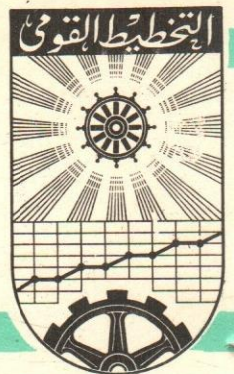


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TRENDS IN THE WORLD DEMAND FOR
PRIMARY PRODUCTS & THEIR IMPLI-
CATIONS FOR THE EXPORTS OF DE-
VELOPING COUNTRIES

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TRENDS IN THE WORLD DEMAND FOR PRIMARY
PRODUCTS & THEIR IMPLICATIONS FOR THE
EXPORTS OF DEVELOPING COUNTRIES(1)

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(1) This article was discussed in the seminar held for the specialized Course of "Foreign Trade & Payments Organized in Cairo in March 1966 by the African Institute of Economic Development and planning, Dakar & the I.N.P. of Cairo.

A. INTRODUCTION

1 - Importance of Primary Products in Foreign Trade:

Primary products, particularly agricultural plays an important rôle in the world trade in general and in the life of the developing countries in particular. Recent figures of world trade indicates clearly that nearly one third of this trade consists of primary products out of which three quarters⁽¹⁾ are agricultural products. (table 1) It indicates also some striking features of the pattern of this trade. These features are as follows :-

1. The high degree of dependance of less developed countries on primary product's exports. Nearly 90% of their exports consist of raw materials.
2. The higher percentage which agricultural exports represent in the total exports. Nearly 86% of the total exports are agricultural.
3. The modest share of agricultural exports from less developed countries in the world agricultural exports. Inspite of the fact that 86%⁽²⁾ of these countries' export share are agricultural exports yet their share in world trade in agriculture does not exceed 36%.
4. The remarkable share of under-developed countries in fuel exports. Petroleum exports provide nearly one third of the underdeveloped countries earnings. However most earnings accrue to few countries of the uder-developed countries whose number exceeds one hundred.
5. The modest share of under-developed countries in world exports of all merchandise except fuels. This share does not exceed 17% of the world total.
6. The much more modest share of under-developed countries in world trade in manufactures. Manufacturers' share amounts only to 4% of the total.

From the above it can be seen how far important are agricultural products' exports to the economy of underdeveloped countries. For this reason our analysis in the following will be mainly confined to agricultural exports only.

(1) Excluding fuels.

(2) Other than fuels.

The role of agricultural commodity exports
in world trade (based on 1959 - 1961 averages)

Export values in billions			share of exports of less developed in world trade	Commodity composition of all merchandise exports				Commodity composition of primary exports			
	From less developed	%		World		From less developed		World		From less developed	
				incl. fuels	excl. fuels	incl. fuels	excl. fuels	incl. fuels	excl. fuels	incl. fuels	excl. fuels
1	14	36	% 31	% 35	% 53	% 74	% 59	% 73	% 58	% 86	
3	2.4	17	11	13	9	12	22	27	10	14	
7	7.7	61	10	-	29	-	19	-	32	=	
4	16.6	31	43	48	62	86	81	100	68	100	
1	24.3	37	53	-	90	-	100	-	100	-	
	2.6	4	47	52	10	14	-	-	-	-	
4	19.2	17	90	100	71	100	-	-	-	-	
1	26.9	22	100	-	100	-	-	-	-	-	

2- Importance of Agricultural Exports for Individual Developing Countries & Regions:

As it has been mentioned before all developing countries for 36% of the world agricultural exports. If we look to the account share of each group of these countries we find that Latin America and Asia (excluding Japan & Main land China) each accounted for one third. The remaining one third comes from Africa and the middle east at a ratio of three to one. For each of the four main less developed regions, the shares of agr. commodities in their total merchandise exports (exc. fuels) are more or less equal ranging from just over 70% for Africa and the Middle East to 7.9% for Latin America.

If we look to the share of individual countries of these groups in exports we find that the ratio of agr. exports to total exports of some of these countries are even more higher than 79%, moreover the economics of each country shows a very high degree of concentration in their agr. exports on one or a few products only which creates many difficulties for the economy of these countries.

3- Relative Importance of main Commodity Groups in World Agricultural Trade:

Figures indicate that the underdeveloped group's overall share of 36% of world agr. exports is composed of sharply differing share of world trade for major commodity groups, ranging from 8% for temperate - zone food stuffs to 99% for tropical products.

At the same time tropical products play an important role in the trade of a large number of individual countries, its' share amounts to 29% of the total agr. trade while agr.

raw materials amount to 37% and products competing with those of high income exporting countries in the temperate zone (e.g. sugar oils) amount to 261. Figures reveal also the very large shares of world imports absorbed by high - income countries, ranging from 2/3 of the world total for temperate - zone food stuffs to 87% for tropical products.

B. TRENDS & PERSPECTIVES FOR AGRICULTURAL EXPORTS

During the past decade analysis of figures of foreign trade reveal that agricultural exports - which represent the biggest component in the export earnings of the vast majority of the under developed countries have expanded at slower rates in volume and suffered from sharper declines in prices if compared with most other export products. Developments during this decade were characterized by the following four main adverse sets of influences:

1. A declining share in world trade: Figures of international trade indicates (table 2) that the growth of the trade in agr. exports was slower since the second world war if compared with world trade as a whole. This unsatisfactory trend has existed inspite of their outstanding importance in the exports of under developed countries.

Table (2)
Percent Increase in 1959-1961
Over 1952-1953

World merchandise trade		World agr. trade	
Volume	Value	Volume	Value
50	50	36	14

2. A lagging growth of agr. exports from low-income countries: Figures of international trade during the same period reveals also that inspite of the slow rate of growth mentioned , this rate was not shared equally between high - income and low income countries (see table 3)

Table (3)
Percentage increase of agr. exports in
1959-61 over 1952-53

From high income countries		From low income countries	
Valume	Value	Valume	Value
46	24	28	7

3. A decline in the unit value for agr. exports: During the past decade the value of agr. exports from low income countries has risen due to the rise in their total volume, but while this is so, the unit value has declined sharply. This was mainly due to the fact that the rise of the value was less than the rise in the volume. The rise in the value only amounted to $\frac{1}{4}$ of the rise in the volume. This indicates clearly the severity of decline in unit values of agr. exports.

4. A deterioration in the terms of trade for agr. products: During the period 1950-1962 while prices of manufactured exports have risen steadily prices of agricultural exports declined sharply. The effect of such a situation on under developed countries was severe. It meant a fall which amounted to 32% of their import purchasing power. The fall was due to a decline of 34% of prices of food exports and 41% of prices of agricultural raw materials.

C. OBSTACLES TO FOREIGN TRADE
IN AGR. PRODUCTS

In the following we are going to discuss briefly the various obstacles which affects the demand of agr. products. In doing so, and due to the fact that such obstacles vary according to the nature of various agr. products, these obstacles are going to be classified into four groups as follows:-

1. Obstacles for Temperate-zone Food Stuffs (Grains, Dairy Products, Meat & Eggs and Fishery Products)

Agr. production in the developed countries of the temperate zone has risen considerably during the past decade. Expansion of food products in these countries was mainly due to national support policies and technological progress during this period. But while production expanded demand was growing slowly. Owing to these facts the main problem which faces exporters in these countries has become that of access to markets. Besides non-tariff devices such as quantitative restrictions, import levies and health regulations etc. have been insuperable even to the lowest - cost producer.

If we think of the future demand of the food products of these countries it is feared that the continued growth of surpluses over & above the possibilities for commercial sales plus concessional exports, the possibility of a still larger accumulation of certain of these products in the future, and the danger that schemes for regional integration may tend still further to restrict the markets for traditional exporters.

2. Obstacles to trade in temperate tropical agr. products.
(sugar cane, sugar beat, oil seeds, say beets etc.)

Products of this group of countries are produced both in the developed temperate zone region and the semi-temperate

and tropical under developed areas. In this respect products of both regions can be considered competitive in the foreign trade.

Due to this fact the main obstacle which faces exports of underdeveloped countries of these products is the heavy support and protection which is given by governments to producers in the developed countries. Such support and protection has in many instances lessened the possibilities for sales of the products of the under developed countries. For example, support of developed countries given to sugar beet and oil seeds producers not only has tended to lessen the possibilities for sales of sugar and tropical oils from the under developed countries to developed countries, but in some instances as in the case of soya beans has led to a strong growth in exports from the developed regions.

Besides the basic income and price supports for producers of these commodities in the developed areas a further series of obstacles were introduced as a supplement of these supports and which impinge still more specifically on trade. This series of obstacles can be seen in differential duties, revenue duties and preferencess.

a) Differential duties:

Most industrialized countries operate a system of differential duties on these commodities. Virtually all countries that import fats, oils, and oilseeds have for instance a structure of import duties which discriminates in favour of the raw materials against the processed products, and usually also in favour of the less elaborated product against the more elaborated. As the products become still further elaborated the discrimination tends to increase less further.

It is evident that differential taxation of this character represents a much more than proportionate fixed burden on the "value added" (1).

b) Revenue duties:

A further series of obstacles to trade is constituted by internal taxes levied in many countries on this group of commodities. These are widely in use for tobacco, sugar, citrus and a number of fats & oils.

c) Preferences:

Many developed countries operate systems of preferential treatment for commodities from certain under developed areas for political reasons and while it is important to note that the abolition of such preference areas would not necessarily lead to any increase in total world trade, it is clear that such areas represent an obstacle to expanded exports for many of the under developed countries who find themselves outside them.

3. Obstacles to trade in tropical products (Coffee, tea, Cocoa, bananas & spices)

The problems of expanding market opportunities for tropical agricultural commodities are rather different from the two categories of products dealt with immediately above, since the developed temperate-zone countries which constitute by far the largest market are not able to grow these commodities.

(1) Considering rice for example, in the past five years there has been a growing proportions of world trade in the form of husked (brown rice) to Western Europe. This is a direct reflection of preferential duties favouring husked rice rather than fully milled rice in the interests of domestic milling industries in the importing countries.

There are thus no groups of domestic producers on whose behalf national support policies and restriction trade practices have grown up. Apart from this fact there are still few obstacles to the expansion of trade in tropical products as internal duties and taxes on consumption in some developed countries i.e. European countries.

Similarly, tariffs on tropical products are still of some importance in certain countries. Their effect for tropical products is at present mainly preferential. As it has been mentioned before while the abolition of reference areas is not expected in all cases to increase world trade it would at least help to lessen discrimination as between one group of under developed countries and another.

4. Obstacles to trade in agr. raw materials (Rubber, wool, cotton, jute hard fibers, hides & skins forest products)

Products of this group play a very important role in world trade. But in spite of this fact some similar to these mentioned in relation to the previous groups are common to their foreign demand. For example differential duties which exist in many developed countries tend adversely to affect the development of processing industries at raw materials in under developed countries. Such a case is quite obvious in the textile industry, particularly in the early stages of industrialization.

Besides this obstacle, synthetic fiber competition is considered to be an overriding problem for this group of commodities. During the last years world production of synthetic rubber exceeded that of the natural product. Also it has been noticed that the rate of increase in utilization of man-made fibers was far higher than that of cotton or wool. In marine

cordage manufacture, for example synthetics nowadays represents the main raw material used and so on. Accordingly synthetic competition represents an obstacle which underdeveloped countries must account for in the future.

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