.3	1.9	-1.3
Developing Asia	4.2	4.5	6.5	6.8	6.3

¹Projected.Source: IMF, *World Economic Outlook*, October 1994.**Table 7****Debt-service payments, 1990-94**

(Percentage of exports of goods and services)

	1990	1991	1992	1993	1994 ¹
Developing countries	15.2	15.0	14.5	15.4	15.3
Latin America	26.2	30.7	32.7	38.4	31.9
Africa	25.1	26.0	27.7	26.7	33.2
Middle East and developing Europe	14.8	14.2	10.6	11.2	18.3
Developing Asia	9.8	9.1	9.0	9.4	8.5

¹Projected.Source: IMF, *World Economic Outlook*, October 1994.

Table 8**Flows of foreign direct investment, 1990-92**

(Billions of U.S. dollars)

	Inflows			Outflows		
	1990	1991	1992	1990	1991	1992
Developing countries	32.0	39.9	52.3	9.6	6.7	9.2
Latin America	8.7	15.0	17.7	1.0	1.2	0.3
Africa	2.2	2.7	3.0	0.2	0.2	0.1
Middle East and developing Europe	1.3	1.4	1.5	-	-	-
Developing Asia	19.4	20.2	29.4	8.4	5.5	8.2
Least-developed countries	0.6	0.4	0.3	-	-	-

Source: UN (1994), *World Investment Report*.

Chart 1

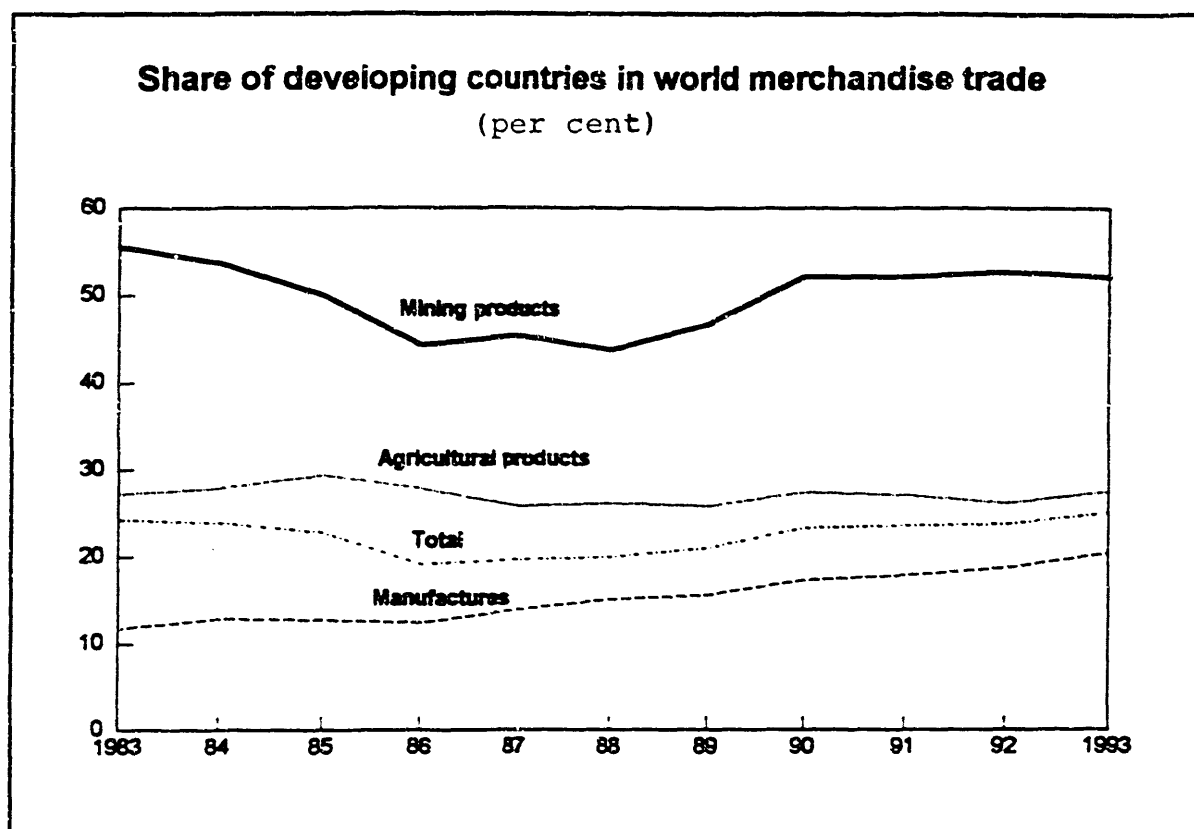


Chart 2
Product structure of developing countries merchandise exports, 1963-1993

