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WORLD ECONOMIC SURVEY, 1974

Part One. Mid-term Review and Appraisal of Progress in the Implementation of the International Development Strategy

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Department of Economic and Social Affairs

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FOREWORD

The International Development Strategy for the Second United Nations Development Decade - adopted by the General Assembly in its resolution 2626 (XXV) of 24 October 1970 - calls for a biennial review and appraisal of performance and progress. The first of these assessments was made in 1973; the second - designated the "mid-term" review and appraisal - is to be carried out in 1975. The present report is designed to assist in this second examination of the way in which Governments are responding to the International Development Strategy. It presents an over-all analysis of economic and social performance in the developing countries and of implementation of the Strategy by the developed market economies and the centrally planned economies.

The report, prepared in the last quarter of 1974 by the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs, has drawn on the information furnished by Governments in response to a note verbale circulated by the Secretary-General in June 1974. It has also taken into account regional and sectoral appraisals of progress issued before the end of 1974.

Every effort has been made to bring together relevant statistical data covering the first three years of the Second United Nations Development Decade, 1971-1973, with 1970 as a bench-mark from which measurements could be made. Despite this and the use of proxies and indicators for estimating purposes, a large number of statistical gaps remain, even in key areas of the Strategy - such as domestic saving rates in the developing countries and expenditure on research and development - for which quantitative targets have been set. The events of 1974 are described in qualitative terms.

Dealing as it does with many of the problems of economic development in a global setting, this report is being issued as part one of the World Economic Survey, 1974. It will be followed, as soon as the relevant statistical material becomes available, by part two, Current Economic Developments, in which salient features of the world economic situation in 1974 will be examined in quantitative terms.

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Explanatory notes

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported

A dash (-) indicates that the amount is nil or negligible

A blank in a table indicates that the item is not applicable

A minus sign (-) indicates a deficit or decrease, except as indicated

A full stop (.) is used to indicate demicals

A comma (,) is used to distinguish thousands and millions

A slash (/) indicates a crop year or financial year, e.g., 1970/71

Use of a hyphen (-) between dates representing years, e.g., 1971-1973, signifies the full period involved, including the beginning and end years.

Reference to "tons" indicates metric tons, and to "dollars" ($) United States dollars, unless otherwise stated.

The term "billion" signifies a thousand million.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

The following abbreviations have been used:

AID	Agency for International Development /United States of America/
BTN	Brussels Tariff Nomenclature
CIPEC	Intergovernmental Council of Copper Exporting Countries
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee /OECD/
EEC	European Economic Community
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association

IDS	International Development Strategy
IIB	International Investment Bank /CMEA/
ISIC	International Standard Industrial Classification
ITC	International Tin Council
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	special drawing rights
SITC	Standard International Trade Classification
UA	units of account /EEC/
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term "country" as used in the text of this report also refers, as appropriate, to territories or areas.

Chapter I

ECONOMIC AND SOCIAL PERFORMANCE OF DEVELOPING COUNTRIES UNDER THE INTERNATIONAL DEVELOPMENT STRATEGY

The global setting

When the International Development Strategy (IDS) was adopted by the General Assembly in October 1970 the world was on the eve of what has proved to be one of the least stable periods in recent history. In 1971 the payments imbalances that had been building up among the major developed market economies culminated in a breakdown of the international monetary system. The consequent changes in price relationships helped to stimulate a trade-led boom in demand which raised the rate of growth in the developed market economies from one of the lowest post-war figures in 1970 (2.6 per cent) to one of the highest in 1973 (6.5 per cent). This upswing greatly accentuated the inflationary pressures which, for institutional reasons, had become more troublesome and persistent in the course of the 1960s. Another impulse was given to prices in 1972 when widespread crop failures resulted in a great expansion in cereal trade and a rapid drawing down of stocks in the exporting countries. Other supply difficulties served to accelerate the price rise in 1973: some reflect capacity ceilings in highly capitalized industries (such as steel, pulp, chemicals and non-ferrous metals), others reflect adverse natural conditions (such as the poor cocoa crop in West Africa and the alteration of the anchovy shoals in the Humboldt Current) and yet others reflect official or private actions (such as the rerouting of Zambian copper exports, labour strikes in several mining areas and the curtailment of exports by the Organization of Arab Petroleum Exporting Countries). In the sellers' market that developed in 1973, moreover, producers' earnings rose rapidly and there was a marked increase in nationalizations and other manifestations of government concern to share in the higher revenues and control the assets producing them. One of the outcomes of this was the raising of the effective world market price of crude petroleum, phosphate rock and bauxite.

In the case of petroleum, the rise in the price was so large - a fourfold increase between January 1973 and January 1974 - that, given its importance in world trade and the low elasticity of demand for it on the market, the consequence was not merely another boost to costs and prices but also the opening up of serious deficits in the external accounts of many importing countries. This new set of imbalances emerged at a time when production in the developed market economies had begun to slow down or had even entered the downward phase in the business cycle. Thus, although the rise in prices was still accelerating in almost all countries and the balance of trade was deteriorating in most countries, it became very dangerous to take disinflationary or defensive action. And at the end of 1974, for the first time since the 1930s, the world economy was posed on the brink of a general recession.

Against this tumultuous background of short-run change and disruption, the normative influence of the International Development Strategy with its long-range view of the development process was less than it would otherwise have been. While the Strategy played an important part in shaping long-run economic and social policies in the developing countries and trade and aid policies in the more advanced

countries, the major economic decisions taken in the 1971-1974 period represent responses to market forces, to the exigencies of the food situation and to the political challenges and opportunities as they occurred both within countries and internationally.

There was a great upsurge in imports into the more advanced countries from the developing countries but this reflects movements in demand and prices rather than changes in trade policy, though the implementation of preference schemes by a number of countries in 1971 did have a positive effect on the sales of various manufactures. An international Cocoa Agreement was negotiated in 1972 but it had little bearing on trade when market prices were far above the agreed stabilization range and there were no stocks to be used for buffer purposes. Other commodity arrangements also became academic as price and other substantive provisions were suspended as inoperable in the prevailing circumstances. Little headway was made in reaching the target for the transfer of resources to developing countries: the over-all flow from the developed market economies increased, but hardly any faster than their combined national product, and the ratio of official assistance to total production was lower in 1973 than in any year since the adoption of the initial aid target by the General Assembly in 1960. Events also overtook the efforts made to reconstruct an international monetary system with fixed but adjustable exchange rates; thus no firm decisions were taken on the role of the special drawing rights (SDR) in the International Monetary Fund (IMF) and hence on the IDS-advocated linkage between the creation of new international liquidity and the flow of aid to developing countries.

The commodity shortages that emerged in 1973 imposed a considerable strain on the generally liberal trade philosophy that has tended to underlie international thinking in the post-war period. A number of countries resorted to export controls in order to protect their domestic supplies of particular items and there was a general strengthening of autarkic sentiment: the upsurge in price and unreliability of supply tended to persuade many importing countries that the continued support of domestic production (of coal and sugar, for example) was a safer policy than opening the market and increasing dependence on imports.

The trade liberalization programme was also threatened by the massive deterioration in the current accounts of many of the industrial countries in the wake of the raising of petroleum prices. Several countries felt impelled to take defensive action for the purpose of limiting import expenditure. Borrowing arrangements and mutual assurances prevented a chain reaction from setting in, but circumstances on the eve of the new (Tokyo) round of trade negotiations were far from conducive to progress in what had been intended not only as the virtual elimination of tariffs on most manufactures but also as the first major step in reducing non-tariff barriers, even on agricultural commodities.

The implications of impending changes in price relationships also cast a shadow over international trade, especially between primary exporting and industrial countries. As a result of the high prices of 1973-1974, the production of many primary commodities is likely to increase: new capacity has been stimulated and, after a variety of gestation delays, this should begin augmenting output in the period immediately ahead. It is in this period, however, that demand is most likely to be reduced by the market and policy forces operating in the developed market economies. The consequential weakening of prices will be far from uniform, however: petroleum prices (because of the producers' control over supply), cereal prices

(because of the low inventory position and the continued growth in population) and the prices of manufactures (which are still being pushed upwards by rising wage and other input costs) are all likely to lag behind the slide in most other food and raw material prices.

In these circumstances most developing countries are likely to experience a deterioration in their terms of trade and a sharp deceleration in the expansion in their export earnings. Import expansion could be maintained for a year or two by drawing on the foreign exchange reserves that have been built up substantially in the first half of the decade, but the rate of investment would soon begin to suffer when what has been the main engine of growth in the 1972-1974 period loses its thrust. Only if there were a major recovery in agriculture and an upsurge in industry - based largely on developing country markets - would a continuation of the over-all rate of growth at 6 per cent seem feasible over the middle third of the decade.

Since a slackening in the rate of growth would make it that much more difficult to attain most of the other objectives of the International Development Strategy, it is extremely important to counteract the effect of any contraction in the demand for developing countries' exports that might manifest itself in 1975. This may call for action by individual developed market economies to avoid undue cutbacks in expenditure where possible or at least to insulate developing countries from the effects of such cutbacks where they are deemed to be an essential part of the effort to restore the balance within and between countries in preparation for a resumption of steadier and less inflationary growth. It may also call for compensatory action at the multilateral level, both in the form of appropriate lending and in the form of liquidity creation geared to current need. As the large prospective deficits of the major industrial countries will tend to swell international liquidity in the aggregate, a special responsibility will rest on the surplus countries to ensure that their use of monetary resources is not deflationary in its consequences.

Progress in the developing countries towards the objectives of the Strategy

The first four years of the Second United Nations Development Decade have seen the unfolding of a paradox. Even though the policy recommendations of the International Development Stragegy for the Decade were implemented only partially and feebly, progress towards the fulfilment of some of the major aggregative development targets was on course. Thus, despite the lack of any significant liberalization of import policies by the more advanced countries, between 1970 and 1973 the trade of the developing countries increased at approximately the 7 per cent rate specified in the Strategy. Despite the failure of the more advanced countries to make available a higher proportion of their gross output in the form of development assistance, the developing countries raised their average savings ratio more or less in line with the IDS objective of 20 per cent by Decade-end. Despite a disconcertingly poor agricultural performance, the developing countries achieved an average rate of growth in over-all production of 6 per cent a year - the Decade target.

The main factor behind the over-all achievement of the developing countries was the impulse that came from the external sector. Amplifying the effect of the increase in export volume was a sharp rise in export prices - measured in dollars, this averaged almost 17 per cent a year over the three-year period. Export earnings

thus rose at 25 per cent a year, compared with 20 per cent a year for imports. This served to raise the developing countries' over-all trade surplus from $2 billion in 1971 to about $11 billion in 1973. As a result, the external reserves of the developing countries doubled in the 27 months between the end of 1970 and March 1973 and doubled again the following 18 months.

Another consequence of the upsurge in export earnings was a sharp rise in incomes - especially corporate incomes - generated in the export sector and in government revenues. This, combined with the poor agricultural out-turn, tended to swing the expenditure pattern from consumption to investment. This swing favoured further economic growth, though its immediate effect was to widen internal income disparities thus postponing the achievement of the IDS objective of a more equitable distribution of incomes. This objective was also made more difficult of attainment by the rapid rise in prices which affected the developing countries no less than the rest of the world, both through traded goods and through the lag in agricultural production.

The fact that the main stimulus to growth in 1971-1974 came from the external sector had two other consequences. First, it tended to increase the differences among developing countries, depending on the composition of exports. Exporters of tea or bananas or jute, for example, had a much smaller income boost than exporters of rice or sugar or petroleum, while increases in import prices differed relatively little. And secondly, it enhanced the vulnerability of the developing countries to the repercussions of economic changes in their trading partners. The contraction in demand for imports now under way in the developed market economies, for example, is likely to have a severe impact on both private incomes and public revenues in most developing countries. This will be cushioned by the reserves built up in the 1971-1974 period, but if the consequent deterioration in the terms of trade persists the goals of the Decade will be in jeopardy.

The gross domestic product

In the first two years of the decade the total output of goods and services in the developing countries - influenced by a slowdown in developed market economy growth in 1971 and widespread crop failure in 1972 - barely maintained the rate of increase registered in the 1960s. Under the influence of the primary commodity boom that got under way in 1972 and the recovery in agriculture in 1973, the next two years brought a sharp acceleration in growth. The average rate of increase in 1971-1973 was 6 per cent a year and early indicators suggest that that rate - which is the IDS target average for the Decade - was maintained in 1974. The rate of advance was highest in West Asia and Latin America; the developing countries in Africa and South Asia, affected more severely by the weakness in agriculture, lagged behind their earlier growth rates (see table 1).

These regional differences suggest that fulfilment of the IDS aggregative target is itself no assurance of a satisfactory state of affairs among the developing countries. In fact, economic performance varied widely in the 1971-1973 period. A third of developing country population lives in the 32 countries in which the rate of increase in production exceeded 6 per cent a year. At the other end of the scale, however, over half the population lives in the 39 countries in which production increased at less than 4 per cent a year and 45 per cent in the 24 countries in which the growth rate averaged less than 2 per cent (see table 2).

In the developing countries of the western hemisphere and West Asia, around

three fourths of the population lives in countries in which production grew at over 6 per cent a year. In Africa and South and East Asia, by contrast, only one fourth of the population lives in such high-growth countries. Of the 45 per cent of the developing country population living in countries with a growth rate of less than 2 per cent a year in 1971-1973, about six out of every seven were in the seven low-growth countries of South and South East Asia.

The disparity between the petroleum-exporting group and the rest of the developing countries that had opened up in the 1960s widened in the first three years of the 1970s. Notwithstanding the decision of Kuwait and the Libyan Arab Republic to reduce their output of oil, the rate of economic growth of the petroleum group accelerated by a third to an average 1971-1973 figure of 8.7 per cent, while growth in the rest of the developing world, dampened by the 1971-1972 setback, was only fractionally above the average for the 1960s. In Africa the rate of increase in countries other than the petroleum exporters dropped back from 4.4 per cent a year in the 1960s to a bare 4.0 per cent in 1971-1973.

The over-all growth rate of 6 per cent a year meant an average annual increase in per capita income of about 3.5 per cent. This figure is in line with the Strategy target, but also conceals a wide range of results: from declines of more than 5 per cent a year to increases of more than 10 per cent. Rather less than a third of the developing countries had rates of increase in per capita production above the 3.5 per cent target. The median rate of increase was 2 per cent.

At one end of the scale, about a fifth of the developing countries achieved an increase in per capita production of more than 4.5 per cent. This group, which accounted for about a fifth of the combined population, included not only some of the petroleum-exporting and transit countries (Ecuador, Gabon, Indonesia, Iran, Lebanon, Saudi Arabia and the Syrian Arab Republic) but also some of the leading manufacturing countries in the developing world (Brazil, Hong Kong, Israel, the Republic of Korea, Singapore and Southern Rhodesia).

At the other end of the scale were a fourth of the developing countries (accounting for 45 per cent of the combined population) in which per capita production declined in the 1971-1973 period. These included some in which the reduction was deliberate (Kuwait and the Libyan Arab Republic), some in which it was largely the result of adverse weather (as in India and the Sahelian countries) or other factors unfavourable to agriculture (as in Guyana and Uruguay, Sri Lanka and several African countries, including Guinea, Madagascar and the United Republic of Cameroon), and some in which war and civil disturbance played a major role (as in Bangladesh, Chile, Egypt, Jordan, the Khmer Republic and Uganda).

The early years of the decade brought a widening of the income disparities among the developing countries. Of those that achieved an increase of over 4.5 per cent a year in per capita production, the proportion of low-income countries (less than $200 per person in 1970) was 9 per cent, the proportion of middle-income countries ($200-$500), 23 per cent, and the proportion of high-income countries (more than $500 per person in 1970), 35 per cent. Among those whose per capita production declined, on the other hand, the proportion of low-income countries was substantially above that of higher income countries (even when the two cases of planned reductions are included). Moreover, over 40 per cent of the developing country population lives in the low-income countries in which per capita income declined in 1971-1973 (see table 3).

Among the low-income countries only about a fourth achieved a 1971-1973 rate of growth that was significantly higher than that registered in the 1960s; over 40 per cent recorded a deceleration. Among the higher-income countries the proportion

experiencing a slower rate of growth than in the 1960s was appreciably smaller. And among the medium-income countries (between $200 and $500 per person in 1970) almost half raised their per capita output faster in 1971-1973 than in the 1960s (see table 4).

Agricultural production

One of the reasons for the widening of the disparities among the developing countries was the disappointing agricultural performance that marked the early years of the 1970s. Since the lower-income countries tend to depend on agriculture to a greater extent than the higher-income countries, the crop failures of the period bore a heavier incidence on the former. Though drought was the main source of difficulty, floods, unseasonable frosts and pest and disease infestations all played a part in reducing harvests. Production problems were also exacerbated by input difficulties in some countries (credit and fertilizer supply, in particular) and by the price policies pursued by some Governments and regarded by farmers as discouraging planting or delivery.

The incidence of these factors differed from year to year: in 1971 about a fourth of the developing countries experienced a reduction in gross agricultural output, in 1972 almost 40 per cent, in 1973 about a third. The worst year for the western hemisphere and South and East Asia was 1972, when production declined in about half the countries in these two regions. A similar proportion of reductions in output was registered in Africa and West Asia in 1973. The crop failures in Africa in 1973 stretched right across the continent below the Sahara and, coming after several years of diminished rainfall, resulted in serious famines, the toll of which was greatly aggravated by the logistical difficulties caused by the inadequacy of transport facilities and the nomadic nature of the population concerned. However, it was the 1972 failures that had the greatest impact on the market and the world food situation: they occurred in the populous countries of South Asia and at the same time as similar failures across the Eurasian land mass. Grain imports into the developing countries of Asia increased sharply in 1971/72 and again in 1973/74 but, because of the upsurge in imports of centrally planned economies, they did not reach the proportion of world grain trade (around 16 per cent) that marked the two years after the monsoon failures of the mid-1960s. 1/

Notwithstanding the recovery in agricultural production in 1973, the average rate of increase for the first three years of the decade was around 2 per cent.

1/ Imports of grain,[a/] 1970/71-1973/74
(Millions of tons)

Importing region	1970/71	1971/72	1972/73	1973/74
Developing countries of Asia .	13	17	16	20
Centrally planned economies .	14	21	37	27
Western Europe and Japan . . .	58	54	59	57
World total	109	113	135	146

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States of America, Department of Agriculture, World Grain Situation Review and Outlook, Foreign Agriculture Circular FG 3-75 (Washington, D.C., 1975).

a/ Wheat and flour (grain equivalent) and maize, barley, sorghum and oats.

This was well below the rate achieved in the 1960s and below the rate of growth in population. This lag behind both earlier rates and population growth occurred in each of the developing regions with the possible exception of West Asia where crop fluctuations have been particularly wide. Early estimates of 1974 output suggest an improvement in Africa and a continuation of the satisfactory 1973 rate in Latin America. In Asia, however, unfavourable weather - notably a poor monsoon in India and flood in Bangladesh and Burma - probably resulted in a reduction in agricultural output. Thus, for the developing countries as a whole, the rate of increase between 1973 and 1974 was of the same modest order as over the three previous years (see table 5). 2/

Over a fifth of the developing countries registered a decline in agricultural production in the period 1971-1973. A slightly larger proportion registered only low rates of increase - of less than 2 per cent a year. These groups consisted chiefly of the smaller countries of Africa and the western hemisphere, though they included Argentina, Chile, Peru and Venezuela and Algeria, Morocco, the United Republic of Tanzania and Zaire as well as Burma and Sri Lanka, and accounted in all for a fifth of developing country population (see table 6). More serious in its

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2/ Very few developing countries attempt to measure, on a current basis, their agricultural output. The fact that so important a sector was so poorly monitored was pointed out in World Economic Survey, 1969-1970 (United Nations publication, Sales No. E.71.II.C.1) (see p. 20 et seq.), which discussed the problem of measuring economic and social progress in the light of the preparations then being made for the International Development Strategy. A target was set for agricultural growth but up to the time of the mid-term review and appraisal no additional country has published an index of production. As a result, use has to be made of outside estimates. Two such sets are available, one produced by the Food and Agriculture Organization of the United Nations (FAO), the other by the Department of Agriculture of the United States of America. There are appreciable differences between the results for individual countries reflecting (a) differences in actual crop estimates, (b) difference in the allocation of harvests to particular calendar years, (c) difference in the allowances made for in-sector consumption for seed, feed and on-farm losses (in order to avoid double counting), and (d) differences in the weighting system used for combining crops into a single production index. Most of these differences have been narrowing over the years as estimates (other than those for the most recent year) and procedures have become more uniform, but the weighting difference remains and, since the year-to-year fluctuations in harvest are often very sizable, the result is disparate movement in the index of total agricultural output, especially in the case of countries with a dominant crop. The United States Department of Agriculture weights are the average 1961-1965 producer (farm-gate) prices, estimated for each crop (between 15 and 20 in most cases) in each country and converted into United States dollars. The FAO uses a set of regional "wheat equivalents" as weights. These weights are the arithmetic averages for each region of the national wheat-based price relatives (using 1961-1965 producer prices) weighted by the country production of the commodities concerned. The national wheat-based price relative is the ratio to the national producer wheat price of an equal weight of each of the crops (or groups of crops in the case of minor items or similar items such as pulses or vegetables or deciduous fruit or hard fibres). Because of its national weights, the United States Department of Agriculture index probably provides a more accurate measure of change in individual countries. By avoiding the distortions introduced by exchange rate conversions, the FAO index is probably a better guide to regional changes in production. Neither index measures the change in value added in agriculture that is the basis of the IDS target for agricultural growth. At best they are proxies for the desired measure of agricultural growth, more acceptable at the global level than at the country level.

implications is the fact that the next group - whose agricultural output increased between 2 and 3 per cent a year in the 1971-1973 period - included many of the largest developing countries (Egypt, Kenya and the Sudan, and Bangladesh, India, Indonesia and the Republic of Korea) in which well over half the population of the developing world is to be found. Altogether, 60 per cent of the developing countries, accounting for three fourths of the population, failed to maintain the per capita level of agricultural production.

This was a particularly disappointing result in the light of the optimism that had coloured the 1969-1970 discussions leading up to the setting of a 4 per cent growth target for agriculture for the Second Development Decade. A sharp recovery from the double monsoon failure that had marked the mid-1960s and the rapid spread of the new genetically improved varieties of wheat and rice had led many food-importing countries to look forward confidently to the attainment of self-sufficiency.

The area planted to high-yield seed was in fact extended rapidly. In the case of wheat the area planted with such seed in Asia and North Africa increased from less than a million hectares in 1967 to 11 million by the beginning of the new Development Decade and over 16 million hectares by 1972/73, by which time over half the wheat sown in India and Pakistan, the major producers, was of improved strains, developed from cross breeding Mexican dwarf seed with local varieties. The area under high-yield rice in South and South East Asia underwent a similar expansion - from a million hectares in 1967 to almost 16 million in 1972/73 - and accounted for a sizable proportion of total planting: a fourth in India, a third in Malaysia and the Republic of Viet-Nam and a half in Pakistan and the Philippines. The improved varieties accounted for even higher shares of the smaller areas planted to rice in the tropical parts of Latin America (see tables 7 and 8).

The new strains have contributed to the increase in output per unit area that has taken place in almost every developing country in which they have been used. Wheat yields in South Asia in the early 1970s were of the same order as those reaped in Australia, though still only half those obtained in North America and a third or less of those common in western Europe. Egyptian yields were up to European levels (over 30 quintals per hectare) but few of the wheat producers of North Africa or West Asia achieved more than 10 quintals per hectare even though about a fifth of their wheat lands carried high-yield varieties.

The poor performance of developing country agriculture in the early years of the Second Development Decade cannot yet be construed as evidence of the unreasonableness of the target of a 4 per cent annual rate of increase in production set in 1970. Indeed, given the mid-Decade situation in respect of food-stuffs and other primary commodities, the need to achieve the IDS target for agriculture is more urgent than ever. Developing country population is continuing to grow at about 2.6 per cent a year and the demand for food at about 4 per cent a year. Inventories have been drawn down to precariously low levels and need to be built up in the interest of stability and security. A larger and more reliable flow of agricultural inputs is called for in the manufacturing plans of many developing countries. In the period immediately ahead, moreover, the developing countries are unlikely to benefit from any further improvement in their terms of trade; economic growth will depend much more on domestic developments and much less on the external sector than was the case in the first four years of the decade.

In seeking the lessons of these years, it should be borne in mind that about a third of the developing countries experienced a material acceleration in their rate of increase in agricultural production, and another eighth maintained the growth rate of over 2.8 per cent a year registered in the 1960s. The disturbing feature of the situation lies in the fact that the countries in which agricultural results were unsatisfactory account for so large a proportion of the population.

While in most cases the proximate cause of the unsatisfactory results was the weather, policy failures also played their part. Each country has its own unique combination of conditions and problems but the events of the past few years have served to emphasize the need for careful policy formulation and firm action in four spheres of critical importance to agricultural performance - land tenure, the provision of farm inputs, the pricing of farm outputs and arrangements for distribution and marketing.

Land tenure problems

There are still many countries in which the relationship between the farmer and the land is conducive to neither adequate nor stable production. In some cases this reflects inappropriate technology, as in the livestock-overloaded Sahel or in the slash-and-burn areas of the tropics. In other cases, it reflects out-of-date institutions such as tenancies that are insecure or oppressive in their terms, or farm sizes that, because of inheritance laws or the distribution of wealth, are too small or too large for optimum use. In some places, the disequilibrating forces stem from the rapid growth of population.

The early 1970s saw a variety of government actions designed to modify tenure system, especially in countries in which the number of landless labourers was increasing too fast for absorption by either the existing farm sector or the nascent industrial sector. The problem remains a fundamental one, however, and all Governments need to face it in evaluating recent progress in agriculture. In the interest of both productivity - and all that that connotes in terms of output and incomes - and the country's ability to withstand the vagaries of nature, recent experience suggests that it is necessary to pursue two types of balance.

The first is an ecological balance: in each agricultural zone, with its characteristic soil, topography and climate, the selection and rotation of crops and the cultivation techniques employed should create a stable system that is dynamic by virtue of its capacity for self-correction and self-renewal. The second is an economic balance: the farmer operating each unit should enjoy sufficient security of tenure and sufficient net income to enable him to make the investment and provide the inputs necessary to maintain the ecological balance in the face of technological and market changes. In the absence of this economic balance the farmer tends to lose status in relation to both the landowner, if the system is a tenancy one, and the industrial worker. And this militates not only against social justice but also against the symbiotic growth of agriculture and industry which in most countries is the essential feature of successful economic development.

Agricultural input problems

The second area of concern is the availability of appropriate inputs. As implied above, the inputs in question constitute the balancing factor, enabling a

given farming system to move from a static to a dynamic state and to remain viable in the face of change. The most important inputs for this purpose are, in the order suggested by recent experience, expertise, water, fertilizer, credit and mechanical energy. Each has been the occasion of both achievement and difficulty in the developing countries in the period under review.

As indicated above, genetic innovation was not only accomplished on an unparallelled scale in the laboratory but was also put into the hands of a large number of farmers through the distribution of high-yield seeds. The essential feature of these high-yield varieties is their ability to put to effective use (that is, in enlarged grain heads rather than stalk) greater quantities of nutrients. The resultant increase in the demand for water has made many developing areas more dependent on rainfall and irrigation, and this, in turn, has increased not only the vulnerability of agriculture to unfavourable weather but also the sector's capital/output ratio. The challenge immediately ahead is to combine the yield advantages of the new short-stemmed, large-head varieties with the drought and disease resistance of some of the local varieties, so as to obtain seeds that are less demanding of water and artificial fertilizer and more readily adaptable to rotation patterns and that maximize the natural availability of nitrogen.

Irrigation tends not only to add materially to farm costs but also to increase the need for expertise. If new irrigation water is not to raise soil salinity - and exert a depressing effect on yields in the longer run - means have to be found to instruct farmers in new techniques of cultivation and to keep the system under regular surveillance. This has added to the difficulty of providing adequate extension services: water management involves not only agricultural knowledge but also the skills associated with soil science and engineering.

A parallel set of problems exists in water-rich areas such as the deltaic regions of Bangladesh, Burma, the Republic of Viet-Nam and Thailand. The "green revolution", based on short-stemmed varieties, has had little relevance to the deep-water cultivation that is characteristic of much of the rice-exporting areas of South and South East Asia. Indeed, in the face of the rapid progress made in cereal production between 1967 and 1971 in the net importing countries, the exporting countries increased their efforts to diversify their agriculture. Typically, the 1971-1976 plan of Thailand made relatively little reference to rice, the country's major industry and export. The difficulties that the net importing countries have encountered in the 1972-1974 period have made it necessary to reassess the role of the net exporting countries in the international food nexus. Clearly, genetic and other types of research needs also to be directed towards raising productivity in the surplus countries, each with its own particular set of technical and economic problems. Moreover, their role as suppliers must be examined in a time framework sufficiently long to provide justification for the necessary allocation of resources according to international rather than national criteria.

Largely as a result of the effort to take advantage of the responsiveness of the new seed varieties to added plant nutrients, the consumption of artificial fertilizer in the developing countries increased at over 13 per cent a year between 1967 and 1972. In 1973, the effort to increase food production in the more advanced countries tended to squeeze the developing countries out of the fertilizer market: nitrogen output reached capacity ceilings in the developed market economies and prices began rising rapidly. The upswing in fertilizer prices accelerated later in the year, following the increase in the cost of

petro-feedstock and a fourfold boost in the export price of phosphate rock. The combination of shortage in supply and increase in price slowed down the increase in fertilizer consumption in the developing countries: further gains in some of the countries with a domestic industry (Mexico and the Republic of Korea, for example) were offset by reductions in some of the importing countries (notably Bangladesh) so that over-all use in 1973/74 was not much above the 1972/73 level.

In relation to current levels of consumption, the largest fertilizer deficit in the developing countries is in potash, Asia and Latin America having to import all they consume (see table 9). The most urgent need, however, is for nitrogen, the increased use of which is basic to the spread of the high-yield varieties of cereal on which, in turn, the rise in yield and food supply greatly depends, especially in South Asia. In recent years developing country production of nitrogen has risen slightly faster than consumption: imports in 1971-1973 were below the 1968-1970 average - though well above earlier levels. Plants have been built not only in most of the major petroleum-producing countries 3/ but also in a number of countries that depend mainly or entirely on imported petroleum. 4/ In 1973, indeed, capacity in this second group was about double that in the first, thus leaving the developing countries uncomfortably exposed to the fourfold increase in the price of petroleum that took place between the beginning of 1973 and the beginning of 1974.

Though plans to expand nitrogen capacity are well advanced in many countries and, to judge by the experience of previous investment cycles, a surplus may have emerged on the world market before the end of the decade, the period immediately ahead will be a difficult one for importing countries: shortages and high prices will make it more necessary than ever to use fertilizer to optimum advantage. Some of the countries whose terms of trade began to deteriorate in 1974 are already in need of financial assistance to maintain fertilizer imports and the dynamic of the green revolution. In greatest need are the heavily populated countries of South Asia where in 1973/74 fertilizer consumption - at about 3.5 million tons of nutrient - was almost double the amount they produced. Maintenance of fertilizer supplies in these countries is important from a long-run point of view, even if the marginal ton of fertilizer could produce a larger and more certain increment in food supply in some of the more favourably endowed areas. Apart from doubt as to whether such increments would in fact be produced and the physical and financial problem of arranging their transfer to the food-deficit countries, there is a risk that the unavailability of necessary inputs would do lasting psychological damage. Disillusionment with the efforts to raise agricultural productivity on the part of developing country farmers would be a serious setback to the development process.

Linked closely to the problem of providing the water-fertilizer inputs needed to sustain the new agricultural technology has been the increasing energy-intensiveness of farming. Diesel engine pumps are now widely used both for low

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3/ Argentina, Colombia, Mexico, the Netherlands Antilles and Trinidad and Tobago in the western hemisphere, Algeria and Egypt in Africa, and Indonesia, Iran, Iraq, Kuwait, Malaysia and Saudi Arabia in Asia.

4/ Brazil, Chile, Cuba and Peru in the western hemisphere, Southern Rhodesia in Africa, and Bangladesh, India, Israel, Pakistan, the Philippines and the Republic of Korea in Asia.

lifting of water from rivers and for deep tube wells: India alone is estimated to operate three fourths of a million such pumps, irrigating as much as 7 million hectares. The number of tractors more or less doubled in the 1960s and has continued to increase rapidly. And mechanical and electrical energy is being harnessed increasingly in farm operations - not only for transport but also for drying, threshing, ginning, milling and other on-farm activities.

This trend has significantly increased the dependence of many developing countries on petroleum imports and their sensitivity to changes in petroleum prices. The recent increase in these prices has complicated the long-standing problem of the role of mechanization in labour-surplus countries. No easy or general answers have emerged, but because of the implications for employment and the balance of payments as well as food supply, it has become more necessary than ever for each Government to formulate its own policies in this area. Gratuitous favouring of the use of mechanical energy - through unrealistically low interest rates or low tariffs on capital goods, for example - has become much more costly. In many developing countries, therefore, it has become more important than it was to limit mechanization of agriculture to cases of demonstrable social superiority - in which the job in question cannot be done manually at all, or in the time available, or except at unacceptable cost.

What is at issue here is not the direction in which developing country agriculture must move but the shape and pace of the movement. There can be no doubt of the need for the many changes that are usually subsumed in the concept of "modernization", that is, the process by which agriculture becomes a more specialized, and hence more productive, function, integrated with the other sectors in a way in which it can benefit from an assured inflow of goods and services and from advances in knowledge, techniques and equipment. But recent developments in some countries stemming from the speeding up of this modernization process that has occurred under the influence of the green revolution have shown that it may be necessary to take positive steps to ensure that government policies do not accentuate the wide differences that already exist in the capacity of farmers to adopt and profit from innovations affecting the economics or technology of agriculture. This is an area in which the criteria applied by the individual farmer to measure the success of his own enterprise are not necessarily identical with those by which the allocation of resources by the community and the nation are appropriately judged. Among the matters of high national priority, official policies must give due weight to employment and balance-of-payments implications which are hardly considered by the entrepreneur.

These considerations are of special importance in policies affecting another of the agricultural inputs for which the need has become greater as modernization has proceeded - namely, credit. This has long since transcended the financing of seasonal requirements in advance of harvest revenues. Increasingly it involves longer-term credit and the financing of the fixed investment that proliferates with the industrialization of agriculture. This in turn calls for institutional changes: the traders and money-lenders and even the co-operative societies are seldom in a position to provide much more than short-term accommodation. 5/ The

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5/ Over the 1967-1974 period of the fourth plan in India, the Planning Commission estimated that Rs 1,400 crores of a total credit requirement of Rs 1,650 crores would be of a long-term nature. Only 10 per cent of the total was expected to come from "agro-industries", a slightly smaller proportion from

(foot-note continued on following page)

result has been a growing demand for new agencies that embody a number of special attributes over and above their access to adequate discounting facilities: wide geographical spread, close links with the agricultural extension service, a staff capable of much closer supervision of borrowing transactions than is customary among banks, and a policy of not limiting their lending operations to the larger and more commercially minded farmers.

In most developing countries this involves pioneer and experimental work. In some places there has been resentment and resistance from the older lending institutions, and everywhere the forging of an effective link between the new agricultural technology with its purchased inputs and the means of finance has presented problems. Responsible borrowing is not an instinctive matter among small farmers and even less among the newly settled peasant beneficiaries of land reforms: it has to be taught and supervised. This often means the introduction of the time dimension into the thinking of communities that have rarely planned beyond the next planting. At stake in many cases is a significant increase in the savings potential of the country as a whole.

Pricing problems

The realization of these potential savings depends on increasing not only productivity (per agricultural worker and, even more, per hectare of land) but also total output. The more dependent the farmer becomes on purchased inputs the more do such increases in output depend on price relationships. To some extent the prices in question are determined on the open market but most developing countries have found it necessary to follow the lead of the more advanced countries and underpin the market by a system of support prices, administered through purchasing agents or marketing boards. And in many cases this has been complemented by the insulation from the market of various agricultural inputs - irrigation water and some types of credit almost everywhere and, increasingly, seed and fertilizer.

In the course of the 1960s this new policy variable began posing awkward problems in many developing countries. The combination of rapid urbanization and the desire to industrialize often led Governments to hold farm output prices down in the interest of factory and household consumers. The search for government revenue often led to a similar low-price policy in the case of export crops handled by an official agency. The rise in the importance of purchased inputs - in the wake of agricultural development in general and the green revolution in particular - complicated such pricing decisions: some countries chose to subsidize basic foods bought by urban consumers, others chose to subsidize fertilizer and agricultural credit.

The great upsurge in primary commodity prices that characterized the world market in the 1972-1974 period exposed the price structure of many developing

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5/ (continued)
co-operative banks and a somewhat larger proportion from the agricultural re-finance corporation. A fourth was expected from the commercial banks and the largest portion (over 40 per cent) from the Land Development Banks - special-purpose institutions created to deal in land mortgages and provide rural finance. See, India, National Council of Applied Economic Research, Credit Requirements for Agriculture (New Delhi, 1974).

countries to new and powerful strains. Wide disparities opened up not only between world market prices and domestic prices in many countries but also between domestic prices in different countries, reflecting differences in openness (especially in the role of imported food-stuffs) and in budgetary strength (which came under increasing pressure as the cost of subsidizing domestic supplies rose). Where these differences widened between contiguous countries there was a marked expansion in smuggling and other non-conventional transactions.

As a result of this upheaval in price relationships, pricing policies have come under new and critical scrutiny. In this, two new considerations have assumed greater weight: anxiety about the consequences of the over-rapid growth of urban populations and a corresponding concern about the lag in the contribution of agriculture to the development process. On both scores the drift of policy is towards a price structure more favourable to agriculture than it has hitherto tended to be. This reflects a realization that only a financially viable agriculture can yield the flow of food and raw materials and savings that is the appropriate contribution to balanced economic development from what in most developing countries is by far the largest productive sector.

While the price structure need not be the only instrument for slowing down the townward movement of population, a price high enough to provide an incentive to modernization for peasant agriculture is likely to yield substantial profit to larger-scale farmers. Consequently, the introduction of more generous price support has to be accompanied by appropriate tax arrangements through which the Government is able to recover a reasonable proportion of the revenue its price policy has put into the hands of the more efficient farmers.

Marketing problems

To be effective, price policy has to be determined in the light of marketing arrangements. This dependence was forcefully exemplified in many countries in which scarcities developed after 1972 and wide differences opened up between the local administered price and the price on the world market. Government programmes for distributing grain through a network of "fair price" outlets were difficult to sustain when farmers found it more profitable to sell to independent traders or direct to consumers. 6/ In these circumstances "black markets" were very common and the official price policy had much less impact than intended, either on producers or on consumers.

6/ In India, for example, the Government tried to hold the price of wheat in 1973 at the figure of Rs 76 per quintal that had obtained as a procurement price for several years. As a result - and notwithstanding the Government's role as sole purchaser - it managed to buy from farmers not much more than half of the 8 million tons (out of a 24 million ton crop) that it had planned to distribute. The rest leaked through the market at presumably higher prices. Private trading in wheat was re-legitimized in 1974. The Government announced a pre-sowing support price of Rs 85 per quintal and later a pre-harvest procurement price of Rs 105 per quintal applicable voluntarily to farmers and compulsorily to half the amount purchased by traders for whom a selling price ceiling of Rs 150 per quintal was fixed. Even these higher prices failed to generate the expected supplies for official distribution: the attraction of the free market was evidently too strong.

The 1972-1974 strains were exceptional, but in most developing countries there are perennial marketing difficulties and these, too, were in evidence in this period. Perhaps the most common is the inadequacy of the physical infrastructure: many farmers have only a tenuous connexion with the market because of the absence or weakness of storage and transport facilities. This was dramatized in 1973 in a number of localized famines in parts of Africa and Asia where, after serious crop failures, it proved to be extremely difficult to move in relief supplies. In such areas the incentive to produce more than is required by the immediate neighbourhood is almost non-existent.

Weakness in economic infrastructure also hampers marketing. Where agricultural produce can move from farm to mill or processing plant, the responsibility and risk of the farmer are materially reduced, and Governments have found it correspondingly less difficult to implement a chosen price policy. Where a complicated trading establishment operates between farmer and consumer, few Governments have the administrative infrastructure to impose a price or marketing policy. Co-operatives are helpful in this respect but they remain weak in most developing countries, and the early 1970s saw little progress in strengthening them.

Lack of pertinent information has also been a handicap in this period of rapid change in international conditions. For optimal distribution of food-stuffs accurate knowledge is required of inventories, plantings and stage-by-stage growth and harvest prospects. In many developing countries agricultural intelligence was found to be far from adequate and a number of Governments had to deal with unexpected local shortages and to buy on the world market at inopportune times. Improvement of agricultural information systems is an urgent need in most developing countries and could be effected at relatively low cost. But even in the best managed economies, farm production is at too great a natural risk to be entirely controllable or predictable. To be effectual, therefore, agricultural price and distribution policies need to be underpinned by adequate stocks.

The depletion of stocks in the major exporting countries has made this a high-priority need at the global level. 7/ But the maintenance of a national reserve or buffer stock is a matter worthy of the most careful consideration by each developing country individually. As some of the technical problems of storage have still to be overcome and as stock management involves not only a sizable capital cost but also a variety of running costs for protection against animal, insect and disease infestation and for regularizing inflows and outflows, the nature and extent of official inventories need to be decided case by case within the country planning context. The agriculture setback of 1972-1974 has shown that this is not a question that can be left entirely to the major exporters or even to the international community; it must be faced as part of agricultural policy in each developing country.

Industrial production

In contrast to the disappointing performance of agriculture in the 1970-1973 period, industrial production increased at appreciably above the target rate of

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7/ See Report of the World Food Conference (United Nations publication, Sales No. E.75.II.A.3), resolution XVII, International undertaking on world food security.

8 per cent a year set for the 1970s in the International Development Strategy. The annual rate of increase in industrial output for the developing countries as a whole accelerated from less than 7 per cent in 1971 to about 10 per cent in 1973 and preliminary returns for the first half of the year suggest that the rate was well maintained in 1974. 8/ The most dynamic components of this output were the mining sector and light manufacturing in Asia, heavy manufacturing in the developing countries of the western hemisphere, and the utilities sector - chiefly electricity - in all developing regions (see table 10).

Behind these averages lay a wide dispersion of results. Many reasons account for these differences but two of them seem to predominate: poor industrial performance was often associated with input difficulties (arising most frequently from crop failure or from import constraints) while the strongest performance was generally associated with success in export markets. It was only among the countries in which the impact of external demand was greatest that the manufacturing sector absorbed the bulk of the available labour; elsewhere the contribution of industry to employment creation was disappointing.

Performance in the manufacturing sector

Compared with the 1960s the sharpest acceleration in manufacturing production was in the western hemisphere - from just over 6 per cent a year to almost 9 per cent a year in 1971-1973. In the developing countries of Asia, which had a higher rate of manufacturing growth in the 1960s (about 7 per cent a year), the acceleration was only marginal, though, starting the 1970s with a depression in the basic metals branch, there was a sharp spurt in 1972-1974.

As in the case of agriculture, there was a wide range of performance at the country level: from an average annual increase of 20 per cent to a decrease of the same order. There was no discernible tendency for the rate of increase in production to be related to the initial level of industrialization: the agrarian countries with relatively little manufacturing showed as broad a spectrum of results as the most industrialized of the developing countries (see table 11).

A low rate of increase in manufacturing in the 1970-1973 period was associated with civil or military disturbance in some cases - as in Chile and Egypt among the industrialized countries, and the Khmer Republic, Laos and Uganda among the agrarian countries. More frequently it was attributable to a poor agricultural outturn - as in Uruguay among the industrialized countries, Guyana, Jamaica and Morocco among the intermediate countries, and Ethiopia, Somalia and Sri Lanka among the agrarian countries. The 1972 crop failures also exercised a depressing effect on industry in the Indian subcontinent.

By the same token, a favourable agricultural performance provided a stimulus to manufacturing in Brazil and Iran, in the Dominican Republic and Mauritius, in

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8/ In the absence of national accounts data, the growth rates cited here refer to the combined gross output of various industries in the organized sector, weighted by the value added in 1963. This differs conceptually from the sum of value added in industry measured in constant dollars which was the basis of the IDS target. However, a comparison of the actual figures aggregated for those developing countries for which both measurements are available suggests that, at least for the developing countries as a group, the two series yield very similar averages.

Kenya and Malaysia and in the Syrian Arab Republic and Tunisia. A similar role was played by petroleum development in Algeria, Ecuador, Gabon, Indonesia and Nigeria, all of which increased their manufacturing output by 9 per cent a year or more in the 1970-1973 period.

The impact of primary activities on secondary industry is a dual one. Directly or indirectly, the incomes generated on the farms and in the mines expand the market for the output of the factories. At the same time the primary producers provide the raw materials input of the processing industry: the milling and refining of sugar, vegetable oils and cereals, the spinning and weaving of cotton, jute and sisal, the smelting or refining of copper, and the refining of petroleum are among the leading industries in many developing countries. The countries in which manufacturing output rose most vigorously were those able to maintain their inputs - if necessary from the world market as in the case of Hong Kong, the Republic of Korea and Singapore - and supplement their domestic demand by foreign demand.

Exports of manufactures

The developing countries shared fully in the upsurge in international trade in manufactured goods in 1971-1973: the expansion in dollar earnings from exports of manufactures to the developed market economies was over a fifth in 1971, double that in 1972 and approaching 60 per cent in 1973. In the three years, the quantum doubled and the value increased almost threefold. Thus, notwithstanding the steep rise in primary commodity prices, the relative contribution of manufactures (other than non-ferrous metals) to total developing country export earnings actually increased in this period: it was under 18 per cent in 1970 and over 20 per cent in 1972 and 1973 (see table 12). The proportion going to the developed market economies tended to rise: from rather more than 60 per cent in 1970 to around 66 per cent in 1972-1973, with a corresponding decline in the proportion moving between the developing countries - from 34 per cent to 30 per cent - with the share of the centrally planned economies remaining between 4 and 5 per cent of the total.

Though the bulk of developing country exports of manufactures thus continued to go to the developed market economies, this flow constituted only a small fraction of those countries' total intake of manufactured goods. That fraction increased sharply in the early years of the decade, however: from less than 6 per cent in 1970 to 8.4 per cent in 1973. 9/ This reflects an upsurge in shipments of machinery and transport equipment and, on a larger scale, clothing and foot-wear. The developing countries continued to provide about 4 per cent of the developed market economies' imports of chemicals and a much higher, though declining, proportion of their imports of non-ferrous metals 10/ (see table 13).

One of the basic features of this trade flow is its narrowness. The top 20 developing country sources account for 90 per cent of the total flow, the top 10 for 80 per cent and the top three for over half. In 1973 only 18 developing countries exported more than $100 million of manufactures and only eight countries

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9/ Exclusive of non-ferrous metals and manufactured food-stuffs.

10/ Measured in dollar value, a figure very sensitive to the price of copper.

more than $500 million. Nor did the major contributors change drastically between 1970 and 1973. In none of the main categories of manufactures did the list of the 20 largest sources change by more than four countries (see table 14).

For manufactures as a whole the countries losing their places in the top 20 were mostly western hemisphere suppliers of petro-chemicals (Algeria, Bahamas, Bermuda and Trinidad and Tobago) and those joining the top 20 mostly Asian suppliers of consumer goods (Bangladesh, the Dominican Republic, Macao and Thailand). Thus, by 1973, eight of the top 10 developing country suppliers of manufactures to the developed market economies were Asian, and they accounted for almost 70 per cent of this trade flow. The only non-Asian countries to appear among the top 15 suppliers were, in order, Mexico, Brazil, Argentina and Colombia, which together provided about 15 per cent of the inflow of developing country manufactures into the developed market economies.

Notwithstanding this great concentration, there was a wide and widening participation in trade in manufactured goods. The number of small contributors to the imports of the developed market economies increased substantially between 1970 and 1973 in each of the main categories of manufactures and to each of the main destinations (see table 15). African countries began appearing more frequently among the significant suppliers of manufactured goods to the developed market economies: in 1973, Morocco, Sierra Leone, Tunisia, Liberia, Algeria and Egypt each provided more than $40 million worth and Nigeria, Kenya and Gabon between $20 million and $30 million.

This rapid expansion in exports of manufactured goods was largely the result of the upswing in demand in the developed market economies, augmented to some extent by the preferential lowering of import duties on many items by most of those countries. In some cases the expansion reflects bilateral arrangements between enterprises in one or other of the developed market economies (particularly the United States of America) and subsidiaries or associated concerns producing components (particularly in the electronics field) for assembly in the headquarters establishment. But it also reflects a modification in industrialization policy in some of the developing countries, particularly those in which the local market is either too small to sustain a viable local industry or has already been fully catered for - often by a protected local industry.

The reorientation of industry in the direction of external markets calls for a number of policy changes. Competitiveness, quality and reliability of supply become more important if foreign purchasers are to be satisfied on a continuing basis, and therefore measures that tend to raise costs, interfere with management or disrupt the smooth flow of both inputs and outputs become increasingly inappropriate. The countries that have developed their essential infrastructure - particularly transport and power - stabilized their licensing and other regulatory arrangements as well as the rules governing foreign investment and the operation of foreign-owned companies and reduced the degree of protection of local industries seem on the whole to have achieved the most notable expansion in the export of manufactured goods.

In some countries recent gains have been based on the processing of local raw materials. Most countries that mine the ores of copper, lead and tin now export the product as metal, and increasingly those mining bauxite export alumina (the Dominican Republic, Guyana and Jamaica, for example) or aluminium (Ghana and the United Republic of Cameroon, for example). Many petro-chemicals now

originate in developing countries, either from indigenous oil (as in Algeria and Tunisia) or from imports (as in Panama and Trinidad and Tobago). Fibres are increasingly exported as textiles and apparel (as cotton in Egypt, wool in Iran, jute in Bangladesh and India). Rubber products are becoming a major export of Liberia and Malaysia, wood products of Gabon and the Philippines, leather products of Pakistan.

But the most notable expansion in export-led industrialization in recent years has occurred in countries that possess only a small raw material base. In 1973 almost three fourths of all exports of manufactures to the developed market economies originated in four such countries - Hong Kong, the Republic of Korea, Singapore and Israel. Between 1970 and 1973 this trade flow doubled in Hong Kong and Israel and increased fourfold in the Republic of Korea and between seven and eightfold in Singapore, reflecting the results of commercial and fiscal policies and institutional adaptations designed to improve local skills and marry imported as well as local capital to the country's major resource - its labour supply. Starting with labour-intensive consumer goods industries, these countries have all been moving towards greater industrial depth, with capital goods and high-technology manufacturing playing an increasing role in local industry.

Employment in manufacturing

Notwithstanding the great differences in the performance of individual countries, the outcome of the 1970-1973 period in respect of the production and foreign exchange earnings of the manufacturing sector must be considered encouraging. The same cannot be said of the contribution of the sector to efforts of the developing countries to provide gainful employment to the expanding labour force. Though the data are woefully weak - and since the problem was discussed at the end of the 1960s when IDS was being formulated 11/ little has been done to improve them - they suggest that the rate of increase in industrial employment was not much above the 3.2 per cent a year estimated for the 1960s. Much higher rates of absorption in a few countries - Brazil, Iran, the Republic of Korea and Singapore, for example - were offset by lower rates in most other countries, including some of the largest.

At the beginning of the 1970s, the industrial labour force in the developing countries accounted for less than 90 million out of a total of over 600 million (and a population of 1.8 billion). Hence, even a rate of increase in industrial employment well above the rate of growth in population (2.5 per cent a year) and in labour force (2.7 per cent a year) makes only a modest contribution to the absorption task. 12/ Clearly the problem of maximizing the number of jobs created by each dollar of investment remains as urgent as ever.

This is partly a question of technology and partly one of organization, and on neither score has the progress made in the early 1970s been reassuring. Except in some of the smaller economies that have developed export-oriented industries,

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11/ Para. 66 of the International Development Strategy recommends that efforts be made to improve labour force statistics.

12/ To absorb only a fourth of the annual increment in the developing country labour force would require a rate of growth in industrial employment of about 5 per cent a year in the period immediately ahead.

the demand for factory labour has lagged behind the supply flowing from urban schools, on the one hand, and an over-manned agrarian sector, on the other.

The considerations affecting the choice of manufacturing technology are essentially the same as those referred to above in connexion with the mechanization of agriculture. To optimize the use of labour it is necessary to subdivide industrial processes into the smallest technical segments for which it is possible to devise alternative methods of accomplishing the operation concerned. In principle, integration of the most labour-intensive techniques selected for each of such segments should yield an over-all industrial technology best suited to the resource endowment of developing countries with their characteristic labour surplus and capital shortage. In practice, other considerations may supervene - the need for speed or precision not obtainable from manual effort, for example - so that mechanized segments may have to be integrated with labour-intensive segments in order to achieve a viable industrial undertaking.

This search for appropriate technology does not necessarily entail the revival of older methods and procedures once practised in the more advanced countries. The combination of relevant variables to be taken into account by a developing country in the 1970s is by no means the combination that faced any of the more advanced countries in some earlier decade: the problem is a new one and new answers must be found. The only satisfactory long-term source of such answers lies in the development of the engineering capacity of the developing countries themselves; only this will lessen their dependence on the services of the consulting engineers of the more advanced countries and the importation of off-the-shelf equipment designed for very different circumstances. Some developing countries have taken tentative steps in this direction in recent years with modifications in the educational system, widening the opportunities for science-based technical training. But progress has been disappointingly slow, partly because several layers of skill are often either missing or inadequately developed, and among them some at the artisan and technician level that have little appeal to a school population aspiring to "white collar" jobs which tend to be rewarded at rates that are disproportionately high for countries that lack a well-rounded apprenticeship system.

Engineering skills at the operative level cannot be learned out of books. The building up of a technical infrastructure that will lead to indigenous solutions to problems of industrial technology is a long-term process. Some developing countries - especially some of the larger ones, with an older and more diversified industrial establishment - are quite far along this road, but most have a long way to go. To speed up progress requires not only the revamping of some school curricula and the spread of appropriate extra-school education but also some major revisions of wage structures - favouring the technician over the clerk, for example - in which the public sector will have to play a leading role.

External trade and payments

The growth in exports of goods and services from the developing countries accelerated in the first three years of the Second Development Decade from substantially below the average for the 1960s in 1971 to considerably above in 1973. Measured in 1970 United States dollars, the average rate of increase over the 1971-1973 period was almost 8 per cent, well above the IDS target of just over

7 per cent a year. There was a similar though less sharp acceleration in the imports of goods and services by the developing countries and the average rate of expansion over the three years was also well above the IDS target (of just under 7 per cent a year).

The impact of this growth in trade was far greater than implied in the figure of 8 per cent a year. Its effect was magnified by its near universality and, even more significantly, by the gains in the terms of trade that accompanied it. After lagging behind import prices in 1971, the unit value of commodity exports rose more rapidly in 1972 and surged upwards in 1973. Though, in dollar terms, import prices rose by almost 12 per cent a year over the 1971-1973 period, the rise in export prices was steeper (almost 17 per cent a year, on average), increasing significantly the resources at the disposal of the developing countries.

While the improvement in the terms of trade was very widespread, its magnitude differed appreciably from country to country depending on the composition of exports. By the same token, the vulnerability of countries to subsequent changes in prices and terms of trade also differed widely: institutional factors seem likely to militate against a rapid decline in import prices, whereas market factors leave some commodities very exposed to the effects of shrinking demand. Thus, the uniformly buoyant effect of foreign trade in 1972 and 1973 (and much of 1974) seems likely to be succeeded by a much more varied pattern of impacts in 1975 and 1976, with exporters of fuel and food gaining in relation to exporters of raw materials.

Exports and imports of goods and services

A poor export performance in Africa and Latin America held down the developing countries' 1971 expansion to below the average achieved in the 1960s. In the wake of the upswing in activity in the developed market economies, however, the next two years saw a rapid and general increase in the export of goods and services. Thus, at almost 8 per cent a year, the rate of increase for the developing countries as a whole, measured in 1970 United States dollars, over the first three years of the Second Development Decade, was well above the average for the 1960s. The gain was sharpest among the Asian countries, both in the west (based largely on petroleum) and in the east, where manufactures and services played a major role in the expansion. It was smallest in Africa, where production cutbacks (Libyan Arab Republic), transit difficulties (Zambia) and supply problems (mostly weather-induced, as in the Sahel) held down export growth to far below the longer-term rate.

Changes on the import side were less dramatic and more uniform, though there was a slowdown in South and East Asia in 1971, and a cutback in commodity imports into a number of African countries in 1972 reduced the rate of expansion in that region to well below the average for the 1960s. Over the first three years of the decade imports of goods and services into the developing countries as a whole increased steadily and the average gain of nearly 8 per cent a year (in 1970 dollars) was above both the IDS target and the recorded rate for the 1960s (see table 16).

The impact of price changes

Though the IDS targets are denominated in real terms, the impact of changes

in international trade depends on the relative prices at which the transactions are effected. Reflecting the inflation that was gathering momentum in the developed market economies, the devaluation of the United States dollar, and in 1972 and 1973 the rise in food and fuel prices, the unit value of developing country imports rose steeply - measured in dollar terms, the increase was about 6 per cent in 1971, 9 per cent in 1972 and as much as 24 per cent in 1973. Export prices followed, lagging somewhat in 1971 but surging ahead in 1972 and 1973 as the demand for primary products - for manufacturing inputs and inventories to support the upswing in production in the developed market economies and also for speculative and protective purposes in the inflationary environment - began to overtake current supply. As a result, the terms of trade of the developing countries as a group, which deteriorated by about 1 per cent in 1971, improved by about 2 per cent in 1972 and by almost 10 per cent in 1973 (see table 17).

Reflecting differences in the composition of exports, the regions fared differently in respect of these relative price movements. The 1971 deterioration in the terms of trade and the 1973 gain were both greatest in Africa and Latin America. Over the three years the smallest improvement was registered in South and East Asia (an average of about 1 per cent a year) and the largest in West Asia (about 6 per cent a year). The latter reflects the gains of the petroleum exporters which, after a decade of declining relative prices (at about 1 per cent a year, on average), recorded successive increases of a fifth, an eighth and a third.

The export earnings of West Asia, measured in current dollars, increased at an average rate of 38 per cent a year in the first three years of the decade (well over three times the rate registered in the 1960s). The expansion of import expenditures average 25 per cent a year (about twice the 1960s figure). As a result, the trade surplus (exports f.o.b. minus imports c.i.f.) expanded rapidly, from $2.8 billion in 1970 to $12.6 billion. With exports increasing faster than imports in the other regions also, the developing countries of Africa raised their combined trade surplus (to $3.1 billion in 1973) while those of the western hemisphere and South and East Asia reduced their deficits (to $0.8 billion and $2.6 billion, respectively). Thus the developing countries moved into trade surplus in 1972 and achieved an active balance of over $12 billion in 1973 (see table 18).

The number of countries in surplus doubled between 1971 and 1973 and the number in deficit dropped by a fourth. The combined dollar amount of the surpluses more or less doubled in Africa and West Asia where they were largest in 1971 and rose by four and six times in Latin America and South and East Asia where they had shrunk somewhat between 1970 and 1971. Though, as indicated above, the period saw an increase in over-all surpluses or a decrease in over-all deficits in each of the regions, the combined figure for deficits did not decline: in each of the regions, indeed, the total of the deficits was higher in 1973 than in 1970. In this dimension, as in so many others, the range of country performance widened: surpluses rose and deficits deepened and in the aggregate - for the 85 developing countries with available data - between 1970 and 1973 the combined surplus increased by $17.4 billion and the combined deficit by $4.5 billion (see table 19).

Changes in international reserves

As a result of the increase in the number and size of trade surpluses and the continued net inflow of capital, the developing countries added considerably to their international reserves - $5 billion in 1971, $9 billion in 1972, $12 billion in 1973 and $26 billion in the first three quarters of 1974. The great bulk of the 1974 increment accrued to the petroleum-exporting countries, but in the first three years of the decade the gains were widely dispersed. Only 12 countries ended 1973 with smaller reserves than they had had when the decade began and in these cases the reductions were either marginal or the consequence of special internal problems as in Chile, the Republic of Viet-Nam, Uganda and Zambia. The reserves of the major developing country petroleum exporters 13/ trebled in the three years and those of the rest of the developing countries more than doubled.

These gains were made not only in terms of dollars but also in relation to trade values. Two thirds of the developing countries had a higher ratio of reserves to imports at the end of 1973 than at the end of 1970; and in half of these the increase in reserves was equivalent to more than two months of imports. The proportion of countries with a reserves/imports ratio of over 50 per cent rose from 21 per cent to 30 per cent, their share of reserves from 41 per cent to 64 per cent and their share of imports from 18 per cent to 37 per cent (see table 20). In the aggregate, the reserve ratio rose from under 38 per cent to over 56 per cent.

Here, too, the period brought a widening of the developing country spectrum. Among the countries increasing their reserve ratio by more than 20 percentage points, only one had reserves of less than a five-month import equivalent, while among those whose reserves were reduced between 1970 and 1973, a third ended up with a reserve ratio equivalent to less than two months' imports (see table 21). The countries in the bottom tenth of the reserve ratio range (with reserves equal to less than 10 per cent of imports) lost ground in the period: they disposed of 0.7 per cent of all reserves in 1970 but only 0.3 per cent in 1973 and they accounted for 3.6 per cent of total imports in 1970 but only 2.8 per cent in 1973. Countries in the top tenth of the range (with a reserve ratio of over 75 per cent in 1970 and over 90 per cent in 1973) experienced an even sharper improvement in their relative position: their share in reserves rose from less than 25 per cent to more than 40 per cent and their share in imports rose from just over 7 per cent to almost 17 per cent.

Changes in external debt

Not all the increases in international reserves stemmed from changes in the balance of trade or in other current account flows. Capital continued to move into the developing countries both in the form of direct investment and as a result of borrowing. 14/ Despite the upsurge in foreign exchange earnings in 1971-1973, the nominal dollar value of the external debt of the developing countries continued to rise at 14-15 per cent a year.

13/ Other than Abu Dhabi, Bahrain, Oman, Qatar and the United Arab Emirates for which no data are available.

14/ The nature of this flow is examined later in the context of IDS implementation by the developed market economies and the centrally planned countries.

Irrespective of trade balance, very few developing countries reduced their external indebtedness in the 1971-1973 period. Zambia was one such country and so, on a smaller scale, was Chad, while Pakistan shed some of its debt with the separation of Bangladesh. The largest reductions were in 1973 when several countries - notably Argentina, Iran, Iraq and Kenya - repaid more than they borrowed. In the aggregate, however, the external, publicly guaranteed debt of the developing countries increased by almost $11 billion in 1971, $12.5 billion in 1972 and, according to early estimates, by $17.5 billion in 1973. 15/

The main expansion in indebtedness was in the trade deficit countries - around $6 billion a year in 1971 and 1972 and almost $14 billion in 1973 - but even the surplus countries increased their borrowing, and faster than their reserves in 1971 and 1972 and, in the case of Africa and Latin America, in 1973 also (see table 22).

In the case of the major petroleum exporters, international reserves rose faster than external debt. For the rest of the developing countries, however, even the rapid accumulation of reserves was not enough to prevent the continued increase in net external obligations - by about $17.4 billion over the first three years of the decade (see table 23).

The growth in external debt was fastest in the developing countries of the western hemisphere and slowest in South Asia. By the end of 1973, the share of the western hemisphere in total developing country debt exceeded a third while that of South Asia dropped below a fifth. The combined public indebtedness of the developing countries was approaching $107 billion, of which a fifth was owed by Africa, a sixth by East Asia and an eighth by West Asia.

The ratio of debt outstanding at the end of the year to export earnings during the year declined from 119 per cent in 1970 to 98 in 1973: a marginal increase in Africa and Latin America was more than offset by a sharp reduction in Asia. In West Asia, the amount owed abroad was less than half the amount earned from exports in the course of the year; in the western hemisphere countries at the other end of the scale, debt exceeded exports by a fourth (see table 24).

The growth in indebtedness in the early 1970s was characterized by several new features. Perhaps the most significant was the tilting in the balance from public to private lending: government loans accounted for less than half the increase in developing country debt in 1971-1973. This reflects, in part, the slowing down in lending by the United States Government. Within the public component of the new debt, an increasing proportion was due to multilateral lenders, reflecting the stepping up of activity by both IBRD-IDA and the regional development banks.

The composition of debt to the private sector was also undergoing a change. More of it was in the form of bank loans and less in the form of suppliers' credits. This reflects, on the one hand, the enhanced ability of many of the higher-income developing countries to finance their normal trade through current export earnings and to borrow on the capital market in the case of special projects, and, on the other hand, an increasing reluctance on the part of exporters and their associated

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15/ These figures refer to total contracted debt, public and publicly guaranteed, whether actually disbursed or not. Disbursed debt increased appreciably less than this in 1971 and 1972 and probably in 1973 also.

financial institutions to extend short-term loans to some of the low-income countries which had already accumulated a heavy debt service load. More of this private lending came from Europe and Japan and, compared with the 1960s, a smaller proportion from the United States. Developing country borrowing on the Euro-currency market increased steeply in the early 1970s: publicized loans, which were just short of $1 billion in 1971, exceeded $3 billion in 1972 and rose to around $8 billion in 1973 and 1974. One of the consequences of this change in composition was an acceleration in the rate of increase in total debt when expressed in dollars. In 1973, for example, one sixth of the 18 per cent growth in the dollar value of developing country debt represents the result of exchange rate adjustment.

Partly as a result of the increase in the proportion of borrowing from private sources - and the greater consequent exposure of the developing countries to the rise in interest rates that occurred in this period, there was a perceptible hardening in the average terms of outstanding debt. In the two years 1971 and 1972, the ratio of prospective interest and amortization payments over the succeeding 10 years to the total amount of the outstanding debt rose from 83 to 87 per cent. Though no firm figure can yet be calculated for 1973 and 1974, the evidence points to the persistence of the 1970-1972 trend. This indicator, which is a measure of average repayment terms - interest rate, grace period and amortization rate - suggests that the hardening was common to all regions except South and East Asia where the importance of government lending, both bilateral and through the multilateral institutions, tends to be greater (see table 25).

Debt service payments - amortization and interest - have increased steeply: they amounted to about $5.4 billion in 1970 and an estimated $10 billion in 1973. About half of this amount was paid by the higher-income countries that tend to do most of the borrowing on the private capital market. The upsurge in export earnings in 1973 resulted in a reduction in the foreign exchange burden of service payments in more than half the developing countries; and the average ratio of debt service payments to goods and services receipts, which had risen from 10.6 per cent in 1970 to 11.2 per cent in 1972, dropped back below 11 per cent in 1973. In almost half the countries for which data are available the debt service ratio was lower in 1973 than in 1970. 16/

Nevertheless, the servicing of external debt continued to represent a heavy burden for many developing countries. In about a third of the countries it absorbed more than 10 per cent of total export earnings in the 1971-1973 period and in some countries it absorbed more than 20 per cent (see table 26). In some of these countries the problem is exacerbated by the difficulty they have had in earning foreign exchange: Afghanistan, Egypt, India, Pakistan and Uruguay have all recorded low rates of increase in exports in recent years - less than 4 per cent a year in the 1965-1972 period. In some, debt service constitutes a heavy burden on public revenue - in 1972 it pre-empted a sixth or more of total revenue in Egypt, Mexico, Pakistan and Peru, where public revenue had been growing at less than three fourths of the rate of national income.

Among the countries with high debt service ratios, some benefited from market developments and ended the 1971-1973 period with a substantially smaller burden -

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16/ These figures reflect the external payments of 77 developing countries for the period 1970-1972 and 50 for 1973.

as in the case of Argentina, Brazil and Tunisia. Through a rescheduling of maturing obligations, Chile also reduced its immediate debt burden. A rather larger group of countries (including Burma, Colombia, India, Israel, Mexico, Pakistan, the Republic of Korea and the Syrian Arab Republic) have lived with the problem for many years and in varying degree - through debt management, accommodation by creditors 17/ and the maintenance of a credit rating that permits the rolling over of older obligations - they have adjusted to the balance-of-payments implications of heavy indebtedness. A third group - which includes Algeria, Bolivia, Egypt, Peru, Sri Lanka, the Sudan, Uruguay and Zambia - had their debt burden significantly increased in the early 1970s, because of massive borrowing, 18/ or lagging exports, or in most cases both. Unless their export earnings increase considerably, as has since happened in the case of Algeria, such countries are likely to find their indebtedness a serious constraint on their development in the period immediately ahead.

Savings performance in developing countries

The combined savings ratio of the developing countries continued to rise in the first three years of the Second Development Decade, and at a rate appreciably above the target figure designated in the International Development Strategy. Indeed, preliminary estimates of the over-all ratio of gross domestic savings to gross domestic product in 1973 indicate that the 20 per cent goal that was set for 1980 had already been surpassed. Since the main impetus for savings came from the upsurge in export incomes, the gains were widespread: over the 1971-1973 period there were two cases of increased ratios for every one with a reduction. Nevertheless, the disparity among the developing countries in respect of savings performance was not narrowed: on the contrary, the incidence of reduced ratios was higher among the low savers (under 10 per cent) while the incidence of sharp increases was highest among the countries whose ratios were already high (over 20 per cent).

Changes in savings ratios

With the growth in incomes in the 1971-1973 period originating largely in the foreign trade sector and in industrial, mining and commercial activities rather than agriculture, circumstances favoured saving in most of the developing countries. The rapid rise in prices, both internal and external, tended to hold down the real level of consumption, especially in countries in which food supplies were short. Profits were buoyant, particularly in export industries in 1972 and 1973, and government revenues also rose steeply. The scene was thus set for an expansion in both corporate and public saving.

The largest gains were made in Asia, not only among the high-saving petroleum-exporting countries of the west but also among the industrializing countries of the east. Even the low savers such as Afghanistan and Israel increased

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17/ In the period 1971-1974, debt renegotiations were effected in the case of Chile, Ghana, India and Pakistan.

18/ The debt of these eight countries increased by about 40 per cent in the three years 1971-1973 - from $7.4 billion to about $10.5 billion.

their ratios, as did the region's large countries - India, Indonesia and Pakistan. The main reductions in the rate of savings were in the countries lacking internal stability in this period - Bangladesh and the Indochinese peninsula - and in the Philippines and Sri Lanka, where special efforts were made to sustain consumption.

There was a sizable and widespread increase in saving ratios in Africa. It was not confined to the countries in which production accelerated (Algeria, Ghana, Nigeria, Southern Rhodesia, the Sudan and Tunisia, for example) but also occurred in many of the countries that maintained earlier rates of growth, especially those whose savings rates were already high - Angola, Gabon, Kenya, Liberia and Mauritania, for example. While not all the countries in which economic growth decelerated cut back their savings ratio (there was a significant increase in the Congo, the Niger, Sierra Leone and Zambia, for example, based on expanding corporate activity), cases of slower growth or reduction in per capita income predominated among the countries whose saving rates declined in 1971-1973 - as in the Libyan Arab Republic, Madagascar, Mali, Senegal, Swaziland and Uganda. In Zaire, the reorganization of the mining sector resulted in a reduction in the domestic savings ratio even though there was some recovery in over-all production after the disappointing performance of the 1960s. In Egypt, where income failed to keep up with population growth in this period, the savings ratio was only just held at its previous low level (see table 27).

In the African region as a whole, the average savings ratio rose by about 0.9 of one percentage point a year over the 1971-1973 period. This was a fractionally greater gain than in South and East Asia and it took the African average above the 20 per cent mark for the three-year period, compared with about 16 per cent for South and East Asia. In both regions the savings rates were substantially above those of the 1960s (see table 28).

In contrast to this upward trend, saving rates in the developing countries of the western hemisphere continued the downward drift that marked the 1960s: though rising from the low 1971 level, the ratio averaged less than 19 per cent in the 1971-1973 period. Chile, Mexico and Peru, which together account for a third of the region's savings, all recorded declines in 1971-1973 and the result was not fully offset by increases in the savings rates of Brazil and Venezuela and a few of the smaller countries, plus fractional gains recorded by Argentina and Colombia.

About a fifth of the developing countries saved less than 10 per cent of their 1971-1973 output while at the other end of the scale another fifth saved more than 25 per cent. The gap between the two groups widened in this period: half the low savers registered a decline in their savings rate whereas almost all the high savers registered an increase. At the one extreme three of the four countries with negative savings rates (Jordan, the Khmer Republic, Lesotho and the Republic of Viet-Nam) increased their dissaving still further, while at the other extreme two of the three countries saving more than half of their gross domestic product (the Libyan Arab Republic, Kuwait and Saudi Arabia) raised their rates even higher.

The low savers were generally poor countries: over half of them had per capita incomes of less than $100 in 1970 and only one (the Republic of Viet-Nam) had an income of over $300 per capita. Correspondingly, the higher savers were generally richer countries: only a fourth of them had per capita incomes of less than $300 in 1970.

While the propensity to save clearly rises with per capita income, not all high-income countries have high savings ratios. Countries such as Chile, Hong Kong Israel, Lebanon and Uruguay, all with per capita incomes of over $500 in 1970, had 1971-1973 savings rates between 11 and 13 per cent. Clearly, other factors are also involved. One of the most important has been the existence of a major high-productivity industry capable of generating not only income but also tax revenue and reinvestment. With the exception of the Ivory Coast, Panama and Singapore, all the countries with savings ratios of over 25 per cent in 1971-1973 were important mineral exporters. And because of the upsurge in trade and prices, most of these countries were able to raise their savings rates very sharply.

Sources of savings

Since many of the principal savings entities were corporations owned partly or entirely abroad, the 1971-1973 period was one of sharper than usual differences between domestic savings and those accruing to the nationals of the country concerned. In each of the regions except Africa - where the decline in savings in the petroleum sector in the Libyan Arab Republic exercised a depressing effect - national savings rose less than domestic savings. Except in Latin America, however, the average annual increase in the national savings ratio reached or exceeded the target of 0.5 per cent of the gross product laid down in the International Development Strategy for the developing countries as a whole.

Irrespective of its ownership, the corporate sector has been the main source of savings in recent years, aided by rising prices and strong export markets in 1972 and 1973 and, in some cases, by tax formulae that favour the reinvestment of profits. The public sector has been rather less productive of savings, partly because its saving function is often derivative, dependent largely on the course of taxable incomes, and partly because the claims on current expenditure continue to expand and proliferate. For the household sector the period has been a difficult one to increase savings. The incidence of natural disasters was greater than usual: droughts, floods and earthquakes destroyed assets and reduced incomes in many places. In most countries the rise in prices accelerated and the margin between income and essential family expenditure was squeezed. The inflation also served to reduce the attraction of the financial intermediaries whose establishment and spread in the 1960s had done much to mobilize private savings: in many countries the rate of interest offered to such savings lagged appreciably behind the rise in prices, so that surplus funds tended to get drawn into the holding of larger inventories and other real assets.

Most official action to promote household savings in recent years has been in the form of institution building. Perhaps the most important drive has been to bring the savings bank function closer to the people. This is typified by the "lead bank" scheme in India where between mid-1969 (when they were nationalized) and mid-1973 the commercial banks opened over 7,000 new offices, more than half in centres previously without such facilities. A similar purpose lay behind attempts to breathe new life into the widespread system of post office savings banks (as in Ghana, Malaysia and Sri Lanka). Among the methods for promoting the use of these and kindred institutions have been the simplification of procedures, the insurance of deposits, the raising of interest rates, the linking of deposits to a lottery system and the preferential treatment of interest income for tax purposes.

Often more successful, however, has been the marrying of the savings and credit dispensing functions within the one institution. 19/ The possibility of subsequently benefiting from reasonably priced credit has proved a powerful attraction for small savers and the repayment of loans used for capital purposes has mobilized savings that might not otherwise have been generated. The main practical problem in keeping such institutions solvent and able to inspire confidence in small savers is the exercise of the right degree of supervision over the use of the credit they provide.

In urban areas - though so far much less in rural areas - special purpose institutions such as building societies have helped to stimulate savings in a similar way. The appeal of saving-for-housing institutions is strongest among wage earners and this is the group best catered for by various schemes for contractual savings. Expanding most rapidly among these are life insurance and provident funds: as the main contributions come from the employees of government and the larger companies, however, the amounts they handle are still small in most developing countries. The challenge in most cases remains a rural one.

The range of central government direct economic participation is very wide among the developing countries. At one extreme, current central government revenues exceed a third of the gross domestic product (as in Israel and the Libyan Arab Republic); at the other, they amount to less than 10 per cent (as in Afghanistan, Colombia, Guatemala, Haiti, India and Mexico). In India, as well as in Nigeria and some of the Latin American countries, other levels of government also possess significant taxing powers and handle an appreciable part of the national income. In general, however, a smaller proportion of national resources tends to pass through government hands in the developing countries than in the more advanced countries.

This is one of the reasons why in so few developing countries has the central Government been able to contribute substantially and regularly to national savings. In the period 1971-1973, the only countries in which there was a surplus of revenue over current expenditure of more than 3 per cent of the gross domestic product were to be found among those with a reliable tax base, reposing in most cases on an organized export sector. Among such countries were Algeria, Bahrain, the Libyan Arab Republic and Nigeria as well as Fiji and the Ivory Coast - in all of which revenue expanded faster than expenditure - and the Dominican Republic and Venezuela where revenue rose more or less in line with production but expenditure was held back. The Republic of Korea was also in this high public saving group, but here revenue lagged and, as expenditure increased somewhat faster than production, the saving ratio was squeezed. 20/

19/ As in the Sudanese Savings Bank, the Caisse nationale d'épargne et de crédit in Zaire, and the National Savings and Credit Bank in Zambia. Savings and credit co-operatives, though still small in terms of capital, have been spreading rapidly in Latin America as well as Africa.

20/ In all these countries, the central Government disposed of more than the developing country average of 16 per cent of the gross domestic product. Among the economically centralized Governments, the central Government contribution to savings tends to be higher and, in the 1971-1973 period, revenue, expenditure and savings all tended to increase more frequently and to a greater extent than among the countries with economically less centralized Governments.

At a lower ratio, a number of other developing countries improved their public savings in 1971-1973 as a result of higher revenue. They include Brazil, El Salvador, Iran and Somalia. Ecuador and the Philippines achieved the same goal by restraint on spending, while Malawi reduced its government deficit in the same way. The holding down of unproductive current expenditure is a policy objective of the Strategy but only about a fourth of the developing countries managed to reduce the ratio of central government spending to total production. In some cases, however - Argentina, Gambia, Morocco and the Syrian Arab Republic, for example - this did not compensate for weakening revenue and prevent a reduction in the public saving rate. In a few countries the government contribution to saving was squeezed by both a declining revenue ratio and a rising expenditure ratio - as in Burma, the Republic of Viet-Nam and Thailand.

The over-all expansion in public and corporate saving in the developing countries had its counterpart in an upswing in investment. This started in 1971, when the growth rate in production was still quite modest, and accelerated slightly in 1972 and sharply in 1973. This was reflected in part by the rise in the output of heavy industry - by 7 per cent in 1971, 11 per cent in 1972, 10 per cent in 1973 and 14 per cent in the first quarter of 1974 - and in part by the increase in imports of investment goods. Most of this trade flow originated in the developed market economies whose exports of capital equipment to the developing countries almost doubled in value between 1970 and 1973 - from less than $22 billion to over $39 billion. Allowing for the upsurge in prices over this period, it is probable that the developing countries' intake of such imports increased at about 11 per cent a year (see table 29).

Progress in achieving social objectives

Though the range of social objectives set in the International Development Strategy is wide, a review of developing country performance in each of the areas of concern suggests a number of conclusions common to all. After allowing for the fact that quantitative evidence of achievement is extremely limited - being either unavailable or out of date - it seems clear that Governments have become more conscious of the problems than in earlier years and have made greater efforts to solve them. It is also clear that some gains have been made not only in identifying the problems and adopting policies to meet them but also in improving actual situations and in moving towards national goals. Every step forward, however, has tended to make more acute the perception of deficiencies - of how far ahead the ultimate goal still lies.

In making progress in the social area, Governments have often had to overcome human and institutional obstacles that, with roots deep in the past, tend to be particularly recalcitrant. While in many places the pace of change has accelerated, the disbenefits of change have also come to be more keenly appreciated. Thus, in the designation of national social objectives, the spectrum of both targets and time-tables has tended to widen. At both ends of this widening spectrum, however, new importance is being attached to the articulation of policies and measures designed to deal with social problems in the context of development plans.

Distribution of wealth and income

The International Development Strategy calls for a more equitable distribution of wealth and income but there is little evidence that much progress was made in this direction in the first three years of the Second Development Decade. 21/ This lack of headway reflects the initial income and occupational structure and the way in which the rise in incomes occurred in this period rather than the result of particular policy decisions. In most countries, indeed, the general drift of policies was towards the transfer of incomes from the high earners to the low.

Land reform programmes set ceilings on individual holdings, improved the status of tenants and resettled landless labourers. Some countries introduced taxes on wealth or on capital gains; some introduced income-taxes or made the rates more progressive. In most countries the "modern" sector, with its more stable and remunerative employment, grew faster than the subsistence sector. Most countries took steps to hold down the prices of essential consumer goods - particularly food, 22/ transport, electricity and rent in urban areas - by various combinations of subsidy, fiat and state trading, in order to prevent the undue erosion of low incomes. Many countries expand their social services and a few began income insurance or social security programmes.

In most cases, however, the effect of measures of this nature on the distribution of income was overshadowed by the pattern and strength of market forces. Food supplies were generally tight and in some countries grossly inadequate, and the resultant pressure on prices was reinforced by the repercussions of inflation in partner countries, which raised sharply the cost of imports, and by inflationary forces in the domestic economy, which in many cases also increased strongly after 1972. The rapid rise in prices tended to benefit traders, borrowers and owners of physical assets and penalize those with low, fixed or precarious incomes.

Government revenues were boosted by the upsurge in prices and export earnings. Budgeted expenditure on social services gained from this, but its effect on the distribution of real income was only marginal in the 1971-1973 period - partly because of the time it takes for budget decisions to reach the ultimate user of the service and partly because in many countries the latter is drawn not from the lowest income strata but from the more organized (and often largely urban) sector where much of the public welfare activity tends to be concentrated.

Employment and income security

While the perception of the developing country problem in respect of employment has clearly improved and a number of recent development plans do formulate the sort

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21/ Because of the rudimentary nature of income taxation in most developing countries and the difficulty in organizing comprehensive surveys of household accounts, there is virtually no up-to-date statistical information on the way in which the distribution of incomes changed in the 1971-1973 period. It is necessary to fall back on indirect indicators of income and inferential evidence of change.

22/ The conflicts between the claims of urban consumer policy and agricultural production policy were referred to earlier in this review.

of objectives visualized in IDS, actual achievements in reducing unemployment and underemployment and in absorbing a greater proportion of the work force in "modern" activities have, on the whole, been disappointing. The only countries to experience a significant lessening of unemployment in the first three years of the Second Development Decade are to be found among those with small populations, in which there was an upsurge in non-agricultural activity - occasioned by mineral development, for example (as in Botswana, Gabon or the oil States of the Persian Gulf) or by export-oriented secondary or tertiary industry (as in Mauritius, the Republic of Korea and Singapore).

Elsewhere the expansion in industrial job opporrunities was rarely sufficient to absorb both the natural increase in the working-age population already outside the agricultural sector and the numbers drifting or squeezed off the land. This reflects the rapid growth in the labour force, on the one hand, and the smallness of the manufacturing base, on the other. In some cases this disparity was aggravated by difficulties in the agrarian sector - pressure on the land, excessive subdivision of farms, insecurity of tanancies and similar factors making for low agricultural productivity. As indicated above, the difficulties were also accentuated in some cases by undue or premature mechanization, sometimes on the farm, sometimes in the factory.

Where the green revolution has had some impact on agriculture, it has tended to reduce the extent of underemployment on the farm. Not only do the high-yield seeds require a better standard of cultivation - with careful management of new inputs - but the shortened growing season calls for a more systematic effort from farm workers and opens up the possibility of multiple cropping and the more intensive use of land and capital. Some of the newer rural settlements, especially those associated with irrigation schemes, have also tended to provide steady and full-time employment. Over the bulk of the developing world, however, agriculture continues to be characterized by considerable underemployment and consequently by lower incomes than would otherwise be the case.

In many countries, thus, the disparity between rural and urban incomes has widened and the flow of workers - especially young workers - from the farms to the towns has accelerated. This has, in turn, exacerbated the problem of absorbing the available labour force in the "modern" sector, turning invisible rural underemployment into visible - and sometimes vocal and politically disturbing - urban unemployment. Because of the opportunities for casual and fringe employment and the greater likelihood of social service support in the urban environment, the effect of this on income is often less drastic than might seem inherent in such a transfer. Nevertheless, the contrast between the expectations of rural migrants and the reality of urban poverty remains one of the strongest of the alienating forces operating in the developing countries.

One of the constraints on the creation of industrial jobs is the shortage of capital. But relatively little has been done in recent years to lower the capital/labour ratio. No significant encouragement has been given to handicraft and other labour-intensive activities. Shift work is not widely used as a means of economizing in plant and equipment; indeed, relative under-utilization of capacity is a more frequent characteristic of developing country industry. Clearly, other difficulties stand in the way of more effective absorption of labour: shortage of necessary skills and entrepreneurial and managerial ability, inadequate or erratic

supplies of other inputs, including power, imported components and even domestic raw materials, and in some cases - especially where there is a skewed distribution of income - the smallness of the internal market for the mass-consumption manufactures, many of which are the product of labour-intensive industries.

Education

One of the ways in which most developing countries have been trying to meet the problems posed by the rapid increase in new entrants into the labour force is the raising of qualifications through the education system. Almost everywhere steps have been taken to improve the quality of formal schooling and, in line with the goal set in the International Development Strategy, make curricula and methodology more relevant to local development needs.

Progress has been mixed and is not readily measurable; but the actions that have been taken in recent years show the widening acceptance of the interrelationship between education and socio-economic development. One consequence of this has been the deepening of the school system as the developing countries seek to equip themselves with trained cadres for administrative and productive roles in the economy. Compared with 10 years earlier, school enrolment in the first year of the Second Development Decade was over three times higher at the third level, about two and a half times higher at the secondary level and about three fourths higher at the primary level. Total public expenditures on education, which had amounted to 2.4 per cent of gross national product at the beginning of the 1960s, had grown to 3.4 per cent of gross national product by 1971.

Despite this rapid increase, almost half the 6-14 year-old group remained unenrolled in primary school in 1971 while only a fourth of the 15-19 group were in secondary school and a mere 5 per cent of the 20-24 group in higher-level education. The lowest enrolments were in Africa, the highest in the developing countries of the western hemisphere (see table 30). Most countries were finding it increasingly difficult to continue to raise enrolment ratios: on the one hand was the pressure of school-age population - growing at 2.5-3.5 per cent a year - and on the other the mounting cost of improving the quality of education and extending the school system into remote areas. In many countries, moreover, little progress had been made in reducing the wastage caused by dropping out and repetition. At the beginning of the Decade half the primary enrollees in half the developing countries failed to complete the primary course. 23/

Attainment of the IDS objective of enrolment of all children of primary school age thus remains out of sight. Another of the Strategy objectives - reduction of illiteracy - is also made difficult by the rapid growth of population and the continued high drop-out rate: the literacy ratio is still rising but so is the absolute number of illiterates.

A third Strategy objective - improvement in the quality of education at all levels - raises even more problems of measurement. Plant and equipment and other physical facilities have certainly improved - though not uniformly or universally:

23/ Estimate communicated by the United Nations Educational, Scientific and Cultural Organization.

rural schools are still grossly inadequate in most developing countries. Great difficulty has been experienced in expanding teaching staff in line with enrolment: up to 1971, Latin America managed to do this only at the primary school level, Asia at the secondary level and Africa at the tertiary level (see table 31). Strenuous efforts have been made to upgrade the qualifications of teachers, but lack of training facilities, of suitable candidates and of pay incentives have, in varying combinations, proved serious obstacles: in many places, particularly at the primary level, children are still being taught by poorly qualified teachers.

Some progress has been made in the fourth Strategy objective, namely, the reorientation of educational programmes to serve development needs. Indigenous textbooks are now in much better supply and teaching materials now deal extensively with objects and situations that are familiar to the pupils. To this extent there is greater comprehension of subject-matter and less learning by rote. And there is more practical training - much in rural settings - and, at the primary level at least, less emphasis on events and ideas that are remote in time or place. In some countries, such changes have been slow: institutional inertia, ambivalence in regard to the use of the vernacular in which reading matter may still be scarce, suspicion on the part of pupils and their parents that the new curriculum will not provide for movement up the educational ladder leading towards better-paid employment, and even the physical and financial burden of producing and disseminating new material and instructions have all contributed towards delaying the programme reorientation process.

Nevertheless, progress is discernible not only in increasing the local relevance of curricula but also in augmenting the practical content, particularly in the technical and scientific fields which had previously been seriously neglected. The number of students taking science-based courses in third-level institutions has expanded markedly: in 1971 about a third of total enrolment was involved in studies of this nature. As a result, the supply of teachers equipped to slant primary and secondary classes towards technical studies has improved in many countries.

The rise in the number of science graduates has helped to strengthen the research effort in several places. The expansion of scientific and technological institutions - which is one of the IDS objectives - has also been stimulated by the research that culminated in the green revolution. The practical value of such research was dramatized in the closing years of the 1960s and the Second Development Decade has seen the establishment - usually with external assistance - of a number of institutes designed to tackle problems of particular concern to the developing countries, especially in the field of agriculture and health. The movement towards manning foreign-owned firms by nationals of the host country has also stimulated technical training and research, as has the movement towards the assertion of sovereignty over natural resources and the desire to discover and exploit local mineral deposits.

In some ways the most notable development in recent years has been the expansion in non-formal (that is, out-of-school) education. This reflects in part the difficulties encountered in spreading costly school systems, in part the availability of a new mass-medium technology - chiefly in the form of the transistorized radio but also, and increasingly, television - in part the growth of the industrial sector and the opening up of opportunities for on-the-job training,

and in part the rise in the rate of unemployment among young people which has made politically necessary the organization of programmes and groups with a basically educational orientation.

A survey made by UNESCO at the beginning of the Decade identified 145 such programmes, half of them in Africa, all of them small and for the most part experimental. The most numerous were agricultural in their setting and their purpose, typified by young farmers' clubs and learning centres sponsored by co-operative societies. Next were the national youth services organized in "pioneer brigades" and similar bodies directed towards community development. Many of the artisan and craft vocational training groups were also rural, sometimes based on rudimentary polytechnics at the village level. The smallest group comprised the recreation and culture programmes many of which embraced literacy and school equivalence courses.

Less than half of these programmes were run entirely by Governments, though some of the voluntary ones received government subventions. The evidence seems to indicate that finance soon tends to become a limiting factor in their growth and usefulness: though usually less costly than formal schools, such programmes can provide essential preparation for subsequent employment only if they have competent and purposeful leadership and the equipment necessary for both instruction and community service in the field of their concern.

Health

The most encouraging development in the struggle to raise the general level of health in recent years has come as a result of dealing with its medical aspects in a broad socio-economic framework rather than in the narrow technical context of human pathology. This has served to transfer much of the weight of official actions from curative medicine towards preventive medicine in its widest sense, including not only immunology but also nutrition, sanitation and the control of disease vectors.

Because the approach is a general and long-range one it is not possible to measure progress in terms of increases in the numbers of physicians, nurses and hospital beds. The most conclusive evidence that progress is indeed being made lies in the continued narrowing of the disparity between the developing countries and the more advanced countries in respect of mortality rates, both general and infantile. Between 1966-1970 and 1971-1975 life expectancy at birth increased by less than one year in the more advanced countries and by three years in the developing countries.

In terms of visible results, the areas of most notable success have been those in which science had already discovered causes and solutions. Thus vaccination has reduced the incidence of smallpox to sporadic outbreaks that have generally proved small and containable: the number of countries in which the disease is considered endemic has been reduced from 30 in 1967 to three in 1974 and the number of cases from 2-3 million to less than 100,000. Eradication is within sight. Inoculation has also proved effective though less certainly and less completely in the control of cholera and tuberculosis. There was a serious outbreak of cholera in the early 1970s, dramatizing the unsatisfactory sanitary conditions prevalent in many places and highlighting the need for more effective

international notification of cases. Success against tuberculosis has tended to be least in countries in which its incidence is highest.

Campaigns against known disease vectors have varied more widely in their results. The most intensive and widespread campaign in the developing countries has been against the malaria-bearing mosquito which has virtually eradicated the disease in many places. Recent experience with this problem, however, has pointed not only to the need for continued vigilance to prevent resurgence of the disease but also to the probability that the immunization principle applies to vectors too. This means that new means of dealing with these vectors will have to be devised. As the chemical most widely used for mosquito control (DDT) is one whose persistence in nature has given rise to grave concern in the more advanced countries, it is clear that greater care is needed in its use, that a new chemical weapon may be required and that in the end some biological means of control may have to be devised.

Where the methods of combating the vector are still experimental and unproved, little progress seems to have been made: no great success has been achieved against the snail that helps to transmit bilharzia (schistosomiasis, with an estimated 200 million sufferers) or the gnat that transmits river blindness (onchocerciasis, with an estimated 20 million sufferers) or the fly that transmits sleeping sickness (trypanosomiasis, which is a constant threat in tropical Africa). These diseases as well as yaws (framboesia) and a variety of intestinal worms and skin infestations still debilitate workers and cause great suffering and premature death in many developing countries, especially in Africa. By means of isolation and treatment with sulphone and other drugs, leprosy seems to have been contained but little headway has been made in developing the sort of understanding of the disease that could lead to its ultimate eradication.

The obstacles to progress in this field are in part financial: high costs may be involved since the problems extend far beyond the range of biological and medical research or even of conventional public health. At issue is control over the territory occupied by the vector. What this may mean in terms of logistics and engineering effort is exemplified by the large-scale bush clearing experiments that have been used in campaigns against the shade-loving tsetse fly.

Even the conventional public health measures tend to be extremely costly in developing countries in which basic physical infrastructure is weak or absent. To deal effectively with sewage and to ensure the potability of water supplies may require heavy investment and this may be the only certain way of reducing the incidence of many fly-borne and ingested diseases. 24/

As in the case of education, experience suggests that there is also a degree of institutional immobility in the health field stemming in part from the shape and composition of existing machinery and the personnel operating it. This tends to give more weight to central hospitals, traditional medical training and urban curative services than the needs of most developing countries would seem objectively to justify, and correspondingly less weight to rural clinics, paramedical staff

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24/ The provision of potable water (to a specified proportion of the population) is one of the policy measures urged in the Strategy (para. 68); the objectives are couched in terms of the improvement of health facilities and the formulation of health programmes (para. 18).

and environmental health and other preventive services. A skewed distribution of income and a disproportionate influence of town life and thinking tend to reinforce the opposition to decentralization: private practitioners find it unprofitable to venture into the countryside and only the most dedicated public health officials regard rural service as anything but hardship. It is estimated that three fourths of the doctors in developing countries are to be found in urban areas.

Despite all these difficulties there is some evidence that the concept of an integrated health service has gained ground in a number of countries. Chains comprising district hospital and rural clinics and dispensaries have been set up in several countries and efforts are being made to staff them adequately with low-cost combinations of personnel, economizing on scarce specialist doctors with their long training and drawing to the maximum extent on more readily available nurses and aides and other junior staff capable of following simple procedures and helping with the all-important preventive work. There has also been some progress in family health services linking immunization, family planning, and nutrition and health education. But poor social and physical environment, especially in rural areas, limit their effectiveness in lowering maternal and child mortality and morbidity and reducing the incidence of communicable diseases.

Nutrition

Among the most important aspects of this preventive work is the promotion of better nutrition. While this fact has received increasing recognition in principle, in practice the 1971-1973 period saw very little progress in linking health and nutrition in official policy formulation. Two circumstances can be adduced in explanation: in the first place the period was one of reduced growth in agricultural production and indeed of food shortages in a number of countries, and secondly, the interdisciplinary nature of the problem seems to have made it a difficult one for the normal governmental machinery to deal with.

Despite the rapid rise in population in the developing countries, over-all food production kept just ahead in the 1950s and 1960s, rising most rapidly in the quinquennium before the Second Development Decade. In 1970, *per capita* production was about 10 per cent above the level of the mid-1950s. In 1971 and 1972, it lost half that gain and in 1973 and 1974 did not fully recover. In the aggregate almost half the developing countries had a lower *per capita* output of food-stuffs in 1971-1973 than 10 years earlier and in these countries lived almost two thirds of the total developing country population. Over 200 million people lived in countries in which 1971-1973 *per capita* food production was more than 10 per cent below the average at the beginning of the 1960s (see table 32).

From a nutritional standpoint, moreover, the situation in countries with poor domestic output was exacerbated by events in the rest of the world. Since, as indicated in the review of agricultural performance above, 1972 saw a serious production setback in some of the more advanced countries also, there was a steep rise in world market prices. The combination of lower domestic production and higher prices for imports brought to a halt the improvement in nutritional levels that had been proceeding widely though erratically for two decades.

Average calorie intake in the developing countries at the beginning of the 1970s was about 2,200 per person per day, about 4 per cent above the level of

10 years earlier but only two thirds of the average in the more advanced countries. Three fourths of this came from cereals, roots and pulses (compared with less than half in the more advanced countries). Average intake of livestock products - meat, eggs and milk - was only a third as important an energy source in the developing countries (8 per cent of calorie supply) as in the advanced countries (24 per cent), 25/ and fats and oils provided a similar contrast (6 per cent against 14 per cent) as did sugar with almost the same figures. The difference in the composition of the diet shows up even more in the protein intake than in the energy supply: at 56 grams per person per day in the developing countries it was less than 60 per cent of the average amount available in the more advanced countries.

Average calorie supply was above physiological requirements in Latin America and West Asia, but about 6 per cent below in Africa and South and East Asia. 26/ These regional averages conceal marked country differences, however, and the course of food production in the first three years of the Decade has widened these differences still further. At one end of the spectrum a number of countries with relatively high average calorie intakes - such as Brazil, Costa Rica, Malaysia, Mexico, Panama and Southern Rhodesia, all with 1969-1971 averages 10 per cent or more above requirements - were among those increasing their per capita food production in 1971-1973. At the other end of the spectrum were a number of countries in which, in the face of an average calorie intake more than 5 per cent below the requirement norm at the beginning of the Decade, domestic food production declined in 1971-1973 - Bangladesh, Chad, India, Liberia, Morocco, Pakistan, the Sudan, Uganda and Zaire, for example (see table 33). Excluding the countries that are net exporters of cereals, a majority of those in which food production declined in 1971-1973 had entered the Decade with an average calorie intake below physiological requirements.

Because of the steep and almost universal rise in food prices in 1972 and 1973 it is probable that the range of nutritional status among individuals widened to a much greater extent than country averages. In few cases did the index of retail food prices rise at less than 7 per cent a year and nearly everywhere it was accelerating: the proportion of countries in which food prices rose by over 10 per cent in the course of the year increased from a sixth in 1971 to a third in 1972 and well over half in 1973. In 1973 indeed a fourth of the developing countries experienced food price increases of over 20 per cent. This increase affected everyone outside the subsistence economy - particularly the low-income groups - while in many countries food supplies in the subsistence sector were reduced by crop failures.

Though it is not possible to quantify the current nutritional situation within countries, the evidence of household surveys, hospital records and various clinical

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25/ As a result of the importance of livestock products in the diet, the total consumption of cereals, indirect as well as direct, was about three times as high in the advanced countries (about 540 kilograms per capita per year) as in the developing countries (170 kilograms).

26/ Based on estimates of food-stuffs available at the retail level after allowance of 10 per cent for storage and marketing losses and waste (see "Assessment of the world food situation present and future" (E/CONF.65/3), paper presented to the United Nations World Food Conference held in Rome, November 1974).

and anthropometric studies indicates that internal geographical and occupational differences are much wider than intercountry differences in food consumption. It has been estimated 27/ that at the outset of the Decade almost a fourth of the total developing country population had a less than adequate intake of calories - and was therefore also likely to suffer from protein deficiency. The bulk of the malnourished population (70 per cent or more) was in South and South-East Asia. With the 1971-1973 deterioration of the food situation in many of the countries concerned the numbers and proportion of malnourished almost certainly increased, both among the rural landless population and among the urban poor.

One of the most disturbing aspects of this stems from the evidence that shows that within the malnourished group some members are particularly vulnerable. These include nursing mothers and small children and this means that current deprivation has serious long-run effects in terms of higher disability and morbidity rates and lower productivity in the next generation. It is estimated 27/ that half the children under five years of age in developing countries may be inadequately nourished. Alleviation of this situation depends on improvements not only in agricultural production but also in the distribution of income.

Housing and environment

The housing problem that has occasioned the greatest concern in the developing countries in recent years is essentially an environmental problem. It arises from the movement of people from rural areas, where the needs for accommodation of new households could in most cases be met on traditional terms, to urban areas where the traditional methods and materials of construction are not appropriate and a variety of other difficulties have complicated the task of meeting requirements. In the first half of the 1970s the number of households in the developing countries was increasing at about 2.8 per cent a year and the average size of the household was about 5.2 persons. Population was increasing at about 1.7 per cent a year in the rural areas, at about 4.5 per cent in the urban areas and at about 6.4 per cent a year in the big cities or urban agglomerations. The growth in rural population was highest in Asia (about 2.4 per cent a year), the growth in urban population was highest in Africa (over 5 per cent a year) while in some areas big-city populations were expanding at over 9 per cent a year (West and East Africa, for example, and West Asia).

In terms of the numbers of people involved, the big-city problem was concentrated in South and South-East Asia and tropical South America: in 1970 the big-city population of these regions accounted for two thirds of the developing country total and was growing at about 6.5 per cent a year (see table 34). As a proportion of the regional total, the big-city population was higher in temperate South America but here its rate of growth was more modest (about 3.6 per cent a year). The rate of growth was much higher in most of Africa but here the numbers involved were small, both absolutely and in relation to the area's total population.

Very little firm information is available regarding the stock of dwellings with

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27/ By the Food and Agriculture Organization of the United Nations. See "Assessment of the world food situation present and future" (E/CONF.65/3), pp. 64-66.

which the developing countries entered the 1970s and even less about its quality - that is, its physical characteristics and state of repair. And the only information about changes in the first three years of the decade comes as a by-product of the regulatory system that many countries operate as part of town planning, fire and health codes or land-use control. 28/ In general, these indicators of new residential construction suggest that very few countries were able to expand their housing stock in line with "requirements" as measured on a rough normative scale of social needs. 29/

Allowing for a 2 per cent a year replacement of the existing stock of conventional dwellings and assuming an average occupancy ratio of 1.5 households per dwelling, the estimated requirements in most developing countries range around 9 dwelling units per thousand of the population. The figure tends to be lower than this in countries with a relatively large stock of conventional dwellings, in countries in which the actual occupancy rate is appreciably below the postulated figure of 1.5 households per dwelling and in countries in which the rate of growth of households in the "modern" sector is relatively low. By the same token, the highest requirements rate is in countries in which the actual dwellings/population ratio is low and the occupancy ratio and the household growth rate both high. On the given assumption the lowest relative requirements (less than 2 dwellings per thousand of the population) are to be found in Central America and the Caribbean. The highest requirements (more than 10 dwellings per thousand of the population) are to be found in the countries with high immigration or urbanization rates, such as Guyana, Hong Kong, Kuwait, the Philippines and Senegal. At all levels, between a fourth and a third of these new housing requirements would serve as replacement for older dwellings no longer suitable or available for human habitation.

On the basis of the available data, it would appear that in 1971-1973 only a handful of countries increased their housing stock at a rate in excess of their indicated requirements. These were chiefly among the small Central American and

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28/ Apart from the inadequacy of country coverage, these administratively oriented reports are difficult to interpret. Many of them refer to the issue of building permits without any indication of the extent to which such permits have been followed up by actual construction. The territorial coverage of the reports is sometimes limited to the capital city, sometimes to urban jurisdictions, sometimes to other administrative areas. Many countries distinguish between public and private housing but it is not always clear whether both are included in reported construction or reported granting of permits to build. There is no common definition of "dwelling". Some reports, whether permits or completions, are specified in terms of total floor space or usable floor space but this is not yet a standardized measure and it is difficult to convert an area figure into dwelling units. In countries reporting both area of new residential construction and number of dwellings completed, the average ratio in 1973 ranged from less than 60 square metres per dwelling (in Hong Kong and in public constructions in Chile) to more than 200 square metres per dwelling (in Kuwait and Mexico).

29/ These "requirements" are based not on market demand but on certain empirically based assumptions regarding the rate of deterioration and replacement of old dwellings, the rate of growth in the number of households and the extent to which households share dwelling units.

Caribbean countries - Costa Rica, Cuba, El Salvador, Panama and Trinidad and Tobago - but they also included the Ivory Coast (at least in respect of its metropolitan area) and Singapore, which achieved one of the highest rates of dwelling completions - 10.6 per thousand of the population. For the rest, new construction fell far short of needs (see table 35).

Though no precise measurements are available, it is a matter of common observation that the early years of the decade saw the continued growth of uncontrolled squatter settlements in most developing countries. Few of the urban areas were able to arrange adequate conventional housing for the large increase in population from local growth and influx from the countryside. Financial assistance from higher levels of government was often far from automatic and usually insufficient. The buidling industry, while in most cases able to cope with the commercial demand for dwellings for the higher-income groups, was frequently incapable of providing the sort of low-cost mass housing that would have been necessary to accommodate the influx. The increase often outran the town planning capacity of the local authorities; jurisdictional difficulties multiplied, especially in respect of the provision of services such as water, power, sewerage and roads and transport.

The only housing needs that seem to have been more or less fully met by most developing countries were those of the upper-income group and the tourist industry, facilities for which have proliferated not only in capital cities but also in many resort areas, in tropical as well as temperate climates. In a number of countries the growth of mining and manufacturing industry also contributed to housing supply: many of the larger companies, especially among those whose location tends to be determined by raw material source, constructed accommodation for their workers. Industrialization and the expansion of the group in regular wage earning employment also affected the demand for housing: a stable job and steady income stimulate aspirations to improved accommodation if not home ownership and, as indicated in an earlier section of this review, there has been a spread of institutions providing credit and accepting savings related to private housing.

In the rural areas in most developing countries, the level of accommodation has remained inadequate by objective standards. Because the rate of growth of rural households is relatively modest, because the density of occupation is light enough to permit the use of traditional structures and because in most cases supplies of traditional building materials and the skills required to use them are still available locally, the rural housing situation has not generated the alarm that has come to characterize the urban problem. As a result, the links between the two have tended to be overlooked even though, in fact, the widening disparity between urban and rural social conditions has been one of the major factors accelerating the townward flow of population that has created the slums and squatter communities. This situation has grown more acute in recent years as the technical possibilities of raising levels of rural accommodation have improved - through electrification, water reticulation and improvements in sanitation and communication - but only rarely have been realized.

As implied above, the longer-range solution to the problem of housing in the peri-urban areas lies in large measure in the realm of employment. Efforts to raise the level of accommodation in underemployed, low-income squatter communities, however, have been made in most developing countries. Perhaps the most

successful - when degree of amelioration is measured against the amount of public expenditure - have been among the so-called "site and service" schemes. These have waived the conventional slum clearance and town planning procedures - recognizing them to be too slow, complicated and expensive to meet the needs of a peri-urban population growing at 6-10 per cent a year - in favour of the simple provision of a site, on which the squatter household can erect its own dwelling, along with a range of services which may include a variety of building materials, a water supply and a refuse disposal system. By stabilizing the community, such schemes have made it possible to harness the time, energy and skill of its members to the task of improving accommodation levels, with results that, given the limitation on available resources, could not have been achieved by the local authority or the building industry. With the introduction of additional amenities - better communications, electricity, schools - some of the communities have gradually assumed a more permanent and healthy place in the urban complex.

To prevent the certain deterioration of the urban environment through the concentration of poverty and the spread of uncontrolled settlements most developing countries have had to take other types of environmental risk. For it is only through the speeding up of the industrialization process that the squatter communities are likely to be able to raise their productivity and their income and thus assure the physical improvement of their residential areas. As indicated in an earlier section, in most developing countries industrial employment has not expanded rapidly enough to achieve this end. And in many of the larger cities, environmental damage has come less from the growth of industry than from the expansion of automobile traffic and the roads built to serve it. Thus, corresponding to the distribution of incomes, a certain duality has come to characterize the major urban areas of the developing countries: the city proper is often barely distinguishable from its counterparts in the high-income countries, while alongside it and linked to it in the economic nexus are the barricados, bustees, bidonvilles, favelas and shanty towns that house what has become known as the marginal or transitional population.

Whatever is done to ameliorate the slum environment by improvements in housing and services, it is clear that in the long run, the viability of this marginal urban and peri-urban community depends on the adequacy of income earning opportunities. And these are extremely difficult to assure in the face of the high rates of influx recently experienced. In most developing countries, to cope with urban housing requirements there will need to be an adequate rate of rural development.

Although it is the peri-urban slum that, by virtue of its concentration, presents the most dramatic evidence of environmental degradation - especially where water is scarce and waste disposal mechanisms lacking or inadequate - it is in the rural areas where the most serious and insidious damage is still being done to the ecological balance. There are few countries in which some part is not under grave threat as a result of the continued rapid growth of human and livestock populations and the slowness in bringing about appropriate adaptations in technology and life styles. In these areas the process of deforestation and soil erosion - aggravating and, in turn, being aggravated by climatic swings from drought to floods and back - is making agriculture increasingly precarious and, in the more fragile areas, leading to that seemingly irreversible change known as desertification. Only a reduction in the burden being carried by the land and the adoption of conservation techniques of cultivation and husbandry can make possible any significant long-term improvement in levels of household accommodation or in the village environment.

Given the complex and deep-seated psychological, cultural and institutional resistance to change in some of the components of this rural situation, it is not surprising that the early years of the decade have yielded few signs of progress. Perhaps one of the most promising has emerged as a by-product of the growing importance of tourism as a developing country industry and foreign exchange earner. Many countries have done much more than they otherwise would have to protect the local flora and fauna, to improve access to scenically attractive areas, to rehabilitate historical and cultural monuments, to minimize the damage from road building, to provide appropriate accommodation for visitors, and to take steps to restore and stabilize the ecological balance in the areas concerned. Though some forms of tourism have tended to exert an influence on occupational and income distribution that runs counter to long-run development needs, there can be little doubt that its impact on housing and the environment has been very beneficial in many rural areas in developing countries.

The disappointing agricultural performance of the 1971-1974 period may also lead to some improvement. There has been a strengthening of developing country resolve to increase food security, and where this is followed through by policy measures it will almost certainly direct additional expertise and investment to the rural areas, particularly to those that were the locus of recent crop failure and famine. And it is in some of these areas that mass poverty and environmental degradation are at their worst.

Popular participation in the development process

The early years of the Second Development Decade have seen a growth in national sensitivity to disparities in educational and employment opportunities and in the desire to involve a large proportion of the population more consciously in the development effort. In most countries, however, educational short-comings, administrative and communications deficiencies, logistical difficulties and financial constraints have combined to limit the practical results of these concerns to rather marginal changes.

In most cases the key to greater popular involvement lies in education in its broadest sense, for great disparities in access mean for many people the closing of doors to full participation in the economic and cultural life of the nation. As indicated above, established education systems tend to cater better to families with means than to the poor and to the urban population than to the rural. Apart from the extension of non-formal education mentioned above, perhaps the most serious attempt to compensate for the inadequacies of the school system has taken the form of a teaching service or literacy corps through which the faculty and students of regular second- or third-level schools take ad hoc courses and public service programmes to deprived areas and groups.

Some of these schemes are voluntary and localized, as in the case of evening classes in regular school buildings. Others - such as those in Iran, Nepal and Peru, are compulsory and organized on a nation-wide basis with emphasis on the more remote and isolated villages where the teachers not only conduct systematic literacy classes but also help to promote and carry out community development projects, including the building of schools and other public facilities and the setting up of demonstration farms to introduce new techniques of cultivation and new crops to raise productivity or improve nutrition.

The mobilization of human resources in rural areas is also being effected through land reform measures, resettlement schemes, the co-operative movement, and community development and self-help arrangements. In varying combinations and intensity these activities are effecting social and economic change at the village level, most notably in Algeria, Cuba, the United Republic of Tanzania and Venezuela.

In some countries one of the main reasons for the low level of involvement in development activities is the relative cultural isolation of women. This sometimes starts at the point of decision regarding education: school enrolment tends to be significantly lower for girls than for boys. In 1971 female enrolment was less than half of male enrolment in about a sixth of developing countries in the case of primary schools, half the countries in the case of secondary schools and three fourths in the case of higher education. Relatively low female enrolments were particularly prevalent in Africa (see table 36).

Since education, though giving no guarantee of a job, does provide the fastest passage to the "modern" sector in most developing countries, girls thus tend to face an early handicap in terms of their role in the development process. This handicap, moreover, is fed back into society by way of their subsequent role as mothers which, from a socio-economic point of view, is often less enlightened than it need be.

As economic diversification proceeds, the importance of organized employment increases and with it the role of trade unions and other workers' groups. One of the results of this has been the revision of labour laws setting forth the rights and duties of employees. In the first four years of the decade extensive changes in labour legislation were introduced in a number of countries, including Ecuador, Mexico and Panama; the Libyan Arab Republic and Somalia; and Iraq, Laos, the Philippines and Thailand. These changes and the strengthening of the ministry of labour in a number of other countries have increased the degree of involvement of workers in the development process. Consultation with the labour movement - and with chambers of industry and commerce that have grown up on the employers' side - has become a more frequent practice of many Governments. In this way a widening segment of the population is participating more directly in the formulation of development plans and in the selection of policy instruments for implementing them.

The main lacuna in these consultation arrangements, as in so many other aspects of national development, is the representation of the interests and views of the peasant and farm labourer. This has proved to be logistically and institutionally the most difficult group to integrate into the planning procedures. Co-operatives have helped and where the Government's agricultural department has softened its customary technical approach and placed the small farmer into a broader socio-economic framework, it too, has been able to represent the rural constituency in some phases of plan formulation. But outside the confines of localized community development projects the participation of the peasantry in the national effort remains a problem. And as, in most developing countries, this is the largest and poorest group in the population, it is one of the major development challenges.

Table 1. Developing countries: growth in gross domestic product, by region, 1960s and 1971-1973

Region	Average annual rate of growth in GDP, 1961-1970	Percentage change from preceding year			
		1971	1972	1973	Average, 1971-1973
Developing countries . . .	5.5	5.2	5.6	7.2	6.0
Western hemisphere[a/] . .	5.5	6.3	6.8	7.4	6.8
Africa[b/]	5.0	4.6	4.5	4.3	4.5
West Asia[c/]	8.0	11.3	13.0	11.4	11.9
Rest of Asia[d/]	5.0	2.7	2.9	7.1	4.2
OPEC[e/]	6.5	7.8	8.5	9.9	8.7
Other developing countries	5.3	4.7	5.1	6.7	5.5

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from the Statistical Office of the United Nations, the United Nations regional commissions and the International Bank for Reconstruction and Development; United Nations, Yearbook of National Accounts Statistics, supplemented by national sources, official and unofficial.

a/ Including Argentina, Bolivia, Brazil, British Honduras, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

b/ Including Algeria, Angola, Botswana, Burundi, Central African Republic, Chad, Congo, Dahomey, Egypt, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Libyan Arab Republic, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Southern Rhodesia, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Cameroon, United Republic of Tanzania, Upper Volta, Zaire and Zambia.

c/ Including Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and Syrian Arab Republic.

d/ Including Afghanistan, Bangladesh, Burma, Fiji, Hong Kong, India, Indonesia, Khmer Republic, Laos, Malaysia, Nepal, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Singapore, Sri Lanka, Thailand and Western Samoa.

e/ Abu Dhabi, Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Qatar, Saudi Arabia and Venezuela plus Gabon (an associate member).

Table 2. Developing countries: distribution by region, population and rate of growth, 1971-1973

Average annual GDP growth rate 1971-1973	Countries in								All developing countries	
	Western hemisphere		Africa		West Asia		Rest of Asia			
	Number	Percentage of the region's 1973 population	Number	Percentage of the region's 1973 population	Number	Percentage of the region's 1973 population	Number	Percentage of the region's 1973 population	Number	Percentage of 1973 population
Negative	2	1.3	8	9.8	1	3.8	3	7.5	13	6.4
0 - 1.9	1	3.5	5	16.9	1	1.1	4	57.9	11	38.8
2.0 - 3.9	2	1.6	9	13.2	1	1.4	3	4.5	15	6.0
4.0 - 5.9	9	21.0	14	37.6	1	15.5	1	4.5	26	15.1
6.0 - 7.9	6	35.3	3	1.5	1	4.7	5	16.9	15	16.4
8.0 - 9.9	-	-	4	20.2	2	14.8	1	3.9	7	6.9
10.0 and over	3	37.2	2	1.5	3	58.7	2	3.2	10	10.4
Total	23	100	45	100	10	100	19	100	97	100
Population (millions)		292		355		67		1 097		1 812

Sources: See table 1.

Table 3. Developing countries: distribution according to level and growth of per capita income, 1971-1973

Annual rate of increase in GDP per capita, 1971-1973	Countries with a 1970 per capita gross domestic product of								All developing countries	
	Less than $200		$200 - $500		$500 - $800		Over $800			
	Number	Percentage of developing country population	Number	Percentage of developing country population	Number	Percentage of developing country population	Number	Percentage of developing country population	Number	Percentage of developing country population
Decline of more than 1 per cent	11	8.0	3	0.4	-	-	3	0.3	17	8.8
Decline of 1 per cent or less	2	33.3	2	2.3	-	-	1	0.6	5	36.2
Increase of less than 1 per cent	5	0.8	4	2.4	-	-	-	-	9	3.2
Increase of 1-1.49 per cent	5	7.9	-	-	2	0.2	-	-	7	8.1
Increase of 1.5-2.49 per cent	3	2.3	8	2.5	-	-	-	-	11	4.8
Increase of 2.5-3.49 per cent	2	1.0	6	3.5	2	3.1	3	2.1	13	9.7
Increase of 3.5-4.49 per cent	5	12.1	4	1.4	-	-	-	-	9	13.5
Increase of 4.5-5.49 per cent	1	-	1	0.3	2	0.4	1	0.2	5	0.9
Increase of 5.5 and over	2	3.6	7	10.7	2	0.5	1	0.1	12	14.9
Total	36	69.0	35	23.5	8	4.2	9	3.3	88	100.0

Sources: See table 1.

Table 4. Developing countries: distribution according to change in per capita income growth between 1960s and 1971-1973

Countries or areas[a] in which, relative to the rate of increase in the 1960s, the average annual rate of increase 1971-1973 represents	Per capita gross domestic product, 1970 (dollars)	Average annual percentage rate of increase 1961-1970	1971-1973
Significant acceleration			
Venezuela	1 041.4	2.0	3.1
Saudi Arabia	657.6	6.8	20.0
Lebanon	566.3	1.6	5.5
Brazil	433.8	3.2	7.9
Iran	408.4	6.6	10.2
Fiji	368.4	2.0	4.1
Malaysia	362.2	2.9	3.9
Guatemala	359.4	2.5	3.6
Colombia	350.2	1.9	3.0
Dominican Republic	339.0	1.9	7.2
Algeria	323.9	-1.0	1.7
Ecuador	284.8	1.2	4.3
Southern Rhodesia	284.7	1.3	4.6
Tunisia	277.0	1.5	6.9
Republic of Korea	270.1	5.8	9.1
Syrian Arab Republic	269.5	3.1	6.1
Ghana	256.5	0.7	2.8
Mauritius	229.0	1.2	7.9
Philippines	181.3	1.8	4.5
Nigeria	135.2	2.1	7.0
Sudan	116.7	-0.1	2.8
Gambia	107.5	2.1	5.0
Indonesia	101.9	1.2	3.9
Haiti	96.2	-0.5	2.2
Zaire	89.0	-0.6	1.8
Malawi	74.9	2.4	11.2
Burundi	69.0	-4.0	4.2
Lesotho	65.7	1.8	2.8
No significant change			
Kuwait	3 993.7	-4.2	-4.0
Israel	1 828.3	5.3	4.8
Argentina	1 071.5	2.4	2.6
Singapore	948.0	8.9	8.5
Trinidad and Tobago	920.9	2.5	2.9

Table 4. (continued)

Countries or areas[a/] in which, relative to the rate of increase in the 1960s, the average annual rate of increase 1971-1973 represents	Per capita gross domestic product, 1970 (dollars)	Average annual percentage rate of increase 1961-1970	1971-1973
No significant change (continued)			
Hong Kong	762.4	5.4	4.6
Gabon	670.5	7.5	6.7
Mexico	665.8	3.6	2.8
Peru	460.1	2.3	2.6
Iraq	385.1	2.3	2.0
Republic of Viet-Nam	315.3	0.7	0.3
Angola	290.2	2.5	1.9
Liberia	274.1	2.6	1.7
Paraguay	266.7	2.2	2.1
Mozambique	227.5	3.0	3.0
Morocco	215.9	1.2	0.6
Thailand	178.8	4.4	4.1
Mauritania	163.6	4.9	3.6
Kenya	143.2	2.1	2.3
Central African Republic	127.3	0.3	0.8
United Republic of Tanzania	96.8	2.1	1.3
Somalia	89.3	-0.2	0.8
Guinea	81.6	-0.1	-1.0
Burma	77.7	2.2	1.4
Ethiopia	71.5	1.7	1.2
Rwanda	58.6	1.7	0.6
Afghanistan	55.6	-0.1	-1.0
Significant deceleration			
Libyan Arab Republic	1 920.6	15.9	-4.7
Uruguay	850.2	0.32	-1.7
Chile	836.4	1.8	-0.2
Panama	717.2	4.9	3.4
Jamaica	681.9	3.6	1.2
Costa Rica	544.7	3.3	1.4
Nicaragua	428.9	3.9	2.1
Zambia	386.4	2.3	-0.6
Guyana	375.5	0.7	-2.4
Ivory Coast	345.9	5.6	2.9

Table 4. (continued)

Countries or areas[a/] in which, relative to the rate of increase in the 1960s, the average annual rate of increase 1971-1973 represents	Per capita gross domestic product, 1970 (dollars)	Average annual percentage rate of increase 1961-1970	1971-1973
Significant deceleration (continued)			
El Salvador	291.8	2.2	1.0
Honduras	278.7	1.7	0.4
Swaziland	267.5	8.5	1.6
Jordan	254.2	2.5	-3.7
Congo	245.8	5.0	-0.1
Egypt	217.0	2.9	-0.4
Senegal	217.0	-1.2	-3.1
Bolivia	212.5	3.4	2.1
United Republic of Cameroon . . .	186.9	3.8	-2.1
Sri Lanka	172.0	2.3	-1.9
Sierra Leone	170.3	3.7	-0.7
Pakistan	169.1	3.4	1.1
Togo	134.9	5.2	1.1
Uganda	134.9	2.4	-1.9
Madagascar	129.7	1.4	-2.7
Khmer Republic	107.1	-0.4	-8.3
India	96.8	1.6	-0.9
Bangladesh	93.6	0.3	-3.5
Niger	90.5	1.4	-7.5
Dahomey	82.3	2.1	0.4
Chad	74.2	-1.8	-6.2
Upper Volta	64.6	2.6	-0.9
Mali	53.0	-1.8	-5.4

Source: See table 1.

a/ Within each group, countries and areas are listed in descending order of per capita gross domestic product in 1970.

Table 5. Comparison of regional rates of growth of agricultural production, 1961-1974

Region and index[a]	Average, 1961-1970	1971	1972	1973	1974	Average, 1971-1973
Total developing countries[b]						
FAO I	2.8	1.6	-	4.0		1.9
USDA I	2.8	1.6	-0.8	4.0	1.5	1.6
FAO II	3.0	1.9	-	5.4		2.4
USDA II	2.9	2.1	-2.0	5.6		1.9
FAO III	2.9	1.7	-	5.6		2.3
USDA III	2.9	2.1	-2.0	5.5		1.9
Western hemisphere[c]						
FAO I	2.8	0.8	1.6	4.0		2.2
USDA I	2.9	2.5	0.8	2.4	5.4	1.9
FAO II	3.5	3.1	2.3	2.9		2.8
USDA II	3.0	2.8	-1.0	4.0		1.9
FAO III	3.4	2.1	1.7	3.3		2.4
USDA III	3.0	2.8	-1.0	3.9		1.9
Africa, continental[d]						
USDA I	1.9	2.6	2.5	-3.3	4.2	0.6
FAO II	2.7	4.1	1.3	-0.9		1.5
USDA II, III	2.7	5.2	0.9	-1.0		1.6
FAO III	3.0	3.7	1.3	0.1		1.7
Africa,[d] excluding Egypt, Libyan Arab Republic and Sudan						
FAO I	2.5	4.2	0.8	-3.2		0.6
FAO II	2.9	4.4	0.8	-1.2		1.3
USDA II, III	2.6	5.7	0.5	-1.4		1.5
FAO III	2.5	3.4	0.8	-0.5		1.5
West Asia[e]						
USDA I	4.2	-1.6	15.8	-5.8	9.9	2.8
FAO II	3.6	-2.2	20.3	-4.4		4.6
USDA II, III	3.6	1.0	10.9	-4.8		2.4
FAO III	3.5	-0.5	18.6	-4.0		4.7

(Table continued on following page)

Table 5. (continued)

Region and index[a/]	Average, 1961-1970	1971	1972	1973	1974	Average, 1971-1973
Near East[f/]						
FAO I	3.0	4.0	7.0	-5.1		2.0
FAO II	3.4	1.9	10.1	-4.1		2.6
USDA II, III	3.2	5.2	4.5	-5.1		1.6
FAO III	3.3	2.2	10.1	-4.0		2.8
South and South-East Asia[g/]						
FAO I	2.8	1.6	-3.2	9.1		2.5
USDA I	3.3	1.6	-3.9	8.9	-2.2	2.2
FAO II	2.8	1.0	-3.1	9.4		2.4
USDA II, III	2.9	0.8	-4.5	9.3		1.9
FAO III	2.8	0.6	-2.1	9.0		2.4

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations (FAO), Production Yearbook and Monthly Bulletin of Agricultural Economics and Statistics (Rome); and information supplied by United States of America, Department of Agriculture (USDA).

a/ The indices are grouped as follows:

I indicates original country indices and weights;

II indicates a set of country indices common to both sources, weighted by the value added in agriculture in 1970;

III indicates the original set of country indices, but weighted by the value added in agriculture in 1970.

b/ Country coverage represents the sum of the corresponding regional indices. FAO I differs from USDA I by including Cuba, Cyprus and Turkey, but excluding Israel.

c/ Twenty-one countries common to index II, FAO I and III also include Barbados and Cuba, USDA I and III include Trinidad and Tobago.

d/ Thirty-one countries common to index II, FAO I and III also include Botswana, Central African Republic, Chad, Congo, Gabon, Gambia, Lesotho, Mauritania, Mauritius, Mozambique, Somalia and Swaziland.

e/ Six countries common to index II. FAO III also includes Democratic Yemen, Saudi Arabia and Yemen.

f/ Ten countries common to index II (West Asia plus Egypt, Libyan Arab Republic and Cyprus and Turkey, minus Israel). FAO III also includes Democratic Yemen, Saudi Arabia, Sudan and Yemen.

g/ Twelve countries common to index II. FAO III also includes Afghanistan, Laos and Nepal.

Table 6. Developing countries: distribution according to average annual increase in agricultural output, 1971-1973
(Percentage)

Average annual rate of increase, 1971-1973	Countries in: Western hemisphere, proportion of		Africa, proportion of		West Asia, proportion of		South and South-East Asia, proportion of		Developing countries, total	
	Countries	Population	Countries	Population	Countries	Population	Countries	Population	Countries	Population
Negative	30.4	18.0	21.4	17.1	-	-	20.0	2.2	21.4	7.6
0 - 0.99 . . .	4.4	0.7	19.0	25.8	-	-	6.7	2.7	11.2	6.7
1.00 - 1.99 . . .	13.0	10.5	16.7	18.1	11.1	11.5	-	-	12.4	5.7
2.00 - 2.99 . . .	4.4	0.8	14.3	21.0	-	-	40.0	83.0	14.6	54.0
3.00 - 3.99 . . .	17.4	28.5	4.8	3.9	11.1	42.2	26.7	11.0	12.4	13.8
4.00 - 4.99 . . .	4.3	34.3	7.1	8.0	22.2	6.3	-	-	6.7	7.5
5.00 and over . .	26.1	7.2	16.7	6.0	55.6	40.0	6.7	1.1	21.4	4.7
Total	100	100	100	100	100	100	100	100	100	100

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data furnished by the Food and Agriculture Organization of the United Nations.

Table 7. Use of high-yield varieties of wheat by developing countries of Africa and Asia

Country	Proportion of planted area with high-yield varieties (percentage)				Area planted to high-yield varieties, 1972/73 (thousands of hectares)	Yield (quintals per hectare)					
	1969/70	1970/71	1971/72	1972/73		Average, 1960/61-1963/64	1970/71	1971/72	1972/73	1973/74	Average, 1970/71-1973/74
Afghanistan	6	11	13	18	450	9.6	8.2	8.9	11.7	12.3	10.3
Algeria	2	7	15	28	600	7.1	6.1	5.9	6.1	5.1	5.8
Bangladesh	8	11	12	18	21	6.0	8.8	8.9	7.9	8.3	8.5
Egypt	...	...	...	90	...	25.4	29.5	30.5	31.0	32.2	30.8
Ethiopia	...	...	...	...	45	7.0	7.7	7.8	7.8	7.7	7.8
India	30	36	41	52	10 237	8.3	12.1	13.1	13.8	12.5	12.9
Iran	2	6	6	7	298	8.0	9.0	8.3	9.4	9.3	9.0
Iraq	10	9	45	23	457	5.2	5.2	5.9	7.6	4.0	5.7
Jordan	4	4	5	10	-	3.6	3.1	6.7	9.6	4.0	5.9
Lebanon	4	12	19	31	20	6.5	8.2	7.5	10.2	4.7	7.7
Morocco	3	5	10	13	294	6.3	10.0	11.7	11.7	8.7	10.5
Nepal	34	43	51	66	170	10.0	13.2	11.7	14.0	13.3	13.1
Pakistan	43	52	57	56	3 339	8.2	11.7	10.8	11.9	13.1	11.9
Syrian Arab Republic	-	4	7	21	180	6.1	7.1	6.9	10.0	6.5	7.6
Tunisia	7	11	6	10	99	4.1	6.0	6.3	8.0	7.9	7.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on D. G. Dalrymple, Development and Spread of Highyielding Varieties of Wheat and Rice in the Less Developed Nations, United States of America, Department of Agriculture, Foreign Agricultural Economic Report, No. 95 (Washington, D.C., July 1974); United States of America, Department of Agriculture, Foreign Agricultural Circular, Grains, No. FG.10-74 (Washington, D.C., 1974).

Table 8. Developing countries of South and East Asia: rice area and yields, 1970-1974

Country	Area (millions of hectares)				Percentage planted with high-yield varieties				Yield (quintals per hectare)					
	1971	1972	1973	1974 a/	1969	1970	1971	1972	Average, 1966-1970	1971	1972	1973	1974	Average, 1971-1974
Bangladesh	9.5	9.5	9.9	10.1	3	5	7	11	16.9	16.5	16.3	18.6	18.3	17.4
Burma	5.2	5.0	4.9	4.1	3	4	4	4	15.5	15.0	15.1	17.4	18.8	16.6
India	37.3	35.0	37.8	36.5	12	15	20	25	15.6	17.1	15.8	17.4	16.2	16.6
Indonesia	8.5	8.6	8.5	8.5	10	11	16	18	20.4	23.2	21.9	26.7	27.7	24.9
Khmer Republic . . .	1.9	1.9	0.8	0.8	...	...	...	...	11.6	14.5	10.1	8.6	8.5	10.4
Laos	0.7	0.7	0.9	0.9	-	6	3	6	11.0	12.4	12.2	8.8	8.9	10.6
Malaysia (West) . . .	0.6	0.6	0.6	0.6	26	31	36	38	26.9	29.9	29.5	28.8	28.9	29.3
Nepal	1.2	1.2	1.2	1.2	4	6	6	15	19.8	19.2	20.0	20.0	18.3	19.4
Pakistan	1.5	1.6	1.5	1.6	30	36	50	43	18.9	14.7	14.2	24.3	23.3	19.1
Philippines	3.2	3.1	3.4	3.5	44	50	56	56	14.9	15.7	16.3	16.3	16.9	16.3
Republic of Korea . .	1.2	1.2	1.2	1.2	-	-	-	16	42.0	45.6	44.5	49.5	50.2	47.5
Republic of Viet-Nam	2.6	2.6	2.7	2.7	8	20	26	32	20.5	24.8	24.4	22.7	23.1	23.8
Sri Lanka	0.7	0.7	0.6	0.7	4	4	4	3	19.8	20.8	21.0	24.7	26.0	23.1
Thailand	7.8	7.6	8.0	7.8	-	2	4	5	17.4	17.2	15.7	18.1	18.7	17.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on D. G. Dalrymple, Development and Spread of High-yielding Varieties of Wheat and Rice in the Less Developed Nations; United States of America, Department of Agriculture, Foreign Agricultural Circulars, Rice, Nos. FR 1-73 and 2-74 (Washington, D.C.).

a/ Preliminary.

Table 9. Developing countries: estimated fertilizer import requirements, 1974

(Millions of tons)

Item	Countries in Western hemisphere	Africa	Asia	Total
Production[a/]				
Nitrogen (N)	1.27	0.45	3.35	5.07
Phosphates (P_2O_5)	0.73	0.89	0.82	2.44
Potash (K_2O)	-	0.33	-	0.33
Consumption[b/]				
Nitrogen (N)	1.91	0.90	4.59	7.40
Phosphates (P_2O_5)	1.34	0.42	1.73	3.50
Potash (K_2O)	0.95	0.17	0.72	1.84
Deficit[c/]				
Nitrogen (N)	0.64	0.45	1.24	2.33
Phosphates (P_2O_5)	0.61	-0.47	0.91	1.06
Potash (K_2O)	0.95	-0.16	0.72	1.51

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on estimates made by the Tennessee Valley Authority and reported in United States of America, Department of Agriculture, United States and World Fertilizer Outlook, Agricultural Economic Report, No. 257 (Washington, D.C.).

a/ Based on reported capacity and 1973 utilization.

b/ Based on recent trends and policies.

c/ A minus sign indicates surplus.

Table 10. Developing countries: changes in industrial production, 1970-1973

Region and period	Percentage change from corresponding portion of preceding year in					
	Industry	Mining	Electricity, gas and water	Manufacturing		
				Total	Light[a/]	Heavy[b/]
Developing countries						
1971	6.6	5.4	10.7	6.7	6.5	6.9
1972	8.4	5.8	12.1	8.9	7.1	10.9
1973	10.0	12.8	10.0	9.0	7.7	10.5
Average . . .	8.3	8.0	10.9	8.2	7.1	9.4
Western hemisphere						
1971	6.7	-0.3	10.8	7.4	5.2	9.3
1972	8.9	-0.3	11.2	9.9	6.6	12.8
1973	8.9	6.9	9.7	9.1	5.7	11.8
Average . . .	8.2	2.1	10.6	8.8	5.8	11.3
Asia[c/]						
1971	8.5	14.1	12.1	5.4	7.8	2.1
1972	8.8	10.2	12.8	7.6	7.9	7.4
1973	12.5	18.5	10.6	9.5	10.1	8.5
Average . . .	9.9	14.3	11.8	7.5	8.6	6.0

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ International Standard Industrial Classification (ISIC) 31-33, 342, 355-356 and 39.

b/ ISIC 341, 351-354 and 36-38.

c/ Including Turkey; excluding Israel.

Table 11. Developing countries: distribution according to degree of industrialization a/ and 1970-1973 growth in manufacturing b/

Industrialized			Intermediate			Agrarian		
High growth	Medium growth	Low growth	High growth	Medium growth	Low growth	High growth	Medium growth	Low growth
Republic of Korea	Peru	Chile	Mauritius	Algeria	Nicaragua	Dahomey	Indonesia	Ethiopia
Iran	Argentina	Egypt	Dominican Republic	Colombia	Bolivia	Gambia	Liberia	Uganda
Singapore	Mexico	Uruguay	Rwanda	Ecuador	Paraguay	Upper Volta	Jordan	Somalia
Hong Kong			Malaysia	Honduras	Pakistan	Tunisia	Zambia	Burundi
Brazil			Syrian Arab Republic	Venezuela	India	Nigeria	Gabon	Sri Lanka
			Kenya	Philippines	Jamaica		Burma	Laos
				Thailand	Guyana		Saudi Arabia	Khmer Republic
				Panama			United Republic of Tanzania	
				Malawi			Haiti	
				Morocco			Iraq	
				Guatemala			Angola	
				El Salvador			Ivory Coast	
				Costa Rica				
				Afghanistan				

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from the Statistical Office of the United Nations; "Economic survey of Latin America" (Preliminary edition) (E/CN.12/974/Add.1); Economic Survey of Asia and the Far East, 1973 (United Nations publication, Sales No. E.74.II.F.1); Survey of Economic Conditions in Africa, 1972, part I (United Nations publication, Sales No. E.74.II.K.1) and the summaries of economic data issued by the Economic Commission for Africa.

a/ Measured by the share of manufacturing in total output: up to 10 per cent, agrarian; 11-20 per cent, intermediate; over 20 per cent, industrialized.

b/ Low growth, less than 6 per cent a year; medium growth, 6-9 per cent a year; high growth, 10 per cent a year and over. In each column, countries are listed in descending order of average rate of increase in manufacturing production 1970-1973 (1970-1972 in some cases).

Table 12. Developing countries: composition of exports, 1970-1972

Category	1970 Value (billions of dollars)	1970 Percentage of total	Percentage of total exports in 1971	1972	1973[a/]
Total	55.0	100	100	100	100
Food, beverages and tobacco (SITC 0-1)	13.3	23.1	22.0	21.9	
Raw materials (SITC 2 and 4)	10.0	18.2	16.5	16.2	
Fuels (SITC 3)	18.1	32.9	38.0	37.5	
Chemicals (SITC 5) . . .	0.9	1.6	1.7	1.9	1
Machinery and transport equipment (SITC 7)	1.4	2.6	3.0	3.8	4
Other manufactures[b/] (SITC 6 and 8)	11.0	20.0	18.0	18.1	19
All non-food manufactures[c/]	9.7	17.7	18.3	20.2	20
Metal products. . .	0.8	1.4	1.3	1.4	
Textiles.	1.9	3.5	3.6	3.9	
Clothing.	1.4	2.5	3.1	3.5	
To: Developed market economies.	6.0	61.2	63.4	65.6	
Developing countries. . .	3.3	34.0	32.2	30.3	
Centrally planned economies. . .	0.5	4.8	4.8	4.1	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ Estimate, based on imports of major developed market economies from developing countries.

b/ Including non-ferrous metals (SITC 68)

c/ SITC 5, 6 excluding 68, 7 and 8.

Table 13. Major developed market economies:[a/] imports of manufactures from developing countries, 1970-1973

Category of goods	Value[b/] (millions of dollars)				Percentage of total imports of indicated category accounted for by: All developing countries				Top 20 suppliers in 1970			
	1970	1971	1972	1973	1970	1971	1972	1973	1970	1971	1972	1973
Chemicals (SITC 5)	438	508	582	752	4.2	4.4	4.2	3.9	3.6	3.8	3.4	3.0
Basic manufactures (SITC 6) . .	5 199	4 624	5 707	9 012	14.7	12.5	12.7	14.6	13.5	11.3	11.2	12.6
Non-ferrous metals (SITC 68) .	3 155	2 223	2 271	3 530	35.5	30.7	27.3	28.9	35.2	30.2	26.5	27.6
Machinery and transport equipment (SITC 7)	786	1 072	1 738	3 003	1.9	2.2	2.9	3.9	1.8	2.1	2.8	3.7
Other manufactures (SITC 8) . .	2 123	2 664	3 645	5 471	15.0	16.0	16.8	19.0	14.7	15.7	16.4	18.5
All non-food manufactures[c/] . . .	5 391	6 644	9 401	14 708	5.9	6.2	7.1	8.4	5.3	5.6	6.4	7.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ Belgium, Canada, Denmark, France, Federal Republic of Germany, Italy, Japan, Luxembourg, United Kingdom and United States of America.

b/ Measured c.i.f. except in the case of imports into Canada and the United States of America which are f.o.b.

c/ SITC sections 5, 6 minus 68 (non-ferrous metals), 7 and 8.

Table 14. Major developed market economies: source of imports of manufactures, 1970 and 1973

Item	Chemicals		Basic manufactures		Machinery and transport equipment		Other manufactures		All non-food manufactures a/	
	1970	1973	1970	1973	1970	1973	1970	1973	1970	1973
Percentage of imports of manufactures from developing countries coming from the top 20 suppliers in 1970	85	76	92	87	95	94	99	97	91	89
Number of countries accounting for the remaining imports of manufactures	53	78	84	100	77	99	69	99	96	100
Countries dropping out of top 20 between 1970 and 1973	Bermuda Guinea Dominican Republic Panama		Ghana Nigeria		Kenya Iraq Kuwait Egypt		Trinidad and Tobago Costa Rica		Bermuda Trinidad and Tobago Algeria Bahamas	
Countries joining the top 20 between 1970 and 1973	Republic of Korea Thailand Singapore Colombia		Colombia Singapore		Malaysia Jamaica Nigeria Algeria		Thailand Tunisia		Thailand Bangladesh Macau Dominican Republic	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ The four categories shown minus non-ferrous metals.

Table 15. Major developed market economies: developing country sources of manufactured goods imports, 1970 and 1973

Country or group	Number of developing countries reported as sources of imports of SITC							
	5		6		7		8	
	1970	1973	1970	1973	1970	1973	1970	1973
Canada	11	20	23	44	9	23	22	41
United States of America .	44	62	67	85	26	48	61	88
EEC.	62	94	86	113	91	114	66	111
Japan.	26	37	39	70	9	22	26	50
All the above countries	73	98	104	120	97	119	89	119

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

Table 16. Developing countries: growth in exports and imports of goods and services, a/ 1970-1973

Item and region	Average annual rate of increase, 1961-1970	Percentage change from preceding year			
		1971	1972	1973 b/	Average, 1971-1973
Exports					
Developing countries . .	6.8	5.5	9.2	8.4	7.7
Western hemisphere . .	5.6	0.6	6.5	7.6	4.9
Africa	6.8	-	6.1	1.2	2.4
West Asia	9.4	16.2	10.3	10.0	12.2
South and East Asia .	6.7	8.4	13.6	17.0	13.0
Imports					
Developing countries . .	6.1	6.8	7.5	8.6	7.6
Western hemisphere . .	5.5	7.5	8.0	8.6	8.0
Africa	5.3	5.9	2.7	4.3	4.3
West Asia	8.8	14.6	9.8	16.3	13.6
South and East Asia .	6.2	3.5	9.3	11.7	8.2

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics, national sources and Secretariat estimates.

a/ Measured in constant United States dollars at 1970 prices and exchange rates.

b/ Estimated in part from trade values deflated by the change in the dollar price of regional baskets of export and import commodities.

Table 17. Developing countries: changes in terms of trade, 1971-1973
(Percentage)

Region and item	Change from preceding year			
	1971	1972	1973	Average, 1971-1973
Developing countries				
Export unit value	4.6	11.4	36.2	17.4
Import unit value	6.0	9.1	24.3	13.1
Terms of trade	-1.3	2.1	9.6	3.8
Western hemisphere				
Export unit value	2.7	10.9	36.9	16.9
Import unit value	6.2	8.8	23.4	12.8
Terms of trade	-3.3	1.9	10.9	3.6
Africa				
Export unit value	3.0	10.5	40.0	17.8
Import unit value	5.9	9.0	23.3	12.7
Terms of trade	-2.7	1.4	13.5	4.5
West Asia				
Export unit value	15.0	12.3	32.3	19.9
Import unit value	6.0	8.9	23.4	12.8
Terms of trade	8.5	3.1	7.2	6.3
South and East Asia				
Export unit value	2.8	9.9	32.0	14.9
Import unit value	5.7	9.2	26.2	13.7
Terms of trade	-2.7	0.6	4.6	1.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the movements in the prices of regional baskets of commodities.

Table 18. Developing countries: exports, imports and balance of trade, a/ 1970-1973

Region and item	Amount (billions of dollars)				Average annual rate of change, 1961-1970 (percentage)	Change from preceding year (percentage)			
	1970	1971	1972	1973		1971	1972	1973	Average, 1971-1973
Developing countries									
Exports f.o.b.	54.2	61.5	73.6	108.3	7.3	13.5	19.7	47.2	26.8
Imports c.i.f.	56.4	64.0	71.4	96.0	6.7	13.6	11.5	34.4	19.8
Balance	-2.2	-2.5	2.2	12.3					
Western hemisphere									
Exports f.o.b.	15.8	16.4	19.0	27.6	5.4	4.1	15.5	45.4	21.7
Imports c.i.f.	17.6	20.0	22.3	28.4	6.2	13.5	11.9	27.1	17.5
Balance	-1.8	-3.6	-3.3	-0.8					
Africa									
Exports f.o.b.	12.6	13.1	14.6	20.7	8.0	3.4	12.0	41.7	19.0
Imports c.i.f.	11.1	12.8	13.7	17.6	4.5	15.3	7.0	28.6	17.0
Balance	1.5	0.3	0.9	3.1					
West Asia									
Exports f.o.b.	10.6	15.2	19.0	27.7	11.4	43.1	25.2	45.5	37.9
Imports c.i.f.	7.8	9.0	10.5	15.1	12.8	15.4	17.0	43.5	25.3
Balance	2.8	6.2	8.5	12.6					
South and East Asia									
Exports f.o.b.	15.1	16.8	20.9	32.3	6.6	10.9	24.8	54.4	30.0
Imports c.i.f.	19.9	22.3	24.8	34.9	6.9	12.3	10.9	41.0	21.4
Balance	-4.8	-5.5	-3.9	-2.6					

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Measured in current United States dollars.

Table 19. Selected developing countries: a/ trade surpluses and deficits b/ combined by region, 1970-1973

Year and item	Western hemisphere	Africa	West Asia	South and East Asia	Total, 85 countries
1970					
Surplus:					
Number of countries	8	11	4	3	26
Total amount (millions of dollars)	1 411	2 853	4 316	441	9 021
Deficit:					
Number of countries	19	23	5	12	59
Total amount (millions of dollars)	-2 585	-1 391	-1 699	-3 944	-9 619
1971					
Surplus:					
Number of countries	4	8	4	2	18
Total amount (millions of dollars)	[illegible]8	2 491	7 685	275	11 419
Deficit:					
Number of countries	23	26	5	13	67
Total amount (millions of dollars)	-3 666	-2 093	-1 919	-4 795	-12 473
1972					
Surplus:					
Number of countries	12	10	4	4	30
Total amount (millions of dollars)	1 014	2 628	9 541	497	13 680
Deficit:					
Number of countries	15	24	5	11	55
Total amount (millions of dollars)	-3 419	-1 564	-1 785	-4 087	-10 855
1973					
Surplus:					
Number of countries	10	13	4	6	33
Total amount (millions of dollars)	4 094	5 543	14 885	1 930	26 452
Deficit:					
Number of countries	17	21	5	9	52
Total amount (millions of dollars)	-4 228	-2 136	-3 467	-4 333	-14 164

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics, (Washington, D.C.).

a/ Selected on the basis of data availability.

b/ Exports f.o.b. minus imports c.i.f. in current United States dollars.

Table 20. Developing countries: distribution of reserve ratios, 1970 and 1973

Ratio of end-year reserves to imports (percentage)	1970						1973					
	Countries		Reserves a/		Imports b/		Countries		Reserves a/		Imports b/	
	Number	Percentage	Millions of dollars	Percentage	Millions of dollars	Percentage	Number	Percentage	Millions of dollars	Percentage	Millions of dollars	Percentage
Less than 10	7	10.0	108.8	0.7	1 542.6	3.6	7	10.0	130.5	0.3	2 050.4	2.8
10-19.9	13	18.6	1 166.0	7.3	8 510.7	19.9	7	10.0	519.8	1.3	3 270.4	4.5
20-29.9	19	27.1	2 471.8	15.4	10 502.2	24.5	7	10.0	2 918.8	7.1	11 618.5	15.8
30-39.9	8	11.4	2 452.0	15.3	7 454.6	17.4	15	21.4	6 178.4	14.9	17 813.2	24.2
40-49.9	8	11.4	3 224.4	20.1	7 180.4	16.8	13	18.6	5 247.6	12.7	11 504.6	15.7
50-74.9	8	11.4	2 689.5	16.7	4 580.8	10.7	10	14.3	6 483.7	15.7	10 967.9	14.9
75-99.9	5	7.1	2 117.2	13.2	2 340.9	5.5	6	8.6	10 038.9	24.3	11 246.8	15.3
100 and over	2	2.9	1 845.8	11.5	738.8	1.7	5	7.1	9 854.8	23.8	5 008.1	6.8
Total	70	100.0	16 075.5	100.0	42 851.0	100.0	70	100.0	41 372.5	100.0	73 479.9	100.0

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Gold, foreign exchange, SDR and position in IMF.

b/ Measured c.i.f.

Table 21. Developing countries: change in relative size of international reserves, 1970-1973

Countries a/ in which, between 1970 and 1973, the ratio of end-year international reserves b/ to current year imports c/									
Declined		Rose less than 10 percentage points		Rose 10-19.9 percentage points		Rose 20-29.9 percentage points		Rose 30 percentage points	
	1973 reserve ratio		1973 reserve ratio		1973 reserve ratio		1973 reserve ratio		1973 reserve ratio
Libyan Arab Republic	123.4	Burundi	70.0	Nigeria	31.6	Israel	43.0	Tunisia	50.5
Zambia	31.9	Mexico	32.7	Nicaragua	35.7	Guatemala	49.2	Pakistan	48.8
Jordan	93.4	Mali	5.1	Gabon	30.0	Algeria	48.9	Colombia	61.0
Republic of Viet-Nam	31.6	Afghanistan	45.2	Madagascar	33.4	Egypt	43.2	Venezuela	85.9
Mauritius	39.1	Morocco	24.3	Singapore	24.4	Rwanda	49.7	Philippines	58.5
United Republic of Cameroon	15.3	Costa Rica	9.4	Ecuador	45.3	Paraguay	46.8	Ethiopia	82.3
Togo	37.7	Uruguay	81.4	Haiti	23.1	Iran	36.7	Burma	102.8
Somalia	31.4	Sudan	14.1	Democratic Yemen	44.7	Niger	59.2	Brazil	91.7
Ivory Coast	12.4	Honduras	15.9	Kuwait	48.1	Ghana	42.0	Syrian Arab Republic	80.9
El Salvador	16.6	Dominican Republic	18.1	Malawi	47.0			Iraq	172.9
Kenya	37.9	Malaysia	55.9	Indonesia	34.4			Saudi Arabia	215.4
India	38.0	Peru	63.8	Argentina	59.0			Panama	449.6
Congo	5.9	United Republic of Tanzania	29.6	Gambia	64.7				
Senegal	3.3	Sri Lanka	20.7						
Jamaica	19.1								
Thailand	63.0								
Guyana	8.5								
Republic of Korea	25.9								
Chad	1.8								
Sierra Leone	31.9								
Trinidad and Tobago	6.3								
Bolivia	28.2								

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ In each column countries are listed in ascending order of change in the ratio of reserves to imports between 1970 and 1973.

b/ Gold, foreign exchange, SDR and position in IMF, measured in dollars.

c/ Measured c.i.f. in current dollars.

Table 22. Developing countries: changes in trade, reserves and debt, 1971-1973
(Billions of dollars)

Region and item	Countries in trade surplus a/			Countries in trade deficit b/		
	1971	1972	1973	1971	1972	1973
65 developing countries						
Trade balance c/	4.6	5.8	13.2	-10.2	-8.8	-11.4
Change in:						
International reserves d/. .	1.1	1.9	4.7	1.5	4.9	6.1
External debt e/	3.1	5.1	3.2	6.7	5.9	13.7
Net external obligations f/.	2.0	3.2	-1.5	5.2	1.0	6.4
Western hemisphere (21 countries)						
Trade balance c/	1.0	1.0	4.1	-3.1	-2.8	-3.3
Change in:						
International reserves d/. .	0.4	0.9	2.1	0.5	3.2	3.7
External debt e/	0.7	1.9	1.3	2.8	3.3	5.0
Net external obligations f/	0.3	0.9	-0.8	2.3	0.1	1.3
Africa (27 countries)						
Trade balance c/	0.6	1.3	2.7	-1.3	-1.0	-1.2
Change in:						
International reserves d/. .	0.1	0.1	0.4	0.1	0.3	0.2
External debt e/	0.3	0.4	0.5	0.8	0.6	0.8
Net external obligations f/.	0.2	0.3	0.1	0.6	0.3	0.6
West Asia (5 countries)						
Trade balance c/	2.8	3.0	4.9	-1.8	-1.7	-3.3
Change in:						
International reserves d/. .	0.6	0.5	1.0	0.3	0.5	1.0
External debt e/	0.9	1.0	-0.4	0.8	0.8	1.7
Net external obligations f/.	0.4	0.5	-1.5	0.5	0.3	0.7
South and East Asia (12 countries)						
Trade balance c/	0.3	0.4	1.5	-3.9	-3.3	-3.5
Change in:						
International reserves d/. .	0.2	0.5	1.1	0.5	0.9	1.2
External debt e/	1.1	1.8	1.8	2.3	1.2	2.5
Net external obligations f/.	0.9	1.3	0.7	1.7	0.4	1.3

(Sources and foot-notes on following page)

(Sources and foot-notes to table 22)

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), and data furnished by the International Bank for Reconstruction and Development.

a/ Thirteen countries in 1971, 24 in 1972 and 1973, selected on the basis of availability of data.

b/ Fifty-two countries in 1971, 41 in 1972 and 1973, selected on the basis of availability of data.

c/ Exports f.o.b. minus imports c.i.f.

d/ Gold, foreign exchange, SDR, and position in IMF.

e/ Public and publicly guaranteed, disbursed and undisbursed.

f/ Debt minus reserves.

Table 23. Developing countries: indicators of external balance, petroleum exporters and others, 1971-1973

(Billions of dollars)

Item	Major petroleum exporters a/			Other developing countries		
	1971	1972	1973	1971	1972	1973
Trade balance b/	10.3	12.2	21.7	-12.9	-9.9	-9.4
Change in:						
International reserves c/	3.2	3.2	3.8	1.8	5.5	8.8
External debt b/	2.9	2.6	1.8	7.9	9.9	15.7
Net external obligations e/	-0.3	-0.6	-2.0	6.1	4.4	6.9

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), and data furnished by the International Bank for Reconstruction and Development.

a/ Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria and Saudi Arabia.

b/ Exports f.o.b. minus imports c.i.f.

c/ Gold, foreign exchange, SDR and position in IMF.

d/ Public and publicly guaranteed, disbursed and undisbursed.

e/ Debt minus reserves.

Table 24. Developing countries: ratio of outstanding debt to export earnings, a/ 1970-1973

(Percentage)

Region	1970	1971	1972	1973
Developing countries	119	122	118	98
Western hemisphere	122	138	144	124
Africa	101	113	107	105
West Asia	71	60	58	46
South and East Asia	165	170	155	115

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), and data furnished by the International Bank for Reconstruction and Development.

a/ End-year public and publicly guaranteed debt, disbursed and undisbursed as a percentage of export earnings during the year, both measured in current dollars.

Table 25. Developing countries: 10-year projection of debt service payments, end 1970 and end 1972

Region	Ratio (percentage) of 10-year debt service obligations to total outstanding debt owed to							
	All sources		Governments		International organizations		Private creditors	
	End 1970	End 1972	End 1970	End 1972	End 1970	End 1972	End 1970	End 1972
Western hemisphere . .	96	101	73	75	91	90	119	121
Africa	79	84	76	74	61	60	101	119
West Asia.	97	103	97	101	87	88	98	108
South Asia	63	59	63	61	46	37	120	105
East Asia	78	77	58	57	78	77	113	119
All developing countries a/	83	87	71	73	75	72	112	118

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data furnished by the International Bank for Reconstruction and Development.

a/ Including the under-developed countries of southern Europe.

Table 26. Developing countries: ratio of debt services to export earnings, 1970-1973

Country[a]	Debt service ratio[b] Average 1971-1973[c]	Debt service ratio[b] Difference between 1970 and 1973 [c]
Singapore	0.8	-
Fiji	(0.9)	(-0.1)
Gambia	(1.1)	(0.9)
Mali	(1.2)	(-0.4)
Iraq	(1.8)	(-0.3)
Rwanda	1.8	-0.1
Republic of Viet-Nam	2.0	1.3
Botswana	2.2	0.1
Central African Republic	(2.3)	(-1.7)
Malaysia	2.7	-0.7
Trinidad and Tobago	2.8	-1.7
Thailand	2.9	-1.0
Somalia	3.0	1.4
Mauritius	3.0	-2.0
Nigeria	(3.1)	(-1.5)
Dahomey	(3.2)	(-0.1)
Honduras	3.5	1.0
Togo	(3.7)	(1.8)
Ghana	3.9	-2.5
Mauritania	4.0	2.6
Venezuela	4.1	1.2
Burundi	4.1	1.3
Guyana	4.3	1.2
Madagascar	(4.3)	(0.1)
El Salvador	4.7	1.6
Zaire	5.0	2.0
Jamaica	5.0	2.7
Dominican Republic	5.1	-0.8
Upper Volta	5.1	-1.1
Chad	(5.2)	(1.6)
Kenya[d]	(5.6)	(0.3)
Senegal	5.8	4.8
United Republic of Cameroon	5.9	3.1
Niger [d]	6.0	1.5
Uganda[d]	6.1	1.1
Jordan	(6.3)	(2.8)
Swaziland	6.3	4.4
Ivory Coast	6.8	0.1
Lesotho	(6.9)	(-3.4)
Liberia	(7.2)	(-1.4)
Gabon	7.4	2.8
Philippines	7.4	0.8
Guatemala	7.5	-4.0
United Republic of Tanzania [d]	7.6	-1.0
Indonesia	7.8	-0.6
Congo	(8.0)	(0.5)
Malawi	8.2	-1.1
Sierra Leone	8.3	-1.0
Zambia	(8.4)	(5.2)
Ethiopia	8.5	-5.5
Morocco	(9.1)	(0.1)
Panama	(9.4)	(3.2)
Iran [e]	9.8	-10.4
Costa Rica	10.1	0.6
Ecuador	10.2	-1.8
Paraguay	11.1	-2.8
Sudan	(11.1)	(3.2)
Syrian Arab Republic	(11.8)	(-1.5)
Sri Lanka	12.8	3.0
Colombia	12.9	-0.1
Algeria	(13.2)	(4.1)
Nicaragua	13.9	6.8
Brazil	(14.2)	(-1.7)
Tunisia	14.4	-9.0
Republic of Korea	14.6	-11.4
Burma[e]	15.4	0.1
Bolivia	15.5	4.5
Chile	15.8	-5.1
Israel	(15.8)	(-1.0)
Argentina	20.6	-3.0
India[e]	(23.8)	(1.6)
Peru	23.8	18.4
Mexico	23.9	-1.3
Afghanistan [e]	(24.7)	(-7.8)
Pakistan [f]	24.8	-8.8
Egypt	27.5	5.5
Uruguay	29.8	10.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data furnished by the International Bank for Reconstruction and Development.

a/ Countries are listed in ascending order of average 1971-1973 debt service ratio.

b/ Payments of interest and amortization expressed as a percentage of receipts from exports of goods and non-factor services (goods only in the case of Botswana, Lesotho and Swaziland).

c/ 1973 data are preliminary; the figures in parentheses represent 1971-1972 average and 1972 minus 1970, respectively.

d/ Including one third of the debt service payments of the East African Community.

e/ Fiscal years.

f/ Figures for 1970 and 1971 include Bangladesh.

Table 27. Developing countries: distribution according to savings ratio, 1971-1973

Average 1971-1973 savings ratio			
Less than 10 per cent		10-14.9 per cent	
Country or area	Average annual change, 1971-1973, in percentage of GDP	Country or area	Average annual change, 1971-1973, in percentage of GDP
Lesotho	2.7	Burma	0.2
Jordan	-0.1	Madagascar	...
Republic of Viet-Nam	-0.5	Israel	4.0
Khmer Republic	-5.2	Uruguay	-0.2
Chad	...	Mali	-0.9
Barbados	1.8	Lebanon	-1.1
Senegal	-3.1	Togo	0.1
Niger	1.4	Ethiopia	0.4
Bangladesh	-1.3	Dahomey	0.2
Upper Volta	0.5	Bolivia	-0.7
Guinea	2.1	Central African Republic	...
Afghanistan	1.0	Peru	-1.5
Burundi	-0.4	Hong Kong	3.5
Haiti	0.5	Chile	-1.5
Somalia	-1.1	Fiji	-3.4
Rwanda	1.8	Sudan	0.6
Egypt	...	Uganda	-0.9
Malawi	0.7	Ghana	1.4
Mozambique	0.7	Guatemala	0.5
Morocco	-0.3	Indonesia	2.1
		Pakistan	0.7
		Syrian Arab Republic	2.2
		United Republic of Cameroon	0.3
		El Salvador	0.7
		Gambia	0.1

Table 27 (continued)

Average 1971-1973 savings ratio					
15-19.9 per cent		20-24.9 per cent		25 per cent and over	
Country or area	Average annual change, 1971-1973, in percentage of GDP	Country or area	Average annual change, 1971-1973, in percentage of GDP	Country or area	Average annual change, 1971-1973, in percentage of GDP
Paraguay	2.1	Argentina	0.2	Ivory Coast	0.3
Ecuador	0.7	Angola	1.1	Swaziland	-3.3
Honduras	0.6	Kenya	1.3	Singapore	0.6
Sri Lanka	-1.4	Malaysia	1.0	Iran	2.4
Dominican Republic	2.1	Tunisia	0.9	Algeria	2.1
		Nigeria	2.3	Iraq	-0.7
India	0.6	Thailand	0.9	Venezuela	3.6
Republic of Korea	1.6	Southern Rhodesia	1.2	Mauritania	2.5
Jamaica	-1.3	Trinidad and Tobago	-1.3	Zambia	2.9
Nicaragua	1.2	Surinam	0.2	Liberia	1.9
United Republic of Tanzania	-0.3	Panama	0.4	Gabon	1.6
Brazil	1.5	Congo	2.0	Libyan Arab Republic	-1.4
Guyana	-3.9			Kuwait	1.5
Zaire	...			Saudi Arabia	2.9
Costa Rica	1.1				
Mexico	-0.1				
Colombia	0.1				
Philippines	-0.7				
Sierra Leone	1.1				

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics; national sources and Secretariat estimates.

a/ In each column countries and areas are listed in ascending order of the average savings ratio, 1971-1973.

Table 28. Developing countries: savings ratios, 1960-1965, 1966-1970 and 1971-1973

Region	Percentage ratio of gross domestic savings to GDP in						
	1960-1965	1966-1970	1971	1972	1973 a/	1971-1973	Average year-to-year change, 1971-1973
Developing countries	16.7	17.4	18.8	19.9	21.3	20.0	0.8
Western hemisphere.	19.8	19.1	18.1	18.9	19.4	18.8	0.1
Africa	13.5	17.8	18.9	20.0	22.4	20.3	0.9
West Asia	25.1	26.3	32.8	34.1	...	33.5	3.2
Rest of Asia . . .	12.8	13.2	15.4	16.5	17.5	16.5	1.0
Petroleum-exporting countries b/ . . .	25.0	25.5	31.4	32.6	...	...	...
Other developing countries	15.2	15.8	15.9	16.7	...	...	...

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics; national sources, and estimates of the secretariats of the regional commissions and the Centre.

a/ Preliminary, partly estimated.

b/ Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Saudi Arabia and Venezuela.

Table 29. Developed market economies:[a/] exports of capital goods to developing countries, 1970-1973

Item	Amount, f.o.b. (millions of dollars)				Percentage change from preceding year			
	1970	1971	1972	1973	1971	1972	1973	Average, 1971-1973
Non-metallic mineral .	830	931	1 114	1 583	12.2	19.7	42.1	24.7
Iron and steel	2 601	2 935	3 152	5 158	12.8	7.4	63.6	28.0
Metal manufactures . .	1 333	1 541	1 579	1 941	15.6	2.5	22.9	13.7
Machinery and transport equipment	16 887	19 688	22 910	30 455	16.6	16.4	32.9	22.0
All capital equipment	21 651	25 095	28 755	39 137	16.0	14.5	35.9	22.1
Unit value of manufactured goods exports					5.0	8.5	16.6	10.0
Estimated change in the quantum of capital equipment exports					10.3	6.4	16.6	11.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics and Monthly Bulletin of Statistics.

a/ Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Greece, Iceland, Italy, Japan, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States of America and Yugoslavia.

Table 30. Developing countries: school enrolment ratios, 1971

Item	Western hemisphere	Africa	Asia	All developing countries
Primary				
Population 6-14 years (millions) .	72.9	73.8	212.4	359.1
School enrolment (millions) . . .	45.0	26.0	121.5	192.5
Enrolment ratio (percentage) . .	62	35	57	54
Secondary				
Population 15-19 years (millions).	28.8	30.6	97.6	157.0
School enrolment (millions). . . .	11.0	4.4	21.8	37.2
Enrolment ratio (percentage). .	38	15	22	24
Tertiary				
Population 20-24 years (millions).	14.5	18.7	81.3	114.5
School enrolment (millions) . . .	1.3	0.4	4.4	6.0
Enrolment ratio (percentage) .	9	2	5	5
Percentage in science-based courses	29	40	36	34

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Demographic Yearbook; United Nations Educational, Scientific and Cultural Organization, Statistical Yearbook, United Nations Educational, Scientific and Cultural Organization, Statistical Yearbook, 1973 (Paris), and national sources.

Table 31. Developing countries: growth in school enrolment and teaching staff, 1960-1971

Region	1971 index (1960 = 100) in education at the					
	Primary level		Secondary level		Tertiary level	
	Enrolment	Teachers	Enrolment	Teachers	Enrolment	Teachers
Developing countries	174	159	249	226	320	218
Latin America . . .	168	181	297	262	315	277
Africa	177	174	252	222	270	308
Asia	162	144	179	194	300	270
Arab countries . .	185	219	297	235	299	311
Rest of world	114	129	142	174	239	225

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data furnished by the United Nations Educational, Scientific and Cultural Organization.

Table 32. Developing countries: changes in per capita food production a/ 1961-1963 to 1971-1973

Region	Countries in which, in relation to 1961-1963, per capita food production in 1971-1973 was (in percentage)					
	Lower by			Higher by		
	More than 10	5-9.9	0-4.9	0-4.9	5-9.9	More than 10
Western hemisphere						
Number of countries	6	4	2	3	2	7
Population b/ (millions). .	23.8	38.2	16.4	31.9	59.3	125.2
Africa						
Number of countries	8	7	3	7	9	8
Population b/ (millions). .	92.8	25.8	43.1	64.3	78.0	66.7
West Asia						
Number of countries	2	-	-	2	1	5
Population b/ (millions). .	4.7	-	-	23.9	1.5	27.6
South and East Asia						
Number of countries	2	2	4	2	1	3
Population b/ (millions). .	79.7	42.2	755.5	57.3	66.0	46.4
Total, above						
Number of countries	18	13	9	14	13	23
Population b/ (millions). .	200.9	106.2	815.0	177.5	204.8	265.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Production Yearbook and Monthly Bulletin of Agricultural Economics and Statistics (Rome).

a/ Food includes cereals, starchy roots, sugar, pulses, edible oil crops, nuts, fruit, vegetables, wine, cocoa, livestock and livestock products.

b/ Mid-1972 estimate.

Table 33. Developing countries: per capita calorie supply, 1969-1971, and per capita food production, 1971-1973

Country[a/]	Average calorie supply, 1969-1971 (percentage of requirement)	Per capita food production index (1970 = 100)			Population, 1972 (millions)	Consumer food price index, 1973 (1970 = 100)
		1971	1972	1973		
Paraguay	119	99	96	94	2.4	147
Cuba	117	78	66	72	8.8	...
Costa Rica	116	105	108	110	1.8	128
Argentina	115	93	91	94	24.4	359
Thailand	115	102	88	101	38.6	123
Panama	112	105	102	100	1.5	118
Zambia	112	99	104	89	4.6	125
Madagascar	111	97	96	94	7.3	120
Mexico	111	102	101	101	53.7	129
Southern Rhodesia.	111	114	121	95	5.7	110
Brazil	110	105	106	108	100.8	165
Malaysia (West). .	110	106	108	115	9.2	121
Chile	109	97	92	78	10.1	1 270
Khmer Republic . .	109	76	59	41	7.5	715
Libyan Arab Republic	109	86	129	101	2.1	74
Nicaragua	109	103	99	99	21.0	...
Uruguay	108	88	86	89	3.0	490
Republic of Korea.	107	98	96	98	32.0	138
Syrian Arab Republic	107	110	170	104	6.7	127
Republic of Viet-Nam	107	105	104	105	18.6	216
Guyana	105	105	86	85	0.7	124
Ivory Coast . . .	105	108	104	101	4.5	114
Jamaica	105	102	98	96	1.9	140
United Republic of Cameroon	104	104	102	99	6.1	...
Gambia	104	105	96	108	0.5	...
Mauritius	104	106	113	118	0.9	123
Burma	102	99	92	96	29.1	...
Congo.	102	97	88	86	1.0	121
Kenya	102	99	101	99	12.0	118
Ghana	101	105	98	95	9.1	142
Togo	101	97	83	92	2.1	121
Egypt	100	100	100	98	34.9	116
Senegal	100	133	81	102	4.1	118
Jordan	99	144	170	107	2.5	140
Peru	99	98	94	95	14.0	126

(Table continued on following page)

Table 33 (continued)

Country[a]	Average calorie supply, 1969-1971 (percentage of requirement)	Per capita food production index (1970 = 100)			Population, 1972 (millions)	Consumer food price index, 1973 (1970 = 100)
		1971	1972	1973		
Sierra Leone . .	99	98	97	96	2.8	...
Central African Republic . . .	98	101	100	100	1.7	125
Dahomey	98	99	97	90	2.8	...
Sri Lanka	98	96	92	92	13.1	122
United Republic of Tanzania . .	98	96	98	93	14.0	130
Trinidad and Tobago	98	97	102	87	1.0	139
Colombia	95	102	104	98	23.5	169
Gabon	95	103	103	104	0.5	116
Laos	95	93	83	87	3.1	191
Malawi	95	109	111	110	4.6	124
Nepal	95	101	96	100	11.8	118
Dominican Republic	94	99	102	99	4.6	126
Honduras	94	108	101	108	2.7	117
India	94	98	92	100	576.3	131
Liberia	94	99	100	99	1.6	118
Saudi Arabia . .	94	102	105	103	8.2	...
Tunisia	94	125	118	111	5.4	121
Ethiopia	93	101	102	99	26.1	99
Pakistan	93	97	97	99	66.0	138
Zaire	93	101	87	95	22.8	154
Lebanon	92	110	115	113	3.0	122
Morocco	92	104	101	88	16.6	118
Sudan	92	101	99	99	16.6	127
Uganda	91	95	95	90	10.4	140
Iraq	90	95	138	114	10.1	116
Chad	89	98	70	69	3.8	116

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; Food and Agriculture Organization of the United Nations, Production Yearbook and Monthly Bulletin of Agricultural Economics and Statistics (Rome); "Assessment of the world food situation: present and future" (E/CONF.65/3), paper presented to the United Nations World Food Conference.

a/ Countries are arranged in descending order of percentage requirement of average calorie supply, 1969-1971.

Table 34. Developing countries: distribution of population, actual 1970, projected 1970-1975

Region	Households			Population					
				Rural		Urban a/		Big-city b/	
	Number in 1970 (millions)	Average size	Annual average rate of increase, 1970-1975 (percentage)	Number in 1970 (millions)	Annual average rate of increase, 1970-1975 (percentage)	Number in 1970 (millions)	Annual average rate of increase, 1970-1975 (percentage)	Number in 1970 (millions)	Annual average rate of increase, 1970-1975 (percentage)
Tropical South America	28	5.3	3.2	68	0.8	85	4.6	36	5.9
Temperate South America	9	4.2	2.0	8	-1.3	29	2.4	15	3.6
Central America . .	12	5.7	3.4	33	2.0	35	4.6	11	8.6
Caribbean	6	4.4	2.5	15	1.3	11	3.4	4	3.4
West Africa	21	4.9	2.6	81	2.0	20	5.2	4	9.7
East Africa	20	4.9	2.6	88	2.3	10	5.9	1	16.6
Central Africa . .	7	4.9	2.4	30	1.6	6	5.7	1	7.1
North Africa . . .	17	5.2	3.1	56	2.3	30	4.7	11	5.9
West Asia c/	15	5.2	3.2	48	2.0	29	4.6	7	9.3
South Asia	143	5.3	2.6	618	2.4	144	4.3	47	7.5
South-East Asia . .	55	5.2	3.0	227	2.4	60	4.5	25	6.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Compendium of Housing Statistics, 1971 (United Nations publication, Sales No. E/F.73.XVII.4).

a/ As defined in latest census. The rural population is the difference between the total and urban populations.

b/ Or urban agglomeration.

c/ Including Cyprus and Turkey.

Table 35. Selected developing countries: a/ residential constructions, 1971-1973

Country or area	Reporting system code b/	Construction, 1971-1973, average annual number of dwellings c/ (thousands)	Residential population d/ 1972 (millions)	Residential construction, average annual number of dwellings (per 1,000 inhabitants)	Housing requirement e/
Algeria	CUN	12.8	7.4	1.7	9.3
Angola	CUA	6.4	0.8	8.0	...
Argentina	CTA	41.4	23.9	1.7	6.6
Brazil	PUN	184.3	56.8	3.3	8.8
Chile f/	PUN	35.4	67.3	0.5	1.2
Colombia	PUN	34.0	14.0	2.4	9.5
Costa Rica	PTN	7.3	1.8	4.1	1.5
Congo	PUA	1.1	0.3	3.7	8.8
Cuba	CTN	12.8	8.8	1.5	0.9
Democratic Yemen .	CMN	1.5	0.3	5.0	...
Ecuador	CUN	7.1	2.6	2.8	9.3
Ethiopia	PMA	8.4	2.7	3.1	8.2
El Salvador	CTN	2.6	1.4	1.9	1.4
Egypt	CTN	30.3	34.8	0.9	8.8
French Guiana	CTN	0.3	0.1	5.6	...
Fiji g/ h/	CTA	...	0.5	...	...
Gabon	PUA	1.0	0.2	6.0	6.7
Guadeloupe	CTN	1.2	0.3	3.4	...
Guatemala g/	CMN	1.0	1.8	0.8	1.3
Guyana	CTN	1.6	0.8	2.2	13.6
Hong Kong	CTN	36.9	4.1	9.0	10.3
Iran g/	SUA	77.6	13.0	6.0	8.7
Iraq	CUN	20.5	6.1	3.4	9.6
Israel	CTN	45.6	3.1	14.6	...
Ivory Coast	PMA	2.3	0.2	11.5	8.8
Jordan	CUA	3.7	2.5	1.5	9.5
Kenya	CTN	3.4	1.2	2.8	7.0
Kuwait	PTN	5.5	0.9	6.2	14.2
Lebanon i/	PUA	7.1	1.3	5.6	8.8
Madagascar	PMA	0.6	1.0	0.6	8.9
Martinique	CTN	1.1	0.3	3.1	...
Mauritius	PUA	2.7	0.3	7.4	8.5
Mexico	CMN	8.0	(31.7)	0.3	1.4
Morocco	PTN	17.6	15.9	1.1	9.3
Panama	PMN	3.7	0.7	5.0	1.4
Philippines g/ ...	CUN	13.5	12.3	1.1	10.2
Republic of Korea	PUN	78.0	13.0	6.0	...
Republic of Viet-Nam	PMA	2.4	1.8	1.3	...
Rwanda	PUA	0.2	0.1	1.5	8.7
Senegal	PUA	0.7	...	...	10.2
Singapore	CTN	22.8	2.2	10.6	9.4
Syrian Arab Republic	CTN	21.8	2.9	7.5	9.3
Thailand j/	CTN	7.7	38.6	0.2	7.8
Togo	PMA	0.6	0.3	1.7	8.8

Table 35 (continued)

Country or area	Reporting system code b/	Construction, 1971-1973, average annual number of dwellings c/ (thousands)	Residential population d/ 1972 (millions)	Residential construction, average annual number of dwellings (per 1,000 inhabitants)	Housing requirement e/
Trinidad and Tobago	PTA	3.3	1.1	3.1	0.9
Tunisia	PTN	10.1	5.4	1.9	9.1
Uganda	CUA	0.8	0.8	1.0	8.7
United Republic of Tanzania	CUA	1.2	1.1	1.1	8.7
Venezuela	CUN	20.8	8.3	2.7	8.5
Zaire	PUA	2.2	5.5	0.4	8.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Statistical Yearbook, Demographic Yearbook and World Housing Survey (preliminary version).

a/ Selected on the basis of the availability of data.

b/ P = permits issued; C = completions; S = starts; T = total; U = urban; M = metropolitan; N = number of dwellings; A = area of floor space.

c/ Where the reporting system designates only area, it has been assumed that one dwelling = 100 square metres of floor space (except where indicated).

d/ Total, urban or metropolitan in accordance with reporting system.

e/ As estimated by the Centre for Housing, Building and Planning of the United Nations Secretariat. The key assumptions are a rate of replacement of the 1970 housing stock at 2 per cent a year and an average occupancy rate of 1.5 households per dwelling (or housing entity).

f/ Reporting system refers to 60 communes; population refers to urban total.

g/ Reporting system refers to private dwellings.

h/ Reported area converted at 75 square metres per dwelling.

i/ Reported area converted at 500 square metres per dwelling.

j/ Reporting system refers to public housing.

Table 36. Developing countries: distribution according to proportion of female enrolment at various levels of education, 1971

Region and enrolment rate (percentage)	Number of countries in which the ratio of female to male enrolment was as indicated in		
	Primary schools	Secondary schools	Tertiary schools
Western hemisphere			
Less than 50	-	-	6
50-74	1	5	11
75-99	21	7	2
100 and over . . .	3	7	1
Africa			
Less than 50	6	25	32
50-74	15	2	1
75-99	8	2	-
100 and over . . .	1	1	-
Asia			
Less than 50	8	9	19
50-74	5	6	3
75-99	14	5	2
100 and over . . .	-	1	2

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Educational, Scientific and Cultural Organization, Statistical Yearbook, 1973 (Paris), and national sources.

Chapter II

IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY BY THE DEVELOPED MARKET ECONOMIES

Economic relations with the more advanced countries provided the developing countries with their principal growth stimulus in the first three years of the Second United Nations Development Decade. Measured in current dollars, developed market economy imports from the developing countries increased at an average rate of 24 per cent a year and centrally planned economy imports by only slightly less (see table 37). The flow of financial resources from the developed market economies to the developing countries increased by about 16 per cent a year and the commitments of credit by the centrally planned economies by a somewhat higher rate.

In the context of the International Development Strategy, however, this performance was far less satisfactory. The upsurge in trade was entirely the result of market conditions; few, if any, of the policy recommendations of the Strategy were in fact implemented. And the transfer of resources through loans and donations did no more than keep pace with the growth in domestic production so that the transfer ratios did not advance towards the target laid down in the Strategy. Indeed, in the case of the official assistance component, the ratio dropped perceptibly in 1973, below the figure of 0.3 per cent of the gross national product of the developed market economies and further than ever from the International Development Strategy target of 0.7 per cent.

Economic performance of the developed market economies

While the Strategy is one of the most comprehensive statements of economic and social policy ever to gain international consensus, it was launched at a time when factors not mentioned in it were about to shake the world economy and change the course of events. The Decade was only six months old when the international monetary régime - based, since the Bretton Woods agreement of 1945, on gold and reserve currencies and relatively fixed exchange rates - collapsed under the weight of imbalances among the developed countries. Attempts to restore a system of agreed exchange rates, made by concerted action in December 1971 and by a number of ad hoc adjustments in 1972, were unsuccessful and after a critical spell of instability in February-March 1973, there was a general, if informal, acceptance of an interim régime of floating rates subject to official intervention to ensure the orderliness of movement. Such a system was outside the rules of the International Monetary Fund but, at its penultimate meeting in March 1974, the Fund's Committee of 20 (on Reform of the International Monetary System and Related Issues), recognizing the difficulties standing in the way of an early return to fixed exchange rates, recommended a set of guidelines for the management of floating rates.

The effect of this loosening of currency arrangements was an upheaval in international price relationships. Between December 1971 (when the Smithsonian rate structure was agreed to) and mid-1974 (when the Committee of 20 wound up its

discussions on monetary reform) the strongest major currency (the deutsche mark) appreciated by over 20 per cent in terms of the currencies of trading partners, while that of the weakest (the lira) recorded a comparable depreciation. These price changes set in motion a great upsurge in world trade. This coincided with - and tended to reinforce - a recovery in the rate of increase in over-all demand, first in North America (in 1971) and then in Western Europe and Japan (in 1972). Thus the growth of total output in the developed market economies, which had averaged 4.8 per cent a year in the 1960s, reached 5.5 per cent in 1972 and 6.5 per cent in 1973.

This acceleration in growth occurred at a time when many of the countries concerned were experiencing troublesome inflationary pressures. As measured by the gross national product deflator, the rate of price increase - which had averaged about 3 per cent a year over the period 1960-1968 - rose to nearly 5 per cent in 1969 and to 6 per cent in 1970, even though this was a year of recession. The subsequent upswing in activity added demand forces to these underlying institutional and cost pressures. The combined consumer price index in the developed market economies in 1973 was almost 8 per cent above the 1972 level and the increase in the course of the year was over 11 per cent.

This rise in prices had a direct effect on the developing countries. The unit value of manufactures moving in world trade, expressed in dollars, increased 5 per cent in 1971, 8.5 per cent in 1972 and 16.6 per cent in 1973, and this was promptly reflected in the unit value of developing country imports and thence in internal costs and prices. The inflation also affected interest rates, both directly as a result of the reluctance of lenders to face the depreciation of principal and indirectly through restrictive monetary policies. Long-term rates - as measured by the yields on central government bonds - rose sharply in all developed market economies: between 1972 and mid-1974 yields were up 25 per cent in the United States of America at the one end of the scale and 60 per cent in the United Kingdom at the other. Short-term rates more than doubled in this period and the rate on three-month deposits on the London Eurodollar market, which had declined from 10 per cent to 5 per cent between 1969 and 1972, was above the 13 per cent level by mid-1974. Developing country borrowing on the private capital market became sharply more expensive after 1972; even loans from the International Bank for Reconstruction and Development, which had been available at 7.25 per cent per annum at the beginning of the decade, were costing 8.5 per cent by February 1975.

The inflation and the associated exchange rate instability virtually ruled out any further issue of special drawing rights on the International Monetary Fund after the final allocation in 1972 of the amounts agreed to in 1969. Measured in dollars, total international liquidity - increasing by $38 billion in 1971, $28 billion in 1972 and $25 billion in 1973 - doubled between the beginning of 1971 and the beginning of 1974. The developing country share in these reserves rose from less than 20 per cent to more than 23 per cent in the three years (and to about a third by the end of 1974). As a result, the consideration of a possible link between the allocation of new reserve assets and the provision of additional development finance (called for in para. 52 of the Strategy) was passed on by the IMF Committee of 20, when it wound up in mid-1974, to a new technical committee of the Fund. 1/ The approaches still under study include (a) the allocation of a

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1/ The Interim Committee of the Board of Governors of IMF on the Monetary System.

predetermined proportion of SDR to specific development agencies, (b) the allocation of SDR to members, as in the 1970-1972 round, subject to an understanding that richer recipients would transfer to the development agencies either part of their allocation or the equivalent in currencies, (c) the allocation of SDR to members in a manner that assured developing countries of a share larger than that implied in their Fund quotas, or (d) an adjustment of Fund quotas to increase the developing countries' share in the total.

Among the conclusions of the Committee of 20 was that global liquidity should be brought under effective international control. Bearing this in mind and acknowledging that the needs and aspirations of the developing countries should be taken fully into account, it is clear that for a workable aid-liquidity link, what is required is an arrangement that interferes least with the working of any new international monetary system with the SDR as a major reserve asset, that does least to reduce other flows of development assistance, that adds most to the resources of the developing countries that stand in greatest need and - bearing in mind the probability that SDR will be subject to an interest rate 2/ - that adds least to the cost to the recipients of the transfers that are effected.

Though one of the main purposes of the Committee of 20 had been to prepare the way for the re-establishment of a régime of "fixed" but adjustable exchange rates, as indicated above, one of its final acts was to prepare a set of "guidelines for floating" that, recognizing the probability of a lengthy, if transitional, phase in which currencies would be subject to market forces tempered by official intervention, sought to make that intervention as constructive as possible - ironing out unduly large short-term shifts without seeking to sustain unrealistic rates. Fluctuations in the exchange rates of the major trading currencies did not prevent a remarkable upsurge in trade but they added to the sense of uncertainty that many developing countries experience when facing the world economy. Perhaps the most troublesome aspect of this was the rise in costs and prices, part of which was attributable to the depreciation of sterling and the United States dollar - the reserve currencies in the Bretton Woods monetary system. But the concern also arose from the tendency for many of the developing countries to link their currency with that of their principal trading partner, thereby reinforcing the already undesirably high degree of geographic concentration and bilateralism. In mid-1974, 61 developing countries were maintaining their exchange rate against the dollar,

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2/ In June 1974 the rate of interest on SDR was raised from 1.5 to 5 per cent for an initial period of six months, subject to adjustment in the light of the movement of a weighted average of short-term rates on the markets of six industrial countries. This was part of a general upward revision of IMF charges from which only the newly established "bridging facility" was exempt. As from July 1974, the SDR was revalued on the basis of a basket of 16 currencies weighted more or less in accordance with their importance in world trade: 40 United States cents, 38 Federal Republic of Germany pfenigs, 4-1/2 British pence, 44 French centimes, 26 Japanese yen, 7.1 Canadian cents, 47 Italian lire, 14 Dutch cents, 1.6 Belgian francs, 13 Swedish oere, 1.2 Australian cents, 11 Danish oere, 9.9 Norwegian oere, 1.1 Spanish pesetas, 22 Austrian groschen and 0.8 South African cents.

12 against the French franc and nine against the pound sterling, while 12 were allowing their currencies to float. 3/

By this time, the sixth general review of quotas in the IMF had got under way, with the developing countries claiming "a substantially higher share of both quotas and voting power". 4/ Their membership in the Fund had increased by eight since 1971 and had reached 126 (up from 74 at the beginning of the 1960s and 47 at the beginning of the 1950s). Their share of quotas had declined marginally since 1970 - from 28.1 per cent of $21.4 billion to 27.7 per cent of $29.2 billion compared with 23.8 per cent of $14.9 billion at the beginning of the 1960s and 19.9 per cent of $7.9 billion at the beginning of the 1950s (see table 38).

The fifth general review of quotas in 1970 distributed an over-all increase of about a third, but 47 countries (31 developing and 16 developed) had increases of more than 40 per cent, 15 countries more than 60 per cent, and four countries (all developing) more than a doubling. This complemented the process set in motion in 1963 when a decision was taken to adjust quota entitlements to facilitate compensatory financing of export fluctuations: 5/ for the six members that had not taken advantage of the 1963 scheme, the 1970 increases incorporated the earlier adjustment. The new quota structure became the basis for distributing SDR.

Among the eight countries joining IMF between 1971 and 1974 were Oman, Qatar and the United Arab Emirates. This completed the membership of the Organization of Petroleum Exporting Countries (OPEC) in the Fund and brought their quota share up to 4.9 per cent. Five of this group were among the nine members that decided not to participate in the Special Drawing Account. 6/

3/ Part of developing country unhappiness with a régime of floating exchange rates presumably stems from their lack of expertise in banking and dealing in foreign currencies even though under the Bretton Woods régime the IMF members without par values for their currency were mostly developing countries, many of which managed floating and sometimes multiple exchange rates. The reasons behind the desire for a fixed rate system have not been clearly articulated in international debates but the desire itself has been frequently stated. To "eliminate the instability of the international monetary system /and/ the uncertainty of the exchange rates" is one of the objectives of the Programme of Action on the Establishment of a New International Economic Order adopted by the General Assembly at its sixth special session (see General Assembly resolution 3202 (S-VI) of 1 May 1974, II.1.b).

4/ Communiqué issued on 10 June 1974 by the Intergovernmental Group of 24 on International Monetary Affairs.

5/ The 1963 decision was aimed particularly at raising the quotas of members with small entitlement ($60 million or less) and large dependence on primary commodity exports. Altogether, 34 countries raised their quotas in accordance with the revised guidelines which gave greater weight to trade and its variability and less to national income and reserves.

6/ The non-participants are Kuwait, the Libyan Arab Republic, Qatar, Saudi Arabia and the United Arab Emirates, plus Ethiopia, Lebanon, Portugal and Singapore.

Trade policies

After two decades of fairly steadfast trade policy culminating in the Kennedy Round of tariff negotiations, the developed market economies experienced a series of traumatic events in the early 1970s which cannot but have a lasting effect on economic relations with the developing countries.

The essential features of the long-term policy were the free entry of raw materials and tropical products, the steady liberalization of trade in manufactured goods based on the reciprocal according of "most favoured nation" status (subject to safeguards or escape clauses in the case of certain sensitive or vulnerable industries), and the protection of domestic agriculture, producing temperate-zone food crops.

The shocks to the system came from several directions, though some were interrelated. They include the ending of the international régime of more or less fixed exchange rates, which stimulated a great upsurge in trade and an export-led boom in total demand. The combined effect of this boom and uncertainty about currency values was an extraordinary rise in prices. This was exacerbated by a variety of supply difficulties some of which were contrived but others caused by natural phenomena largely or completely beyond control. 7/ Shortages developed and there was a rash of restraints on exports designed to protect domestic supplies (or, in some cases, to prevent the circumvention of domestic price controls). The upswing in market prices encouraged several Governments that were hosts to producers of one or another of several internationally traded mineral commodities to tighten their control over supply and introduce a system of administered prices, directly as in the case of phosphate rock or through tax arrangements (bauxite) or a combination of tax and direct pricing (petroleum).

Because of its importance in world trade, the inelastic nature of demand and the magnitude of the price increase, the change in the marketing of petroleum had a profound effect on the world economy. In the present context, the most important immediate consequence was on the trade balance of the developed market economies: the great increase in the cost of imports threw most of these countries into external deficit and some of them into acute payments difficulties. A strong impetus was given to defensive action: early in 1974 Denmark and Italy took steps to reduce imports though, up to the end of 1974, the damage to trade had been minimized by the judicious use of credit and guarantee arrangements. The higher prices did in fact curtail petroleum consumption but likely to prove more important in the long run are the forces set in motion to reduce not only consumption but also dependence on imports. Most of the developed market economies have begun to invest heavily in improvements in energy utilization and in expansion of domestic sources of energy - non-conventional as well as hydrocarbon and other fossil fuels.

The high prices and scarcities that characterized 1973 and 1974 had a similar

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7/ The most disturbing of these was the incidence of adverse weather, even in areas in which the management of production had previously enjoyed some success. The threat of possible long-term climatic change began to colour discussion of world food supplies.

if less dramatic effect in the case of other commodities. With world market prices rising above internal support levels for such basic household commodities as wheat and sugar, the idea of a strong domestic agriculture began to be espoused by previously critical consumers in many of the developed market economies. There can be little doubt that the events of this period moved policy objectives perceptibly towards a higher degree of self-sufficiency. The speed and intensity with which decisions and investments follow will depend in part on the short-term evaluation of prices and supplies and in part on the steps taken to organize an equitable and reliable system of interdependence among exporting and importing countries that will persuade the parties concerned of the benefits to be derived from maintaining and extending the international division of labour.

Apart from the upheaval in price relationships that occurred after 1971, two other important developments affected international economic relations between the developed market economies and the developing countries: the enlargement of the European Economic Community from six to nine members and the adoption by most of the more advanced countries of schemes granting preferential access to their markets in respect of a considerable range of goods.

The accession of the United Kingdom to EEC at the beginning of 1973 signalled the end of the rights of a number of Commonwealth countries to privileged entry to the United Kingdom market. It also brought the United Kingdom agricultural sector (with its close duty-free ties to the world market and its farmers' incomes protected by so-called "deficiency payments" from general revenue) into the more insulated "common agriculture policy" of the original six members (with its price supports for local production and "variable levies" on imports). In neither case were the consequences for developing country partners as unfavourable as they seemed at one stage likely to be. This reflects in part the fact that United Kingdom entry into EEC was itself phased in its various aspects so as to allow a more gradual adjustment to the new circumstances, and in part the fact that the transition was, fortuitously, to take place when preference schemes of a more general nature were being brought into operation. Equally fortuitous and even more important was the fact that the enlargement of EEC coincided with the period of vigorous growth in the developed market economies as a whole and the steep upswing in world market prices for almost all the commodities that might have been adversely affected by the integration.

Nevertheless, the enlargement of EEC has created a trading entity that absorbs over a third of the exports of the developing countries - as much as Japan and the United States combined and 10 times as much as the centrally planned economies - and whose trade policies are therefore of major significance to the development process. Though this was overshadowed by the turbulent events of 1971-1974, it will doubtless have an important bearing on the course of economic relations in the second half of the decade.

The preference schemes that were adopted by one developed market economy after another from mid-1971 onwards 8/ represent a breach of two of the main principles

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8/ The latest scheme to go into operation is that of Canada which was promulgated in July 1974. The only major developed market economy that had not implemented a preference system by the end of 1974 was the United States of America, whose scheme was not promulgated until January 1975.

underlying earlier trade relations, namely, the reciprocation and generalization of concessions: the tariff cuts were limited to developing countries (variously defined) and they were accorded unilaterally, without any reciprocity. The schemes were essentially experimental when initiated and many of them were amended in various ways in the period that followed. In most cases the list of beneficiary countries was extended and the commodity coverage widened, though in a few countrie some tariff items were dropped either to restore the original protection or, in the case of Denmark, Ireland and the United Kingdom, to bring the national scheme into line with that of EEC (see table 39).

The main difficulties encountered in administering these preference schemes have stemmed from the methods used to ensure that the designated countries are in fact the beneficiaries and that vulnerable domestic industries are not unduly harmed by the imports. The first of these concerns gave rise to sets of "rules of origin" requiring various forms of documentation and certification that many developing countries found hard to observe, at least in the early stages of the schemes. The second was generally met by some type of escape clause or quantitative limit on the volume of imports eligible for preferential entry.

The "rules of origin" generally require direct shipment from the exporter to the importer and legal proof that the goods have undergone "substantial transformation" in the former or that the value added there constitutes a prescribed minimum (35-50 per cent in the case of the United States scheme) of the c.i.f. price. Many developing countries have been slow in setting up the machinery and preparing the documents necessary to satisfy the importing country in regard to this requirement. 9/

Where ceilings have been prescribed for preferential imports they have usually been based on some historical amount - 1968 imports in the initial EEC scheme, for example - with provision for a supplementary amount to increase the developing country share of imports and for moving forward the base year. 10/ In order to prevent too much of the permissible amount from being supplied by too few developing countries, provision has also been made for country quotas. 11/ In the

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9/ After a year of operation of the EEC scheme, less than 40 countries had qualified for preferential entry and by the end of 1973 the number had not reached 60. At that stage only 63 of 112 potential beneficiaries had qualified for preferential entry into Switzerland; and only 41 out of 102 in the case of Norway. In the first eight months of the Japanese scheme, a fourth of the claims for preferential entry were rejected because the "substantial transformation" requirement had not been fulfilled. The easing of rules of origin formalities by Finland was largely instrumental in raising the proportion of beneficiaries achieving preferential entry from less than a third in 1972 to over 60 per cent in 1973.

10/ The EEC held the base year at 1968 until 1974 when it was brought forward to 1971. Japan has held the base at the 1968 figures while bringing forward - with a two-year lag - the supplementary amount of 10 per cent of imports from other (non-beneficiary) countries.

11/ In the United States scheme a similar purpose is served by the provision that preferential entry is not to be accorded in respect of a given item to a country that has supplied more than half (or over $25 million) of United States imports of that item in the previous year.

case of EEC, these were generally set at 50 per cent of the total, though for a number of so-called "sensitive" and "semi-sensitive" products smaller proportions were prescribed - as low as 10 per cent in the first year of operation (see table 40).

In the long run, this country quota system may lead to a diversification in supply but in the early years of operation, given the smallness in the number of developing countries actually participating in the scheme, its effect was to limit the volume of preferential imports: the main suppliers exhausted their quotas and the rest were left unfilled. The rigidity in the a priori quota system was lessened in the case of Japan in 1973 when a discretionary administration was introduced in respect of a large number of items. This permitted the continuation of preferential entry beyond both the quota for individual beneficiaries and the ceiling for total imports of the item concerned. Thus in 1973 Japan withheld the reimposition of normal tariffs on 40 of the 109 items imports of which exceeded the ceiling 12/ (see table 41).

Perhaps the principal problem posed by the quantitative limitation of amounts eligible for preference lies in the lack of information regarding the status of imports. Neither exporter nor importer is able to ascertain whether a given shipment will qualify for preferential entry and this ignorance greatly reduces the incentive effect of the scheme and may even, in the extreme case, turn what is intended to be an increase in exporters' earnings into a windfall gain for importers who have felt it prudent to contract on the assumption of the regular tariff.

It is unrealistic to expect developed market economy preference schemes to effect a sudden transformation in the industrial structure of the developing countries or even in the composition of trade. As indicated in chapter I, a very small number of the developing countries account for the great bulk of the group's exports of manufactured goods. If the preference schemes are to serve as an instrument for assisting in the industrialization of countries that have hitherto contributed little to international trade in manufactures it is clear not only that arrangements will have to be shaped with this in mind but also that several other conditions will need to be fulfilled. Among them perhaps the most important are steadfastness and sympathy. The first must be manifested in continuity and certainty, and the second in a flexible administration that will adjust to the needs of the less industrialized of the developing countries.

In reserving quotas for these less industrialized countries, developed market economy Governments may well be under pressure both from developing countries that can more readily fill those quotas and from domestic producers that see unfilled quotas as mitigating import competition. And in aiming for flexibility in administering these schemes they may find it desirable to subdivide customs categories of goods to accommodate items that the less industrialized countries are more likely to be able to produce, to allow the carry-over of quotas for countries that have less frequent and less reliable shipping connexions and to make similar adjustments that imply a recognition of the diversity among the countries that have been accorded beneficiary status.

12/ Of the 69 items on which regular duties were reimposed, 20 were in the category for which flexible controls had been substituted.

The preference schemes are intended to assist developing countries to market in the developed market economies manufactured and semi-manufactured goods in the production of which the developing countries tend to be at a disadvantage. Trade in primary products presents a different set of problems and the developed market economy approach to them has traditionally been through commodity agreements designed to stabilize the price of individual items through undertakings to buy or sell, through controls over export quantities and in some cases regulation of inventories, and the operation of special buffer stocks. Four such agreements - governing wheat, sugar, coffee and tin - were operative at the beginning of the 1970s and a fifth (for cocoa) was concluded in 1972 and entered into force in mid-1973. In the price upheaval that marked the first four years of the decade, these agreements ceased to have relevance and one by one, as they expired, they were extended in form but without substance. In each case there was an implicit assumption that when the market settles down and prices resume a more stable interrelationship, accord would be sought in regard to a defensible price range appropriate to the commodity concerned.

With this in the background, negotiations began in mid-1973 for the renewal (or replacement) of the Yaoundé Convention between EEC and 18 associated States. The latter had already been joined by Kenya, Mauritius, Uganda and the United Republic of Tanzania, and with the enlargement of the Community from six to nine, Commonwealth countries numbering 23 became "associable". In the event, a new Convention was hammered out, and duly signed at Lomé, Togo, in February 1975. It embraces 46 developing countries - 37 in Africa, six in the Caribbean and three in the Pacific - and is designed to provide them with duty-free access to EEC markets on a non-reciprocal basis, for all industrial products and almost all agricultural products and to set up a UA 3 billion (about $3.6 billion) fund for use over five years for grants and loans and for a stabilization scheme to smooth out fluctuations in the foreign exchange earnings derived from a dozen of the principal primary exports of the 46. 13/ In addition, the Convention includes a sugar pact that provides for the supply (and purchase) of up to 1.4 million tons a year (about an eighth of EEC consumption) at a minimum price determined by that negotiated for domestic producers in the Community.

Import performance

Though the volume of developed market economy imports from the developing countries increased by less than 5 per cent in 1971 - below the long-term growth rate - the subsequent upsurge raised the average 1971-1973 rate of increase to almost 12 per cent a year. The expansion was greatest - over 20 per cent a year - in the case of manufactured goods although, because price changes in this category were more modest, this did not raise its proportion of developed market economy expenditure on imports from developing countries above the 1970 figure of 23 per cent. At the other end of the scale, imports of food-stuffs increased at only 5 per cent a year so that, despite a steep rise in prices, it accounted for a steadily diminishing share of developed market economy import expenditure: from

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13/ One eighth of the fund is to be used for stabilization, one seventh for soft (40-year, 1 per cent) loans and 70 per cent for grants, while just over 3 per cent is set aside for participation in equity ventures. A further UA 390 million is to be provided by the European Investment Bank for low-interest loans.

almost 24 per cent of the total from developing countries in 1970 to below 18 per cent in 1973.

In between were the raw material and fuel categories. Thanks to an upswing in 1973 the average rate of increase in raw material imports from the developing countries approached 7 per cent a year and their share of developed market economy expenditure was maintained at about a sixth. Fuel imports registered the steadiest growth, averaging more than 14 per cent a year over the 1971-1973 period and raising their share of all imports from the developing countries from less than 35 per cent in 1970 to nearly 43 per cent in 1973 (see table 42).

The sharp rise in the quantum of developed market economy imports from the developing countries was largely the result of the vigorous growth in demand that got under way early in 1972 and began to recede towards the end of 1973. Over the two years, manufacturing production rose by almost a fifth before levelling off in 1974. The resultant increase in input requirements and in incomes was reinforced in varying degree by policies favouring the developing countries, particularly in the case of manufactured goods.

The dominance of the major items remained, however: three categories of imports (petroleum, beverage crops and non-ferrous metals) continued to account for half the total; another four categories (ores, fruits and vegetables, fibre and sugar) brought the share to two thirds, and another three (lumber, apparel and yarn) to three fourths (see table 43).

This ranking did not change very greatly over the four years, though most categories of manufactured goods (particularly machinery, metal products and instruments, wood and paper products and furniture, foot-wear and travel goods, food preparations and plastic products) rose in importance, and many primary products (particularly minerals, fibres, livestock and products, beverage crops and cereals) lost ground.

The sharp acceleration in the unit value of developed market economy imports from the developing countries was accompanied by a similar though somewhat less steep rise in the unit value of exports to the developing countries. The result was an unusually wide movement in the terms of trade between the two groups of countries. This favoured the developed market economies in 1971, and then swung over in favour of the developing countries, slightly in 1972 but by over 9 per cent in 1973.

Imports of fuels

Among the four main categories of imports, the sharpest rise in unit value - averaging almost 19 per cent a year over the 1971-1973 period - was registered by fuels. This was a major factor behind the rise in the amount spent by the developed market economies on imports from the developing countries: in the case of petroleum products it increased by about 24 per cent a year, crude petroleum by 31 per cent a year, and natural gas by 49 per cent a year, to reach about $350 million in 1973.

The rise in unit value reflects action by the petroleum-exporting countries which, in February 1971 and on a number of occasions in 1972 and 1973, in the face

of a firm demand, raised the price of the oil they sold and taxes and royalties paid by the producing companies. This was followed, in the last quarter of 1973, by a curtailment in production by the Organization of Arab Oil-Producing Countries and the cutting off of deliveries to several of the developed market economies judged to be friendly to Israel and then, at the beginning of 1974, by another and larger increase in price. Between the third quarter in 1970 and the first quarter in 1974 there was a sixfold increase in the price of petroleum moving in international trade (see table 44).

Up to 1973 consumption of energy had risen in a remarkably steady fashion at about 5 per cent a year while the share of petroleum had increased from about a third in the 1950s to a half by 1972. This had been brought about by a phasing out of domestic coal production with the aid of an adjustment assistance programme which, especially in Western Europe, had facilitated the closing down of collieries and the pensioning or retraining of workers. Tax incentives, especially in the United States, had encouraged the outflow of capital (and reinvestment of earnings) to developing countries, first for the production of petroleum and, increasingly in the 1960s when environmental considerations began to weigh larger in investment decisions, for the building of refineries. Developed market economy self-sufficiency in petroleum declined from about 60 per cent in the 1950s to just over a third in 1972.

As a result of the high level of investment - particularly by the smaller companies independent of the major transnational concerns - supply was kept well up to world requirements. Exports from the Soviet Union also expanded - from about 1 per cent of the world total in the mid-1950s to over 5 per cent in the early 1970s. The OPEC share declined correspondingly from 89 per cent to 84 per cent. The market remained easy throughout the 1960s, though discounts on posted prices grew less common in the second half of the decade. In 1971, the average price of petroleum in international trade was 18 per cent above the 1960 level. This was virtually the same increase as in the case of food-stuffs and appreciably greater than that of cereals which were still at the 1960 level. The average unit value of manufactured goods, however, had risen steadily and somewhat faster and in 1971 it stood at 27 per cent above the 1960 level.

The dramatic rise in petroleum prices since 1971 - a sixfold increase in a commodity that accounted for 7 per cent of total imports from all sources - the resultant increase in the current account deficit of almost all the industrial countries, and the sense of insecurity engendered by the 1973/74 cutback and boycott have induced a major change in developed market economy energy policy. This is still under way and the speed of its implementation is in doubt but its direction is clear: conservation by increasing economy and efficiency of energy use, diversification of energy sources away from petroleum, greater energy self-sufficiency by favouring domestic sources, intensification of exploration for petroleum in "safe" areas to minimize the risk of arbitrary control over supply and price.

Some of these steps are undoubtedly desirable both from the standpoint of preserving the physical environment and in the interests of the rational use of th world's non-renewable resources. Others, however, are clearly at variance with th International Development Strategy: they will pre-empt a significant proportion of investment capital, enlarge the world's fuel production capacity far beyond wha is required to keep supply in line with consumption, reduce international trade an

maintain a compartmentalized, administered price structure that will be particularly onerous for countries that are both short of capital and find it necessary to import energy for their development.

Imports of industrial raw materials 14/

Between 1970 and 1973 developed market economy imports of raw materials increased by about 7 per cent a year in quantum and 18 per cent a year in unit value. The principal categories coming from the developing countries were mineral ores - ferrous and non-ferrous - textile fibres, wood, oil-seeds and oils, rubber, non-metallic minerals (including rock phosphate) and hides and skins. 15/

Among these raw materials the steepest rise in price was recorded by vegetable seeds and oils: between the first quarter of 1972 and the last quarter of 1974 there was a threefold increase and prices were still rising though more slowly and erratically. The rise in fibre prices started earlier (at the beginning of 1971) and peaked towards the end of 1973 after a 260 per cent increase. The price of non-ferrous ores also began a rise early in 1971; it continued rather longer (till the second quarter of 1974) but involved a somewhat smaller increase (about 220 per cent).

These price changes were almost entirely market-determined: they reflect the expansion in demand during the 1972-1973 industrial upswing (augmented by some inventory and speculative purchases) interacting with a variety of supply constraints caused chiefly by the vagaries of the weather and other natural conditions in the case of some of the agricultural commodities and by labour strikes and transit difficulties in the case of some of the minerals.

The more than trebling of the price of oil-seeds that occurred between 1970

14/ This SITC division of imports includes various metallic ores and concentrates but not the metals themselves which are classified as manufactured goods.

15/ The most important item in terms of dollar expenditure was wood: imports of rough wood increased by an average of about 42 per cent a year to reach $2.4 million in 1973 and imports of lumber by 51 per cent a year to nearly $0.75 billion. Imports on non-ferrous ores increased by 15 per cent a year to about $2 billion in 1973 and imports of iron ore by 9 per cent a year to $1.8 billion. Imports of vegetable oils and seeds increased by 20-30 per cent a year and by 1973 they amounted to almost $2 billion - $1 billion for seeds, $0.6 billion for soft oils and $0.3 billion for lauric oils. Rubber imports cost $1.2 billion in 1973, having expanded by about 14 per cent a year since 1970. Cotton was by far the most important fibre among the imports from developing countries - $1.1 billion in 1973 - though the value had risen only slowly (8 per cent a year). The value of wool imports had risen much faster (36 per cent a year) to reach $0.33 billion, as had hard fibres (18 per cent a year to almost $0.2 billion) but the value of jute imports was actually lower in 1973 than in 1970 ($0.13 billion). The only other raw materials of great significance in total developing country trade are crude fertilizers (mostly phosphates) and hides and skins. Developed market economy imports of the former rose by a modest 11 per cent a year to about $0.36 billion, and of the latter by as much as 28 per cent a year to about $0.33 billion.

and mid-1973 reflects the shortage of fishmeal from Peru and the poor soya crop in the United States as well as the expansion in livestock herds that higher meat prices had encouraged. In 1973 several countries - including the United States, the largest supplier - limited their exports of soya beans in order to protect domestic supplies. This increased European demand for oil-seeds from the developing countries: developed market economy import expenditure was twice as high in 1973 as in 1972. Imports of animal feed-stuffs also doubled between 1972 and 1973, reaching $1.3 billion.

There was no perceptible change in policies affecting the production of "synthetic" substitutes for some of the industrial raw materials in the 1971-1973 period. The upsurge in primary product prices, indeed, and fears of incipient shortages provided some encouragement to the use of such substitutes. This itself was soon restrained, however, by the rapid increase in the cost of the synthetic product, especially in 1973 and 1974 when the rise in wood-pulp and petroleum prices began to accelerate.

There was little increase in the output of cellulosic fibres between 1970 and 1973 but the output of non-cellulosic fibres and synthetic rubber expanded greatly. 16/

Because of the buoyance of the rubber and fibre markets, concern over the continued growth in the output of these man-made products seem to have abated somewhat in 1973. Indeed, the market was able to absorb a sizable increase in disposals of natural rubber from the United States strategic stockpile: 36,000 tons in 1971, 50,000 tons in 1972 and 93,000 tons in 1973. It was only after the price of natural rubber had begun to recede in 1974 that anxiety was again manifest. In April the Association of South-East Asian Nations opened talks with Japan on the subject of restraining the growth in capacity to produce synthetic rubber. By this time, however, the constraining effect of the rise in the petroleum price was beginning to tell: there was a 50 per cent increase in the prices of synthetic rubbers in the first half of 1974.

There was a similar scenario in the case of cotton whose international prices also peaked early in 1974. The competitive position of cotton had improved, partly as a result of the rapid rise in the price of man-made fibres but also in the wake of research on quality and processing undertaken by the International Institute for Cotton. Nevertheless the steep decline in price that began in January 1974 soon caused concern. In April the International Cotton Advisory

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16/ World production of synthetic rubber increased by about a fourth between 1970 and 1973, twice the rate achieved by the natural product whose share in total consumption dropped below a third. The expansion in synthetic was largest in absolute terms in the developed market economies but the shares of the centrally planned economies (20 per cent) and developing countries (3 per cent) were fully maintained.

Developed market economy production of cellulosic fibre declined steadily though slowly in the 1970-1973 period, while that of the centrally planned economies and developing countries continued to expand. There was a much larger and more rapid increase in the output of non-cellulosic fibres, however, and this was almost universal though, in terms of the quantities involved, the developed market economy output and expansion were by far the greatest, accounting for about seven eighths of world total.

Committee reopened the question of an agreement to stabilize prices and discussions began at an Intensive Intergovernmental Consultation under the auspices of UNCTAD.

In contrast to most of the other raw materials, the prices of rock phosphate and bauxite moving in international trade did not move far from the 1970 level in 1971-1973. Being dealt with either on long-term contract or as an interbranch transaction of multinational corporations subject to royalty arrangements with the host Government, neither commodity was subject to the market forces that were operating in this period.

Towards the end of 1973, however, Morocco - the largest exporter of phosphate rock - raised its price from $14 to $42 per ton. Producers in the United States soon followed this lead, and in mid-1974 the price was again raised, first to $55 and then to $63 a ton. Later in the year a World Phosphate Rock Institute was formed by producers in Algeria, Brazil, Jordan, Morocco, Senegal, the Syrian Arab Republic, Togo, Tunisia and the United States of America, accounting for about half of world production and 80 per cent of the amount entering international trade.

In the case of bauxite a similar effect was obtained through the renegotiation of royalty and tax arrangements between various Caribbean Governments and the mining companies operating their concessions. The pattern was set by Jamaica in May 1974 and followed by the Dominican Republic, Guyana, Haiti and Surinam, and later by Sierra Leone. Given the differences in the type and grade of ore, in mining conditions and in the extent of subsequent beneficiation, these changes did not yield a uniform price but they resulted in a substantial increase in government receipts. The question of a common pricing policy was laid before the International Bauxite Association which had been formed in March 1974 by Australia, Guinea, Guyana, Jamaica, Sierra Leone, Surinam and Yugoslavia. 17/

Imports of food-stuffs

Developed market economy expenditure on imports of food-stuffs from the developing countries increased at an average rate of rather more than 15 per cent a year in dollar terms between 1970 and 1973. One third of the increase represents the growth in volume, two thirds the rise in prices. The average price of food in international trade doubled between 1970 and the first half of 1974 and, largely as a result of the further rise in the prices of sugar and feed-grains, continued upward for the remainder of the year.

The largest category of developed market economy food imports from the developing countries comprises the beverage crops. Expenditure on these increased less rapidly than on other food-stuffs. The value of coffee imports rose at an average of 13 per cent a year and was approaching $4 billion in 1973. Despite the steep rise in price, the value of cocoa imports rose at only 9 per cent a year between 1970 and 1973 to a total of almost $0.9 billion. And in the case of tea, whose price did not turn upwards until 1974, imports were actually lower in 1973 ($0.34 billion) than in 1970 ($0.38 billion).

17/ Together with the Dominican Republic, Ghana and Haiti, which joined the Association later, these countries accounted for about 70 per cent of world production and over 80 per cent of world trade.

Expenditure on the other two major food imports from the developing countries - sugar and fruit - also rose at less than the average rate for the food group as a whole, the former to about $1.9 billion in 1973 and the latter to $1.6 billion. Cereal imports also lagged behind the average, largely because of a sharp reduction in drought year of 1972. Some rice producers - Burma, Egypt and Thailand, for example - felt impelled to curb exports in 1972/73 so as to avoid internal shortages. The principal component of developed market economy imports from the developing countries was maize, purchases of which fluctuated around $0.45 billion a year.

The most dynamic of the food imports were meat and fish, each of which doubled in the three years, reaching $1.3 billion in 1973. In the case of beef this expansion was halted early in 1974 when, with domestic producers caught between rising feed costs and consumer resistance to high prices, the EEC reintroduced the duties and levies that had been suspended during the previous year of "scarcity", and a number of countries - including Belgium, France, Greece, Italy and Japan - suspended the licensing of further imports. The United States, which had suspended import controls in mid-1972, did not reintroduce them in 1974 (except in the case of cattle and beef from Canada) but supported the domestic beef market in the spring by means of government purchases for school feeding programmes. During the period of scarcity, developing country exports might have risen even higher had not some countries - Argentina and Brazil, for example - found it necessary to restrict the shipment of beef in order to protect domestic supplies and prices.

A number of processed food-stuffs also shared in the rapid increase in developed market economy imports. Purchases of preserved fruit and preserved vegetables almost doubled between 1970 and 1973 to reach about $0.4 billion and $0.25 billion, respectively. Purchases of tinned meat rose from $0.19 billion to $0.26 billion and of tinned fish from $0.08 billion to $0.18 billion. Imports of wine declined sharply in 1971 and it was not until a new arrangement was made between EEC and Algeria in 1972 that they recovered: purchases in 1973 - at $0.22 billion - were more than double the previous year's level.

While all the food-stuffs entering international trade experienced an upsurge in price in the 1970-1974 period, there were considerable differences in the length and pace of the increase. At the one end of the scale were such items as tea and wine for which the upswing was short and modest - a 50-60 per cent increase over a period of 18 months. At the other end of the scale some food-stuffs registered increases that were much sharper (some of the edible oils, for example) or much longer sustained (fish and some of the cereals, for example) and in the case of sugar, both. These changing price relationships reflect market forces that made it very difficult to operate international commodity agreements whose main purpose was to maintain price stability and orderly marketing.

The most dramatic price increase was that of sugar: after rising eratically in 1971-1973 to about double its 1970 level, the price quadrupled in the course of 1974. In March 1973 the maximum price under the 1968 International Sugar Agreement was raised from 6.95 to 7.60 United States cents per pound and 4.9 million tons were supplied at that figure (chiefly by Australia, Cuba and South Africa to Canada and Japan) even though the world market price had reached 9 cents a pound. When the Agreement was extended for two years from the beginning of 1974 the world price of sugar (f.o.b. Caribbean or Brazilian ports) stood at 15 cents a pound and by

November it peaked at 57 cents a pound. The extended Agreement was without any "economic" content: the question of price norms and production/export/inventory controls was left in abeyance.

This was also the case with wheat whose price peaked in the first quarter of 1974 at 3.5 times the 1970 average. The 1971 International Wheat Agreement was extended early in 1973 to June 1975, but without substantive clauses either in the Wheat Trade Convention or in the Food Aid Convention.

The first International Cocoa Agreement, though not ratified by the United States, came into force in mid-1973 just when the price of cocoa, after languishing in 1971 and most of 1972 was surging upwards. It stood at about 50 United States cents a pound when the Agreement became operative, compared with a stabilization range of 23-32 cents. It rose fourfold between trough and crest in this upswing and peaked in the second quarter of 1974 at about three times the 1970 average. Here again, the economic content of the Agreement - which includes provisions for a buffer stock and export quotas - was left in abeyance, though in August 1974 the stabilization price range was adjusted upwards by 6.5 cents per pound. By this time the buffer stock fund - raised through a levy of 1 cent per pound on cocoa exports - had reached $25 million.

In March 1973 the International Olive Oil Agreement was amended slightly and extended for the period 1974-1978, but still without economic content. Prices had begun rising steeply in 1972 and by the third quarter of 1974 had exceeded three times the 1970 average.

The only other international commodity agreement governing a food item is that in coffee. The second such Agreement had come into force in 1968 and had helped to raise coffee prices around a third by 1970. In 1971 they slipped, however, and differences opened up among members of the International Coffee Organization both as to price range and as to action in respect of export quotas. As a result, when the Agreement was extended for the period 1973-1975, it was without the price and quota provisions. It was even decided to liquidate the funds that had been established to promote coffee sales, on the one hand, and help producing countries "diversify" out of coffee, on the other. In the event, market forces, aided by some withholding of supplies, 18/ began to pull prices up in 1972 and, though the rise was modest by comparison with most other primary commodities, they peaked in the second quarter of 1974 at about 40 per cent above the 1970 level.

The two main reasons for the relative fragility of the coffee market have been the vigorous expansion in coffee production in Africa, Asia and the Pacific and the decline in per capita consumption in the United States. Coffee production outside Latin America, which had risen by 165 per cent in the 1950s and 70 per cent in the 1960s, continued to rise in the 1970s, accounting for over 36 per cent of the world

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18/ For the 1973/74 season the Latin American producers arranged to retain 10 per cent of the amount exported in the three previous years and the Inter-African Coffee Organization established export quotas for robusta coffee. Early in 1974 two new coffee marketing bodies were set up - one, Café Mundial, by Brazil, Colombia, the Ivory Coast and Portugal, and another by a number of Central American producers including Costa Rica, El Salvador, Guatemala and Mexico.

supply in the early years of the decade, compared with only 17 per cent, 20 years earlier. In the meantime consumption of coffee in the United States, the major importing country, has risen hardly at all; in relation to population over 10 years of age it declined from almost 10 kilograms a year (green bean equivalent) in the early 1950s to less than 8 kilograms a year in the early 1970s during which time the United States share in world consumption had dropped from over 60 per cent to not much more than 40 per cent.

Imports of manufactured goods

Developed market economy imports of manufactured goods from the developing countries increased at an accelerating pace in the 1970-1973 period. In 1973 imports amounted to $18 billion, twice the 1971 figure. The average rate of expansion was almost 27 per cent a year of which rather less than a fifth was the result of price increases. This import pattern was characterized both by the dominance of the major items and by the growing diversity among the minor items.

The six leading products in 1973 accounted for half the developed market economy imports of manufactures from developing countries: clothing ($3.35 billion), copper ($2.5 billion), telecommunication equipment and electrical machinery (about $1 billion each), diamonds and other precious and semi-precious stones (just under $1 billion) and plywood (about $0.9 billion). At the same time expenditure on many of the smaller items rose at more than 50 per cent a year: wood products and furniture, yarns, ribbons and lace and other special textile products, leather and travel goods, office machinery, electrical switchgear, non-electrical machinery, vehicles, plastic and paper products, iron and steel tubes and shapes and other metal manufactures.

Almost all the items in this category of trade were subject to some kind of internationally determined action in the 1970-1971 period - the two top groups (non-ferrous metals and textiles) to specific measures, and the great bulk of the remainder to the preference schemes referred to earlier in this chapter.

The prices of copper, lead and tin, which had peaked in 1969 or 1970, declined sharply in 1971 and the value of developed market economy imports of non-ferrous metals from the developing countries dropped by 28 per cent from $3.4 billion to $2.4 billion. With the upswing in demand that began in 1972, imports rose steeply (by 53 per cent between 1972 and 1973) to $3.8 billion in 1973. In dollar terms, the price of each of the major metals (except aluminium) doubled between the end of 1972 and the beginning of 1974. Subsequently, with industrial input requirements shrinking, prices declined steeply: between April and December 1974 the free market price fell by about a fourth in the case of lead and tin and by over half in the case of copper and zinc.

In 1971 and 1972 the buffer stock of the International Tin Council (ITC) entered the market as a net buyer of over 11,000 tons of tin. Export controls were introduced in January 1973, when the London price stood at £1,618 per ton, and were renewed in October 1973 by which time the price had passed the £2,000 mark. The ITC's stabilization price range was raised by around 7 per cent but the market price was already above the new ceiling of $M 760 per picul (about £2,200 per ton). The buffer stock sold all the tin it had acquired in the two previous years. After consultation with ITC as well as tin-producing countries, releases from the United States strategic stockpile, which had been cut back from 1,740 tons in 1971 to less

than 400 tons in 1972, were stepped up to nearly 20,000 tons in 1973 and nearly 22,000 tons in the first half of 1974. Spot prices continued to rise, however, reaching about £4,000 a ton in September before turning downwards. 19/ In May 1974 the stabilization range was raised again - around a third this time - but it was not until late in the year that the market price had dropped below the new ceiling of $M 1,050 per picul (about £3,150 per ton).

Tin is the only metal subject to an international agreement. For the others, stabilization measures were in the hands of individual Governments. In the case of lead and zinc, domestic prices were held down in a number of the developed market economies and though they were raised on several occasions in 1973 they tended to remain far below the prices developing country metal was realizing on the world market. Between the second half of 1972 and the first half of 1974 the latter doubled in the case of lead and trebled in the case of zinc. Sales from the United States stockpile were greatly expanded: in the three years 1971, 1972 and 1973 lead disposals totalled 8,700 tons, 54,400 tons and 226,000 tons, respectively, and zinc disposals 1,900 tons, 192,000 and 242,000 tons. An even higher rate was maintained in the first half of 1974 but only under an arrangement with producers that would require repurchase in the interest of market stabilization.

In the wake of the 1971/72 decline in copper prices, the United States reintroduced the 0.8 cents per pound duty that had been suspended since 1966. In mid-1973, however, with prices surging upwards, this duty was withdrawn again. Domestic prices were raised but they lagged far behind the world market price which almost trebled between end-1972 and mid-1974. In these circumstances United States stockpile releases, suspended in 1972 and 1973, were resumed and 210,000 tons of copper was sold in the first half of 1974. By this time consumption was already shrinking, however, and prices began a steep decline which took the spot quotation down from £1,350 per ton in May 1974 to £500 per ton in February 1975. Accentuating this swing was an outflow of copper from Japan, following large purchases in 1973. This outflow was curtailed in the final quarter of the year after representations by the Intergovernmental Council of Copper Exporting Countries (CIPEC). The Japanese Ministry of International Trade and Industry ceased issuing export licences for copper in November 1974 and began negotiating with some of the country's suppliers of concentrates to slow down contract deliveries in the period ahead. At the same time, CIPEC members - Chile, Peru, Zaire and Zambia which together account for about two thirds of world exports - announced a 10 per cent cutback in copper shipments in an effort to stabilize the market.

Between 1962 and 1973 developed market economy importation of cotton textiles from the developing countries was governed by the long-term arrangement regarding International Trade in Cotton Textiles which, in principle, was intended to provide the developing countries with steadily widening but non-disruptive access to the markets of major developed market economies. Its 30 signatories aimed at the progressive elimination of quantitative controls over imports or, failing that, an assurance that such controls would permit a growth rate of at least 5 per cent a year in the cotton textile exports of the country against which they were invoked. In the first three years of the 1970s developed market economy imports of cotton

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19/ The price in the Singapore market peaked in May 1974 at $M 1,303 per picul, about twice the figure of a year earlier. After the floating of sterling in July 1972, the ex-works price on the Penang market was chosen as the indicator by which the operation of the ITC buffer stock was to be guided.

fabrics from the developing countries rose at an accelerating rate - by 19 per cent in 1971, 26 per cent in 1972 and 80 per cent in 1973, measured in dollar value. This raised combined developed market economy expenditure from $250 million to $680 million. Imports of non-cotton fabrics also expanded vigorously - by an average of 25 per cent a year in value to a total of $620 million in 1973 - as did imports of yarns (56 per cent a year to $380 million) and blankets, bags, tarpaulins and other made-up fabrics (34 per cent a year to $190 million). By far the largest item, however, was apparel, purchases of which increased at 42 per cent a year in value, raising it to the premier position among the imports of manufactured goods from developing countries.

At the beginning of 1974 the Cotton Textile Arrangement was replaced by a multifibre one signed by 50 countries and covering the whole range of products from wool tops to garments. 20/ This also aims at the progressive liberalization of the trade in textiles, with special emphasis on increasing the developing country share. It visualizes a rather faster growth in developing country exports than did the cotton arrangement, offers a rather stricter interpretation of market disruption (while still countenancing bilateral agreements and sets up a Textile Surveillance Body to report on the way in which quantitative restrictions and safeguards are administered. While the upsurge in trade made possible by market forces in 1971-1973 is unlikely to be repeated, the new arrangement should help preserve the gains made in that period: the base for limiting the severity of restrictions in the case of market disruption is the preceding 12 months' imports and restrictions themselves may be enforced only after lengthy consultations. Moreover the restrictions themselves are likely to be less limiting: quotas can be adjusted among the products and over the preceding and subsequent year, thus facilitating their full utilization. In the light of the shrinking of demand and rise in unemployment in several of the developed market economies in 1974/75, the new arrangement seems likely to be put to an early test.

North America remained the largest importer of textile products from the developing countries in the 1971-1973 period, but it was imports into Japan that registered the sharpest increase, reaching over $1 billion in 1973, compared with $2.5 billion in the case of EEC and about $3 billion in the case of North America (see table 45). Japan recorded the highest rate of expansion in imports in all the other categories of manufactured goods coming from the developing countries, though in 1973 North America accounted for the great bulk of metal products and for almost half the wood and non-metallic mineral products. The EEC was the major importer of basic metals, manufactured food and tobacco, and chemicals and rubber products.

Imports of secondary (non-agricultural and non-fuel) products into the 12 major developed market economies, after stagnating in 1971, surged ahead by 22 per cent in 1972 and 55 per cent in 1973 (measured in dollar values). These are the products for which preferential entry was granted in the schemes introduced in mid-1971 and onwards. In 1972 the rise in imports from developing countries into the countries with such schemes (EEC and Japan) was substantially less than the rise in imports into Canada and the United States which had not yet promulgated their schemes. This relationship was reversed in 1973 when imports from the

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20/ But excluding the fabrics produced by "cottage industry" and also synthetic staple (discontinuous) fibres.

developing countries increased by 55 per cent in the case of EEC and by 87 per cent in the case of Japan, compared with about 38 per cent in the case of North America (see table 46).

The preference schemes probably played a part in the upsurge in imports into EEC and Japan. Because of the unusual strength of market forces, however, it is much more difficult to assess it than might otherwise have been the case: small changes in quantities were often overshadowed by large changes in price. It is significant that the proportion of secondary product imports coming from developing countries increased less in the case of EEC (with its preference scheme in full operation) than in the case of North America (with no such scheme). The EEC derived 8.5 per cent of its secondary imports from the developing countries in 1973. Though this was a higher ratio than in 1971 and 1972 (7.5 per cent), it was more or less the same as in 1970. The share of developing countries in United States secondary imports, after dipping in 1971 (to 14.8 per cent) rose noticeably in 1972 (to 16.3 per cent) and 1973 (to 18.7 per cent). The highest such ratio was recorded by Japan where the 1973 figure (over 32 per cent) was above the 1970-1972 level (see table 47).

The share of developing countries in developed market economy imports of a range of items specifically granted preference in the EEC scheme was generally higher in 1973 than in earlier years in the decade in the case of EEC members but not in the case of the United States (which did not accord such preference). But in most cases the developing country share in imports remained small (see table 48) and the increases in them were not decisive - particularly in the case of the Federal Republic of Germany and Italy where the ratio has tended to fluctuate quite widely - and it is clear that the full impact of the preference scheme will take time to be revealed in measurable fashion.

Aid policies and the transfer of resources

The flow of resources from the developed market economies to the developing countries increased less rapidly than the flow of trade in the first three years of the Second Development Decade. Measured in current dollars, donations, loans and investment rose from a combined figure of $14 billion in 1970 to $22 billion in 1973 - that is, by about 16 per cent a year, compared with the average increase of almost 27 per cent a year registered by developing country earnings from exports to the developed market economies.

Price changes enhanced this difference. In the case of the trade flows, there was a notional loss of $0.8 billion in 1971 because developing country import prices rose faster than export prices, but it was followed by gains of $1.6 billion and $10.4 billion in 1973 and 1974, respectively. In the case of the financial flow, expansion in real terms only just kept pace with the growth in developed market economy production: the ratio of total net transfers to the combined gross national product hovered around 0.7 per cent, well short of the International Development Strategy target of 1 per cent.

The lagging component of these transfers was official development assistance. This rose from $6.7 billion in 1970 to $9.2 billion in 1973 - that is, by not much more than 11 per cent a year - and its ratio to the over-all gross national product of the developed market economies dropped from 0.33 in 1970-1972 to only 0.29 per cent in 1973, far below the IDS target of 0.7 per cent.

While the volume of transfers barely kept pace with the growth in developed market economy incomes and thus came no nearer to the objective set in the Strategy, there was some improvement in their quality. There was a perceptible softening in the terms of lending - especially against the background of rising interest rates on the capital market - an increase in the use of multilateral mechanisms, a more careful matching of transfers against need and some relaxation of the constraints placed on the use of loan moneys.

The volume of resource transfers

Measured in current United States dollars, the over-all flow of grants, loans and investments (net of repayments and repatriation) from developed market economies to developing countries rose from $14 billion in 1970 to $22 billion in 1973. 21/ After 1971 this increase was entirely the result of changes in prices and exchange rates: measured at 1970 prices the amount transferred levelled off at just under $15.5 billion (see table 49).

The proportion of these transfers originating in the private sector continued its long-term increase: after oscillating around 45 per cent in the early years of the decade, it rose to 47 per cent in 1973. This reflects a sharp increase in direct investment (to 28 per cent of the total) and in bank lending (to nearly 14 per cent of the total) which more than offset a reduction in guaranteed export credits - from 14 per cent in 1970-1971 to less than 5 per cent in 1973.

The main increase in direct investment occurred in 1973 and came from Japan and the United States, each of which was responsible for an extra $1 billion. Private lending increased sharply in 1972 and 1973 and again the bulk of the increment came from Japan and the United States (in 1972), with smaller increments from Canada (1973) and France. The availability of bank loans may have reduced the need for export (suppliers') credits in 1972 and 1973 though probably more important was the rise in developing country liquidity as the commodity price boom got under way: the net increase in such credit dropped by $1 billion between 1971 and 1972 and it was down to only $1 billion in 1973.

In nominal terms, the net flow of official assistance from the developed market economies rose from just under $8 billion in 1970 and 1971 to almost $12 billion in 1973. In real terms, small gains in 1971 (6 per cent) and 1972 (3 per cent) were followed by a marked decline, bringing the 1973 transfer down below the 1970 level. Transfers to the multilateral agencies were better sustained than bilateral flows: their proportion of total official transfers increased from under 20 per cent in 1970-1971 to about 24 per cent in 1973. Around 40 per cent of the official bilateral transfers took the form of donations: the proportion rose to 43 per cent in 1972, largely as a result of a notable increase in grants from France and to a less extent, the United Kingdom, and declined to 38 per cent in 1973, when grants from the United Kingdom and the United States receded. Technical

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21/ These totals and the discussion that follows do not include the flow of resources to the less developed countries of Europe. Nor do they include grants made by private voluntary agencies to or in developing countries; these amounted to about $0.9 billion in 1970 rising to nearly $1.4 billion in 1973. Nor, finally, do they include developing country borrowing on the Eurocurrency market, which cannot be attributed to particular source countries but which rose rapidly in this period, from less than $1 billion in 1971 to nearly $8 billion in 1973 and even more in 197

assistance continued to account for about 10 per cent of official bilateral transfers. Food aid, on the other hand, was significantly reduced, especially in 1973 when, in real terms, it amounted to only half the amount transferred in the earlier years of the decade.

Over the period 1971-1974 only 4 of the 17 developed market economies for which the relevant information is available achieved the IDS objective of transferring at least 1 per cent of their gross national product to the developing countries: these were Belgium, Japan, the Netherlands and Portugal. The only country to show a distinctly rising trend in this period was France whose transfer rates had dropped to 0.91 in 1971. By contrast, several countries showed a declining trend - Australia, Canada and the United Kingdom from a relatively high ratio, the Federal Republic of Germany, Italy and New Zealand from a much lower ratio. The outflow from the United States also failed to keep pace with domestic production and its contribution to developed market economy transfers to the developing countries dropped below a third of the total (see table 50).

No country achieved the IDS target for official development assistance 22/ (0.7 per cent of gross national product) in the first three years of the decade, with the exception of Portugal where outlays were exceptionally high in 1971 and 1972. Four countries recorded a rising ratio in this period. They include Norway and Sweden which are committed to the Strategy objective of reaching the target by 1975, Denmark which has accepted the target but not the time-table and Austria which has accepted neither element and had reached a ratio of only 0.14 per cent by 1973 (see table 51).

Over a longer period there are three other countries that show a clear upward trend in their official development assistance (ODA) ratios, though they slipped back in 1973. These are the Netherlands, which was close to the target in 1972 and is aiming to reach it by 1975, Canada which has agreed to the target in principle but not the time-table and, at the lower end of the scale, Switzerland which has not agreed to either objective. The only other country that has declared its intention of working towards a 0.7 per cent ratio by 1975 is Belgium whose slow climb (from 0.42 in 1968 to 0.55 in 1972) was interrupted in 1973 (see figure).

Australia, Japan and New Zealand are also among the countries that have accepted the IDS target but not the time-table for achieving it. They made little progress towards it in the 1971-1973 period. The most serious lag, however, was in the outflow from the main contributors of ODA - France, the Federal Republic of Germany and the United Kingdom (which have agreed to the target though not to the time-table) and Italy and the United States of America (which have agreed to neither) - in all of which the long-term decline in the ratio continued in the

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22/ Official development assistance comprises all donations and all loans with a "grant element" of at least 25 per cent. The "grant equivalent" of a loan is the difference between its face value and the discounted present value of future service payments over the life of the loan. The rate of discount used in this calculation is 10 per cent a year, which is assumed to approximate the economic rate of return on capital in the developing countries. No adjustment has been made to allow for changes in market rates of interest. The "grant element" is this grant equivalent expressed as a percentage of the face value of the loan. The proportion of official transfers not qualifying as "development assistance" rose from 8 per cent of all financial flows in 1970 to 11 per cent in 1973.

early years of the decade. These five countries accounted for over 90 per cent of all official development assistance from the developed market economies in 1963 but not much more than two thirds in 1973. While the spreading of responsibility for aid is a desirable trend - both for burden-sharing among donor countries and for widening the choices and diluting bilateral dependence of recipient countries - the failure of the flow from the large contributors to rise in line with their gross product lies behind the 10-year decline in the over-all developed market economy ratio from over 0.5 per cent to under 0.3 per cent.

There are few signs that aid appropriations will rise faster than output in any of the major contributors in the immediate future. Budgets are being squeezed as an anti-inflation measure and funds pre-empted by domestic projects as an anti-recession measure. In July 1974 the Federal Republic of Germany, for example, cut its 1975-1978 medium-term assistance plan, and the ODA/GNP ratio is not expected to rise above 0.37 per cent. In Japan, prices have risen faster than aid appropriations and even a 0.30 per cent ODA/GNP ratio has been postponed until 1976. In the United Kingdom, budgetary constraint has been increased and with prices rising rapidly and a larger inflow of repayments of earlier loans expected, it seems unlikely that the net ODA/GNP ratio will show any early increase above the 0.34 per cent level of 1973. In the United States, where "foreign aid" funds are voted year by year, domestic considerations remain paramount and the immediate prospect is for a decline rather than an increase in the ODA ratio.

Though some of the smaller countries are still determined to reach the IDS target (Belgium, the Netherlands, Norway and Sweden, for example) some have felt impelled to defer its achievement till later in the decade (Canada, Denmark, Finland and New Zealand, for example).

The terms and conditions of transfer

International Development Strategy policies in respect of the quality of transfers were implemented more generally and more effectively than those relating to quantity, though the contrast was somewhat less in the case of disbursements in the 1971-1973 period than in the case of new commitments of loans and grants.

The proportion of grants in total official commitments of the member countries of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development, after receding sharply in 1971, recovered in 1972 and reached the relatively high level of nearly 66 per cent in 1973. The terms of lending also eased perceptively in this period. The weighted average maturity of new loan commitments, which had shortened slightly in 1971, lengthened to nearly 33 years in 1973. The weighted average rate of interest payable on these loans was reduced to 2.5 per cent in 1973 and the average grace period granted before amortization was to begin was extended to nearly nine years (see table 52).

As a result of this softening in lending terms the average grant element in new commitments of official development loans rose to over 62 per cent in 1973. Bringing grant commitments into the calculation raises the over-all grant equivalent of all official development assistance to 87 per cent. This is above the norm of 84 per cent adopted in the 1972 DAC Recommendation on Terms and Conditions of Aid which itself was a more exacting standard than that embodied in the 1969 Supplement to the 1965 Recommendation referred to in IDS (para. 44). In most of the member countries of DAC, the grant element in commitments of official development

assistance exceeded the 84 per cent norm in each of the first three years of the decade 23/ and some of the smaller countries - Australia, Belgium, Canada, Denmark, Norway and Sweden - achieved an average of over 90 per cent. The countries falling short of this target were Austria, the Federal Republic of Germany, Italy, Japan and Portugal 24/ (see table 53).

The 1972 Recommendation also included a norm for transfers to the least developed countries 25/ - a grant element of 90 per cent in official development assistance as a whole in any given year or a minimum of 86 per cent to each of the least developed countries, sustained over three years. The over-all norm was achieved in each of the first three years of the decade by Australia, Belgium, Norway and Switzerland whose commitments to the least developed countries consisted entirely of donations. It was also achieved by Austria and Japan in 1972 when their commitments to the least developed countries - though only a small fraction of their total assistance - were likewise entirely in the form of donations. A number of other countries achieved a grant element of over 90 per cent in their commitments to the least developed countries: France, the Federal Republic of Germany, the Netherlands and New Zealand in 1973, Denmark, Finland, Sweden in 1972 and 1973 and Canada in 1971 as well. In the United Kingdom and the United States the terms of transfer to the least developed countries were not markedly different from those to the developing countries in general and hence fell somewhat short of the 90 per cent target.

For the DAC members as a group, the over-all terms of transfer softened perceptibly over the three years: the average grant element rose from 82 per cent in 1971 to 87 per cent in 1973. And that part committed to the least developed countries - just under 8 per cent of the total - was on appreciably easier terms, with the average grant element exceeding 90 per cent in 1973.

A number of the smaller countries have committed themselves to a policy of soft terms either for transfers to the least developed countries or for all development assistance. Australia, Belgium, New Zealand, Norway and Sweden are now providing all their assistance to the least developed countries in the form of donations, while Denmark and the Netherlands lend on International Development Association terms (that is, for a period of 50 years, with repayment beginning after 10 years, and a service charge of 0.75 of 1 per cent a year). In 1973, Norway placed all its official development assistance on a grant basis. And the loans of Denmark and Finland to developing countries now have a 25-30 year maturity, a grace period of 5-7 years and a service charge of 0.75 of 1 per cent a year.

23/ Finland, not a member of DAC, also achieved the norm over the 1971-1973 period.

24/ Switzerland is also judged by DAC to be in default, not because of the terms of lending but because of the low volume of official assistance (0.16 per cent of GNP over the three years). Italy has not accepted the 84 per cent norm.

25/ Twenty-five of the developing countries designated "least developed" in General Assembly resolution 2768 (XXVI) of 18 November 1971.

Along with this easing of transfer terms has come a rather more hesitant move in the direction of freer use of official development assistance. It is difficult to measure this tendency since susceptibility to "tying" - that is, restricting the use of lent and donated funds to purchases from the donor country - differs markedly from one type of transfer to another. Aid in kind is, by definition, likely to be "tied"; grants are more likely to be tied than loans, but grants made through a multilateral agency are much less likely to be tied. Consequently, the extent to which a donor country's aid is tied depends very largely on its composition.

Efforts to reach a general agreement on untying were suspended in the summer of 1971 after the United States dollar had ceased to be convertible and the par value exchange system had come to an end. Since then, however, two partial agreements have been reached. In October 1973, DAC members agreed formally to a policy that most of them had in practice commonly followed, namely, not to tie the contributions they made to international lending and assistance institutions. Shortly after that, a Memorandum of Understanding was formulated to free bilateral development loans to finance either local costs in the recipient country or imports from any developing country designated "eligible" by the lender. Eight countries - Denmark, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Sweden and the United States - accepted this untying measure in June 1974 and Switzerland followed in September.

In general, the smaller donors, which tend to make greater use of multilateral agencies for effecting transfers to developing countries, tend to have the lowest tying ratios. But where there is an active technical assistance or food aid component, the tying ratio tends to rise. Among DAC members about a third of all official development assistance was strictly tied in 1973 and another third was completely untied (see table 54).

The problem centres on development loans and, given the continued reluctance of the developed market economies to free these for purchases from one another, the onus rests on the developing country to organize its borrowing in such a way as to ensure the closest match between the probable (that is, most favourable, lowest-cost, highest-quality) source of the capital equipment and the source of finance. Thus a developing country should not allow the availability of a loan to determine the source and nature of the goods purchased and, bearing in mind the number of bilateral and multilateral sources of finance (plus owned foreign exchange), unwise purchases ought in most cases to be avoidable. This is contingent on knowledgeable and efficient purchasing practices, however, and in view of the complexity and rapid changes of technology, many developing countries remain ill-equipped to make the sound judgements necessary to optimize the developmental effect of external resources. However welcome, the greater freedom of choice stemming from the untying of loan funds would not solve this problem.

On the whole, the difficulties facing the developing countries in utilizing their external resources are becoming better understood and more sympathetically dealt with by the developed market economies. One reason for this is the building up of civil service structures to study and advise on the problems and the policy counterparts. By the beginning of the Second United Nations Development Decade no less than eight developed market economies had institutionalized the aid-giving process through ministries or agencies with specific responsibilities for administering bilateral assistance and relations with international organizations

making multilateral transfers. The result in the early years of the 1970s has been movement in a number of directions: a more careful tailoring of assistance to needs, a simplification of procedures for resource transfer, an effort to ensure continuity in assistance programmes and a more effective harnessing of voluntary aid.

The tailoring of aid to need has been manifested in the concentration of some programmes - especially in the case of the smaller donors - on selected developing countries and in some instances on certain parts of the country or on certain types of problems. It has also resulted in a differentiation in the terms of transfer and special consideration to low-income countries. The consequential professionalization of the aid function has facilitated the accumulation of expertise and this in turn has made possible a readier response to new and changing requirements than would otherwise have been the case.

One of the most significant outgrowths of this process has been the elaboration of multiyear programmes, the institutionalization of the aid budget and the provision for rolling over funds from one budget period to the next. It is again among the smaller donors that this system has gone furthest. In 1971 Denmark organized a long-term programme for the three developing countries that were in receipt of most of its official assistance, and this grew into a rolling five-year plan for aid in general. Norway has instituted a four-year rolling budget for aid and Canada a four-year "forward commitment authority" which is used to support rolling five-year programmes for selected recipient countries. In 1973, Sweden worked out a three-year programming system in consultation with the six main recipients of its aid, and in 1974 this was extended to all aid flows. Finland introduced a multiyear programme into its 1974 budget, to finance technical assistance and development loans. And the Netherlands has adopted a 1974-1977 budget for its assistance programme.

The larger donors, while generally supporting longer-term planning in the developing countries, are still working to an annual system of budgeting for the financing of aid. Since this has tended to result in a sizable "pipeline" which acts as a stabilizing reservoir, the annual budgeting has not proved as unreliable as was at one time feared. But it exposes the aid programme to many extraneous risks which tend to make it more responsive to the domestic situation in the donor countries and hence less capable of accurate alignment with the resource gaps in the recipient countries.

The growth of aid departments within the Government has led to some attempts to facilitate the work of private bodies engaged in various types of assistance in developing countries. In 1973, for example, Ireland established an Agency for Personal Service in the developing countries, and the new International Co-operation Agency in Japan also established mechanisms for making more effective the work of Japanese volunteers in developing countries. The United States has also sought the same end - by setting up an Advisory Committee on Voluntary Foreign Aid to provide a link between the official Agency for International Development and the more than 400 private volunteer bodies engaged in some aspect of development assistance.

Reverse flows

The loan data that have been cited up to this point are all net of the

repayment of capital. 26/ They do not take into account any income flows, however, and as these constitute a net drain from the developing countries they need to be appraised in the context of the over-all transfer of resources.

Net interest payments by the developing countries increased steadily by $300-400 million a year, from $1.4 billion in 1970 to $2.5 billion in 1973. Along with amortization payments - which were about three times as great - these interest payments involved a debt service burden that hovered around 11 per cent of the combined exports of goods and services of the developing countries. As indicated in chapter I, the incidence of this debt service differed considerably from one developing country to another. During the 1971-1974 period four countries found it necessary to seek relief from the burden: Chile with an average debt service/export earnings ratio of 16 per cent, India with a ratio of 24 per cent, Pakistan with a ratio of 25 per cent and Ghana which continued the renegotiation of the terms of official guaranteed suppliers' credits that had been the subject of earlier reorganization. The outcome in each case was a rolling over of the immediate repayment obligations, the rescheduling of future amortization and in many cases the easing of interest terms (see table 55). Most DAC members were involved in these negotiations and the net effect over the 1971-1973 period was equivalent to new official development lending averaging $350 million a year, plus reduction of the present value of other official lending averaging $113 million a year.

Since debt reorganization of this nature tends to occur at times of external payments difficulty and imminent default, it has long been contended that there is need of a more effective early warning system and that arrangements for relief - in the form of a moratorium, for example - might with advantage be written into the original conditions of lending. The developing countries have also argued for a more institutionalized debt surveillance system in which debtor countries would be better represented than is inevitably the case when a single debtor faces a group of creditors in ad hoc negotiations at a time of crisis.

Creditor countries have continued to oppose automaticity in debt relief arrangements, arguing that it would be inimical to efforts to improve debt management. Since official development assistance accounts for only a fifth of annual debt service obligations and the grant element in new lending is already very high, the scope for ameliorative action is rather limited. The borrowing that has precipitated most of the repayment crises has been from the private sector. A large part of this borrowing is in the form of suppliers' or export credits and in this area developed market economy policy has been to prevent undue competition and the cutting of lending terms in order to stimulate exports. Early in 1974 EEC reached agreement on the harmonization of export credit terms - a minimum interest rate of 7 per cent a year and a maximum maturity of 10 years for developing countries 27/ - and proposed that other developed market economies should adhere to the same limits.

26/ In the 1971-1973 period the net figure for official development assistance was about seven eighths of the gross figure, while the net figure for other official flows was around half the gross figure.

27/ Compared with 5 years for developed market economies and 8.5 years for the centrally planned economies.

As indicated above, the use of export credits declined perceptibly in the early 1970s but developing country borrowing from other private sources increased. Much of the latter was on hard terms that might well aggravate debt service problems during the remainder of the decade. This is particularly true of borrowing on the Euro-market which because of its ease and flexibility rapidly increased in popularity. These Euro-credits tend to be of 5-8 year maturity and subject to a floating interest rate usually 1-3 percentage points above the interbank rate. As the latter rose from 5-8 per cent in 1971-1972 to as high as 11.5 per cent in mid-1973 and over 14 per cent in mid-1974, interest payments are likely to move sharply upwards in the immediate future.

Much larger than the interest payments of developing countries in the early 1970s was the outflow of profit on direct investment. According to the balance-of-payments of 73 reporting countries, the latter rose from less than $6 billion in 1970 to over $12 billion in 1973. About 6 per cent of this came from West Asia, 27 per cent from Latin America, 19 per cent from Africa and 8 per cent from South and East Asia. The rise in this flow of profits reflects the boom in commodity prices and it is likely to be reversed by the downturn in many commodity prices that occurred in the second half of 1974. It is also likely to be reduced by the nationalizations that took place in this period.

Measured in current dollars, the total net flow of loans and donations from the developed market economies to the developing countries rose from about $14 billion in 1970 to $30 billion in 1973 (including Euro-currency loans, private donations and an average of about $1.6 billion passing through the international lending institutions). The reverse flow of profit and interest offset about half of this, rising from about $7 billion to nearly $15 billion. After allowance for the rise in the prices of the goods that could be purchased with the funds, the net transfer amounted to about $11 billion in 1973. Changes in the terms of trade offset the over-all transfers in 1971 by about 10 per cent, augmented them nearly twice as much in 1972 and massively in 1973 (see table 56).

In the second half of 1974, with the slackening in developed market economy industrial growth, the prices of many raw materials began to decline. With the cost of energy far above the 1973 level and the prices of food-stuffs and manufactures still rising, the terms of trade of many of the developing countries began to deteriorate sharply. To meet possible emergency needs of such countries and others that had been the victim of drought and other natural disasters, an Emergency Programme was set up in the United Nations. By March 1975 about $247 million had been pledged to this Programme and $174 million received ($50 million from the developed market economies, the remainder from the petroleum-exporting countries). Of this, $135 million had been committed and $54 million disbursed, chiefly for fertilizer, food and petroleum.

In expectation of balance-of-payments strain in the wake of these divergent price movements, the International Monetary Fund also set up an emergency "bridging" facility. By March 1975 this had received just over SDR 3 billion from contributors - SDR 400 million from Canada and the Netherlands, the rest from petroleum exporters - of which rather more than SDR 2.3 billion had been utilized, almost 60 per cent by developed market economies.

With most of the developed market economies running very large external deficits in the wake of the fourfold rise in the price of petroleum early in 1974,

reverse flows - of capital rather than investment income - began to play a crucial role in the operation of the international trade and payments nexus. Most of this "recycling" of "petro-dollars", as the process has come to be called, has been taking place directly, through loans, investments and other asset purchases in the developed market economies. But some of it has moved to the developed market economies through the developing countries, either as a result of transactions on the Euro-currency market and the subsequent purchase of capital goods or through the medium of one of the many banking and development institutions set up by the petroleum exporters to handle the new flow of funds. In these lies one of the most hopeful routes for the stabilization of the world trade and payments network after the upheavals of 1971-1974.

Table 37. Developing countries: direction of exports, 1970-1973

Item and year	Exports to			
	All destinations	Developed market economies	Centrally planned economies	Developing countries
Value (billions of dollars)				
1970	54.9	40.3	3.1	11.0
1971	60.7	44.4	3.1	12.1
1972	72.2	53.9	3.5	14.2
1973	101.9	75.9	5.4	19.6
Change from preceding year (percentage)				
1971	10.5	10.1	-0.3	10.0
1972	19.0	21.5	13.8	17.9
1973	41.2	40.9	53.7	37.7
Average, 1971-1973	23.6	24.2	22.4	21.9

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

Table 38. International Monetary Fund: membership and quota holdings, 1950-1974

Item	1950	1960	1970	1971	1972	1973	1974
Total membership	47	69	115	118	124	126	126
Quotas							
Total (billions of dollars)	7.9	14.1	21.4	28.5	29.0	29.2	29.2
Percentage share held by:							
Developed market economies	80.0	77.9	71.8	72.7	72.1	72.2	72.2
Western Europe	34.3	36.4	34.9	35.4	35.4	35.2	35.2
North America	38.5	33.1	27.6	27.1	26.9	26.7	26.7
United States of America	34.7	29.2	24.1	23.3	23.1	22.9	22.9
Oceania and Japan . . .	2.5	6.7	6.5	7.1	7.1	7.7	7.7
Other[a/]	4.7	2.6	2.8	2.9	3.2	3.5	3.5
Developing countries . .	19.9	22.1	28.1	27.2	27.8	27.7	27.7
Latin America	6.0	7.3	9.1	8.9	8.5	8.9	8.9
Asia	12.8	12.5	10.9	10.0	10.4	10.3	10.3
Middle East and Africa .	1.1	2.3	8.1	8.3	8.1	8.4	8.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, Annual Report and International Financial Statistics (Washington, D.C.).

a/ Including Czechoslovakia in 1950 and Romania in 1973 and 1974.

Table 39. Developed market economies: changes in preference schemes, 1971-1974

Country and date of inception of scheme[a/]	Year	Change in: Beneficiaries	Commodity coverage	Tariff cut
EEC	1971	-	-	-
(July 1971)	1972	-	7 new items accorded tariff quotas: ammonia, iron tubes, telescopes and microscopes, phonographic accessories, certain linen products 1 item removed from preference list: spices	
	1973	Preferential treatment extended to Bangladesh, Bhutan, Cuba, Fiji, Nauru, Oman, Sikkim, Western Samoa and Tonga; and, in respect to textiles, to Afghanistan, Argentina, Bangladesh, El Salvador, Thailand and Yugoslavia Full beneficiary status conferred on Bahrain, Qatar and United Arab Emirates formerly classified as beneficiary territories	7 items removed from tariff quota list; 3 items added	
	1974 first half	Beneficiary status accorded fully to Romania and, in respect of textiles, to Indonesia and Malaysia. Bahamas changed from "beneficiary territory" to full beneficiary	BTN 1-24 items increased from 147 to 183; new items include cocoa butter, vegetable oils, prepared fruit, soluble coffee, tobacco and and fishmeal BTN 25-99: addition of jute and coir products, exclusion of petroleum products; transfer of various items between non-, semi- and sensitive lists	Depth of cut on agricultural items increased from an average of 4 percentage points below the common external tariff to 6 points. A formula was devised for progressive alignment of the duties of new members to EEC rates for BTN 1-24 items

Table 39 (continued)

Country and date of inception of scheme[a/]	Year	Change in: Beneficiaries	Commodity coverage	Tariff cut
Japan (August 1971)	1972/73	Beneficiary status accorded to Bahrain, Botswana, Bulgaria, Jamaica, Portugal, Qatar, Romania, Swaziland, Tonga, United Arab Emirates and the following territories: Bahamas, Bermuda, British Honduras, British Solomon Islands, Cayman Islands, Falkland Islands and dependencies, Gilbert and Ellice Islands, Hong Kong, Seychelles, Brunei, Grenada, St. Lucia, Papua-New Guinea, Netherlands Antilles, Surinam, Cook Islands, Tokelau Islands		
	1973/74	Beneficiary status accorded to Antigua, Bangladesh, British Virgin Islands, Bhutan, Dominica, Gibraltar, Lesotho, Montserrat, New Hebrides, St. Helena and dependencies, St. Kitts-Nevis-Anguilla, Turks and Caicos Islands	BTN 1-24 items increased by 10, including sponges, nuts, coffee, cereals, vegetable extracts and certain kinds of fish BTN 25-29 items subject to a 50 per cent cut in most favoured nation rate reduced from 57 to 51; items deleted included lead, wrought iron bars, machine parts and certain electrical equipment	BTN 1-24 average preferential tariff reduced to 7.5 per cent; 33 items freed of duty
	1974/75	Beneficiary status accorded to Mongolia	BTN 1-24: 4 items added, 1 deleted BTN 25-99: 2 items deleted	BTN 1-24 average preferential tariff reduced to 7.1 per cent; 5 more items admitted duty-free

Table 39 (continued)

Country and date of inception of scheme[a/]	Year	Change in: Beneficiaries	Commodity coverage	Tariff cut
Norway (October 1971)	1973	Preferential treatment extended to Bahrain, Bangladesh, Bhutan, Cuba, Fiji, Nauru, Oman, Qatar, Tonga, Western Samoa, United Arab Emirates and a number of dependent territories	BTN 1-24: 13 items added, including meat extract, various fruit and vegetable products and some breads, biscuits and cereal products BTN 25-99: leather clothing accorded preference	-
Denmark (January 1972)	1974	-	BTN 1-24: exclusions increased from 21 items to EEC total BTN 25-29: limitation of preferences to the smaller number of items in EEC scheme	Alignment with EEC implied gradual reduction in preference margin
Finland (January 1972)	1973	Preferential treatment extended to Bangladesh, Bulgaria, Democratic Republic of Korea, Democratic Republic of Viet-Nam, Mongolia, Nauru, Republic of Korea, Romania, and Wes- Western Samoa	Preference accorded to passion fruit and to unbleached and non-mercerized fabrics, and removed from gas meters	-- -
Ireland (January 1972)	1973	List of beneficiaries aligned with that of EEC by addition of Bangladesh, Bhutan, Cuba, Fiji, Nauru, Oman, Sikkim, Tonga and Western Samoa	Coverage brought into line with EEC scheme	Tariff cuts adjusted towards EEC preferences
Sweden (January 1972)	1973	-	BTN 1-24: preference granted to 22 more items including grapes and wine, vegetable oils and fats and cigars and cigarettes	-

Table 39 (continued)

Country and date of inception of scheme[a/]	Year	Change in: Beneficiaries	Commodity coverage	Tariff cut
United Kingdom (January 1972)	1974	-	Alignment to EEC scheme reduced coverage	BTN 1-24: alignment to EEC scheme involves reducing preference margins
Switzerland (March 1972)	1974	-	-	BTN 1-24: deeper cuts in selected products BTN 25-99: duty-free entry for most items and increased preference for others
Austria (April 1972)	1973	Preferential treatment extended to Bhutan, Sikkim and dependent territories of France (St. Pierre and Miquelon, Polynesia, New Caledonia, Comoros, Afars and Issas and New Hebrides Condominium)	50 per cent reduction in tariff on coffee extract which was added to the BTN 1-24 positive list	20 per cent reduction of duty on spices, elimination of duty on certain cocoa products
Australia (January 1974) (New scheme to replace a narrower one introduced in 1966.)	1974	All developing countries and territories	Preference list extended to 92 items in BTN 1-24 and all except 224 items in BTN 25-99. Exclusions are chiefly items subject to revenue duties and items deemed already competitive at normal duties	Duty-free entry for items with a regular tariff of 12.5 per cent or less; 10 per cent preference on all other rates
Canada (July 1974)	1974	87 developing countries and 53 other countries and dependencies	Preference accorded to 45 items in BTN 1-24 (largely tropical products) and all but 49 items in BTN 25-99. Exclusions are chiefly chemicals, pharmaceuticals, petroleum and woollen and man-made fibre products	Preferential rate is two thirds of most-favoured-nation rate (or existing preference rate if this is lower)

Table 39 (continued)

Country and date of inception of scheme[a/]	Year	Change in		
		Beneficiaries	Commodity coverage	Tariff cut
United States of America (January 1975)	1975	All countries and territories except EEC, Austria, Czechoslovakia, Finland, Hungary, Japan, Monaco, Norway, Poland, South Africa, Sweden, Switzerland, USSR, all centrally planned economies (unless members of GATT and IMF), all members of OPEC and other cartels and all countries that expropriate United States-owned property	BTN 1-24: most items subject to tariff regulation BTN 25-99: almost all items except textiles and apparel, certain foot-wear, steel, glass, watches, certain electronic items and a variety of products regarded as "import sensitive"	Duty-free entry

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national submissions to the Trade and Development Board of the United Nations Conference on Trade and Development.

a/ Listed in chronological order.

Table 40. European Economic Community: operation of preference scheme, 1971-1974

Item	1971		1972		1973		1974, first half	
	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive
Number of BTN 25-99 items subject to ceilings and quotas	85	59	96	82	93	84	82	89
Number of items for which the share of each exporter in over-all quota is limited to (percentage):								
10	1	-	1	-	-	-	-	-
20	28	-	39	6	44	7	26	14
30	37	2	40	10	38	17	49	24
50	19	57	16	64	11	60	7	51
Number of occasions on which preferences were suspended	42	6	56	33	66	40	47	21
Number of times quota was reached by individual beneficiaries subject to a quota share of (percentage):								
10	2	-	2	-	-	-	-	-
20	22	-	28	2	39	5	16	5
30	13	2	23	8	23	13	13	8
50	6	4	3	23	4	22	-	8
Countries or areas reaching quota for for indicated number of products:								
Algeria	1	-	-	-	-	-	-	-
Argentina	-	-	-	-	1	-	1	-
Brazil	1	-	1	2	2	2	3	1
Colombia	1	-	2	-	1	-	-	-
Dominican Republic	-	-	-	-	1	-	-	-
Egypt	4	-	3	-	1	-	1	-
Hong Kong	14	-	15	7	16	5	7	1
India	1	2	4	3	5	5	4	4
Iran	2	-	2	1	2	-	2	-
Lebanon	-	-	-	-	-	1	-	-
Macao	-	-	2	-	2	-	-	-
Malaysia	-	-	-	-	1	-	1	-
Mexico	1	-	1	-	2	-	3	-
Pakistan	1	-	2	1	2	3	2	-
Philippines	1	-	1	-	-	1	-	-

Table 40 (continued)

Item	1971		1972		1973		1974, first half	
	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive	Sensitive	Semi-sensitive
Republic of Korea	5	-	7	6	8	8	12	4
Singapore	1	-	1	-	2	-	3	-
Trinidad and Tobago	-	-	-	-	1	-	-	-
Uruguay	1	-	1	-	-	-	-	-
Yugoslavia	8	4	15	13	19	15	8	10
Products chiefly affected	men's outergarments textile yarns cordage		chemicals wood products glass electrical parts apparel vehicle parts		textiles glassware building board cotton undergarments cutlery sheep skin projectors		knitted wool fabrics wooden utensils apparel	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information furnished to the Trade and Development Board of the United Nations Conference on Trade and Development.

Table 41. Japan: operation of preference scheme, 1972/73-1974/75

Item	1972/73	1973/74	1974/75
Changes in ceilings and quotas:			
Subject to: prior allotment .	Remained at 11 products	11 products	) Reduced from 189 to 182
daily control . .	Reduced from 95 items to 73	Reduced to 63	
monthly control .	Increased from 108 items to 127	Reduced to 115	
Items moved from 50 per cent preference to duty-free . . .		6 of the original 57	Another 2 items
Flexible control replaced formula:			
for over-all ceiling	-	Introduced for 110 products	Extended to 116 products
for country quota	-	Introduced for 83 products	Extended to 124 products
Products reaching ceilings . . .	76 items, including chiefly textiles, clothing, leather and products, non-ferrous metals, electrical goods, chemicals	69 items, including chiefly textiles, clothing, leather, wood products, base metals, chemicals plus 40 items for which preferences were maintained under flexible controls	
Products reaching country quotas (i.e., 50 per cent of ceiling) .	12 items, including chiefly leather, textiles, glass and glassware, copper plates, batteries and dry cells	34 items, of which 30 were subject to flexible control of ceilings	
Countries or areas reaching quota limits in respect of indicated number of products:			
Brazil	-	2	
Bulgaria	1	-	
Chile	1	-	
Colombia	-	1	
Hong Kong	1	-	
India	2	2	
Paraguay	-	1	
Peru	-	1	
Philippines	-	1	
Portugal	1	1	
Republic of Korea	6	21	
Singapore	-	1	
Spain	1	3	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information submitted to the Trade and Development Board of the United Nations Conference on Trade and Development.

Table 42. Developed market economies: imports from developing countries, 1961-1973

Item and year	Total	Category of imports			
		Food SITC 0,1	Raw materials SITC 2,4	Fuels SITC 3	Manufactures SITC 5-8
Value of imports (billions of dollars, c.i.f.)					
1970	40.17	9.52	7.17	13.95	9.33
1971	44.67	9.96	7.77	17.83	9.03
1972	55.60	11.25	8.67	23.17	12.08
1973	81.29	14.49	13.69	34.65	18.02
Percentage change from preceding year:					
1971	11.2	4.6	8.4	27.8	-3.2
1972	24.5	13.0	11.6	30.0	33.8
1973	46.2	28.8	57.5	49.6	49.2
Quantum of imports					
Average annual rate of increase, 1961-1970 .	6.60	3.09	3.05	10.82	10.05
Percentage change from preceding year:					
1971	5.0	-	3.9	11.3	4.3
1972	16.6	9.0	3.0	16.3	35.9
1973	14.2	6.8	13.2	15.5	21.1
Average, 1971-1973 . . .	11.9	5.3	6.7	14.4	20.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Statistical Yearbook.

Table 43. Developed market economies: major imports from developing countries, 1970-1973

Commodity division a/	1970			1971		1972		1973		Average annual rate of change c/ 1970-1973 (percentage)
	Value of imports b/ (millions of dollars)	Percentage of total imports from developing countries: By item	Percentage of total imports from developing countries: Cumulative	Value of imports b/ (millions of dollars)	Percentage of total imports from developing countries	Value of imports b/ (millions of dollars)	Percentage of total imports from developing countries	Value of imports b/ (millions of dollars)	Percentage of total imports from developing countries	
Petroleum and products	14 086	32.6	32.6	18 243	38.1	20 972	37.7	29 903	37.3	29.7
Coffee, tea, cocoa and spices	3 963	9.2	41.7	3 787	7.9	4 036	7.3	5 219	6.5	10.7
Non-ferrous metals	3 359	7.8	49.5	2 405	5.0	2 459	4.4	3 754	4.7	4.8
Metalliferous ores	2 985	6.9	56.4	2 848	6.0	2 917	5.2	4 039	5.0	12.0
Fruits and vegetables	2 016	4.7	61.0	2 182	4.6	2 458	4.4	2 897	3.6	13.2
Textile fibres	1 355	3.1	64.2	1 207	2.5	1 487	2.7	1 844	2.3	12.1
Sugar	1 339	3.1	67.3	1 435	3.0	1 647	3.0	1 888	2.4	12.4
Wood lumber and cork	1 275	3.0	70.2	1 354	2.8	1 530	2.8	3 102	3.9	43.9
Clothing	1 209	2.8	73.0	1 661	3.5	2 258	4.1	3 382	4.2	42.4
Textile yarn, fabric	996	2.3	75.3	1 194	2.5	1 549	2.8	2 456	3.1	39.1
Rubber	831	1.9	77.2	722	1.5	659	1.2	1 154	1.4	14.6
Miscellaneous manufactured goods	788	1.8	79.1	767	1.6	1 000	1.8	1 445	1.8	25.7
Meat	756	1.8	80.8	752	1.6	1 176	2.1	1 568	2.0	30.3
Animal feeding stuff	662	1.5	82.3	628	1.3	679	1.2	1 279	1.6	31.4
Cereals	654	1.5	83.8	768	1.6	466	0.8	761	1.0	5.7
Electrical machinery	572	1.3	85.2	782	1.6	1 322	2.4	2 268	2.8	63.4
Fish	564	1.3	86.5	706	1.5	998	1.8	1 411	1.8	37.3
Oil-seeds	496	1.2	87.6	495	1.0	496	0.9	946	1.2	30.3
Vegetable oils	495	1.2	88.8	527	1.1	623	1.1	852	1.1	21.7
Crude fertilizer	453	1.1	89.8	473	1.0	482	0.9	606	0.8	10.8
Non-metal mineral	453	1.1	90.9	526	1.1	732	1.3	1 111	1.4	38.5
Chemicals	359	0.8	91.7	397	0.8	413	0.7	504	0.6	12.4
Wood manufactures	340	0.8	92.5	410	0.9	594	1.1	1 046	1.3	52.5
Special transactions	328	0.8	93.2	486	1.0	510	0.9	524	0.7	14.8
Animal and vegetable matter	306	0.7	93.9	321	0.7	390	0.7	511	0.6	20.1
Iron and steel	265	0.6	94.6	261	0.5	397	0.7	588	0.7	34.9
Tobacco	246	0.6	95.1	291	0.6	341	0.6	463	0.6	24.8
Hides and skins	231	0.5	95.7	224	0.5	312	0.6	408	0.5	23.1
Leather	185	0.4	96.1	215	0.5	356	0.6	511	0.6	43.0
Beverages	184	0.4	96.5	74	0.2	93	0.2	221	0.3	10.6
Machinery, non-electric	158	0.4	96.9	192	0.4	278	0.5	525	0.7	58.5
Foot-wear	150	0.4	97.2	247	0.5	356	0.6	548	0.7	52.9
Gas	115	0.3	97.5	141	0.3	201	0.4	342	0.4	49.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data supplied by the Statistical Office of the United Nations.

a/ SITC 2-digit categories in descending order of 1970 developed market economy imports from developing countries of up to $100 million.

b/ Valued c.i.f. in all cases except Canada and the United States of America where imports are valued f.o.b.

c/ Compound rate between terminal years.

Table 44. Primary commodity prices in international trade, 1970-1974

Commodity[a/]	Lowest quarterly average		Highest quarterly average		Ratio of highest to lowest	
	Index (1970=100)	Quarter	Index (1970=100)	Quarter	Percentage	Number of quarters apart
Sugar	95	1970 I	784	1974 IV	826	18
Linseed oil	88	1971 III	616	1974 IV	700	12
Petroleum	100	1970 III	602	1974 I	603	13
Copra	61	1972 III	356	1974 I	586	5
Palm kernel oil	64	1972 III	362	1974 II	562	6
Zinc ore	96	1971 I	535	1974 II	559	12
Sisal	96	1970 III	527	1974 III	547	15
Coconut oil	59	1972 III	312	1974 II	531	6
Zinc	97	1971 I	442	1974 II	457	12
Linseed	82	1971 II	371	1974 I	452	10
Soya-bean oil . . .	77	1972 IV	348	1974 III	449	6
Cocoa	70	1971 IV	292	1974 II	414	9
Soya bean	93	1970 I	360	1974 III	389	17
Cotton-seed oil . .	90	1970 I	331	1974 IV	368	18
Wheat	97	1970 I	355	1974 I	365	15
Coal	91	1970 I	321	1974 IV	354	18
Wool	87	1971 I	304	1973 I	351	7
Oil-seed and cake meal	96	1970 I	313	1973 III	327	13
Olive oil	97	1970 I	316	1974 III	326	17
Rubber	73	1971 IV	236	1974 I	325	8
Palm kernels . . .	66	1971 III	210	1974 I	317	9
Rice	94	1971 I	292	1974 I	310	11
Eggs	89	1970 II	274	1973 IV	307	13
Lead	72	1971 IV	212	1974 II	293	9
Lead ore	78	1971 IV	223	1974 II	285	9
Cotton	98	1970 I	269	1974 I	276	15
Copper	71	1972 IV	194	1974 II	273	5
Palm oil	86	1972 I	233	1974 IV	271	10
Tin ore	96	1971 III	253	1974 II	266	10
Tin	95	1971 IV	251	1974 II	265	9
Lumber	96	1970 I	250	1974 II	260	18
Maize	88	1971 IV	225	1974 III	257	10
Barley	89	1970 III	227	1974 III	256	15
Copper ore	74	1972 IV	189	1974 II	255	5
Ground-nut oil . .	95	1970 I	241	1974 IV	254	18

Table 44 (continued)

Commodity[a/]	Lowest quarterly average		Highest quarterly average		Ratio of highest to lowest	
	Index (1970=100)	Quarter	Index (1970=100)	Quarter	Percentage	Number of quarters apart
Animal fats	88	1972 II	223	1974 I	253	6
Hides and skins . .	97	1970 IV	240	1972 IV	249	7
Fish	93	1970 I	231	1974 I	248	15
Wood pulp	95	1970 I	227	1974 IV	239	18
Beef	100	1970 III	234	1973 II	235	10
Manganese ore . . .	100	1970 IV	220	1974 III	220	14
Ground-nuts	95	1970 I	207	1974 II	219	16
Bacon	85	1971 I	185	1973 IV	218	10
Poultry	89	1970 IV	195	1973 III	218	10
Crude fertilizer .	92	1973 II	200	1974 III	217	4
Fur skins	93	1970 III	197	1974 II	213	14
Flax	91	1970 I	186	1974 III	205	17
Pork	83	1971 II	164	1973 III	199	8
Milk	95	1970 II	183	1974 III	193	16
Bauxite	86	1972 IV	143	1972 I	167	2
Fruit	97	1970 I	162	1974 II	166	16
Coffee	85	1971 III	141	1974 II	166	10
Mutton and lamb . .	97	1970 II	160	1973 IV	165	12
Wine	94	1971 II	155	1973 III	164	7
Butter	94	1970 I	153	1972 I	162	7
Aluminium	87	1972 IV	140	1974 IV	161	7
Cheese	99	1970 III	152	1974 II	153	14
Iron Ore	99	1970 II	150	1974 IV	151	17
Tea	90	1972 IV	136	1974 III	150	6
Tobacco	97	1970 IV	140	1974 II	145	13
Nickel ore	99	1970 III	144	1974 III	145	15
Nickel	99	1970 II	143	1974 III	144	16
Chrome ore	100	1970 IV	138	1974 III	138	14
Jute	98	1971 I	121	1974 III	124	13

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data compiled by the Statistical Office of the United Nations.

a/ Commodities are listed in descending order of the ratio of highest to lowest quarterly average in the 1970-1974 cycle.

Table 45. Developed market economies: imports of manufactured goods from developing countries, 1970-1973

Year and importer	Food, beverage and tobacco products a/	Textiles, apparel and foot-wear b/	Wood products c/	Paper products d/	Chemicals and rubber products e/	Non-metallic mineral products f/	Basic metals g/	Metal products h/
1971 amount i/ (millions of dollars) . .	732	3 444	457	21	707	541	2 677	1 362
North America	269	1 726	309	11	223	191	539	814
EEC	325	1 140	91	4	259	138	1 518	282
Japan	43	201	27	-	44	84	412	71
Other developed market economies	95	377	30	6	181	128	208	195
Percentage increase over 1970	-2	30	22	40	15	16	-26	41
North America	21	33	31	45	4	19	-11	27
EEC	-20	32	29	65	33	21	-31	53
Japan	28	36	-39	-	-7	51	-32	73
Other developed market economies	8	10	29	22	15	-6	-12	102
1972 amount i/ (millions of dollars) . .	839	4 714	666	34	788	755	2 874	2 078
North America	280	2 322	431	20	296	281	704	1 431
EEC	391	1 584	135	5	253	167	1 481	372
Japan	50	301	59	1	65	162	459	106
Other developed market economies	118	507	41	8	174	145	230	169
Percentage increase over 1971	15	37	46	62	12	40	7	53
North America	4	35	39	71	33	47	31	76
EEC	20	39	48	23	-2	21	-2	32
Japan	16	50	116	273	46	92	11	50
Other developed market economies	24	35	36	44	7	13	11	-14
1973 amount i/ (millions of dollars) . .	1 186	7 328	1 202	70	1 057	1 147	4 375	3 518
North America	346	2 878	558	33	312	429	968	2 389
EEC	582	2 476	280	8	348	260	2 301	624
Japan	101	1 069	282	15	142	275	812	247
Other developed market economies	157	905	82	14	255	183	294	258

Table 45 (continued)

Year and importer	Food, beverage and tobacco products a/	Textiles, apparel and foot-wear b/	Wood products c/	Paper products d/	Chemicals and rubber products e/	Non-metallic mineral products f/	Basic metals g/	Metal products h/
Percentage increase over 1972	41	56	81	106	34	52	52	69
North America . .	23	24	30	67	5	53	37	67
EEC	49	56	107	79	37	56	55	68
Japan	102	255	376	955	119	70	77	133
Other developed market economies	34	79	102	74	31	27	28	53

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ SITC 013, 032, 048, 053, 062, 073, 099, 11, 122.

b/ SITC 61, 65, 83, 84, 85.

c/ SITC 63, 82.

d/ SITC 64.

e/ SITC 5, 62.

f/ SITC 66.

g/ SITC 67, 68.

h/ SITC 69, 7.

i/ Valued c.i.f. except in the case of North America for which the values are f.o.b.

Table 46. Developed market economies: imports from developing countries of secondary products, a/ 1971-1973

Country	1971		1972		1973		Average annual rate of increase, 1971-1973
	Amount (millions of dollars)	Percentage change from preceding year	Amount (millions of dollars)	Percentage change from preceding year	Amount (millions of dollars)	Percentage change from preceding year	
Belgium-Luxembourg	682	-20.5	732	7.4	1 216	66.0	17.6
Denmark	74	2.2	101	35.5	178	76.7	38.1
France	1 067	-3.4	1 340	25.6	1 928	43.9	22.0
Germany (Federal Republic of)	1 219	-0.4	2 117	16.4	3 272	54.5	23.5
Ireland	31	20.8	36	16.1	...	...	...
Italy	836	-17.3	1 011	20.9	1 584	56.7	20.1
Netherlands	372	7.5	447	20.0	...	...	...
United Kingdom	1 650	-0.8	1 785	8.2	2 837	58.9	22.1
EEC	5 931	-5.4	7 569	15.9	11 750 b/	55.4	22.0
Japan	3 470	-3.4	3 827	10.3	7 185	87.7	31.5
Canada	375	17.4	519	38.4	733	41.2	32.3
United States of America	4 964	10.2	6 733	35.7	9 228	37.1	27.7
Total, 12 countries	14 710	0.1	18 648	21.6	28 896 b/	55.0	25.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ Non-agricultural products other than fuel, corresponding to BTN headings 25 and 26 and 28-99 other than military hardware.

b/ Including estimates for Ireland and the Netherlands.

Table 47. Developed market economies: proportion of imports purchased from developing countries, 1970-1973
(Percentage)

Country	1970			1971			1972			1973		
	Agricultural products a/	Fuels b/	Other products c/	Agricultural products a/	Fuels b/	Other products c/	Agricultural products a/	Fuels b/	Other products c/	Agricultural products a/	Fuels b/	Other products c/
Belgium-Luxembourg	18.1	50.2	9.8	17.1	46.1	6.9	15.3	47.1	6.2	14.7	51.1	7.2
Denmark	29.7	43.0	2.2	27.1	47.2	2.2	27.2	42.9	2.6	27.2	36.1	3.0
France	41.3	72.8	8.1	35.6	72.7	34.9	75.6	6.9	35.6	35.6	76.5	7.2
Germany (Federal Republic of)	23.4	60.4	8.9	21.6	61.4	8.0	21.0	61.1	7.8	20.9	54.9	9.1
Ireland	23.2	42.5	2.2	23.8	43.0	2.4	19.0	33.9	2.4	...	...	...
Italy	25.3	79.7	10.3	22.0	81.0	8.7	19.1	81.1	8.6	20.2	84.1	9.1
Netherlands	30.6	79.9	3.6	30.4	82.8	3.6	28.6	84.9	3.7	...	...	...
United Kingdom	25.1	77.1	12.1	23.4	78.2	11.2	23.1	75.6	9.9	23.2	77.9	11.0
EEC	27.0	69.6	8.6	24.6	70.7	7.5	23.5	70.8	7.5	23.2 d/	68.2 d/	8.5 d/
Japan	34.9	69.4	31.0	35.0	75.2	31.2	32.8	78.1	29.2	29.6	80.4	32.2
Canada	22.1	68.3	2.9	21.4	71.4	2.9	19.7	73.1	3.2	16.6	78.6	3.8
United States of America	56.1	62.3	15.6	56.1	64.2	14.8	53.6	62.8	16.3	52.2	57.8	18.7
Average 12 countries	33.5	68.4	11.6	31.5	70.6	10.6	29.9	71.0	10.8	29.0 d/	69.0 d/	12.8 d/

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ BTN headings 0-24.

b/ BTN heading 27.

c/ BTN headings 25, 26 and 28-99, excluding military hardware.

d/ Excluding Ireland and the Netherlands.

Table 48. Selected developed market economies: imports of products subject to developing country preference, a/ 1970-1973

Country	1970		1971		1972		1973	
	Value of imports b/ (millions of dollars)	Percentage from developing countries	Value of imports b/ (millions of dollars)	Percentage from developing countries	Value of imports b/ (millions of dollars)	Percentage from developing countries	Value of imports b/ (millions of dollars)	Percentage from developing countries
Belgium-Luxembourg . .	202	2.4	250	2.5	305	3.1	428	3.0
France	376	2.9	466	3.5	618	3.7	909	3.9
Germany (Federal Republic of)	578	10.1	676	7.7	815	6.8	1 143	7.9
Italy	161	8.1	184	7.1	233	5.6	343	7.1
United Kingdom . . .	354	25.0	375	22.5	507	22.3	801	28.5
United States of America	1 181	45.0	1 228	42.5	1 711	39.8	2 041	40.7

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Commodity Trade Statistics, Series D.

a/ Products in BTN chapters 25-99 accorded zero duty preference by EEC, selected on the basis of their clear convertibility in SITC categories: lead oxides; fertilizers; rubber tires and tubes for vehicles and aircraft; travel goods and handbags; plywood and veneered panels; mats, matting, screens and envelopes of vegetable plaiting materials; basketwork, wicker work and other articles of plaiting materials; umbrellas and sunshades; wigs, false beards and switches; porcelain or china household ware; glass tableware and other articles of glass for household, hotel and restaurant use; imitation jewellery; bars, rods, angles, shapes, sections of wire of copper; metal locks and padlocks; primary batteries and cells; unmotorized cycles; watch cases and parts; furniture and parts; dolls; toys; Christmas decorations; vacuum flasks.

b/ C.i.f. except in the case of the United States of America whose imports are valued f.o.b.

Table 49. Developed market economies: composition of net financial flows to developing countries, 1970-1973

Flow	1970		1971		1972		1973	
	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total
Official, bilateral	6 285	44.7	7 100	43.8	7 540	42.1	8 846	40.2
Official development assistance .	5 574	39.6	6 257	38.6	6 519	36.4	6 970	31.7
Other official flows	712	5.1	843	5.2	1 022	5.7	1 877	8.5
Donations	3 294	23.4	3 600	22.2	4 336	24.2	4 450	20.2
Loans	2 992	21.3	3 500	21.6	3 205	17.9	4 397	20.0
Technical assistance	1 511	10.7	1 633	10.1	1 825	10.2	2 258	10.3
Food aid	1 148	8.2	1 051	6.5	1 017	5.7	850	3.9
Official, to the multilateral agencies	1 537	10.9	1 758	10.8	2 446	13.6	2 780	12.6
Official development assistance .	1 138	8.1	1 356	8.4	1 921	10.7	2 270	10.3
Other official flows	399	2.8	402	2.5	525	2.9	510	2.3
Private, bilateral	5 764	41.0	6 576	40.6	7 271	40.6	10 118	46.0
Direct investment	3 230	23.0	3 491	21.5	4 049	22.6	6 123	27.8
Portfolio investment	602	4.3	763	4.7	1 852	10.3	2 991	13.6
Guaranteed export credits	1 932	13.7	2 322	14.3	1 370	7.6	1 004	4.6
Private, to the multilateral agencies	474	3.4	771	4.8	667	3.7	258	1.2
Total, at current prices . . .	14 061	100.0	16 204	100.0	17 925	100.0	22 002	100.0
at 1970 prices	14 061		15 215		15 466		15 472	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation, 1974 Review; Food (Paris, 1974); communications from the Development Assistance Committee of OECD; and various national sources.

Table 50. Developed market economies: provision of resources to developing countries and multilaterial agencies, 1970-1973

Country	Total flow								
	Millions of dollars				Percentage of gross national product				
	1970	1971	1972	1973	1970	1971	1972	1973	Average, 1971-1973
Australia	399	531	444	342	1.16	1.38	0.98	0.53	0.96
Austria	67	82	42	158	0.47	0.50	0.21	0.57	0.43
Belgium	285	301	404	450	1.16	1.03	1.16	0.98	1.06
Canada	557	839	928	978	0.68	0.91	0.89	0.82	0.87
Denmark	85	134	121	164	0.54	0.77	0.57	0.59	0.64
France	1 646	1 466	1 882	2 766	1.11	0.91	0.96	1.08	0.98
Germany (Federal Republic of)	1 145	1 452	1 240	1 366	0.61	0.67	0.48	0.39	0.51
Italy	690	781	657	495	0.74	0.77	0.55	0.36	0.56
Japan	1 762	2 129	2 738	5 726	0.89	0.94	0.93	1.39	1.09
Netherlands	420	426	705	534	1.31	1.15	1.55	0.90	1.20
New Zealand	22	29	32	35	0.36	0.40	0.39	0.32	0.37
Norway	72	72	58	98	0.63	0.56	0.40	0.52	0.49
Portugal	69	146	226	240	1.13	2.10	2.63	2.29	2.34
Sweden	183	213	236	319	0.59	0.58	0.57	0.64	0.60
Switzerland	113	218	149	257	0.55	0.89	0.49	0.62	0.67
United Kingdom	1 103	1 273	1 367	983	0.90	0.93	0.88	0.57	0.79
United States of America	5 399	6 066	6 624	7 044	0.54	0.58	0.57	0.54	0.56
Total, developed market economies a/	14 061	16 204	17 925	22 002	0.69	0.72	0.69	0.70	0.70

Sources: See table 49.

a/ Including, in addition to the countries listed, estimates for Finland, Iceland, Ireland, Luxembourg and South Africa.

Table 51. Developed market economies: provision of official development assistance, 1970-1973

Country	Flow of official development assistance								
	Millions of dollars				Percentage of gross national product				
	1970	1971	1972	1973	1970	1971	1972	1973	Average 1971-1973
Australia	202	202	267	286	0.59	0.53	0.59	0.44	0.52
Austria	10	12	17	40	0.07	0.07	0.08	0.14	0.10
Belgium	118	145	192	233	0.46	0.50	0.55	0.51	0.52
Canada	343	386	491	510	0.42	0.42	0.47	0.43	0.44
Denmark	59	74	96	131	0.38	0.42	0.46	0.47	0.45
France	944	1 054	1 292	1 487	0.64	0.65	0.66	0.58	0.63
Germany (Federal Republic of) . .	555	712	769	965	0.30	0.33	0.30	0.28	0.30
Italy	153	155	98	153	0.16	0.15	0.08	0.11	0.11
Japan	459	512	608	988	0.23	0.23	0.21	0.24	0.23
Netherlands	195	215	305	312	0.61	0.58	0.67	0.52	0.59
New Zealand	14	17	21	26	0.23	0.23	0.25	0.24	0.24
Norway	36	42	63	87	0.32	0.32	0.43	0.46	0.40
Portugal	41	99	154	62	0.67	1.42	1.79	0.59	1.27
Sweden	116	157	198	275	0.38	0.43	0.48	0.56	0.49
Switzerland	30	29	64	65	0.15	0.12	0.21	0.16	0.16
United Kingdom . .	416	539	586	588	0.34	0.40	0.38	0.34	0.37
United States of America	3 003	3 241	3 188	2 993	0.30	0.31	0.28	0.23	0.27
Total, developed market economies: a/									
Current prices .	6 712	7 612	8 439	9 239	0.33	0.34	0.33	0.29	0.32
1970 prices . . .	6 712	7 101	7 164	6 168					

Sources: See table 49.

a/ Including, in addition to countries listed, Finland, Iceland, Ireland, Luxembourg and South Africa.

Table 52. DAC countries: transfer terms of official development assistance commitments, a/ 1970-1973

Item	1970	1971	1972	1973
Commitments (millions of dollars)				
Amount	8 188	9 507	11 707	13 081
Grants	5 191	5 580	7 387	8 568
Loans	2 997	3 927	4 320	4 513
Grant element in loans (percentage)	56.6	56.9	56.9	62.2
in total ODA (percentage)	84.1	82.2	84.1	86.9
Loan terms				
Average maturity (years)	30.2	29.1	29.5	32.6
Interest rate (percentage)	2.8	2.8	2.8	2.5
Grace period (years)	7.3	7.1	7.8	8.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation, 1974 Review (Paris, 1974).

a/ To the developing countries and the less developed countries of southern Europe.

Table 53. DAC countries: grant element in official development assistance, a/ 1970-1973

Country	1970		1971		1972		1973	
	Total	To least developed countries	Total	To least developed countries	Total	To least developed countries	Total	To least developed countries
Australia	92.5	100.0	100.0	100.0	100.0	100.0	99.4	100.0
Austria	67.7	28.9	67.0	24.2	81.1	100.0	57.4	...
Belgium	96.9	100.0	97.0	100.0	96.4	...	95.6	100.0
Canada	96.1	92.5	92.4	91.7	96.8	92.9	94.1	92.1
Denmark	98.0	97.0	93.0	81.0	94.1	92.3	96.1	90.3
France	82.6	72.2	84.3	88.5	85.9	93.0	91.2	95.4
Germany (Federal Republic of)	80.4	89.9	83.7	85.5	80.9	92.8	83.1	93.1
Italy	67.7	76.1	50.5	52.3	58.8	50.3	69.3	81.4
Japan	67.2	90.0	64.9	85.8	61.1	100.0	67.9	69.3
Netherlands	84.6	60.0	87.2	58.5	85.2	62.1	88.4	95.3
New Zealand	...	...	...	...	95.0	...	98.5	100.0
Norway	99.5	100.0	99.4	100.0	99.6	100.0	99.8	100.0
Portugal	66.1	...	50.2	...	50.5	...	...	...
Sweden	95.1	88.7	96.4	78.4	95.2	95.8	98.6	100.0
Switzerland	95.9	100.0	88.6	100.0	95.5	100.0	93.0	100.0
United Kingdom	81.5	88.7	81.4	87.4	85.7	86.1	87.1	86.1
United States of America .	86.4	93.0	84.3	90.4	87.2	87.5	89.9	88.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation, 1974 Review (Paris, 1974).

a/ Based on commitments to the developing countries and to the less developed countries of Europe.

Table 54. Developed market economies: actions affecting the tying of development assistance, 1971-1974

Country	Percentage of 1973 official development assistance a/				General characteristics of bilateral assistance b/	Use of ODA for local cost financing
	Personal c/	Financial				
		Tied	Partly tied	Untied		
Australia	36	19	-	45	Untied to Papua-New Guinea	
Austria	15	-	4	81	Only small amounts involved: $21 million in 1972, $40 million in 1973	
Belgium	44	12	13	31	Bilateral aid untied	In selected recipients
Canada	12	47	9	33	20 per cent untied in 1970	Increasing
Denmark	18	26	4	53	25 per cent loans to least developed countries untied; shipping untied; PMU	
France	45	20	5	31	Loans to franc area untied	In selected recipients
Germany (Federal Republic of)	22	23	4	51	Project equipment untied since 1970, commodity aid since 1973; PMU	General
Italy	13	-	31	56	PMU	
Japan	5	61	2	32	Untying began in November 1972; PMU	
Netherlands	23	34	11	33	Untied to Netherlands Antilles, Surinam and partly to Indonesia; PMU	In selected recipients, extended in 1973
Norway	11	11	-	78	Most bilateral aid untied; complete untying by 1978; PMU	General
Sweden	10	5	-	85	Most bilateral aid untied (except commodity aid); PMU	General

Table 54 (continued)

Country	Percentage of 1973 official development assistance a/				General characteristics of bilateral assistance b/	Use of ODA for local cost financing
	Personal c/	Financial				
		Tied	Partly tied	Untied		
Switzerland	6	34	3	51	PMU; most bilateral aid untied	
United Kingdom	20	21	9	50	Some aid to dependencies and ex-dependencies untied	In selected recipients
United States of America .	18	42	18	22	Bilateral grants tied; local purchases with AID loans sanctioned in Latin America in 1969, in most other areas since 1971; PMU	Increasing
Average, above countries	23	33	9	34		

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation, 1973 Review, 1974 Review (Paris, 1974); replies of Governments to the Secretary-General's note verbale of June 1974.

a/ 1972 in the case of Italy and the United Kingdom.

b/ PMU: participant in the Memorandum of Understanding designed to free the use of development loans for financing purchases in developing countries.

c/ Transfer of expertise through "technical assistance".

Table 55. Summary of multilateral debt renegotiations since 1970

Country and date of multilateral agreement	Scope of debt relief: Period over which accruing interest and amortization liabilities were consolidated and rescheduled	Scope of debt relief: Type of debt covered	Scope of debt relief: Proportion of service payment rescheduled (percentage)	Scope of debt relief: Amount (millions of dollars)	Repayment terms: Grace period following consolidation period (years)	Repayment terms: Amortization period	Repayment terms: Interest rate on rearranged maturities (percentage
India (June 1971) a/	1 year (1 April 1971-31 March 1972)	Bilaterally determined	Approximately 20	100	Various		b/
Chile (April 1972)	14 months (1 Nov. 1971-31 Dec. 1972)	Interest and principal payments on (a) officially guaranteed suppliers' credits and (b) long-term loans (up to 40 years' maturity, but excluding debt-refinancing loans)	70	278	2	6	Bilaterally determined
Pakistan (May 1972)	26 months (1 May 1971-30 June 1973)	Principal and interest on medium- and long-term debts, including those contracted by Bangladesh prior to December 1971	Approximately 56	234	2	3	Bilaterally determined - but no higher than an average of 5 per cent for any creditor country
India (February 1973)	1 year	Bilaterally determined	32	151	Various		c/
Pakistan (July 1973)	1 year (1 July 1973-30 June 1974	Same as those covered by 26 May 1972 agreement	Approximately 56	105	1	3	Same as 26 May 1972 agreement
India (December 1973) d/	1 April 1973-31 March 1974	Bilaterally determined	...	...	Various		c/

Table 55 (continued)

Country and date of multilateral agreement	Scope of debt relief: Period over which accruing interest and amortization liabilities were consolidated and rescheduled	Scope of debt relief: Type of debt covered	Scope of debt relief: Proportion of service payment rescheduled (percentage)	Scope of debt relief: Amount (millions of dollars)	Repayment terms: Grace period following consolidation period (years)	Repayment terms: Amortization period (years)	Repayment terms: Interest rate on rearranged maturities (percentage)
Ghana (March 1974)	31 January 1972 onwards	Principal and interest (excluding moratorium interest) on all medium-term officially guaranteed suppliers' credits covered by the agreements of 9 December 1966, 22 October 1968 and 11 July 1970	100	...	10 years, 11 months	17-1/2	2.5 e/
Chile (March 1974)	2 years (1 Jan. 1973-31 Dec. 1974)	Interest and principal payments on (a) officially guaranteed suppliers' credits and (b) government loans of less than 40 years' maturity but excluding debt-refinancing loans	80 f/	...	2	6-1/2	Bilaterally determined
Pakistan (June 1974)	4 years (1 July 1974-30 June 1978)	Principal and interest on all public and officially guaranteed debts with maturities of over one year incurred prior to July 1973, including debts covered by the previous two agreements	Approximately 71 (1974/75) 61 (1975/76 and 1976/77) 55 (1977/78)	650 g/	10	20	2.5

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Thomas M. Klein, "Economic aid through debt relief", Finance and Development, vol. 10, No. 3, September 1973, p. 20 and national and international sources.

(Foot-notes on following page)

(Foot-notes to table 55)

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a/ Agreement represents a one-year extension of an earlier agreement (March 1968) granting debt relief for three-year period, 1 April 1968-31 March 1971, amounting to $322 million.

b/ Each creditor country to provide debt relief with grant element of at least 60 per cent.

c/ Each creditor country to provide debt relief with grant element of at least 62 per cent.

d/ This agreement represents a one-year extension of the February 1973 agreement.

e/ Moratorium interest relating to debt relief arrangements of 1966, 1968 and 1970 accruing after 31 January 1972 cancelled.

f/ The remaining non-consolidated maturities to be paid in three instalments: 25 per cent in 1974, 25 per cent in 1975, and 50 per cent in 1976.

g/ Aggregate debt relief per year to be approximately: $175 million in each of 1974/75, 1975/76, and 1976/77 and $125 million in 1977/78.

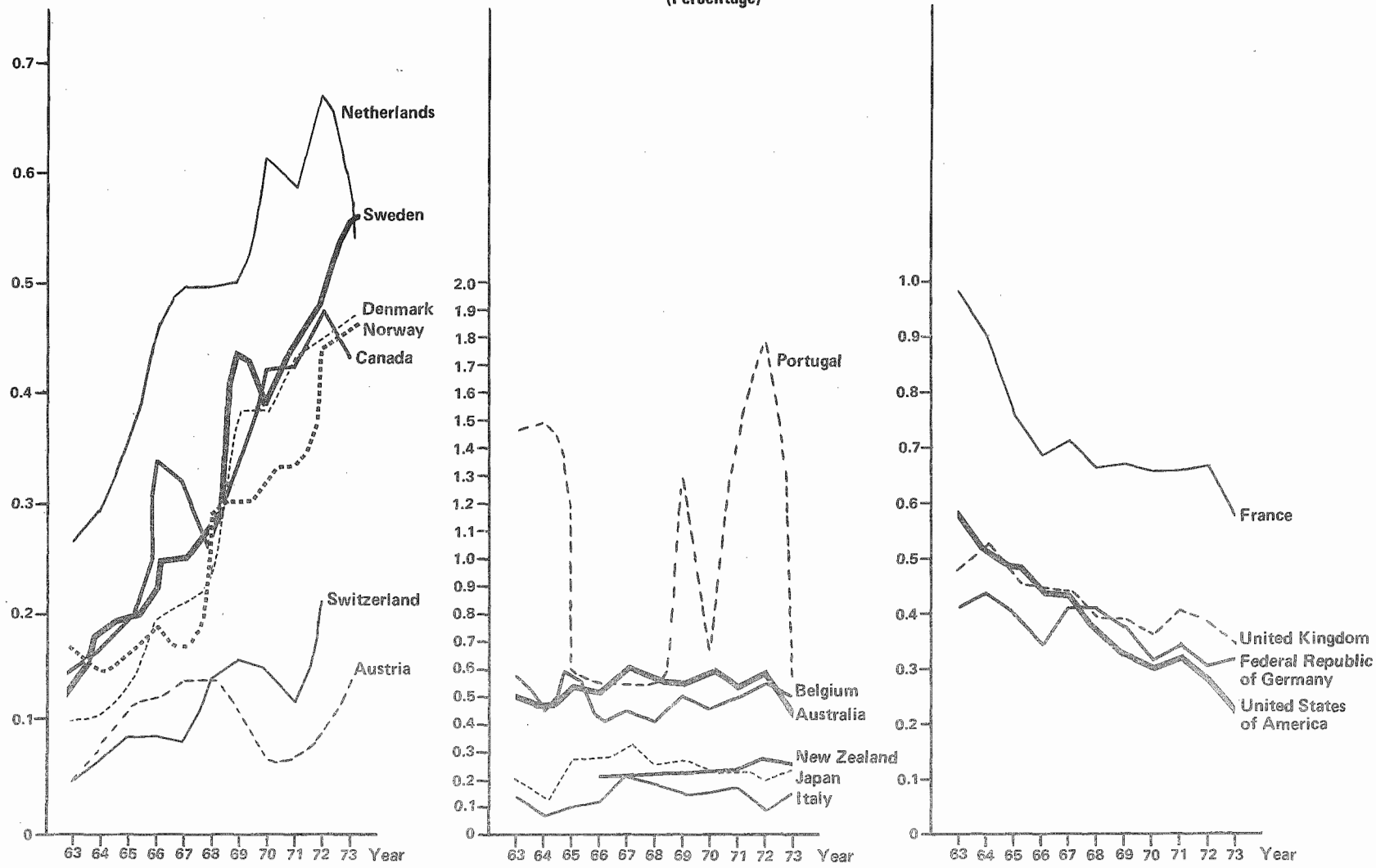
Table 56. Net transfers from developed market economies to developing countries, 1970-1973

Flow	1970	1971	1972	1973
Official loans and grants, net	6 285	7 100	7 540	8 846
Private loans and investments, net	5 764	6 576	7 271	10 118
Multilateral loans and grants, net	1 409	1 840	1 540	1 737
Private grants	858	913	1 036	1 362
Eurocurrency loans	...	985	3 047	7 931
Total, above	14 316	17 414	20 434	29 994
Net payments of profits[a/]	-5 788	-6 998	-8 561	-12 193
Net payments of interest[a/]	-1 399	-1 718	-2 141	-2 536
Net transfers: In current prices . . .	7 129	8 698	9 732	15 265
In 1970 prices	7 129	8 200	8 510	11 392
Resources transferred by price changes in exports and imports	-	-800	1 550	10 400
Adjusted net transfers in 1970 prices . .	7 129	7 400	10 060	21 792

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; Organisation for Economic Co-operation and Development, Development Co-operation, 1974 Review (Paris, 1974); International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.).

a/ As reported in the balance of payments statements of 73 developing countries. This includes payments to the centrally planned economies and to multilateral lending agencies.

Developed market economies: ratio of net official development assistance to gross national product, 1963-1973
(Percentage)



Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation; 1974 Review (Paris, 1974).

Chapter III

IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY IN THE CENTRALLY PLANNED ECONOMIES

Foreign trade: policies, trends and prospects

At the end of the First United Nations Development Decade, the import markets of the Union of Soviet Socialist Republics and the socialist countries of Eastern Europe absorbed somewhat less than 5 per cent of the developing countries' exports and supplied almost 7 per cent of their imports. Though representing only a small share of the third world's total foreign markets, the network of trade ties between the two groups of countries had expanded substantially over the preceding decade and the volume of trade had grown at an average annual rate of more than 10 per cent, much faster than exports of the developing countries to other destinations. Absolute trade levels, however, were still relatively low: per inhabitant, the Soviet Union imported about $7 worth of goods from the developing countries in 1970 and the Eastern European socialist countries about $12 - roughly one sixth of the per capita imports into the industrialized Western European countries.

The commodity structure of trade was characterized by a preponderance of manufactured goods in the socialist countries' exports and of primary goods in their imports. Geographically, trade was strongly concentrated on a relatively small number of partner countries, often those where institutional trading arrangements congenial to the economic system of the socialist countries could be concluded. The bilateral clearing system dominated in the payments arrangements.

The International Development Strategy envisaged a contribution from the socialist countries of Eastern Europe and the USSR towards the goals of the Second United Nations Development Decade in the form of continued high growth of imports from developing countries stimulated by preferential governmental measures within the general framework of the socialist countries' economic system, of diversification in the geographical and commodity structure of trade and movement towards greater multilateralism in the payments arrangements.

The first years of the Second Development Decade saw some, though uneven, progress in the direction of these objectives. A number of socialist countries instituted special measures to favour trade with developing countries. Total trade volume continued to expand, though at a lower rate - especially during the first two years of the 1970s - than might have been hoped for in view of the general upswing in the socialist countries' total foreign trade. In 1973 and (according to very preliminary data) 1974, however, imports from the developing economies increased significantly, both absolutely and relatively. The commodity structure of imports into the socialist countries continued to diversify with a steady rise in the share of manufactures in the total. A pronounced shift towards imports of more fabricated products instead of raw materials appears to have taken place, especially in the important textile sector. The high geographical concentration of trade, which is probably a systemic tendency of the centrally managed state trading system, did not abate much, though the trade network continued to expand with the addition of new trade partners among the developing countries. Some steps were taken to introduce new elements of multilateralism into the payments arrangements, but progress in this area appears to have been limited.

As the mid-point of the Second Development Decade approaches, some new trends and pressures are becoming evident in the European centrally planned economies which are likely to result in increased demand for some developing country raw material exports which have hitherto expanded at below-average rates. A shift in the countries of the Council for Mutual Economic Assistance (CMEA) towards outside sources of supply is already noticeable for crude oil and oil products. Continued growth in the demand for labour-intensive light manufactured products is also likely in view of the tightening labour supply situation in several centrally planned economies, and the still relatively low - though rising - per capita consumption levels of victuals and beverages of tropical origin at a time of accelerated consumer income growth would indicate the existence of a significant potential demand for increased imports in these commodity classes. However, balance-of-payments constraints arising in the convertible currency trading area may put a serious check on the growth of manufactured and agricultural consumer goods imports from developing countries in favour of the higher priority raw materials and producer goods, as appears to have happened in Poland in 1974. 1/

Trade policy measures in favour of developing countries

In their Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration of 1971, the member countries of CMEA undertook to "attach particular importance to the development of trade and of economic, scientific and technical co-operation with the developing countries", 2/ and the published five-year plans for the period 1971-1975 of several of the European socialist countries called in general terms for a substantial expansion of these trade flows.

During the early part of 1972, Bulgaria, Czechoslovakia and Hungary introduced schemes of generalized preferences with tariff concessions on a broad range of manufactured and semi-manufactured commodities imported from developing countries. The tariff reductions granted range from 30 per cent of the most favoured nations rate (in the case of Bulgaria) to about 90 per cent (in Czechoslovakia), while for some primary commodities imported from developing countries all duties were abolished. In 1974, the Hungarian system, which concentrates on manufactures, was broadened in its product coverage and now provides for complete tariff exemption on a wide range of textile products. 3/

The USSR, the only other socialist country with a tariff system at the time, had already in 1965 abolished all customs levies on goods purchased from developing countries. Romania, which is itself a beneficiary of the Generalized System of Preferences of the European Economic Community, introduced a tariff system at the beginning of 1974, but seems to have exempted goods imported from countries with

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1/ K. Chinowski and A. Stepniewska, "Handel zagraniczny Polski w 1974 roku", Zycie gospodarcze (Warsaw), 1975, No. 5 (2 February 1975).

2/ Kompleksnaia programma dal'neishego uglubleniia i sovershenstvovaniia sotrudnichestva i razvitiia sotsialisticheskoi ekonomicheskoi integratsii stran-chlenov SEV (Moscow, 1971), chap. 1/i, sect. 3, para. 3.

3/ See document TD/B/378/Add.3/Amend.1, 26 November 1974.

which trade is conducted on the basis of bilateral trade agreements and protocols, which may mean most developing country partners. 4/

It is probable that under the socio-economic conditions of central planning and centralized allocation of resources, tariff policies cannot by themselves be used as indicators of effective preferential treatment. In centrally planned economies, market opportunities for third countries are determined to a large extent by administrative conditions concerning the economy as a whole, such as the planned structure of domestic output, the planned level of imports, the import-substitution policies, the allocation of foreign exchange to various users and types of final use, and the domestic price structure. Thus, in the USSR, despite the abolition of all tariffs on imports from the developing countries, the degree of self-sufficiency in certain primary commodities which are typical third world exports increased markedly between 1959-1961 and 1967-1969, 5/ and continued at high levels during the first years of the 1970s.

In the early years of the Second Development Decade, several countries announced their intention of establishing non-tariff preferential measures in addition to or in lieu of tariff concessions, and others set quantitative targets for the growth in imports of certain commodity groups from developing countries through the end of the current five-year plan period in 1975. Thus, Poland, which has no tariff system and relies exclusively on preferential procurement measures to spur imports from developing countries, and Czechoslovakia announced their intention (in part already implemented) to limit or even terminate certain lines of production of manufactures and semi-manufactures and to rely on third world imports for supply. 6/ Hungary expects to satisfy 25 per cent of its home consumption of textiles through imports from developing countries by the end of 1975. 7/ Czechoslovakia promotes direct trade ties with developing countries through a regulation requiring foreign trade organizations to obtain a special permit from the Ministry of Foreign Trade if they wish to import goods by purchase in countries other than the country of origin. 8/ Bulgaria indicated, in a statement at the

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4/ For the new Romanian tariff legislation, see "Lege privind vamal de import al Republicii Socialiste România", Buletinul oficial al Republicii Socialiste România (Bucharest), partea I, No. 92 (22 June 1973), which, however, contains no reference to preferential treatment for developing countries. The exemption is mentioned in Rynki zagraniczne (Warsaw), 8 January 1974.

5/ See "Trends in markets of selected temperate zone products in five importing areas: a note by the UNCTAD secretariat" (TD/B/C.1/108), and "The generalized system of preferences: report by the UNCTAD secretariat" (TD/124) in Proceedings of the United Nations Conference on Trade and Development, Third Session, vol. II, Merchandise Trade (United Nations publication, Sales No. E.73.II.D.5).

6/ Statements made to the UNCTAD Special Committee on Preferences at its session held in April 1973 (see TD/B/C.5/SR.44-58, October 1973, pp. 49-50 and 87). The Polish production closures concerned cotton yarns and grey cotton fabrics, and tanned hides and skins. A reduction in the processing of phosphates was also being considered.

7/ See "Expansion of trade through the promotion of complementary economic structures: case study on Hungary" (TD/B/391, 16 August 1972).

8/ See "Expansion of trade in manufactures of the developing countries to the socialist countries of Eastern Europe: import régimes in selected socialist countries" (TD/B/C.2/137, 30 May 1974).

third session of UNCTAD, that it expected to be able to double the volume of its trade with developing countries from 1970 to 1975, and the Soviet Union, at the same session, announced estimates of 1975 import levels for a number of typical third world export commodities and the intention to double the purchase of consumer goods in these countries to a level of 250 million roubles by 1975. 9/

Trends in total trade

Projections for the growth of foreign trade incorporated in the five-year plans of the socialist countries of Eastern Europe and the USSR for the first half of the 1970s, which had appeared to point to a deceleration in the growth in trade volume, 10/ turned out to have been on the cautious side. Supply and demand effects of accelerated output growth in the Eastern European countries, the changed international climate and a more outward-looking stance in the economic policy of several countries of the region, as well as favourable international market developments, combined to produce a significantly more rapid growth of foreign trade flows than anticipated.

Eastern Europe and USSR: average annual growth rates of foreign trade value, by direction, 1966-1970 and 1971-1973 a/

(Percentage)

Exports to and imports from	Exports		Imports	
	1966-1970	1971-1973	1966-1970	1971-1973
World	9.1	12.0	9.0	13.4
Centrally planned economies . .	8.1	10.1	8.1	10.1
Developed market economies . .	11.0	16.8	11.5	21.4
Developing economies	11.1	12.2	8.2	10.1

Source: Data in table 57.

a/ Growth rates were computed from values aggregated in terms of transferable roubles and thus do not reflect the dollar devaluations. See foot-note b to table 57.

While a part of the acceleration in trade value growth must be ascribed to price developments, estimates of quantum growth rates for total trade also indicate an increase in the expansion pace, especially on the import side where average annual growth appears to have risen from about 9 per cent during 1966-1970 to

9/ See The Second United Nations Development Decade: Trends and Policies in the First Two Years (United Nations publication, Sales No. E.74.II.D.3), p. 16, and, for the Soviet statement, Proceedings of the United Nations Conference on Trade and Development, Third Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.73.II.D.4), annex VIII, H.

10/ See Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No. E.73.II.A.3), pp. 94-95 and table 3 for the plan targets; also World Economic Survey, 1973, Part Two: Current Economic Developments (United Nations publication, Sales No. E.74.II.C.2), pp. III-10 ff. and table III-7.

about 12 per cent during 1971-1973. The export growth of the group, which in quantum terms seems to have slowed from about 10 per cent during 1966-1970 to less than 9 per cent, was to some extent constrained by supply difficulties connected with the 1972 harvest setback in the Soviet Union. The accelerating trend of trade value growth seems to have continued into 1974, especially for imports, but in view of the high world market price inflation it is not clear whether trade quantum also continued to expand.

The world market price movements of recent years have had a very different impact upon trade flows between the socialist countries themselves, on the one hand, and those with non-socialist countries on the other. The mutual trade of the CMEA member countries is conducted at prices negotiated - on the basis of average world market prices of a preceding period - for a medium-term trading span of five to seven years, which are with some exceptions then held stable for the duration. 11/ Some measure of price stability may also be built into the relationship between socialist countries and certain developing countries with which long-run bilateral trade agreements have been concluded, though little concrete information is available on this aspect. For the bulk of the non-socialist trade relationships, however, price developments closely followed world market trends, with very sharp upswings in 1973 and 1974. 12/ Therefore quantum growth rates for trade of the group with market economies will diverge much more from the corresponding value growth rates than those for trade with the socialist countries. Though adequate unit value indices by direction of trade are not available, estimates based on partial data suggest that between 1966-1970 and 1971-1973 quantum growth of trade with both socialist countries and developed market economies accelerated, from about 8 per cent to 9-10 per cent per annum in the case of trade with socialist countries and from about 9 per cent to 10-14 per cent annually in trade with developed market economies.

Expansion of trade with developing countries

The trade of the Soviet Union with the developing world expanded in value terms at a slightly higher rate during the first three years of the Second

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11/ Since 1972, a system based on world market prices for 1965-1969 has been in use. In 1975, however, under the impact of world market inflation, the CMEA group went over to annual price revisions negotiated on the basis of average world market prices for the preceding five years (Życie gospodarcze (Warsaw), 16 February 1975, p. 13).

12/ Separate foreign trade price indices for the socialist and non-socialist trading areas are available only for Hungary. Annual percentage changes for the roughly coincident rouble and dollar currency areas are given as follows:

		1971	1972	1973	1974 (Jan.-Sept.)
Rouble area:	Exports	-0.2	0.6	0.5	1.3
	Imports	1.4	2.2	0.2	1.0
Dollar area:	Exports	1.4	3.6	13.6	22.4
	Imports	2.2	2.2	16.5	44.5

Source: Statisztikai havi közlemények (Budapest), 1974, No. 11.

Development Decade than during the preceding five-year period. In the case of the Eastern European centrally planned economies, however, import expansion accelerated substantially, whereas export growth slowed between the two periods. In both cases the expansion of trade with developing countries lagged over the period relative to the growth of trade in other directions and was very slow (negative in the case of Soviet imports) during 1971 and 1972 (see table 57). A strong upswing in 1973, which appears to have continued into 1974, improved the average performance for the period, but was probably largely the result of price developments. In quantum terms, the average annual growth during 1971-1973 was probably less than during 1966-1970.

The Soviet Union continued to be the major socialist trade partner of developing countries. Soviet exports, with a current dollar value of $4.8 billion in 1973, constituted almost 70 per cent of the European socialist countries' combined exports to developing countries, and its imports of $2.9 billion accounted for about 60 per cent of the group's imports from the third world. The share of third world trade in total trade was also significantly higher in the Soviet Union (see table 58), but on a per capita basis the smaller and therefore more trade-intensive Eastern European centrally planned economies maintained somewhat higher levels of engagement, with imports of $18 per inhabitant in 1973 as against $12 for the Soviet Union.

The weak import growth performance of the socialist countries during the first two years of the decade, which contrasts strongly with the dynamic expansion rate during those years of total imports, and especially the rapid growth of imports from developed market economies, can in part be explained by supply difficulties on the partner side, in part perhaps by adjustment difficulties, including balance-of-payments strains, during a period of restructuring in foreign trade relationships. A pattern of widely fluctuating growth rates - in the case of the Soviet Union including several years of stagnant or contracting import levels followed by very large advances - has also in the past characterized the substantial long-term growth of imports to the socialist countries from the developing world, and therefore need not indicate a change in trend.

The absolute decline in the Soviet imports from the developing countries in 1971 and 1972 is attributable to a large extent to the vagaries of the Cuban sugar harvest that caused a $250 million drop in Soviet imports from Cuba between 1970 and 1972 which was not offset by the increases in trade with other partners. 13/

13/ Because of the large share of Cuba in total Soviet trade with developing countries (18-20 per cent in recent years), year-to-year rates of change are strongly affected by changes in Soviet exports to and imports from Cuba. To a less degree this applies also to the Eastern European countries. For developing countries other than Cuba, the import performance during the first years of the decade is somewhat stronger than for the group as a whole:

Average annual compound rates and annual rates of growth of trade value with developing countries without Cuba, 1966-1973

	(Percentage)	1966-1970	1971-1973	1971	1972	1973
USSR	Exports	12.7	16.9	-0.5	9.9	46.2
	Imports	9.3	14.8	10.8	5.8	29.1
Eastern Europe	Exports	8.9	8.9	9.6	2.5	15.0
	Imports	6.1	11.2	3.4	6.2	25.4

Source: As for table 57.

Supply constraints were probably also the main factor behind the absolute reductions in Eastern European imports from the western hemisphere in 1971 and 1972 (e.g., the failure of the Pacific sardine catch and fishmeal exports).

The early years of the decade were also the initial years of accelerating East-West trade, during which several countries of the region found themselves under balance-of-payments pressure as imports from the convertible currency area tended to expand faster than export earnings and had to be put under policy constraints. In view of the somewhat marginal nature of trade with developing countries in the over-all balance of foreign exchanges, especially of the Eastern European group, it is not improbable that in some instances imports from developing countries were disproportionally constrained by such balancing measures.

Among the East European centrally planned economies noticeable differences in the growth of trade with developing economies are observable (see table 58). Bulgaria and Romania, the two least developed countries of the region, maintained relatively very high growth rates of exports to and even more of imports from the third world. These two countries, which jointly supply about one third of the exports of the Eastern European group to developing economies and purchases a slightly smaller share of the imports of the region, accounted for 75 per cent of the 1971-1973 export increment of the group and for 60 per cent of the import increment.

In all other countries of the region, the expansion of exports to developing economies slowed down noticeably compared with the preceding period, and in the German Democratic Republic and Hungary the same is true of imports. In Czechoslovakia and Poland, however, import growth accelerated from the very low (in Poland, negative) average levels of the preceding five-year period. In Poland, which over the three years experienced the most dynamic expansion in the region of imports from the convertible currency area, the growth of imports from the developing economies lagged furthest behind that of imports from developed market economies (8 per cent per annum versus 45 per cent per annum over the 1971-1973 period).

Share in total trade and geographical distribution

As trade with developing countries generally expanded more slowly than total trade of the socialist economies, the share of these exchanges in total exports and imports of the group declined during the first years of the Second Development Decade. In Eastern Europe, only Bulgaria and Romania showed a rising share of third world imports, and for the six-country group, the imports share of developing countries dropped from 6.5 per cent in 1966-1970 to 5.8 per cent in 1973, thus remaining significantly below the approximately 17 per cent share of developing countries in the imports of Western Europe. 14/ The share of developing countries

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14/ Data for the Eastern European countries somewhat understate the share of goods from developing economies in total imports since trade is reported by country of purchase and first consignment in most cases, and some developing country goods are purchased in third markets. The Soviet Union and Hungary, however, report trade by country of origin and ultimate destination.

in the total imports of the Soviet Union is considerably higher, over 13 per cent, but also shows a decline from the level of the preceding period. The corresponding export share, somewhat higher since (with the exception of Hungary) the European socialist countries are generally in trade surplus with the developing economies, also declined for Eastern Europe between the two periods under review and increased for the Soviet Union (see table 58).

The importance of the European socialist countries in the foreign trade of the developing countries in the aggregate, both as suppliers of imports and as customers for exports, also appears to have been declining over the recent past. During 1971-1972, the Eastern European centrally planned economies and the USSR purchased slightly more than 4 per cent of the developing countries exports and supplied almost 6.5 per cent of their imports, both shares fractionally lower than those observed during the preceding three years. On a regional basis, the centrally planned economies have recently been most important as a market for African developing countries, taking 6.5 per cent of their exports in 1972. This is the only region for which the socialist countries' trade share has been rising in the recent past, while the 1972 shares in total exports of the developing countries of West Asia (2.2 per cent), South and East Asia and the western hemisphere (about 4 per cent) all represent declines from past levels. As suppliers, the European socialist countries have the greatest weight in West Asia (9.1 per cent of total imports in 1972) and Africa (7.2 per cent), and are of less importance in the western hemisphere, (4.6 per cent) and South and East Asia (2.3 per cent). 15/ However, the significance of the socialist market for some individual trade partners is much higher. Thus, the European socialist countries took 50 to 60 per cent of the exports of Egypt in recent years, about a quarter of India's exports, and about a quarter to a third of the exports of the Syrian Arab Republic. 16/ The Soviet Union alone purchased 39 per cent of Afghanistan's exports in 1971-1972. 17/

The most pronounced change in the regional structure of the socialist countries' trade with developing economies during the first years of the Second Development Decade has been the rapid increase in the share of the West Asian countries in both exports and imports, especially in the imports of the Soviet Union (see table 59). The share of the North African countries in Eastern European imports also continued to increase. As several centrally planned economies have recently concluded oil import agreements with countries of these regions, and outside supplies of fuels are expected to assume an increasing role within CMEA, this trend is likely to continue.

Trade with South and East Asia and the developing countries of the western hemisphere has expanded at below average rates over the past few years. The relationship with both regions is dominated by a single partner: India, with over

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15/ Trade shares based on United Nations, Monthly Bulletin of Statistics, September 1974, special table D.

16/ Direction of Trade: Annual 1969-1973, a joint publication of the International Monetary Fund and the International Bank for Reconstruction and Development (Washington, D.C.).

17/ Vneshniaia torgovlia (Moscow), 1974, No. 9, p. 39.

two thirds of the exports and imports, on the one hand, and Cuba, supplying a third of Eastern European and 60 per cent of Soviet imports from the western hemisphere and taking a much larger share of their exports, on the other. Soviet imports from other Latin American countries grew strongly during the early 1970s, though the share of this group in total Soviet imports remains small, and several of the Eastern European centrally planned economies initiated new trade ties in the region during 1972-1973 which may bring increased trade flows in the years to come.

Trade with sub-Saharan Africa continues to occupy a relatively minor position for the centrally planned economies, with considerable volatility of the year-to-year changes. 18/ The Soviet Union is the main trading partner of the region among the socialist countries, having substantially expanded its exports (mainly to Guinea and Nigeria) at the beginning of the decade, whereas in absolute terms the trade flows with Eastern Europe are still below the levels reached during the middle 1960s. The expansion of trade with this area appears to have been impeded by the small size of markets, adaptation difficulties of socialist trade enterprises in the region, and persisting preferential ties in many countries with their former metropolitan regions, as well as by a relatively larger reliance than in the relationship with other areas on purely commercial forms of linkage and a low level of economic co-operation arrangements. 19/ Recent years, however, have seen new initiatives which should eventually generate new trade flows, such as the bauxite extraction complex built in Guinea with the aid of Soviet credits repayable in part with the products of the venture. 20/

Geographical diversification of trade

The geographical network of trade links between the centrally planned economies and developing countries continued to widen during the first years of the Second Development Decade. Several socialist countries initiated negotiations or concluded intergovernmental trade agreements with new third world partners, and in other cases, previously negligible trade flows increased substantially during the period. The most numerous initiatives towards the forging of new trade ties appear to have been directed towards developing countries of the western

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18/ It should be noted that the "Other Africa" share in the regional partitioning of trade flows may be understated as the region is the one most likely to be affected by the data imperfections which give rise to the large unallocable residual in table 59. Indirect imports (purchases in third markets) probably also are relatively more significant in the case of goods stemming from tropical Africa.

19/ For detailed surveys, see M. Paszyński, "Review of trends and prospects in trade and economic relations between socialist countries of Eastern Europe and African countries" (TD/B/505/Suppl. 1, 5 July 1974, Africa Institute of the USSR Academy of Sciences, Ekonomicheskie otnosheniia sotsialisticheskikh gosudarsty so stranami Afriki (Moscow, "Nauka", 1973).

20/ A. Ivanov, "Import SSR iz razvivaiushchikhsia stran", Vneshniaia torgovlia (Moscow), 1974, No. 9. Bauxite exports to the USSR started in 1974.

hemisphere, but several new treaty links were also reported with countries of sub-Saharan Africa and south-eastern Asia. 21/

In 1973, the Soviet Union had bilateral trade agreements with 56 developing countries and trade relationships with 72 countries, as against agreements with 23 countries and trade relationships with 43 countries in 1960. 22/ Economic and technical co-operation agreements, under which the bulk of bilateral development aid of the socialist countries is delivered and which generate return trade flows as credits are repaid with goods produced by the new installations, existed between the Soviet Union and 14 developing countries in 1960, 40 countries in 1970, and 45 countries at the beginning of 1973, when the CMEA countries jointly had such agreements with at least 65 States of the developing world. 23/ While a substantial proportion of the socialist countries' trade with developing countries is conducted without the benefit of such intergovernmental agreements and treaties, 24/ and some agreements never yield significant trade flows, 25/ the geographical spread of the network of formal bilateral agreements may be of importance for the future in the light of the pronounced preference of the socialist countries for relations based on long-run arrangements which can be taken into account in their planning procedures.

In spite of the spreading web of trade relationships, the degree of concentration of trade flows upon a limited number of partner countries continues to be very high, especially on the import side. In the imports of the Eastern European centrally planned economies from developing countries, the 10 first-ranking partners accounted for slightly under two thirds of the total value in 1973, as against a share of 72 per cent five years earlier, and in the imports of the USSR for over four fifths - slightly more than the share observed in 1968. These concentration ratios are only fractionally lowered if Cuba, with which relationships are especially intense by virtue of its membership in the socialist group and (since 1972) also in CMEA, is excluded from the numerator and the denominator, and are significantly higher than a similar concentration measure

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21/ See "Review of trends and policies in trade between countries having different economic and social systems" (TD/B/499/Supp.1, 5 August 1974; TD/B/458/Supp.1, 1 August 1973; and TD/112, 20 January 1972).

22/ A. Ivanov, "Import SSSR iz razvivaiushchikhsia stran", Vneshniaia torgovlia (Moscow), 1974, No. 9.

23/ L. Zevin, "Uglublenie razdeleniia truda mezhdu stranami SEV i razvivaiushchimisia gosudarstvami", Voprosy ekonomiki (Moscow), 1974, No. 2; S. Skachkov, "USSR economic and technical co-operation with foreign countries", Coexistence (Glasgow), November 1973.

24/ V. Gankovskii, in "Rasshirenie ekonomicheskikh sviazei mezhdu sotsialisticheskimi i razvivaiushchimisia stranami", Ekonomicheskie nauki (Moscow), 1974, No. 7, estimates that 50 to 60 per cent of the CMEA countries' trade with the third world is implemented under the aegis of such trade agreements.

25/ M. Paszyński, op. cit., notes this for several of the African treaty ties (p. 9).

computed for the developed market economies of the European Economic Community (EEC). 26/ Changes over the period in the set of leading partner countries and their ranking reflect primarily the rising importance of the trade with the West Asian group (table 60).

Though the opposite might perhaps be expected, on the export side the degree of geographical concentration is significantly lower - by about 10 to 15 percentage points in the case of Eastern Europe and even more in the exports of the Soviet Union. 27/

The high degree of geographical concentration of imports gives special significance to the suggestion in the International Development Strategy that the benefits to developing countries derived from trading with the centrally planned economies be spread more widely through greater diversification of import sources. In the light of the lower geographical concentration of the socialist countries' exports and the lagged relationship between this flow of export goods - to a significant degree credit-financed investment goods - and the return flow of imports into the socialist countries which it is expected to generate once investment projects have reached the production stage, a trend towards geographical diversification of the socialist countries' imports should perhaps be expected and may indeed already be reflected in the lowering of the Eastern European import concentration ratio.

Trade with the least developed and land-locked countries

The centrally planned economies of Eastern Europe and the USSR have trade links with many of the 25 least developed economies, though most of the trade flows are small and irregular, and in most years two or three partner countries account for the bulk of the transactions. By virtue of its location, the Soviet Union also has an important role in the foreign trade of two land-locked countries, Afghanistan and Mongolia. Though the aggregate value of trade with hard-core least developed countries is not very large, its share in the socialist countries' total third world imports - about 3 per cent for the Eastern European centrally planned economies and 3.6 per cent for the Soviet Union - exceeds the share of the least developed economies in the total exports of the third world (estimated at about 2.5 per cent in 1972). 28/

26/ See "Impact of regional economic groupings of the developed countries on international trade, including the trade of developing countries: comparison of the major groupings" (TD/131, 28 March 1972), table 3: in 1968, the first five developing country trade partners accounted for 34.9 per cent, the first 10 for 49.0 per cent, and the first 15 for 60.6 per cent of EEC imports from developing countries.

27/ See Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No. E.73.II.A.3), p. 96. The significance of the USSR export concentration ratios, however, is vitiated by the large geographically unspecified residual in the Soviet export data (see table 59).

28/ Since trade flows to and from individual countries of this group are often very small, the trade values shown here, aggregated from the national trade statistics of the socialist countries which in most cases register only the more significant flows, should be considered minimum estimates.

Eastern Europe and USSR: value of trade with least developed countries
(Millions of current dollars)

		Annual average, 1966-1970	1971	1972	1973
Exports from:	Eastern Europe	32	39	38	39
	USSR	105	132	148	135
Imports to:	Eastern Europe	27	43	39	48
	USSR	58	108	55	64

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national foreign trade statistics.

Both exports from and imports to the socialist countries in 1973 were substantially below the 1971 levels, but since the level of transactions in the relationship with this group of countries fluctuates quite widely from year to year, growth rates over short periods are not very meaningful indicators of the long-run trend, and it is perhaps more significant that the annual average value of the first three years of the decade was significantly above that of the preceding quinquennium.

The Soviet Union in recent years had trade relationships with 19 of the 25 least developed countries. 29/ Trade with Afghanistan, Guinea and the Sudan accounted for 60-80 per cent of the total. Export and import flows in excess of $1 million annually were registered also with Dahomey, Democratic Yemen, Ethiopia, Mali, Somalia, Uganda and the United Republic of Tanzania. A decline in total trade with the group after 1971 was caused by a steep drop in Soviet trade with the Sudan, following political changes in that country.

While the Soviet Union has not reported any preferential policy measures in favour of trade with the least developed countries other than the tariff concessions of 1965 applying to all developing countries, it seems that concrete bilateral arrangements with individual countries, including the granting of credits, have tended to favour the least developed group. Over the three years 1971-1973, as over the preceding five-year period, exports of the USSR to least developed countries exceeded imports by approximately 80 per cent, and thus to a larger degree than in Soviet trade with developing countries as a whole or with any regional subgroup of developing countries. This would appear to indicate that credit-based exports account for a larger share of Soviet deliveries to this group of countries. 30/

29/ R. Kotomin and M. Utkin, "Torgovo-ekonomicheskie sviazy SSSR s naimenee razvitymi stranami", Vneshniaia torgovlia (Moscow), 1973, No. 12.

30/ An UNCTAD estimate of credit disbursement by all socialist countries in 1972 shows per capita flows to least developed countries of $0.79, markedly above the per capita flows to the developing countries other than the hard-core group ($0.49). However, since over one half of the total was accounted for by aid from China and only about a third by the Soviet Union, the same relationship may not necessarily hold for Soviet aid. See "Special measures in favour of the least developed among the developing countries: review of progress in implementation" (TD/B/515, 25 July 1974).

In Eastern Europe, Czechoslovakia, Hungary and Poland are the most important trade partners of the least developed countries, with average annual imports of $9-$14 million each over the past three years. Ethiopia, Guinea and the Sudan took almost 90 per cent of the Eastern European countries' exports to the least developed group and supplied about 70 per cent of their imports from the group in recent years. Imports into the Eastern European socialist countries, with an average annual value of over $40 million, appear to have run almost 60 per cent above the average level of the preceding quinquennium - an increase almost double that shown for imports from all developing countries. In contrast to the Soviet Union, however, imports exceeded exports for the group as a whole, owing to relatively large import surpluses in Hungary and Poland.

Trade with the land-locked countries plays a very minor role in the foreign trade of the Eastern European centrally planned economies, with exports of some $7 million and imports of about $12 million on the average during the first years of the decade, both flows more than double the average levels of the preceding five years. The Soviet Union, as the main trading partner of Afghanistan and one o its transit neighbours, has a more significant engagement with this group of developing countries, with trade flows of some $60 million in each direction at the beginning of the decade and a share in total Soviet trade with developing countries approximately corresponding to the share of the land-locked group in total exports of the third world. Though the Soviet Union still exports more than it imports, exports have in recent years shown a declining trend, whereas imports - buoyed by natural gas deliveries from Afghanistan in part representing repayment of earlier Soviet credits and, in 1974, by substantial tin imports from Bolivia and coffee purchases in Uganda - have risen to a level some 70 per cent above that of the 1966-1970 period. In 1972, the Soviet Union ratified the United Nations Convention on Transit Trade of Land-locked States of 1965, and concluded special arrangements with Afghanistan to improve the speed and ease the financial burden of railroad and river transit of Afghan freight moved through the USSR transport system. 31/ In Soviet development aid programmes, special allowances have been made, in accordance with UNCTAD recommendations, for aid to transport and communications infrastructure development projects in land-locked countries, among which, in addition to Afghanistan, Nepal also benefited from road-building projects. 32/

Diversification of commodity structure

During the first two years of the Second Development Decade, the commodity composition of the exchanges between the centrally planned economies of Eastern Europe and the USSR and the States of the third world reflected the traditional pattern of trade between industrial and developing countries, the socialist economies exporting mainly manufactures and importing primarily agricultural goods and raw materials. Among the imports into the socialist countries, the share of manufactured goods - mainly consumer goods, but in recent years also some products of heavy industry - continued the steady increase begun during the preceding decade, thus conforming to one of the policy objectives set in the International Development Strategy.

31/ Kotomin and Utkin, Vneshniaia torgovlia (Moscow), 1973, No. 12.

32/ Ibid., and V. Dmitriev, "K piatnadtsatiletiiu sovetsko-nepalskogo ekonomicheskogo soglasheniia", Vneshniaia torgovlia (Moscow), 1974, No. 8.

Analysis of recent changes in the commodity structure of the European socialist countries' trade with the developing economies is handicapped by the absence of comprehensive data after 1972, when valuation shifts and the emergence of new trends on world markets are likely to have affected the trade policies of socialist countries in spite of their relatively high degree of self-sufficiency. Since 1972, moreover, and quite independently, new constellations of development pressures and trade priorities have come to the fore inside the socialist countries, with a potential bearing on their trade relations with developing economies. Rapid growth in industrial production appears to have put some strain on economically exploitable internal natural resource reserves of the CMEA group. As a result, interest in outside sources of supply for some raw materials - especially in the fuel group - was clearly on the rise in several countries, while new efforts were being made to achieve material (and import) savings in domestic production. A tight labour supply situation in several of the Eastern European socialist countries, and decreasing labour force increments in most of the others, 33/ induced efforts to satisfy domestic demand for some of the more labour-intensive consumer goods at least partially by way of foreign trade. Accelerated growth of real personal income and consumption must have stimulated internal demand for the traditional exports of the developing countries of tropical fruits, beverages and spices, per capita consumption of which was still significantly below the Western European level even in the Eastern European centrally planned economies with a presumably similar structure of consumer tastes. Some of these changes would work to raise the share of primary products in total imports, others to increase that of manufactures. How these recent trends have affected the structural parameters of foreign trade with the developing countries is not yet fully discernible.

In the exports of the socialist countries to developing economies, chemical products, machinery and other manufactures (SITC sections 5-8) have accounted for almost 60 per cent in recent years, and if a large residual category in the commodity breakdown can be assumed also to consist largely of manufactures, the share of manufactures amounted to over 80 per cent of all deliveries. The share of primary products (foods, raw materials and fuels, SITC 0-4), which was significant in the exports to individual developing countries, shows a distinct long-run downward trend for the group as a whole (from 22 per cent of the total in the early 1960s to 19 per cent in 1968-1970 and 17 per cent in 1972) (see table 61).

Almost half the manufacturing exports (37 per cent of total exports in 1972) consisted of investment goods: machinery, equipment and means of transport (SITC 7). The share of this commodity group seems to have been somewhat smaller in the exports of the Soviet Union than in those of the Eastern European countries: machinery, equipment and means of transport (division 1 of the CMEA trade nomenclature, roughly equivalent to SITC 7) constituted 32 per cent of Soviet exports to developing countries in 1972 and 25 per cent in 1973, when Soviet exports were swelled by significant food aid deliveries to third world countries. 34/ About one third of these capital goods was made up of means of transport, and another 10 per cent of mining and oil-drilling equipment. In

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33/ See World Economic Survey, 1973, Part One: Population and Development (United Nations publication, Sales No. E.74.II.C.1), chap. III.

34/ Vneshniaia torgovlia (Moscow), 1974, No. 6.

Polish exports to developing countries, output of the engineering industry constituted about 50 per cent in 1970-1973, 35/ and in the exports of the German Democratic Republic, the machinery, electro-engineering and transport equipment industries provided 64 per cent in 1972. 36/

While the share of the socialist countries in the investments goods imports of the developing countries, somewhat less than 7 per cent in the early years of the decade, is not much greater than their share in total imports of developing countries, individual countries and regions obtained much higher proportions of their capital goods imports from these sources. Thus, the European socialist countries supplied 17.2 per cent of the West Asian developing countries' investment goods imports in 1971-1972, and probably a similar proportion for the North African countries (8.5 per cent for all African countries). 37/

In the imports of the socialist countries from the developing world, the share of manufactures (SITC 5-8) continued its long-term increase in the first two years of the decade, a shift which was accelerated during the period by the unusually low expansion rate of primary goods imports (1.3 per cent per annum) while imports of manufactured goods grew at over 14 per cent annually. In 1973-1974, however, this structural shift was probably arrested since the import value of primary goods is likely to have grown at substantially higher rates than in the preceding two years.

The share of the primary product groups (SITC 0-4) in total imports declined from over 90 per cent at the beginning of the 1960s to 83 per cent in 1968-1970 and to less than 80 per cent in 1972, about half of which was accounted for by food products. Imports of foods and beverages (SITC 0-1) and crude materials (SITC 2 and 4) showed an absolute decline in value during the first two years of the decade, but this decrease was more than offset by the very rapid increase of fuel imports (SITC 3) during the same period.

Imports of food-stuffs are still concentrated on a small number of commodities - raw sugar, coffee and cocoa alone accounting for 40-60 per cent of the total value in recent years - and hence strongly affected by supply or price changes in a few important markets. Thus the lowered import levels of 1971 and 1972 are mainly attributable to the halving of Soviet imports of raw sugar, which in 1970 accounted for over one third of the total value of socialist imports in this commodity group, and the fact that the value of sugar imports rose again in 1973 to almost the 1970 level boosted the aggregate food-stuff imports for that year. Imports of other tropical food-stuffs from the developing countries grew more steadily - and substantially - during the early years of the decade. Thus, average annual volume of coffee and cocoa imports in 1972 and 1973 was 30 and 40 per cent, respectively, above the 1967-1968 level.

35/ Rocznik statystyczny handlu zegranicznego, 1974 (Warsaw, 1974), pp. 8-9.

36/ Statistisches Jahrbuch der DDR, 1974 (Berlin, 1974), p. 299.

37/ Computed from United Nations, Monthly Bulletin of Statistics, September 1974, special table D.

Per capita imports of coffee and cocoa, 1967-1968 and 1972-1973
(Kilograms)

		1967-1968	1972-1973
Coffee:	Eastern Europe	0.98	1.35
	USSR	0.12	0.15
	EEC Six	4.52	5.04
Cocoa:	Eastern Europe	0.79	0.97
	USSR	0.40	0.51
	EEC Six	1.90	1.90

Source: National statistical and foreign trade yearbooks and Food and Agriculture Organization of the United Nations, Trade Yearbook, 1972 (Rome). EEC data refer to 1971-1972.

However, a significant unexploited market potential probably still exists in the socialist countries since apparent per capita consumption levels of most of these products are further below the levels prevailing in Western European countries than could be accounted for by differences in disposable personal income between the two areas: for instance, apparent consumption of coffee in Eastern Europe, generally a "coffee-drinking" area, is only a quarter of the Western European level, and cocoa consumption only half. Even larger differences exist in consumption levels of tropical fruits. 38/ Since the income elasticity of demand for these tropical products can be assumed to be rather high and consumer disposable incomes in the socialist countries have been rising at substantial rates in recent years, the capacity of domestic markets for absorbing additional imports would appear to be large. Under the trading system of the centrally planned economies, it will depend upon governmental priorities - and probably also upon the export earnings of the socialist countries in the developing countries producing these commodities - whether the foreign currency allocations necessary to finance increased import levels will be made. In several socialist countries the allocations for tropical food imports have shown a distinct upward trend over recent years, and other countries have announced import objectives for 1975 which would imply substantial further increases in these allocations. The Soviet Union, for instance, in a statement at the third session of the United Nations Conference on Trade and Development reaffirmed import targets for several commodities first announced at the first session of the Conference, some of which have already been reached, whereas the attainment of others would appear to require, at constant prices, an increase of some 20-25 per cent in the foreign currency allocation for tropical food imports over the 1973 level. 39/

38/ For estimates of recent per capita consumption levels, see Food and Agriculture Organization of the United Nations, Agricultural Commodity Projections, 1970-1980, vol. I, part II: Projections by Commodities (Rome, 1971), pp. 187, 198, 219, 225.

39/ Proceedings of the United Nations Conference on Trade and Development, Third Session, vol. I; Report and Annexes (United Nations publication, Sales No. E.73.II.D.4), annex VIII, H. Soviet foreign currency outlays for coffee, cocoa beans and butter, tea, tropical fruits, cashew nuts and spices have remained fairly constant at about 240 million roubles from 1969 to 1973. To achieve the targets at 1973 prices, they would have to increase to almost 300 million roubles.

USSR: 1970-1973 import levels and 1975 targets for several tropical products (Thousands of tons)

	1970	1971	1972	1973	Target, 1975
Coffee	41.5	43.0	42.1	32.0	65
Cocoa beans	99.9	138.3	132.0	119.1	150
Tea	29.2	42.6	47.5	37.3	50
Citrus fruits	314.0	324.5	400.9	376.1	330

Source: USSR, Ministry of Foreign Trade, Vneshniaia torgovlia SSSR, for the years 1970 to 1973, and the USSR statement to the third session of UNCTAD mentioned in the text.

Imports of crude materials (SITC 2 and 4) from developing countries declines in absolute value between 1970 and 1972 after having grown at much below average rates during the preceding decade, and, because of its commodity composition, this component of imports is not likely to provide much impetus to future growth. Almost half of the import value in this category in 1971-1972 was accounted for by textile fibres, about 20 per cent by metal ores and scrap, and probably about 15 per cent by natural rubber - all products the demand for which has been strongly affected by the competition of man-made materials and imports of which have in physical terms expanded at very low rates or declined over the past decade. 40/ Though the output of synthetic substitutes for natural inputs is still relatively low in the socialist countries, it is expected to expand rapidly in coming years as new capacities come on line in the chemical industry, which has been a priority sector of the investment programme in most countries of the region. Demand for raw material inputs of the textile sector has been further constrained by the below-average growth of light industries in most centrally planned economies, and - a positive phenomenon - by the general shift in the structure of imports from raw materials towards the more highly-worked commodities.

Imports from developing countries of fuels - oil and natural gas - provided the dynamic element in the primary goods sector in the early years of the decade. Imports in SITC 3 increased from $45 million in 1970 to $235 million in 1972, and probably doubled in value in 1973 alone. Crude oil imports from outside the CMEA area, which had been negligible before 1970, have risen to probably well over 20 million tons by 1973, equivalent to about one third of the total crude oil imports of the Eastern European socialist countries. 41/ Soviet imports of natural

40/ See Marian Paszyński, "Wymiana handlowa Polski z krajami rozwijającymi sie," Sprawy miedzynarodowe (Warsaw), 1973, No. 7/8, pp. 64 ff.; A. Ivanov, "Import SSSR iz razvivaiushchikhsia stran", Vneshniaia torgovlia (Moscow), 1974, No. 8, p. 40.

41/ Direct crude imports of the Eastern European countries from third world sources reached about 10 million tons in 1973, or 17 per cent of their total imports, while the Soviet Union - which in turn supplies the bulk of the Eastern European requirements - imported another 13 million tons.

gas, mainly from Afghanistan and Iran, increased from $22 million in 1970 to $110 million in 1973. The growth spurt of the early 1970s in imports from the developing countries in this commodity group may well indicate a long-term trend: increases of oil requirements in the socialist countries for fuel and feedstock, spurred by the growth of the petrochemical complex and of automobile transport, appear now to outpace the expansion of supply capacities in the Soviet Union. This has resulted in a tightening energy situation in the CMEA group which is being met with efforts to pool resources for the expansion of internal supplies, but also, especially on the part of the Eastern European countries, to secure supplementary import sources in developing countries outside of the group. 42/ A number of important long-term contracts for fuel deliveries were concluded in 1973-1974 between Eastern European countries and Iran, several Arab petroleum countries, and Venezuela. It should be noted, however, that the recent import growth trends in the fuel sector do not yet reflect the adjustments of the socialist economies to the new price situation in world fuel markets.

Though the share of manufactured goods (SITC 5-8) in total imports from developing countries increased from 17 per cent in 1970 to over 20 per cent in 1972, thus continuing the long-term improvement in the structure of third world imports viewed separately, no progress could be observed during the first two years of the decade toward the IDS target of a higher share of developing countries in the total import market for manufactures (see table 62).

Rising - though still very small - levels of imports in machinery and equipment (SITC 7) were noted as several centrally planned economies imported output of the new engineering industries in developing countries, at times in repayment of earlier development credits. Thus, the USSR imported goods worth $8 million in 1972 and $14 million in 1973 in this category, mainly electro-technical equipment (cables and conductors), with India as the main trade partner. 43/ Several of the Eastern European socialist countries also reported imports in similar categories, but also in such heavy engineering products as railroad rolling-stock.

However, the most important element in the growth of manufactured goods imports was provided by the textile sector. Imports of textile yarn and fabrics (SITC 65) and clothing (SITC 84) constituted 52 per cent of the total value of manufactures in 1968-1970 and 57 per cent in 1971-1972, and expanded at an average annual rate of 16 per cent during the early years of the decade. The bulk of these imports came from North African and Asian countries. In spite of the rapid expansion of manufactured textile imports from the developing countries, however, the share of this trade component in total textile imports of the centrally planned economies showed a slight decline (from 25 to 24 per cent) between 1968-1970 and 1971-1972; the share of developing countries in textile imports from all non-socialist countries remained unchanged (at 31 per cent). Textile

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42/ See Economic Survey of Europe in 1973 (United Nations publication, Sales No. E.74.II.E.1), pp. 111-119; "Review of trends and policies in trade between countries having different economic and social systems" (TD/B/499/Supp.1, 5 August 1974), paras. 5-6, 12-14, 52-56.

43/ Vneshniaia torgovlia (Moscow), 1974, No. 8, p. 51.

imports from all directions have grown substantially over recent years, and the developing countries did not garner an increased share of the socialist market.

Trade balance and multilateralization of payments arrangements

The trade surplus of the European socialist countries with developing countries more than doubled between 1970 and 1973, when it reached a level of $2.3 billion. During the early years of the decade, the exports of the Eastern European countries exceeded their imports by almost one fifth, while in the case of the Soviet Union the excess came to over two thirds of the import volume (see table 63). The over-all surplus was rather unequally distributed among developing regions, with the highest surpluses and export/import ratios in the relationship between the centrally planned economies and the West Asian countries. All the European centrally planned economies, however, show persistent trade deficits, and increasingly large ones relative to total trade flows, with the developing economies of the western hemisphere other than Cuba. Trade of the group with South-East Asia has now swung into deficit also for Eastern Europe, while the Soviet deficit continues to increase, mainly as a result of the rising volume of deliveries, in repayment of earlier credits, from India.

The persistence of such large active balances over long time periods indicates that significant portions of the developing countries' imports from the socialist group are financed by long-term credits, but the correlation of the trade balance data with information on development credit commitments for the estimation of disbursement flows is made difficult by the large contribution of geographically unallocable residuals in the trade flows to the over-all balance (see table 63).

While the bulk of trade flows between socialist and developing countries is still exchanged under payments arrangements based on bilateral clearing accounts in non-convertible national currencies, trade and payments agreements concluded in 1973 and 1974 have in a number of cases provided for reversion to the full or partial settlement of balances in convertible currencies. In some cases, elements of multilateralization have been introduced into existing clearing account arrangements, such as the possibility of transferring active credit balances to third partners or the payment of specific types of transactions in convertible currencies. New trade ties opened with the countries of sub-Saharan Africa and Latin America generally envisage convertible currency settlement. 44/ Partial multilateralization of trade balance settlements is also the goal of the 1972 invitation of the CMEA International Bank for Economic Co-operation to developing countries to participate in transferable rouble clearings with the CMEA group. However, no information is available on the actual utilization of this possibility.

Economic co-operation programmes

The need to devote greater attention to those forms of constructive intercountry partnership which, although based on the interdependence of interests,

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44/ See "Review of trends and policies in trade between countries having different economic and social systems" (TD/B/499/Supp.1, 5 August 1974), p. 23.

represent a step beyond the traditional spheres of trade and aid is emphasized in both the International Development Strategy and the Programme of Action for the Establishment of a New International Economic Order. In this context, the potential impact of economic activities of centrally planned economies on trade with developing countries depends on a variety of measures and policies, such as (a) the inclusion in the national economic plans of socialist countries of measures designed to expand the range and increase the volume of goods imported from developing countries; (b) the curtailing of imports of raw and semi-processed materials from other sources whenever they are available on competitive terms in developing countries; (c) the granting to developing countries of technical assistance in the construction of industrial undertakings and in training of national cadres; (d) the simplification of procedures and administrative requirements when importation from developing countries is being considered; (e) the acceptance in total or partial repayment of credits granted in connexion with the delivery of plant and equipment to the developing countries, not only of traditional exports but also of the goods which are produced by those plants.

An assessment of policies of this nature calls for an analysis of (a) developments in the field of industrial co-operation, and (b) progress in reaching a significant level of economic complementarity between the two sets of economies.

Industrial co-operation

Industrial co-operation is an important aspect of economic relations among countries at the micro-economic level. Since they embrace domestic production, foreign trade flows and capital movements, co-operation projects also have a bearing on a variety of macro-economic problems. At the same time, by involving the developing country's legislative apparatus and the corresponding decision-making framework, industrial co-operation agreements show the responsiveness of the development machinery to the needs of economic growth and its receptivity to external stimuli. The experience in industrial co-operation over the past few years seems to demonstrate that differences in the legal status of enterprises and in their economic and administrative environment, or, more generally, in the strategies for economic development of the countries involved, do not impede micro-economic co-operation.

Industrial co-operation contracts are defined here 45/ to mean contracts between an industrially mature country and a developing country for the supply of specific project-oriented inputs to the latter, with the stated purpose of

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45/ See also Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No. E.73.II.A.3), p. 103.

co-operating in the disposal of a sizable part of the resulting output, either in the developed partner's home market or on third markets. 46/

Industrial co-operation between developing and socialist countries is thus a two-stage partnership. During the first period, the partner from the industrial socialist country usually delivers capital equipment incorporating specific technology, accompanied by technical assistance. In the course of the second phase - which begins when the related production processes are in motion - the developing country enterprise pays for the imported inputs by delivering to the socialist countries goods produced through their use.

Survey of agreements

In late 1970, probably less than 200 techno-industrial co-operation agreements between developing countries and centrally planned economies were in existence; 47/ four years later the number ranged from 400 to 600. 48/ This form of international partnership seems to meet several key policy objectives of the International Development Strategy: assistance for diversification of production and exports in developing countries; improved access of these products and goods to the markets of the more advanced countries; and co-operation in sharing the burden of development financing, through an appropriate link of aid, trade and production in a scheme which allows the repayment of capital loans in kind. The prospects for

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46/ By being limited to aid specifically involving production obtained through co-operation between the donor and the recipient, the present use of the term "industrial co-operation" is somewhat narrower than the definition employed in the literature of the centrally planned economies (see Analytical Report on Industrial Co-operation among ECE Countries (United Nations publication, Sales No. E.73.II.E.11)). It also diverges to some extent from that used by UNCTAD (see "Motivations, patterns, problems and prospects in industrial co-operation between enterprises of socialist and developing countries: report by the UNCTAD secretariat" (TD/B/490/Supp.1, 24 June 1974, para. 4)) since it calls for specific production links between the internationally traded inputs and outputs. Therefore, an agreement on the export from a developing country of commodities not related to the productive process for which the project-oriented inputs were imported (for example, the export of raw materials on the part of the developing country as payment for non-related imports of machinery and equipment from the socialist partner), while classified as an industrial co-operation deal by UNCTAD, will not be considered as such in the present chapter.

47/ Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No. E.73.II.A.3), table 17.

48/ See "Motivations, patterns, problems and prospects in industrial co-operation between enterprises of socialist and developing countries: report by the UNCTAD secretariat" (TD/B/490/Supp.1, 24 June 1974).

industrial co-operation between the socialist and the developing countries are improved by the possibility of applying the experience gained in implementing such agreements among socialist countries, and industrial market economies, and in such innovations in East-West co-operation as multilateral co-operation ventures involving industrially mature socialist and market economies with one or more developing country.

The geographical network of industrial co-operation agreements signed in the recent past between socialist and developing countries is extensive but uneven (see table 64). During the 1973-1974 period, to an even larger extent than during the previous two years, India and Arab countries (in particular, Algeria, Egypt, Iraq, Morocco, the Syrian Arab Republic and Tunisia) signed the highest number of reported agreements with the centrally planned economies. India entered into approximately 20 contracts while the Arab countries signed over twice that number. Latin American republics (Argentina, Brazil, Chile, Colombia, Cuba, Ecuador and Peru) also concluded a substantially larger number of agreements with the centrally planned economies than in 1971-1972, Cuba being particularly active. The countries of sub-Saharan Africa, on the other hand, entered into fewer co-operation deals during the period 1973-1974 than during the preceding two years. Among the nations from this region which signed agreements with socialist countries are Chad, Nigeria, Kenya, Rwanda, Zaire and Zambia. Together with India, Afghanistan, Indonesia and Pakistan, one of the Asian countries most actively engaged in this form of co-operation with Eastern European countries is Bangladesh. 49/

On the centrally planned economies side, the geographical pattern is similarly uneven, but seems, to some extent, to mirror the shares of the different countries in total credit commitments to developing countries. Together with the USSR and Czechoslovakia, which have thus far signed the highest number of agreements with the most diversified range of partners, Hungary and Romania were also very actively engaged in industrial co-operation in the period 1973-1974. Hungary is an especially good example of a country where domestic full employment conditions and the need to widen the sources of imported raw and semi-processed materials favoured a more intensive participation in international division of labour. 50/

Engineering, food processing, power machinery and equipment, together with oil, gas and petrochemicals are the production sectors upon which industrial

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49/ It should be noted that a simple frequency count of the type employed here has to be interpreted with some caution. The existing tabulation is likely to be incomplete, and the economic significance of the various contracts varies considerably. Unfortunately, the available data do not permit the required weighting by value of the ventures under consideration.

50/ For a comprehensive survey of co-operation agreements signed by centrally planned economies with developing countries in 1973, see L. Zevin, "Uglublenie razdeleniia truda mezhdu stranamy SEV i razvivaiushchimisia gosudarstvami", Voprosy Ekonomiki (Moscow), 1974, No. 2, pp. 102-111. The working definition of "industrial co-operation" used in Zevin's article is somewhat broader than that employed here, which is restricted to agreements which call for repayment in kind of the initial loan.

co-operation agreements between developing and socialist countries seem to have concentrated in the recent past. This sectoral pattern reflects both the typical domestic demand and supply conditions of the developing partners, as well as the type of export specialization (engineering, power-generating machinery and equipment etc.) and import needs (oil, gas, tropical foods and labour-intensive items in general) of their socialist counterparts.

Approximately the same sectoral distribution is found when the present analysis is extended to survey multilateral industrial co-operation agreements between enterprises in developing, socialist and market countries. Although the number of tripartite contracts is still rather small, this type of international partnership seems promising. During the first two years of the Second Development Decade examples at the enterprise level were recorded in Algeria (involving Czechoslovakia and France), India (one with the participation of a Czechoslovak firm and an Italian firm and another with the co-operation of Romanian and French companies) and Peru (involving Czechoslovakia and the United Kingdom). Tripartite industrial co-operation contracts reported during 1973-1974 involved Iraq (with Hungary and France), Morocco (with Poland and the Federal Republic of Germany) and the Sudan (with the participation of Romanian and United States firms).

Reasons for increased industrial co-operation

Several factors interacted to produce the intensified co-operation activity of recent years. The economic plans of the Eastern European countries in the first half of the 1970s, and their more recent investment policies were premised on a more intensive participation in the international division of labour. Indeed, the economies of all these countries became more dependent on imports, including those from non-socialist suppliers. 51/ On the financial side, international economic policy of the socialist countries was directed towards the gradual replacement of bilateral agreements by multilateral arrangements providing for at least partial settlement in convertible currencies: to this end, exploratory talks were held with the African Development Bank and the Andean Development Corporation. 52/ With the creation of the preconditions for a more rational price structure in interenterprise transactions, the multilateralization of payments should have a beneficial impact on the prospects of co-operation agreements in general. Furthermore, the objective evaluation of the micro- and macro-economic implications of international ventures should improve the quality of this type of international partnership.

The implementation of the CMEA Comprehensive Programme for the expansion of economic co-operation among socialist countries, adopted in July 1971, seems to have stimulated specialization and co-operation at both the subregional and the world-wide levels: economic, scientific and technological partnership has been

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51/ See V. N. Kirichenko, "The planning of industry in the European socialist countries: conclusions for developing countries", paper presented to the United Nations Committee for Development Planning, at its tenth session (E/AC.54/L.65, 31 January 1974).

52/ See Council for Mutual Economic Assistance, Obzor deiatel'nosti SEV za 1973 god (Moscow, 1974).

pursued within a wider framework of comparative advantage. The long-run impact of the Comprehensive Programme upon co-operation with developing countries cannot yet be evaluated. It should be noted, however, that the Programme makes it possible for any non-member country to participate fully or partly in the implementation of its specialization measures. In 1972, Cuba joined CMEA and in the following year Democratic Yemen, Iraq and Mexico expressed interest in or began talks on establishing regular contacts with the organization. The establishment of a special CMEA development credit fund in 1974, which is eventually to amount to 1 billion transferable roubles, is also relevant in this context. 53/

New forms of co-operation

In recent years, the forms of economic partnership between socialist and developing countries have undergone further development and diversification, suggesting that a certain degree of institutional flexibility has already been attained. The following modes of co-operation can be distinguished: (1) subcontracting, (2) joint ventures and (3) co-production agreements.

Subcontracting is the most commonly met form of industrial co-operation: the industrial enterprise in the developing country agrees to produce and deliver a specified quantity of raw materials, semi-manufactured or, whenever possible, finished goods produced on the basis of documentation, know-how, machinery, and occasionally of product components, provided by the contractor in the socialist country. A rapidly expanding type of international co-operation, subcontracting has been the focus of interest for its operational flexibility. Developing countries in which productivity in the manufacture of certain components is high have opted for this type of partnership: one example is India's agreement with the USSR for the supply of electric motors and simple gears. 54/ In other instances, industrial enterprises in developing countries have preferred the subcontracting formula as a means enabling them to reach economies of scale for certain lines of output requiring highly specialized machinery and labour even though the domestic market is severely limited: India's agreement with Czechoslovakia for the supply of railroad equipment is an example. From the socialist countries' point of view, the inability of production capacities in some sectors - e.g., the textile branches in Hungary and Czechoslovakia - to meet rapidly rising domestic demand favoured subcontracting co-operation, especially when the required investment for the expansion of domestic capacity was considered uneconomic given the industrial specialization strategy adopted by the country concerned.

Two basic forms of joint ventures feature in the agreements signed in 1973-1974 between the socialist and the developing countries: the more common

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53/ For an evaluation of the expected impact of the new fund on developing countries, see A. Orosz, "New phenomena in economic relations between CMEA and developing countries", Külgazdaság (Budapest), August 1974 (in Hungarian).

54/ See I. Kopranov, "Ekonomicheskoe i technicheskoe sodeistvie SSSR zarubezhnym stranam v 1973 godu", Vneshniaia torgovlia (Moscow), 1974, No. 5 (May 1974).

and longer-lasting "equity ventures" and the "contractual ventures". 55/ In both cases all partners share the risks and rewards of the undertaking and retain influence over the basic decisions made within the undertaking. The essential differences lie partly in the duration of the partnership and, more important, in the fact that contractual joint ventures seem to have been used more intensively in those developing countries (Algeria and Cuba, for example) which have set limitations on private or non-resident ownership of the means of production.

An equity venture with a developing economy often represents a practical formula for establishing business relations with countries where rigidities in the structure of the domestic market or in trade policies preclude other forms of economic partnership. Developing countries seem to have found the association with enterprises from socialist countries especially helpful when the activities of the joint undertaking would otherwise have been unprofitable, overly risky - perhaps because of unpredictable operational difficulties - or too capital-intensive. These problems are exemplified in the Czechoslovak joint venture agreements for the exploitation of raw material resources in some developing countries (e.g., oil and gas in Afghanistan, bauxite in Guinea). 56/

The third form of techno-industrial co-operation, co-production, involves specialization by each partner in the production of either certain components of a final product (which is then assembled by one of them, each satisfying the requirements of the local market) or a limited number of items which are then exchanged to complete each partner's range of products. Although recent experience in this area is rather limited, co-production has received wide attention in Eastern Europe because, more than other forms of industrial co-operation, it contributes directly to the strengthening of economic complementarity between the partner economies. Examples of interdependence in production and stability in trade flows generated by co-production are found in the agreements signed between Cuba and several socialist countries for the production of various labour-intensive components of advanced machine tools and electrical equipment. 57/

Some persistent problems

Experience in the area of industrial co-operation during the early years of the Second Development Decade seems to indicate that a favourable climate is being created for a further implementation of some of the objectives of the International Development Strategy. Nevertheless, a number of factors still

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55/ The dividing line between joint ventures and other forms of industrial co-operation is sometimes difficult to establish. For a discussion, see the UNCTAD study, "Motivations, patterns, problems and prospects in industrial co-operation ...", mentioned above.

56/ See "Special measures in favour of the least developed among the developing countries: review of progress in implementation" (TD/B/515/Add.1, 24 July 1974), pp. 7-8.

57/ Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 24 February 1974.

constrain the scope, volume and dynamics of industrial partnership between centrally planned and developing economies.

Two major problem areas exist: one resulting from the difference in the level of industrial maturity between the countries involved; the other reflecting rigidities in their economic and trading patterns which impede access to their respective markets. The latter concerns both legal impediments and barriers created by the mutual inexperience of socialist and developing country partners with each other's economic system.

Differences in the levels of industrial development have affected the size of plant, which in some ventures was not large enough to ensure an economic scale of production. In other instances, plant design proved to be inappropriate for the particular needs of the co-operating developing countries. 58/ Production costs have proved to be high because of discrepancies between estimated labour costs and effective manpower productivity, scarcity of local management personnel and lack of acquaintance with the long-term approach to industrial production in the developing countries.

The low degree of mutual adaptability in the economic decision-making processes also has affected industrial co-operation. Enterprises in the centrally planned economies which implement production partnership agreements with developing countries have sometimes proved too large in size and scope of operations, and too specialized to handle small transactions with many markets requiring frequent deliveries in small lots. 59/ Such enterprises have not always responded efficiently to the needs dictated by local conditions which often require relative self-sufficiency and an ability to cope with unforeseen difficulties. At the same time, examples of discriminatory treatment of enterprises of socialist countries on the part of developing countries appear to be numerous. The most commonly applied forms of restriction concern higher tariffs and special licensing régimes for commodities traded with centrally planned economies. 60/

58/ This is apparently the case of some African countries, where climatic and other conditions vary to such an extent from those of Eastern Europe that the direct transplant of existing technologies in some instances turned out to be impossible or very costly. See "Major issues arising from the transfer of technology: a case study of Ethiopia" (TD/B/AC.11/21).

59/ The complaints of developing countries include long delays in shipment of goods ordered, especially of spare parts for machinery and equipment; insufficient facilities for after-sale servicing; the supply of products whose technical characteristics are different from those to which local customers are accustomed (see "Review of trends and prospects in trade and economic relations between socialist countries of Eastern Europe and African countries: a study prepared by M. Paszyński, Foreign Trade Research Institute, Warsaw" (TD/B/505/Supp.1, 5 July 1974); and "Major issues arising from the transfer of technology: case studies of Spain, Hungary, Chile, Ethiopia" (TD/B/AC.11/17, 18, 20 and 21, respectively).

60/ For example, one East African country applies its highest tariff rates to imports from socialist countries; several other African nations require either specific licensing for exports to the same area or apply a stringent licensing régime for all imports originating in centrally planned economies. See International Monetary Fund, Twenty-fourth Annual Report on Exchange Restrictions (Washington, D.C., 1973), pp. 190-191, 284-285, 409-410.

Because of the policy measures recently introduced in Eastern Europe and aimed at improving the efficiency of resource allocation, an expansion of their international economic activities was to be expected. In 1973-1974, however, under the impact of this new cost-consciousness, the trade organizations of certain socialist countries became concerned about their ability even to maintain the existing level of industrial co-operation with certain developing countries unless the production ventures in question attained higher efficiency. In the longer run this may prove beneficial in so far as it generates additional pressure for an increase in productivity in the developing countries. 61/

Complementarity

One of the beneficial effects of industrial co-operation is its potential contribution to lasting mutual adjustments, with a trade-creating complementarity between the co-operating economies. At the national level, the structural modifications brought about by these production and trade programmes may eventually lead to a more efficient allocation of resources, reductions in unit cost and more rapid technological progress. At the international level, complementarity means a fuller integration of production potential and as a result an acceleration in the growth of trade.

The linking of internal and external economic environment implied in all complementarity schemes is important to developing countries with limited resources and domestic markets. In the economically more mature countries which have reached the limits of import substitution, it opens up the possibility of international specialization. At the same time, it permits the less advanced countries to telescope the traditional sequence of industrial stages, and to include in their development strategy activities that would otherwise be beyond the limits of local resources and demand.

Complementarity is of advantage to the socialist countries also. Given the planned nature of their economies, confidence on the part of their decision-makers about future deliveries from abroad provides a firm element for domestic planning, without sacrifice of comparative cost criteria.

Complementarity of industries between the socialist and developing countries is still at an early stage of application, lacking systematic consideration and consistent policy. In both sets of countries there is a need for the formulation of foreign trade and co-production policies based on a long-term conception of international specialization, and for operational measures capable of translating existing opportunities into realities. During the 1973-1974 period the benefits of industrial complementarity were apparently felt most in developing countries that have chosen extensive and advanced long-term planning techniques to further their economic development - such as Algeria, Chile, Cuba, India, Mexico and Peru. Indeed, the economic system of such countries has enabled the Governments to guarantee the fulfilment of mutual commitments and to co-ordinate the selection of those branches to be expanded through industrial co-operation, thereby furthering the general objectives established in the national development plans.

61/ "Review of trends and policies in trade between countries having different economic and social systems" (TD/B/499/Supp.1, 5 August 1974).

In the socialist countries, initiatives for increasing complementarity of production originated at different levels of the economic system during recent years, and under the impact of a variety of causes. In the USSR, for instance, measures seem to have been taken mainly by the central authority, by means of the medium-term plan, in order to implement the government strategy for higher efficiency in domestic production and a greater involvement in international trade. A more careful assessment of the profitability of foreign transactions appears to have been the main concern of countries like Hungary and Poland, traditionally very dependent on external trade, which have carefully monitored their export and production programmes. In Czechoslovakia, the reassessment of the criteria used in project evaluation seems to have shown that higher economies of time and cost could be attained through stable imports based on complementarity schemes than through the domestic commissioning of new capacities.

The rapid expansion of credit commitments to developing countries apparently prompted Czechoslovakia, Poland, and even more Romania, to take an active role in the search for imports obtainable under co-production schemes. In Romania, the national economic plan for 1974 and the directives for the 1976-1980 quinquennium envisage a reduction of domestic activities in certain lines of production progressively absorbed by industrial co-operation agreements, indicating that these adaptations are to acquire a permanent character.

A survey of the branch structure of co-operation agreements negotiated during recent years indicates that the interest of developing and socialist countries in interbranch complementarity was determined by different although converging reasons. The chemical industry appears with the highest frequency among the co-production agreements, important because of its high linkage effects on industrial structure. However, given the extraordinary capital intensity of these programmes and their concentration in only a few developing countries, the significance of these agreements in the context of the International Development Strategy is rather limited.

Metallurgy, which holds a prominent place in the development plans of both socialist and some developing countries, also has a rather high share. At a time during which specialization is being pushed forward both within and outside the CMEA area, the agreements regarding imports of rolled steel, rails and railway rolling-stocks from countries such as Algeria, India and Morocco, point to promising prospects in this field.

In most developing countries the iron and steel industries are being built on the basis of vertical integration, thus aiming at progressively higher degrees of metal transformation. As the Comprehensive Programme called for a progressive and substantial narrowing of the metal manufacturing assortment and the concentration of production in those branches where high technological progress and productivity gains can be achieved, there clearly are opportunities for the developing countries to become suppliers to the socialist countries of some of the products phased out by the latter, especially in the manufacturing of simple tools and semi-processed metal goods (barrels, pipes, corrugated steels). A similar opportunity arises in connexion with the large-scale housing programmes undertaken in many socialist countries under the ongoing mid-term plans. 62/ Although the output of construction materials in the CMEA countries

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62/ See World Economic Survey, 1973, Part One: Population and Development (United Nations publication, Sales No. E.74.II.C.1), p. 66.

is planned to grow proportionately, several co-operation agreements aimed at complementarity have been signed for the production by developing countries of certain interior installation elements, heating and air-conditioning equipment, floor covering, metal fitting and insulation materials, the domestic production of which still seems to be lagging in some socialist countries.

The textile industry is leading among the consumer-oriented activities covered by complementarity schemes. During 1973-1974, the policies of some developing countries oriented towards increasing the exportable supply of specialized output seem to have matched the shift in a number of socialist countries away from the further expansion of labour-intensive lines of production. Among the centrally planned economies, Hungary now concentrates home production on higher-priced items and plans to import a significant portion of textiles and clothing products from Bangladesh, Egypt and India under long-term agreements. The German Democratic Republic and the USSR also have entered into arrangements with the same countries for specialization and co-ordination in the production of textiles, while similar possibilities have been recognized to exist in the leather and rubber industries and in the food-processing area. 63/

Economic aid policies

General observations on aid policy

The USSR and the socialist countries of Eastern Europe provide most of their aid to developing countries on a bilateral basis, though a small proportion is distributed through United Nations channels, in the form of contributions to the International Children's Fund (UNICEF) and UNDP. In 1974, however, a new outlet for multilateral aid delivery was created by the member countries of CMEA with the establishment of a Special Fund for development credits in the framework of the International Investment Bank of CMEA.

Development aid of the European socialist countries and the USSR is provided chiefly in the form of long-term state loans, based on intergovernmental aid and co-operation agreements. Credits are tied to specified projects and they finance machinery and equipment deliveries, construction expenditures and the services of experts from the donor countries. The usual repayment period is 12 to 15 years, starting one to three years after the delivery of the investment goods or the completion of the project. Interest in normally at 2.5 to 3 per cent per annum, and repayment is frequently accepted in local currency or in traditional export goods of the developing country and, in some cases, in the form of the output produced by the project aided with the development loan. 64/ The grant element in this form of aid has been estimated at 25 to 45 per cent, depending on the time lags between commitments and disbursements. 65/

63/ See, for example, Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 5 November 1973 and 22 March 1974, and Ekonomicheskaia gazeta (Moscow), 10 May 1973.

64/ N. V. Faddeev, Sovet ekonomicheskoi vzaimopomoshchi (Moscow, "Ekonomika", 1974), pp. 290 ff.

65/ Organisation for Economic Co-operation and Development, Flow of Resources to Developing Countries (Paris, 1973), p. 415.

In addition to long-term governmental loans, the socialist countries provide, through their state trading agencies, short- and medium-term "commercial" credits with maturities up to eight years and interest rates ranging from 4 to 8 per cent and a grant element varying between 11 and 21 per cent. Only the longer-term loans of this type are included in the credit commitment data discussed below.

Grants constitute a relatively small part of the European socialist countries' development aid - about 5 per cent during the First Development Decade, and perhaps a slightly higher share during recent years as various natural and economic calamities in developing countries called forth gift transfers of food and other emergency aid. 66/ As a rule, grants are provided only for emergency relief, scholarships, hospitals, and agricultural machinery and equipment.

Almost all aid flows from the Soviet Union take the form of intergovernmental development loans, whereas those from Eastern Europe tend to be on somewhat harder terms since several of these countries provide a larger share of their aid financing through "commercial" credits. 67/

The official preference of the socialist countries for aid in the form of credits over grants and gifts is based on the conviction that only arrangements which are of some benefit to both contracting parties can provide the basis for equality of the partners and satisfactory long-term relationships.

Under the full employment conditions prevailing in the socialist countries, the opportunity cost of capital transfers is substantial. Stimulation of foreign demand for domestic output cannot be a motive for aid extensions since in these countries the growth-limiting factors have usually been on the supply side. The internal rate of return on capital in the centrally planned economies is still very high - on the order of magnitude of 10 to 15 per cent - and, in spite of very high rates of investment, funds are chronically short for the completion of scheduled projects. Under these circumstances, investments of the socialist countries in development aid projects with long gestation and repayment periods and at the prevailing low interest rates, even though they are offered in the form of repayable credits rather than as grants, are financed only at a substantial cost in terms of domestic projects forgone or postponed.

In addition to the commitments to developing economies compiled below, the USSR and the centrally planned economies of Eastern Europe also extend development aid to Cuba and the socialist countries of Asia which in many respects face problems similar to those of other third world countries. The volume of loans, grants and technical assistance provided to these States by the other countries of the socialist group substantially exceeds the total commitments to developing market economies. Thus, three times as many industrial and other enterprises have been built with Soviet technical and financial assistance in other socialist

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66/ The value of grants provided by the socialist countries is often hard to establish since these transfers are most frequently reported in physical terms. The data compilation below for recent years includes grants from almost all socialist countries to Bangladesh and the countries of the Sahelian drought belt.

67/ For prevalent credit terms of the centrally planned economies, see USSR Academy of Sciences, Africa Institute, Ekonomicheskie otnosheniia sotsialisticheskikh gosudarstv so stranami Afriki (Moscow, "Nauka", 1973), pp. 93 ff., 131 ff., 145 ff., 157 ff., 204 ff.

countries during the 1945-1972 period than in the developing market economies, 68/ and a roughly similar relationship has been estimated for the net disbursements of the European CMEA countries on development aid to socialist and non-socialist developing countries during 1970-1971. 69/ Here, too, an opportunity cost arises in that the expansion of funds extended to third world countries has undoubtedly tended to limit the aid flow that could be channelled to the less developed socialist countries.

To stress the importance of these problems is not to deny the economic advantages, apart from any political considerations, which have offset, at least to some extent, the cost of the aid rendered to developing economies. Among the economic motivations for aid there has been a desire to promote expansion of foreign trade, including higher imports from credit-receiving countries and the assurance of steady supplies at stabilized terms of trade. In recent years, the orientation of Soviet and Eastern European development aid has increasingly turned from the promotion of import-substituting production in the developing countries to the stimulation of export-oriented output, with a focus on creating complementarities in the production structure and furthering export lines which would have a market in the socialist countries themselves. In the sectoral structure of aid allocations, this trend is partially reflected in the somewhat reduced weight of aid to manufactures in the total, on the one hand, and in an increased share of contributions to mineral and fuel exploration and exploitation, on the other. Repayment of loans is increasingly accepted in output of aided projects, and the return flow of such imports - non-ferrous metals, natural gas, crude oil and oil products and textile products as well as such agricultural products as oil-seeds, rice and tea - increasingly figure in the plan calculations of the socialist countries as a means of satisfying certain domestic demands. As the aid programmes of the socialist countries mature, these return flows financed by loan repayments assume an increasing role in the over-all trade balance. Thus, in the Soviet Union, deliveries on account of credit repayments were expected to constitute one half of total imports from developing countries in 1973. 70/

Multilateralization of development aid

Development assistance delivered under multilateral auspices constituted a very small part of the total aid effort of the European CMEA member countries during the first years of the Second Development Decade. The contribution of the USSR and the Eastern European socialist countries to the United Nations Development Programme in 1973 was the national currency equivalent of $6.3 million and that to the United Nations Children's Fund another $1.5 million, which jointly amounted to about 0.4 per cent of the total aid commitments of these countries in the same year.

68/ Narodnoe khoziaistvo SSSR v 1972 g., (Moscow, 1973), p. 743.

69/ Organisation for Economic Co-operation and Development, Flow of Resources to Developing Countries (Paris, 1973), pp. 409-410.

70/ S. A. Skachkov (Chairman of the State Committee of the USSR Council of Ministers for foreign economic relations), "Sotrudnichestvo SSSR s zarubezhnymi stranami", Partiinaia zhizn' (Moscow), 1973, No. 16 (August 1973, p. 13. If the expectation was met, development credit repayments financed about 5 per cent of total imports of the USSR in 1973.

An important step towards multilateralization of aid delivery was taken with the decision of the member countries of the International Investment Bank (IIB) of CMEA in April 1973 to establish a Special Fund for development aid of one billion transferable roubles ($1.3 billion at the 1973 exchange rate), with 5 per cent of the total contribution to be paid in convertible currencies. The Fund started operating under the administration of IIB on 1 January 1974. During the first three years, i.e., before the end of 1976, the signatories of the founding agreement will deposit with IIB an initial contribution of 100 million transferable roubles ($135 million). 71/ The Fund will grant long-term loans with maturities up to 15 years at low interest rates to non-socialist developing countries for the construction, reconstruction or modernization of enterprises in all fields of economic activity. Recipients of the loans will be the national banks and other resident banks of the developing countries and enterprises of the state and co-operative sector. Private sector firms may also be granted loans, though this apparently is to be an exception requiring separate consideration by the IIB Council.

In another action, the member countries of CMEA decided at the twenty-seventh session of the Council in June 1973 to establish a special stipend fund for the multilateral financing of the training of personnel from developing countries in academic institutions of the socialist group. The expenditures of this fund, which is to be administered by the CMEA secretariat and went into operation with the 1974/75 academic year, are to provide training fellowships supplementary to the regular national efforts of the European socialist countries in this area. 72/

New financial aid commitments

Development assistance of the socialist countries to the economies of the third world appears to have gathered considerable momentum during the first years of the Second Development Decade. While available data do not permit an estimate of the actual flow of disbursements under the socialist countries aid programmes, the direction (if not the precise magnitude) of change is almost certainly reflected in the approximate doubling of the average annual export surpluses in the trade of the Eastern European countries and the USSR with developing countries between 1966-1970 and 1971-1973. 73/ An increase of almost this order

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71/ Sovet ekonomicheskoi vzaimopomoshchi - 25 let (Moscow, Sekretariat SEV, 1974), p. 111. Signatories to the agreement are the Soviet Union, the six Eastern European centrally planned economies and Mongolia. Cuba acquired full membership status in IIB only in early 1974 and is not mentioned as a party to the agreement.

72/ Ibid., p. 112, and Faddev, op. cit., p. 373.

73/ The net average annual export surplus in the trade of Eastern Europe and the USSR with developing countries excluding Cuba increased from $0.7 billion during 1966-1970 to $1.4 billion during 1971-1973. The net balance, however, also reflects deliveries for commercial credit and those paid for in convertible currencies, as well as the offsetting export deficits, probably also settled in convertible currencies, which are substantial in trade with certain regions of the developing world (Latin America, South and East Asia). The interpretation of these data is further complicated by the large contribution to the surplus of the geographically undistributed residual in the data on Soviet trade with developing countries (see table 63).

of magnitude in the socialist countries' development aid engagement is revealed also in the data on new credit commitments, on which the discussion below is based.

During the first three years of the Second Development Decade, the USSR and the centrally planned economies of Eastern Europe were reported to have extended new economic aid commitments of at least $4.6 billion to the developing countries. Incomplete data for 1974 add to this another $1.5 billion, for a combined total of at least $6.1 billion. 74/ The annual average of new commitments for 1971-1973 of $1.5 billion ran at almost twice the level of the preceding five-year plan period (see table 65) 75/ and appear to have been rising steadily year after year, in contrast to the past decade when these data displayed some cyclical features as large new engagements at the beginning of a five-year plan period tended to be followed by several years of reduced activity. 76/

Reported new aid commitments of China totalled $1.4 billion during the first four years of the decade and, in terms of annual averages, ran at three times the level of the 1960s, thus maintaining the substantial increase which was initiated in 1970 with the Chinese engagement in the construction of the TanZam railroad project.

The Soviet Union continues to be the main donor country among the European centrally planned economies, pledging over 60 per cent of the 1971-1974 commitments. Romania was much the largest donor among the Eastern European countries, followed at some distance by Czechoslovakia and Poland.

New credits were offered during 1971-1974 to 42 developing countries, of which 22 were in Africa, 12 in Asia and 8 in Latin America. With over $1.8 billion in aid commitments each, the developing countries of North Africa and West Asia remained, as in most previous years, the major aid recipients of the centrally

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74/ Data on development credit commitments have been aggregated from reports on individual engagements given in a number of sources and originally expressed in various currencies. Commercial credit transactions have not been included, and aid commitments to Cuba, which constitute a substantial part especially of the Soviet aid effort, are not covered for lack of data. Since it is likely that significant credit engagements may have been missed during the data gathering, the reported totals should be considered minimum estimates. On the other hand, it is difficult to derive reliable disbursement estimates from the commitment data since it is probable that not all of the reported commitments actually result in disbursement flows: some of the proffered credit lines may have been later cancelled in altered political circumstances (e.g., the credit extensions to Chile included in the present totals), and others may never have been drawn down as intended investment projects were altered or abandoned.

75/ Data originally expressed in various donor, recipient or third country currencies were converted to dollars at the current exchange rates, and hence the increase in the dollar value of new commitments in part reflects the dollar devaluations of 1972 and 1973. Expressed in transferable roubles, the increase over the 1966-1970 period is about 80 per cent.

76/ See Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No. E.73.II.A.3), table 15, for annual aid commitment data, 1960-1972.

planned economy donors, each area's share accounting for about one fourth of the total aid extensions during the period. The Latin American countries were pledged 22 per cent, or $1.7 billion, of the total and nearly 90 per cent of these commitments were channelled to two Latin American countries, Argentina and Chile. The developing countries of South and South-East Asia were offered credits of $1.2 billion, or 16 per cent of the total, while countries of sub-Saharan Africa received commitments of almost $1 billion, or about 13 per cent of the total (see table 66).

As in previous years, the bulk of the aid allocations of the socialist countries was concentrated on a small number of beneficiaries. Seven of the 42 recipient developing countries obtained $4.8 billion in credit commitments during 1971-1974, or about two thirds of the total. 77/ For the first time this group included two Latin American countries (apart from Cuba which is not shown but has probably been among the leading recipients since the early 1960s).

The credit commitments to least developed countries totalled $974 million for the 1971-1974 period, as compared with $490 million during the preceding quinquennium, and the share of this group in the total aid increased (from 10 to 13 per cent). Whereas during 1966-1970 only six of the 25 least developed countries were among the aid recipients, during 1971-1974, 13 received grants or were pledged credits from the centrally planned economies. The largest amounts were extended to Afghanistan ($206 million), the Sudan ($137 million), Somalia ($110 million), Ethiopia ($84 million), Guinea ($81 million), Chad ($57 million) and Dahomey ($44 million). Bulgaria, China, Czechoslovakia, Romania and the USSR all provided aid to one or more of the least developed countries during the early years of the Second Development Decade, in several instances in the form of grants.

The aid of the CMEA countries to the developing nations is primarily directed towards key industrial activities at the core of the national economy where it can accelerate the rate of growth. Hence heavy industry accounts for about three fourths of the credits given by socialist countries of Eastern Europe and the USSR.

During the 20 years from 1954 through 1974, nearly 2,900 projects were completed or initiated with the assistance of the CMEA countries in 63 developing nations. By 1974, two thirds of them were in operation. In 1973 alone, the CMEA countries concluded 135 new agreements on economic and technical co-operation with developing countries. 78/

Among the CMEA countries, the USSR made the largest contribution to meet the development needs of developing countries. From 1954 to mid-1974, the credit commitments of the USSR totalled more than $10 billion of the approximately $19 billion committed by all socialist countries. Under technical-economic co-operation agreements concluded between the USSR and developing countries up

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77/ In descending order of significance with total aid commitments in parentheses: Egypt ($1.2 billion), Argentina ($0.8 billion), Iraq ($0.7 billion), Chile ($0.6 billion), Iran, India and Algeria (about $0.5 billion each).

78/ V. Kotov and V. Kozmenko, "Sotrudnichestvo stran SEV s razvyvaiushchimisia stranami", Mezhdunarodnaia zhizn' (Moscow), 1974, No. 8.

to 1 January 1973, the Soviet Union had assumed obligations towards the developing countries for the construction of 1,077 enterprises, of which 515 enterprises had been put into operation. 79/

While during the 1966-1970 five-year plan period the Soviet Union took part in the construction of 180 industrial projects in developing countries, during the first half of the present decade it is aiding the building of about 360 such projects, 80/ including, in particular, ferrous metallurgy, electric power, oil extracting and refining industries and engineering. These enterprises will produce annually 13.6 million tons of pig iron, 16 million tons of steel, 12.3 million tons of rolled steel, 11.6 million tons of crude oil and 6.5 million kilowatts of electric power. 81/

The bulk of 1971-1974 Soviet credit extensions went to Egypt and Algeria ($696 million and $189 million, respectively), and to Iraq and Iran (with $432 million and $396 million). New commitments to Argentina amounting to $600 million, to Chile of $314 million and to Mexico of $87 million represent the new Latin American engagements. Among the other credits offered by the USSR to developing countries, the biggest ones were to India ($400 million for wheat), Pakistan ($200 million) and Afghanistan ($133 million) (see table 67).

Credits pledged by the Soviet Union and other centrally planned economies to Cuba are not included in the data. In December 1972, Cuba and the USSR concluded a new economic co-operation agreement which has been reported to provide for a new $330 million Soviet credit for capital development during the period 1973-1975; the deferral until 1986 of the accumulated Cuban debt to the Soviet Union through 1972, including trade deficits and unpaid credits, with repayment to stretch over the following 25 years without interest; 82/ and for new credits to cover Cuba's 1973-1975 trade deficits, also to be repaid without interest after 1986. The agreement also provides that from 1973 until 1980 the Soviet Union would pay the equivalent of 11 cents a pound for Cuban sugar, i.e., five cents more than the old price established between the two countries in 1963. 83/

79/ Recipient countries (with the number of enterprises in parentheses included: Algeria (36), Afghanistan (58), Burma (5), Cuba (103), Ghana (5), Guinea (15), Egypt (84), Ethiopia (23), India (39), Indonesia (8), Iraq (42), Iran (27), Mali (10), Nepal (6), Sri Lanka (6), Syrian Arab Republic (13), Somalia (13), Sudan (6), Tunisia (3), Yemen (9) (Narodnoe khoziaistvo SSSR v 1972 g. (Moscow, 1973), p. 743).

80/ Mezhdunarodnaia zhizn', 1974, No. 8, p. 147.

81/ Narodnoe khoziaistvo SSSR v 1972 g. (Moscow, 1973), p. 745.

82/ Although neither Cuba nor the Soviet Union have ever disclosed the total of Cuba's debt and interest accumulated since 1962, unofficial estimates put it at over $4 billion, military aid excluded (The New York Times, 4 January 1973). The recorded trade deficit of Cuba with the centrally planned economies of Eastern Europe and the USSR accumulated over the period 1961-1973 amounts to $2.95 billion.

83/ In 1963, the world market price for sugar was above 8 cents a pound, but it fell to 2 cents or less between 1965 and 1968 and remained below 6 cents until 1972. The average 1973 price was 9.6 cents, but since that time it has more than trebled. The stable sugar price on deliveries from Cuba to the Soviet Union thus involved a substantial subsidy for much of the 1963-1972 period.

Among the socialist countries of Eastern Europe, Hungary, Poland and Romania substantially increased their credit commitments to developing countries during 1971-1974 over the level of the preceding five-year period, while Bulgaria and Czechoslovakia's annual average aid commitments remained essentially unchanged. Only the German Democratic Republic decreased its credit commitments compared with the 1960s (see table 65).

Nearly two thirds of the new Eastern European aid commitments went to countries of North Africa and West Asia, while other African countries received approximately 7 per cent and the East Asian countries about 10 per cent of the total. During the 1971-1974 period, Eastern Europe stepped up its engagement with Latin American countries, with credits of about $0.5 billion, mostly to Argentina and Chile (see table 68).

China, in contrast to the USSR and Eastern Europe, directed more than one half of its recent aid commitments to sub-Saharan Africa. During 1971-1974, 18 countries of that region were granted credits or grants, including transactions larger than $50 million with Chad, Ethiopia, Somalia, the United Republic of Cameroon, the Upper Volta and Zaire. For the first time China also offered credits to Latin American countries (see table 69).

The financial development assistance of China appears to be given on substantially softer terms than is the aid of the European socialist countries. Chinese long-term development credits are reported to be repayable over periods of 15 to 30 years and since the early 1960s generally carry no interest charge. Grants seem to constitute a somewhat larger share of the total, and the grant element of the entire aid package has been estimated to range close to 80 per cent.

The sectoral structure of Chinese-aided projects also differs from that of the other socialist countries in its concentration on light and food industries, agricultural development and infrastructure investment, especially in transport and power generation. Apart from the large Tanzania-Zambia railroad project, which entered the aid commitment figures in 1970 but probably dominated the actual disbursement flows during the 1971-1974 period, the Chinese aid programme appears to have avoided large prestige undertakings in favour of smaller projects with short gestation periods, low capital intensity, and generally a high import substitution effect.

Technical assistance programmes

Assistance in raising the supply of trained manpower and the qualification levels of professionals in the developing countries is considered an important aspect of the socialist countries' aid effort. This objective is attained in part as a by-product of the major capital investment projects financed under the aid programme, where experts from the socialist countries provide on-the-job training to local labour during the construction and break-in period of the new installations. Some 300,000 workers are said to have received training in this manner since the inception of the socialist countries' development aid programmes. In some instances, technicians and craftsmen are brought to the socialist countries to be instructed at vocational training institutions and enterprises in the new technologies and the use of equipment. In addition to project-connected technical assistance, more broadly aimed programmes provide for the financing, and in part, staffing, of vocational, secondary and higher educational institutions in developing

countries, the engagement of specialists and technicians from the socialist countries in advisory and training missions in the third world, and for academic training programmes which bring nationals of developing countries to study at Eastern European and Soviet universities.

Most of these programmes continued to expand substantially during the early years of the decade. The number of experts working in developing countries varies mainly with the size and completion stage of major aided projects, though in recent years technical assistance activities in economic planning, education, medicine and agricultural services unconnected with projects appear to have assumed an increasing role. Some of the Eastern European countries also send specialists abroad on a contract basis. The engagement of Polish experts in developing countries increased from about 500 at the end of 1970 to over 800 at the end of 1973. 84/ The total employment of Soviet and Eastern European technicians and specialists is estimated to have grown from some 16,000 in 1970 to over 20,000 in 1973. Short-term training of developing country nationals in Soviet and Eastern European enterprises and vocational facilities below university level appears to have involved some 2,000-3,000 individuals annually during the early years of the decade. At this level of instruction, the socialist aid effort is increasingly concentrating on assistance with the establishment and expansion of educational programmes and institutions in the developing countries themselves. 85/ Thus, by 1974 the Soviet Union had assisted the organization and construction of more than 80 vocational and secondary schools and higher educational institutions which were already in operation, with a training capacity of about 20,000 students, while another 40 were in the process of being set up. 86/ The number of students from developing countries in Soviet academic institutions, which had been 9,100 in 1964/65, increased from 13,500 in 1970/71 to 15,000 in 1972/73; the CMEA countries jointly enrolled over 25,000 third world students in that year. 87/

The bulk of these technical assistance measures appears to be financed on a credit basis. Project-connected services of experts and training facilities are charged to the projects and included in the credit agreements, and thus in the data on credit commitments discussed above. The cost of student exchanges, however, is believed to be borne by the socialist donor countries on a grant basis. The value of this form of aid can be roughly estimated, on the assumption that all developing country students in the USSR and Eastern Europe were grant-financed and that outlays per student were approximately $1,600 to $2,000 per

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84/ Stanislaw Grzywnowicz, "Zatrudnienie polskich specjalistów za granica". Sprawy miedzynarodowe (Warsaw), May 1974, p. 93.

85/ Organisation for Economic Co-operation and Development, Flow of Resources to Developing Countries (Paris, 1973), pp. 418 ff.

86/ Faddeev, op. cit., p. 289; N. Kolesnikov and S. Sokhin, Soviet Aid in Education and Personnel Training (Moscow, Novosti, 1974), p. 102.

87/ M. P. Strepetova, Sotrudnichestvo stran SEV s razvivaiushchimisia gosudarstvami (Moscow, 1973), p. 89; V. Nazorov, "Soviet assistance to the developing countries in training specialists", Socialism - Theory and Practice (Moscow), 1974, No. 9, p. 146; Faddeev, op.cit., p. 290.

year, to have run at about $40 million to $50 million annually during the early 1970s, or almost 3 per cent of the new credit commitments and probably about twice that share of gross aid disbursements. 88/

88/ The cost range per university student was approximated on the basis of Soviet expenditure data and some rather arbitrary assumptions. Non-investment outlays of the USSR state budget on higher educational institutions per full-time student equivalent in 1971 and 1972 were in the neighbourhood of 900 roubles (Narodnoe khoziaistvo SSSR v 1972 g. (Moscow, 1973), pp. 627 and 724); the number of "full-time student equivalents" was obtained by aggregating regular full-time, evening and correspondence course students with weights of 1.0, 0.2 and 0.12, respectively. These figures are believed to include stipends but to exclude subsidies for room and board. If the latter allowances are roughly estimated at 300 roubles, and the resulting total is raised by 20 per cent to allow for the higher instructional and maintenance cost levels associated with foreign students, an annual outlay estimate of 1,440 roubles or $1,750 per foreign student is obtained.

Table 57. Centrally planned economies of Eastern Europe and USSR: foreign trade, by direction, 1966-1973

(Value in billions of dollars; growth rates[a/])

Origin and destination[b/]	Exports						Imports					
		Growth rates						Growth rates				
	Value, 1973	1966-1970	1971-1973	1971	1972	1973	Value, 1973	1966-1970	1971-1973	1971	1972	1973
Eastern Europe to or from:												
World	31.3	9.0	12.7	10.1	13.5	14.5	32.3	9.7	13.2	9.6	10.4	20.0
Centrally planned economies	20.3	8.2	12.0	10.1	15.4	10.6	19.1	9.2	9.6	9.0	7.8	11.9
Developed market economies	8.8	11.2	15.7	10.5	12.5	24.5	11.4	11.8	21.5	12.4	18.1	35.2
Developing countries	2.1	8.9	7.7	7.8	1.0	14.7	1.9	6.8	9.8	3.1	1.1	27.1
USSR to or from:												
World	21.2	9.4	11.1	7.9	2.5	24.1	20.8	7.8	13.8	6.4	18.4	16.8
Centrally planned economies	10.9	8.0	6.8	8.5	2.3	9.6	11.3	6.2	11.0	10.3	17.7	5.3
Developed market economies	5.5	10.6	18.6	13.5	-2.0	50.1	6.6	11.0	21.2	3.2	30.6	32.0
Developing countries	4.8	12.4	14.4	0.6	8.0	37.8	2.9	9.1	10.4	-3.2	-0.7	39.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical sources.

a/ Growth rates were computed directly from the national currency data and thus do not reflect the dollar devaluations. Year-to-year growth indices in current dollars would be 8.6 per cent higher in 1972 and 11.2 per cent higher in 1973 than the growth relatives indicated here. Both exports and imports are expressed f.o.b., except for Hungarian imports which are shown c.i.f. in the national returns.

b/ "Eastern Europe" here and in the following tables refers to the Eastern European countries members of CMEA (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania). "Developing countries", unless otherwise specified, always refers to the coverage now employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)), which includes Turkey and Cuba in this group and Yugoslavia among the developed market economies. The classification of all three countries has a significant effect on the trade shares of the centrally planned economies.

Table 58. Centrally planned economies of Eastern Europe and USSR: trade with developing countries, growth rates and shares in total trade, 1966-1973

(Percentage)

Region and country	Exports					Imports				
	1966-1970	1971-1973	1971	1972	1973	1966-1970	1971-1973	1971	1972	1973
Growth of trade value (average annual compound rates and annual growth rates)[a/]										
Eastern Europe	8.9	7.7	7.8	1.0	14.7	6.8	9.8	3.1	1.1	27.1
Bulgaria	16.3	12.9	12.8	5.8	20.8	13.0	16.8	28.8	-3.3	27.8
Czechoslovakia	4.4	3.0	17.5	-4.0	-3.0	2.5	8.8	-2.7	8.0	22.7
German Democratic Republic	9.3	2.8	7.0	-10.6	13.5	9.8	-0.6	-3.1	-22.4	30.8
Hungary	6.1	5.0	0	6.8	8.6	13.7	4.2	-5.2	-1.6	21.4
Poland	8.4	0.4	-0.5	-0.3	2.2	-1.4	7.9	7.8	6.0	10.1
Romania	19.5	13.1	4.8	22.2	62.6	18.2	29.6	8.8	26.6	58.1
USSR	12.4	14.4	0.6	8.0	37.8	9.1	10.4	-3.2	-0.7	39.8
Shares in total trade (percentage of total exports or imports)[b/]										
Eastern Europe	8.0	7.0	7.5	6.7	6.7	6.5	5.8	6.0	5.5	5.8
Bulgaria	7.4	7.9	7.9	7.6	8.1	5.8	6.7	7.1	6.2	6.9
Czechoslovakia	10.9	9.2	10.4	9.2	8.2	8.4	7.1	6.9	6.9	7.3
German Democratic Republic	5.7	4.6	5.4	4.3	4.4	4.9	3.9	4.7	3.3	3.6
Hungary	7.1	5.6	6.4	5.6	5.2	7.9	6.7	6.4	6.4	7.2
Poland	8.0	6.1	7.1	6.1	5.3	6.5	4.7	5.6	4.8	4.0
Romania	10.5	10.4	9.0	9.6	12.1	5.7	8.3	6.9	7.6	10.0
USSR	19.8	21.2	19.6	20.6	22.9	13.7	13.2	13.9	11.6	13.9

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical sources.

a/ Growth rates were computed on the original data in national currencies and thus do not reflect the dollar devaluation (see foot-note a/ to table 57).

b/ Directional attribution of exports and imports is by country of purchase and sale, except for Hungary and the USSR where it is by country of origin and ultimate destination.

Table 59. Centrally planned economies of Eastern Europe and USSR: regional structure of trade with developing countries, 1966-1970 and 1971-1973

	Exports to or imports from:							
	North Africa	Other Africa	West Asia	Other Asia	Cuba	Other western hemisphere	Residual a/	All developing countries b/
	Value, 1973 (millions of current dollars)							
Eastern Europe								
Exports	523	57	641	280	147	170	283	2 101
Imports	367	60	320	371	198	361	216	1 892
USSR								
Exports	527	128	660	448	912	55	2 121	4 851
Imports	507	116	573	736	578	382	15	2 906
	Structure (percentage of total trade with developing countries)							
Eastern Europe								
Exports:								
1966-1970	21	3	26	19	11	9	11	100
1971-1973	25	3	29	17	8	9	9	100
Imports:								
1966-1970	21	4	14	23	13	19	7	100
1971-1973	22	3	16	21	11	19	7	100
USSR								
Exports:								
1966-1970	16	3	13	14	28	1	25	100
1971-1973	14	3	15	9	22	1	36	100
Imports:								
1966-1970	21	5	8	32	26	7	1	100
1971-1973	22	5	17	27	18	9	1	100

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national foreign trade statistics.

a/ Geographically unallocable residual, obtained as the difference between total trade with developing countries and the sum of trade flows specified by partner country in national statistical sources. The residual arises in part from incomplete coverage of partner countries in the statistics of some Eastern European centrally planned economies (which report the more significant flows only), and in part from the apparent omission of certain types of commodities or transactions from the returns specified by partner country but not from the reported total trade with developing countries (which would account for the concentration of the residual on the export side, especially in the Soviet data).

b/ Components may not add to 100 because of independent rounding.

Table 60. Centrally planned economies of Eastern Europe and USSR: imports from developing countries, by main supplier, 1968 and 1973

(Inputs in millions of dollars; cumulative share in percentage)

Supplier[a/]	1968 Eastern Europe and USSR		1973 Eastern Europe		1973 USSR		1973 Eastern Europe and USSR	
	Imports	Ranking order	Imports	Ranking order	Imports	Ranking order	Imports	Cumulative share
1. Cuba	403	(1)	198	(3)	578	(1)	776	16.2
2. India	330	(2)	249	(1)	491	(2)	740	31.6
3. Egypt	292	(3)	212	(2)	354	(3)	566	43.4
4. Iraq	5	b/	78	(6)	256	(4)	333	50.3
5. Brazil	106	(5)	168	(4)	156	(6)	324	57.1
6. Iran	75	(7)	103	(5)	185	(5)	287	63.1
7. Malaysia	112	(4)	32	(15)	129	(7)	162	66.4
8. Argentina	54	(8)	60	(7)	97	(8)	157	69.7
9. Algeria	41	(10)	44	(10)	70	(9)	114	72.1
10. Turkey	86	(6)	58	(8)	52	(11)	110	74.4
11. Syrian Arab Republic	34	(12)	30	(16)	63	(10)	93	76.3
12. Morocco	52	(9)	46	(9)	35	(17)	81	78.0
13. Pakistan[c/]	36	(11)	33	(13)	45	(13)	78	79.6
14. Libyan Arab Republic	1	b/	34	(11)	41	(14)	74	81.2
15. Chile	3	b/	34	(12)	17	b/	51	82.2
16. Ghana	35	(14)	12	b/	38	(16)	50	83.3
17. Afghanistan	33	(13)	2	b/	46	(12)	48	84.3
		Cumulative share		Cumulative share		Cumulative share		
Total, first 5 trade partners	1 243	59.6	929	49.1	1 864	64.1	2 739	57.1
Total, first 10 trade partners	1 551	74.4	1 214	64.2	2 379	81.8	3 569	74.4
Total, first 15 trade partners	1 717	82.3	1 381	73.0	2 602	89.5	3 946	82.2
Total imports from developing countries	2 086	100.0	1 892	100.0	2 906	100.0	4 798	100.0

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on statistical sources of the importing CMEA countries. Dollar values obtained by conversion at average annual current exchange rates.

a/ Ranked according to share in 1973 imports into Eastern Europe and the USSR.

b/ Not among first 20 suppliers.

c/ In 1973, Pakistan and Bangladesh.

Table 61. Centrally planned economies of Eastern Europe and USSR: commodity structure of trade with developing countries, 1968-1972

	Average annual value (millions of dollars) (SITC 0-9)	Percentage distribution						
		Food and beverages (0 + 1)	Raw materials (2 + 4)	Fuels (3)	Chemicals (5)	Machinery (7)	Other manufactures (6 + 8)	Residual (9)
Exports to developing countries								
1968-1970	3 587	9.6	4.6	5.1	4.8	37.0	17.8	21.2
1971-1972	4 410	8.2	5.1	5.2	4.4	36.0	16.7	24.4
Imports from developing countries								
1968-1970	2 307	45.8	36.0	1.2	1.7	0.2	15.1	-
1971-1972	2 780	41.5	33.1	5.8	1.6	0.5	17.6	-

Source: Data in United Nations, Monthly Bulletin of Statistics, September 1974, special table D.

Table 62. Centrally planned economies of Eastern Europe and USSR: market shares in trade with developing countries, by commodity group, 1968-1970 and 1971-1972

(Percentage)

	SITC Section			SITC Section		
	0-4 Raw materials a/	5-8 Manufactures b/	0-9 Total	0-4 Raw materials a/	5-8 Manufactures b/	0-9 Total
	Share in partner's imports			Share in own exports		
Exports from Eastern Europe and USSR						
1968-1970	4.8	6.0	6.9	8.0	12.6	13.0
1971-1972	4.4	5.2	6.4	7.5	11.0	12.1
	Share in partner's exports			Share in own imports		
Imports to Eastern Europe and USSR						
1968-1970	5.1	3.5	4.7	25.4	2.3	9.0
1971-1972	4.4	3.9	4.2	22.9	2.3	8.1

Source: Data in United Nations, Monthly Bulletin of Statistics, September 1974, special table D.

a/ Food and live animals, beverages and tobacco, crude materials, mineral fuels, animal and vegetable oils and fats.

b/ Chemicals, manufactures classified by material, machinery and transport equipment, miscellaneous manufactures.

Table 63. Centrally planned economies of Eastern Europe and USSR: balance of trade with developing countries, 1966-1970 and 1971-1973

Region	Eastern Europe				USSR			
	Average annual trade balance (millions of dollars)		Export/import ratio		Average annual trade balance (millions of dollars)		Export/import ratio	
	1966-1970	1971-1973	1966-1970	1971-1973	1966-1970	1971-1973	1966-1970	1971-1973
Developing countries	219	267	1.22	1.18	811	1 402	1.62	1.65
North Africa	45	114	1.22	1.36	76	77	1.29	1.04
Other Africa	4	10	1.10	1.21	-7	11	0.89	1.10
West Asia	174	271	2.26	2.11	176	165	2.62	1.44
Other Asia	2	-27	1.01	0.92	-128	-274	0.70	0.54
Western hemisphere	-74	-149	0.77	0.67	173	206	1.40	1.34
Cuba	1	-30	1.01	0.81	296	-392	2.02	2.03
Other	-75	-119	0.60	0.59	123	-187	0.16	0.15
Residual[a/]	68	48	2.04	1.46	520	1 278	46.36	80.40

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical sources.

a/ Balance of geographically unallocable residuals (see foot-note a/ to table 59).

Table 64. Centrally planned economies: bilateral industrial co-operation agreements with developing countries, by industrial sector, 1970-1974

Sector	Bulgaria	China	Czechoslovakia	German Democratic Republic	Hungary	Poland	Romania	USSR	Number of agreements a/ 1970-1972	1973-1974
1. Mining	Algeria, India, Iraq, Morocco	Tunisia	Guinea, Rwanda, Sri Lanka	Peru, Sri Lanka	Afghanistan, Algeria, Cyprus, India, Iraq, Lebanon, Peru	India, Morocco, Saudi Arabia	Egypt, India, Iran, Morocco	Algeria, Chad, Chile, Congo, Cuba, Guinea, Iran, Kenya, Morocco, Pakistan	14	21
2. Metallurgy		Zaire	Cuba, Egypt	Egypt		India	Egypt	Cuba, Egypt, India, Nigeria	1	10
3. Oil, gas, petrochemicals	Iraq, Libyan Arab Republic, Zaire		Afghanistan, Algeria, India, Indonesia, Iran	Egypt, Syrian Arab Republic	Kuwait	Iran	Algeria, Ecuador, Iran, Kenya, Kuwait	Afghanistan, Algeria, Cuba, India	4	17
4. Power generation		Tunisia	Algeria, Argentina, Chile, Cuba, India, Iran	Cuba	India, Peru	India	India	Cuba, Egypt, India, Iran, Pakistan, Syrian Arab Republic	-	18
5. Agriculture, forestry, fishing	Syrian Arab Republic	Sri Lanka	India	Burma, Colombia		Egypt	Sierre Leone, Sudan	Afghanistan	-	9
6. Engineering	Chile, India, Syrian Arab Republic		Algeria, Brazil, Chile, India, Iran, Nigeria, Zambia	Cuba	Cyprus, Egypt, India, Iraq, Nigeria, Sri Lanka	Egypt, India	India, Iran, Morocco, Nigeria, Pakistan	Algeria, Bangladesh, Chile, Cuba, India	13	19
7. Transport equipment (including shipbuilding)		Kenya, Peru	Cuba, Egypt	Cuba	Iraq, Peru	Algeria, India	Chile, India	Bangladesh	3	9
8. Food processing	Cyprus, Egypt	Guyana	Argentina, Egypt, Iran, Sri Lanka, Syrian Arab Republic, Turkey	Argentina, India, United Rep. of Tanzania	Iraq, Lebanon	Argentina, India, Kenya	Somalia	Bangladesh, Cuba, Somalia	3	18
9. Leather and foot-wear	Algeria, Syrian Arab Republic		Algeria, Egypt, India, Iran, Sri Lanka	Iraq		Argentina	Central African Republic	Afghanistan, Cyprus, Iran	3	11
10. Woodworking	Zaire		Sri Lanka	Brazil				Guinea	2	3
11. Textiles	Iraq		India, Iran	Cuba	Bangladesh, Egypt, India		Iraq	Bangladesh	1	9
Number of agreements a/ 1970-1972	6	2	6	2	7	3	8	9	43	
Number of agreements a/ 1973-1974	11	5	38	14	18	12	15	31	-	144

(Sources and foot-notes on following page)

(Sources and foot-note to table 64)

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Innovations in the Practice of Trade and Economic Co-operation between the Socialist Countries of Eastern Europe and the Developing Countries (United Nations publication, Sales No. E.70.II.D.6); "Major issues arising from the transfer of technology: a case study of Hungary" (TD/B/AC.11/18, 15 May 1974) and "Review of trends and policies in trade between countries having different economic and social systems" (TD/B/499/Supp.1, 5 August 1974); USSR Ministry of Foreign Trade, Vneshniaia torgovlia, 1974, No. 5, pp. 17-24; and selected issues of the following periodicals: Biulleten' inostrannoi kommercheskoi informatsii (Moscow), Czechoslovak Foreign Trade (Prague), Ekonomicheskaia gazeta (Moscow), Handel zagraniczny (Warsaw), Hospodarske noviny (Prague), Romania (Bucharest), Rynki zagraniczne (Warsaw), Tass (Moscow).

a/ Sectoral entries in the matrix may refer to one or more projects.

Table 65. Centrally planned economies: bilateral aid commitments to developing countries, by donor country, 1954-1974

(Millions of dollars)

Donor country	Annual averages 1954-1960	1961-1965	1966-1970	1971-1973	1971	1972	1973	1974[a/]
Total	449	712	942	1 994	1 511	2 112	2 360	1 590
CMEA countries . .	420	585	796	1 547	1 019	1 614	2 009	1 486
USSR	340	332	427	944	677	921	1 236	845
Eastern Europe .	80	253	369	603	342	693	773	641
Bulgaria . . .	...	8	40	46	55	40	43	3
Czechoslovakia	47	66	114	139	14	100	303	100
German Democratic Republic . .	9	50	100	16	25	23	...	23
Hungary	6	35	47	78	42	45	148	85
Poland	16	60	28	136	65	100	243	100
Romania	2	34	40	187	141	385	36	330
China	29	127	146	446	492	498	351	104

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Bank for International Settlements, Press Review (Basle); Biulleten' inostrannoi kommercheskoi informatsii (Moscow); East-West Commerce Bulletin (London); Vneshniaia torgovlia (Moscow); Far Eastern Economic Review (Hong Kong); and other official and unofficial information.

Note: Developing countries do not include Cuba. National currencies were converted into dollars at current official rates of exchange.

a/ Data for 1974 are incomplete.

Table 66. Centrally planned economies: bilateral aid commitments to developing countries, by region and recipient country, 1954-1974

(Millions of dollars)

Region and recipient country	Cumulative totals				Annual commitments				
	1954-1960	1961-1965	1966-1970	1971-1973	1970	1971	1972	1973	1974 a/
Total commitments	3 133	3 558	4 711	5 983	1 258	1 511	2 112	2 360	1 590
Africa	933	1 735	1 566	2 475	693	886	930	659	422
North Africa	685	1 115	931	1 701	281	640	715	346	228
Algeria	-	298	230	575	60	229	150	196	-
Egypt	670	745	429	954	103	313	511	130	218
Morocco	5	12	63	5	44	5	-	-	-
Sudan	-	22	154	127	74	93	14	20	10
Tunisia	10	38	55	40	-	-	40	-	-
Other Africa	248	620	635	774	412	246	215	313	194
Burundi	-	-	-	20	-	-	20	-	-
Chad	-	-	-	57	-	-	-	57	-
Central African Republic	-	4	-	2	-	2	-	-	-
Congo	-	62	-	4	-	-	-	4	-
Dahomey	-	-	-	44	-	-	44	-	-
Ethiopia	114	5	-	84	-	84	-	-	-
Ghana	40	126	-	-	-	-	-	-	65
Guinea	94	25	95	1	-	1	-	-	80
Kenya	-	60	11	-	-	-	-	-	-
Madagascar	-	-	-	11	-	-	-	11	-
Mali	-	112	1	2	-	-	-	2	-
Mauritania	-	-	-	22	-	20	-	2	-
Mauritius	-	-	-	34	-	-	34	-	-
Niger	-	-	-	2	-	-	-	2	-
Nigeria	-	14	91	28	7	28	-	-	-
Rwanda	-	-	-	23	-	-	22	1	-
Senegal	-	7	-	2	-	-	-	2	46
Sierra Leone	-	28	-	-	-	-	-	-	-
Somalia	-	96	6	110	-	110	-	-	-
Togo	-	-	-	45	-	-	45	-	-
Uganda	-	30	-	-	-	-	-	-	-
Upper Volta	-	-	-	51	-	-	-	51	-
United Republic of Cameroon	-	-	-	71	-	-	-	71	-
United Republic of Tanzania	-	51	228	1	202	1	-	-	3
Zaire	-	-	-	100	-	-	-	100	-
Zambia	-	-	203	60	203	-	50	10	-

Region and recipient country	Cumulative totals				Annual commitments				
	1954-1960	1961-1965	1966-1970	1971-1973	1970	1971	1972	1973	1974 a/
Asia	2 089	1 538	2 751	2 696	453	375	718	1 603	318
West Asia	471	221	1 898	1 555	230	315	441	779	248
Democratic Yemen	-	-	67	23	65	16	-	7	-
Iran	-	99	985	519	120	-	49	470	-
Iraq	217	18	331	749	30	299	155	295	-
Syrian Arab Republic	195	36	315	240	15	-	215	25	248
Yemen	52	67	-	24	-	-	22	2	-
Other Asia	1 625	1 318	1 053	1 141	223	60	277	804	70
Afghanistan	132	266	6	200	5	5	167	28	6
Bangladesh	-	-	-	124	-	-	67	57	64
Burma	4	88	-	1	-	-	-	1	-
India	778	493	559	500	-	-	-	500	-
Indonesia	570	224	-	-	-	-	-	-	-
Khmer Republic	34	17	16	-	-	-	-	-	-
Nepal	43	8	-	-	-	-	-	-	-
Pakistan	3	161	454	224	210	20	-	204	-
Sri Lanka	61	61	18	92	8	35	43	14	-
Latin America	111	285	394	812	112	250	464	98	850
Argentina	109	15	50	-	-	-	-	-	850
Bolivia	-	-	28	32	28	27	-	5	-
Brazil	2	270	100	-	-	-	-	-	-
Colombia	-	-	-	7	-	2	-	5	-
Costa Rica	-	-	10	-	10	-	-	-	-
Chile	-	-	47	584	-	155	408	21	-
Ecuador	-	-	7	5	2	5	-	-	-
Guyana	-	-	-	26	-	-	26	-	-
Mexico	-	-	-	67	-	-	-	67	-
Peru	-	-	85	91	55	61	30	-	-
Uruguay	-	-	57	-	7	-	-	-	-
Venezuela	-	-	10	-	10	-	-	-	-

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on same sources as 57.

a/ Data for 1974 are incomplete.

Table 67. USSR: bilateral aid commitments to developing countries, by region and recipient country, 1971-1974

Region and recipient country	Regional distribution, 1971-1973 (percentage)	1971	1972	1973	1974[a/]
		(millions of dollars)			
Total	100.0	677	921	1 236	845
Africa	26.2	393	340	9	225
North Africa	25.8	390	340	-	160
Algeria		189	-	-	-
Egypt		196	340	-	160
Morocco		5	-	-	-
Other Africa	0.4	3	-	9	65
Central African Republic		2	-	-	-
Chad		-	-	1	-
Congo		-	-	4	-
Ghana		-	-	-	65
Guinea		1	-	-	-
Mauritania		-	- }	1	-
Niger		-	- }		-
Rwanda		-	-	1	-
Senegal		-	- }	2	-
Upper Volta		-	- }		-
Asia	60.3	227	322	1 160	20
West Asia	32.2	222	133	559	-
Democratic Yemen		-	-	1	-
Iran		-	49	347	-
Iraq		222	-	210	-
Syrian Arab Republic		-	84	-	-
Yemen		-	-	1	-
Other Asia	28.0	5	189	601	20
Afghanistan		5	122	-	6
Bangladesh		-	67	-	14
Burma		-	-	1	-
India		-	-	400	-
Pakistan		-	-	200	-
Latin America[b/]	13.5	57	259	67	600
Argentina		-	-	-	600
Bolivia		2	-	-	-
Chile		55	259	-	-
Mexico		-	-	67	-

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the same sources as table 57.

a/ Data for 1974 are incomplete.

b/ Exluding credit commitments in Cuba.

Table 68. Centrally planned economies of Eastern Europe:[a/] bilateral aid commitments to developing countries, by region and recipient country, 1971-1974

Region and recipient country	Regional distribution, 1971-1973 (percentage)	1971	1972	1973	1974[b/]
		(millions of dollars)			
Total	100.0	342	693	773	641
Africa	45.8	140	371	318	93
North Africa	41.5	112	321	318	10
Algeria		-	150	196	-
Egypt		37	171	102	-
Sudan		75	-	20	10
Other Africa	4.3	28	50	-	83
Guinea		-	-	-	80
Nigeria		28	-	-	-
United Republic of Tanzania		-	-	-	3
Zambia		-	50	-	-
Asia	40.5	53	255	424	298
West Asia	29.7	53	245	239	248
Democratic Yemen		16	-	6	-
Iran		-	-	123	-
Iraq		37	155	85	-
Syrian Arab Republic		-	90	25	248
Other Asia	10.8	-	10	185	50
Afghanistan		-	-	28	-
Bangladesh		-	-	57	50
India		-	-	100	-
Sri Lanka		-	10	-	-
Latin America	13.6	149	67	31	250
Argentina		-	-	-	250
Bolivia		25	-	5	-
Chile		98	37	21	-
Colombia		2	-	5	-
Ecuador		5	-	-	-
Peru		19	30	-	-

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the same sources as table 57.

a/ Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

b/ Data for 1974 are incomplete.

Table 69. China: bilateral aid commitments to developing countries, by region and recipient country, 1971-1974

Region and recipient country	Regional distribution, 1971-1973 (percentage)	1971	1972	1973	1974[a]
		(millions of dollars)			
Total	100.0	492	498	351	104
Africa	67.4	353	219	332	104
North Africa	16.4	138	54	28	58
Algeria		40	-	-	-
Egypt		80	-	28	-
Sudan		18	14	-	58
Tunisia		-	40	-	-
Other Africa	51.0	215	165	304	46
Burundi		-	20	-	-
Chad		-	-	56	-
Dahomey		-	44	-	-
Ethiopia		84	-	-	-
Malagasy Republic		-	-	11	-
Mali		-	-	2	-
Mauritania		20	-	2	-
Mauritius		-	34	-	-
Niger		-	-	1	-
Rwanda		-	22	-	-
Senegal		-	-	1	46
Somalia		110	-	-	-
Togo		-	45	-	-
United Republic of Cameroon		-	-	71	-
United Republic of Tanzania		1	-	-	-
Upper Volta		-	-	50	-
Zaire		-	-	100	-
Zambia		-	-	10	-
Asia	19.0	95	141	19	-
West Asia	7.8	40	63	1	-
Iraq		40	-	-	-
Syrian Arab Republic		-	41	-	-
Yemen		-	22	1	-
Other Asia	11.3	55	78	18	-
Afghanistan		-	45	-	-
Pakistan		20	-	4	-
Sri Lanka		35	33	14	-
Latin America[b]	13.6	44	138	-	-
Chile		2	112	-	-
Guyana		-	26	-	-
Peru		42	-	-	-

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the same sources as table 65.

a/ Data for 1974 incomplete.

b/ Excluding credit commitments to Cuba.

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