H. Ashok Chandra Prasad. 1996. *Bilateral terms of trade of selected countries from the South with the North and the South.* UNCTAD discussion paper no. 110 (January).

Korea, India and Indonesia are compared.

Korea presents the higher quantum of exports, in absolute terms and relative to imports. Yet, Korea's terms of trade with major trading partners are favourable to Korea, with the exception of the oil exporting countries (from whom Korea imports its oil requirements) and a few other LDCs.

Actually, 84% of Korean exports and 88% of Korean imports are to and from developed economies. The Korean balance of trade with both developed economies and LDCs is highly positive (Korea exports twice as much to LDCs than it imports from LDCs, and 20% as much to developed economies). The trade balance between Korea and oil importing countries is negative.

Why is it? How can Korea export so much with favourable terms of trade? Is it because of the structure of imports and exports? Is it because of technological capabilities of the Korean economy? Is it because Korea is not really competitive but the state follows an active export promotion strategy? Is it that the export drive of its trading partners to penetrate Korean markets makes Korea's import prices to fall? Or is it that a selective import liberalisation policy has helped Korea to reap the benefits of cheap imports and increase exports?

Indonesia's terms of trade, in the period of analysis, were negative with both developed and developing economies, with the exception of the oil price boom years between 1980 and 1983. Imports grew faster during the oil boom period, and its quantum index fell thereafter. Imports from LDCs were more resilient. The quantum index of exports grew faster for both developed and developing economies from mid 1980s, after the oil boom, and fastest with LDCs. This change results from an attempt to diversify exports.

Indonesia's X/M terms of trade of primary and manufactures are unfavourable. When oil is accounted for, the X/M terms of trade of primary products improve for a period. The falling unit prices of oil, oil products, timber products and minerals, as well as the falling unit prices of manufactures exported were instrumental in the building of unfavourable terms of trade.

About 75% of Indonesia exports and 69% of Indonesia's imports are to and from developed economies. The trade balance with developed economies has been positive for a decade (with Indonesia exporting twice as much as it imports) and with LDCs has been marginally positive (sometimes significantly negative, although much less so when major oil exporters are excluded). However, despite industrial diversification, Indonesia's export value and positive trade balance have fallen significantly after the

oil boom of the early 1980s, although both started to recover by the end of the decade (maybe because of diversification).

How did Indonesia manage such a fast process of exports diversification away from oil exports?

India's barter terms of trade were generally favourable, with the exception of terms of trade with the USSR (oil), United Arab Emirates (oil), Zambia and Bangladesh. Excluding machinery and transport equipment from imports from developed countries, and oil imports from the USSR and UAE, improves India's net barter terms of trade very significantly.

India's X/M manufactures terms of trade are favourable with developed economies and unfavourable with developing economies (it might be because developed economies are more efficient at producing manufactures so that their unit export value falls. The unit values of M of manufactures from developed economies either falls or rises slower than the unit prices of India's, hence confirming this possibility). However, the terms of trade of X/M of primary products are favourable with LDCs (with exception of oil exporting countries) and unfavourable with developed economies (no clear pattern/explanation is given).

Of India's total exports, 40% are to developed economies, 15% to USSR and jut over 1% to Africa. Of total imports, 36% come from developed countries, 5% from the USSR and 3% from Africa. India's trade balance is highly negative, since only 59% of its imports are covered by exports.

This study leaves many unanswered questions of detail, but it raises some interesting points, namely:

1. Impact of productivity growth on price falls and export advantages and drive;
2. Impact of selective liberalisation, of exports and imports, in reaping the benefits of cheaper imports while promoting new productive capacities and entering into new markets;
3. Need for diversification away from a narrow pattern of specialisation;
4. Need of an export promotion strategy to accelerate such process of diversification.