

# **WORLD ECONOMIC SURVEY, 1974**

## **Part Two. Current Economic Developments**



**UNITED NATIONS**

Department of Economic and Social Affairs

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## FOREWORD

The present report is the second part of a two-part Survey undertaken in terms of General Assembly resolution 118 (II). Part one of the World Economic Survey, 1974 1/ contained a review and appraisal of the progress made in the first half of the 1970s in the implementation of the International Development Strategy for the Second United Nations Development Decade.

The report begins with a brief summary of the salient features of world production and trade in 1974 as compared with the earlier years of the Decade. Chapters I and II deal in greater detail with the course of production and trade in the developed market economies, in the developing countries and in the centrally planned economies. 2/ Chapter III deals with the problems of internal economic balance, including the acceleration of inflation in 1974 and the emergence of recessionary forces in the developed market economies. The final chapter examines the prospects for the world economy in 1975.

The report was prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs and is based on data available to the Secretariat in April 1975.

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1/ United Nations publication, Sales No. E.75.II.C.1.

2/ The division of countries into three groups is a matter of statistical convenience and does not necessarily imply any judgement about the stage reached by individual countries in the development process.



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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 decimals

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:

CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee <u>/OECD/</u>
EEC	European Economic Community
EFTA	European Free Trade Association
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDS	International Development Strategy
IEA	International Energy Agency
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification

Explanatory notes (continued)

OECD Organisation for Economic Co-operation and Development

OPEC Organization of Petroleum Exporting Countries

SDR special drawing rights

UNCTAD United Nations Conference on Trade and Development

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.

## SUMMARY

The year 1974 saw a halting of the strong expansion in global economic activity that had got under way in 1971. World output rose by a modest 1.7 per cent, considerably less than in earlier years of the 1970s. This figure reflected primarily the economic recession that beset the developed market economies in 1974. Weaker average growth was also registered by the developing countries and, owing to unfavourable results in agriculture, by the centrally planned economies of Eastern Europe. Despite the slow-down, the average 1971-1974 rate of growth in the developing countries was virtually at the 6 per cent target level set out in the International Development Strategy for the Second United Nations Development Decade. However, in the second half of 1974, stagnation in economic activity in the developed market economies began to threaten the continuation of growth in the developing countries.

Stagnation in the developed market economies in 1974 lowered their average rate of growth since 1970 to slightly under 4 per cent a year. Thus, for the period 1971-1974, there was probably a slight narrowing in the disparity in gross domestic product per capita between the developed and the developing countries. Economic growth in the developing countries was, however, very uneven.

Averaged over the 1971-1974 period, rather more than a third of the developing countries - accounting for a similar proportion of the combined population - increased their production by more than 6 per cent a year; two thirds had below-target growth rates. At one extreme were a sixth of the countries (with about 15 per cent of the population) whose production grew at over 8 per cent a year. At the other extreme were 30 per cent of the countries (accounting for about half the population) in which production failed to keep pace with population.

The rate of growth was also very uneven among economic sectors within the developing countries, in 1974 as well as for the entire 1971-1974 period, especially in those countries in which large segments of the population were adversely affected by lagging agricultural production.

World agricultural production in 1974 remained at about the same level as in 1973. There was a marked deceleration in output in the developed market economies as a whole, and a decline in output of 1.8 per cent in the centrally planned economies of Eastern Europe from the high level of production achieved in 1973. In the developing countries the over-all gain was held to 1.5 per cent in 1974 by a decline in South and East Asia from the improved farm output of 1973. The average rate of expansion in agricultural production for the 1971-1974 period was 1.5 per cent a year. This was less than half the target rate of growth set in the International Development Strategy, and well below the rate of expansion of population in these countries. Thus, though the incidence of famine was less in 1974 than in 1972-1973, average nutritional levels in 1974 were lower than in 1971.

It was against this unfavourable background in food and agriculture that the World Food Conference was held in November 1974. Reaffirming the 4 per cent target for agricultural growth in the developing countries, the Conference adopted a

number of resolutions designed to improve the supply of farm inputs and reduce the obstacles to greater food production and better diets. The crop failures of 1972 and the subsequent drawing down of world cereal stocks set in motion a sharp rise in food prices, adding to inflationary forces in developed and developing countries alike and to the import costs of food-deficit countries. Though stocks have not yet been rebuilt and supplies remain tight, the call of the World Food Conference for 10 million tons of grain for use as food aid was almost met within a few months. While the food situation in 1975 has improved, supplies continue to be unduly dependent on current harvests.

The increase in the rate of world industrial output slowed in 1974 to about 3 per cent - less than one third of the previous year's rate of increase - a situation reflecting primarily the stagnation in industrial activity in the developed market economies. Industrial production in the centrally planned economies of Eastern Europe accelerated slightly. In the developing countries 1974 brought a slight slow-down in industry but, at nearly 8 per cent, the increase in output was in line with the average for 1971-1974. For the manufacturing component, the over-all target rate of growth of 8 per cent set in the International Development Strategy was fulfilled.

The increase in industrial production in the developing countries was far from uniformly distributed: it was strongly influenced by the upsurge in world trade which affected individual commodities quite differently and by the performance of the agricultural sector which also differed greatly among countries. Moreover, the stagnation in economic activity in the developed market economies has led to a sharp slow-down in the developing countries since the middle of 1974, especially among those developing countries specializing in exports of manufactures.

The recession in the developed market economies was associated with a sharp deceleration in growth of the volume of world trade in 1974 following the extraordinary gains of the earlier years of the Decade. According to provisional estimates, <sup>1/</sup> the import quantum of the developed market economies rose in 1974 by only 1 per cent as compared with a record increase of about 13 per cent in 1973 and with an average growth rate for the period since 1970 of about 7 per cent. Since the bulk of the trade of these countries is intra-group trade, the rate of increase in their export quantum also fell sharply from a record rate of nearly 14 per cent in 1973 to 6 per cent in 1974. Intertrade among the centrally planned economies of Eastern Europe increased by an estimated 14 per cent in volume in 1974 - well above the average of about 10 per cent recorded in the earlier years of the Decade. Under the impact of the recession, exports to market economies showed little growth, but the volume of imports continued to increase - at an estimated rate of about 10 per cent in 1974.

The decline in import demand of the developed market economies was also reflected in a deceleration in the export quantum of the developing countries from an average of over 8 per cent in the earlier years of the 1970s to a rate

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<sup>1/</sup> Estimates of quantum and unit values of trade and of the associated changes in the terms of trade for both developed market economies and developing countries are always subject to considerable uncertainty, but because of the extraordinary changes that have taken place in prices of most commodities, the margin of possible error is exceptionally large for recent years.

provisionally estimated at between 2 and 3 per cent in 1974, bringing the average for 1971-1974 to somewhat less than the 7 per cent target rate set in the International Development Strategy. The export volume of the petroleum-producing countries fell in 1974 as a result of the slow-down in economic activity in the developed market economies and of measures taken to conserve energy. The rise in export quantum of the non-oil-exporting countries was rather more than 4 per cent for 1974 as a whole, though in the second half of the year there was some deceleration, particularly in the case of the exporters of manufactures.

Despite the slow-down in export volume of the developing countries, their import quantum accelerated sharply in 1974 to a rate provisionally estimated at 13 per cent, slightly higher in the case of the petroleum-exporting countries and slightly lower in the case of the other developing countries. The latter were able to draw upon a significant inflow of short-term and long-term capital as well as upon reserves they had accumulated as a result of the upsurge in the value of their exports in 1972 and 1973. Over the 1971-1974 period the import quantum of the developing countries thus rose on average above the 7 per cent target rate set in the International Development Strategy. With the slow-down in their exports in 1974, however, and more particularly with the downturn in the price of many of their commodity exports, 1975 promises to be a difficult year for financing the import requirements of developing countries.

Despite the downturn in many commodity prices in the course of the year, both export and import unit values of developed and developing countries averaged much higher in 1974 than in 1973. According to provisional estimates, the terms of trade deteriorated by about 11 per cent in the case of the developed market economies and improved by about 42 per cent for the developing countries. The gain of the latter was more than accounted for, however, by the extraordinary rise in the terms of trade of the petroleum-exporting countries, whose average export prices more than trebled between 1973 and 1974. Though average export prices of the remainder of the developing countries were also substantially higher in 1974 than in 1973, their import prices rose even more, and their terms of trade worsened by an estimated 6 per cent.

Averaged over the entire period 1971-1974, it is provisionally estimated that the terms of trade of the developed market economies deteriorated by over 3 per cent per annum, while those of the developing countries improved by about 12 per cent per annum, with the terms of trade of the oil-exporting countries rising by about 32 per cent a year and those of the non-oil-exporting developing countries declining by between 1 and 2 per cent a year.

When the volume of exports is adjusted for the changes in the terms of trade so as to measure the purchasing power of exports over imports, the estimated rise for all developing countries in 1974 is approximately 45 per cent. As is evident from the estimated changes in the terms of trade, the entire gain made in 1974 is more than accounted for by the petroleum-exporting countries, the purchasing power of whose exports more than doubled despite a decline in volume. The aggregate purchasing power of the exports of developing countries other than the oil-exporting countries fell by almost 2 per cent, despite the estimated 4 per cent rise in the volume of their exports.

For the entire period 1971-1974 it is provisionally estimated that the purchasing power of exports of the developing countries as a whole rose at nearly

20 per cent per annum, well above the approximate 7 per cent rate implicit in the target set in the International Development Strategy for the increase in the volume of exports at stable terms of trade. The oil-exporting countries showed a rise of about 40 per cent per annum and the non-oil-exporting countries a rise of about 5 per cent per annum.

The far-reaching changes in the terms of trade between the oil-exporting countries and the rest of the world, both developed and developing market economies, were accompanied by record external imbalances. The oil-exporting countries achieved a trade surplus (exports f.o.b., minus imports c.i.f.) in 1974 of over \$100 billion or about three fourths of their 1974 export earnings and nearly twice the total value of exports of all developing countries in 1970. The developed market economies, on the other hand, saw their total trade deficit rise to nearly \$70 billion or about one eighth the value of their export earnings, while the deficit of the non-oil developing countries nearly trebled to approximately one third the value of their exports. Given the sharp decline in import demand in the developed market economies in the course of 1974 and the lagged reaction in the import demand of the developing countries to the earlier expansion of exports and, a more important factor, the downturn in prices of many commodity exports of the developing countries in the course of 1974 together with the continued rise in prices of manufactured exports of the developed market economies, this deterioration in the balance of trade was smaller than had been anticipated at the beginning of the year for the developed market economies but considerably larger than had been anticipated for the developing countries other than the oil-exporting countries.

To assist the countries most seriously affected by these price changes, the General Assembly at its sixth special session in May 1974 set up a Special Programme within the framework of a broad Programme of Action on the Establishment of a New International Economic Order. As a first step in this Special Programme a one-year emergency operation was launched, and up to the end of March 1975 a sum of \$136 million had been committed and \$60 million disbursed. With a similar though more narrowly defined end in view, the International Monetary Fund set up an Oil Facility which by the end of February 1975 had provided SDR 2.3 billion, 40 per cent of which went to developing countries.

Though a third of the developing countries drew down their international reserves in 1974 and a fourth ended the year with a ratio of reserves to imports lower than at the beginning of the Decade, total reserves continued to expand. Reserves of the petroleum-exporting countries increased by \$32 billion to \$47 billion and those of the other developing countries by \$2 billion to \$29 billion. Since the latter had a large trade deficit (nearly \$31 billion) and receipts from tourism and other invisibles are unlikely to have risen very significantly, it is clear that the flow of donations, loans and investments must have increased substantially. These flows cannot yet be documented as to nature, magnitude or source but one of them is official development assistance from the developed market economies. Preliminary estimates of this assistance suggest that it reached \$11 billion in 1974. During the 1971-1974 period the ratio of this flow to the gross national product of the donor countries averaged 0.32 per cent - rather less than half the 0.7 per cent target designated in the International Development Strategy.

The question of instability of commodity prices continues to receive much attention. It was one of the main subjects of the renegotiation of the expiring

Yaoundé Convention between the European Economic Community and the Associated States, the former now consisting of nine industrial countries and the latter - augmented by "associable" States from the Commonwealth - now consisting of 46 countries in Africa, the Caribbean and the Pacific. The resulting Lomé Convention, signed in February 1975, included not only an aid fund and various trade provisions but also a compensatory arrangement to offset shortfalls in the export earnings derived from a wide range of primary commodities.

Price stability has long been an objective of producers and consumers alike. The turbulent events of 1972-1974 threw the emphasis on an additional aspect of international commodity trade - assurance of supplies. The rapid increase in prices and in uncertainty of supply strengthened autarkic sentiments in many countries, and the challenge immediately ahead is to restore confidence in international arrangements for assuring both supply and fair and sustainable prices. This factor lies behind the efforts now being made in the United Nations Conference on Trade and Development (UNCTAD) and in the Preparatory Committee for the Special Session of the General Assembly to reach agreement on an integrated programme for international commodity trade.

One of the factors adding to the instability of commodity prices since 1971 has been uncertainty regarding exchange rates. In 1974 the United States dollar, most generally used for denominating commodity prices, continued to depreciate in relation to most of the major currencies (the main exceptions being those of Australia, Italy, Japan and the United Kingdom). Between the Smithsonian Agreement of December 1971 - the last attempt to restore a system of exchange parities - and March 1975, the movement in the rate at which national currencies exchanged against a trade-weighted average of partners' currencies ranged from an increase of 31 per cent in the case of the Swiss franc to a decline of 24 per cent in the case of the Italian lira. Even in the course of 1974 the range of movement in the principal currency rates was from an appreciation of 22 per cent to a depreciation of 12 per cent.

In these circumstances there was ample scope for speculation, one of the consequences of which was the collapse of a number of banks including some of considerable size. The financial system was also strained by the movement of short-term money, much of it originating in the greatly increased receipts of petroleum-exporting countries. The Euro-currency market was used for much longer-term borrowing than had previously been the case. On the whole the banks and associated institutions have adapted well to the unprecedented burden caused by price and currency changes. But the effective recycling of petro-dollars is still a major challenge. So also is the reconstitution of the international monetary system.

After almost two years of discussion the Committee of 20 of the International Monetary Fund concluded that the serious internal and external imbalances being experienced throughout the world in 1974 made the time inappropriate to attempt to settle the details of a new monetary régime. Instead, in June 1974, the Committee formulated a programme of immediate action which included a declaration by which countries could pledge not to introduce or intensify trade or other current account measures for balance-of-payments purposes without a finding by the Fund that there was balance-of-payments justification for such measures. In December 1974, the Managing Director of the International Monetary Fund reported that, at the time, 12 members holding about 40 per cent of the voting power in the Fund had given such a pledge.

In the circumstances it is clear that no system of relatively fixed exchange rates could have been made viable in 1974. Even today, international commodity price relationships are still in a state of rapid flux and there are great differences between even the major trading countries in respect of both internal inflationary pressures and external imbalance. Floating rates have the merit of providing room for manoeuvre in the selection and deployment of the instruments of economic management. This became increasingly important as recessionary tendencies developed in many of the industrial economies in the second half of 1974. The problem of dealing with a rising level of unemployment in a situation in which prices and costs are still increasing at an unacceptably high rate is the extraordinarily difficult one that many countries now face. Not having to support a specific parity reduces the risk of resort to defensive trade-inhibiting measures that would serve to exacerbate the problem for partner countries, some of which are having to cope with a similar set of imbalances.

Several of the developed market economies have now given priority to a reduction in unemployment and a restoration of a sustainable growth trend. Success should benefit the world economy in general and the trade-dependent developing countries in particular, but will leave unresolved the struggle against inflation which began towards the end of the 1960s. This struggle may call for new methods for assuring that the proceeds of economic growth are equitably distributed.

## Chapter I

### WORLD PRODUCTION

#### Total production

World output rose by a modest 1.7 per cent in 1974, signalling the ending of the period of vigorous economic expansion that had got under way in mid-1971 and which was marked by strong and rising growth rates in 1972 and 1973. The significantly weaker global growth rate in 1974 was primarily a reflection of the virtual economic stagnation that affected the developed market economies in the course of the year, though weaker growth was also registered by both the centrally planned economies and the developing countries in 1974. The growth rate for the centrally planned economies in 1974 was 6.0 per cent as against 8.8 per cent in 1973, and for the developing countries the rate fell to 5.6 per cent from the 7.0 per cent registered in 1973. For the period 1971-1974, the average annual rate of growth was 3.8 per cent for the developed market economies, 5.9 per cent for the developing countries, 6.4 per cent for the centrally planned economies and 4.5 per cent for the world as a whole (see tables 1 and 2).

#### Developed market economies

The year 1974 witnessed the ending of the vigorous economic expansion in economic activity in the developed market economies that had begun in North America in 1971 and in Western Europe and Japan in 1972. The level of economic activity in the developed market economies as a whole in 1974 was virtually unchanged from 1973, contrasting sharply with a growth of 6.1 per cent in 1973 and 5.6 per cent in 1972. The gross domestic product declined in only three countries - the United States of America, the United Kingdom and Japan - but there was a marked slowing down in the rate of growth of all major developed market economies with the exception of Australia, Norway and Sweden. In the United States of America, aggregate output declined in 1974 by 2.2 per cent. In Japan, it fell by 1.8 per cent, marking the first time in 20 years that the economy had failed to expand; and a sharp contrast to the over 10 per cent annual rate of growth maintained in the 1960s. The growth rate was 1.9 per cent for the European Economic Community (EEC) in 1974 and 2.3 per cent for Western Europe as a whole. This was primarily the result of a decline in output in the United Kingdom and a slow-down in the Federal Republic of Germany since output in Belgium, France and Italy grew by about 4 per cent or more. For the developed market economies of the southern hemisphere, by contrast, the 1974 growth rate of 5.7 per cent represented the highest annual growth rate for the region since the beginning of the Decade (see table 3).

Among the major elements in the recession or slow-down in economic activity, fixed investment showed either weaker growth or absolute decline in most developed market economies in 1974 as compared with 1973. 1/ For a group of 19 major

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1/ Austria, Australia and Finland were among the very few countries where growth in fixed investment was stronger in 1974 than in the previous year.

developed market economies, total fixed investment in 1974 was 4 per cent down from the 1973 level; it was down by over 7 per cent in the United States, by almost 7 per cent in the Federal Republic of Germany, and by almost 11 per cent in Japan (see table 4).

One reason for this was a decline in the rate of growth of residential construction in most developed market economies in 1974, partly as a result of high interest rates that were part of the anti-inflation, tight monetary policies that were generally pursued in these countries between mid-1973 and mid-1974 and partly as a result of the decline in profitability brought about by increases in prices of land, lumber and other inputs, as well as by high tax valuations and price ceilings imposed under rent-control legislation. From the second half of 1973 to the first half of 1974 the seasonally adjusted annual rates of residential construction declined by about 37 per cent in Japan, 33 per cent in the United Kingdom and 30 per cent in the United States while in the Federal Republic of Germany the value of building permits in the second quarter of 1974 was 33 per cent below their level of a year earlier.

There was also a decline in outlays for machinery and equipment in most developed market economies beginning in the second quarter of 1974. This reflects high prices and shortages of supply of steel and other capital goods, financing difficulties (and, in Japan, administrative restraints), and a weakening in final demand that accentuated uncertainty about the general economic outlook.

The growth of private consumption in the developed market economies in 1974 was generally markedly weaker than in the previous years of the Decade and in the United Kingdom and, to an even greater extent, in the United States, the level of private consumption actually declined between 1973 and 1974. The weakening of consumer demand in 1974 resulted from a number of factors: real disposable income tended to show weaker growth or (as in the case of the United States) declined as economic activity weakened and the number of hours worked per week was cut, especially in the more highly paid overtime hours. This was notably so in Japan and the United Kingdom. Even before economic activity weakened, however, inflation eroded real income and aroused consumer resistance and precautionary cutbacks in spending were induced by the developing economic uncertainties. Where progressive tax systems were in force, these resulted in increased tax rates on nominally rising incomes and cut into real disposable income. An additional factor depressing consumer demand in 1974 was the decline in the value of financial assets as equity prices, in particular, plunged to historic lows and inflation further eroded stock and bond values.

Rates of growth of public consumption in the developed market economies in 1974 reflect the thrust of national fiscal policies either against inflation or against recession. Largely as a result of anti-inflationary policies, the rate was lower in Japan and the EEC countries with the exception of Denmark, France and the Netherlands. In other countries of Western Europe and in Canada, public consumption grew more rapidly.

The external sector provided the main impetus to growth in the EEC member countries during the first half of 1974 but, following the slackening of demand, especially from the United States, over-all production in the Community declined. In Japan the external sector showed surprisingly strong growth in 1974. Exports of goods and services, which represented almost 14 per cent of final demand in Japan in 1974, were over one fifth greater in real terms in 1974 than in the previous year.

## Developing countries

For the developing countries as a whole, preliminary data indicate that the rate of economic growth in 1974 was 5.6 per cent. This is somewhat below both the International Development Strategy (IDS) target rate of 6 per cent and the average rate attained in the first four years of the Second United Nations Development Decade, but it was achieved in spite of sluggish economic conditions in the developed market economies and a turbulent international situation. Although each of the developing regions experienced deceleration in its rate of expansion in 1974, the western hemisphere and West Asian regions both surpassed the 6 per cent target rate, the latter by a considerable margin (see table 5).

Among the factors which helped to maintain the relatively high rate of increase in total output was a satisfactory performance in the manufacturing sector. In contrast, agricultural growth slowed to less than 2 per cent in 1974, well below the target rate of 4 per cent and less than the rate of population growth. This aggregative rate, however, masks significant regional differences. Reductions in agricultural production played a major role in slowing down the rate of growth in South and East Asia, whereas in the other regions agricultural growth exceeded 4 per cent in 1974 and contributed to better over-all results.

The disparity between the petroleum-exporting countries and the rest of the developing countries which characterized the earlier years of the Decade continued to widen in 1974. In spite of the decision by Algeria, Iraq, Kuwait, the Libyan Arab Republic and Venezuela to reduce their petroleum output, the rate of economic growth of the petroleum group was 7.0 per cent (its lowest in the 1971-1974 period), while growth in the rest of the developing countries decelerated from 6.4 per cent in 1973 to 5.3 per cent in 1974. In the western hemisphere the rate of increase in countries other than petroleum-exporting countries was 7.5 per cent, the same as in 1973 and above the 1971-1974 average, while the rate of expansion for petroleum-exporting countries (Ecuador, Trinidad and Tobago and Venezuela) decelerated from above the 6 per cent target rate to below it, mainly as a result of slower growth in Venezuela. In West Asia the rate of growth in non-oil-exporting countries accelerated in 1974 to 7.5 per cent while in petroleum-exporting countries it slowed to about 10 per cent. A similar relative movement in the rates of growth was noted in Africa though in both groups of countries the increase was below 5 per cent in 1974. Growth in the non-oil-exporting countries of South and East Asia, on the other hand, decelerated from 6 per cent in 1973 to below 3 per cent in 1974, while Indonesia maintained a rate of over 7 per cent in both years.

Of the 84 developing countries for which estimates can be made, 37 achieved 1974 rates of growth in excess of the target rate of an average of 6 per cent per annum for the Decade. This group accounted for about 37 per cent of total developing country population and 48 per cent of total income. About one fifth of the countries registered rates of increase in total production of more than 8 per cent; these accounted for one sixth of the total population and nearly a quarter of the total income. They included not only several of the petroleum-exporting and transit countries (Ecuador, Iran, Iraq, Lebanon, Nigeria, Saudi Arabia and the Syrian Arab Republic) but also some of the major manufacturing countries in the developing world (Brazil and the Republic of Korea). The recovery in agricultural production was responsible for the high rate of growth registered in 1974 for Chad, the Gambia and the United Republic of Cameroon. At the other end of the scale, the group that registered a decline in total output included some in

which the reduction was deliberate (Kuwait and the Libyan Arab Republic), some in which it was largely the result of disappointing agricultural performance (Bangladesh, Honduras, Mauritius, Sri Lanka, the Sudan, Uganda and the United Republic of Tanzania), and some in which war and civil disturbance were responsible (the Khmer Republic and the Republic of Viet-Nam). This group accounted for less than one tenth of the combined developing country population and about one thirteenth of total income (see table 6).

If the 84 countries are viewed for the period 1971-1974, 30 countries achieved the target rate of 6 per cent or over. This group accounted for 35 per cent of the total population and 52 per cent of the total income. Conversely, nearly one tenth of the countries failed to grow in this period. This group produced 4 per cent of total income and accounted for 6 per cent of total population.

When the gross domestic product is adjusted for the change in the purchasing power of its export component, the rate of growth of the developing countries as a whole works out to be about 13 per cent in 1974 (reflecting an improvement of 42 per cent in the terms of trade of their export sectors that accounted for 18 per cent of the total output). Individual countries, often exporting a narrow range of products, are affected differently by year-to-year changes in world market prices. The effective increase in income, in 1974, was significantly above the increase in output in the case of the countries exporting petroleum, bauxite, phosphate and sugar. As a result of the markedly improved purchasing power of petroleum exports, for example, the effective increase in income of the petroleum-exporting countries (45 per cent) was substantially above the increase in output (7 per cent). On the other hand, for developing non-oil-exporting countries as a group the adjusted total income increased by only 4.3 per cent, appreciably less than the increase of 5.3 per cent in their output.

#### Centrally planned economies

In the centrally planned economies of Eastern Europe and the Union of Soviet Socialist Republics, output growth continued at a rapid pace in 1974, though markedly slower than in the preceding year. The net material product of the region increased by an estimated 6 per cent, as against the 8.8 per cent growth rate of 1973. While growth of industrial output accelerated in almost all countries of the group, a disappointing agricultural season in the Soviet Union and the south-eastern European socialist countries and relatively weak growth of that sector in several other countries affected over-all performance. The national income growth targets for 1974 were nevertheless surpassed in most of the Eastern European countries. The 1974 results brought the average annual growth rate of national income since the beginning of the Decade to 7.9 per cent for the Eastern European socialist countries jointly and to 5.8 per cent for the Soviet Union. With the exception of the latter country, the current goals for growth of net material product under the five-year plan are being achieved or surpassed (see table 7).

The 1974 deceleration of net material product growth in the European socialist countries stemmed from developments on the supply side, namely, in agriculture. Though external demand for the exports of the group weakened, this does not appear to have affected the achievement of the output programmes even in the more trade-dependent socialist countries. Investment generally grew at a record pace, intra-group trade accelerated in real terms, and domestic demand growth appears to

have spilled over into the non-socialist world, as the volume of imports from the market economies rose by probably more than 10 per cent over the preceding year's level. Under the conditions of 1974, the domestic policies for sustained growth in the socialist countries exerted a helpful counter-cyclical effect on outside markets, but the region's relatively high degree of self-sufficiency limited the impact of this growth impulse on the rest of the world.

Over-all growth of output in the Asian centrally planned economies appears to have continued in 1974, but precise data on the rates of expansion of national income are not available for most countries. China and the Democratic People's Republic of Korea reported substantial increases in harvests. In China, large output increments in the industrial sector were reported for farm machinery production (14.6 per cent), petroleum extraction (20 per cent) and refining (13 per cent). The increase in crude oil output provided the base for a significant growth of exports. In Mongolia, national income grew at 5.6 per cent, somewhat slower than in the preceding year but above the average rate for the first three years of the Decade.

#### Agricultural production

World agricultural production in 1974 remained at about the same level as in 1973: the developing countries recorded an increase of 1.5 per cent, the developed market economies registered a marginal increase - 0.3 per cent - and the production of the centrally planned economies was down 1.8 per cent from the record level of the previous year. Declines in production were recorded in North America, the USSR and South and East Asia. The lack of growth in world agricultural output in 1974 brought the global average annual rate of increase in the 1971-1974 period to 2.1 per cent (see table 8). While agricultural output in 1973 had represented, for each economic grouping, a considerable improvement over that of 1972, the gain has not been sufficient to allow for the rebuilding of the stocks that had been run down after the sharp setback suffered in 1972. The lack of growth in agricultural output in 1974 therefore worsened the already serious food situation in the world.

Global production of the staple cereals - wheat, barley, maize and rice - declined in 1974 (see tables 9 and 10). Thus, the scarcity and high prices of foodstuffs that began in 1972 and developed in 1973 continued in 1974.

It was against a background of dangerously low food stocks, disappointing harvests in North America and South Asia and an absolute decline in world production of the staple cereals that the World Food Conference was held in Rome from 10 to 16 November 1974. Among the resolutions adopted by the Conference were those which: requested Governments to participate in a global information and early warning system on food and agriculture (resolution XVI); called for an International Undertaking on World Food Security that would include a study of the feasibility of establishing grain stocks (resolution XVII); called for the establishment of an International Fund for Agricultural Development (resolution XIII); and recommended that donor countries provide assistance in finance or commodities equivalent to at least 10 million tons of grains each year beginning in 1975 (resolution XVIII). In February 1975 an increase of 2 million tons in food aid promised by the United States for the 1974/75 season brought the total of known commitments for 1975 to 8.8 million tons.

### Developed market economies

As a result of adverse weather conditions, the combined agricultural output of the United States and Canada, vital in world food supplies, suffered a 3 per cent fall in 1974 from the 1973 level. In the United States, spring rains, summer drought and early frosts plagued the crops throughout the growing and harvesting stages in 1974. Cold weather during September and October inflicted heavy damage on maize and soya bean crops. In October 1974, in view of lower estimates of the domestic grain harvest and undiminished world demand, the United States Administration instituted a modified system of control involving advance approval of large shipments of grain abroad. At the same time, the main food-importing regions, the European Economic Community and Japan, agreed to curtail their imports of American grain and the USSR and China reduced their orders.

Several types of agricultural produce encountered declining demand and prices in 1974. The demand for cotton fell off as a result of weakening demand for textile goods stemming from the economic recession, and the demand for soya beans for livestock and poultry feed decreased as declining income reduced the demand for meat. The costs of raising cattle, hogs and poultry increased as a result of higher prices of feed and other inputs while their market prices fell because of increased slaughtering of cattle in the face of slower growth in meat consumption.

The Canadian wheat crop was adversely affected by weather conditions throughout 1974: late thaws which delayed sowing, lack of rain during the growing season, cold and wet weather during the harvesting season. Both the quantity and the quality of the wheat suffered and part of the crop was suitable only for feed purposes.

Western Europe registered a moderate increase in agricultural production in 1974. Unfavourable weather conditions caused damage to crops in several countries: an unusually dry summer reduced grain production in France, and heavy rains in August and September reduced the production of root crops in Belgium, the Federal Republic of Germany and the Netherlands. In the United Kingdom, farming operations were interrupted in the autumn by cold and wet weather.

Among the southern hemisphere countries, Australia and South Africa harvested substantially increased crops in 1974 compared with the low production in 1973, when heavy rains damaged the wheat crop in Australia and drought reduced the maize crop in South Africa. On the other hand, agricultural output was down in New Zealand; severe drought there resulted in a decrease in milk production in the first half of 1974 and, because of heavy slaughtering, the number of dairy cows fell.

### Developing countries

The rate of growth of agricultural production in the developing countries in 1974 (1.5 per cent) was in line with their average rate over the 1971-1974 period. It represented a sharp decline from the rate of expansion registered in 1973 when a number of countries recovered from the set-back of 1972. Thus for three of the first four years of the Decade, the over-all increase in food production failed to match the rate of population growth (see table 11). The disappointing result in 1974 was almost entirely due to a reduction of output in South and East Asia which largely offset the gains achieved in other developing regions. While adverse weather was

primarily responsible for the unsatisfactory performance of the farm sector in many developing countries, higher costs and curtailed supplies of fertilizer and other inputs also limited agricultural growth.

Almost half the developing countries, accounting for over a third of the population, achieved 1974 rates of agricultural growth in excess of the International Development Strategy target rate of 4 per cent per annum for the Decade. Nearly a sixth of the developing countries registered a decline in agricultural production in 1974. This group included some of the largest developing countries (Algeria, Bangladesh, Burma and India) in which over 40 per cent of the population of the developing world live.

Over the whole 1971-1974 period, rather less than a third of the developing countries achieved the target rate of 4 per cent. This group accounted for less than a sixth of the total population. At the other end of the scale, over half the countries, accounting for two thirds of total population, failed to maintain the per capita level of agricultural production.

Western hemisphere countries had a generally satisfactory year of agricultural growth, registering a 5.2 per cent increase over the 1973 level. Higher prices for most of their agricultural exports and increased costs of agricultural imports encouraged expansion in grain, oil-seed, sugar and cotton areas. Most of the countries in the region enjoyed agricultural growth above the target rate of 4 per cent, notably Argentina, Brazil, Colombia, Chile, Paraguay and Venezuela, where agricultural expansion was more than 6 per cent. However, in some countries unfavourable weather either allowed of only minimal increases, as in Ecuador and Mexico, or resulted in reduced output, as in Costa Rica and Honduras.

Two consecutive years of agricultural growth made good the decline recorded in 1972, and per capita food production in the western hemisphere regained the 1971 level (see table 12). In some Latin American countries, however - Bolivia and Honduras, for example - food was still in short supply in 1974. To keep prices down, these countries subsidized food imports and increased subsidies to the agricultural sector to encourage food production.

The developing countries of Africa registered a substantial recovery in agricultural production (4.0 per cent increase) in 1974 after a decline in the previous year. In West Africa, particularly the Sahel subregion - Chad, Mali, Mauritania, the Niger, Senegal and the Upper Volta - the long drought was broken and several countries in the region - notably Chad, the Niger and the Upper Volta - harvested bumper crops. Normal rains in the main grain-growing areas enabled Ethiopia to recover from the famine conditions of 1973. In Morocco, increased use of fertilizer and irrigation, combined with normal precipitation, produced a record crop. On the other hand, adverse weather affected production in some countries in East Africa (Burundi, Rwanda, Somalia and the United Republic of Tanzania) and the North African countries of Algeria and Tunisia (see table 13).

Largely as a result of favourable climatic conditions agricultural production in West Asia increased by 9.0 per cent in 1974, as against a 5.8 per cent decline in the preceding year. The swing in food production was particularly great in Iraq, Jordan and the Syrian Arab Republic.

In sharp contrast to the other developing regions in 1974, agricultural

production declined in South and East Asia. This was primarily the result of floods in Bangladesh and Burma, low monsoon rainfall in India and warfare in the Khmer Republic. After a strong recovery in 1973 of the agricultural sector in Thailand, there was no further gain in 1974. Malaysia, Pakistan and the Philippines achieved significant gains in 1974 though smaller than in 1973: in Pakistan adverse weather and reduced use of fertilizer - as a result of rising prices and poor distribution - held down the increase, while in the Philippines crops were damaged by typhoons. Shortages of nitrogenous fertilizer also affected agricultural output in Bangladesh and India.

In response to rising prices of food-grains on the world market, most of the countries of the region revised their domestic price policies. India, Indonesia, Pakistan and Thailand increased farm-gate prices to encourage increased production. Combined with favourable weather, this policy enabled Indonesia to harvest a record rice crop, raising the prospect of smaller import requirements in 1975. Although total agricultural production did not expand significantly, higher prices motivated Thai farmers to produce record crops of rice and maize. Thus, after a period of export control, exportable supplies were significantly increased for 1975.

#### Centrally planned economies

In the centrally planned economies of Eastern Europe and the USSR, agricultural output in 1974 did not reach the record level attained in 1973. Relatively modest production increases in the Eastern European countries were more than offset by a smaller harvest than in the preceding year in the Soviet Union, and the output of the region as a whole declined by 1.8 per cent.

The drop in output for 1974 brought the average annual rate of increase of agricultural production in the area since the beginning of the Decade to 2.9 per cent, lower than the trend rate for the 1960s. The shortfall was caused by lagging growth in the Soviet Union where, twice during the period, crop production declined from one year to the next. In the Eastern European countries, even though annual plan targets were not attained in 1974, output expansion over the first four years of the 1970s of almost 5 per cent has been well above the target rate of the combined five-year plans and almost twice the growth rate of the preceding Decade (see table 14). 2/

In the USSR, unfavourable weather conditions during the critical growing period reduced the 1974 wheat harvest to 84 million tons, the lowest level since

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2/ The change in pace of growth is in both cases especially marked in comparison with the preceding quinquennium. Agricultural output growth dropped from 4.2 per cent annually over the period 1965-1970 to 2.0 per cent over the period 1970-1974 in the USSR, if measured as a compound rate between end years, and rose from 2.3 per cent to 4.8 per cent in Eastern Europe. The deceleration in the Soviet Union is equally noticeable, though less steep, if a four-year moving average is used to take account of rising absolute levels and intermediate years of high output: from an average growth of 4.0 per cent annually over the period 1963-1966 to 1967-1970 to an average of 2.8 per cent over the period 1967-1970 to 1971-1974.

1969 and below the 1966-1970 average. Output of the feed-grain crops, barley, oats and corn, however, appears to have held up rather better, and the total grain harvest of 196 million tons, although below the 1973 level, was higher than the average for 1971-1973. Below-normal temperatures in the main growing areas also damaged root crops, and output of sugar-beets and potatoes fell below the average levels for 1966-1973. A record cotton harvest and satisfactory levels of vegetable production partially offset losses sustained in other crops, but total crop output probably declined by more than 12 per cent. Output of livestock products - meat, milk, eggs and wool - increased by over 6 per cent, and this held the over-all decline in agricultural production to less than 4 per cent. <sup>3/</sup> Reserve stocks in the crucial grains from the bumper harvest of 1973 and imports, as well as the sustained growth in feed-grain crops, appear to have prevented the harvest downturn from spilling over into additional demand on world markets as was the case in 1972/73.

In Eastern Europe the 1974 crop in the countries of the norther tier - the German Democratic Republic, Czechoslovakia, Hungary and Poland - was affected by excessive precipitation during the late autumn which caused problems with the harvesting of root crops as well as delays in the seeding of winter grains. The potato yield was generally poor, and in Poland the decline in sugar-beet output caused the cancellation of several export contracts. In Hungary the wine harvest was also affected. However, bumper wheat and barley crops were reaped in most of these countries. In Bulgaria and Romania, on the other hand, the major grain crops were damaged by drought, and over-all agricultural output growth was negligible or negative. Livestock production, by contrast, continued to expand in all countries of the group. This offset the crop losses in the northern-tier countries. Herd levels were maintained or expanded even where, in view of the harvest results, this must have put some pressure on the fodder balances.

Good agricultural results were attained in several of the Asian centrally planned economies. In China, total grain output in 1974 was officially reported to have shown a "fairly big" increase over the record level of 1973, which may have been about 257 million tons. <sup>4/</sup> Surpluses in grain production have been noted in several northern provinces which are traditionally grain importers. Record harvests are also reported for cotton and there were increases over the 1973 output level for oil and silkworm crops. In the Democratic People's Republic of Korea, food-crop production is reported to have grown faster in 1974 than in the preceding year, with a total grain output of more than 7 million tons, a level which was originally set as a target for 1976. In Mongolia, agricultural output increased by 3.8 per cent, reflecting substantial increases in livestock production. The relatively insignificant field crop sector showed a 31 per cent decline from the record 1973 level.

<sup>3/</sup> Changes in crop and livestock output totals estimated from the reported volume of individual products and product groups, aggregated with 1973 average state procurement value weights.

<sup>4/</sup> The 1973 harvest was officially stated to have been larger than the 250 million tons gathered in 1971 (Peking Review, 1974, No. 1); the figure of 257 million tons was reportedly given to a Japanese delegation visiting Peking in September 1974 (Far Eastern Economic Review - Asia Yearbook, 1975 (Hong Kong), p. 165). Chinese grain statistics include a grain equivalent of tuber production (potatoes, yams) on a conventional basis of four tons of tubers equalling one ton of grains.

## Industrial production

World industrial output rose by about 3 per cent in 1974 compared with 9.5 per cent in 1973 and about 7 per cent in 1972. The marked slow-down in 1974 reflected primarily the stagnation in industrial activity within the developed market economies as a whole in 1974 after a sharp upswing in the two preceding years - 9.5 per cent in 1973 and 6.5 per cent in 1972. In contrast, the 8.5 per cent increase in industrial output in the centrally planned economies in 1974 represented stronger growth than in any of the three preceding years. For the developing countries the rate of growth in industrial output in 1974 - 7.7 per cent - while lower than the rate in either of the two preceding years, was in line with the group's average (7.9 per cent) for the period 1971-1974 (see table 15).

Reflecting the slow-down in industrial activity, world production of copper, zinc, lead and tin was lower in 1974 than in the previous year, while that of a number of major commodities, including coal, petroleum, iron and steel, recorded smaller percentage gains in 1974 than in the two preceding years. Output of passenger cars was 9 per cent lower than in 1973, while the number of commercial vehicles produced was unchanged (see table 16).

### Developed market economies

The zero growth rate in industrial activity recorded by the developed market economies as a whole in 1974 - reflecting weaker growth than in 1973 for some countries and a decline in others (see table 17) - brought the annual average rate of growth in industrial output for the group in the period 1971-1974 to 4.4 per cent. Between 1973 and 1974, industrial output declined by 0.5 per cent in North America and by 2.3 per cent in Japan. In Western Europe as a whole, industrial output rose by about 1 per cent between 1973 and 1974 while in the developed countries of the southern hemisphere an increase in industrial output of 3.3 per cent was recorded.

The reversal of the industrial boom of 1972-1973 into industrial slow-down in most developed market economies and recession in some was indicated in the second half of 1973 and was signalled more sharply in the early months of 1974. The reversal was related at first to supply forces and to anti-inflationary measures adopted by Governments but soon came to be affected by a substantial weakening or downturn in demand. Following the period of strong concurrent growth which occurred in the major developed market economies in 1972 and the first half of 1973, supply constraints began to make themselves felt, in the form of shortages of some raw materials exacerbated by attempts to stockpile, shortages of capacity in some sectors and shortages of some types of skilled labour. These supply shortages and the associated rise in commodity prices, as well as strong wage pressures, induced some Governments in 1973 to modify their monetary and fiscal policies in order to contain domestic demand. In May 1973, for example, the Federal Republic of Germany imposed an 11 per cent tax on private capital expenditures, and in December 1973 a Japanese budget called for a large cut-back in real expenditures, including a freezing of public works budgets which had doubled since 1970. As the year 1974 unfolded, however, demand weakened and other characteristics of recession became evident in a number of the major developed market economies, partly as a result of the decline in construction - reflecting earlier speculative overbuilding as well as the high interest rates associated with tight monetary policies - partly owing to the erosion of real income through inflation and the progressivity of taxation in the

face of rising prices together with the associated tendency of consumers to delay postponable purchases, and partly as a result of a decline in purchases of machinery and equipment because of financing difficulties and weakness in consumption demand. With the slowing down of economic activity, these pressures were reinforced by growing excess capacity, attempts to liquidate inventories, and reduction of employment and hours of work. And just as the upsurge of economic activity had been highly synchronized among the developed market economies so the stagnation and downturn in 1974 was highly synchronized, leading to a sharp downturn in the rate of growth in trade among them and in imports from the rest of the world.

Investment in machinery and equipment had been a major component of the 1973 upsurge in industrial activity in almost all developed market economies, except the Federal Republic of Germany. In the light of the supply constraints that had emerged by mid-1973, further increases in fixed capital investment were planned for 1974. As indicated above, however, the second quarter of 1974 saw outlays for machinery and equipment beginning to decelerate or decline in most of the industrial market economies. Among the factors that contributed to this turn-around were financing difficulties. Beginning in the second half of 1973, interest rates had begun to rise and by mid-1974 the cost of borrowed money was extremely high by historical standards. Japan, in addition, imposed administrative restraints on private investment in 1974. At the same time, weakening consumer demand began to result in some under-utilization of capacity. The decline in residential construction resulted in weakness in allied industries, especially those producing building materials, durable household goods and furnishings.

The cut-back in petroleum supplies in the winter of 1973/74 also depressed industrial production, especially in Japan, where imports of crude petroleum - which provide over 70 per cent of the country's total energy and which had been increasing at an annual rate of about 12 per cent - were only a little over 1 per cent higher in the first quarter of 1974 than in the corresponding quarter a year earlier. Imports of crude petroleum into the United States - which had accounted for about one fifth of the country's total supply - fell by over 14 per cent in the first quarter of 1974 compared with the first quarter of 1973. In the United Kingdom, the shortage of petroleum was aggravated by the actions of the coal miners which resulted in a 56 per cent fall in coal production between the first quarter of 1973 and the first quarter of 1974 and the imposition of a three-day work week in order to conserve energy. The United Kingdom's industrial output, seasonally adjusted, declined by over 5 per cent between the fourth quarter of 1973 and the first quarter of 1974.

As 1974 advanced, weakness in demand became the main cause of the deceleration or decline in industrial production. This reflects both the slow-down in the growth of consumer income and a change in spending patterns induced first by resistance to high prices and later, when the pace of inflation begins to slacken, by postponement of purchases against the hope of lower prices in the future.

By September 1974, the industrial output of the developed market economies was 0.2 per cent below the corresponding level in 1973; in Japan it was down 4.7 per cent and in North America 0.7 per cent. The production of basic metals was down 0.4 per cent in the developed market economies as a whole but down 4.8 per cent in Japan and 6.3 per cent in the United Kingdom. Output of metal products showed no over-all change, though in the Federal Republic of Germany it

was down by 2.1 per cent. Output of the textile, clothing and leather branches was down by 6.6 per cent in the developed market economies as a whole, though in Japan it was down by 20 per cent and in North America by 7 per cent.

In the United States the seasonally adjusted industrial production index fell back by 2.1 per cent between the last quarter of 1973 and the first quarter of 1974, mainly as a result of the increased price of petroleum and uncertainty concerning its supply. The downturn was sharpest, by far, in automobile production where output was 25 per cent lower.

Beginning in June 1974, the output of building materials declined steadily and output of textiles shared in the world-wide slow-down in the industry in 1974. Despite the weakness in individual industries, over-all industrial output held at the average 1973 level through the first three quarters of 1974, but started to decline in October and fell off by 2.5 per cent in November and by about 3 per cent in December. The decline in output in the last quarter affected almost all branches but was especially sharp in durable consumer goods, household goods and clothing.

As compared with the United States, the Canadian automobile industry fared somewhat better in 1974 but, associated with the sharp decline in home-building, there was a softening in demand for durable goods, while industrial goods for export suffered from the slow-down in world trade. For 1974 as a whole, Canada's industrial output was about 2 per cent greater than in 1973.

In the European Economic Community industrial production showed little, if any, real growth throughout the year: in the United Kingdom it was 2.9 per cent lower in 1974 than in the previous year, in the Federal Republic of Germany there was a slight decline, and in France there was an increase of about 1 per cent. In general, with the exception of the automobile industry, export industries fared best and showed the greatest capacity utilization, particularly in France and the Federal Republic of Germany. The depression in the construction sector was reflected in sluggishness in allied industries.

Most of the smaller countries of Western Europe experienced somewhat stronger growth in industrial output in 1974. In Sweden, this reflects an expansionary fiscal policy, and in Norway oil-related activities contributed to that country's industrial growth in 1974. In both countries, industrial output rose by 6 per cent between 1973 and 1974, as it had in the preceding interval.

As already noted, the impact on Japanese industry of the cut-backs in petroleum production and the sharply increased prices was immediate and extensive. The consumption of oil and electricity by industries was reduced by 10 per cent on a voluntary basis in November 1973 and by 15 per cent in the following month. In February 1974 the curb became mandatory. Manufacturing output was immediately affected, since oil-burning plants provide 77 per cent of the national output of electricity and few manufacturers have alternative sources of power. The seasonally adjusted index of industrial production fell by 5 per cent between November 1973 and April 1974, and the repercussions were felt well beyond the borders of Japan. <sup>5/</sup> After May, under the influence of deflationary monetary and

<sup>5/</sup> Shortages of supplies of petroleum-based inputs caused disruption in the manufacturing industries of a number of developing countries of Asia - Hong Kong and India, in particular. Input shortages experienced by the Japanese chemical fertilizer industry were felt in turn by importing developing countries as shortages in supplies of fertilizer.

fiscal policies, the seasonally adjusted index of industrial production fell in almost every month of the year. Not only was cash liquidity in business low and borrowing costs high but the slump in residential construction was felt in allied industries and consumer demand continued to be depressed. Output was diverted to external markets: the volume of merchandise exports, of which industrial products account for well over 90 per cent in value terms, was 17 per cent greater than in 1973. Nevertheless, in the last quarter of 1974, industrial output in Japan was 12 per cent lower than in the corresponding quarter of the previous year.

### Developing countries

The rate of growth of industrial production (mining, manufacturing, electricity, gas and water) in developing countries slackened in 1974 from the high rate achieved in 1973: at 7.7 per cent, however, it was still in line with the average rate for 1971-1974. This deceleration occurred in all the regions, but most notably in Asia. Mining activity slowed down considerably from its upsurge in 1973, reflecting chiefly the decline of crude petroleum production. A swing from expansion to contraction was also recorded in the production of most of the non-ferrous metals. On the other hand, the developing countries appear to have attained the target growth rate of 8 per cent for manufacturing set in the International Development Strategy. The rate of expansion was higher in heavy manufacturing than in the light manufacturing sector (see table 18). In many countries the performance of the industrial sector was strongly influenced by what happened in the agricultural sector as well as by changes in external demand for the major export commodities. Thus the recession in economic activity in the developed market economies caused a sharp industrial slow-down in a number of developing countries after the middle of 1974, most notably among the countries specializing in exports of manufactures and industrial raw materials.

In the western hemisphere the decline in the level of production of crude petroleum and natural gas was responsible for a marked decline in mining growth. Manufacturing output rose by 7-8 per cent in 1974, somewhat below both the record rate of more than 9 per cent for the previous two years and the average rate of the three preceding years (8.4 per cent). Countries that exceeded the International Development Strategy target rate of 8 per cent included two oil-exporting countries, Ecuador and Venezuela. Other countries achieving similar high rates of growth included Colombia, Costa Rica, Nicaragua and Peru. There was also a sustained increase in manufacturing output in Argentina, Brazil and Mexico, reflecting increased capacity financed in large measure by foreign investment. As the year advanced, however, restrictive monetary and fiscal policies adopted by the Governments of Brazil, Colombia and Mexico to check inflation and the deteriorating balance of payments reduced the pace of industrial growth in these countries.

Deceleration in industrial growth in Africa was due primarily to the performance of the mining sector. Production of crude petroleum was down by 6.3 per cent in 1974 owing to a large cut in output by Algeria and the Libyan Arab Republic (see table 19), while the output of most other minerals remained more or less constant. In contrast, manufacturing output increased by 7-8 per cent, as it had in earlier years of the Decade. In a number of countries - including Angola, Botswana, the Gambia, Guinea, the Ivory Coast, Lesotho, Senegal and the United Republic of Cameroon - an increase of more than 8 per cent in industrial output was associated with an expansion of 4 per cent or more in agricultural production. In

other countries, manufacturing growth was spurred by increasing export earnings: Algeria, Gabon, the Libyan Arab Republic and Nigeria benefited from mounting oil revenues, and Morocco, Tunisia and Togo from higher phosphate earnings, while in Egypt and the Ivory Coast a sustained increase in manufacturing output was made possible by increased capacity financed largely by foreign capital. On the other hand, several African countries failed to expand manufacturing output. For the first time in a decade, Kenya recorded a slow-down in the growth of manufacturing industry: this reflects reduced inputs from poor agricultural harvests and a shortage of imported materials.

In Asia the pace of industrial growth slackened in 1974 as a result of a marked slow-down in both mining and manufacturing. The growth of mining was moderated by the reduced level of petroleum production in Iraq and Kuwait and by smaller increases in other petroleum-producing countries. Manufacturing growth, although reduced considerably from the average 1971-1973 rate because of a slow-down in food processing and in textile and chemical production, achieved the International Development Strategy target rate of 8 per cent in 1974.

Despite great industrialization efforts in West Asia in recent years, manufacturing accounts for a relatively small share of the total production, except in Israel and, to a less degree, in Lebanon. Though small, the sector exhibited considerable vitality in 1974. Since many industries in the area are based on agriculture, the bumper crops in 1974 contributed to increased activity, as did the higher revenues from petroleum. The oil-producing countries embarked on massive industrialization programmes comprising not only refining and other petroleum-based processes but also the production of construction materials and transport equipment as well as food products. Some of these economic diversification projects were jointly planned by countries whose own industrial markets were too small to sustain them.

In South and East Asia manufacturing growth was moderated by poor agricultural performance as well as by the slackening of external demand for the products of export-oriented manufacturers. It was also adversely affected by reduced supply of fuel and certain industrial materials such as plastics, especially in the first quarter of 1974.

Industrial output in India rose by 2.5 per cent in 1974 as compared to 0.7 per cent in 1973. This low growth is attributable in part to shortages of fuel and electricity, and agricultural inputs. Industrial production was similarly affected in Bangladesh and Nepal. Pakistan increased manufacturing output by 6 per cent largely as a result of a liberal import policy which increased both the supply of raw materials and the inflow of capital.

In Hong Kong, the Republic of Korea and Singapore, manufacturing activity was seriously affected by external developments. Not only did their supplies of energy and raw materials increase greatly in cost - as well as become quite scarce at one stage - but their main markets in the developed market economies shrank steadily during the year as the recession in demand spread. In the Republic of Korea, for example, the increase in manufacturing production over the corresponding quarter of 1973 declined from 44 per cent in the first quarter of 1974 to little more than 8 per cent in the last quarter. In Indonesia, Malaysia, the Philippines and Thailand, the level of industrial activity was similarly affected as the year progressed by the slackening in demand for their export-oriented raw materials. In

these countries increased production capacity - induced by the 1972-1973 boom - became available at the time when external demand for their goods was dwindling. The resultant reduction in the level of production in the major export industries began to damp down domestic demand as well. Demand for residential buildings and consumer durables fell drastically, thus making even more unfavourable the climate for manufacturing growth.

### Centrally planned economies

Industrial production in the centrally planned economies of Eastern Europe and the USSR increased by 8.5 per cent in 1974, the highest annual growth rate recorded since the beginning of the 1970s. Furthermore, except for Bulgaria and Romania the increase exceeded the target growth rates in the annual economic plans of all countries. Romania, which had not achieved its ambitious target of a 17 per cent expansion in industrial output, nevertheless recorded the highest growth rate in the group. In Bulgaria, where the pace of expansion slowed from the preceding year, industrial activity was affected by the severe drought which reduced supplies of agricultural raw materials.

Over the first four years of the present mid-term planning period (1971-1975) industrial output of the region grew at an average annual rate of 7.8 per cent, approximately as envisaged in the combined growth programmes. Bulgaria and the Soviet Union are somewhat behind the schedules set by their five-year plans, even though in the Soviet Union the actual production increment in 1974 was larger than that planned for the year. All the other countries attained higher growth rates over the period than they had planned. Poland and Romania, in particular, are running substantially ahead of their targets, with annual growth rates which have accelerated from year to year during the period (see table 20).

Gains in labour productivity were the main sources of industrial output growth in 1974. Increases in output per worker accounted for 70 to 90 per cent of the incremental output in all the countries of the group except Romania, where employment growth was again very high and accounted for more than one half of the production growth (see table 21).

In a number of countries, the output of consumer goods grew at a markedly accelerated pace. This was true in particular in the German Democratic Republic and Poland, where production of consumer goods grew faster than total industrial output, and also in the Soviet Union, where, however - in spite of a 7.2 per cent increase - the annual plan target was not quite reached because of lagging growth in light industry. The goal of the Soviet five-year plan, to have output of consumer goods expand faster than that of producer goods over the period, was not attained in 1974 or in the preceding two years, and appears now to be out of reach. The annual plan for 1975 envisages more rapid growth in producer goods, but sets targets for both commodity groups which are modest relative to the 1974 experience.

The current phase of industrial expansion in Eastern Europe and the USSR is characterized by special emphasis on chemical industry and technology-intensive sectors, such as electronics, but, as in the past, machine building remains the backbone of industrial growth. Output growth in the engineering industries exceeded the industry-wide average in all countries except the German Democratic

Republic, with growth rates ranging from 17 and 20 per cent in Poland and Romania to 7-8 per cent in the most industrialized countries of the group, Czechoslovakia and the German Democratic Republic. Only slightly lower growth rates were generally registered in the chemical and petro-chemical sectors.

Output of fuels and energy in the region continued to expand, but at a substantially slower pace than total industrial production. However, the growth rate of output of the chief primary fuels (hard coal, petroleum and natural gas) appears to have increased somewhat, from about 4.5 per cent in 1973 to an estimated 5 per cent in 1974, mainly owing to accelerated growth in Soviet natural gas production. <sup>6/</sup> Unless brown coal extraction in the German Democratic Republic and Czechoslovakia declined more sharply than has been the case recently, the increase in total fuel production in the area should have been larger in 1974 than in the earlier years of the Decade. Electricity output increased by 6.4 per cent, which represents a continuation of the slowing growth trend evident since 1971, even though significant new generating capacity was put into operation during the year in most countries of the group.

### Energy

The actions affecting the supply and price of petroleum in 1973 and 1974 brought about a world-wide reappraisal of national policies in respect of energy production and use. The previous 20 years had seen a rapid and continuous swing from solid to liquid and gaseous fuels. Some of this reflected the growth of specific forms of consumption - as in road and air transport and the petro-chemical industry - but some, especially in power generation and space heating, represented convenience preferences and cost advantages. The result was a major increase in the role of imports in total energy supply. By 1973 the 13 members of the Organization of Petroleum-Exporting Countries (OPEC) accounted for 55 per cent of world production of petroleum and 90 per cent of world exports, with almost half of all exports coming from West Asia.

Policies reflecting the anxiety that energy-importing countries felt about the security of supply and the urgent need to adjust consumption to the greatly increased prices of petroleum in 1974 were also affected by environmental considerations that had risen rapidly in importance since the mid-1960s. In some of the major industrial countries, measures to restrain the use of polluting fuels, the expansion of petroleum refineries in built-up areas, the exploration of local off-shore deposits and the exposure of coal seams by the stripping of over-burden combined to slow down the reaction to the change in price relationships and dilute the desire to reduce dependence on imports. Thus 1974 saw the elaboration of both short-term emergency programmes and longer-term adjustment policies. The former tended to lean heavily on voluntary conservation while the latter attempted to effect changes in the supply of energy as well as in the growth and pattern of demand.

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<sup>6/</sup> The hard coal output of the group rose by an estimated 2.5 per cent. Petroleum output increased by 6.9 per cent and natural gas by 10.4 per cent in the Soviet Union and probably by very small absolute amounts in the other producing countries. Quantities of the three commodities were aggregated with unit value weights obtained from Soviet foreign trade data for 1973.

### Developed market economies

In the United States, short-term conservation measures included the curtailment of gasoline supplies for private transportation during the winter months and the advocacy of a number of voluntary energy-saving measures. In the event, the combined effect of the Arab oil embargo, higher prices, the economic slow-down, conservation measures and a relatively mild winter was to reduce United States consumption of energy by about 4 per cent in 1974, the first decline in 22 years. This reduction did not change the share of imported oil in United States energy consumption, however; this remained at 17.6 per cent. <sup>7/</sup> The cut-back was mainly in domestic petroleum production which continued to decline from its 1970 peak. A further effort to reduce imports was made in February 1975 when import fees on crude oil and petroleum products were increased by \$1 per barrel.

In Japan, where petroleum, virtually all imported, accounts for over 70 per cent of total energy consumption, the Government in November 1973 requested a reduction of 10 per cent in the average rate of oil and electricity consumption by industries and utilities. In December the requested cut was raised to 15 per cent and in February 1974 it was made mandatory. In the United Kingdom, a 10 per cent reduction in the supply of oil to industry was imposed in November 1973 and in November 1974 the value-added tax on gasoline was trebled. Gasoline rationing was imposed by Sweden for a three-week period towards the end of 1973 and, as a result of restriction and conservation, oil consumption was reduced by 10 per cent in 1974. The French Government rationed the use of domestic heating fuel and announced a value ceiling on petroleum imports in 1975 which, at 197<sup>4</sup> prices, represented a 10 per cent cut-back from the 1974 import volume.

The longer-range energy plans formulated in 1974 had a number of common characteristics: conservation; reduced dependence on imported oil; increased investment in indigenous energy sources including nuclear energy; and, in countries

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<sup>7/</sup> According to preliminary figures of the United States Department of the Interior, the composition of United States total energy consumption in 1973 and 1974 was (percentage):

	<u>1973</u>	<u>1974</u>
Petroleum	46.6	44.8
Domestic	29.0	27.2
Imported	17.6	17.6
Natural-gas	30.4	30.4
Domestic	29.0	29.1
Imported	1.4	1.3
Coal, bituminous and lignite	17.6	17.8
Hydro-power	2.4	4.2
Nuclear power	0.2	0.2
Other	2.8	2.6

where water resources exist in adequate scale and quality, new hydro-power development; intensified research into the harnessing of solar, wind, tidal and geothermal energy and other less conventional sources of energy such as organic waste and methanol from wood and low-grade coal.

The energy options of the United States include the extraction of oil from shale, increased coal production, increased drilling for oil and natural gas, both on-shore and off-shore, and increased production of nuclear energy and extraction of energy from the earth's interior. In May 1975, the Government called for the conversion of a number of inland power stations from oil to coal. A rapid expansion in coal output faces many difficulties, however. The production of coal by strip-mining, which accounts for one half of the coal produced in the United States, has been opposed because of the damage done to the land's surface. Under legislation passed by Congress in May 1975, mining companies have been required to restore strip-mined land to other productive use. Arguing that a provision of this nature would unduly inhibit production, the President vetoed the measure. In the meantime, the stepping-up of oil exploration was reflected in a 21 per cent increase in the number of wells drilled during the first half of 1974 compared with the corresponding period of the previous year. <sup>8/</sup> The most promising source of new oil supplies in the near future, however, is the North Slope of Alaska which is expected to yield 1.2 million barrels of petroleum a day from the start of operations in 1977 and 2 million barrels a day by 1980. Outside the Prudhoe Bay area of Alaska, even larger oil deposits are known to exist and there is expectation of an eventual output of 5 million barrels a day.

In Canada, between 1961 and 1973 the demand for petroleum for home consumption and exports rose faster than the supply from domestic production and imports, 8.7 per cent per annum as against 8.4 per cent. <sup>9/</sup> In November 1974 legislation was passed cutting back oil exports to the United States as from 1 January 1975 and possibly phasing them out completely by 1982. The object was to postpone the time when local production would be overtaken by local demand which, given existing trends, could be expected by 1982. Such a deficiency seems likely to be further postponed by the discovery of major reserves of natural gas in the Arctic islands area.

An energy plan produced by the Commission of the European Community in 1974 included a recommendation for a 10 per cent reduction in energy consumption compared with previous 1974-1985 forecasts. Petroleum consumption would be

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<sup>8/</sup> Source: The American Petroleum Institute.

<sup>9/</sup>	<u>Percentage annual change, 1961-1973</u>
<u>Demand</u>	
Domestic consumption	5.4
Exports	17.0
Total demand	8.7
<u>Supply</u>	
Production	11.2
Imports	5.1
Total supply	8.4

reduced from 61 per cent to 40 per cent of total energy use, coal and other solid fuel production would remain constant but its contribution to total energy would drop from about 25 per cent to 15 per cent, natural gas consumption would be stepped up from 13 per cent to 25 per cent, and nuclear energy from 1.5 per cent to 17.5 per cent. In the light of this, coal producers launched a plan to revitalize the Community coal industry by the adoption of a long-term coal policy to attract new manpower and generate new investment. In 1974, however, production of hard coal in the Community was about 10 per cent below the previous year's level, with production down in each of the five major producing countries. France announced its intention to stop the run-down of its coal industry and the Federal Republic of Germany formulated an energy research programme in which the largest single sum (DM 616 million) was earmarked for improving coal-mining technology and productivity and for improving the methods of obtaining gas and oil from coal.

As a result of the first decade of development work in the North Sea, new energy options based on local oil and natural gas have emerged for Norway and the United Kingdom. The first flow of petroleum into the United Kingdom is expected by 1976, and estimates set "firm" production by 1980 at over 2 million barrels per day (equivalent to the 1974 level of United Kingdom consumption). The official estimate of proven and probable reserves in the United Kingdom is 9.9 billion barrels, but eight new discoveries made in the first half of 1975, plus reserves in areas not yet licensed, could treble this estimate. Official estimates of natural gas production suggest 6 billion cubic feet per day by 1980 or the equivalent of 1 million barrels of oil. Actual production was 3.5 billion cubic feet daily in 1974 and the share of natural gas in total energy consumption in the United Kingdom increased to nearly 16 per cent compared with 12.5 per cent in 1973.

Norwegian production of off-shore oil and gas is expected to exceed domestic requirements in 1975. It is not clear to what extent Norway will become an exporter, however; the Government's White Paper on the subject, issued in 1974, revealed a cautious attitude towards exploitation of undersea oil resources and the use of government oil incomes and a desire to avoid rapid changes in the structure of the Norwegian economy.

In the Netherlands, where the use of fuel oil fell by one third in the three years following 1969 when plentiful supplies of natural gas at competitive prices came on the market, almost half the domestic energy requirements are now serviced by natural gas, and saturation of the domestic market is believed to be indicated by a slowing of the rate of increase in sales to gas utilities. The volume of exports, which has been rising by about 30 per cent annually in recent years, is estimated to have accounted for half the total volume of sales in 1974, with France and the Federal Republic of Germany as the leading buyers.

France, which lacks large-scale coal deposits and is unlikely to discover reserves of North Sea oil, is almost 80 per cent dependent on external sources of energy. To reduce this dependence, it embarked on a programme of nuclear power expansion in 1974, based on its large but low-grade uranium reserves. By 1985 nuclear power is projected to provide over 80 per cent of the country's electricity and a fourth of total energy requirements.

In Japan, which is almost completely lacking in conventional indigenous sources of energy, the desire to ensure a stable energy supply and diversify the country's energy resources induced urgent consideration of the possibilities and implications of greater use of nuclear and solar energy and liquified natural gas as well as a wider spread of the sources of petroleum imports.

Along with the formulation of these new energy policies came efforts to promote closer relations among oil-consuming nations. Following a conference convened by the United States in February 1974, an Energy Co-ordinating Group was established to draw up an International Energy Agency (IEA) to organize a comprehensive programme of emergency and long-term co-operation among oil-consuming developed market economies, 10/ encompassing (a) an allocation scheme in case of emergency; (b) consultation with oil companies; (c) long-term co-operation in energy matters; and (d) relations with producer countries and with other consumer countries. In February 1975 IEA agreed to aim for a cut-back in oil imports equivalent to 2 million barrels per day by the end of the year, the United States accounting for half.

#### Developing countries

The large increase in the price of petroleum at the beginning of 1974 caused a heavy drain on the external payments of the developing oil-importing countries and posed a serious threat to the orderly execution of their development programmes and to their economic growth. The cost of oil imports of these countries in 1974 is estimated at about \$15 billion - about one sixth of their total export earnings - compared with \$5 billion in 1973. The additional cost of \$10 billion accounts for about one third of their total trade deficit in 1974. Many developing countries, finding it difficult to finance imports of oil required for continued development, initiated a series of measures for mitigating the adverse effects of the energy crisis by curtailing oil consumption, increasing production of indigenous energy sources, and finding new means of financing adequate oil imports.

In order to curtail consumption of oil, a number of developing oil-importing countries adopted various measures including direct control over the allocation of oil supplies (as in India, the Khmer Republic, Papua New Guinea and the Republic of Korea), a higher pricing of oil products (in most of the countries), selective black-outs and reduction of non-essential services (as in Thailand) and a greater emphasis on mass transportation (by Brazil and India). India, for example, aims to reduce the consumption of oil in 1974/75 to its level in 1972/73 by such measures as rationing of kerosene, use of soft coke as a domestic fuel substitute and switching road transport users to railways. In pursuing these measures of energy conservation, these developing countries endeavoured, in varying degree, to ensure adequate supplies of petroleum products to the high-priority sectors at reasonable prices and to minimize the impact on the low-income portion of the population.

Some developing countries managed to secure oil supplies on special terms, mainly through bilateral agreements with the petroleum-exporting countries. A trade agreement with Iran allowed India, for instance, to finance 1975-1979 oil deliveries with a down payment of part of the cost, the balance to be paid at the end of the period. The Philippines Cement Corporation and the Indonesian Government agreed on a barter involving between 50,000 and 60,000 tons of oil and cement. Venezuela, on 1 April 1975, set up a special fund of \$500 million to help neighbouring countries pay for their oil purchases. The first beneficiaries were Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and Panama. These countries will be able to pay for crude oil purchases from Venezuela on a quarterly basis by means of credits equivalent to \$6 of the total per-barrel price. The

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10/ Founding members include Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America. New Zealand joined in February 1975. Norway maintains a special participating arrangement.

credits are repayable over 24 years at the Inter-American Development Bank's "soft" interest rate. Once the credit has been repaid, an equivalent sum can be reborrowed as a 25-year development loan at the same rate of interest.

The search for new oil and gas deposits was intensified. Pakistan launched an exploration drive in four major areas of the country. India has reported a string of exploration successes in the Gulf of Cambay, where the first well was drilled in mid-1974, and according to India's Petroleum and Chemicals Minister, it is hoped that this area will be producing 200,000 barrels per day by 1980. In the Philippines a first on-shore exploration programme is to be carried out in the Cagayan Valley with the target of two exploratory holes by late 1975. In the Republic of Korea drilling is expected to begin in off-shore blocks in the second half of 1975. The Government of Sri Lanka has announced its intention to revoke its 1970 ban on all oil exploration by foreign countries other than the Soviet Union. In the Gulf of Thailand drilling will begin later in 1975 and the first wildcat in the Mekong Basin had indicated the presence of oil. Further drilling will be required to test the commercial possibilities of an oil strike that has been made near Ramallah, north of Jerusalem in the occupied West Bank. The Sudan has granted off-shore exploration licences along the Red Sea coast. In Chad six evaluation wells are to be drilled in an oil-bearing structure in Kanem Province north of Lake Chad. Uruguay is in the process of granting exploration rights in its off-shore waters. The recently discovered oil deposits in Brazil, on the continental shelf off Rio de Janeiro, and in Mexico, in the states of Chiapas and Tabasco, are reported to be very promising. The state companies of Ecuador and Argentina have finalized an agreement covering exploration and development of a 200,000-hectare tract in the north-eastern part of Oriente. In Guatemala, the first of two proposed boreholes has been spudded in the Gulf of Amatique, about 20 kilometres off the coast. In Peru, drilling is now taking place at an accelerated pace in the Amazon basin. Exploration has also begun on a limited scale in the Ucayali and Madre de Dios basin. If present expectations are fulfilled, Peru should be able to regain self-sufficiency in petroleum by 1976 and to become a net exporter by 1977.

Steps are also being taken to develop alternative sources of energy. For instance, less than three years ago, the Philippines, in the midst of a nation-wide electrification effort, decided to try to tap its geothermal energy; it is expected that the resultant generating plant will be in operation by mid-1975. Mexico intends to expand up to 360 megawatts a 75-megawatt geothermal power station, originally brought into service in 1972. El Salvador is currently constructing a 33-megawatt geothermal power station in Ahuachapan. There has also been exploration of geothermal resources in various other countries, including Chile, Ethiopia, Fiji, Thailand and Western Samoa, in some cases with promising results. Argentina recently finished the construction of a nuclear power station in Atucha and is in the process of constructing another one at Río Tercero. Argentina, Brazil and Mexico are all prospecting for radio-active minerals. The energy crisis has also renewed interest in the Central African Republic's uranium deposits located near Bakouma, reportedly containing about 30 million pounds of uranium, and previously regarded as uneconomic. India is emphasizing the expansion of hydroelectricity and nuclear energy. Afghanistan, Bangladesh and Pakistan intend to use more of the natural gas which they possess in ample supply. Argentina is conducting a study of the feasibility of laying a 50-kilometre pipeline across the Straits of Magellan to permit the evacuation of gas reserves discovered in both the Argentine and Chilean portions of Tierra del Fuego. The line would continue to Estancia Cerro Redondo, starting point of the 30-inch gas trunk-line to Buenos Aires. It is reported that Venezuela has stepped up development of the bituminous sand in the Orinoco oil belt and Brazil is developing the oil shales in San Mateo.

As a result of the economic slow-down in major industrial countries, the increased cost of petroleum, the adoption of measures of energy conservation and the incidence of mild weather in 1974, the global supply of petroleum came into surplus in the latter part of 1974 and members of OPEC cut petroleum production. As compared with 1973 the production of the Libyan Arab Republic was down in 1974 by over 26 per cent, that of Kuwait by almost 19 per cent and of Iraq by over 4 per cent and the over-all production of OPEC members was 0.3 per cent below the 1973 level (see table 19). In the first quarter of 1975 the petroleum output of OPEC was about an eighth below the corresponding 1974 level (which had been reduced by the embargo placed on shipments to the Netherlands and the United States of America by the Arab Organization of Petroleum Exporting Countries.

#### Centrally planned economies

Growth of industrial output in the socialist countries of Eastern Europe and the USSR shows no signs of having been affected by the turbulence in the international fuel and raw material markets in 1974. Nevertheless, policy discussions and measures taken in all of the Eastern European economies reveal a deep concern over these developments. Although the Soviet Union continues to be the main supplier of energy and raw materials for the area, most of these countries now obtain a part of their requirements from outside sources and, confronted by rapidly rising prices, face the need to curtail or to slow the growth of imports.

The volume of crude oil imports from outside the region showed a sharp drop in 1974 in the case of the Soviet Union (from 13.2 to 4.4 million tons) and appears to have declined also in several of the Eastern European countries. A 6 per cent (4-million ton) increase in Soviet deliveries of oil and oil products to the Eastern European countries probably offset only part of this decline. Natural gas exports from the USSR to Eastern and Western Europe, however, more than doubled (from 6.8 to 14 billion cubic metres) and may have supplied an increasing portion of Eastern European fuel imports, while at the same time Soviet imports - mainly from Afghanistan and Iran - increased only slightly over the 1973 level (from 11.4 to 12 billion cubic metres). Though in 1974 the volume of fuel imports into the region thus probably stagnated or declined, in the longer run the Eastern European countries apparently intend to obtain a growing volume of supplies from outside sources. Almost all of these countries have recently concluded substantial delivery contracts with oil-producing developing countries, especially Algeria, Iran and Iraq, and Czechoslovakia and Hungary agreed early in 1974 to join with Yugoslavia in the construction of a pipeline to the Adriatic which will serve to carry North African and West Asian oil into the area of the Council for Mutual Economic Assistance (CMEA).

The immediate balance-of-payments impact of developments in world market fuel price on the Eastern European countries was cushioned in 1974 by the fact that imports from within the CMEA group were being delivered at unchanged prices, but here, too, price adjustments were under consideration and were in fact introduced early in 1975.

As a consequence, conservation measures were adopted by all of the Eastern European countries in 1974 to increase efficiency in the use of imports. Among them were steps to reduce the growth of consumption of oil and oil products and to limit the substitution of oil or gas for coal to cases where technological

requirements made this essential; to replace oil by other fuels; to exploit hydro-power and coal-burning power stations more efficiently; to develop, in co-operation with other countries, the hydro-power potential on the rivers of the region with particular emphasis on multipurpose projects. The long-term policy of increasing the share of liquid and gaseous fuels in the fuel balance is being reassessed and will be slowed down wherever feasible. Thus, Poland will considerably expand the domestic production of hard as well as brown coal, and the German Democratic Republic will seek a rapid increase in the exploitation of its brown coal reserves. In Hungary, a country with poor domestic sources of energy, industry has been urged to switch from the utilization of liquid fuel to other, less expensive, sources of energy. Czechoslovakia, in co-operation with the USSR, is putting special emphasis on the expansion of the production of nuclear energy.

World market developments and the realization of the vulnerability of outside supplies further stimulated efforts to secure access to raw material and fuel sources within the confines of the CMEA group. Thus the Eastern European countries are contributing investment funds as long-term credits given on a product pay-back basis, mainly in the form of material deliveries but also including convertible currency financing, for the construction of a number of large projects in the extractive and fuel-energy branches on the territory of the Soviet Union. In addition to several undertakings in the raw material sphere on which construction was begun in 1974, 11/ these include some major pipeline projects which - as a novel feature in intra-CMEA co-operation - will be built in their entirety by construction teams from Eastern Europe. For the largest of these ventures, on which agreements were concluded in the fall of 1974, the USSR is to build a gas-condensing complex at the Orenburg site south of the Urals, mainly with Romanian equipment, while the other five Eastern European countries will finance and construct a 2,800-kilometre pipeline to the Czechoslovak frontier. The project, estimated to cost over \$4.5 billion, will employ some 25,000-30,000 Bulgarian, Czechoslovak, German Democratic Republic, Hungarian and Polish workers in the USSR over the period 1975-1978.

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11/ The largest are a 500,000-ton annual capacity cellulose manufacturing complex in Ust'-Ilimsk (Eastern Siberia), a 250,000-ton capacity asbestos enrichment plant in Kyembay (Urals), and a 12 million-ton capacity steel works in Kursk.

Table 1. World production: annual growth rates,  
by country group, 1971-1974  
(Percentage)

Item and country group	Change from preceding year				
	Average, 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
<u>Gross domestic product<sup>b/</sup></u>					
Sum of country groups	4.5	4.3	5.5	6.7	1.7
Developed market economies <sup>c/</sup>	3.8	3.7	5.6	6.1	-0.1
Developing countries <sup>d/</sup>	5.9	5.2	5.6	7.0	5.6
Centrally planned economies <sup>e/f/</sup>	6.4	6.0	5.0	8.8	6.0
<u>Agricultural production<sup>g/</sup></u>					
Sum of country groups	2.1	3.1	-0.1	5.1	0.2
Developed market economies <sup>c/</sup>	1.9	5.0	0.7	1.5	0.3
Developing countries <sup>d/</sup>	1.5	1.6	-0.8	3.9	1.5
Centrally planned economies <sup>e/</sup>	2.9	2.5	-0.4	12.0	-1.8
<u>Industrial production<sup>h/</sup></u>					
Sum of country groups	6.0	4.2	7.1	9.5	3.1
Developed market economies <sup>c/</sup>	4.4	1.9	6.5	9.5	-
Developing countries <sup>d/</sup>	7.9	6.5	8.2	9.3	7.7
Centrally planned economies <sup>e/</sup>	7.8	7.7	7.0	8.0	8.5

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; "Latin American development and the international economic situation: second regional appraisal of the International Development Strategy" (E/CEPAL/981 and Add.1-3); "Survey of economic and social conditions in Africa, 1974" (E/CN.14/632, part one and part two); "Economic and social survey of Asia and the Pacific, 1974" (E/CN.11/L.412); Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics (Rome); information supplied by the Department of Agriculture of the United States of America and other national sources.

Note: Methods of estimation differ among the production components and among the country groups. For this reason and also because of the problem of assigning weights to the country groups, the aggregated changes should be interpreted with caution. The over-all figures provide no more than a rough indicator of the magnitude of year-to-year changes.

(Foot-notes on following page)

(Foot-notes to table 1)

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a/ Preliminary, based in some cases on data for a period of less than 12 months and, in some of the developing countries, on indicators.

b/ Measured at constant market prices.

c/ North America, northern, southern and Western Europe, Australia, Japan, New Zealand, South Africa.

d/ Latin America and Caribbean area, Africa (other than South Africa), Asia (other than China, Democratic People's Republic of Korea, Democratic Republic of Viet-Nam, Japan, Mongolia).

e/ Eastern Europe and USSR.

f/ Data refer to net material product and are not strictly comparable to those of the other country groups.

g/ Based on index of gross output and hence not comparable with the national accounts measure of production. Methods of estimation differ among the country groups.

h/ Based on index of value added, except in the centrally planned economies for which the index is based on gross output at constant prices; in the case of the German Democratic Republic, the index refers to the value of commodity production, and in the case of Hungary to output in physical units and other indicators. In most developing countries, the data are for the organized industrial sector and exclude small-scale and handicraft production.

Table 2. World gross domestic product, by country group, 1971-1974  
(Percentage)

Country group	Change from preceding year				
	Average, 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
Sum of country groups	4.5	4.3	5.5	6.7	1.7
Developed market economies	3.8	3.7	5.6	6.1	-0.1
North America <sup>b/</sup>	3.4	3.4	6.1	6.0	-1.6
Western Europe	3.9	3.5	4.3	5.5	2.3
Japan	5.9	6.8	8.9	10.2	-1.8
Southern hemisphere <sup>c/</sup>	4.5	4.2	3.8	4.1	5.7
Developing countries	5.9	5.2	5.6	7.0	5.6
Western hemisphere	7.0	6.3	6.8	7.4	7.3
Africa	4.4	4.6	4.5	4.3	4.1
West Asia	10.8	11.3	13.0	11.9	9.5
South and East Asia	3.7	2.7	2.9	6.1	3.1
Centrally planned economies of Europe <sup>d/</sup>	6.4	6.0	5.0	8.8	6.0
Eastern Europe <sup>e/</sup>	7.9	7.2	7.8	8.4	8.4
USSR	5.8	5.6	3.9	9.0	5.0

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; "Latin American development and the international economic situation: second regional appraisal of the International Development Strategy" (E/CEPAL/981 and Add.1-3); "Survey of economic and social conditions in Africa, 1974" (E/CN.14/632, part one and part two); "Economic and social survey of Asia and the Pacific, 1974" (E/CN.11/L.412), and national sources.

<sup>a/</sup> Preliminary.

<sup>b/</sup> Canada and United States of America.

<sup>c/</sup> Australia, New Zealand and South Africa.

<sup>d/</sup> Data refer to net material product and are not strictly comparable to those of the other country groups.

<sup>e/</sup> Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

Table 3. Developed market economies: growth of gross domestic product in constant market prices, 1971-1974

(Percentage)

Region and country	Change from preceding year				
	Average, 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
<u>North America</u>	3.4	3.4	6.1	6.0	-1.6
Canada	5.7	5.6	5.8	6.8	4.5
United States of America	3.2	3.2	6.1	5.9	-2.2
<u>Western Europe</u>	3.9	3.5	4.3	5.5	2.3
EEC	3.6	3.3	3.8	5.5	1.9
Belgium <sup>b/</sup>	4.6	3.4	5.2	5.4 <sup>b/</sup>	4.3 <sup>b/</sup>
France	5.4	5.6	6.0	6.0	3.8 <sup>b/</sup>
Germany, Federal Republic of	2.9	2.6	3.0	5.3	0.6 <sup>b/</sup>
Italy	3.6	1.6	3.1	5.9	4.0 <sup>b/</sup>
Luxembourg	4.5	1.7	4.6	7.5	4.7
Netherlands	3.7	4.4	4.2	4.0	2.0
Denmark	3.5	3.7	4.9	3.8	1.5
Ireland	3.9	3.5	3.3	7.2	1.5
United Kingdom	2.3	2.4	2.1	5.3	-0.5
Other Europe	4.9	4.0	6.5	5.0	4.3
Austria	5.8	5.6	7.2	5.5	5.0
Cyprus	(7.2)	12.3	6.7	2.7	...
Finland	5.2	2.4	7.0	5.9	5.4 <sup>b/</sup>
Greece	7.2	7.1	10.6	9.4	2.0 <sup>b/</sup>
Iceland <sup>b/</sup>	6.3	10.1	5.6	5.9	3.5
Malta	(4.8)	2.5	5.8	6.0	...
Norway	4.5	5.5	4.5	3.9	4.0
Portugal	6.8	5.8	9.5	7.8	4.0
Spain	6.5	4.3	8.1	8.1	5.6
Sweden	1.9	0.2	2.5	1.7	3.0
Switzerland	3.9	3.8	5.7	4.5	1.5
Turkey	6.8	9.5	6.1	4.0	7.5
Yugoslavia	6.6	9.0	5.0	5.0	7.3
<u>Asia</u>					
Japan <sup>b/</sup>	5.9	6.8	8.9	10.2	-1.8
<u>Southern hemisphere</u>	4.5	4.2	3.8	4.1	5.7
Australia <sup>c/</sup>	4.4	4.3	4.0	4.0	5.4 <sup>b/</sup>
New Zealand <sup>c/</sup>	4.0	4.1	3.0	5.2	3.8 <sup>b/</sup>
South Africa	4.7	4.1	3.6	4.1	7.0
Total, 28 developed market economies	3.8	3.7	5.6	6.1	-0.1

(Sources and foot-notes on following page)

(Sources and foot-notes to table 3)

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Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics, Organisation for Economic Co-operation and Development, Economic Outlook (Paris), and national sources.

a/ Preliminary. Figures in parentheses represent the average for 1971-1973.

b/ Gross national product.

c/ Fiscal year ending 30 June of the indicated year for Australia, 31 March for New Zealand.

Table 4. Selected developed market economies: changes in major components of gross domestic product in constant prices, 1971-1974

(Percentage change from preceding year)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories a/	Exports	Imports
<u>North America</u> <sup>b/</sup>						
1971	4.0	-0.3	5.7	0.6	2.1	5.6
1972	6.2	3.3	11.9	0.7	7.0	11.6
1973	4.9	1.1	8.2	1.2	16.5	7.2
1974	-1.7	1.5	-5.8	1.0	5.3	3.5
Canada						
1971	5.3	4.3	7.9	0.4	4.9	8.0
1972	6.9	4.0	5.3	0.7	7.1	11.9
1973	8.0	4.1	10.4	1.2	8.3	12.4
1974	5.3	7.5	7.8	1.6	-1.4	10.7
United States of America						
1971	3.9	-0.6	5.5	0.6	1.0	4.8
1972	6.1	3.3	12.7	0.7	7.0	11.5
1973	4.7	0.9	7.9	1.2	19.6	5.6
1974	-2.3	1.1	-7.3	1.0	7.8	1.3
<u>Western Europe</u> <sup>b/</sup>						
1971	4.0	5.5	3.3	1.6	8.2	5.4
1972	5.1	4.5	4.2	0.9	6.9	9.8
1973	4.8	3.5	5.0	1.8	9.8	11.4
1974	2.0	2.7	0.7	...	2.2	2.5
<u>EEC</u> <sup>b/</sup>						
1971	4.2	5.6	3.1	0.8	8.9	6.0
1972	5.0	4.6	3.4	0.6	6.4	10.0
1973	4.8	3.5	4.8	1.5	9.8	11.6
1974	1.7	2.5	0.4	...	1.3	1.9
Belgium						
1971	3.9	5.9	-2.3	1.4	8.7	6.5
1972	5.9	7.2	4.8	1.1	7.2	8.3
1973	7.4	4.7	7.2	...	9.6	10.8
1974	3.8	4.5	4.8	...	6.8	7.5

Table 4 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories a/	Exports	Imports
<u>EEC (continued)</u>						
Denmark						
1971	2.0	6.5	1.6	-0.8	5.5	-1.0
1972	3.5	5.0	7.0	-1.2	7.0	3.0
1973	4.5	4.5	9.5	0.7	6.5	19.0
1974	2.0	5.0	-3.5	...	5.5	1.0
France						
1971	6.1	6.8	6.7	1.4	15.1	7.2
1972	5.8	5.9	7.6	1.2	2.9	16.9
1973	5.7	2.3	6.7	2.0	2.3	12.9
1974	4.5	2.3	4.8	1.5	6.6	7.7
Germany, Federal Republic of						
1971	5.1	7.4	4.6	0.7	7.2	9.7
1972	3.8	4.3	1.9	0.5	7.8	8.2
1973	3.1	4.4	0.5	1.0	16.4	10.1
1974	-	3.0	-6.8	...	-12.0	-2.0
Ireland						
1971	2.1	11.2	7.9	1.1	4.9	4.1
1972	5.4	10.4	2.5	2.3	2.0	7.7
1973	6.3	7.4	12.9	3.2	10.6	13.5
1974	-1.0	...	...	...	...	...
Italy						
1971	2.8	5.2	-3.5	0.4	5.9	-
1972	3.8	4.2	-0.2	0.7	11.1	12.7
1973	6.2	3.3	9.0	2.0	5.3	11.9
1974	3.3	2.5	6.3	...	7.0	-0.5
Luxembourg						
1971	5.1	4.8	10.6	1.6	0.6	6.2
1972	4.9	3.3	5.3	0.3	7.9	5.8
1973	6.3	2.2	4.0	-	9.7	6.8
1974	...	...	...	...	...	...

Table 4 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <u>a/</u>	Exports	Imports
Netherlands						
1971	3.3	3.9	1.5	1.4	11.0	6.5
1972	3.3	1.6	-1.3	1.0	9.7	4.3
1973	2.5	1.0	4.5	1.8	13.0	11.5
1974	2.5	3.0	-	...	3.0	-0.5
United Kingdom						
1971	2.7	3.0	0.9	-	7.0	4.8
1972	6.0	4.0	2.4	-0.8	2.6	9.8
1973	4.6	3.7	4.8	0.8	9.4	11.2
1974	-0.8	1.5	1.1	...	7.5	2.8
<u>Other Europe</u> <sup>b/</sup>						
1971	3.1	4.7	4.5	3.4	5.1	2.6
1972	5.4	4.2	8.0	1.5	9.4	7.2
1973	5.0	3.3	6.1	2.4	9.8	10.5
1974	4.4	4.0	3.2	...	8.7	7.9
Austria						
1971	6.6	2.6	12.9	1.2	4.8	5.9
1972	7.3	6.0	11.4	-0.4	10.3	11.2
1973	4.8	4.0	2.5	1.8	7.5	12.0
1974	4.5	4.5	4.5	...	19.0	...
Finland						
1971	2.9	5.0	3.6	5.8	-1.1	-0.4
1972	8.6	7.1	6.3	2.7	15.4	4.1
1973	6.7	5.4	5.4	4.5	6.4	11.0
1974	4.2	4.5	7.6	3.3	3.3	10.2
Iceland						
1971	12.6	6.4	42.1	3.0	-3.8	22.2
1972	10.2	6.0	-1.0	-1.3	9.5	1.2
1973	6.5	6.0	20.1	-0.2	10.0	19.5
1974	7.5	6.0	4.0	...	-1.5	8.5

Table 4 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <u>a/</u>	Exports	Imports
Norway						
1971	4.6	7.5	18.6	2.5	3.3	6.8
1972	2.3	5.1	-5.7	0.2	14.7	-0.3
1973	1.8	8.6	12.9	0.9	9.7	16.8
1974	4.0	5.9	4.3	...	6.9	5.9
Spain						
1971	3.1	6.5	-1.6	1.6	14.4	0.7
1972	6.7	6.6	15.0	1.9	11.0	18.5
1973	6.7	6.0	15.5	1.9	12.8	17.2
1974	...	...	...	...	...	...
Sweden						
1971	-0.8	4.0	-1.9	0.7	5.7	-3.4
1972	2.6	1.4	5.4	-0.1	5.9	5.4
1973	1.7	1.9	-2.5	-1.3	13.5	5.7
1974	4.5	3.0	-0.2	...	6.4	8.2
Switzerland						
1971	5.5	3.7	7.8	1.0	2.5	6.1
1972	5.7	4.5	7.7	0.9	5.0	6.0
1973	4.5	4.4	3.0	0.8	6.4	5.7
1974	...	...	...	...	...	...
<u>Japan</u>						
1971	7.0	7.7	7.9	2.4	17.9	3.4
1972	9.1	9.6	9.5	2.1	7.5	8.4
1973	8.1	7.1	14.5	3.2	7.3	23.0
1974	1.6	3.1	-10.8	3.7	21.2	12.2
<u>Australia<sup>c/</sup></u>						
1971	3.7	4.3	3.5	1.1	8.5	3.4
1972	4.5	1.7	0.6	-0.2	8.0	-2.2
1973	6.1	4.5	-4.0	-0.6	4.7	4.0
1974	5.4	7.2	6.1	3.3	-5.6	29.0
Total (for 19 countries shown) <u>b/d/</u>						
1971	4.2	1.7	5.1	1.7	7.4	5.3
1972	6.0	3.8	8.3	1.3	7.0	9.9
1973	5.1	2.0	7.7	2.1	11.2	11.0
1974	1.9	2.0	-4.0	...	4.5	4.2

(Sources and foot-notes on following page)

(Sources and foot-notes to table 4)

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Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on United Nations, Yearbook of National Accounts Statistics, Organisation for Economic Co-operation and Development, Economic Outlook and Economic Surveys (Paris), and national sources.

Note: Figures in this table for some countries are based on early estimates and are not entirely consistent with the figures in table 3, which are based on later estimates.

a/ At current prices as a percentage of gross domestic product.

b/ 1970 weights used in combining country data.

c/ Fiscal year ending 30 June.

d/ Excluding Luxembourg.

Table 5. Developing countries: growth of total production, 1971-1974  
(Percentage)

Country group	Change from preceding year				
	Average 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
Developing countries	5.8	5.2	5.6	7.0	5.6
Petroleum-exporting countries <sup>b/</sup>	8.1	7.5	8.2	9.7	7.0
Other	5.4	4.7	5.1	6.4	5.3
Western hemisphere	7.0	6.3	6.8	7.4	7.3
Petroleum-exporting countries <sup>c/</sup>	4.8	3.0	4.5	6.2	5.6
Other	7.2	6.6	7.0	7.5	7.5
Africa	4.4	4.6	4.5	4.3	4.1
Petroleum-exporting countries <sup>d/</sup>	5.1	4.8	5.0	7.5	3.1
Other	4.1	4.5	4.3	3.0	4.5
West Asia	11.4	11.3	13.0	11.9	9.5
Petroleum-exporting countries <sup>e/</sup>	12.7	12.4	14.0	14.4	10.2
Other	8.4	8.5	11.5	6.0	7.5
South and East Asia	3.7	2.7	2.9	6.1	3.1
Indonesia	7.0	6.7	6.3	7.5	7.5
Other	3.4	2.3	2.6	6.0	2.7

Sources: As for table 2.

<sup>a/</sup> Preliminary.

<sup>b/</sup> African, West Asian, and western hemisphere petroleum-exporting countries and Indonesia.

<sup>c/</sup> Ecuador, Trinidad and Tobago and Venezuela.

<sup>d/</sup> Algeria, Gabon, Libyan Arab Republic and Nigeria.

<sup>e/</sup> Iran, Iraq, Kuwait and Saudi Arabia.

Table 6. Selected developing countries: indicated changes in gross domestic product, a/ 1974  
(Percentage)

Countries and areas, <u>b/</u> whose rates of growth were						
More than 10 per cent	Between 8.0 and 9.9 per cent	Between 6.0 and 7.9 per cent	Between 5.0 and 5.9 per cent	Between 3.0 and 4.9 per cent	Less than 2.9 per cent	Negative
Botswana	Guinea	Nicaragua	Mexico	Zambia	Algeria	Honduras
Gambia	Brazil	Niger	Egypt	Guatemala	Nepal	United Republic of
Saudi Arabia	Nigeria	Congo	Lesotho	Gabon	Uruguay	Tanzania
Iran	Ecuador	Indonesia	Philippines	Sierra Leone	Burundi	Republic of
Ivory Coast	Chad	Argentina	Bolivia	Somalia	Central	Viet-Nam
Tunisia	Dominican	Israel	Senegal	Burma	African	Rwanda
Syrian Arab Republic	Republic of Cameroon	Malaysia	Dahomey	Costa Rica	Republic	Sri Lanka
	United Republic of Cameroon	Mali	Venezuela	Thailand	India	Bangladesh
	Republic of Korea	Singapore	Upper Volta	Panama	Ethiopia	Khmer Republic
	Lebanon	Morocco	Liberia	Equatorial Guinea		Mauritius
	Iraq	Peru	Chile	Malawi		Kuwait
	Paraguay	Zaire	Trinidad and Tobago	Guinea- Bissau		Libyan Arab Republic
		Togo		Sudan		
		Swaziland		Uganda		
		Mauritania				
		Colombia				
		Kenya				
		Pakistan				
		El Salvador				

Sources: As for table 5.

a/ Based on preliminary official estimates of the national accounts or "indicators" derived from official or semi-official statistics of production, trade and transport. Where indicators were used, changes in gross domestic product reflect changes, in real terms, in the output of all the items of goods and services for which data were obtainable, combined with weights derived from national accounts of 1973. The indicated changes are necessarily tentative, being prepared in March 1975 and based in some cases on less than a full year's figure for some of the components of the gross domestic product.

b/ Countries and areas are arranged in descending order of rates of growth.

Table 7. Centrally planned economies of Eastern Europe and USSR: growth of national income, a/ actual and planned, 1966-1975

(Percentage)

Country and group	Average annual rate			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974 Planned	1974 Actual	1975, planned
Albania	9.0	9.2-10.0	...	...	...	...	...	...	...
Bulgaria	8.7	7.7-8.5	7.6	7.0	7.7	8.0	10.0	7.5	9
Czechoslovakia	6.8	5.1	5.5	5.1	6.1	5.3	5.2	5.5	5.6
German Democratic Republic	5.2	4.9	5.5	4.4	5.7	5.5	5.4	6.3	5.5
Hungary	6.8	5.5-6.0	6.5	6.5	5.1	7.3	5.0	7	5-5.5
Poland	6.0	7.0	10.0	8.1	10.2	11.6	9.5	10	9.8
Romania	7.7	11-12	11.5	13.5	10.0	10.7	14.6	12.5	14
Eastern Europe <sup>b/</sup>	6.5	6.7-7.0	7.9	7.2	7.8	8.4	8.4	8.4	8.5
USSR	7.7	6.8	5.8	5.6	3.9	9.0	6.5	5	6.5
Eastern Europe <sup>b/</sup> and USSR	7.4	6.7-6.8	6.4	6.0	5.0	8.8	7.0	6.0	7.1

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans and plan fulfilment reports.

a/ National income produced, except for the USSR where for the 1971-1975 plan rate and 1974-1975 data the reference is to national income domestically utilized.

b/ Not including Albania.

Table 8. World agricultural production, by country group, 1971-1974  
(Percentage)

Country group	Change from preceding year				
	Average, <sup>a/</sup> 1971-1974	1971	1972	1973	1974 <sup>a/</sup>
Sum of country groups	2.1	3.1	-0.1	5.1	0.2
Developed market economies	1.9	5.0	0.7	1.5	0.3
North America <sup>b/</sup>	1.8	9.0	-0.7	2.2	-3.0
Western Europe	2.1	6.2	-0.8	1.7	1.6
Japan	3.5	6.4	5.8	0.9	1.0
Southern hemisphere <sup>c/</sup>	2.3	5.6	-2.3	-2.8	9.0
Developing countries	1.5	1.6	-0.8	3.9	1.5
Western hemisphere	2.7	2.4	0.8	2.3	5.2
Africa	1.5	2.5	2.4	-3.3	4.0
West Asia	4.2	-1.6	13.7	-5.8	9.0
South and East Asia	1.0	1.6	-3.9	8.2	-2.2
Centrally planned economies of Europe	2.9	2.5	-0.4	12.0	-1.8
Eastern Europe <sup>d/</sup>	4.8	5.6	7.4	4.5	2.0
USSR	2.0	1.1	-4.1	16.1	-3.7

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics (Rcme); information supplied by the Department of Agriculture of the United States of America and other national sources.

a/ Preliminary.

b/ Canada and United States of America.

c/ Australia, New Zealand and South Africa.

d/ Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

Table 9. World production of major agricultural commodities,<sup>a/</sup> 1970-1974

Commodity	1970 (millions of tons)	Percentage change from preceding year				
		Average, <sup>b/</sup> 1971-1974	1971	1972	1973	1974 <sup>b/</sup>
Meat	84.5	1.8	2.6	1.9	-0.5	3.3
Wheat	319.0	3.8	11.0	-1.9	8.4	-1.6
Barley	139.0	5.0	9.4	0.7	10.5	-
Maize	261.0	3.4	16.9	-0.3	2.6	-4.5
Rice (paddy)	310.0	0.5	-1.3	-4.3	9.6	-1.6
Potatoes	312.1	-0.2	-5.8	-4.1	12.1	-1.9
Coffee	3.9	5.6	22.5	-3.2	-9.9	16.3
Cocoa beans	1.5	-1.1	6.3	-8.1	-6.1	4.3
Tea	1.1	9.6	19.1	7.2	0.4	12.6
Sugar (raw)	69.0	3.9	7.3	-	6.4	1.9
Tobacco	4.7	2.4	-2.8	8.0	-0.8	5.4
Cotton (lint)	11.7	2.7	3.8	7.2	-1.1	1.0
Wool (greasy)	2.8	-2.2	-	-1.8	-5.5	-1.2
Jute and kenaf	3.6	3.3	-9.8	13.4	10.4	-22.6
Vegetable oils <sup>c/</sup>	35.3	2.5	2.7	-0.2	8.8	-1.2
Natural rubber	3.1	4.3	-0.8	1.1	12.2	5.0

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/ The data refer to the calendar year in which the bulk of the crop was harvested.

b/ Preliminary.

c/ These data represent the total production of oil-seeds, oil-nuts and other oil crops harvested in the years indicated and expressed in terms of oil equivalent.

Table 10. World cereal production and trade, 1972/73-1974/75  
(Millions of tons)

Crop and region	1972/73		1973/74		1974/75 <sup>a/</sup>	
	Production	Trade <sup>b/</sup>	Production	Trade <sup>b/</sup>	Production	Trade <sup>b/</sup>
Wheat	335	73	367	68	346	71
Rice <sup>c/</sup>	195	7	211	7	210	8
Feed grains	553	63	604	78	563	66
Total cereals:						
North America	260	97	271	87	232	73
Developed market economies, southern hemisphere	17	6	31	14	29	15
Other developed market economies	144	-41	146	-41	152	-35
Developing countries	288	-23	303	-31	301	-30
Centrally planned economies <sup>d/</sup>	368	-32	425	-16	403	-15

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the Department of Agriculture of the United States of America, World Agricultural Situation, December 1974, and World Grain Situation Review and Outlook, Foreign Agriculture Circular, FG.3-75.

a/ Partly estimated.

b/ The global figures refer to gross exports; the regional figures refer to net exports, or net imports (-).

c/ Trade figures refer to calendar years 1973, 1974 and 1975.

d/ Eastern Europe, USSR and China.

Table 11. Selected developing countries: growth of agricultural production, 1971-1974

Country or area	Change from preceding year <sup>a/</sup>									
	Average, <sup>b/</sup> 1971-1974		1971		1972		1973		1974 <sup>b/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>Western hemisphere</u>	2.7	2.4	2.4	1.5	0.8	-0.8	2.3	4.4	5.2	4.2
Argentina	1.7	2.3	-4.4	-2.6	-5.5	-6.1	8.0	8.5	8.1	8.6
Bolivia	3.6	2.0	4.3	2.7	2.5	1.7	6.3	3.4	0.8	-
Brazil	5.3	4.1	6.1	0.7	3.7	3.4	5.6	9.9	4.6	1.2
Chile	-2.3	-2.1	0.8	2.4	9.8	-10.3	-11.7	-11.5	11.7	2.7
Colombia	5.0	4.8	0.8	4.6	6.9	3.0	4.4	2.9	6.8	7.9
Costa Rica	5.3	5.6	7.1	6.4	4.0	6.0	9.2	2.5	-0.5	6.4
Dominican Republic	5.4	4.9	7.0	8.3	4.5	2.2	5.6	4.9	3.4	3.4
Ecuador	2.7	3.1	0.7	3.0	2.9	2.9	-0.7	1.4	7.4	4.7
El Salvador	4.8	4.3	12.0	5.6	-11.3	-9.0	7.8	14.9	9.2	4.3
Guatemala	6.4	5.5	13.6	9.6	3.4	-0.6	4.0	5.5	2.6	6.3
Guyana	2.2	2.2	5.7	5.7	-14.3	-14.3	-10.0	-10.0	25.0	25.0
Haiti	1.6	2.0	-1.1	4.0	3.2	2.9	2.1	-	2.0	1.0
Honduras	0.2	-0.8	13.1	14.3	-4.1	-8.8	1.4	5.0	-9.9	-13.5
Jamaica	1.7	1.2	4.5	3.4	1.1	2.2	-5.6	-5.6	4.5	4.5
Mexico	1.7	1.0	5.8	4.7	-4.4	-5.4	4.6	6.0	0.7	-1.3
Nicaragua	5.7	2.2	13.3	9.7	-6.7	-7.6	14.3	8.2	-0.7	-2.1
Panama	2.9	2.6	4.5	3.8	-3.0	-3.0	3.8	4.4	5.7	4.9
Paraguay	-2.2	-4.0	-16.0	-16.0	3.8	-	-	-3.0	4.6	4.0
Peru	0.2	-	-	0.9	-4.8	-6.0	3.8	4.3	1.9	0.9
Trinidad and Tobago	-2.7	-2.7	-6.2	-4.2	8.1	6.1	-15.2	-14.3	3.4	2.3
Uruguay	-1.4	-0.4	-16.7	-15.8	-5.6	-5.2	4.5	5.2	12.7	14.3
Venezuela	2.9	2.0	-0.7	-1.4	3.4	2.7	1.4	-	6.9	6.4
<u>Africa</u>	1.5	1.5	2.5	2.5	2.4	1.6	-3.3	-3.3	4.0	4.8
Algeria	-5.4	-5.7	-6.7	-6.7	7.5	7.5	-13.2	-13.2	-8.7	-9.8
Angola	1.0	-0.7	3.3	-	-2.5	-2.6	0.8	5.9	2.4	-5.9
Burundi	-4.4	-4.9	5.2	4.5	-2.2	-0.8	-1.5	-0.8	-17.7	-20.6
Dahomey	1.5	1.5	-	-0.9	0.9	1.7	3.4	2.5	1.7	2.5
Egypt	1.3	3.4	3.4	5.0	0.8	0.8	0.8	1.6	3.3	5.4
Ethiopia	0.4	0.4	2.5	2.5	0.8	0.8	-3.3	-1.7	1.7	-
Ghana	3.4	3.4	5.4	5.4	1.8	1.8	1.7	1.7	4.1	4.1
Guinea	0.6	0.8	1.6	2.4	-1.6	-2.4	-	1.6	2.4	1.6
Ivory Coast	4.5	5.1	9.5	7.4	3.3	-	-4.6	6.3	8.8	5.4
Kenya	2.9	1.2	-4.0	-5.0	13.1	7.4	-0.7	-	2.2	2.4

Table 11. (continued)

Country or area	Change from preceding year <sup>a/</sup>									
	Average, <sup>b/</sup> 1971-1974 <sup>c/</sup>		1971		1972		1973		1974 <sup>b/</sup> <sup>c/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>Africa (continued)</u>										
Liberia	2.6	3.1	-5.0	1.9	7.0	2.7	2.7	4.3	5.2	3.3
Libyan Arab Republic	15.1	15.7	-6.4	-4.8	28.2	27.6	16.4	16.8	11.0	11.7
Madagascar	0.8	1.1	-	2.3	3.0	3.6	-6.0	-8.0	6.0	6.7
Malawi	5.3	11.9	10.3	20.5	7.7	6.7	1.2	6.3	2.9	8.2
Mali	-6.3	-7.2	-8.8	-9.5	-10.6	-13.8	-8.6	-8.5	3.4	3.8
Morocco	4.2	4.1	9.1	9.7	4.7	4.0	-13.3	-13.9	15.0	15.6
Niger	-6.2	-6.2	-14.0	-14.2	-9.8	-10.0	-10.8	-11.0	10.8	11.0
Nigeria	1.7	1.5	-	-	3.4	2.5	-2.5	-2.5	5.7	5.7
Rwanda	-5.4	-5.3	2.0	2.0	-	-	0.7	0.7	-21.9	-21.9
Senegal	4.8	4.0	29.1	28.0	-30.0	-30.8	17.2	16.9	1.1	1.1
Sierra Leone	0.7	0.7	1.8	3.5	0.9	-0.9	-2.7	-3.6	2.7	3.6
Southern Rhodesia	10.8	12.0	12.7	17.9	12.8	15.2	19.7	-26.2	29.9	32.7
Sudan	2.3	3.4	2.9	5.9	4.1	4.9	-3.4	-4.2	5.4	6.2
Togo	1.4	1.4	2.4	2.3	-2.4	-3.1	1.6	2.3	3.8	3.8
Tunisia	6.6	6.9	19.3	20.0	4.8	4.8	10.9	11.4	-11.5	-12.0
Uganda	-2.3	-1.9	-3.2	-1.7	-	-0.8	-6.6	-6.8	0.9	1.8
United Republic of Cameroon	2.1	2.1	9.3	9.4	0.8	-1.6	-4.6	-3.2	2.4	3.2
United Republic of Tanzania	-0.4	-0.6	0.8	0.8	1.6	1.6	-4.9	-3.2	0.8	-1.7
Upper Volta	1.5	1.3	1.0	1.1	-13.1	-13.7	-5.8	-7.3	22.1	23.2
Zaire	-0.2	-0.5	-5.9	-8.0	1.5	0.8	3.7	4.5	-	0.7
Zambia	13.1	14.8	44.3	49.0	23.3	28.3	-23.8	-29.0	-8.3	-10.6
<u>West Asia</u>										
Iran	1.9	1.7	-7.6	-7.6	10.4	9.7	0.7	1.5	3.5	2.9
Iraq	3.9	3.2	-12.1	-12.9	21.5	22.3	-14.6	-14.6	17.8	17.8
Israel	7.6	7.5	11.0	11.2	9.4	9.5	-	-	7.6	6.7
Jordan	18.5	18.5	35.5	35.5	18.3	18.3	-51.1	-51.1	52.9	52.9
Lebanon	9.5	9.4	22.9	24.4	4.3	1.3	-0.6	-0.6	6.3	7.1
Syrian Arab Republic	7.2	10.3	7.4	11.0	32.4	42.0	-33.1	-45.2	19.1	29.5
<u>South and East Asia</u>										
Bangladesh	0.4	1.3	-8.8	-6.1	-2.9	-6.5	15.8	18.7	-3.3	-2.4
Burma	-1.5	-1.2	-1.0	-1.0	-4.8	-4.8	10.0	10.0	-10.0	-19.1
India	-1.4	-1.8	1.6	-	-7.1	-7.1	8.5	8.5	-8.5	-8.5
Indonesia	3.6	4.1	2.3	2.3	-2.3	-3.1	6.7	8.1	6.9	8.1
Khmer Republic	-25.0	-28.5	22.8	-26.8	-26.7	-30.3	-36.4	-42.1	-12.2	-11.4

Table 11 (continued)

Country or area	Change from preceding year <sup>a/</sup>									
	Average, <sup>b/</sup> 1971-1974		1971		1972		1973		1974 <sup>b/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>South and East Asia (continued)</u>										
Malaysia	9.0	10.2	7.1	12.4	2.9	6.3	12.2	8.7	10.5	9.6
Pakistan	1.8	1.7	-0.6	-5.0	-1.3	-	4.9	7.3	4.1	4.1
Philippines	2.1	3.4	5.1	5.1	-2.9	-2.9	6.3	6.9	4.7	4.0
Republic of Korea	2.6	1.9	-	-0.8	4.4	1.5	2.2	2.3	3.5	4.3
Republic of Viet-Nam	6.6	6.9	8.8	8.5	-	1.7	11.7	10.4	3.8	5.0
Sri Lanka	-0.2	0.8	3.1	7.8	-7.0	-12.8	-2.5	-4.9	5.7	12.7
Thailand	4.2	4.2	3.5	2.8	-9.0	-12.6	20.1	21.9	-	2.4
Total	1.6	1.4	1.6	0.8	-0.8	-1.6	3.9	4.5	1.5	0.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information supplied by the Department of Agriculture of the United States of America.

a/ Year-to-year changes with the larger of each pair of figures as denominator.

b/ Preliminary.

c/ Food covers the following commodity groups: cereals, starchy roots, sugar, pulses, edible oil crops, nuts, fruit, vegetables, wine, cocoa, livestock and livestock products.

Table 12. Developing countries: indices of per capita  
food production, 1971-1974

(Average 1961-1965 = 100)

Region and country or area	Average <sup>a/</sup> 1971-1974	1971	1972	1973	1974 <sup>a/</sup>
Developing countries total <sup>b/</sup>	102	104	100	102	101
Western hemisphere <sup>c/</sup>	106	107	102	106	107
Countries with indices below 100 in both 1973 and 1974:					
Bolivia	93	94	93	94	91
Chile	95	108	95	83	92
Guyana	76	86	72	63	83
Haiti	82	83	84	81	80
Jamaica	75	77	78	72	74
Paraguay	79	82	80	75	77
Peru	87	93	85	86	84
Trinidad and Tobago	84	86	92	78	80
Uruguay	88	87	81	85	98
Countries with indices above 100 in either 1973 or 1974 or both:					
Argentina	101	101	94	101	109
Brazil	117	112	113	122	120
Colombia	102	101	101	101	106
Costa Rica	152	145	150	158	156
Dominican Republic	105	105	104	106	106
El Salvador	107	110	97	110	112
Ecuador	101	102	101	99	101
Guatemala	128	128	124	128	133
Honduras	99	112	99	101	84
Mexico	106	113	103	106	102
Nicaragua	107	115	102	108	102
Panama	101	104	99	100	102
Venezuela	110	111	110	107	110
Africa <sup>d/</sup>	96	98	98	93	94
Countries with indices below 100 in both 1973 and 1974:					
Algeria	71	77	81	68	59
Angola	95	99	94	98	90
Dahomey	93	93	92	92	93
Ethiopia	96	99	98	94	91
Ghana	87	88	87	86	87

Table 12 (continued)

Region and country or area	Average, <sup>a/</sup> 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
Africa <sup>d/</sup> (continued)					
Countries with indices below 100 in both 1973 and 1974 (continued):					
Kenya	88	87	91	88	87
Liberia	87	87	86	87	87
Mali	67	79	67	60	60
Niger	63	72	63	55	60
Nigeria	95	96	96	91	95
Senegal	74	90	61	72	71
Sierra Leone	92	96	93	88	89
Togo	99	103	97	97	98
Uganda	90	97	93	85	84
United Republic of Tanzania	95	100	99	93	89
Upper Volta	72	80	68	62	79
Countries with indices above 100 in either 1973 or 1974 or both:					
Burundi	102	112	109	105	82
Egypt	99	99	98	97	101
Guinea	104	108	103	102	101
Ivory Coast	119	119	115	120	123
Libyan Arab Republic	128	91	122	142	156
Malagasy	108	111	112	101	106
Malawi	147	137	143	149	158
Morocco	108	113	114	95	108
Rwanda	109	120	116	114	86
Southern Rhodesia	97	94	107	76	110
Sudan	107	108	110	102	105
Tunisia	119	115	118	131	112
United Republic of Cameroon	102	107	104	98	99
Zaire	106	106	104	107	105
Zambia	163	159	215	149	129
West Asia <sup>e/</sup>	101	93	106	96	107
Countries with indices below 100 in both 1973 and 1974:					
Iraq	88	78	97	81	95
Jordan	80	82	98	46	95
Syrian Arab Republic	84	70	118	62	86

Table 12 (continued)

Region and country or area	Average, <sup>a/</sup> 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
West Asia <sup>e/</sup> (continued)					
Countries with indices above 100 in either 1973 or 1974 or both:					
Iran	100	95	102	101	100
Israel	124	119	127	123	128
Lebanon	122	125	123	118	123
South and East Asia <sup>f/</sup>	103	107	99	106	101
Countries with indices below 100 in both 1973 and 1974:					
Bangladesh	89	87	80	96	91
Burma	84	87	81	88	78
Khmer Republic	52	88	59	33	29
Countries with indices above 100 in either 1973 or 1974 or both:					
India	100	107	97	104	93
Indonesia	106	106	100	106	112
Malaysia, West	154	142	147	157	169
Pakistan	121	122	113	124	125
Philippines	104	106	100	104	105
Republic of Korea	107	107	106	107	109
Republic of Viet-Nam	100	96	95	104	106
Sri Lanka	105	118	101	94	105
Thailand	109	111	94	116	115

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data communicated by the Department of Agriculture of the United States of America.

a/ Preliminary.

b/ 69 countries.

c/ 22 countries.

d/ 32 countries.

e/ 6 countries.

f/ 12 countries.

Table 13. Developing countries: distribution in accordance with changes in food production a/

Item	Countries and areas <sup>b/</sup> experiencing			
	An increase between 1973 and 1974		A reduction between 1973 and 1974	
	After an increase in 1973	After a decline in 1973	After an increase in 1973	After a decline in 1973
A. Countries and areas in which <u>per capita</u> food production increased in 1961-1972	Malaysia	Lebanon	Nicaragua	Zambia
	Malawi	Syrian Arab Republic	Tunisia	Burundi
	Costa Rica	Morocco	Mexico	
	Israel	Sri Lanka	Rwanda	
	Guatemala	Madagascar	India	
	Ivory Coast	United Republic of Cameroon	Honduras	
	Libyan Arab Republic	Sudan		
	Pakistan	Jordan		
	Brazil	Ethiopia		
	Thailand			
	Republic of Korea			
	Venezuela			
	El Salvador			
	Panama			
	Argentina			
	Philippines			
	Ecuador			
Indonesia				
B. Countries and areas in which <u>per capita</u> food production declined in 1961-1972	Colombia	Chile	Angola	United Republic of Tanzania
	Egypt	Uganda	Burma	Algeria
	Iran	Nigeria	Bangladesh	Khmer Republic
	Guinea	Sierra Leone		
	Republic of Viet-Nam	Southern Rhodesia		
	Togo	Iraq		
	Uruguay	Jamaica		
	Bolivia	Niger		
	Ghana	Paraguay		
	Dominican Republic	Trinidad and Tobago		
	Kenya	Upper Volta		
	Zaire	Guyana		
	Peru	Mali		
	Liberia			
	Dahomey			
	Senegal			
	Haiti			

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information supplied by the Department of Agriculture of the United States of America, and national sources.

a/ Food is defined as all edible agricultural output other than coffee, tea and spices.

b/ Within each group, countries and areas are listed in descending order of the average annual rate of increase in food production, 1961-1972.

Table 14. Centrally planned economies of Eastern Europe and USSR: growth of gross value of agricultural output, actual and planned, 1961-1975

(Percentage)

Country and group	Average annual rate			Change from preceding year					
	1961-1970, a/ actual	1971-1975, b/ planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974 Planned	1974 Actual	1975, planned
Albania	6.0	8.4-9.2	...	...	...	7.0	27.0	11.0	15.9
Bulgaria	4.0	3.2-3.7	2.0	2.0	5.6	0.7	5.0	— c/	9.3
Czechoslovakia	2.7	2.7	3.7	3.2	3.9	4.7	3.8	3.0	3.3
German Democratic Republic	1.1	2.4	3.6	0.5	10.5	0.8	6.8 c/	3 c/	2.4 d/
Hungary	2.6	2.8-3.0	5.6	9.2	2.7	6.7	2-2.5	3.7	3-4
Poland	2.5	3.6-3.9	5.3	3.6	8.4	7.3	4.3	2	3.7
Romania	3.4	6.3-8.3	7.1	18.9	9.5	0.7	21.5	— c/	...
Eastern Europe e/	2.5	3.5-4.0	4.8	5.6	7.4	4.3	7.0	2.0	4.8
USSR	3.3	3.7-4.0	2.0	1.1	-4.1	16.1	6.4	-3.7	7.9
Eastern Europe e/ and USSR	3.0	3.6-4.0	2.9	2.5	-0.4	12.0	6.6	-1.8	6.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans, plan fulfilment reports and Statistical Yearbook of the Council for Mutual Economic Assistance, 1974.

a/ Regression parameters from time-series (1960-1970) on simple index numbers except for the German Democratic Republic, where annual data were not available for the full period.

b/ Average annual change from preceding five-year period.

c/ Estimated.

d/ Production and services of the agricultural sector and the food industry.

e/ Not including Albania.

Table 15. World industrial growth, by country group, 1971-1974  
(Percentage)

Country group	Change from preceding year				
	Average 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>
Sum of country groups	6.0	4.2	7.1	9.5	3.1
Developed market economies	4.4	1.9	6.5	9.5	-
North America <sup>b/</sup>	4.4	0.8	8.1	9.5	-0.5
Western Europe	4.0	2.8	4.6	7.6	1.2
Japan	6.0	2.4	7.5	17.4	-2.3
Southern hemisphere <sup>c/</sup>	4.0	2.2	4.4	6.3	3.3
Developing countries	7.9	6.5	8.2	9.3	7.7
Western hemisphere	7.9	6.7	8.8	8.6	7.5
Africa	5.9	3.2	8.1	6.9	5.3
Asia	9.4	8.3	8.9	12.3	8.0
Centrally planned economies of Europe	7.8	7.7	7.0	8.0	8.5
Eastern Europe <sup>d/</sup>	8.8	7.6	8.3	9.3	9.8
USSR	7.4	7.7	6.5	7.5	8.0

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

a/ Preliminary.

b/ Canada and the United States of America.

c/ Australia, New Zealand and South Africa.

d/ Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

Table 16. World<sup>a/</sup> production of major industrial products, 1970-1974

Commodity	1970 (millions of tons, except as indicated)	Average rate of change, 1971-1974 <u>b/</u>	Percentage change from preceding year			
			1971	1972	1973	1974 <u>b/</u>
Coal <u>c/</u>	1 781.0	-0.1	-1.8	0.8	0.7	0.1
Petroleum, crude	2 267.0	5.4	5.7	6.1	9.2	0.8
Electricity (billions of kWh)	4 885.0	5.8	6.2	7.9	6.0	3.0
Cement	555.0	6.8	5.2	5.7	8.8	7.5
Pig iron	413.0	4.6	-1.5	5.9	10.7	3.7
Steel, crude	574.0	4.3	-3.0	8.1	10.6	2.2
Copper, smelter <u>d/</u>	5.3	3.8	-0.6	10.5	5.8	-0.2
Zinc <u>d/</u> , <u>e/</u> , <u>f/</u>	3.9	0.9	-4.5	9.3	3.9	-4.4
Lead <u>d/</u> , <u>e/</u> , <u>f/</u>	2.6	0.1	-5.2	7.1	2.4	-3.3
Tin <u>d/</u> , <u>g/</u> , <u>h/</u>	0.2	-1.3	1.1	2.2	-2.1	-6.3
Aluminium <u>d/</u> , <u>e/</u> , <u>f/</u>	8.1	6.7	6.5	4.8	8.9	6.7
Merchant vessels <u>i/</u> (millions of grt)	21.7	11.5	14.6	6.7	18.8	6.4
Passenger cars (millions)	22.6	4.2	15.6	6.0	5.5	-8.7
Commercial vehicles (millions)	6.8	6.3	6.0	9.0	10.5	-

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and International Tin Council, Statistical Bulletin (London) and The Petroleum Economist (London).

a/ Not including production of China.

b/ Preliminary.

c/ Including coal equivalent of brown coal and lignite.

d/ Excluding production of the USSR.

e/ Excluding production of the Democratic People's Republic of Korea and the German Democratic Republic.

f/ Excluding production of Czechoslovakia and Romania.

g/ Excluding production of the German Democratic Republic.

h/ Excluding production of Czechoslovakia and the Democratic Republic of Viet-Nam.

i/ Tonnage launched outside the German Democratic Republic and the USSR.

Table 17. Selected developed market economies: changes  
in industrial production, 1973-1974

Country	Index of industrial production (corresponding quarter of previous year = 100)							
	1973				1974			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Australia	113.4	107.5	124.9	107.0	109.0	107.4	98.4	97.5
Austria	108.2	108.6	106.7	99.9	108.1	106.4	104.9	102.5
Belgium	109.5	104.9	107.5	104.7	107.1	110.2	103.9	99.2
Canada	110.2	109.7	108.4	105.7	106.0	103.2	102.6	98.9
Denmark	106.1	99.7	102.1	103.9	...	...	...	...
Finland	109.9	106.4	106.6	102.1	103.8	106.7	105.1	104.8
France	111.8	111.6	111.3	108.0	102.3	101.0	101.2	93.4
Germany, Federal Republic of	106.0	108.9	107.5	105.9	103.2	102.5	97.8	94.5
Greece	116.6	118.7	116.1	111.2	107.3	96.5	93.5	97.7
Ireland	112.2	112.9	107.4	106.5	107.2	104.0	101.7	...
Italy	102.4	112.7	114.1	110.5	116.5	102.2	101.8	91.5
Japan	112.1	114.0	123.9	121.3	107.0	101.3	94.9	88.3
Luxembourg	113.8	112.0	108.5	112.5	106.5	103.9	106.7	96.4
Netherlands	110.3	111.2	106.8	106.4	95.8	100.3	105.0	99.5
Norway	103.1	100.0	121.0	99.2	106.9	105.4	104.9	107.6
Portugal	93.6	91.6	102.9	107.9	...	...	...	...
Spain	116.1	114.3	115.0	113.7	114.9	114.1	107.6	101.1
Sweden	107.8	106.4	107.1	106.4	107.5	108.4	104.9	101.7
Switzerland	106.4	104.3	105.9	107.4	103.8	105.5	100.9	94.1
United Kingdom	112.7	106.1	108.9	105.0	93.1	97.8	98.4	97.0
United States of America	111.8	110.5	109.1	105.6	101.5	100.8	99.4	95.5

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

Table 18. Developing countries: changes in industrial production, 1971-1974

Country group and period	Percentage change from corresponding portion of previous year in									
	Industry <u>a/</u>	Mining	Manufacturing							Metal products
Total			Light <u>b/</u>	Food	Textiles	Heavy <u>c/</u>	Chemicals	Basic metals		
<u>Developing countries</u>										
1971	6.5	5.0	6.7	6.0	3.9	6.2	7.4	6.8	6.1	9.1
1972	8.2	5.1	8.8	6.8	6.3	5.6	11.1	9.1	12.0	13.2
1973	9.3	11.4	8.5	7.4	5.1	6.0	9.7	8.8	6.8	12.0
Average, 1971-1973	8.2	7.7	8.1	7.1	3.7	5.6	9.2	8.0	8.6	11.4
1974:										
First quarter	6.9	2.8	7.8	5.2	3.2	4.1	10.7	5.7	10.5	16.3
Second quarter	9.7	8.9	9.5	7.3	4.2	7.5	11.8	5.8	15.3	17.1
Third quarter	7.3	2.6	8.5	5.4	6.2	2.2	11.7	9.7	15.7	12.8
<u>Western hemisphere</u>										
1971	6.7	-0.5	7.6	4.8	1.0	9.5	10.1	8.5	10.6	12.3
1972	8.8	-0.7	9.9	6.6	6.5	6.5	12.9	9.6	12.8	16.6
1973	8.6	6.8	8.6	5.6	3.9	8.1	11.1	11.9	8.3	11.8
Average, 1971-1973	8.0	2.1	8.6	5.8	3.7	7.5	11.1	9.8	11.1	13.3
1974:										
First quarter	10.5	3.8	10.3	8.3	8.9	9.1	11.9	9.4	13.2	14.1
Second quarter	11.2	7.3	11.4	9.1	9.0	9.7	13.2	11.6	16.6	13.8
Third quarter	9.6	0.1	9.0	5.6	7.7	1.5	11.7	11.3	17.5	10.6
<u>Asia <u>d/</u></u>										
1971	8.0	13.7	5.1	7.0	6.1	2.9	2.4	4.7	-3.6	0.8
1972	8.5	10.3	7.2	6.9	4.5	5.0	7.7	8.3	11.2	5.1
1973	11.2	15.9	8.7	9.6	4.5	4.5	7.4	4.2	1.8	15.3
Average, 1971-1973	9.8	14.2	7.4	8.6	5.0	4.1	5.9	5.1	3.0	7.5
1974:										
First quarter	5.7	3.9	5.7	3.0	-0.5	0.5	9.7	0.4	4.9	27.0
Second quarter	10.0	12.2	7.9	7.4	1.9	5.9	8.7	-6.4	12.0	32.8
Third quarter	7.1	2.1	9.4	7.5	10.8	2.0	12.2	6.3	11.9	22.2

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

Note: Figures in this table are based on early estimates and in some cases are not entirely consistent with the figures in table 15, which are based on later estimates.

a/ International Standard Industrial Classification (ISIC) 2-4.

b/ ISIC 31-33, 34<sup>2</sup>, 355-356.

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

d/ Including Turkey but excluding Israel.

Table 19. Crude petroleum production, 1970-1974

	Production, 1970 (millions of tons)	Percentage change from preceding year				
		Annual average, 1971-1974	1971	1972	1973	1974 <sup>a/</sup>
<u>World</u>	2 267	5.4	5.7	6.1	9.2	0.8
<u>Developed market economies</u>	565	-	0.6	2.4	0.1	-3.4
United States of America	475	-2.1	-1.8	-	-2.7	-3.8
Other developed countries	89	8.8	13.2	13.3	11.6	-2.0
<u>Developing market economies</u>	1 311	6.6	8.0	6.7	12.1	-
OPEC <sup>b/</sup>	1 141	6.5	8.7	7.1	13.6	-0.3
In Latin America	194	-3.8	0.5	-11.9	8.6	-10.8
Venezuela	194	-5.3	0.5	-13.9	4.8	-11.2
In Africa	267	-1.6	-5.8	6.0	-0.9	-6.3
Algeria	47	0.1	-22.9	35.5	0.6	-4.3
Libyan Arab Republic	160	-16.6	-17.0	-9.8	-12.3	-26.4
Nigeria	54	19.9	40.9	19.0	11.9	10.2
In South and East Asia	42	14.0	4.0	23.5	22.2	7.7
In West Asia	638	12.4	17.7	11.4	18.7	2.7
Iran	192	11.8	16.8	11.0	17.8	2.4
Iraq	76	5.6	9.6	-13.6	37.3	-4.4
Kuwait	137	-5.0	6.8	2.9	-8.6	-18.9
Saudi Arabia	177	23.5	26.4	27.8	27.6	13.0
United Arab Emirates	38	20.8	35.9	13.8	27.1	8.2
Other developing countries	170	2.0	3.2	2.1	0.7	2.1
<u>Centrally planned economies</u>	391	8.6	7.7	6.5	11.1	9.1
USSR	353	6.8	6.8	6.2	7.1	7.0
Other centrally planned countries	38	22.3	15.9	9.4	44.1	22.3

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations Statistical Office and The Petroleum Economist (London), January 1975.

a/ Preliminary.

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

Table 20. Centrally planned economies of Eastern Europe and USSR: growth of industrial output, a/ actual and planned, 1966-1975  
(Percentage)

Country and group	Average annual rates			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974		1975, planned
							Planned	Actual	
Albania	12.9	10-10.5	...	...	...	9.4	8.0	7.3	4.4
Bulgaria	11.0	9.2-9.9	9.0	9.0	9.1	9.2	11.0	8.5	8
Czechoslovakia	6.8	6.0-6.3	6.6	6.9	6.6	6.8	5.8	6.2	6.3
German Democratic Republic	6.6	6.0	6.5	5.6	6.0	6.8	6.7	7.4	6.3
Hungary	6.1	5.7-6.0	6.8	6.8	5.1	7.0	5.5-6.0	8.2	6
Poland	8.4	8.4	10.6	8.3	10.7	11.3	11.1 <sup>b/</sup>	12.2 <sup>b/</sup>	11.4 <sup>b/</sup>
Romania	11.8	10-12	13.3	11.7	11.8	14.6	16.7	15.0	15
Eastern Europe <sup>c/</sup>	7.9	7.5-7.8	8.8	7.6	8.3	9.3	9.5	9.8	9.2
USSR	8.5	8.0	7.4	7.7	6.5	7.5	6.8	8.0	6.7
Eastern Europe <sup>c/</sup> and USSR	8.3	7.9-8.0	7.8	7.7	7.0	8.0	7.5	8.5	7.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans and plan fulfilment reports.

a/ Gross value of output at constant prices, except in the case of the German Democratic Republic where data refer to the value of commodity production (i.e., gross output less work in progress).

b/ Value of output sold.

c/ Not including Albania.

Table 21. Centrally planned economies of Eastern Europe and USSR:  
labour productivity changes in industry, 1966-1975 a/  
(Percentage)

Country and group	Average annual rates			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974		1975, planned
							Planned	Actual	
Bulgaria	6.9	7.6	6.8	7.2	5.9	8.0	9.5	6.0	8.2 <sup>b/</sup>
Czechoslovakia <sup>c/</sup>	5.7	5.4-5.7	...	5.8	6.4	6.4	4.8	5.4 <sup>d/</sup>	5.5
German Democratic Republic	6.1	6.2	5.4	4.9	4.2	5.8	6.0	6.6	5.6
Hungary	3.6	4.5-5.0	6.6	7.0	6.2	5.8	5-5.5	7.2	7.0
Poland	4.9 <sup>e/</sup>	5.4 <sup>f/</sup>	7.2	4.9	5.8	8.2	8.1	9.5 <sup>g/</sup>	9.3
Romania	7.3	7.3	7.3 <sup>h/</sup>	4.9	5.4	7.6	9.6	7.0 <sup>h/</sup>	10.3
USSR	5.8	6.8	6.0	6.3	5.2	6.2	6.0	6.5	6.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical reports.

a/ Labour productivity is measured as output per employee.

b/ Over-all labour productivity.

c/ Manual workers only.

d/ Refers to all employees (manual and white-collar).

e/ Socialist sector only.

f/ Including construction.

g/ Value of output sold.

h/ Only "republican" industry.

## Chapter II

### WORLD TRADE AND PAYMENTS

The estimated value of world exports (f.o.b.) in 1974 was \$844 billion, an increase of \$270 billion or 47 per cent over the 1973 figure (see tables 22 and 23). Each major group of countries registered a substantial increase though, except for the developing oil-exporting countries whose exports trebled in value, the percentage increase was somewhat less than in the previous year. In the case of imports, on the other hand, the percentage increase in value between 1973 and 1974 was greater than in the previous interval for each group except the centrally planned economies.

The bulk of the increase was in price; preliminary data suggest that the increase in the volume of external trade of the market economies as a whole was much less in 1974 than in previous years of the decade (see table 24), reflecting the economic slow-down in the major countries. Preliminary data indicate that the import quantum of the developed market economies rose by less than 1 per cent in 1974 compared with about 13 per cent in the previous year and an average rate of growth for 1970-1974 of about 7 per cent. <sup>1/</sup> Since the bulk of the trade of these countries is within the group, the increase in their export volume also fell sharply, from a record rate of almost 14 per cent in 1973 to 6 per cent in 1974. The smaller rate of deceleration in export volume than in import volume of the developed market economies reflects chiefly the accelerated growth in import quantum of the developing countries and the centrally planned economies. Intra-trade among the centrally planned economies of Eastern Europe increased by an estimated 14 per cent in volume in 1974 - well above the average of about 10 per cent recorded in the earlier years of the decade. Under the impact of the recession, exports to market economies showed little growth, but the volume of imports continued to increase - by an estimated 10 per cent in 1974.

Also reflecting the economic slow-down in the developed market economies, the increase in the export quantum of the developing countries decelerated to a rate provisionally estimated at between 2 and 3 per cent in 1974 from about 8 per cent in the two preceding years, bringing the average for 1971-1974 to somewhat less than the 7 per cent target rate set in the International Development Strategy. Reflecting not only the slow-down in the developed market economies but also measures taken to conserve energy, there was an absolute reduction in the export volume of the petroleum-producing countries. The rest of the developing countries registered a combined increase of rather more than 4 per cent in 1974 and almost 7 per cent over the 1971-1974 period. In contrast to the reduction in the rate of growth in export volume of the developing countries, the expansion in import volume rose sharply in 1974 to a rate

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<sup>1/</sup> Estimates of quantum and unit value of trade and of the associated changes in the terms of trade are always subject to considerable uncertainty, but for recent years, because of the extraordinary changes that have taken place in the prices of most commodities, the margin of possible error is exceptionally large.

provisionally estimated at 13 per cent, slightly higher in the case of the oil-exporting countries and slightly lower in the case of other developing countries. To finance these imports the latter were able to draw upon a significant inflow of capital as well as, in a number of countries, upon the reserves they had accumulated as a result of the upsurge in the value of their exports in 1972 and 1973. Over the period 1971-1974, the import quantum of developing countries slightly exceeded the 7 per cent target set in the International Development Strategy.

Both export and import unit values of developed and developing countries were higher, on average, in 1974 than in 1973 despite the downturn in many commodity prices in the course of the year (see tables 25 to 28). Provisional estimates indicate that the terms of trade deteriorated by about 11 per cent in the case of the developed market economies - reflecting the higher cost of food, oil and other raw materials - and by almost 6 per cent for non-oil-exporting developing countries. In the case of the petroleum-exporting developing countries, whose exports had trebled in value between 1973 and 1974, the terms of trade improved by 124 per cent. Thus, for the developing countries as a whole, there was an improvement in the terms of trade of about 42 per cent in 1974. Averaged over the period 1971-1974, the terms of trade worsened for the developed market economies by about 3 per cent a year and by about 1 per cent a year for non-oil-exporting developing countries, while improving by almost 32 per cent a year in the case of petroleum-exporting developing countries.

When the volume of exports is adjusted for the changes in terms of trade so as to measure their purchasing power over imports, a fall of almost 6 per cent is indicated for developed market economies in 1974 and a fall of almost 2 per cent for non-oil-exporting developing countries despite the 4 per cent increase in the volume of their exports. The purchasing power of the exports of the oil-exporting countries more than doubled in 1974 despite a decline in volume and this brought the aggregate rise in purchasing power of developing country exports to 45 per cent. For the period 1971-1974 the purchasing power of the exports of the non-oil-exporting developing countries rose at an annual average rate of over 5 per cent, while for the oil-exporting developing countries the annual average increase was almost 40 per cent and, for developing countries as a whole, almost 20 per cent, well above the approximate 7 per cent target for the quantum of exports at stable terms of trade implicit in the International Development Strategy.

The substantial changes in the terms of trade between the oil-exporting countries and the rest of the world were accompanied by record external imbalances in both developed and developing market economies. The oil-exporting countries achieved a trade surplus in 1974 of over \$100 billion, or about three fourths the value of their exports while the developed market economies incurred a trade deficit of about \$69 billion or about one eighth the value of their exports and the trade deficit of developing non-oil-exporting countries almost trebled in amount to nearly \$28 billion or about 30 per cent the value of their exports. The deficit was less than had been expected in the case of the developed market economies, reflecting the sharp downturn in import demand, but greater in the case of the developing non-oil-exporting countries, reflecting the vigorous growth in imports, the accelerated rise in the price of manufactures and the deceleration or downturn in the prices of a number of primary commodity exports.

### Developed market economies

Between 1973 and 1974 the value of exports of the developed market economies rose by 33 per cent to an f.o.b. total of \$547 billion, while import values (c.i.f.) advanced by about 42 per cent to about \$616 billion, yielding a trade deficit of almost \$69 billion, compared with \$21 billion in 1973 and about \$13 billion in each of the preceding three years.

Compared with the 1973 advance, the increase in the quantum of exports from North America in 1974 (4.0 per cent) represented a little over one fifth and that for Western Europe (6.4 per cent) less than one half. On the other hand, the increase in the quantum of exports from Japan amounted to close to 17 per cent in 1974 compared with less than 6 per cent in 1973. The countries of the southern hemisphere recorded a gain of almost 4 per cent in the quantum of exports in 1974, in contrast to the previous year's decline.

In quantum terms, the increase in imports in 1974 was only marginal in North America (0.4 per cent) and in Western Europe (0.2 per cent), while, in Japan, the volume of imports declined by almost 2 per cent between 1973 and 1974. The increase in the quantum of imports into the countries of the southern hemisphere in 1974 (14.9 per cent) represented a little more than one half the large increase of the previous year.

To a much greater extent than in 1973, international trade prices moved against the developed market economies. The terms of exchange between imports and exports deteriorated by about 10 per cent for North America, by about 11 per cent in the case of Western Europe and, in the case of Japan, with its high dependence on imports of oil and other raw materials, by almost 22 per cent. The developed market economies of the southern hemisphere, after enjoying substantial improvement in 1972 and 1973, experienced a deterioration of about 17 per cent in their terms of trade in 1974, reflecting not only the higher costs of oil and manufactured goods but also a decline in the prices of beef, lamb and wool in 1974.

All the developed market economies except the Federal Republic of Germany incurred deficits on their external merchandise trade in 1974 (see table 29). Of their total deficit of about \$69 billion, the United States of America accounted for almost \$9.5 billion, \$7 billion more than in the previous year. The trade surplus which Canada had enjoyed in earlier years was changed to deficit in 1974 despite the country's self-sufficiency in food and petroleum. The deficits incurred by Belgium-Luxembourg and Sweden and also by Australia and New Zealand represented a reversal from the trade surplus position which each had experienced in 1972 and 1973.

The combined deficits of EEC member countries amounted to about \$18.5 billion in 1974, four times the 1973 figure. The largest deficit was that of the United Kingdom - \$15.5 billion, almost double the 1973 figure. The Italian deficit was second - \$10.7 billion, representing an increase of more than \$5 billion over 1973. France's deficit of \$6.4 billion was six times as great as in 1973. On the other hand, despite the higher cost of imported oil and raw materials and the slow-down in world trade, the Federal Republic of Germany achieved a record trade surplus of \$20.1 billion in 1974; with exports expanding rather more than the EEC average and imports substantially less, this represents

an increase of more than \$7 billion over the previous year's surplus. This exceptional performance reflects the Federal Republic's relative success in containing inflation <sup>2/</sup> and thus helping national exports to penetrate foreign markets and, conversely, reducing the competitiveness of imports from abroad: in dollar terms, export prices rose by 17 per cent between 1973 and 1974 as compared with an average developed market economy increase of almost 26 per cent. The volume of exports from the Federal Republic of Germany was 12 per cent greater in 1974 than in 1973 but the volume of imports actually declined by almost 2 per cent. This was due in part to the stagnation of domestic demand and, in part, to the failure of trading partners to increase their shares of the Federal Republic market, despite the revaluation of the deutsche mark in February 1973 and its subsequent strengthening in relation to most other currencies. Indeed, expectations of further deutsche mark revaluation may have contributed to the country's relatively strong export expansion in 1974. This expansion also reflects the low price elasticities of demand which that country's exports - heavily weighted by capital goods - have tended to enjoy.

The trade deficit of Japan amounted to almost \$6.5 billion in 1974. The increase of \$5 billion over the 1973 deficit was substantially less than had been expected in view of Japan's high dependence on imports of oil and other raw materials. Both buoyant exports and reduced imports contributed to the containment of the deficit: as indicated above, the volume of Japanese exports increased by almost 17 per cent between 1973 and 1974, while the volume of imports fell by close to 2 per cent, reflecting the 3 per cent decline in final domestic demand brought about by the restrictive monetary and fiscal policies pursued by the authorities in 1973 and 1974.

Following the sharp increase in oil prices in January 1974, most developed market economies expected to incur very large trade deficits. In the event, the deceleration in economic activity held down the volume of imports, while mild weather conditions and voluntary and mandatory cut-backs in the use of oil and other fuels combined to reduce petroleum requirements. The volume of imports into the developed market economies rose by less than 1.0 per cent in 1974 as compared with an increase of 13 per cent in 1973. There was also a decline in the growth of export volume but it was much less: from 14 per cent in 1973 to 6 per cent in 1974. The absorptive capacity of developing countries, especially the oil-exporting countries of West Asia, proved to be greater than had been anticipated. Preliminary figures indicate that the exports of the major industrial countries to member countries of the Organization of Petroleum Exporting Countries in the first nine months of 1974 were almost 66 per cent greater in value than in the corresponding period of 1973 (see table 30). Relative price movements also contributed to containing the deficit: primary commodity prices showed decelerating rates of increase or decline while the price trend of manufactures continued upwards.

Though some measures of import control were adopted - by Denmark and Italy, in particular - and movements in the external values of currencies responded to

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<sup>2/</sup> The consumer price index for the Federal Republic of Germany rose by 7 per cent between 1973 and 1974, the lowest rate of any developed market economy (see table 43). In this connexion it may be noted that the country instituted restrictive measures in late 1972, much earlier than most other major countries.

world market forces, the developed market economies managed, on the whole, to avoid severely restrictive import measures or currency devaluation in order to improve external trade balances in 1974. Except for the Italian lira which depreciated slightly, the exchange rates of European currencies strengthened against the United States dollar in the course of 1974. The Japanese yen fell back to its 1972 dollar exchange rate after having appreciated in 1973 (see table 31). The weakening in the external value of the dollar resulted from the combined effects of a rising United States trade deficit, an outflow of capital following the lifting of capital controls in January 1974 and the easing of European restrictions on capital inflow, prospects of revaluation of the deutsche mark and the Swiss franc and the raising of interest rates by a number of European Governments as part of their anti-inflationary monetary policies. <sup>3/</sup> The high rates maintained in France, Italy and the United Kingdom served to attract an inflow of capital to offset their growing trade deficits.

In the course of the year, as a result of a rapidly rising trade deficit, a high rate of inflation and a generally pessimistic appraisal of the country's economic situation, combined with some bank failures, the Italian lira came under heavy selling pressure. There was substantial intervention by the Bank of Italy, financed by new short-term borrowings from EEC, expansion of credit facilities by the United States and the International Monetary Fund (IMF) and, in September 1974, a \$2 billion loan from the Bundesbank of the Federal Republic of Germany. Gold held by the Italian central bank was pledged as collateral for this loan, \$500 million of which was repaid in February 1975. The lira reached a record low against the dollar in November 1974. Subsequently it appreciated steadily against the dollar but lost further ground in relation to the stronger European currencies. The pound sterling was also subject to strong pressures in 1974 as a result of the United Kingdom's rapidly growing trade deficit, a continuing high rate of inflation and the mounting misgivings of the holders of sterling balances exemplified in December 1974 by the decision of Saudi Arabia not to accept future oil payments in sterling. Measured against the trade-weighted average exchange rates of major trading partners, the lira and the pound had lost between a fifth and a fourth of their December 1971 (Smithsonian) parity by March 1975 (see table 32).

The French franc and the yen also lost ground in 1974, as they had in 1973. Shortly after the increase in the price of petroleum at the beginning of 1974,

3/ Central bank discount rate

(Percentage, end of period)

Country	1973	1974			
		First quarter	Second quarter	Third quarter	Fourth quarter
France . . . . .	11.00	13.00	13.00	13.00	13.00
Germany, Federal Republic of	6.00	7.00	7.00	7.00	6.00
Italy . . . . .	6.50	9.00	9.00	9.00	8.00
Switzerland . . . . .	4.50	5.50	5.50	5.50	5.50
United Kingdom (bank rate) .	13.00	12.50	11.75	11.50	11.50
United States of America . .	7.50	7.50	8.00	8.00	7.75

France - deciding against the use of reserves to support the franc - ended its link with the joint float of European currencies. Its subsequent depreciation of 3 per cent against its major trading partners tended to curb imports and stimulate exports. Later in the year the yen and the franc began to recover, however, and in March 1975 both were slightly stronger, in relation to the currencies of their trade partners, than at the time of the Smithsonian settlement. By May 1975, the franc had strengthened to the extent that the Government requested readmittance to the European currency bloc. Australia and New Zealand devalued their currencies in September 1974. Against the United States dollar the devaluations amounted to 12 per cent and 8.5 per cent, respectively.

In May 1974 the 24 member countries of the Organisation for Economic Co-operation and Development (OECD) agreed to a "code of good conduct" aimed at preventing unilateral action to limit imports and stimulate exports. This served to restrain trade destructive measures, but it did not prevent the negotiation of a number of bilateral agreements between oil-exporting and oil-importing nations as the latter strove to assure themselves of future supplies of oil and at the same time defend their external trade balances by promoting exports.

After allowing for a surplus on current account items other than trade, the combined current account deficit of the 24 member nations of OECD was reported in March 1975 to have amounted to \$33 billion in 1974. This was \$5.5 billion less than had been forecast towards the end of 1974 by the chairman of an OECD working party.

The United States registered a current account deficit of \$4 billion in 1974 as compared with a \$450 million surplus in the previous year. The large deficit incurred on merchandise trade more than offset a \$4.4 billion net inflow of investment income in 1974, mainly from United States petroleum affiliates abroad. After allowing for long-term capital outflow of almost \$5.2 billion, in addition to merchandise trade and other current account transactions, the recorded United States "basic" payments deficit in 1974 amounted to \$10.6 billion compared with a deficit of about \$1 billion in 1973 (see table 33).

Member countries of EEC registered a combined current account deficit of \$14 billion in 1974. As in the case of trade, the distribution of these current balances was very uneven. The Federal Republic of Germany, the Netherlands, Belgium and Luxembourg had current account surpluses totalling about \$11 billion, of which that of the Federal Republic of Germany accounted for about \$9.5 billion. The other five member countries accumulated current account deficits totalling almost \$24 billion. In contrast to the surplus countries which enjoyed substantial improvement in their position in the early part of 1974, the deficit countries - in particular France, Italy and the United Kingdom - fared worse before mid-year. Towards the end of the year most of the deficit countries were able to reduce significantly their non-oil deficits or even record non-oil surpluses. For the year as a whole, however, while the Federal Republic of Germany alone had a non-oil current surplus of over \$15 billion, the combined non-oil current surplus for EEC as a whole was only about \$10.5 billion.

The question of how to finance the deficits and whether existing financial institutions - banks and multilateral agencies - were adequate to handle the recycling of such vast sums from surplus to deficit countries is a matter of continuing concern. While the banking system showed signs of strain during 1974

and several sizable banks collapsed, this resulted more from speculation in currencies than from the weight of funds to be handled.

The external deficits which were incurred by most developed market economies in 1974 were not financed by the drawing down of international reserves (see tables 34 to 36). In the aggregate, in dollar terms, these increased slightly, though most of the primary exporters among the developed market economies - southern European and the southern hemisphere countries, in particular - as well as Denmark and Sweden did lose reserves and, reversing the steep upward trend of previous years, there was a fall of about \$800 million in the international reserves of the Federal Republic of Germany, reflecting the lifting of controls on capital outflow combined with the attraction of higher foreign interest rates.

Aggregate reserves of the market economies - developing as well as developed - increased by almost a fifth in 1974 and at the end of the year stood at \$218 billion or SDR 178 billion. The great bulk of the increase - \$32 billion or almost 90 per cent - accrued to the petroleum-exporting countries, the remainder going more or less equally to the developed market economies and the non-oil developing countries. Most of the increment was in the form of foreign exchange holdings - primarily United States dollars but also sterling - which rose from SDR 100 billion to SDR 125 billion, though there were also increases in the reserve positions of member countries in IMF (from about SDR 5 billion to almost SDR 9 billion), while official gold holdings remained virtually unchanged at about SDR 36 billion.

For some countries, the funds accumulated by oil-exporting countries were an important source of finance: of the \$70 billion <sup>4/</sup> current account surplus registered by the oil-exporting countries in 1974, about \$21 billion is thought to have moved into the Euro-currency market, from which several developed market economies borrowed in the course of the year: the Japanese external deficit was largely financed by short-term funds from this source, and Italy and the United Kingdom were also important borrowers. Long-term investments of oil surplus funds were largely concentrated in the United States and the United Kingdom. The former attracted \$11 billion of funds in this way; the latter, \$7 billion. In addition, the United Kingdom received a long-term line of credit of \$1.2 billion from Iran, only part of which was drawn upon in 1974. A further \$5 billion of oil surplus money was offered in direct lending to official institutions in developed market economies other than the United States and the United Kingdom. Japan, for example, received a loan of \$1 billion from Saudi Arabia. Italy borrowed \$1.2 billion from the International Monetary Fund oil facility, \$1.8 billion from other member countries of EEC and, as reported above, \$2 billion from the Bundesbank of the Federal Republic of Germany.

In contrast to previous years, 1974 saw a large (\$10 billion) net outflow of capital from the Federal Republic of Germany. Over three fourths of this represented the movement of short-term capital associated, for the most part, with

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<sup>4/</sup> The 1974 current surplus of the major oil-exporting countries is estimated by IMF at about \$70 billion, and the combined deficit of other members of the Fund at about \$50 billion. Of the difference, about \$15 billion is thought to be attributable in part to asymmetrical recording of items in the current account and, in part, to errors and omissions.

the financing of the upsurge in exports but also in response to banking uncertainties as well as to higher foreign interest rates, especially after the middle of the year. The net outflow of long-term capital amounted to \$2.2 billion, in contrast to the large net inflow that had characterized earlier years of the decade. Almost half of the net outflow in 1974 represented the repatriation by foreigners of fixed-interest securities but there was also \$0.3 billion of public lending and net private lending of \$0.7 billion (compared with net borrowing of \$3 billion in 1973). At \$1.9 billion, direct investment abroad was slightly greater than in 1973, but it was appreciably less than foreign direct investment in the Federal Republic of Germany.

While the combined external deficit of the developed market economies in 1974 was large in absolute magnitude, these countries, by virtue of the services which their financial institutions offer and the favourable investment opportunities they afford, especially in real estate and industry, within relatively stable economic and political structures, tend to be more advantageously placed to attract the foreign funds required to finance their external deficits.

In April 1975, countries members of OECD agreed to the establishment of a Financial Support Fund with resources of SDR 20 billion which could be used by participants in balance-of-payments difficulties after they had had recourse to alternative means of international support through the Common Market or the International Monetary Fund. Accommodation from the new Fund would be conditional upon the applicant country's conforming to economic policies which had the support of the Governing Board of the Fund. The agreement will enter into force when countries holding at least 90 per cent of the quotas have deposited instruments of ratification, but if 15 countries, holding at least 60 per cent of the quotas, ratify, they may bring it into force among themselves.

In June 1974, after almost two years of discussion and with all the developed market economies except the Federal Republic of Germany experiencing large external trade deficits and internal prices rising at rapid but differing rates, the Committee of 20 concluded that the time was not appropriate to determine the details of a future international monetary system. Nevertheless, in an Outline of Reform, the Committee indicated the main features of a new international monetary system. 5/

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5/ These include: better functioning of the exchange rate mechanism with the exchange rates based on stable but adjustable par values and with floating rates recognized as providing a useful technique in particular situations; co-operation in dealing with disequilibrating capital flows by such actions as the harmonization of monetary policies, prompt adjustment of inappropriate par values, use of wider margins and the adoption of floating rates in particular situations, and the use of administrative controls, including dual exchange markets and fiscal incentives; symmetry of obligations on all countries, surplus as well as deficit, including those whose currencies are held in official reserves; better management of global liquidity and the avoidance of uncontrolled growth of reserve currency balances; credit facilities to provide adequate elasticity to the settlements system and as much freedom for countries to choose the composition of their reserves as is consistent with the over-all objectives of the reform; special drawing rights as the principal reserve asset and the numéraire in terms of which par values would be expressed; a reduced role for gold and reserve currencies; and the promotion of the transfer of resources to developing countries.

The Committee also formulated guidelines for countries authorized to adopt floating rates and in particular for the interim period of widespread floating. These guidelines were subsequently (13 June 1974) adopted by the Executive Board of the Fund with a view to promoting international consistency in the way in which floating rates were managed by individual Governments. The main object was to prevent not only the introduction, for balance-of-payments purposes, of restrictions on current account transactions but also sharp or disruptive fluctuations in the exchange value of currencies. Official intervention on the foreign exchange market should be designed to maintain rates that are realistic in relation to trends in prices and reserves, bearing in mind the interests of trading partners in general and more particularly those of the countries issuing the currencies used in the intervention.

One of the recommendations of the Committee of 20 was a revision of the method of valuing the Fund's special drawing rights. This was implemented in June 1974 when the Executive Directors announced that henceforth SDR would be valued on a daily basis in relation to a weighted basket of the currencies of the 16 countries whose 1968-1972 share in world trade exceeded 1 per cent. 6/

At the same time the rate of interest on SDR was set at 5 per cent per annum, which is the basic rate for use of the use of the super gold tranche positions. After January 1975 these rates became subject to adjustment in relation to a weighted average of short-term interest rates in the Federal Republic of Germany, France, Japan, the United Kingdom and the United States of America. 7/ Charges on the use of the Fund's regular resources were also revised upwards to range from 4 per cent on amounts outstanding up to one year to 6 per cent for amounts outstanding from four to six years.

June also saw the establishment of a new "oil facility" with an initial capital of SDR 3 billion to provide accommodation for periods of up to seven years to member countries experiencing payments difficulties as a result of the increases in the cost of petroleum and its products. In January 1975 this facility was extended and enlarged to SDR 5 billion.

Following the dissolution of the Committee of 20 on 2 October 1974, an Interim Committee of the Board of Governors of the International Monetary Fund on the International Monetary System was established, and at its second meeting in January 1975, it recommended that the Fund's resources be expanded through an increase in members' quotas.

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6/ The countries and the weights of their currencies in the basket are as follows: United States of America, 33; Federal Republic of Germany, 12.5; United Kingdom, 9; France, 7.5; Japan, 7.5; Canada, 6; Italy, 6; Netherlands, 4.5; Belgium, 3.5; Sweden, 2.5; Australia, 1.5; Spain, 1.5; Norway, 1.5; Denmark, 1.5; Austria, 1; South Africa, 1.

7/ When the combined market rate is below 9 per cent the rates will be reduced below 5 per cent by three fifths of the difference between the combined market rate and 9 per cent. Correspondingly, if the combined market rate rises above 11 per cent, the rates will be increased above 5 per cent by three fifths of the difference between the combined market rate and 11 per cent. However, in 1975 and 1976, to keep expenditure in line with income, a lower rate of remuneration will be paid on the segment corresponding to the Fund's holding of currency between 75 and 50 per cent of quotas.

Under the Articles of Agreement, these quotas are due for review in 1975, five years having elapsed since the last general review. The Committee called for an increase in total quotas by 32.5 per cent to SDR 39 billion. The shares of the major oil-producing countries in the enlarged Fund would be doubled without altering those of other developing countries, thereby increasing the share in the Fund of the developing countries as a whole.

The Interim Committee also recommended that a special account be established from which payments would be made to the countries most seriously affected by ongoing price changes so as to reduce the burden of interest payments on their oil facility drawings. It also proposed that work should continue on amendments to the Articles of Agreement being considered as part of the reform of the international monetary system. Among these amendments would be the abolition of the official price of gold and the ending of the requirement that members pay a portion of their quotas in gold.

#### Developing countries

Preliminary estimates indicate that the export earnings of the developing countries reached \$232 billion in 1974, more than double the amount recorded in 1973. Measured in current dollars, the expansion was most marked in West Asia, where exports more than trebled, followed by Africa (an increase of 85 per cent), the western hemisphere (77 per cent) and South and East Asia (47 per cent). Compared with exports, imports registered a smaller increase in Africa and West Asia, and a larger increase in the western hemisphere and South and East Asia. As a result, the trade balance was substantially more active than in 1973 in the case of the developing countries of Africa and West Asia and much more passive in the other two regions. The over-all trade surplus - measuring exports f.o.b. and imports c.i.f. - appears to have been substantially increased from the high figure of \$12 billion recorded in 1973 to about \$71 billion in 1974 or about 30 per cent of the year's export earnings (see table 22).

Reflecting the decline in the demand for imports in the developed market economies, the export quantum of the developing countries rose by only 2.5 per cent, the smallest gain in the 1971-1974 period and appreciably below a target rate of somewhat higher than 7 per cent stipulated in the International Development Strategy. However, if the export volume is adjusted for changes in the terms of trade in order to measure its purchasing power over imports, it increased by 45 per cent, the largest gain in the first four years of the 1970s. In contrast to the deceleration in the growth of export volume, the developing countries increased their import volume by an estimated 13 per cent - by far the greatest gain in the 1971-1974 period. This helped to check the deceleration in exports of the developed market economies, as compared with the rate of deceleration in their imports.

The totals for 1974 hide unusually large disparities among various groups of countries; most notably between the petroleum exporters, on the one hand, and the rest of the developing countries.

The export earnings of oil-producing countries more than trebled in 1974, rising from \$45 billion in 1973 to a record level of \$138 billion. This massive increase in revenue was the result of higher prices; the aggregate export volume of petroleum-producing countries actually declined as a result of the economic

slow-down in the developed market economies and various steps taken to conserve energy. As a result of the improvement in the terms of trade of the petroleum-exporting countries, the purchasing power of their exports over imports more than doubled between 1973 and 1974. At the same time, they increased their imports by about two thirds in value and one seventh in volume, thus registering a balance of trade surplus of \$102 billion or somewhat more than 2.5 times the amount spent on their imports in 1974.

Among the oil-exporting countries the rate of increase in earnings was below the average for this group in Algeria, Ecuador, Iraq, Kuwait and the Libyan Arab Republic, where petroleum production was cut in 1974, and also in Gabon, Indonesia and Nigeria, where petroleum does not yet account for a dominant share in total exports. The highest increases in exports were reported by Iran, Saudi Arabia and the United Arab Emirates, where petroleum production increased in 1974. Ecuador, Iran, Iraq, the Libyan Arab Republic, Oman, Saudi Arabia and Trinidad and Tobago all increased the value of their imports more than the average rate of 65 per cent recorded by the petroleum-exporting countries as a group in 1974. Of the resultant trade surplus of \$102 billion, Saudi Arabia accounted for one third, Iran for nearly one fifth and Nigeria and the United Arab Emirates for one fifteenth each.

In the developing non-oil-exporting countries the growth of total import values, by 64 per cent to \$135 billion, exceeded that of export earnings and their trade deficit rose from \$11 billion in 1973 to \$31 billion in 1974 or nearly a third of the year's export earnings, which at \$94 billion were 44 per cent above the 1973 level.

In volume terms, the exports of developing non-oil-exporting countries rose about 4 per cent in 1974, less than the average of nearly 7 per cent registered in the 1971-1974 period. The deceleration was most marked in South and East Asia where exports of manufactures and industrial raw materials slowed down as the year progressed. For instance, the high (38 per cent) rate of export growth between 1973 and 1974 recorded by the Republic of Korea masks a deceleration from an 87 per cent rate of growth between the corresponding first quarters of 1973 and 1974, through an increase of 35 per cent in the corresponding third quarters, to a decline of about 5 per cent in the corresponding fourth quarters. The volume of exports from the Philippines moved in a similar fashion, except that the 1974 annual average was nearly 30 per cent below the 1973 level. On the other hand, in the wake of better harvests, Burma and Thailand recovered from a sizable reduction in export quantum in 1973 and recorded an expansion of 4 per cent and 13 per cent, respectively, in 1974. India, Indonesia and Pakistan all registered a moderate expansion, whereas Hong Kong, Malaysia, Singapore and Sri Lanka exported smaller volumes in 1974 than in 1973.

Reflecting a sharp recovery of agricultural output (especially cocoa and ground-nuts), the volume of exports from non-oil-exporting countries in Africa swung from a decline in 1973 to an increase of nearly 7 per cent in 1974. In the western hemisphere, where the combined quantum rose more than 6 per cent in 1974, reductions in export volumes of Argentina, Brazil and Honduras were more than offset by increases from Guyana (sugar), Nicaragua (coffee and cotton), Peru (fishmeal and iron ore), El Salvador and Guatemala (cotton and sugar); and from Chile which recovered from a reduction in 1973 to register a large increase in its quantum of exports in 1974. In West Asia, the volume of exports rose by 3 per cent in 1974: there was virtually no growth of Israel's exports, and this partly offset a higher export growth registered by other non-oil-exporting countries in the area (see table 25).

In the first half of 1974, the buoyant conditions of 1973 still characterized the trade and payments situation of a number of non-oil-exporting countries, but as the year progressed, prospects began to deteriorate as the decline in demand in the developed market economies began to exert an adverse effect on other countries' export earnings. The price index of primary agricultural commodities and non-ferrous metals exported by the developing countries reached its peak in the second quarter of 1974. Food prices were then a fifth higher and non-ferrous metal prices a third higher than in the fourth quarter of 1973. The prices of non-food agricultural commodities were already beginning to fall and between the second quarter and the fourth they declined by 14 per cent. In the same interval, non-ferrous metal prices fell by 43 per cent. Food prices, however, continued to rise a further 15 per cent (see table 27). These averages hide such movements as the collapse of the copper price to one third of its peak, the halving of the rubber price, and the quadrupling of the sugar price between the beginning of the year and November.

Given this diversity in price movement, foreign exchange earning of individual countries were greatly influenced by the composition of their exports. Of the major primary commodities moving in international trade, only wool had a lower average price in 1974 than in 1973. By the last quarter of 1974, however, several other commodities had declined below the corresponding 1973 level - coffee and meat (whose 1974 price was about 6 per cent above the 1973 average), rubber (12 per cent), cotton (21 per cent), lead ore (36 per cent), rice (39 per cent) and zinc metal and ore (47 per cent). For the rest, despite a deceleration or downturn in some prices in the course of the year, the level in the last quarter of 1974 was still above the corresponding 1973 figure - less than an eighth in the case of wheat, copra and coconut oil and lead, between a third and a half in the case of maize, linseed oil, soya beans, cocoa, tea and ground-nut oil, by more than double in the case of cotton-seed oil and petroleum and more than threefold in the case of sugar. And among these, the average 1974 price of some of the vegetable seeds and oils was more than double the 1973 level, that of sugar almost three times and that of petroleum well over three times.

The year-to-year increases in export earnings of non-oil-exporting countries in the western hemisphere (53 per cent), Africa (47 per cent) and West Asia (38 per cent) were the largest of the decade. In the case of South and East Asia, on the other hand, the 1974 increase (36 per cent) was less than that of the previous year (51 per cent) (see table 37).

Of the 74 countries for which estimates can be made, only four earned less, in current dollars, from their exports in 1974 than in 1973 (see table 38). Those include Bangladesh, Burundi and the Sudan where harvests were poorer, and Mali whose fish exports were down. At the other extreme an increase in export earnings of more than three fifths was achieved by 30 developing countries. In addition to the 19 major exporters of petroleum and petroleum products (including the Netherlands Antilles and Singapore), this group included phosphate exporters (Jordan, Morocco, the Syrian Arab Republic and Togo), and sugar producers (the Bahamas, Guyana, Jamaica and Mauritius). A recovery in ground-nut production permitted a sharp swing in exports for Senegal - from a decline in 1973 to a substantial increase in 1974. In Tunisia, export earnings from crude petroleum, phosphates, olive oil and lead more than doubled in 1974 as a result of both volume and price gains. Bolivia increased its earnings from petroleum and tin, while Chile swung from a reduction in 1973 to expansion in 1974.

Export increases among coffee producers ranged from around a fifth (in Costa Rica, El Salvador, Ethiopia and the United Republic of Tanzania) to around a third (in Colombia, Brazil, Guatemala and Haiti). The increases in the earnings of cocoa producers ranged from 20 per cent (in Ghana, where volume was reduced) to over 40 per cent (in the Ivory Coast, where a doubling of cocoa earnings more than compensated for depressed coffee and wood exports, and in the United Republic of Cameroon, where coffee shipments increased). Among cotton producers the range was also wide: there was a reduction in the earnings of the Sudan, an increase of less than 20 per cent in Pakistan, but gains of around two fifths in Egypt, Mexico and Nicaragua. Meat exporters' earnings rose by between 10 per cent and 20 per cent (Argentina, Somalia and Uruguay). Increases of nearly 60 per cent were recorded in the earnings of rice exporters (Burma and Thailand). On the whole, exporters of manufactured goods and industrial components (Hong Kong, Israel, Mexico, the Philippines, the Republic of Korea and Singapore) saw a slackening of the rate of increase in export earnings in 1974. The low price of rubber militated against a substantial increase in the export earnings of Malaysia, and depressed copper prices held down earnings in Zaire and Zambia.

Of the 58 developing non-oil-exporting countries for which estimates can be made, rather less than half registered a significant acceleration in the pace of export expansion in 1974, though in three fourths of the total developing non-oil-exporting countries export earnings rose less than the average rate of this group (43.8 per cent) in 1974 (see table 38).

Though average export prices of developing non-oil-exporting countries were substantially higher in 1974 than in 1973, their import prices rose even more, and their terms of trade deteriorated by about 6-9 per cent in South and East Asia, 8 per cent in West Asia, 5 per cent in Africa and 1 per cent in the western hemisphere (see table 26). The countries that improved their terms of trade included exporters of bauxite, phosphate and sugar and they tended to be small in population. Among the countries whose terms of trade worsened, by contrast, were some of the largest including Argentina, Bangladesh, Brazil, Egypt, Ethiopia, India, Kenya and Pakistan.

Thus, though the volume of exports of the non-oil-exporting developing countries rose by 4 per cent, the aggregate purchasing power of their exports actually fell by almost 2 per cent. This represents a sharp swing from the 16 per cent increase in the purchasing power of exports registered in 1973 (when there was a 7 per cent increase in export volume and a 9 per cent improvement in the terms of trade) and it compares unfavourably with the annual average increase of 5 per cent registered over the 1971-1974 period. South and East Asia experienced the most notable turn about: from a 20 per cent increase in 1973 to a reduction of more than 7 per cent in 1974; West Asia had a similar though smaller swing - from a 5 per cent increase to a 6 per cent decline. In the western hemisphere the growth in the purchasing power of exports decelerated from 16 per cent in 1973 to 6 per cent in 1974, while in Africa it slowed down from 11 per cent to 2 per cent.

Despite the slow-down in export volume of the developing non-oil-exporting countries, their import quantum accelerated sharply in 1974 to a rate estimated at 12-20 per cent in the western hemisphere, 11 per cent in Africa, 6 per cent in West Asia and 5 per cent in South and East Asia. Over the 1971-1974 period the over-all import quantum of the developing non-oil-exporting countries increased at the International Development Strategy target rate of somewhat less than 7 per cent.

The increase was above that figure in the western hemisphere and West Asia, below it in Africa and South and East Asia (see table 25).

Among the developing non-oil-exporting countries that registered an increase of more than 20 per cent in the volume of imports in 1974 were Bolivia, Brazil, the Dominican Republic, Guatemala, Mexico, Nicaragua and Peru in Latin America; Egypt, Mauritius and Tunisia in Africa; the Syrian Arab Republic in West Asia; the Republic of Korea in South and East Asia. At the other end of the scale, several countries reduced their import quantum in 1974, including Bangladesh, Barbados, Thailand and Uganda.

Reflecting the increase in both volume and price of imports, four out of five of the developing non-oil-exporting countries accelerated the pace of import expenditure in 1974. Some of the largest increases in imports were in countries whose export sector was also very buoyant in 1974 - the Bahamas, Mauritius, the Syrian Arab Republic and Tunisia, for example, all increased both exports and imports by over 80 per cent. In several countries, however, expenditure on imports expanded much faster than the corresponding increase in export earnings: in Brazil, Egypt, Ghana and the Sudan, for example, the rate of import expansion was over 50 per cent above the rate of increase in export earnings (see table 38).

With import expenditure rising more rapidly than export earnings, the over-all trade deficit of the developing non-oil-exporting countries, which had been slightly reduced between 1972 and 1973, was sharply enlarged in 1974. The change was similar in all the major regions: the deficit was trebled in the western hemisphere and in South and East Asia and doubled in West Asia, while Africa's small surplus in 1973 was turned into a sizable deficit in 1974 (see table 39). Of individual developing non-oil-exporting countries, only one in nine increased the size of its surplus and one in 12 swung from deficit to surplus or reduced its deficit. By far the largest proportion (more than half the countries) experienced a widening deficit in 1974, while a fourth either shifted from surplus to deficit or reduced the surplus.

The first four years of the 1970s witnessed a continuous and rapid increase in the international liquidity of the developing countries, which accelerated in 1974 as a result of the sharp upswing of the earnings of the petroleum-exporting countries. The combined reserves of the developing countries rose by \$34 billion in 1974. The reserves of the petroleum-exporting countries registered the largest gain in the Decade (from \$15 billion to \$47 billion), while those of the other developing countries registered the smallest expansion (from \$27 billion to \$29 billion).

This increase raised the developing petroleum-exporting countries' share of world reserves from 6 per cent at the end of 1970 to 22 per cent at the end of 1974 while the other developing countries' share of world reserves declined slightly from 14 per cent to 13 per cent.

Among the petroleum-exporting countries, the largest relative increases in reserves in 1974 were registered by Iran, Nigeria and Trinidad and Tobago - more than sixfold in the year. Among the developing non-oil-exporting countries, by contrast, nearly two fifths drew down their international reserves in 1974 and a third ended the year with a ratio of reserves to imports lower than at the beginning of the Decade. Compared with the position at the end of 1970, the reserves of the

petroleum-exporting countries had risen from seven months' import equivalent to over two years' equivalent, and those of the other developing countries from rather less than five months' import equivalent to rather more than six (having receded from a peak of eight months' equivalent in 1973). Of the 62 non-oil-producing countries that report reserves only six held smaller reserves at the end of 1974 than at the end of 1970: they were Burundi, the Ivory Coast, Senegal, the United Republic of Tanzania, Zaire and Zambia (see table 40).

All the countries whose reserves declined in 1974 had passive trade balances for the year. They included Brazil, Costa Rica, Guatemala, Nicaragua and Uruguay in Latin America; Burundi, the Central African Republic, Egypt, Ghana, the Ivory Coast, Madagascar, the Niger, Rwanda and the United Republic of Tanzania in Africa; India, Israel, Pakistan, the Republic of Korea and Sri Lanka in Asia. By the same token the non-oil-exporting countries that increased their reserves most (by over 50 per cent) in 1974 almost all enjoyed a large trade surplus - as in the case of Bolivia, Burma, the United Republic of Cameroon and Mauritania. Others in this group were Mauritius, which swung from deficit in 1973 to a modest surplus in 1974 and Morocco, whose trade deficit was reduced in 1974.

A number of countries gained reserves not in the course of commodity trade but rather because of capital transactions. This was the case in the Syrian Arab Republic, the Philippines and Thailand where, in the face of trade deficits, international liquidity was improved by the inflow of financial resources.

Since the developing non-oil-exporting countries as a whole had a large trade deficit (nearly \$31 billion) and receipts from emigrants' remittances, tourism and other invisibles are unlikely to have risen very significantly, it is clear that the flow of donations, loans and investment must have expanded considerably to have yielded a \$2 billion increase in reserves.

Reflecting the slackening in export earnings and the upsurge in import expenditure, net drawing from the International Monetary Fund by developing non-oil-exporting countries increased from SDR 82 million in 1973 to SDR 1,313 million in 1974. Petroleum-exporting countries, by contrast, were net repayers in both years - SDR 146 million in 1973 and SDR 40 million in 1974. Developing non-oil-exporting countries in the western hemisphere and West Asia swung from net repayment to net borrowing, while those in Africa and South and East Asia increased their net borrowing substantially in 1974. The number of developing oil-importing countries that were net drawers on the International Monetary Fund rose from 15 in 1973 to 34 in 1974. Of the latter, four countries - India (SDR 573 million), Laos (SDR 130 million), the Philippines (SDR 110 million) and Chile (SDR 81 million) - accounted for more than three quarters of the total.

The developing oil-importing countries also drew from the "oil facility" which, as indicated above, had been set up by the Fund in June 1974 to assist member countries in overcoming the initial impact of the higher cost of oil imports on their balance of payments without resorting to extreme restrictions. By the end of the year no less than 28 developing countries had made use of this facility,

borrowing a total of SDR 774 million; 8/ chief among them are India (SDR 200 million), Pakistan (SDR 98 million) and the Republic of Korea (SDR 90 million).

From the limited evidence available in April 1975, 9/ it appears that the flow of official donations to the 17 developing countries reporting their balance of payments for 1974 increased by a third. Sharp increases were reported by Ethiopia, Jordan, Mexico, Pakistan, Peru, the Republic of Viet-Nam and Thailand, offsetting reductions in the flow to the Philippines. The flow of government grants from the United States to developing countries was just over \$5.1 billion, more than three times the 1973 level. The increase was concentrated in Asia and reflects extraordinary transactions with India, Israel and the Republic of Viet-Nam involving a \$3.1 billion increase in grants and a corresponding reduction in net lending.

The 17 reporting countries received a much larger inflow of direct investment in 1974: at \$1.5 billion it was more than double the 1973 level. This increase arose partly from a large (\$329 million) net repatriation of foreign capital from Venezuela in 1973 but there was also a substantial increase in investment in Guatemala, Jamaica, the Republic of Korea, Mexico, Paraguay and Thailand in 1974. Western Europe and Japan played a greater role in the increased flow of direct investment in 1974; the net outflow from the United States declined from \$1.2 billion in 1973 to \$1.1 billion in 1974, a trebling of investment in Latin America being more than offset by a large net repatriation of investment from Africa and Asia.

Net borrowing by the Governments of 17 reporting countries increased from \$1.6 billion in 1973 to \$2.7 billion in 1974. By far the largest components of this increase went to Mexico (which drew \$0.83 billion) and Peru (\$0.9 billion). On a much smaller scale, there were also increases in the net official borrowing of Jamaica, Pakistan and the Republic of Viet-Nam. There were marked reductions from the 1973 level of net borrowing by Colombia (down to less than \$0.1 billion) and the Republic of Korea (down to \$0.14 billion).

The flow of private long-term capital into the 17 countries increased by about two fifths in 1974 to \$3 billion. There was a major expansion in the flow of private funds to Mexico (which reached \$1.9 billion in 1974) and to the Republic of Korea (\$0.6 billion). On a much smaller scale there were also increases in the flow of private loans to Jamaica and Paraguay, while Thailand swung from net repayment in 1973 to net borrowing in 1974 (\$0.2 billion) as did Venezuela on a much smaller scale. Peru and the Philippines made net repayments in both years.

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8/ In the first three months of 1975, a further SDR 0.26 billion was provided by the oil facility for 18 developing countries, chiefly to Chile (SDR 77 million), Israel (SDR 62 million) and Pakistan (SDR 27 million).

9/ Seventeen developing countries, Chile, Colombia, Ethiopia, Guatemala, Israel, Jamaica, Jordan, the Republic of Korea, Mauritius, Mexico, Pakistan, Paraguay, Peru, the Philippines, the Republic of Viet-Nam, Thailand and Venezuela. These countries, selected on the basis of data availability, accounted for 27 per cent of the total imports of the developing countries in 1973.

In the aggregate, the net inflow of new capital and official donations into this group of countries increased by two thirds in 1974, approaching \$8.7 billion.

Part of the increase in private capital flows to the developing countries represents the results of more extensive borrowing on the Euro-currency market. Eight 10/ of the 17 reporting countries were involved in publicly announced credits negotiated on this market in 1974, adding up to \$3.2 billion. Altogether 25 developing countries borrowed on this market in 1973 and in 1974. The total amount negotiated by non-oil-exporting countries amounted to \$6.4 billion in 1974 as compared with \$4.8 billion in 1973. The petroleum-exporting countries had much less need for such loans in 1974: in 1973 \$3.1 billion was borrowed by 11 countries and in 1974 \$0.75 billion was borrowed by seven countries. Among the developing non-petroleum-exporting countries that borrowed large amounts in 1974 were Mexico (credits totalling \$1.5 billion), Brazil (\$1.4 billion), the Philippines (\$0.87 billion), Peru (\$0.39 billion), Egypt and the Sudan (\$0.23 billion each) and the Republic of Korea (\$0.22 billion).

Though the terms of these loans are hard by development assistance standards, they have been within the normal range associated with conventional bank lending. The rate of interest has usually been designated in terms of a margin over an interbank lending rate. However, of the total credits obtained by the developing countries, the proportion with maturities of over 10 years declined from 27 per cent in 1973 to about 14 per cent in 1974, while that with maturities of 1 to 6 years increased from 7 per cent to 16 per cent. Despite the increasing use made of this market there are many developing countries that do not have access to it. In 1974, only two lower-income countries (with per capita income of less than \$200 in 1972) borrowed on this market - the Sudan (\$232 million) and Zaire (\$105 million), and in the case of the former the loan bore the guarantee of Saudi Arabia.

Preliminary estimates 11/ indicate that the total net flow of financial resources to developing countries and multilateral institutions amounted to about \$30 billion in 1974. Of this the developed market economies accounted for about \$24 billion, OPEC members for about \$4.8 billion, and the centrally planned economies for \$1.4 billion.

The \$24 billion disbursed by the developed market economies in 1974 represents an increase of about \$2 billion over the 1973 figure. Thus, in nominal terms there was a rise of 8 per cent but in real terms, after price increases are taken into account, 12/ a decline of about 9 per cent. The amount represents about 0.69 per cent of the gross national product of the developed market economies, a somewhat lower proportion than in 1973 and considerably below the International Development Strategy target of 1 per cent.

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10/ Colombia, Jamaica, Mexico, Peru, the Philippines, the Republic of Korea, Thailand and Venezuela.

11/ Development Assistance Committee of OECD, April 1975.

12/ By deflating the increase in unit price of manufactured exports between 1973 and 1974 (19 per cent).

Of the estimated \$24 billion transferred to the developing countries from the developed market economies in 1974 a sum of \$11 billion was in the form of official development assistance. This was \$2 billion more than in 1973 - an increase of about 20 per cent in nominal terms or about 2 per cent in real terms. <sup>13/</sup> The amount represented about 0.32 per cent of their gross national product, a slight improvement over the 1973 percentage and in line with the 1971-1972 average, but considerably below the International Development Strategy target of 0.7 per cent (see table 41).

The flow of resources to the developing countries from the OPEC members - \$4.8 billion, more than three times the 1973 figure - represents about 3.4 per cent of their gross national product. Just over half - an estimated \$2.5 billion or 1.8 per cent of their gross national product - was in the form of official development assistance. Nearly four fifths of the bilateral disbursements of OPEC countries in 1974 went to four countries (Egypt, India, Pakistan and the Syrian Arab Republic). Some of these flows formed part of new triangular arrangements under which the petroleum-exporting countries supply the capital, the industrial countries the technology and the developing countries the land and labour.

In March 1975, the International Bank for Reconstruction and Development announced that its richer member nations, including the oil-exporting countries, were moving towards a new lending arrangement in the form of a "third window", designed to add \$1 billion a year to the flow of aid to almost 50 of the poorer countries at subsidized interest rates mid-way between the normal level for Bank loans - based on Bank borrowing rates and about 8.5 per cent at that time - and the zero rate of the International Development Association. The richer countries would pay the difference between market rates and rates charged to developing countries.

Thus, the developing non-oil-exporting countries as a group experienced generally more favourable results on the international scene than had been anticipated at the beginning of the year. The supply of goods and services available to them for development was substantially augmented by a considerable increase in the quantum of imports relative to exports. And in the aggregate the resultant trade deficit was not a drain on their reserves; it was financed by a large flow of official donations and long-term capital from advanced countries and petroleum-exporting countries.

These results were not uniformly distributed, however, and for a number of countries 1974 was a difficult year. This was particularly the case for some of the food-deficit countries and for some whose principal export commodities did not share in the 1972-1974 upsurge in demand and price. Even some of the raw material-exporting countries that had benefited most from the industrial boom began to feel pressure on their external balance as the year progressed and their export prices declined while the cost of manufactured imports continued to rise.

Thus, in the course of the year many countries initiated measures to defend their external payments position. Some (notably Brazil, Ghana, India, Israel, Kenya, Pakistan and Peru) made special efforts to cut down imports of non-essential goods so as to sustain the supply of capital goods needed for continued economic

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<sup>13/</sup> By deflating the increase in unit price of manufactured exports between 1973 and 1974 (19 per cent).

growth. Some, including Chile, Costa Rica, Guatemala, Israel, Kenya, the Republic of Korea, the Republic of Viet-Nam, the United Republic of Tanzania, Uganda and Uruguay, resorted to exchange-rate adjustments to improve their external balance. Some sought to promote exports by subsidies (Kenya), tax rebates (Israel) or elimination or reduction of export taxes (Malaysia, Pakistan and Thailand). Following the example of petroleum-exporting countries and in some cases with their financial support, producers of bananas, bauxite, coconut, coffee, copper, mercury, phosphate, rubber, silver, tea, timber and tungsten ore began to band together in association with a view to increasing their bargaining power in transactions with multinational corporations and importing countries, by aligning their policies in respect of production, inventories, export and taxation of the commodity in question and thus influencing world prices.

In the meantime, the international community took steps to assist countries adversely affected by the high cost of food and petroleum. In May 1974, the General Assembly at its sixth special session set up a Special Programme within the framework of a broad Programme of Action on the Establishment of a New International Economic Order. As a first step in this Special Programme a one-year emergency operation was launched to provide relief to those developing countries most seriously affected by recent economic developments. Up to the end of March 1975 a sum of \$136 million had been committed and \$60 million disbursed for such assistance.

#### Centrally planned economies

The foreign trade of the centrally planned economies of Eastern Europe and the USSR showed substantial growth in value terms in 1974 and probably expanded in real terms at a higher rate than that of the rest of the world. <sup>14/</sup> Exports of the group increased by about 23 per cent, from \$52 billion in 1973 to \$65 billion in 1974, and imports grew by about 24 per cent, from \$53 billion to \$66 billion. Value growth was slower than that observed for world trade in 1974, but this merely reflects the fact that about two thirds of the CMEA countries' trade is transacted within the group, where prices were held stable or showed only very small increases

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<sup>14/</sup> Volume growth in the foreign trade of the Eastern European countries of about 8 per cent for exports and about 15 per cent for imports can be derived from officially reported price changes. Although no similar data are as yet available for the Soviet Union, an approximation of the probable impact of world market price movements on the commodity composition of Soviet trade with non-socialist countries permits a range estimate for volume growth in total trade of the country of 8-14 per cent for exports and 6-11 per cent for imports. Total quantum growth for the group can then be estimated at 8-10 per cent for exports and 10-13 per cent for imports, as compared with a 5 per cent quantum growth rate for exports and imports of the market economies (see table 23).

during the year. <sup>15/</sup> The Eastern European countries generally increased imports more than exports, both in value and in volume, whereas the USSR expanded exports at a much higher rate than imports (see table 42).

Because of the very different behaviour of foreign trade prices in the internal market of the CMEA group and in its trade with the market economies, a separate consideration of these two trading areas is more necessary in 1974 than in any previous year. The mutual trade of the socialist countries increased by about 15 per cent in value and probably only slightly less (about 14 per cent) in volume, a significant acceleration over the approximately 10 per cent growth rate of recent years. The main contribution to this speed-up came from a very large increase in Soviet exports to the other countries of the area (22 per cent, as against an average 7 per cent rate of increase during 1971-1973), which appears to have been spread equally over deliveries of investment goods and of raw material supplies (fuels, ores and chemicals). Soviet imports from the area and trade among the Eastern European countries also increased at a somewhat higher rate than in past years. The development of trade within the group was favoured by the high production growth rates, which stimulated demand for imports and increased export supplies, and by a continued increase in the volume of joint investment projects which involve deliveries of capital goods by the co-sponsoring countries.

Trade with the market economies increased in value terms by about 40 per cent in both directions for the group as a whole. The apparent balance in the growth of exports and imports, however, masks divergent experiences in the Soviet Union and the Eastern European countries: Soviet exports to the non-socialist countries grew substantially faster than imports (43 per cent versus 32 per cent), while in Eastern Europe the growth of export proceeds lagged behind that of import value (35 per cent versus 45 per cent). Price changes in trade with the non-socialist market appear to have varied considerably from country to country, depending upon the commodity composition of each socialist country's trade basket. <sup>16/</sup> Preliminary estimates on the basis of these data suggest that in quantum terms exports from the Eastern European countries to the non-socialist world probably grew very little, if at all, and the same may have been true also for Soviet exports to developed market economies, in spite of a 68 per cent value increase, owing to the large share of

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<sup>15/</sup> Contract prices on the intra-CMEA market, which are based on average world market prices of the period 1966-1970, were held stable in 1974, but some changes in average prices (or unit values) were nevertheless recorded, probably owing to shifts in the commodity structure and the introduction of new goods. In Hungarian trade with the rouble area, export prices increased by 1.3 per cent over the 1973 level and import prices by 0.9 per cent (Statisztikai havi közlemények (Budapest), No. 2-3, 1975).

<sup>16/</sup> The following rates of price change have been reported for exports to the non-socialist area: Czechoslovakia, 32 per cent; Hungary (January-September 1974), 19 per cent; Poland, 40 per cent, and for imports from the same area: Czechoslovakia, 25 per cent; Hungary, 40 per cent; and Poland, 30 per cent (Rynki zagraniczne (Warsaw), 3 March 1975, Statisztikai havi közlemények (Budapest), No. 2-3, 1975; Zycie gospodarcze (Warsaw), 2 February 1975).

oil, oil products and other raw materials in these flows. <sup>17/</sup> Imports of the socialist countries from the market economies, however, seem to have expanded in quantum terms at a rate which may have been in excess of 10 per cent.

The recession in the developed market economies was probably the main factor constraining the growth of socialist exports to the outside world, though several of the Eastern European countries were also affected by the suspension of meat imports into the European Economic Community. On the other hand, the sustained growth of demand for imports into the socialist countries, at a time when in the developed market economies the external demand weakened sharply, helped to reduce the rate of deceleration in world trade, though the effect was limited by the relatively small share of the centrally planned economies' imports in the total exports of the non-socialist world (4.7 per cent in 1973). At the same time it was, of course, consonant with the maintenance of internal production growth in the socialist countries during 1974.

The continued growth in import quantum in the face of rising prices, however, also sharply increased the external imbalance of the Eastern European socialist economies with the non-socialist countries. The Soviet Union, as a major exporter of fuel and raw materials, by contrast, experienced significantly improved terms of trade in non-socialist markets and attained a trade surplus with the market economies of \$1.6 billion, twice the 1973 level and including, for the first time since 1967, a surplus with the developed market economies (\$0.3 billion). The trade deficit of the Eastern European socialist countries with the market economies increased from \$2.3 billion in 1973 to over \$4 billion in 1974. Since most countries of this group maintained a trade surplus with the developing economies, the deficit with the developed market economies probably approached \$5 billion. It appears that in some of these countries - Hungary being one example - the pace of continued import growth was considered excessive and may have been caused by a reaction lag in internal adaptation to changed external conditions, a lag to which the slowness or absence of internal price changes probably contributed. Trade plans for 1975 clearly indicate the intention to reduce the trade imbalances - in part by the expansion of exports, but in part undoubtedly also by the curtailment of imports.

Data on the growth of trade with developed and developing market economies separately are still rather limited and somewhat difficult to interpret because of the presumably rather different impact of price changes on values in these different flows. However, they indicate some uniform changes from past trends. Exports to developing countries grew significantly faster than those to developed market economies in several of the Eastern European countries (Czechoslovakia, Hungary and Poland), but not in the Soviet Union, with an exceptionally high growth rate in the case of Poland (91 per cent). Imports from the same group, on the other hand, grew generally at approximately the same rate as those from the industrial countries - in noticeable contrast to the lag in these flows during the first years

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<sup>17/</sup> Oil and oil products constituted over one third of the value of Soviet exports to developed market economies in 1973. If the oil price alone were to have trebled over the 1973 level, the observed growth of 68 per cent in export value would be compatible with no change in total export quantum. In fact, Soviet exports of oil and oil products to non-socialist countries declined from 50 million tons to 44 million, and the prices of other primary goods exports must have also risen significantly.

of the 1970s (see table 42). On the export side, the weakening in the demand for the socialist countries' exports in the industrial countries, and a consequent search for alternative outlets, may be behind this phenomenon, though in general the commodity structure of exports in these two directions is sufficiently different to make large-scale substitutions between trade partners an unlikely explanation. The more rapid acceleration value of imports from developing countries was probably significantly influenced by the higher rate of inflation in prices of raw materials which represent a large share of the imports from this group.

The maintenance of price stability on the intra-CMEA market, especially in the important fuel and raw materials sector, buffered the impact of world market turbulence upon the natural resource-importing countries of the area, which means all but Poland and the USSR. At the same time, however, it imposed a significant opportunity cost on the resource-exporting countries, which were in any case faced by the necessity of developing increasingly marginal and high-cost deposits, in part with the aid of capital equipment imported at rising world market prices. In the short run, world market price changes may paradoxically have eased the supply situation on the internal market of the group in that rising proceeds on given quantities exported to outside markets should have reduced the balance-of-payments incentive of the supplier countries to divert additional output shares in that direction. Something of this sort may indeed have happened in 1974 when the volume of Soviet exports of crude oil and oil products to market economies declined by 12 per cent (while earnings increased by an estimated 160 per cent), whereas those to intra-group customers increased by 6 per cent (at fixed prices). In the longer run, however, the opportunity cost discrepancy could have become a factor adversely affecting the integration efforts of the CMEA group.

The contract prices for the intra-CMEA market, based on 1966-1970 average world market prices, were originally expected to remain in force through 1975, the last year of the present five-year plan period. Early in 1975, however, it was decided to increase the flexibility of the intra-trade price system and to renegotiate prices already agreed upon for that year. In the future, the price base for each trading year is to be a moving average of world market prices for the preceding five years, but for 1975 a special arrangement was made, using 1972-1974 as the base period. <sup>18/</sup> Thus, in Hungarian-Soviet trade the average price of Hungarian imports of raw materials and energy in 1974 will rise by 52 per cent, and that of machinery imports by 3.5 per cent, whereas Hungarian machinery exports to the Soviet Union will rise 15 per cent in price, agricultural products, 28 per cent and light industry products, 19 per cent. The crude oil price has been set at \$49 per ton, about 2.3 times the old level, though still significantly below the world market level.

As elsewhere in the world, the new foreign trade price structure substantially worsens the terms of trade of the resource-importing countries of the group. The new price determination rules will also make it increasingly difficult to maintain internal financial balance with unchanging domestic price structures, as well as being detrimental to the efficient management of domestic allocation of resources, especially if external price movements should continue to be large (even if muted under the five-year averaging rule). The change therefore has important implications for the internal economic system in the centrally planned economies,

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<sup>18/</sup> Népszabadság (Budapest), 23 February 1975.

especially the smaller, more trade-dependent ones, even though it is too early to tell what adjustment measures will be taken.

The foreign trade of China appears to have grown much more slowly in 1974 than in the preceding year when export value had increased by some 60-70 per cent and import value had approximately doubled. However, both export and import plans were officially reported to have been more than fulfilled. 19/ Exports can be estimated from partner data to have grown by less than 30 per cent in value terms, which indicates that export quantum must have declined if unit value increases were at all similar to those experienced by most developing countries (see table 26). Imports probably expanded about 50 per cent in value, which on the same basis represents a quantum increase of about 12-16 per cent. 20/ The Chinese commodity trade account probably closed with an over-all deficit in 1974 which has been estimated at between \$200 million and \$900 million. 21/

In a significant new development, petroleum exports assumed an important place in the commodity structure of China's exports for the first time in 1974 with a share in total export value of about 7 per cent. Crude oil exports reached about 5 million tons, the bulk of which went to Japan and represented almost one third of total export value to that country. Contracts negotiated early in 1975 indicate that this trend is to continue, with deliveries during the year to Japan alone expected to rise to 8-10 million tons.

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19/ Peking Review, 17 January 1975.

20/ Estimated from partner data as reported in International Monetary Fund, Direction of Trade (Washington, D.C.), January to March 1975. On the basis of reasonably complete data, covering the full year in most instances, exports to developed market economies rose by 31 per cent (from \$2.0 billion to \$2.6 billion, c.i.f. partner country) and imports grew by almost 60 per cent (from \$3.1 billion to \$4.9 billion, f.o.b. partner country). Data for the developing countries, where the coverage is in most instances only for the first two or three quarters of 1974 (but 11 months for Hong Kong, which takes about 50 per cent of China's exports to this group) indicate an increase of 26 per cent in Chinese exports and 27 per cent in Chinese imports. Trade with the socialist economies of Eastern Europe and the USSR is estimated (on the basis of data for Hungary, Poland and the USSR) to have grown by 6-12 per cent.

21/ Estimates of total trade value in 1974 by Japanese and United States economists range from \$5.9-\$6.2 billion for exports and \$6.1-\$7.1 billion for imports. See China Trade Report (Hong Kong), March 1975. The incomplete IMF mirror data yield a deficit of \$2.3 billion with developed market economies and a surplus of \$1.9 billion with developing market economies on a c.i.f./f.o.b. reporting basis.

Table 22. World trade, by country group, 1970-1974  
(Billions of dollars)

Item and country group	1970	1971	1972	1973	1974 a/
<u>Exports, f.o.b.</u>					
World	311.7	348.5	415.0	573.1	843.6
Market economies	280.8	314.8	375.1	520.7	778.9
Developed	226.3	252.9	300.6	410.7	546.9
Developing	54.5	61.9	74.5	110.0	232.0
Petroleum-exporting countries b/	18.4	24.2	29.4	44.6	138.0
Other	36.1	37.7	45.1	65.4	94.0
Centrally planned economies c/	30.9	33.7	39.9	52.4	64.7
<u>Imports d/</u>					
World	325.3	362.2	425.6	583.0	842.3
Market economies	295.1	329.5	385.3	529.8	776.1
Developed	238.3	265.1	313.7	431.9	615.5
Developing	56.8	64.4	71.6	97.9	160.6
Petroleum-exporting countries b/	11.0	12.9	15.4	21.8	35.8
Other	45.8	51.5	56.2	76.1	124.8
Centrally planned economies c/	30.2	32.7	40.3	53.2	66.2
<u>Balance of trade e/</u>					
World	-13.6	-13.7	-10.6	-9.9	1.3
Market economies	-14.3	-14.7	-10.2	-9.1	2.8
Developed	-12.0	-12.2	-13.1	-21.2	-68.6
Developing	-2.3	-2.5	2.9	12.1	71.4
Petroleum-exporting countries b/	7.4	11.3	14.0	22.8	102.2
Other	-9.7	-13.8	-11.1	-10.7	-30.8
Centrally planned economies c/	0.7	1.0	-0.4	-0.8	-1.5
<u>Change in international reserves f/</u>					
Market economies	17.5	37.8	27.8	23.7	36.1
Developed	14.7	33.0	19.5	12.4	1.9
Developing g/	2.8	4.8	8.3	11.3	34.2
Petroleum-exporting countries h/	0.8	3.4	2.5	3.6	32.3
Other	2.0	1.4	5.7	7.7	2.0

Table 22 (continued)

Item and country group	1970	1971	1972	1973	1974 <u>a/</u>
<u>Net change in other balance-of-payment items i/</u>					
Market economies	31.7	50.4	36.1	31.4	29.0
Developed	26.7	45.2	32.6	33.6	70.5
Developing <u>g/</u>	5.0	5.2	3.5	-2.2	-41.5
Petroleum-exporting countries <u>h/</u>	-6.6	-7.9	-11.4	-19.0	-71.3
Other	11.7	13.1	14.9	16.8	29.8

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

a/ Preliminary, based in some cases on incomplete information.

b/ Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.

c/ Eastern Europe and USSR.

d/ C.i.f. for market economies and f.o.b. for centrally planned economies.

e/ Exports minus imports.

f/ Gold, SDR, convertible foreign exchange and reserve positions in the International Monetary Fund.

g/ Countries reporting reserves only.

h/ Excluding Bahrain, Brunei, Qatar and United Arab Emirates from the group indicated in foot-note b.

i/ Including errors and omissions.

Table 23. World trade and international liquidity: annual growth rates, by country group, 1971-1974

Item and country group	Percentage change from preceding year				
	Average, 1971-1974 <u>a/</u>	1971	1972	1973	1974 <u>a/</u>
<u>Exports, f.o.b.</u>					
World	28.2	11.8	19.1	37.9	47.2
Market economies	29.1	12.1	19.2	38.8	49.6
Developed	24.7	11.8	18.9	36.6	33.2
Developing	43.7	13.6	20.4	47.7	110.9
Petroleum-exporting countries <u>b/</u>	65.5	31.5	21.5	51.7	209.4
Other	27.0	4.4	19.6	45.0	43.8
Centrally planned economies <u>c/</u>	20.3	9.1	18.4	31.4	23.5
<u>Imports d/</u>					
World	26.9	11.3	17.5	37.0	44.5
Market economies	27.4	11.7	16.9	37.5	46.5
Developed	26.8	11.2	18.3	37.7	42.5
Developing	29.5	13.4	11.2	36.2	64.0
Petroleum-exporting countries <u>b/</u>	37.0	17.3	29.4	36.7	64.7
Other	28.5	12.5	9.1	35.4	64.0
Centrally planned economies <u>c/</u>	21.7	8.4	23.2	32.0	24.4
<u>International reserves e/</u>					
Market economies	23.9	40.9	21.3	15.0	19.8
Developed	17.3	44.2	18.1	9.8	1.3
Developing <u>f/</u>	44.2	27.4	29.4	36.8	81.3
Petroleum-exporting countries <u>g/</u>	74.2	67.0	29.4	32.5	221.6
Other	23.3	11.2	41.1	39.3	5.9

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

a/ Preliminary, based in some cases on incomplete information.

b/ Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.

c/ Eastern Europe and USSR.

d/ C.i.f. for market economies and f.o.b. for centrally planned economies.

e/ Gold, SDR, convertible foreign exchange and reserve positions in the International Monetary Fund.

f/ Countries reporting reserves only.

g/ Excluding Bahrain, Brunei, Qatar and the United Arab Emirates from the group indicated in foot-note b.

Table 24. World trade: annual growth rates, by country group,  
1971-1974

(Percentage)

Item and country group	Change from preceding year				
	Average, 1971-1974 <u>a/</u>	1971	1972	1973	1974 <u>a/</u>
<u>Quantum of exports</u>					
Market economies	8.5	7.1	8.7	12.8	5.4
Developed	9.0	7.1	8.9	13.9	6.1
Developing	6.5	7.1	8.4	8.3	2.5
Petroleum-exporting countries <u>b/</u>	4.9	7.1	7.3	9.7	-4.0
Other	6.8	7.1	9.5	6.5	4.2
Centrally planned economies <u>c/</u>	8.8	6.2	8.7	11.0	9.0
<u>Quantum of imports</u>					
Market economies	7.4	5.8	8.4	12.3	3.2
Developed	7.2	5.5	9.9	12.9	0.8
Developing	7.9	7.1	1.9	9.8	13.1
Petroleum-exporting countries <u>b/</u>	12.3	10.1	9.6	15.0	14.5
Other	6.5	6.2	-0.1	8.3	12.0
Centrally planned economies <u>c/</u>	11.6	7.9	12.6	14.3	11.5
<u>Unit value of exports</u>					
Market economies	18.8	4.7	9.6	23.1	41.2
Developed	14.5	4.4	9.2	20.0	25.6
Developing	34.8	6.1	11.1	36.2	105.9
Petroleum-exporting countries <u>b/</u>	57.7	22.8	13.2	38.1	222.4
Other	18.9	-2.5	9.2	36.0	38.0
<u>Unit value of imports</u>					
Market economies	18.7	5.5	7.9	22.6	42.1
Developed	18.3	5.4	7.6	22.1	41.3
Developing	20.2	6.0	9.1	24.5	45.2
Petroleum-exporting countries <u>b/</u>	19.7	6.9	8.6	23.1	43.7
Other	20.6	5.9	9.3	24.9	46.5
<u>Terms of trade <u>d/</u></u>					
Market economies	0.1	-1.0	1.6	0.4	-0.6
Developed	-3.2	-1.0	1.5	-1.7	-11.1
Developing	12.1	0.1	1.8	9.4	41.8
Petroleum-exporting countries <u>b/</u>	31.8	14.9	4.2	12.2	124.4
Other	-1.4	-7.9	-0.1	8.9	-5.8

Table 24 (continued)

Item and country group	Change from preceding year				
	Average, 1971-1974 <u>a/</u>	1971	1972	1973	1974 <u>a/</u>
<u>Purchasing power of exports</u>					
<u>over imports e/</u>					
Market economies	8.6	67.0	10.4	13.3	4.8
Developed	5.5	6.0	10.5	12.0	-5.7
Developing	19.5	7.2	10.4	18.5	45.4
Petroleum-exporting countries <u>b/</u>	39.8	23.1	11.8	23.1	115.4
Other	5.3	-1.4	9.4	16.0	-1.8

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

a/ Preliminary, based in some cases on incomplete information.

b/ Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.

c/ Eastern Europe and USSR.

d/ Unit value of exports divided by unit value of imports.

e/ Quantum of exports multiplied by the changes in the terms of trade.

and purchasing power of exports over imports, 1971-1974 a/

Region	Percentage change from preceding year in														
	Export quantum					Import quantum					Purchasing power of exports over imports b/				
	Average, 1971-1974	1971	1972	1973	1974 <sup>c/</sup>	Average, 1971-1974	1971	1972	1973	1974 <sup>c/</sup>	Average, 1971-1974	1971	1972	1973	1974 <sup>c/</sup>
Developed market economies	9.0	7.1	8.9	13.9	6.1	7.2	5.5	9.9	12.9	0.8	5.5	6.0	10.5	12.0	-5.7
North America	8.2	0.9	9.1	19.4	4.1	7.5	8.9	13.3	7.6	0.4	4.1	-0.8	5.7	18.9	-5.8
Western Europe	9.1	6.8	9.6	13.7	6.4	6.7	5.3	9.8	11.9	0.2	5.8	7.7	11.9	9.8	-5.2
Japan	12.0	20.8	5.8	5.7	16.5	9.2	-0.4	13.4	27.9	-1.6	5.6	18.8	13.4	1.2	-8.7
Southern hemisphere	2.8	7.9	2.1	-2.4	3.8	7.3	0.6	-10.8	28.3	14.9	6.1	0.1	14.8	27.3	-13.5
Developing countries	6.5	7.1	8.4	8.3	2.5	7.9	7.1	1.9	9.8	13.1	19.5	7.2	10.4	18.5	45.4
Petroleum-exporting countries <sup>d/</sup>	4.9	7.1	7.3	9.7	-4.0	12.3	10.1	9.6	15.0	14.5	39.8	23.1	11.8	23.1	115.4
Other	6.8	7.1	9.5	6.5	4.2	6.5	6.2	-0.1	8.3	12.0	5.3	-1.4	9.4	16.0	-1.8
Western hemisphere	2.8	-	2.3	7.5	1.6	8.8	6.3	2.1	5.3	23.0	10.3	-2.4	5.8	17.4	22.2
Petroleum-exporting countries <sup>e/</sup>	-5.0	-9.5	-9.4	8.7	-8.5	5.6	6.4	-2.0	-2.4	22.1	20.1	-4.4	2.1	21.7	82.8
Other	6.0	4.3	6.3	7.3	6.2	9.4	6.2	2.8	6.7	23.1	6.1	-4.5	8.2	16.2	5.5
Africa	2.3	6.8	0.5	0.2	2.0	6.1	9.5	-1.7	4.5	12.5	12.1	1.0	1.5	18.3	30.4
Petroleum-exporting countries <sup>f/</sup>	1.4	1.7	-4.8	16.3	-6.3	12.7	13.5	7.4	18.8	11.4	23.0	10.6	-1.8	30.1	62.0
Other	2.5	9.9	3.6	-9.5	6.9	3.6	7.9	-5.1	-1.7	14.3	1.8	-5.6	0.5	10.8	2.1
West Asia	11.7	17.9	13.2	13.4	2.9	12.4	8.7	8.3	19.1	13.7	44.5	35.7	18.6	16.4	132.5
Petroleum-exporting countries <sup>g/</sup>	12.4	18.6	13.6	15.0	2.9	16.8	10.7	15.5	16.1	25.5	51.0	40.5	19.3	18.3	161.8
Other	6.6	11.7	9.9	2.4	2.8	8.6	6.5	-	23.4	6.0	6.3	11.9	15.8	4.5	-5.6
South and East Asia	9.7	7.6	12.8	17.0	2.1	6.1	5.8	1.1	12.6	5.1	10.0	4.7	13.4	22.3	0.9
Petroleum-exporting countries <sup>h/</sup>	12.3	3.7	18.9	25.1	3.2	16.3	9.4	21.8	35.8	1.2	34.9	1.2	33.2	45.7	68.6
Other	9.4	8.0	12.1	15.9	2.0	5.4	5.6	-0.2	11.0	5.4	6.7	4.9	11.5	19.8	-7.4

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; "Latin American development and the international economic situation: second regional appraisal of the International Development Strategy" (E/CEPAL/981 and Add.1-3); "Survey of economic and social conditions in Africa, 1974" (E/CN.14/632, part one and part two); "Economic and social survey of Asia and the Pacific, 1974" (E/CN.11/L.412); International Monetary Fund, International Financial Statistics (Washington, D.C.), and national sources.

a/ Estimated on the basis of changes in the value and unit values of trade. As a result of the extraordinary changes that have taken place in prices of most commodities, the margin of error is exceptionally large for recent years.

b/ Export quantum multiplied by changes in the terms of trade.

c/ Preliminary.

d/ African, South and East Asian, West Asian and western hemisphere petroleum-exporting countries.

e/ Ecuador, Trinidad and Tobago and Venezuela.

f/ Algeria, Gabon, Libyan Arab Republic and Nigeria.

g/ Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

h/ Brunei and Indonesia.

Table 26. Market economies: estimated change in unit value of exports and imports,<sup>a/</sup> 1971-1974

Region <sup>b/</sup>	Percentage change from preceding year in														
	Export unit value					Import unit value					Terms of trade				
	Average, 1971-1974 <sup>c/</sup>	1971	1972	1973	1974 <sup>c/</sup>	Average, 1971-1974 <sup>c/</sup>	1971	1972	1973	1974 <sup>c/</sup>	Average, 1971-1974 <sup>c/</sup>	1971	1972	1973	1974 <sup>c/</sup>
Developed market economies	14.5	4.4	9.2	20.0	25.6	18.3	5.4	7.6	22.1	41.3	-3.2	-1.0	1.5	-1.7	-11.1
North America	12.8	3.3	4.0	15.3	30.5	17.1	5.1	7.3	15.8	44.2	-3.8	-1.7	-3.1	-0.4	-9.5
Western Europe	14.7	6.3	10.1	20.6	22.8	18.3	5.5	7.8	24.8	37.8	-3.0	0.8	2.1	-3.4	-10.9
Japan	16.3	3.0	12.5	22.3	28.9	23.3	4.8	4.9	27.8	64.4	-5.7	-1.7	7.2	-4.3	-21.6
Southern hemisphere	19.3	-0.4	21.7	46.7	13.8	15.6	7.3	8.3	12.5	36.6	3.2	-7.2	12.4	30.4	-16.7
Developing countries	34.8	6.1	11.1	36.2	105.9	20.2	6.0	9.1	24.5	45.2	12.1	0.1	1.8	9.4	41.8
Petroleum-exporting countries	57.7	22.8	15.2	38.1	222.4	19.7	6.9	8.6	23.1	43.7	31.8	14.9	4.2	12.2	124.4
Other	18.9	-2.5	9.2	36.0	38.0	20.6	5.9	9.3	24.9	46.5	-1.4	-7.9	-0.1	8.9	-5.8
Western hemisphere	28.8	3.7	12.7	34.8	74.5	20.0	6.2	9.0	23.5	45.0	7.3	-2.4	3.4	9.2	20.3
Petroleum-exporting countries	55.5	27.5	16.3	36.1	189.7	20.3	10.5	7.6	21.5	45.0	29.3	15.4	8.1	12.0	99.8
Other	20.1	-3.5	11.3	34.3	44.0	19.9	5.4	9.3	24.0	45.0	0.1	-8.4	1.8	8.3	-0.7
Africa	31.4	0.3	10.2	45.6	85.3	19.8	6.0	9.1	23.3	45.0	9.4	-5.4	1.0	18.1	27.8
Petroleum-exporting countries	45.1	15.0	12.6	37.9	148.1	19.5	5.7	9.1	23.2	43.5	21.1	8.8	3.2	11.9	72.9
Other	19.1	-8.7	5.8	51.2	37.8	19.9	6.3	9.1	23.5	44.3	-0.7	-14.1	-3.0	22.4	-4.5
West Asia	54.9	22.2	14.2	26.7	225.3	19.8	6.2	9.0	23.5	44.0	29.3	15.1	4.8	2.6	125.9
Petroleum-exporting countries	58.3	25.1	14.1	26.8	246.0	17.8	5.6	9.0	23.2	36.0	34.3	18.5	5.0	2.9	154.4
Other	20.1	7.1	14.9	26.2	34.0	20.4	6.9	9.0	23.7	46.0	-0.3	0.2	5.4	2.0	-8.2
South and East Asia	21.1	2.8	9.9	32.0	44.2	20.8	5.7	9.4	26.3	46.0	0.2	-2.7	0.5	4.5	-1.2
Petroleum-exporting countries	43.4	2.8	22.5	47.0	128.7	19.4	5.3	9.4	26.2	40.0	20.1	-2.4	12.0	16.5	63.4
Other	18.2	2.8	8.9	30.6	33.5	21.1	5.9	9.1	26.3	47.0	-2.4	-2.9	-0.5	3.4	-9.2

Sources: As for table 22.

a/ For the developing countries, estimated partly on the basis of a set of regional price indices in United States dollars for five groups of commodities - food-stuffs, agricultural raw materials, petroleum and mineral ores, non-ferrous metals and other manufactures - weighted in accordance with the regional composition of exports and imports in 1970. Where applicable, trade-weighted averages of unit values of individual countries were also taken into account. As stated in the foot-note a to table 22, the tendency of such figures to overstate the real gains or losses should be considered great for recent years reflecting exceptionally large price changes.

b/ As defined in table 25.

c/ Preliminary.

Table 27. Export price indices of primary commodities and manufactured goods, 1971-1974

Commodity group	Average annual rate of change, 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup> (1970=100)	1974 <sup>a/</sup> (1973=100)	1974 quarters <sup>a/</sup> (corresponding quarter of previous year = 100)			
							First	Second	Third	Fourth
<u>Primary commodities</u>	28.5	106	120	174	273	157	185	168	148	137
<u>Food</u>	21.7	105	119	175	219	125	144	127	114	119
Cereals	29.0	103	114	209	277	133	195	159	111	101
Wheat	33.3	107	122	238	316	133 <sup>b/</sup>	213	169	104	96
Rice	29.7	97	108	198	283	143 <sup>b/</sup>	195	173	139	...
Maize	20.2	98	101	165	209	133 <sup>b/</sup>	164	127	117	...
Beverages	10.5	88	97	128	149	117	126	127	106	110
Coffee	6.8	88	98	123	130	106	117	115	97	95
Tea	5.7	99	96	99	125	127	110	124	130	143
Cocoa	27.3	79	92	173	263	152	182	174	125	145
Meat	18.8	113	134	191	199 <sup>b/</sup>	106 <sup>b/</sup>	120	102	99	...
Beef	22.5	126	153	216	225 <sup>b/</sup>	106 <sup>b/</sup>	119	99	101	...
Mutton and lamb	10.9	103	109	142	151 <sup>b/</sup>	111 <sup>b/</sup>	126	108	100	...
Dairy products	12.1	119	135	147	158 <sup>b/</sup>	109 <sup>b/</sup>	110	111	106	...
Sugar	49.5	109	141	184	500	271	182	217	278	392
Other food	15.7	110	121	177	179 <sup>b/</sup>	102 <sup>b/</sup>	117	96	96	...
<u>Agricultural non-food</u>	22.5	104	119	182	225	124	152	135	112	105
Fats, oils and oil-seeds	29.1	100	98	167	278	166	229	173	142	146
Olive oil	33.0	105	134	196	313 <sup>c/</sup>	149 <sup>c/</sup>	...	...	157	142
Copra	31.9	85	64	156	303	194	385	254	160	108
Coconut oil	28.1	87	62	134	269	202	371	276	185	102
Ground-nuts	19.7	106	123	156	205 <sup>b/</sup>	148 <sup>b/</sup>	150	145	...	...
Ground-nut oil	17.3	95	93	116	189	164	188	179	151	146
Palm kernels	20.4	84	72	111 <sup>c/</sup>	210 <sup>d/</sup>	232 <sup>d/</sup>	232	...	...	...
Palm kernel oil	32.6	91	70	127 <sup>c/</sup>	309 <sup>b/</sup>	244 <sup>b/</sup>	352	284	184	...
Palm oil	20.9	99	89	131	214 <sup>b/</sup>	169 <sup>b/</sup>	216	164	134	...
Linseed oil	56.0	92	108	297	593	200	399	319	151	131
Linseed	36.9	85	95	235	351	150	234	177	120	120
Soya beans	35.3	108	118	199	335 <sup>b/</sup>	167 <sup>b/</sup>	208	146	157	...
Soya bean oil	30.2	105	88	165	287 <sup>b/</sup>	184 <sup>b/</sup>	256	175	156	...
Cotton-seed oil	30.5	113	85	145	290	200	247	207	170	200

Table 27 (continued)

Commodity group	Average annual rate of change, 1971-1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>	1974 <sup>a/</sup>	1974 quarters <sup>a/</sup>			
							(corresponding quarter of previous year = 100)			
			(1970=100)		(1973=100)		First	Second	Third	Fourth
<u>Agricultural non-food (continued)</u>										
Textile fibres	22.7	102	131	224	227	101	134	117	89	76
Wool	20.9	90	140	290	214	74	82	82	66	65
Cotton	24.5	110	128	195	240	121	206	152	101	77
Jute	2.2	98	105	103	109 <sup>b/</sup>	105 <sup>b/</sup>	90	101	120	...
Sisal	50.6	112	159	285	515 <sup>b/</sup>	195 <sup>b/</sup>	215	205	172	...
Wood and wood pulp	22.7	111	121	168	227	135	146	145	129	123
Rubber	15.3	81	82	157	177	112	198	130	86	67
Other agricultural non-food	13.3	97	120	160	165	103	125	114	93	85
<u>Minerals</u>										
Metal ores	43.9	114	127	164	429	262	308	296	275	202
Metal ores	14.2	103	110	132	170	129	147	145	123	105
Iron ore	9.5	106	114	120	144	121	116	120	125	124
Bauxite	10.0	124	121	...	...	...	...	...	...	...
Copper ore	9.5	78	76	122	144	118	173	166	91	70
Lead ore	18.6	86	102	146	198	136	187	162	116	98
Zinc ore	41.9	106	132	277	406	147	311	276	114	60
Tin ore	21.8	96	103	130	220	168	177	212	170	128
Nickel ore	7.8	104	109	119	135	114	106	106	121	121
Manganese ore	21.2	121	116	142	216	153	180	183	132	132
Chrome ore	6.8	118	118	107	130	121	96	128	135	129
Fuels	50.1	117	131	172	508	294	350	335	314	220
Petroleum	55.6	118	135	182	602	331	421	395	362	226
Coal	26.9	116	121	152	259	170	143	162	175	194
Crude fertilizer	13.3	93	100	100	165 <sup>b/</sup>	171 <sup>b/</sup>	146	176	192	...
<u>Manufactured goods</u>										
Manufactured goods	12.3	106	115	133	159	119	116	120	116	124
<u>Non-ferrous base metals</u>										
Non-ferrous base metals	11.8	86	86	123	156	127	172	166	106	85
Aluminium	5.5	101	91	90	124	138	120	133	145	153
Copper	9.9	77	76	125	146	117	184	169	88	65
Lead	18.4	83	97	137	197	144	191	163	146	112
Tin	22.1	96	103	128	222	173	188	215	170	132
Zinc	37.5	104	128	243	357	147	274	243	122	70

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

a/ Preliminary.

b/ Index for January-September.

c/ Index for July-December.

d/ Index for January-March.

Table 28. Developing countries: price indices of basic commodities, 1973-1974

Item	1973 quarters (1970=100)				1974 quarters (1970=100)				Annual percentage change from preceding year	
	First	Second	Third	Fourth	First	Second	Third	Fourth	1973	1974
<u>Export category</u> <sup>a/</sup>										
Food-stuffs	135	155	165	169	185	201	203	231	41.0	31.9
Other agricultural commodities	135	156	193	209	241	229	214	198	56.4	26.7
Minerals	137	146	160	240	514	518	516	513	31.9	201.1
Total primary commodities	137	153	172	206	318	323	319	325	41.6	92.1
Total primary commodities (excluding minerals)	135	155	175	183	206	211	207	219	46.6	29.8
Non-ferrous metals	96	117	143	157	178	207	145	119	56.5	26.6
Total, above <sup>b/</sup>	133	149	169	201	305	311	302	305	42.7	87.3
Total, above (excluding minerals)	130	150	171	180	202	211	199	205	47.7	29.5
<u>Import category</u>										
Developed market economy manufactures	120	129	140	142	145	160	164	176	16.4	19.3
Terms of exchange:										
Between primary commodities and manufactures	114	119	123	145	219	202	195	185	21.6	61.1
Between primary commodities (excluding minerals) and manufactures	113	120	125	129	142	132	126	124	26.0	8.8
Between primary commodities (excluding minerals) plus non-ferrous metals and manufactures	108	116	122	127	139	132	121	117	26.8	8.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, March 1974 and March 1975.

a/ Weighted in accordance with the composition of developing country trade in 1963.

b/ Primary commodities and non-ferrous metals.

Table 29. Developed market economies: changes in exports and imports and the balance of trade, 1970-1974

Region and country	Percentage change from preceding year										Balance of trade (millions of dollars; exports f.o.b.; imports c.i.f.)				
	Average, <sup>a/</sup> 1971-1974 <sup>a/</sup>	Exports				Average, <sup>a/</sup> 1971-1974 <sup>a/</sup>	Imports				1970	1971	1972	1973	1974 <sup>a/</sup>
		1971	1972	1973	1974 <sup>a/</sup>		1971	1972	1973	1974 <sup>a/</sup>					
<b>Developed market economies</b>	24.7	11.8	18.9	36.6	33.2	26.8	11.2	18.3	37.7	42.5	-12 085	-12 218	-13 096	-21 289	-68 048
<b>North America</b>	21.9	4.2	13.5	37.7	35.8	25.8	14.4	21.6	24.6	44.7	3 190	-2 474	-8 094	-845	-9 933
Canada	19.4	9.7	15.1	24.4	29.6	24.6	15.9	21.2	23.6	38.6	2 395	1 738	990	1 391	-443
United States of America	22.9	2.1	12.8	43.3	38.1	26.3	13.9	21.8	25.0	46.8	795	-4 212	-9 084	-2 236	-9 490
<b>EEC</b>	25.1	14.3	20.4	36.6	30.3	26.1	11.7	18.7	40.0	36.1	-3 811	-1 378	505	-4 466	-18 497
Belgium-Luxembourg	24.9	9.7	26.9	39.2	25.7	27.0	13.0	20.1	42.5	34.6	188	-174	662	410	-1 444
Denmark	23.1	9.9	19.7	41.5	23.5	22.4	4.7	9.9	53.9	26.9	-1 051	-927	-654	-1 554	-2 183
France	26.6	14.7	27.5	38.6	26.7	28.9	11.2	26.9	39.7	40.2	-1 033	-523	-550	-1 068	-6 441
Germany, Federal Republic of	27.0	13.9	19.9	44.6	31.9	23.3	14.9	17.3	35.8	26.3	4 375	4 686	6 511	12 950	20 123
Ireland	23.8	17.5	22.0	33.0	23.1	23.7	13.1	14.9	32.6	36.0	-502	-518	-502	-659	-1 172
Italy	23.0	14.5	23.1	19.4	36.1	28.6	6.8	20.9	43.9	47.2	-1 763	-864	-711	-5 572	-10 686
Netherlands	29.4	18.3	20.5	43.3	37.3	26.4	14.7	13.8	41.3	38.3	-1 652	-1 469	-737	-695	-1 190
United Kingdom	18.9	15.4	9.0	25.4	26.5	25.7	10.1	16.5	39.3	39.5	-2 373	-1 589	-3 514	-8 278	-15 504
<b>EFTA</b>	24.3	9.0	20.7	38.6	31.1	24.3	9.0	15.9	36.4	38.4	-4 487	-4 895	-4 597	-5 692	-10 638
Austria	25.8	11.0	22.4	36.2	35.4	26.3	18.2	24.3	36.5	26.8	-692	-1 023	-1 333	-1 832	-1 864
Finland	24.4	2.2	25.0	29.9	44.4	27.0	6.0	14.5	35.5	58.3	-330	-437	-252	-505	-1 330
Iceland	22.7	2.7	26.7	53.2	13.8	34.8	33.8	10.5	54.7	44.3	-11	-60	-42	-68	-187
Norway	26.2	3.9	27.6	44.2	32.6	22.7	10.0	6.4	44.1	34.4	-1 247	-1 521	-1 080	-1 553	-2 173
Portugal	24.4	10.7	22.3	42.7	24.0	29.7	14.7	19.9	37.6	49.5	-640	-771	-899	-1 171	-2 219
Sweden	23.7	10.1	17.3	39.1	30.5	23.4	1.1	14.5	31.1	52.6	-213	396	659	1 573	-301
Switzerland	23.3	11.9	18.7	39.1	25.1	22.1	11.3	17.3	37.2	24.2	-1 354	-1 479	-1 650	-2 136	-2 564
<b>Other Europe</b>	29.6	14.9	27.6	40.6	36.8	31.3	9.1	20.9	43.0	57.7	-5 450	-5 627	-6 379	-9 309	-17 028
Cyprus	9.7	6.4	15.5	33.6	-11.7	14.5	10.5	19.8	41.9	-8.5	-129	-147	-181	-268	-251
Greece	38.2	3.1	31.4	65.3	62.8	22.7	7.2	11.9	47.2	28.5	-1 315	-1 435	-1 377	-2 016	-2 095
Malta	36.2	15.4	48.9	46.3	36.7	22.4	-2.5	11.5	37.1	50.4	-122	-112	-108	-142	-227
Spain	31.2	23.1	29.0	36.2	37.0	34.3	4.7	36.3	41.4	61.0	-2 330	-2 002	-2 041	-4 358	-8 254
Turkey	27.8	14.9	30.3	49.4	19.4	41.2	23.5	33.0	34.2	80.5	-359	-494	-676	-773	-2 201
Yugoslavia	24.8	8.2	23.2	35.2	34.6	29.5	13.2	-0.6	47.7	69.0	-1 195	-1 437	-995	-1 752	-4 000
<b>Japan</b>	30.2	24.4	19.0	29.3	50.2	34.6	4.4	19.0	63.4	61.8	437	4 311	5 120	-1 365	-6 479
<b>Southern hemisphere</b>	22.6	7.5	24.3	43.2	18.1	24.0	7.9	-3.4	44.3	57.0	-1 964	-2 155	349	388	-5 479
Australia	23.4	9.3	23.8	47.4	16.1	25.2	3.4	-1.8	49.2	62.2	-285	-12	1 326	1 859	-1 374
New Zealand	18.8	11.3	31.7	45.0	-6.2	30.9	8.3	12.9	43.2	67.6	-22	13	270	420	-1 220
South Africa	22.9	1.2	20.8	31.9	41.4	19.6	13.7	-10.3	38.2	45.3	-1 657	-2 156	-1 247	-1 891	-2 885

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/ Preliminary.

Table 30. Developed countries: imports from and exports to members of OPEC, a/ January-September 1973 and January-September 1974

(Millions of dollars)

	OPEC					Percentage change
	West Asia	South and East Asia	Africa	America	Total	
<u>Western Europe</u> <sup>b/</sup>						
<u>Imports, c.i.f.</u>						
1973	9 344.8	333.9	4 130.5	506.7	14 315.9	
1974	26 398.7	446.3	11 244.6	930.7	39 020.3	172.6
<u>Exports, f.o.b.</u>						
1973	2 627.1	362.8	2 903.1	757.0	6 650.0	
1974	4 438.4	604.4	4 411.0	962.3	10 416.1	56.6
<u>United States of America</u>						
<u>Imports, f.o.b.</u>						
1973	645.0	343.4	735.2	1 296.7	3 020.3	
1974	2 965.2	1 249.8	3 254.0	3 740.3	11 209.3	271.1
<u>Exports, f.o.b.</u>						
1973	1 057.6	301.8	336.7	860.3	2 556.4	
1974	2 115.4	372.6	536.3	1 426.6	4 450.9	74.1
<u>Japan</u>						
<u>Imports, c.i.f.</u>						
1973	3 029.1	1 484.2	133.7	62.0	4 709.0	
1974	10 358.9	3 546.4	616.3	51.7	14 573.3	209.0
<u>Exports, f.o.b.</u>						
1973	895.2	622.8	210.0	173.5	1 901.5	
1974	1 785.7	1 005.2	438.3	325.3	3 554.5	86.9
<u>Above, total</u>						
<u>Imports</u>						
1973	13 018.9	2 161.5	4 999.4	1 865.4	22 045.2	
1974	39 722.8	5 242.5	15 114.9	4 722.7	64 802.9	194.0
<u>Exports</u>						
1973	4 579.9	1 287.4	3 449.8	1 790.8	11 107.9	
1974	8 339.5	1 982.2	5 385.6	2 714.2	18 421.5	65.8

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

a/ Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

b/ Austria, Belgium, Denmark, Finland, France, Germany (Federal Republic of), Greece, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, Turkey, United Kingdom and Yugoslavia.

Table 31. Developed market economies: changes in exchange rates of selected countries against the United States dollar, 1970-1974

Country	Changes in exchange rates between mid-1971 and end of quarter														
	Exchange rates, end of period (US cents per currency unit)						1973						1974		
	1970	1971	1972	1973	1974	1974	First	Second	Third	Fourth	First	Second	Third	Fourth	
Australia	111.50	119.10	127.50	148.80	132.70	132.70	25.7	25.7	32.2	32.0	32.0	32.0	32.0	16.2	17.7
Belgium	2.01	2.23	2.27	2.42	2.77	2.77	24.2	38.0	34.8	20.4	27.7	30.9	26.8	26.8	37.7
Canada	98.89	99.78	100.44	100.42	100.88	100.88	2.4	2.5	1.7	2.8	5.2	5.3	3.8	3.8	3.5
Denmark	13.35	14.16	14.60	15.89	17.80	17.80	20.7	31.7	30.8	19.1	23.7	24.9	22.2	22.2	32.7
France	18.12	19.14	19.51	21.24	22.50	22.50	21.4	34.3	29.8	17.1	15.8	14.3	16.3	16.3	24.1
Germany, Federal Republic of	27.41	30.60	31.23	37.00	41.49	41.49	23.2	44.2	44.5	29.4	38.6	36.9	31.8	31.8	45.1
Italy	0.16	0.17	0.17	0.16	0.15	0.15	7.1	6.8	10.6	2.8	0.2	-3.7	-5.6	-5.6	-4.0
Japan	0.28	0.32	0.33	0.36	0.33	0.33	34.4	34.6	34.5	27.6	29.4	25.7	19.7	19.7	18.7
Netherlands	27.80	30.73	31.00	35.41	39.89	39.89	21.1	36.1	40.6	26.2	32.8	34.4	31.8	31.8	42.2
Norway	14.01	14.90	15.06	17.45	19.19	19.19	20.5	32.2	28.6	24.1	29.7	30.7	28.3	28.3	36.5
Sweden	19.34	20.55	21.08	21.80	24.50	24.50	15.0	26.3	22.9	12.6	17.6	17.9	15.8	15.8	26.1
Switzerland	23.17	25.54	26.50	30.83	39.37	39.37	26.6	38.4	35.6	26.3	36.6	36.7	39.1	39.1	61.3
United Kingdom	239.37	255.22	234.81	232.32	234.85	234.85	2.4	6.7	-0.3	-4.0	-1.1	-1.2	-3.6	-3.6	-2.9

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1974.

Table 32. Selected developed market economies: changes in trade-weighted exchange rates of national currencies, 1973-1975

Country <sup>a/</sup>	Percentage change between			
	February and December 1973	December 1973 and December 1974	December 1974 and March 1975	December 1971 and March 1975
Switzerland	-1.1	21.9	-2.5	30.9
Germany, Federal Republic of	8.7	6.0	-	19.5
Belgium	-3.3	5.2	1.3	6.4
Netherlands	1.1	5.1	2.4	13.1
United States of America	-0.5	-0.1	-1.5	-6.0
United Kingdom	-6.5	-1.8	-0.4	-20.4
France	-1.2	-3.0	3.4	4.1
Japan	-6.8	-6.9	2.2	1.1
Italy	-7.8	-11.7	0.4	-23.6

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on effective exchange rates of individual currencies against a basket of 20 currencies weighted by their importance in the trade of the country concerned, computed by the National-Westminister Bank and reported in The Economist (London).

<sup>a/</sup> Listed in descending order of increase of effective rate between December 1973 and December 1974.

Table 33. United States of America: balance of payments, 1970-1974  
(Millions of dollars)

Item	Change from preceding year									
	1970	1971	1972	1973	1974 <sup>a/</sup>	1971	1972	1973	1974 <sup>a/</sup>	1975
A. Balance on merchandise trade <sup>b/</sup>	2 110	-2 666	-6 912	471	-5 881	-4 776	-4 246	7 383	-6 352	
B. Balance on services	1 482	3 416	2 302	3 856	9 072	1 934	-1 114	1 554	5 216	
C. Balance on goods and services (A + B)	3 592	750	-4 610	4 327	3 191	-2 842	-5 360	8 937	-1 136	
D. Balance on transfers and grants <sup>c/</sup>	-3 149	-3 574	-3 744	-3 876	-7 216	-325	-170	-132	-3 340	
E. Balance on current account (C + D)	443	-2 824	-8 354	451	-4 025	-3 267	-5 530	8 805	-4 476	
F. Balance on direct investment flows	-3 476	-4 832	-3 244	-2 335	-4 493	-1 356	1 588	909	-2 158	
G. Balance on long-term capital flows	-3 482	-6 457	-1 490	-1 477	-5 176	-2 975	4 967	13	-3 699	
H. Balance on current and long-term capital d/	-3 031	-9 550	-9 843	-1 026	-10 580	-6 519	-293	8 817	-9 554	
I. Balance on non-liquid private capital flows	-545	-2 386	-1 637	-4 276	-12 955	-1 841	749	2 639	-8 679	
J. Errors and omissions	-1 104	-11 054	-3 112	-2 303	5 197	-9 950	7 942	809	7 500	
K. Net liquidity balance	-3 821	-22 002	-13 882	-7 606	-18 338	-18 181	8 120	6 276	-10 732	
L. Balance on liquid private capital flows	-6 000	-7 763	3 542	2 302	10 269	-1 763	11 305	-1 240	7 967	
M. Over-all balance excluding SDR	-10 688	-30 482	-11 050	-5 304	-6 690	-19 794	19 432	5 746	-1 386	
N. Allocation of SDR	867	717	710	...	...	-150	-7	...	...	
O. Liabilities to foreign agencies	7 344	27 417	10 308	5 095	9 504	20 073	-17 109	-5 213	-4 409	
P. Balance on United States of America official reserve assets	2 477	2 348	32	209	-1 434	-129	-2 316	177	-1 643	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States of America, Department of Commerce, Survey of Current Business (Washington, D.C.).

a/ Preliminary.

b/ Valued f.o.b.

c/ Excluding military grants.

d/ Including some short-term United States government assets.

Table 34. Developed market economies: international reserves, <sup>a/</sup> 1970-1974

Group and country	Reserves, end of period					Change during quarters 1974 (millions of dollars)				Reserves, end of 1974 as percentage of imports, 1974		
	Millions of dollars					Millions of dollars						
	1970	1971	1972	1973	1974	1974	First	Second	Third		Fourth	
<u>North America</u>												
Canada	4 679	5 701	6 050	5 768	5 825	4 758	334	21	-314	16	17	
United States of America	14 487	13 190	13 150	14 378	16 058	13 116	210	358	762	350	15	
<u>Western Europe</u>												
<u>EEC</u>												
Belgium <sup>b/</sup>	34 018	49 265	56 162	68 582	69 634	56 874	-1 622	-653	3 243	84	24	
Denmark	2 847	3 473	3 870	5 100	5 345	4 366	-321	-152	532	186	18	
France	484	722	855	1 324	935	764	-303	-223	-30	167	10	
Germany, Federal	4 960	8 255	10 015	8 529	8 851	7 229	-405	42	350	333	17	
Republic of Ireland	13 610	18 657	23 785	33 147	32 399	26 462	-273	1 351	-1 683	-143	47	
Italy	697	995	1 126	1 025	1 266	1 034	21	-78	207	91	33	
Netherlands	5 352	6 787	6 079	6 434	6 941	5 669	233	-1 382	2 315	-659	17	
United Kingdom	3 241	3 796	4 785	6 547	6 958	5 683	-544	-478	1 075	358	20	
	2 827	6 582	5 647	6 476	6 939	5 667	-32	267	477	-249	13	
<u>Other</u>												
Austria	1 751	2 343	2 719	2 873	3 430	2 801	-113	-39	369	340	38	
Cyprus	209	285	320	307	369	219	-24	-12	14	-16	66	
Finland	480	715	758	644	708	579	41	67	-53	9	10	
Greece	310	525	1 032	1 047	956	765	-99	9	31	-52	21	
Iceland	54	70	84	100	49	40	-23	-5	-27	4	10	
Malta	158	198	275	325	402	328	16	16	12	33	111	
Norway	813	1 154	1 325	1 575	1 929	1 575	213	-161	240	62	23	
Portugal	1 504	1 945	2 312	2 839	2 354	1 923	-164	-113	-63	-147	53	
Spain	1 817	3 268	5 014	6 772	6 485	5 297	-302	-369	356	-180	43	
Sweden	761	1 110	1 575	2 528	1 735	1 417	-241	-500	-131	78	11	
Switzerland	5 132	6 966	7 488	8 078	9 011	7 360	-490	825	-123	721	63	
Turkey	431	761	1 401	2 120	1 861	1 520	136	-86	-29	-280	49	
Yugoslavia	140	198	733	1 484	1 139	930	-65	-223	100	-157	14	
<u>Southern hemisphere</u>												
Australia	1 693	3 316	6 141	5 697	4 269	3 487	-228	-273	-815	-112	34	
New Zealand	258	493	833	893	566	462	-25	-109	-110	-83	16	
South Africa	1 012	711	1 290	1 234	1 159	947	180	-207	-65	17	15	
Japan	4 840	15 360	18 365	12 246	13 519	11 042	179	1 003	-259	350	22	
Total, above	74 547	107 574	127 027	139 490	141 338	115 440	-2 087	-451	3 138	1 037	23	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1974.

<sup>a/</sup> Including gold, positions in International Monetary Fund, and foreign exchange.

<sup>b/</sup> Including Luxembourg holdings of SDR.

Table 35. Developed market economies: international reserves, by type, 1970-1974  
(Billions of dollars)

Type of reserve	Reserve, end of period					Change during quarters 1974			
	1970	1971	1972	1973	1974	First	Second	Third	Fourth
Gold . . . . .	33.8	35.5	35.2	39.2	39.7	-	-	-0.7	1.2
SDR . . . . .	2.6	5.4	7.8	8.7	8.7	-	-	-0.2	0.4
Reserve position in IMF . . . . .	6.7	5.9	5.9	6.1	7.8	-	0.4	0.7	0.5
Foreign exchange . . .	31.3	60.6	77.4	84.0	83.6	-2.0	-0.6	3.1	-0.8
Total, above . . . .	74.4	107.4	126.3	138.0	140.0	-2.0	-0.2	3.0	1.2
Foreign exchange:									
Australia . . . . .	1.1	2.7	5.4	4.9	3.6	-0.1	-0.2	-0.7	-0.1
Belgium . . . . .	0.8	0.7	1.1	2.0	2.2	-0.3	-0.1	0.5	0.1
Canada . . . . .	3.0	4.1	4.4	3.9	3.8	0.3	-	-0.4	-0.1
France . . . . .	1.3	3.6	5.1	3.7	3.8	-0.4	-	0.3	0.2
Germany, Federal Republic of . . . .	8.5	12.6	17.2	25.1	24.0	-0.3	1.0	-1.6	-0.2
Japan . . . . .	3.2	13.8	16.5	10.2	11.3	0.2	1.0	-0.3	0.3
Netherlands . . . .	0.8	0.4	1.4	3.3	3.5	-0.4	-0.5	1.0	-
Spain . . . . .	1.2	2.5	4.2	5.9	5.6	-0.3	-0.4	0.4	-
Sweden . . . . .	0.4	0.7	1.1	2.0	1.2	-0.2	-0.5	-0.1	0.1
Switzerland . . . .	2.4	3.8	4.3	4.6	5.4	-0.5	0.8	-0.1	0.6
Total, above . . . .	22.6	44.8	60.7	65.6	64.3	-2.1	1.2	-1.0	0.6
United Kingdom . . .	1.2	5.1	4.1	4.7	4.9	-	0.3	0.3	-0.3
United States of America . . . . .	0.6	0.3	0.2	-	-	-	0.1	0.2	-0.2
Other developed market economies . .	6.9	10.3	12.3	13.7	14.4	0.1	-2.2	3.6	-0.8

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1974.

Table 36. Changes in international reserves, 1970-1974  
(Billions of dollars)

Country or group	Total reserves at end of					Change in				
	1970	1971	1972	1973	1974 <u>a/</u>	1971	1972	1973	1974 <u>a/</u>	1971-1974 <u>a/</u> , <u>b/</u>
<u>Total developed market economies</u>	74.7	107.7	127.2	139.6	141.5	33.0	19.5	12.4	1.9	33.8
United States of America	14.5	13.2	13.2	14.4	16.1	-1.3	-	1.2	1.7	2.9
United Kingdom	2.8	6.6	5.7	6.5	6.9	3.8	-0.9	0.8	0.5	0.4
Remainder of Western Europe	44.2	61.3	74.0	90.5	91.0	17.0	12.7	16.5	0.5	29.7
Japan	4.8	15.4	18.4	12.3	13.5	10.5	3.0	-6.1	1.3	1.9
Other developed market economies	8.3	11.3	16.0	16.0	14.0	3.0	4.8	-	-2.1	2.7
<u>Total developing countries</u>	17.8	22.5	30.8	42.2	76.3	4.8	8.3	11.3	34.2	53.8
Petroleum-exporting countries <u>c/</u>	5.3	8.6	11.1	14.7	47.4	3.4	2.5	3.6	32.3	38.8
Other	12.5	13.9	19.7	27.5	28.9	1.4	5.7	7.7	2.0	15.0
Western hemisphere	5.4	6.1	9.7	14.2	17.7	0.7	3.6	4.5	3.5	11.6
Petroleum-exporting countries <u>d/</u>	1.2	1.7	1.9	2.7	7.3	0.5	0.2	0.8	4.6	5.6
Other	4.2	4.4	7.8	11.5	10.4	0.2	3.4	3.7	-1.1	6.0
Africa	4.4	5.7	6.1	7.0	14.2	1.3	0.4	0.9	7.2	8.5
Petroleum-exporting countries <u>e/</u>	2.2	3.6	3.8	3.9	11.0	1.4	0.2	0.1	7.1	7.4
Other	2.2	2.1	2.3	3.1	3.2	-0.1	0.2	0.8	0.1	1.1
West Asia	2.9	4.8	7.2	10.9	31.8	1.9	2.4	3.7	20.9	27.0
Petroleum-exporting countries <u>f/</u>	1.7	3.1	4.8	7.3	27.6	1.4	1.7	2.5	20.3	24.5
Other	1.2	1.7	2.4	3.6	4.2	0.5	0.7	1.2	0.6	2.5
South and East Asia	5.1	5.9	7.8	10.1	12.6	0.8	1.9	2.3	2.5	6.7
Petroleum-exporting countries <u>g/</u>	0.2	0.2	0.6	0.8	1.5	-	0.4	0.2	0.7	1.3
Other	4.9	5.7	7.2	9.3	11.1	0.8	1.5	2.1	1.8	5.4

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/ Preliminary.

b/ Change between end of 1970 and end of 1974

c/ African, South and East Asian, West Asian, western hemisphere petroleum-exporting countries and Indonesia.

d/ Ecuador, Trinidad and Tobago, and Venezuela.

e/ Algeria, Gabon, Libyan Arab Republic and Nigeria.

f/ Bahrain, Iran, Iraq, Kuwait, Oman and Saudi Arabia.

g/ Indonesia.

Table 37. Developing countries: changes in exports and imports, 1970-1974

Region <sup>a/</sup>	Value (billions of dollars)					Percentage change from preceding year				
	1970	1971	1972	1973	1974 <sup>b/</sup>	Average, <sup>b/</sup> 1971-1974 <sup>b/</sup>	1971	1972	1973	1974 <sup>b/</sup>
Developing countries										
Exports, f.o.b.	54.5	61.9	74.5	110.0	232.0	43.7	13.6	20.4	47.7	110.9
Imports, c.i.f.	56.8	64.4	71.6	97.9	160.6	29.5	13.4	11.2	36.2	64.0
Petroleum-exporting countries										
Exports, f.o.b.	18.4	24.2	29.4	44.6	138.0	65.5	31.5	21.5	51.7	209.4
Imports, c.i.f.	11.0	12.9	15.4	21.8	35.8	37.0	17.3	29.4	36.7	64.7
Other										
Exports, f.o.b.	36.1	37.7	45.1	65.4	94.0	27.0	4.4	19.6	45.0	43.8
Imports, c.i.f.	45.8	51.5	56.2	76.1	124.8	28.5	12.5	9.1	35.4	64.0
Western hemisphere										
Exports, f.o.b.	15.9	16.5	19.0	27.5	48.8	32.4	3.7	15.3	44.9	77.3
Imports, c.i.f.	17.6	19.8	22.1	28.7	51.2	30.6	12.8	11.3	30.1	78.3
Petroleum-exporting countries										
Exports, f.o.b.	3.3	3.8	4.0	6.0	15.9	47.8	15.4	5.4	47.9	165.1
Imports, c.i.f.	2.8	3.3	3.5	4.1	7.3	27.1	17.6	5.5	18.6	77.1
Other										
Exports, f.o.b.	12.6	12.7	15.0	21.5	32.9	27.2	0.6	18.3	44.0	52.9
Imports, c.i.f.	14.8	16.5	18.6	24.6	43.9	31.3	11.9	12.4	32.3	78.5
Africa										
Exports, f.o.b.	12.6	13.0	14.6	21.4	39.6	33.1	3.4	11.9	46.4	85.3
Imports, c.i.f.	11.1	12.9	13.8	17.8	29.0	27.2	16.1	7.2	28.9	63.1
Petroleum-exporting countries										
Exports, f.o.b.	4.7	5.5	5.9	9.5	22.1	47.1	16.9	7.2	60.4	132.5
Imports, c.i.f.	3.0	3.5	4.1	6.1	9.7	34.7	20.0	17.2	46.3	59.8
Other										
Exports, f.o.b.	7.9	7.5	8.7	11.9	17.5	22.0	-4.7	15.4	36.8	47.3
Imports, c.i.f.	8.1	9.4	9.7	11.7	19.3	24.1	14.7	3.5	21.4	64.9

Table 37 (continued)

Region <sup>a/</sup>	Value					Percentage change from preceding year				
	(billions of dollars)					Average, <sup>b/</sup> 1971-1974 <sup>b/</sup>	1971	1972	1973	1974 <sup>b/</sup>
	1970	1971	1972	1973	1974 <sup>b/</sup>					
West Asia										
Exports, f.o.b.	10.7	15.4	19.9	28.6	95.9	73.0	44.1	29.2	43.7	234.7
Imports, c.i.f.	7.8	9.0	10.6	15.6	25.6	34.6	15.4	18.1	47.1	63.7
Petroleum-exporting countries										
Exports, f.o.b.	9.1	13.5	17.5	25.5	91.6	78.1	48.4	29.6	45.8	259.0
Imports, c.i.f.	4.1	4.8	6.1	8.7	14.9	37.9	16.9	25.9	43.0	70.7
Other										
Exports, f.o.b.	1.6	1.9	2.4	3.1	4.3	28.1	19.6	26.3	29.3	37.7
Imports, c.i.f.	3.7	4.2	4.5	6.9	10.7	30.8	13.8	9.0	52.6	54.8
South and East Asia										
Exports, f.o.b.	15.3	16.9	21.0	32.4	47.7	32.9	10.6	24.0	54.4	47.2
Imports, c.i.f.	20.3	22.7	25.1	35.7	54.8	28.2	12.0	10.6	42.2	53.5
Petroleum-exporting countries										
Exports, f.o.b.	1.3	1.3	1.9	3.6	8.4	61.1	46.6	45.6	83.9	136.0
Imports, c.i.f.	1.1	1.2	1.7	2.9	3.9	37.9	15.3	33.2	71.4	37.3
Other										
Exports, f.o.b.	14.0	15.6	19.1	28.8	39.3	29.3	11.0	22.1	51.4	36.2
Imports, c.i.f.	19.2	21.5	23.4	32.8	50.9	27.6	11.8	9.2	40.2	55.0

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

a/ As defined in table 25.

b/ Preliminary.

Table 38. Developing countries: distribution of changes in foreign trade,<sup>a/</sup> 1974<sup>b/</sup>

Change in foreign trade from preceding year (percentage)	Number of countries		Countries and areas <sup>c/</sup> in which, in relation to the change in the preceding interval, the change between 1973 and 1974 represents								
			Continuation		Deceleration		Acceleration		Reversal		
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	
Decline	4	0									Sudan Bangladesh Mali Burundi
Increase of less than 20.0	11	4	United Republic of Tanzania El Salvador		Uganda Sierra Leone Honduras Somalia Pakistan Argentina Uruguay Hong Kong	Togo Peru Martinique	Martinique				Burma
Increase of 20.0-39.9	18	15	Malawi Israel Costa Rica Egypt	Barbados Mali Senegal Qatar	Ghana Ethiopia Kenya Brazil Paraguay Mexico Republic of Korea	Bangladesh Indonesia Ivory Coast Chile	Colombia India Haiti Sri Lanka Guatemala Madagascar Nicaragua	United Republic of Cameroon Ethiopia Uganda Malawi Jamaica			Zambia Burundi
Increase of 40.0 to 59.9	11	22			Ivory Coast United Republic of Cameroon Malaysia Papua New Guinea Philippines	Paraguay Israel United Arab Emirates	Panama Dominican Republic Burma Peru Barbados Thailand	Bahrain Argentina Venezuela Jordan Honduras Nigeria Papua New Guinea Kuwait Sudan Haiti El Salvador India Thailand Costa Rica Mexico Sierra Leone Guyana Dominican			Madagascar

Table 38 (continued)

Change in foreign trade from preceding year (percentage)	Countries and areas <sup>c/</sup> in which, in relation to the change in the preceding interval, the change between 1973 and 1974 represents									
	Number of countries		Continuation		Deceleration		Acceleration		Reversal	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Increase of 60.0 to 79.9	2	21	Libyan Arab Republic	Singapore	Republic of Korea	Jamaica	Guatemala Morocco Sri Lanka Algeria Bolivia Singapore Colombia United Republic of Tanzania Kenya Oman Panama Gabon Somalia Ecuador Pakistan Iran Iraq Nicaragua Uruguay			
Increase of 80.0-99.9	5	6				Chile Libyan Arab Republic Bolivia Morocco	Mauritius Ghana Saudi Arabia Malaysia Tunisia Philippines	Guyana		

Table 38 (continued)

Change in foreign trade from preceding year (percentage)	Countries and areas <sup>c/</sup> in which, in relation to the change in the preceding interval, the change between 1973 and 1974 represents									
	Number of countries		Continuation		Deceleration		Acceleration		Reversal	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Increase of 100.0 and over	23	6					Netherlands Antilles Syrian Arab Republic Ecuador Mauritius Tunisia Indonesia Gabon Jordan Venezuela Bahamas Togo Kuwait Algeria Nigeria Iraq Trinidad and Tobago Qatar Oman Iran Bahrain Saudi Arabia	Brazil Syrian Arab Republic Trinidad and Tobago Bahamas Netherlands Antilles Egypt	Senegal United Arab Emirates	
Total	74	74	6	5	21	11	40	54	7	4

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

a/ Exports are priced f.o.b. and imports, c.i.f.

b/ Preliminary.

c/ Countries and areas are listed in ascending order of the rate of increase between 1973 and 1974.

Table 39. Developing countries: balance of trade and changes in international liquidity, 1971-1974  
(millions of dollars)

Country group	Balance of trade <sup>a/</sup>				Net change in reserves <sup>b/</sup>				Net change in other balance-of-payments items			
	1971	1972	1973	1974 <sup>c/</sup>	1971	1972	1973	1974 <sup>c/</sup>	1971	1972	1973	1974 <sup>c/</sup>
Developing countries, total	-2 537	2 912	12 090	71 400	...	...	...	...	...	...	...	...
Countries reporting reserves	-316	4 923	13 621	72 611	4 846	8 251	11 328	34 222	5 162	3 328	-2 293	-38 389
Petroleum-exporting countries <sup>d/</sup>	11 355	14 127	22 716	100 229	3 415	2 550	3 603	32 389	-7 940	-11 577	-19 113	-67 840
Other	-11 671	-9 204	-9 095	-27 618	1 431	5 701	7 725	1 833	13 102	14 905	16 820	29 451
Other countries	-2 221	-2 011	-1 531	-1 209	...	...	...	...	...	...	...	...
Western hemisphere, total	-3 346	-3 061	-1 190	-2 398	...	...	...	...	...	...	...	...
Countries reporting reserves	-2 458	-2 025	-224	-1 372	776	3 520	4 503	3 545	3 234	5 545	4 727	4 917
Petroleum-exporting countries <sup>e/</sup>	532	559	1 850	8 542	483	288	786	4 218	-49	-271	-1 064	-4 324
Other <sup>f/</sup>	-2 990	-2 584	-2 074	-9 914	293	3 232	3 717	-673	3 283	5 816	5 791	9 241
Other	-888	-1 036	-966	-1 026	...	...	...	...	...	...	...	...
Africa, total	162	785	3 566	10 554	...	...	...	...	...	...	...	...
Countries reporting reserves	456	996	3 738	10 874	1 309	469	829	7 261	853	-527	-2 909	-3 613
Petroleum-exporting countries <sup>g/</sup>	1 997	1 787	3 452	12 446	1 451	199	59	7 072	-546	-1 588	-3 393	-5 374
Other <sup>h/</sup>	-1 541	-791	286	-1 572	-142	270	770	189	1 399	1 061	484	1 761
Other	-294	-211	-172	-320	...	...	...	...	...	...	...	...
West Asia, total	6 413	9 291	12 997	70 343	...	...	...	...	...	...	...	...
Countries reporting reserves	6 413	9 291	12 997	70 343	1 933	2 353	3 693	20 943	-4 480	-6 938	-9 304	-49 400
Petroleum-exporting countries <sup>i/</sup>	8 695	11 565	16 932	75 605	1 454	1 676	2 525	20 414	-7 241	-9 889	-14 407	-55 191
Other <sup>j/</sup>	-2 282	-2 274	-3 935	-5 262	479	677	1 168	529	2 761	2 951	5 103	5 791
South and East Asia, total	-5 766	-4 103	-3 283	-7 097	...	...	...	...	...	...	...	...
Countries reporting reserves	-4 727	-3 339	-2 890	-7 234	828	1 909	2 303	2 473	5 555	5 248	5 193	9 707
Indonesia	131	216	482	3 636	27	387	233	685	-104	171	-249	-2 951
Other <sup>k/</sup>	-4 858	-3 555	-3 372	-10 870	801	1 522	2 070	1 788	5 659	5 077	5 442	12 658
Other countries	-1 039	-764	-393	137	...	...	...	...	...	...	...	...

(Sources and foot-notes on following page)

(Sources and foot-notes to table 39)

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

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

b/ Gold, SDR, convertible foreign exchange and reserve positions in the International Monetary Fund.

c/ Preliminary.

d/ African, West Asian and western hemisphere petroleum-exporting countries and Indonesia.

e/ Ecuador, Trinidad and Tobago, Venezuela.

f/ Argentina, Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

g/ Algeria, Gabon, Libyan Arab Republic and Nigeria.

h/ Burundi, Central African Republic, Chad, Congo, Dahomey, Egypt, Ethiopia, Ghana, Ivory Coast, Kenya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Niger, Rwanda, Senegal, Sierra Leone, Sudan, Togo, Tunisia, Uganda, United Republic of Cameroon, United Republic of Tanzania, Upper Volta, Zaire, Zambia; and IMF special drawing rights and reserve positions only of all other IMF member countries in Africa.

i/ Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

j/ Israel, Jordan, Lebanon and Syrian Arab Republic.

k/ Afghanistan, Burma, India, Malaysia, Nepal, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Singapore, Sri Lanka, Thailand; and IMF special drawing rights and reserve positions only of Bangladesh, Fiji, Khmer Republic, Laos and Western Samoa.

Table 40. Selected developing countries: changes in international liquidity, 1970-1974

Group and country <sup>a/</sup>	International reserves, <sup>b/</sup> end of 1974 <sup>c/</sup>		International reserves, <sup>b/</sup> end of year, <sup>c/</sup> as percentage of imports <sup>d/</sup> in preceding year		
	Millions of dollars	As percentage of reserves at		1970	1974
		End of 1970	End of 1973		
Total of countries listed	74 246	459	185	43	98
Oil-exporting countries <sup>e/</sup>	47 374	935	323	58	202
Other	26 873	242	106	39	52
<u>Western hemisphere</u>					
Total	17 029	367	127	42	73
Oil-exporting countries <sup>f/</sup>	7 269	634	268	54	176
Other	9 759	280	91	40	51
Argentina	1 315	195	99	43	59
Bolivia	191	419	264	28	74
Brazil	5 252	443	82	52	75
Colombia	449	218	84	30	51
Costa Rica	38	234	90	7	8
Dominican Republic	91	283	103	13	19
Ecuador	350	421	145	34	66
El Salvador	94	149	151	30	25
Guatemala	202	258	95	31	47
Guyana	24	118	172	17	15
Haiti	20	450	116	11	27
Honduras	44	220	106	11	17
Jamaica	190	137	150	31	29
Mexico	1 395	188	103	36	34
Nicaragua	105	214	90	28	32
Panama	45	272	106	5	10
Paraguay	87	496	153	22	72
Trinidad and Tobago	390	908	830	9	50
Uruguay	217	123	94	89	76
Venezuela	6 529	640	270	56	232
<u>Asia</u>					
Total	42 873	584	218	39	115
Oil-exporting countries <sup>g/</sup>	28 898	1 647	359	41	296
Other	13 974	250	120	39	51

Table 40 (continued)

Group and country <sup>a/</sup>	International reserves, <sup>b/</sup> end of 1974 <sup>c/</sup>		International reserves, <sup>b/</sup> end of year, <sup>c/</sup> as percentage of imports <sup>d/</sup> in preceding year		
	Millions of dollars	As percentage of reserves at		1970	1974
		End of 1970	End of 1973		
<u>Asia (continued)</u>					
Afghanistan	67	143	110	43	50
Burma	191	203	190	57	180
Democratic Yemen	68	115	90	27	68
India	1 325	132	116	46	41
Indonesia	1 492	933	185	20	64
Iran	8 383	4 030	678	14	249
Iraq	3 273	708	211	105	364
Israel	1 202	268	66	34	28
Jordan	350	137	112	135	105
Kuwait	1 397	688	279	31	134
Lebanon	1 674	434	194	73	141
Malaysia	1 618	244	121	56	67
Nepal	127	134	105	128	141
Oman	225	174	194	478	118
Pakistan	460	242	96	18	47
Philippines	1 504	599	145	20	85
Republic of Korea	1 056	173	97	33	25
Republic of Viet-Nam	240	100	124	54	39
Saudi Arabia	14 285	2 158	369	90	717
Singapore	1 392	474	113	14	28
Sri Lanka	78	181	90	10	19
Syrian Arab Republic	835	1 518	174	15	140
Thailand	1 855	205	143	73	89
<u>Africa</u>					
Total	14 120	335	207	52	92
Oil-exporting countries <sup>h/</sup>	10 981	507	281	90	117
Other	3 139	154	108	36	52
Algeria	1 689	498	148	34	72
Burundi	15	94	67	71	47
Central African Republic	2	125	98	3	4
Chad	8	329	516	4	9
Congo	22	252	285	11	17
Dahomey	35	224	105	29	37
Egypt	342	205	88	26	38
Ethiopia	275	387	156	46	128
Gabon	47	330	99	19	30

Table 40 (continued)

Group and country <sup>a/</sup>	International reserves, <sup>b/</sup> end of 1974 <sup>c/</sup>		International reserves, <sup>b/</sup> end of year, <sup>c/</sup> as percentage of imports <sup>d/</sup> in preceding year		
	Millions of dollars	As percentage of reserves at		1970	1974
		End of 1970	End of 1973		
<u>Africa (continued)</u>					
Ghana	94	262	50	17	21
Ivory Coast	66	55	74	31	9
Liban Arab Republic	3 616	227	170	235	210
Madagascar	49	133	73	20	24
Malawi	82	279	122	35	57
Mali	6	678	145	3	7
Meritania	101	3 377	241	23	94
Muritius	131	284	196	68	77
Moccco	417	298	156	25	38
Nyer	46	243	90	39	66
Nyeria	5 629	2 513	951	32	300
Randa	13	170	86	33	43
Segal	6	29	53	11	2
Serra Leone	55	139	105	31	35
Swalia	42	201	121	40	38
Sudan	124	573	203	9	29
Togo	54	154	144	61	54
Tunisia	418	697	136	23	69
United Republic of Cameroon	98	121	191	39	29
United Republic of Tanzania	50	77	35	27	10
Upper Volta	84	230	133	72	96
Zaire	140	75	60	44	23
Zambia	172	34	89	93	20

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 national sources.

<sup>a/</sup> The list represents all the countries for which relevant data are available.

<sup>b/</sup> Gold, convertible foreign exchange, SDR and reserve position in the International Monetary Fund.

<sup>c/</sup> 1974 data, end of: March for Guyana; June for Singapore; August for Central African Republic, Chad, Congo, Democratic Yemen, Mali and United Republic of Cameroon; September for Panama; November for Nepal.

(Foot-notes continued on following page)

(Foot-notes to table 40 (continued))

d/ Valued c.i.f.

e/ Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Oman, Saudi Arabia, Trinidad and Tobago and Venezuela.

f/ Ecuador, Trinidad and Tobago and Venezuela.

g/ Indonesia, Iran, Iraq, Kuwait, Oman and Saudi Arabia.

h/ Algeria, Gabon, Libyan Arab Republic and Nigeria.

Table 41. Developed market economies: provision of official development assistance, 1970-1974

Item	1970	1971	1972	1973	1974 <sup>a/</sup>
Amount (billions of dollars)					
In current prices . . . . .	6.7	7.6	8.4	9.2	11
In 1970 prices . . . . .	6.7	7.1	7.2	6.2	6
Proportion of gross national product (percentage) . . . . .	0.33	0.34	0.33	0.29	0.32

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information from the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

<sup>a/</sup> Provisional and partly estimated.

Table 42. Centrally planned economies of Eastern Europe and USSR: growth of foreign trade value, by country group, 1966-1975<sup>a/</sup>  
(Percentage)

Country and partner group	Average annual rate				Change from preceding year											
	1966-1970, actual		1971-1975, planned		1971, actual		1972, actual		1973, actual		1974, Planned		1974, Actual		1975, planned	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
<u>Bulgaria</u>																
Total	11.2	8.4	10.5 <sup>b/</sup>	9.8	8.9	15.8	11.1	11.8	12.7	13.8	...	...	23.6		...	...
Centrally planned economies	12.0	10.5	10.5 <sup>c/</sup> , <sup>d/</sup>		9.3	18.0	12.4	15.9	12.0	11.4	17.0 <sup>e/</sup>		11.7 <sup>f/</sup>	17.7 <sup>f/</sup>	11.0	
Developed market economies	6.6	-0.4*	8.2		5.2	3.3	7.6	0.8	12.0	20.3	...	...	}		...	...
Developing economies	15.3	17.9	11.2		12.8	28.8	5.8	-3.3	20.8	27.8	...	...	35.7 <sup>f/</sup>	64.7 <sup>f/</sup>	{ ... }	
<u>Czechoslovakia</u>																
Total	6.9	6.8	6.3-6.7		10.2	8.5	8.3	7.1	8.4	15.8	3.9 <sup>g/</sup>	14.6 <sup>g/</sup>	16.7	22.8	9.0 <sup>g/</sup>	6.0 <sup>g/</sup>
Centrally planned economies	5.9	6.3	7.4-7.8 <sup>d/</sup>		10.0	8.8	12.0	9.7	6.1	11.6	5.7 <sup>e/</sup>	13.5 <sup>e/</sup>	9.3	15.1	4.0	2.8
Developed market economies	11.5	10.6	}		8.0	10.9	3.5	0.8	19.8	24.7	}		31.0	36.6	}	
Developing economies	3.9	0.7*	4.3 <sup>c/</sup>		( 17.5	-2.7	-4.0	8.0	-3.0	22.7	24.1 <sup>h/</sup>	37.0 <sup>h/</sup>	( 32.4	36.8	18.2 <sup>h/</sup>	11.7 <sup>h/</sup>
<u>German Democratic Republic</u>																
Total	8.6	10.5	...	...	10.8	2.3	12.2	9.7	9.4	19.6	10.0		16.3	22.8	9.1	
Centrally planned economies	8.3	10.5	10-11		11.5	1.0	14.9	6.1	6.0	16.5	...	...	7.8	12.6	...	...
Developed market economies	9.7	11.0	...	...	9.7	6.6	9.4	23.2	18.1	24.6	...	...	38.6	29.5	...	...
Developing economies	7.3	8.5	...	...	7.0	-3.1	-10.6	-22.4	13.5	30.8	...	...	27.1	135.5	...	...
<u>Hungary</u>																
Total	8.9	9.4	7.0-8.5		7.9	19.3	21.2	-2.9	18.1	9.4	8 <sup>g/</sup>	17 <sup>g/</sup>	11.6	36.8	6.7	
Centrally planned economies	8.0	9.2	10.9 <sup>e/</sup>		12.7	20.7	22.3	-3.1	15.7	4.9	6-7 <sup>e/</sup>	20 <sup>e/</sup>	8.6	22.3	...	...
Developed market economies	12.3	10.8	}		-0.6	23.2	21.8	-2.5	26.1	16.5	}		11.6	59.1	}	
Developing economies	5.0	5.4*	1.6 <sup>c/</sup>		( 0.0	-5.2	6.8	-1.6	8.6	21.4	10-17 <sup>h/</sup>	10-17 <sup>h/</sup>	( 50.6	61.2	...	...
<u>Poland</u>																
Total	10.3	8.9	9.2	9.8	9.2	11.9	17.1	21.4	17.8	33.1	18.9	22.0	29.5	33.2	18.4	10.6
Centrally planned economies	11.4	10.2	8.8 <sup>e/</sup>	7.6 <sup>c/</sup>	7.3	8.9	18.2	10.2	12.7	12.5	...	...	18.1	13.9	...	...
Developed market economies	8.5	8.6	}		15.5	20.1	18.7	49.0	30.3	69.7	...	...	39.2	51.8	...	...
Developing economies	8.3	0.3*	10.0	13.9	( -0.5	7.8	-0.3	6.0	2.2	10.1	...	...	91.2	58.6	...	...

Table 42 (continued)

Country and partner group	Average annual rate				Change from preceding year										
	1966-1970, actual		1971-1975, planned		1971, actual		1972, actual		1973, actual		1974		1975, planned		
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Planned	Actual	Exports	Imports	
<u>Romania</u>															
<u>Total</u>	10.8	12.5	10-11		13.5	7.3	14.0	14.7	29.2	20.4	39.6	33.0	38.3	21.8	
Centrally planned economies	7.2	9.0	...	...	9.9	5.8	13.5	10.3	20.2	9.0	17.0 <sup>e/</sup>	27.7 <sup>e/</sup>	...	...	
Developed market economies	15.8	16.2	...	...	21.6	8.8	12.8	18.0	33.5	26.8	76.3 <sup>h/</sup>	50.8 <sup>h/</sup>	{ ...	{ ...	
Developing economies	19.4	14.7	...	...	4.8	8.8	22.2	26.6	62.6	58.1					{ ...
<u>USSR</u>															
<u>Total</u>	9.5	8.3	5.9-6.2		7.9	6.4	2.5	18.4	24.1	16.8	10.0	31.2	21.3	13.0	
Centrally planned economies	8.5	7.1	8.5 <sup>d/</sup>		8.3	10.3	2.3	17.7	9.6	5.3	...	...	22.0	12.0	
Developed market economies	10.0	11.4	2.0-2.6 <sup>c/</sup>	{	13.5	3.2	-2.0	30.5	50.1	32.0	...	...	68.0	33.0	
Developing economies	11.8	7.7			0.5	-3.2	8.0	-0.7	37.8	39.8	...	...	16.0	38.0	

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistics, plans and plan fulfilment reports.

\* See foot-note a/

a/ Trade partner grouping, unless otherwise specified, follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)). Average annual rates for 1966-1970 were obtained as semilogarithmic regression trends. Cases of poor fit ( $R^2 \leq 0.5$ ) are indicated by asterisks. 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, 11.2 per cent higher in 1973 and 1.6 per cent lower in 1974 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/ Mid-point of planned growth range, 9.9-11.2 per cent per annum.

c/ Implicit planned growth rates estimated from the residuals in the value projections (i.e., total trade projected at the planned rate less components projected at planned rates).

d/ CMEA countries only.

e/ Including Yugoslavia and Cuba.

f/ Growth rate January-September 1974.

g/ Growth rate of total trade estimated as weighted average of components.

h/ "Capitalist economies", i.e. economic classes I and II of the classification system referred to in foot-note d/ but excluding Yugoslavia and Cuba.

## Chapter III

### INTERNAL BALANCE

The imbalances that had characterized most economies in 1973 were not only more acute in 1974 but in many cases were complicated by other forms of disequilibrium. The most pervasive of these was the rapid rise in prices that had been induced initially by the upsurge in demand relative to production capacity and commodity supply and that was later accentuated by poor harvests, inventory accumulation and a price-wage spiral reflecting attempts on the part of business to protect and increase profit margins in the face of rising material and wage costs and attempts on the part of labour to maintain and increase real wages in the face of rising costs of living. The resultant price inflation was transmitted through trade to virtually all countries including even some of the centrally planned economies of Eastern Europe where price and budgetary adjustments were called for to accommodate the changes within the framework of planned price relationships. As 1974 advanced demand abated, resulting in idle capacity and attempts to run down inventories; by the end of the year many of the developed market economies were facing unacceptably high and rising rates of unemployment. Prices were still rising rapidly, however, as the price-wage spiral continued in the face of declining demand so that the choice of corrective policies posed problems of unprecedented difficulty.

#### Developed market economies

In 1974 as in 1973 the developed market economies continued to be disturbed by severe and accelerating price inflation (see table 43). For most countries internal equilibrium was further disturbed in the course of 1974 by rising levels of unemployment (see tables 44 and 45). To an increasing extent as the year advanced, the major developed market economies displayed the characteristics of both inflation and recession. Thus, one exceptional feature of the economic cycle which began with the sharp upswing in activity in the major developed market economies in 1971 and passed into deceleration in the second half of 1973 and into economic slow-down during 1974 was that both upward and downward phases were accompanied by extraordinarily high price increases. In this respect the downturn differed from the conventional cyclical economic pattern in which output, employment and prices rise and fall roughly in line, allowing for some time lags. Consequently, a major challenge to policy makers in 1974 was to find the means to combat domestic inflation without adding to the number of unemployed, or, conversely, to reduce unemployment rates without fueling inflation. The choice and timing of the monetary and fiscal policies adopted by individual Governments reflect circumstances specific to each country as well as different views as to priorities and means.

The accelerated rates of price inflation which affected the developed market economies in 1973 and 1974 stemmed from several factors: (a) food: increased demand for protein-rich foods as a result of rising income levels in recent years, shortfalls in the output of some staple crops in 1972 and the consequent drawing down of food stocks all contributed to advancing food prices in 1973 and 1974;

(b) raw materials: the sharp upswing in industrial activity in 1972 and 1973 in the major industrial countries had resulted in shortages in the supplies of some raw materials and steep advances in their prices which intensified as business accumulated inventories either as a hedge against inflation or for speculative purposes. The price increases continued into 1974, although in the course of the year the prices of some industrial inputs, notably fibres, rubber and non-ferrous metals, declined, in reflection of the slow-down in industrial activity;

(c) petroleum: the quadrupling of the price of crude petroleum during the 12 months ending in January 1974 was reflected in 1974 in higher prices for transport and electricity, petroleum products and manufactured goods generally; (d) currency movements: under a régime of floating rates, depreciation of the external value of currencies of countries experiencing large external deficits raised the cost of imports in these countries and induced many companies to fix the prices of their export goods in terms of foreign currencies rather than in terms of the depreciating currencies of the home country; (e) labour costs: despite employment lay-offs, wage rates in industry rose rapidly in 1974 (see table 46) as workers sought to offset increases in the cost of living and raise real wages through the spreading use of cost-of-living escalation clauses and through collective bargaining. At the same time, with decelerating or declining economic activity, gains in productivity were small or non-existent, and increased labour costs were passed on in higher product prices.

In the developed market economies as a group, the rise in consumer prices accelerated from around 5 per cent in 1971 and 1972 to almost 8 per cent in 1973 and to an unprecedented 13 per cent in 1974 (see table 43). In nearly all countries the rise during 1974 was greater than the average increase from 1973 to 1974. Very few countries - Austria, the Federal Republic of Germany, Malta and Switzerland - experienced a price rise of less than 10 per cent in the course of 1974 and even some of the major countries saw their prices rise about twice as fast: United Kingdom, 18 per cent; Italy, 25 per cent; and Japan, 26 per cent.

In 1973, in an effort to curb price rises, most of the major developed market economies had adopted restrictive monetary policies or deflationary fiscal policies, or both. For the most part, however, rates of inflation continued with little abatement throughout 1974. It was not until the final months of the year or early 1975 that the pace of price increase began to slacken, and then in only a few countries. As the economic slow-down took hold and spread in the course of 1974, however, rates of unemployment rose, causing a number of Governments to shift the orientation of economic policy from an anti-inflationary direction to an anti-recessionary one.

Averaged over the year, unemployment rates were not generally out of line with those recorded earlier in the decade; Belgium, Denmark, the Federal Republic of Germany and the Netherlands were among the few countries in which 1974 rates were sharply higher. In the course of the year, however, there was a rapid and widespread increase in the number of unemployed; only Austria, Finland, Norway and Sweden registered a reduction while in a number of countries - including France, the Federal Republic of Germany, Japan and the United States of America - the numbers were over 50 per cent higher at the end of 1974 than at the beginning.

The inflationary trend that affected the United States was the longest and most severe since the period immediately following the Second World War. The consumer price index rose by 11.0 per cent between 1973 and 1974 and the

wholesale price index by 18.8 per cent. Whereas farm products had paced the inflation in 1973, it was industrial materials that did so in 1974. An extraordinary price increase of nearly 26 per cent was registered by industrial commodities during the 12 months ending December 1974, about three fourths of which was accounted for by fuels and power, metals and metal products, chemicals, and machinery and equipment. The rise in prices reflected in part the ending of price controls and the efforts of the business community to restore or increase profit margins that had been eroded by earlier increases in the cost of industrial materials and other inputs. As the level of economic activity fell and the impact of post-controls adjustments tapered off, the rate of price increase for industrial commodities slowed down: by the final quarter of 1974 it had declined to an annual rate of just over 3 per cent and by March and April 1975 - a period coinciding with the deepening recession in demand, production and employment - the increases had all but ceased. Despite the slackening of inflation in the immediately preceding months, the wholesale price index in April 1975 was about 13 per cent above the level of a year earlier.

Though the real gross national product declined in each successive quarter of 1974, employment levels held up during the first three quarters of the year, possibly reflecting business belief that the fall in demand was only temporary. In the last two months of 1974, however, continued sharp reductions in final demand impelled many business concerns to cut costs. As a result, the number of civilian employees fell by 1.1 million, the largest two-month decline in the post-war period. The seasonally adjusted rate of unemployment - which averaged less than 5.2 per cent in the first quarter of the year - rose to 7.2 per cent in December 1974 and to 8.9 per cent by April 1975.

Between 1973 and 1974 average hourly earnings in manufacturing advanced by 8.3 per cent, as compared with the 11.0 per cent rise in consumer prices (see tables 43 and 46) so that real wages fell by 2.7 per cent as compared with an increase in average output per man-hour of 0.8 per cent. In each of the three preceding years the gain in hourly earnings in manufacturing had exceeded the rise in consumer prices by an average of 2.0 per cent; this compared with an average increase of 5.9 per cent in average output per man-hour in manufacturing over the same period. <sup>1/</sup>

The economic policies of the United States in 1974 were directed against inflation rather than against recession. Reflecting a tight monetary policy, prime rates on bank loans approached 10 per cent in the first quarter of the year, advanced to slightly above 12 per cent by the third quarter, and eased to around 10 per cent by the close of the year. Federal government revenues grew by about

<sup>1/</sup> United States of America: output per man-hour, by sector  
(Percentage change from preceding year)

<u>Year</u>	<u>Total private sector</u>	<u>Private non-farm sector</u>	<u>Manufacturing</u>
1971	3.8	3.7	6.7
1972	3.6	3.7	5.6
1973	2.6	2.2	5.5
1974	-2.7	-2.7	0.8

\$33 billion in 1974 - even more than the record rise of \$31 billion in 1973. Despite the rise in costs, curbs on federal expenditure kept the federal government deficit - measured on the national income and products account (NIA) basis - to less than \$8 billion in 1974 as compared with deficits of almost \$6 billion in 1973 and over \$17 billion in 1972. During the first three quarters of 1974 the deficit was in the range of \$2 billion to \$3 billion, but in the fourth quarter, as the recession deepened, it increased to over \$20 billion. With rates of inflation beginning to abate and rates of unemployment rising, the Administration took a more stimulative position in both fiscal and monetary policy. In March 1975 Congress passed a bill providing for rebates on 1974 federal income taxes amounting to \$8 billion, payments to begin in May 1975, as well as reductions and credits on 1975 and 1976 federal taxes involving a further cut of almost \$15 billion in tax liability. In May 1975 Congress approved a budget deficit of \$69 billion for fiscal year 1975/76 while the Federal Reserve Board announced a target growth in the money supply (currency and checking account deposits) of 5 to 7.5 per cent during the year beginning March 1975, compared with an actual growth of 4 per cent in the 12 months ending April 1975.

The fiscal stance of state and local governments tended to be somewhat less contractionary in 1974 than in the previous year: their combined surplus was reduced by about \$7 billion to \$2 billion. However, in the final months of fiscal year 1974/75 deficit financing became common, especially in industrial areas, despite cuts in expenditures involving reductions in the numbers of local administration employees.

Canadian monetary and fiscal policies in 1974 suggest that inflation was of prime concern until about the fourth quarter of the year when they became more stimulative. Between 1973 and 1974 the consumer price index rose by just under 11 per cent and hourly earnings of workers in manufacturing by just over 12 per cent. Thus, as in immediately preceding years, the real income of workers continued to rise. At 5.4 per cent, the average rate of unemployment in 1974 was fractionally lower than in 1973.

Two federal budgets were prepared and presented in Canada in 1974. The May budget - the rejection of which by Parliament brought about a general election - had its statistical basis in two quarters of strong growth and an economy evidencing supply constraints. The budget presented in November had nearly two quarters of domestic stagnation and inflation as its basis as well as a world economy experiencing an economic slow-down. Thus the November budget, while cautious, was distinctly more stimulative than the May budget: it placed a higher priority on sustaining growth and employment than on halting inflation.

The EEC countries, highly dependent on imports of petroleum and other raw materials, were affected more than North America by the steep increases that occurred in the prices of these commodities in 1973 and 1974. <sup>2/</sup> Rising world food prices also accentuated domestic inflation, although the Community's common agricultural policy afforded some protection to member countries when, in contrast to earlier relationships, world prices of wheat and sugar rose above EEC threshold prices. The impact of external price increases was greatest in France, Italy

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<sup>2/</sup> In the United Kingdom, for example, the cost of basic materials and fuel used by manufacturing industry rose by 51 per cent between June 1973 and June 1974.

and the United Kingdom, whose exchange rates depreciated under the influence of large trade deficits. By the same token, the further appreciation of the deutsche mark tended to moderate the effect of the rise in world prices on the Federal Republic of Germany.

As 1974 advanced, however, the prices of fuels stabilized and the prices of many raw materials began to decline and the main stimulus to inflation came from wage and profit margin pressures as labour sought to protect real earnings against actual or expected price increases or to compensate for differentials that had opened up during earlier periods of wage control, and business sought to protect its profit margins against actual or expected wage increases.

Except in the Federal Republic of Germany, rates of inflation were running considerably higher in the 12 months ending March 1975 than in the 12 months ending December 1974. <sup>3/</sup> Thus, despite restrictive monetary policies and anti-inflationary fiscal measures the EEC countries were not generally successful in combating inflation in 1974. In part, this situation reflects the extent to which the price stimuli came from abroad, but, in large part, it reflects the inhibiting effect of the actual or feared rise in unemployment which tended to rule out stronger disinflationary policies. In this there was a common concern, since - with about 50 per cent of EEC external trade being among member countries - the damping down of demand by one member is felt very quickly in the exports markets of the others.

In the Federal Republic of Germany money rates had started to rise as early as 1972 while in other Community members tight monetary policies had been pursued since mid-1973 when supply constraints emerged in the form of shortages of some types of raw material and skilled labour. The high cost of money did not succeed in damping down inflation but it did have a negative impact on some types of economic activity, particularly residential construction and hence on allied industries such as building materials and durable household goods. Fear that anti-inflationary measures might have a stronger effect on employment than on prices also tempered fiscal policy, though in some countries the need to restrain demand stemmed more urgently from external payments considerations.

In the United Kingdom, one of the countries most affected by inflation, following the rapid increase in the supply of money from mid-1971 to mid-1973 and the sharp rises in the prices of imported food, petroleum and other raw materials, the budget of March 1974 aimed at "broad neutrality" with only a "mildly restraining effect". In July 1974, with unemployment rates beginning to edge up and many wage rates now linked to the cost-of-living index, the value-added tax was reduced from 10 per cent to 8 per cent and a number of other mildly reflationary measures were adopted. A supplementary budget in November was rather more expansionary: while providing for a threefold increase in the value-added tax on petrol, it included tax relief to industry as well as increases in pension and family allowances. In contrast to these 1974 budgets which sought to maintain employment, the budget presented in April 1975 was designed to strengthen the

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<sup>3/</sup> The percentage increases in consumer prices for the year ending March 1975 were (in descending order): United Kingdom, 21.2; Italy, 20.3; Belgium, 14.3; Denmark and France, 13.5; Luxembourg, 10.5; Netherlands, 9.9; Federal Republic of Germany, 5.9. (In Ireland the rate for the year ending February 1975 was almost 24 per cent.)

industrial base of the economy, releasing resources for exports and improving the balance of payments. <sup>4/</sup> Despite the higher levels of unemployment, it resisted stimulation of domestic demand though recognizing that, if economically stronger countries failed to take the reflationary measures necessary to lead world economic recovery, the implications for the United Kingdom would have to be reconsidered.

In the Federal Republic of Germany several factors contributed to keeping the inflation rate - 7 per cent in 1974 - lower than in any other developed market economy. A large current account surplus strengthened the deutsche mark in 1973 and 1974: measured against the currencies of its major trading partners, it rose by 9 per cent in 1973 and by 6 per cent in 1974. This appreciation provided some protection against mounting import prices. At the same time, domestic demand had been checked by restrictive monetary policies and anti-inflationary fiscal measures adopted in 1973. In the course of 1974, however, as rates of unemployment moved up as a result of lower activity in construction and in the automobile, textile and other consumer goods industries, some relaxation was effected in both monetary and fiscal policies.

Monetary restrictions had included increases in discount rates, controls on the raising of credit abroad by nationals and on investment by foreigners in the Federal Republic of Germany, and the introduction of the Bardepot - an interest-free cash deposit which companies had to place with the Bundesbank against their borrowing abroad. In January 1974, sweeping relaxations were introduced in exchange controls and the Bardepot percentage was reduced from 50 to 20 per cent. In the third quarter of the year, when the inflow of funds, speculating on revaluation of the deutsche mark, had ceased, the Bardepot was eliminated completely. The discount rate was reduced in October, again in December 1974 and twice again in the following quarter. Fiscal policies also became less restraining and were directed towards stemming rising unemployment rates: an investment tax of 11 per cent which had been introduced in May 1973 was abolished in December of that year; tax benefits were introduced for the construction of owner-occupied houses and flats; the building industry was the main beneficiary of a special infrastructural programme. Despite the relaxations unemployment continued to rise: it stood at 5.1 per cent in January 1975 compared with 2.8 per cent a year before. At that stage, a programme of tax reform came into operation, providing significant tax reductions for low- and medium-income groups.

In Italy, as a result of a surge in domestic spending and an investment boom in 1973 and the early months of 1974, import requirements rose substantially and the trade balance moved into deficit. As indicated in the preceding chapter, the increases in petroleum prices between October 1974 and January 1975 accentuated the disequilibrium. With a view to containing the rapidly growing trade deficit and checking the depreciation of the lira, the Italian Government introduced a number of measures in May 1974 including an import deposit scheme, a credit squeeze and higher taxes. The impact of these measures fell chiefly on small and medium-sized businesses and as a result employment and the plans for industrialization of southern Italy were adversely affected. Both consumption and investment fell in the second half of 1974. By March 1975 the annual rate of inflation was 4 per cent less than the rate recorded in the final quarter of 1974. As a result of a strong export performance, the curb on imports and an inflow of long-term capital

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<sup>4/</sup> The trade deficit in 1974, as mentioned in chapter II, amounted to about \$15.5 billion and the deficit on current account amounted to over \$9 billion, equivalent to about 5.5 per cent of gross domestic product at factor cost.

there was also an improvement in the external balance. In April 1975 the import curbs were abolished and credit restrictions eased.

In France, monetary and fiscal policies were also anti-inflationary in 1974. The discount rate was raised from 11 to 13 per cent in the first quarter and stayed at that level for the remainder of the year. Throughout the year, government policy was delicately balanced between reducing prices and raising at least the lowest incomes, through higher minimum wages and welfare payments, for example. The pace of economic activity declined first in construction, the automobile industry and the public works sector, and later in the year in consumer industries. By December the number of unemployed was 57 per cent higher than a year earlier. In the early months of 1975 some cautious reflationary measures were adopted: the discount rate was reduced by 1 per cent in January 1975 and again in February and there was some relaxation of credit restrictions; some types of social benefits were increased, including the provision of relief for pensioners and the lower-paid and of more generous compensation to those affected by short-time employment. Stimulus was applied to the construction sector by advancing to the first six months of the year two thirds of central government expenditures earmarked for housing and public works in 1975.

For the countries of southern Europe the worsening of the employment situation in EEC countries and the world-wide economic slow-down meant a reduction in foreign exchange earnings from tourism, shipping and migrant workers' remittances. Many migrant workers were affected by the sharp decline in activity in construction and in the automobile and textile industries in north-western Europe. Of an estimated 1 million emigrant workers from Yugoslavia, about 100,000 are reported to have returned home during the first 10 months of 1974. Turkish emigrant workers, also numbering 1 million, were similarly affected and added to the already high unemployment rate in that country. In Greece, too, there was a reversal in the net migratory flow in the first half of 1974, and this also contributed to the worsening unemployment situation: during the first seven months of the year, recorded unemployment rose by an eighth and there was a concomitant decline in the flow of remittances. Similarly, migrant remittances to Spain are estimated to have declined by about 14 per cent in the first 10 months of the year as compared with the same period of 1973. The employment situation in Portugal deteriorated largely as a result of domestic political upheaval and reduced foreign investment, but the return of emigrant workers from Europe and soldiers from Angola and Mozambique also swelled the numbers of unemployed.

As a result of sharply increased air fares and the slow-down in economic activity, tourism tended to fall off generally in 1974. <sup>5/</sup> Shrinking demand and higher costs caused the failure of several firms heavily engaged in the holiday traffic from northern to southern Europe. The armed conflict in Cyprus discouraged visitors not only to that country but also to Greece and Turkey. In Portugal, tourists were discouraged not only by the political upheaval but also by an outbreak of cholera. After many years of rapid increase 1974 brought a reduction in the number of visitors to most of southern Europe: in the first nine months the declines were 1 per cent in Portugal, 9 per cent in Spain, 13 per cent in Greece and 32 per cent in Yugoslavia.

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<sup>5/</sup> In the first seven months of 1974 the number of passengers crossing the North Atlantic by airlines members of the International Air Transport Association fell by 10 per cent as compared with the same period of the previous year.

Japan entered 1974 with a highly inflationary economy and a balance of payments that had swung into deficit. Given the country's great dependence on imported energy, the large increase in petroleum prices had a powerful adverse effect on both internal and external balance. Between the last quarter of 1973 and the first quarter of 1974 consumer prices rose by almost 10 per cent and wholesale prices by almost 15 per cent.

In an effort to combat these rapidly rising prices Japan maintained stringent control on domestic demand throughout 1974. The measures adopted included a continuation of credit restrictions and the imposition of price controls, including a campaign against "unreasonable" price increases. Early in the year the Government announced a sharp cut-back from the original estimates of budgetary expenditures for the fiscal year 1974/1975. In real terms, this implied no expansion in the overall loan and investment programme and a significant reduction in the volume of public works.

As the year advanced, the stabilization of petroleum prices, the decline in the prices of some imported primary commodities and the damping down of domestic demand combined to restrain the advance in prices. Nevertheless, the increase in consumer prices between 1973 and 1974 averaged almost 25 per cent, the highest rate among the major developed market economies.

The worsening of the employment situation was greater than implied by the increase in the annual average rate from 1.3 per cent in 1973 to 1.4 per cent in 1974. The amount of overtime worked was about one fourth less than in 1973 and the job offer/seeker ratio fell sharply in the second half of the year (from 1.11 per cent in August to 0.87 per cent in November). In December 1974 the rate of unemployment stood at 1.6 per cent compared with 1.0 per cent a year earlier.

Despite the urging of the business and financial sectors, official policies reflected concern that even cautious and gradual relaxation of the curbs on domestic demand would aggravate inflationary pressures. Nevertheless, in the last quarter of 1974, the central bank began to display a more flexible attitude to the lending activities of commercial banks and other financial institutions, and some of the sectors most affected by recession, such as copper smelting and aluminium refining, were granted relief from the most stringent credit restrictions.

Although in April 1975 the discount rate was lowered by 0.5 per cent from the 9.0 per cent which had been in force since December 1973, other credit restrictions were retained and, on the whole, policies continued to be directed towards management of domestic demand with a view to controlling inflation. This was one of the factors behind the relative moderation in wage increases agreed to at the spring negotiations: compared with the average increase of 29 per cent won in 1974, wages in the public sector as a whole are to rise by not much more than 14 per cent in 1975. In the private sector settlements averaged between 12.5 per cent and 13.5 per cent, even less than the 15 per cent ceiling advocated by the Government and employers' organizations.

As in the case of many other developed market economies, Australia and New Zealand experienced rising rates of inflation in 1974, primarily as a result of the higher costs of imported fuels and manufactures combined with internal wage-price pressures. And here, too, the consequences of the imbalance and of the efforts to deal with it began to show in under-utilization of capacity: in the course of

the year the unemployment rate rose from about 1.8 per cent to 3.3 per cent in Australia and from 0.8 per cent to 3.1 per cent in New Zealand. The domestic slow-down was exacerbated by weakness in the demand for some of the major exports - particularly wool and meat - and both countries, having revalued their currencies upwards in 1972 and 1973, found it expedient to devalue in the third quarter of 1974.

In order to moderate the potentially inflationary effects of this devaluation New Zealand instituted a system of price and income controls, while at the same time supplementing its benefit to the rural sector by a system of subsidies designed to halt the laying off of farm labour. Concern over rising unemployment led to a reflationary 1975/1976 budget in both countries. In addition to increasing federal expenditure, the Australian budget was designed to bring about a redistribution of income in favour of the lower-income groups most severely affected by the inflation. At the same time, a "social compact" was entered into with organized labour in an effort to contain the component of wage claims attributable to the anticipation of inflation.

### Developing countries

The efforts of the developing countries to raise the standard of living and increase productive capacity are often threatened by the inflationary potential resulting from the imbalance between limited resources and large needs. This inflationary tendency is moderated when more goods become available from either domestic or foreign sources and is, in turn, aggravated if the flow of goods slows down. In the period under review the forces influencing the internal balance were unusually powerful.

World food supplies had not fully recovered from the crop failures of 1972 and in many developing countries they remained very tight. The commodity boom and price increases greatly expanded the moneys flowing into most developing countries - particularly to exporters, to trading and financing establishments and to Governments. At the same time, these higher prices had found their way into manufactured products, already rising in cost as a result of the inflation that was raging in most of the industrial countries in 1973 and 1974.

The prices of the commodities the developing countries purchased on the international market rose sharply between 1973 and 1974. The unit value of manufactured imports rose by 19 per cent in dollar terms. The price index of cereals on the international market was 37 per cent higher in 1974 than in 1973. The greatly increased price of petroleum exerted a particularly strong disequilibrating effect on the importing countries, partly by increasing the price of transport, power and petroleum-based consumer goods and partly through the secondary effect on the cost of food production of higher prices or curtailed supply of fertilizer and other inputs.

With the unit value of imports sharply higher and rising rapidly and about two fifths of the developing countries experiencing a decline in per capita food production, it was more difficult than ever to maintain domestic price stability in 1974. Even more than in the developed market economies, the rise in food prices that started in 1972 continued to exert strong upward pressure on consumer prices in most developing countries. In 1974 there were five developing

countries in which food prices rose faster than other retail prices for every two in which food prices lagged. Among the worst hit were some of the food-deficit countries, most notably Bangladesh, Egypt, India, Israel and the Republic of Korea.

Where agricultural production registered a satisfactory increase the balance between supply and demand improved. Thus, better food supplies in 1974 helped to stem the rate of price increase in a number of countries in the western hemisphere (Argentina, Uruguay and Venezuela), Africa (Morocco, the Niger, Southern Rhodesia and the Upper Volta), West Asia (Iran, Jordan, the Syrian Arab Republic) and South and East Asia (Malaysia and Sri Lanka).

For most of the developing countries, the upsurge in price levels between 1973 and 1974 followed a similar - though much less vigorous - acceleration between 1972 and 1973. Double-digit increases in the consumer price index were recorded by seven out of eight developing countries in 1974 compared with about half the countries in 1973 and only a quarter in 1972. On a year-to-year basis, the rise in consumer prices accelerated in over 80 per cent of the developing countries in 1974, while in less than 10 per cent was there a marked slow-down in the rate of price increase (see table 47).

In the developing countries as a group <sup>6/</sup> the price index for consumer goods, weighted by 1970 private consumption, rose by 26 per cent in 1974 compared with 19 per cent in 1973 and 13 per cent in 1972. Food prices increased by 27 per cent in 1974 compared with 23 per cent in 1973. Measured in this way, South and East Asia recorded the highest rate of inflation (nearly 31 per cent), followed by the western hemisphere (26 per cent), West Asia (20 per cent) and Africa (15 per cent).

With the decline in some commodity prices in the course of 1974 and the slackening in demand of the developed market economies for developing country exports, the pace of inflation eased off in nearly three fifths of the developing countries in the second half of the year. Consumer prices for the developing countries as a whole rose by 12.1 per cent (12.7 per cent for food items) during the first half of the year, while the corresponding rates in the second half receded slightly to 10.6 per cent and 11.4 per cent. The only region to record a higher rate of inflation in the second half of the year than in the first was West Asia. In other regions, especially in the western hemisphere and Africa, the favourable out-turn of agriculture along with the various restrictive measures adopted by some countries helped to slow the upsurge of prices. In South and East Asia there was some deceleration in the price increase in India and the Philippines but the deceleration was most pronounced in Hong Kong, Indonesia, Malaysia, the Republic of Korea and Thailand.

These price movements are related not only to the level of activity, the flow of domestic supplies and the volume and cost of imports but also to changes in money supply. While most of the countries in which production rose substantially recorded a high or increasing volume of currency and demand deposits with the local banking system, a larger money supply in most cases was also associated with a rise in

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<sup>6/</sup> Based on the countries in table 47, excluding Chile and the Khmer Republic.

prices. In nearly 90 per cent of the countries the increase in the monetary aggregates in 1974 exceeded 10 per cent, in three out of five it was in excess of 20 per cent, and in a fifth it was above 40 per cent. Comparing the trend in 1974 with that in 1973, more than half of the developing countries experienced acceleration in the growth in money supply, while two fifths registered deceleration, and one tenth continued with a similar rate of monetary expansion (see table 48).

The proportion of developing countries in which all three of the major sources of money - government credit, private credit and foreign assets - contributed to the expansion was only half as great as in the previous year: just over a fifth in 1974 as compared with rather more than two fifths in 1973. On the whole, the extension of credit to the private sector was the most expansionary force: it made the largest contribution in 60 per cent of the countries and the second largest in another 37 per cent, while there was no country in which private credit declined in 1974 (see table 49).

The increase in foreign assets that exerted a strong influence on the domestic money supply of a number of developing countries in 1972 and 1973, growing out of a rapid upswing in export earnings, seems to have lost some momentum in 1974. Though it was a leading source of money in 29 per cent of the countries in both 1973 and 1974, the proportion of countries in which the increase in foreign assets contributed to the monetary expansion declined from 79 per cent in 1973 to 62 per cent in 1974. In addition to the petroleum-exporting countries (Ecuador, Gabon, Iran, Iraq, Kuwait, the Libyan Arab Republic, Nigeria, Saudi Arabia, Trinidad and Tobago, and Venezuela), the countries in which the increase in foreign assets was the major factor in the accelerated growth in money supply in 1974 included Bolivia, the Congo, Mauritius, the Syrian Arab Republic and Togo, where export earnings were particularly buoyant in 1974. On the other hand, the change in foreign assets exerted a negative influence on the money supply of rather more countries in 1974 than in 1973; it was the leading contractionary factor in 35 per cent of such countries in 1974 as compared with 30 per cent in 1973. A reduction in foreign assets was the principal factor in decelerating the growth of money supply in Argentina, Brazil, Costa Rica, the Gambia, Guatemala, Haiti, Honduras, India, Israel, Kenya, Nepal and Nicaragua; all experienced a deteriorating external balance. In Gabon and Ghana, however, an increase in private credit more than counterbalanced a reduction in foreign assets, and the growth of money supply accelerated.

Government budgetary deficits tended to be less expansionary in 1974 than in 1973. Official borrowing from the banking system was an expansionary factor in 58 per cent of countries in 1974 compared with 72 per cent in 1973. Correspondingly, there was a doubling in the proportion of countries in which a reduction in government net borrowing was the principal factor in the contraction of money supply - from about one fifth in 1973 to about two fifths in 1974. This group includes a number of countries - notably the petroleum-exporting countries mentioned above plus Indonesia, as well as Bolivia - in which buoyant exports increased the revenue of Governments and thus lessened dependence on the banking system for financing. In these cases the contractionary influence on the money supply was more than offset by the expansionary effect of the increase in foreign assets. In some countries - including the Ivory Coast, Mauritania and Senegal - the effect of a decline in government borrowing was more than offset by increased private credit and there was an accelerated expansion in the money supply. On the other hand, in some countries - including Ethiopia, Malawi, the Niger, Pakistan, Paraguay and the Upper Volta - a reduction in official borrowing from the banking system was the principal factor in slowing down the pace of monetary growth.

In addition to widespread shortages of commodities and inflation of prices several countries, most notably some of the petroleum-exporting countries that initiated rapid industrialization, also experienced shortages in skilled labour and basic services (such as port facilities and transport) which resulted in interruption and bottle-necks in the economy. To help ease the labour shortage a few countries, including Iran and Iraq, adopted policies designed to encourage labour mobility and attract foreign workers as well as nationals living abroad.

More important in many developing countries, however, were the effects of the recession in the developed market economies that began to be felt, as the year progressed, by way of reductions in the demand for their exports. As discussed in chapter II, their export performance in the second half of 1974 was characterized by declining volume and prices in the face of rising cost of imports. The incidence of this slow-down in the developing countries was not uniformly distributed. Most adversely affected were exporters of such manufactured goods as textiles, electronics and wood-products: they include Brazil, Hong Kong, Malaysia, Mexico, the Republic of Korea, Singapore and Thailand. Lay-offs of labour and shorter working hours were reported in a number of places. In the first three quarters of 1974 manufacturing employment declined by 10 per cent in Hong Kong, while by December 1974 the number of registered job applicants in Singapore was more than one fifth above the corresponding figure in 1973. The border industries of Mexico were affected by the recession in the United States and the assembly plants along the border which supply the United States market were closed or began operating below capacity.

Counterbalancing these unfavourable effects from the external sector to some degree, however, was a higher level of domestic investment in many developing countries, supported by a substantially increased quantum of imports financed, in the case of non-oil-exporting countries, by a large inflow of official donations and long-term capital from advanced countries and petroleum-exporting countries.

The acceleration in the pace of inflation in 1974 required the developing countries to intensify their efforts to mitigate its harsh consequences for the mass of the population. This task was complicated in some cases by poor agricultural production and in others by the emerging effect of the recession. A wide range of measures was adopted including rationing, subsidies, price and wage controls, restrictive monetary and fiscal policies and reduction of import duties on some basic commodities.

To soften the impact of rising consumer prices, subsidies and price controls were most widely used by countries with favourable export earnings including petroleum producers (Bahrain, Brunei, Iran, Kuwait, Nigeria and Saudi Arabia) and sugar exporters such as Mauritius as well as by Tunisia where a subsidy programme helped to keep the increase in the cost of living index down to only 4.1 per cent in spite of a 20 per cent rise in wholesale prices between 1973 and 1974.

Countries with more limited budgetary resources found it difficult to engage in extensive subsidization of goods for mass consumption. Price controls were resorted to in many cases, but conflicts between price policy and production policy soon emerged, especially where producers were themselves facing rapidly rising costs. Many countries - including Brazil, India, Kenya, Mexico and Nepal - resorted to restrictive monetary and fiscal measures to combat inflation. Where the recession began to affect the export sector, including exchange devaluation, new

efforts to attract foreign capital, the promotion of industries with better prospects and the retraining of workers were among the many measures adopted. In the Philippines, workers released from the depressed timber industry were recruited to carry out irrigation, feeder-road and housing projects.

In view of the unsatisfactory growth in agricultural production in many developing countries in 1974 or in the two preceding years, policy began to swing towards greater emphasis on agricultural development even among countries with rapidly industrializing export-oriented economies. This change reflects the growing realization that low rural incomes result not only in serious social inequity but also in a drag on the whole economy, inhibiting the growth of industries based on a domestic mass market.

#### Centrally planned economies

Aggregate demand in the centrally planned economies of Eastern Europe and the Union of Soviet Socialist Republics in 1974 was not weakened by external developments and continued to press on the availability of domestic resources. The inflationary impulses emanating from the world market did not, however, leave these countries unaffected. Pressure on prices also developed in several centrally planned economies owing to internal causes. Nevertheless, price stability was largely maintained during the year by the centrally regulated price-setting systems of the socialist countries.

Although high rates of growth in output were achieved in Eastern Europe, claims on resources appear to have expanded even faster, and the internal balance between available and required resources could be assured only through larger net imports which, together with a worsening in the terms of trade of several countries, caused larger than planned foreign trade deficits. In the Soviet Union the maintenance of internal balance was aided by external developments that led to a significant improvement in the terms of trade, and the country attained a large foreign-trade surplus.

Balance in the consumer market appears to have generally improved in the socialist countries in 1974, but some strains developed in the producer goods markets of those Eastern European countries which are net raw material importers. With rising world market prices, the maintenance of internal price stability required substantial increases in budgetary subsidies in order to bridge the gap between internal and external price levels, accompanied by administrative controls on the use of energy and raw materials.

In the allocation of national product to final uses there seems to have been a tendency to increase the share of net investment - although in no case at the expense of a real increase in the absolute level of consumption. The rate of expansion of gross fixed capital formation was exceptionally high in Poland (26 per cent for the state sector) and in Romania (17 per cent); it was higher than the rate of increase in national income in all countries except the German Democratic Republic and probably Bulgaria, where the investment target does not seem to have been achieved and outlays declined in absolute terms (see table 50).

Although the economic plans for 1974 put strong emphasis on the need to shorten the gestation period of new capital construction projects and to concentrate

on the completion of unfinished ones, the actual increase in operating production capacities was generally smaller than projected. Only the German Democratic Republic reported notable success in this sphere. Elsewhere, in spite of some improvement in the concentration of efforts on priority projects in several countries, the stock of unfinished investment undertakings, the value of which is of the order of one fifth to one quarter of the annual national product, appears to have increased at higher rates than planned. Significant new capacities nevertheless became operational in all countries and added to the output stream. New investment starts in Eastern Europe appear to have been concentrated in the bottle-neck sectors of energy and raw material supplies, as well as in the chemical industry.

The increase in material production was accompanied by a dynamic growth of personal income. Total personal income increased in 1974 in nominal terms at rates ranging from 15 per cent in Poland to 4.3 per cent in Czechoslovakia. Although in some countries part of this gain was eroded by price increases, real income per head expanded rapidly also (see table 51). As a rule, disposable income per head grew faster than average wages and salaries, owing to expanding social benefits both in the form of monetary transfer payments and benefits in kind. The total increase in transfer payments was probably most significant in Hungary (16 per cent) and Poland (14 per cent), even after the higher price changes in these countries are taken into account.

In most countries of the region wage increases were coupled with or accompanied by measures to narrow inequalities in income. Generally, more rapid increases in the minimum than in the average wage rates have been used to achieve this end. In several countries tax measures were introduced for distributive purposes. 7/

Standards of living in Eastern Europe and the Soviet Union were also enhanced by the rapid increase in housing construction, although plan targets could not in all cases be fulfilled. The rate of new construction varied between 6 and 9 apartments per thousand inhabitants.

Total and non-agricultural employment in Eastern Europe and the USSR expanded in 1974 in line with continued growth in production. Industrial employment in these countries was increased by the absorption of new entrants into the labour force and also by the diversion of workers from agricultural occupations. In contrast to unemployment worries elsewhere in the world, the socialist countries - especially the more developed ones - are more concerned with inadequate expansion in the labour force, caused by the falling rates of population growth and the lengthening period spent in training and education, and with tendencies for an excessive labour intake by the growth sectors. Planning efforts were directed at discouraging or controlling additional employment, especially in industry, and

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7/ In Czechoslovakia, agricultural tax rates were made progressive; in Hungary, taxes on the farm sector - whose workers in recent years have shown higher income gains than non-agricultural workers - were raised and a new property tax on privately owned housing was introduced; and in Poland a one-time wealth levy with marginal rates rising from 10 to 60 per cent was imposed on the value in excess of a certain minimum of privately owned non-agricultural real property, yachts and some types of foreign-made automobiles.

towards ensuring labour-saving production methods. In industry, these efforts appear to have been successful in 1974: output per worker expanded not only at rates between 5 and 9 per cent, but in all countries except Bulgaria and Romania also at rates higher than those planned (see table 21).

The aggregate supply of goods and service to consumer markets increased in 1974: the volume of retail sales, measured at constant prices, expanded faster than planned and at accelerated rates as compared to the averages of the first three years of the decade in all countries of the region except Poland and the USSR. Rates of growth ranged from 6 to 10 per cent (see table 51).

The below-plan expansion rate in the Soviet Union was probably related to the slow output growth in light industry and may indicate that short-comings in the adaptation of supply structure to consumer demand caused a temporary market imbalance. Total money incomes appear to have increased at a higher rate than retail sales. In Eastern Europe, aggregate market balance appears to have improved in Czechoslovakia and the German Democratic Republic, where consumer supplies expanded substantially faster than total money incomes. In several other countries, however, where money incomes had grown especially rapidly over the past few years, the maintenance of balance in consumer markets required increases in the general price level. This was the case in Hungary, Poland and Romania.

In spite of the improved over-all supply situation, imbalances persist in most countries in the structure of supply and demand, especially in the case of some consumer durables. This is also true, in several countries, for certain agricultural products, such as meat and meat products, which have high income-elasticity of demand, and also for labour-intensive products such as vegetables.

The improved market balance in most countries of the region is reflected in the behaviour of the rate of savings out of current income. In Czechoslovakia, where market supplies increased most markedly relative to income, new savings declined in absolute terms, and in several other Eastern European countries the growth of new saving deposits slowed considerably although it continued to be somewhat higher than the growth of money incomes. In the Soviet Union, by contrast, the volume of new savings deposits jumped by 29 per cent over the preceding year's level while money incomes increased by 6-7 per cent. The total stock of savings deposits continued to grow in all countries, however, at rates ranging from 8 per cent in the German Democratic Republic to 24 per cent in Poland. This substantial expansion in private savings, while in some instances undoubtedly still indicative of involuntarily postponed consumption caused by the temporary unavailability of goods, is increasingly motivated by the desire to accumulate funds for future purchases of durable consumer goods and of housing and is stimulated by government policies which in several countries now rely for almost two thirds of housing construction on such financing.

Increases in the consumer price level in the centrally planned economies were small compared with those observed in the rest of the world, but nevertheless constituted a novelty in several of these countries. The largest rise occurred in Poland, where retail prices increased by 5.6 per cent after several years of virtual price stability. In Hungary, prices rose by 1.9 per cent, considerably less than the average annual increase of almost 3 per cent observed since 1970, and in Romania the estimated increase in the cost of living was of approximately the same magnitude, again after three years of essentially stable prices. In the other

countries of the region the changes were counted in fractions of 1 per cent, up or down. 8/

Infrequent changes in the price structure have been one of the institutional characteristics of the centrally planned economies, where price adjustments generally have to be implemented through a centralized administrative apparatus. Domestic prices are insulated from foreign prices by various subsidies and taxes; and producer prices are kept more or less independent of consumer prices by similar buffering instruments. While assuring a high degree of price stability, desirable for social reasons with respect to consumer markets and for the sake of plan administration with regard to producer markets, the relative inflexibility of this price-setting mechanism has from time to time come into conflict with the desire to use prices as indicators of relative costs in decision making at all levels. The dramatic price movements on international markets in 1973 and 1974 have accentuated this problem, as well as making it more difficult for some of these countries to maintain existing price levels.

The dilemma has been resolved for the time being rather differently in the various countries. Those which have a relatively stronger preference for price stability absorbed the impact of changed foreign trade costs mainly through increased budgetary transfers, while others, such as Hungary and Poland, allowed some price adjustments in 1974 and have indicated the expectation of larger price changes in future plan periods. Inflationary pressures, whether emanating from domestic sources or from developments abroad, are therefore not automatically or immediately translated into price changes in the internal markets of the centrally planned economies, and, at the same time, price stability does not necessarily indicate the absence of inflationary pressures in these countries.

Producer price changes were more widely spread than those of consumer prices and reflected cost changes in both domestic and foreign trade. Industrial wholesale prices in Hungary increased by 3.1 per cent, which was not sufficient to cover changes in import costs, and further adjustments have been scheduled for 1975 which will result in an over-all price rise of 8 per cent. 9/ In Poland a

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8/ In Poland, the relatively large change in the price level of consumer goods occurred in spite of the official price stop on basic food products first introduced in 1971 and reaffirmed for 1975. In addition to the price of food staples, prices of most manufactured consumer goods remained unchanged, but increases were substantial for other food products, especially those marketed outside the socialist sector, for alcoholic beverages and for most services, with especially steep rises for restaurant meals. Except for fuels and transportation services, changes in international prices seem to have had a relatively small impact on the movements of consumer prices in Poland.

Price fluctuations abroad had a greater influence in Hungary, where the increase in consumer prices was mainly in respect of heating and fuels, coffee, tropical spices and fruits, wine and some other alcoholic beverages. Prices for some textiles and clothing articles were reduced. In Romania consumer prices were also affected by price movements in imported raw materials, in addition to changes in domestic agricultural procurement prices.

9/ Since only part of this can be recouped by increases in consumer prices (planned at 3.6 per cent), the Government has instituted some offsetting fiscal relief to enterprises, including a general reduction of one third in the tax on the value of fixed assets, as well as by additional budgetary subsidies.

5 per cent increase in producer prices stemmed mainly from price increases for fuels and products of light and food-processing industries. In Czechoslovakia and Romania new producer prices for a wide range of industrial products were introduced in the course of a scheduled over-all price revision, adjusting prices mainly to past domestic cost changes. New producer prices for oil products and raw materials, however, were clearly influenced by import cost considerations. Procurement prices for some agricultural commodities were revised in 1974 in a number of Eastern European economies, even in countries where industrial wholesale and retail prices remained largely unchanged.

The unanticipated increases in subsidies from the state budget required to contain price changes within planned dimensions were very substantial in the more trade-dependent economies. In Hungary, for example, the budget law for 1974 foresaw a doubling of the 1973 outlays for this purpose to about 10 billion forints, but actual subsidy payments rose to some 24 billion forints, or more than one tenth of budget expenditures. This procedure has strained government budgets in all the European centrally planned economies except the USSR. The major cause of these budgetary strains was the unexpected deterioration in the terms of trade resulting from sharp increases in import costs. In 1974, however, these changes were confined largely to trade with the market economies, or to less than one third of the total foreign trade of the European socialist countries. Now that intra-CMEA contract prices will be renegotiated around levels that approximate world market prices much closer than before, the need for budgetary support of prices will undoubtedly expand very rapidly. As noted earlier, for the trade-intensive and resource-importing countries of Eastern Europe the transfer of world market price trends to the intra-CMEA market will result in a deterioration in the over-all terms of trade in 1975 that is likely to be substantially larger than that experienced in 1974. Under these circumstances it may be difficult to maintain domestic price stability without endangering internal financial or market balance.

Table 43. Developed market economies: rate of increase in consumer prices, 1971-1974  
(Percentage)

Country <sup>a/</sup>	Average annual rate, 1971-1974		Change from preceding year					1974, change from corresponding quarter of previous year							
			All items				Food <sup>b/</sup>	First		Second		Third		Fourth	
	All items	Food	1971	1972	1973	1974 <sup>b/</sup>		All items	Food	All items	Food	All items	Food	All items <sup>c/</sup>	Food <sup>c/</sup>
Iceland	19.8	23.5	6.4	10.3	22.2	40.3	45.4	32.7	47.0	43.8	57.9	41.2	34.8	51.3	51.4
Greece	12.4	14.5	3.0	4.4	15.5	26.9	27.6	33.5	36.4	31.7	32.0	28.4	30.8	16.5	14.4
Portugal	15.2	15.1	11.9	10.7	12.9	25.1	32.6	23.8	22.9	26.0	31.1	28.6	38.5	22.0	36.8
Japan	11.7	12.7	6.1	4.5	11.7	24.7	28.0	24.5	28.7	24.2	26.4	24.8	27.8	26.0	26.7
Yugoslavia	18.0	18.2	15.6	16.6	19.7	20.2	15.3	19.7	18.8	18.1	10.8	22.8	16.9	21.9	16.1
Italy	10.1	9.9	4.8	5.7	10.8	19.1	17.0	14.2	13.6	16.4	13.8	20.6	18.4	24.7	23.7
Turkey	16.1	15.8	16.3	13.0	16.6	18.5	18.2	18.5	18.4	18.8	17.7	17.9	16.7	19.5	23.5
Finland	10.7	10.5	6.5	7.1	11.7	17.4	15.9	16.7	10.3	18.3	15.8	16.9	17.9	17.7	19.3
Ireland	11.5	12.6	8.9	8.7	11.3	17.0	14.7	8.4	7.1	16.3	10.9	17.9	16.2	20.0	20.2
United Kingdom	10.4	13.3	9.4	7.1	9.2	16.0	18.0	12.9	19.2	15.8	17.7	17.0	17.7	18.2	17.2
Cyprus	8.2	10.0	4.1	4.9	7.8	15.8	19.7	14.9	19.0	17.6	20.9	...	...	...	...
Spain	10.9	10.9	8.2	8.3	11.4	15.5	14.0	14.6	15.0	16.1	14.5	15.2	12.9	16.1	14.0
Denmark	9.3	10.2	5.8	6.6	9.3	15.3	12.0	13.9	14.0	14.6	11.1	16.2	9.8	16.3	12.3
Australia	9.0	10.1	6.1	5.8	9.4	14.8	17.2	13.5	19.8	14.4	17.6	16.4	14.5	...	...
France	8.1	8.8	5.5	6.2	7.3	13.4	11.5	11.3	12.4	13.6	12.9	14.5	12.3	15.0	11.7
Belgium	7.4	6.4	4.3	5.5	7.0	12.7	9.2	8.3	7.3	11.5	7.8	14.6	11.0	16.0	11.1
South Africa	8.4	10.6	6.1	6.5	9.5	11.6	15.0	9.4	11.1	10.1	11.3	13.1	18.7	13.8	18.3
New Zealand	9.2	9.2	10.4	6.9	8.2	11.1	11.5	10.3	14.3	10.0	11.5	11.5	11.5	12.6	9.0
United States of America	6.2	9.1	4.3	3.3	6.2	11.0	14.3	9.9	19.3	10.5	15.5	11.5	11.4	12.1	12.0
Canada	6.5	9.9	2.9	4.8	7.6	10.9	16.3	9.7	17.3	10.7	17.1	11.0	14.8	12.0	16.2
Sweden	7.5	7.6	7.4	6.0	6.8	9.9	6.2	9.8	7.1	8.8	3.9	9.2	5.4	11.8	8.2
Switzerland	8.0	7.5	6.6	6.7	8.7	9.8	10.8	10.4	7.0	9.4	8.8	10.6	13.0	8.7	14.1
Netherlands	8.3	6.5	7.6	7.8	7.9	9.7	7.2	8.7	7.6	8.8	6.0	9.9	6.6	10.9	8.1
Luxembourg	6.4	6.6	4.7	5.2	6.1	9.6	9.0	7.9	8.3	8.7	7.4	10.2	9.6	11.2	10.7
Austria	7.0	6.5	4.7	6.3	7.6	9.5	8.4	8.8	7.5	9.9	8.8	10.1	9.3	9.7	7.8
Norway	7.6	7.2	6.2	7.3	7.5	9.4	5.7	8.7	7.1	8.6	6.5	10.0	8.8	10.8	10.9
Malta	5.2	5.6	2.3	3.4	7.7	7.3	7.4	6.0	7.4	6.5	5.0	8.3	8.4	8.3	9.0
Germany, Federal Republic of	6.5	5.5	5.3	7.0	6.9	7.0	4.8	7.4	5.4	7.0	4.4	7.1	4.5	6.4	4.8
Total, 28 countries d/	7.7	9.7	5.3	4.8	7.7	13.0	15.0	11.6	16.8	12.5	14.9	13.5	14.0	14.2	14.7
North America d/	6.2	9.1	4.2	3.4	6.3	11.0	14.5	9.2	19.1	9.8	15.6	10.7	11.7	11.3	12.3
Europe d/	8.9	9.6	6.6	6.9	8.8	13.3	12.7	11.7	12.6	13.0	12.0	14.1	13.1	14.1	14.5
EEC d/	8.5	9.0	6.2	6.6	8.2	12.9	12.1	20.7	31.0	22.9	27.0	25.2	24.1	26.8	25.5

(Sources and foot-notes on following page)

Sources and foot-notes to table 43

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

a/ Countries are arranged in descending order of percentage increase in consumer prices ("all items") from 1973 to 1974.

b/ January-November for Belgium, Italy (food only), Japan, Spain and Yugoslavia; January-October for Turkey; January-September for Australia; January-May for Cyprus.

c/ October-November for Belgium, Italy (food only), Japan, Spain and Yugoslavia; October only for Turkey.

d/ "All items" weighted by private consumption in 1970; "food" weighted by food consumption in 1970.

Table 44. Selected developed market economies: unemployment rates and changes in unemployment, 1971-1974

(Percentage)

Country <sup>a/</sup>	Annual average unemployment rate <sup>b/</sup>				Change in average number of unemployed between			
					1971	1972	1973	December 1973
	1971	1972	1973	1974 <sup>c/</sup>	and 1972	and 1973	and 1974 <sup>c/</sup>	and December 1974 c/ d/
Cyprus	1.1	0.9	1.2	4.1	-11.6	31.3	238.7	494.1
Denmark	3.7	3.6	2.4	5.3	-0.3	-32.8	121.4	160.3
Germany, Federal Republic of	0.8	1.1	1.2	2.6	33.0	11.0	113.2	94.7
France	2.0 <sup>e/</sup>	2.2 <sup>e/</sup>	1.9 <sup>e/</sup>	...	13.4	2.7	26.4	57.1
Netherlands	1.6	2.7	2.7	3.3	74.0	1.9	22.7	38.1
Australia	1.6	2.3	1.9	2.2	43.7	-14.5	22.5	85.9
Greece	...	...	...	...	-21.5	-10.1	19.1	60.6
United States of America	6.0	5.6	4.9	5.6	-3.1	-11.1	17.9	50.5
Yugoslavia	6.7	7.0	8.1	9.0	8.2	21.3	17.3	21.4
Belgium	2.9	3.4	3.6	4.1	22.4	5.6	14.2	37.5
Ireland	7.2	8.1	7.2	7.9	13.7	-8.5	9.1	38.1
Japan	1.2	1.4	1.3	1.4	14.1	-8.2	9.0	53.7
Canada	6.4	6.3	5.6	5.4	1.8	-7.5	1.0	16.6
Austria	2.1	1.9	1.6	1.5	-5.6	-15.9	-	-1.5
Spain	...	...	...	...	0.5	-21.5	-	51.9
United Kingdom	3.4	3.8	2.7	2.7	10.8	-28.8	-1.5	25.6
Italy	3.2	3.7	3.5	2.9	14.4	-4.2	-16.2	3.2
Norway	0.8	1.0	0.8	0.7	21.3	-13.5	-16.4	-7.4
Sweden	2.5	2.7	2.5	2.0	5.9	-8.4	-18.4	-28.7
Finland	2.3	2.5	2.3	1.8	12.2	-7.2	-21.6	-22.9
New Zealand	...	...	...	...	82.1	-59.2	-58.6	40.2

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

a/ Countries are arranged in descending order of percentage increase (or ascending order of percentage decrease) in number of unemployed between 1973 and 1974.

b/ Unemployment rate refers to the number of persons wholly unemployed and temporarily laid off except for United Kingdom which excludes temporarily laid off (derived from unemployment insurance statistics, employment office statistics or sample surveys) expressed as a percentage of the civilian labour force. Because of differences in definition, the data do not permit simple intercountry comparisons.

c/ Preliminary.

d/ Change between December 1973 and December 1974 expressed as a percentage of the former except for Australia, United Kingdom and Yugoslavia (November to November); Italy (October to October) and Greece (September to September).

e/ Cited in Organisation for Economic Co-operation and Development, Études Économiques: France (Paris, February 1974).

Table 45. Selected developed market economies: unemployment and job vacancies,<sup>a/</sup> 1971-1974

Country	Number of unemployed (thousands)					Number of vacancies (thousands)					Percentage ratio of unemployment to vacancies				
	1971	1972	1973	1974, fourth quarter		1971	1972	1973	1974, fourth quarter		1971	1972	1973	1974, fourth quarter	
				1974	1974, quarter				1974	1974, quarter				1974	1974, quarter
Australia	74	104	87	123	203	41	32	64	62	40	180	325	136	198	508
Austria	53	50	41	41	48	56	62	66	58	46	95	81	62	71	104
Belgium	71	87	92	105	127	13	9	14	14	7	546	967	657	750 <sup>b/</sup>	814 <sup>c/</sup>
Canada	552	562	520	525	507	33	58	78	89 <sup>b/</sup>	99 <sup>c/</sup>	1 673	969	667	643 <sup>b/</sup>	525 <sup>c/</sup>
Denmark	30	30	20	45	83	4	6	9	3	1	750	500	222	1 500	8 300
Finland	49	57	52	42 <sup>d/</sup>	36 <sup>e/</sup>	12	16	23	30	26	408	356	226	135 <sup>d/</sup>	100 <sup>e/</sup>
France	337	380	394	498	682	123	165	252	205	138	274	230	156	243	494
Germany, Federal Republic of	189	247	282	602	806	641	548	564	311	218	23	45	50	194	370
Greece	30	24	21	26 <sup>d/</sup>	19 <sup>e/</sup>	...	...	...	...	...	...	...	...	...	...
Ireland	42	48	44	46 <sup>d/</sup>	45 <sup>e/</sup>	...	...	...	...	...	...	...	...	...	...
Italy	613	701	669	545 <sup>d/</sup>	551 <sup>e/</sup>	...	...	...	...	...	...	...	...	...	...
Japan	547	584	527	596 <sup>d/</sup>	517 <sup>e/</sup>	452	517	687	527 <sup>d/</sup>	463 <sup>e/</sup>	121	113	77	113 <sup>d/</sup>	112 <sup>e/</sup>
Netherlands	62	108	110	136 <sup>d/</sup>	158 <sup>e/</sup>	107	63	67	69	58	58	171	164	197	272 <sup>e/</sup>
Norway	12	15	13	10 <sup>d/</sup>	8 <sup>e/</sup>	11	9	8	11 <sup>d/</sup>	10 <sup>e/</sup>	109	167	163	91 <sup>d/</sup>	80 <sup>e/</sup>
Spain	190	191	150	141 <sup>d/</sup>	148 <sup>e/</sup>	...	...	...	...	...	...	...	...	...	...
Sweden	45	48	46	39	39	36	32	35	49	44	125	150	131	80	89
Switzerland	-	-	-	-	-	4	5	4	3 <sup>d/</sup>	2 <sup>e/</sup>	...	...	...	...	...
Turkey	45	44	46	71 <sup>b/</sup>	86 <sup>c/</sup>	32	35	34	37 <sup>d/</sup>	49 <sup>e/</sup>	141	126	135	201 <sup>b/</sup>	190 <sup>c/</sup>
United Kingdom	776	855	611	592 <sup>d/</sup>	590 <sup>e/</sup>	179	193	403	408 <sup>d/</sup>	425 <sup>e/</sup>	434	443	152	145 <sup>d/</sup>	139 <sup>e/</sup>
United States of America	4 993	4 840	4 304	5 076	5 612	...	...	...	...	...	...	...	...	...	...

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris), March 1975.

a/ Because of differences in definition both in measuring unemployment and in determining vacancies, these data cannot be used for intercountry comparison. In general, the figures represent the averages of various registration or sample survey enumerations taken at specific times.

b/ Average for January-June.

c/ Second quarter.

d/ Average for January-September.

e/ Third quarter.

Table 46. Developed market economies: changes in hourly earnings of workers in manufacturing, a/ 1971-1974

Country	Percentage change from corresponding portion of preceding year				
	1971	1972	1973	1974	1974, fourth quarter
Australia	11.3	9.6	12.9	23.5 <sup>b/</sup>	30.2 <sup>c/</sup>
Austria	11.1	12.1	11.2	12.6	7.5
Belgium	11.0	14.4	15.8	21.1	26.1
Canada	9.0	8.3	8.5	11.8 <sup>b/</sup>	14.7 <sup>c/</sup>
Denmark	14.5	12.6	18.8	23.1 <sup>b/</sup>	19.4 <sup>c/</sup>
Finland	15.0	13.9	16.8	21.9 <sup>d/</sup>	22.9 <sup>e/</sup>
France	11.1	11.3	12.5	18.6	20.4
Germany, Federal Republic of	13.4	8.5	9.8	12.0 <sup>b/</sup>	12.3
Greece	9.0	9.2	16.0	27.4 <sup>b/</sup>	26.2 <sup>c/</sup>
Ireland	16.0	14.7	19.6	19.2 <sup>d/</sup>	19.8 <sup>e/</sup>
Italy	13.5	10.4	24.3	23.2 <sup>b/</sup>	20.2 <sup>c/</sup>
Japan	13.9	15.6	23.6	26.5	22.7
Netherlands	12.0	12.5	13.5	17.5 <sup>a/</sup>	18.2
New Zealand	27.1	7.8	10.7	10.6 <sup>a/</sup>	9.8 <sup>e/</sup>
Norway	12.0	8.9	10.7	16.0 <sup>b/</sup>	20.4 <sup>c/</sup>
Spain	14.0	18.4	16.3	33.4 <sup>b/</sup>	38.9 <sup>c/</sup>
Sweden	7.8	14.8	8.4	11.0 <sup>b/</sup>	13.4
Switzerland	10.0	8.2	9.2	10.1 <sup>b/</sup>	9.9 <sup>c/</sup>
United Kingdom	12.5	13.8	12.8	17.0	21.0
United States of America	6.0	6.6	7.1	8.3 <sup>b/</sup>	10.5
Yugoslavia	22.0	16.4	17.6	28.7 <sup>b/</sup>	30.0 <sup>c/</sup>

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris), March 1975.

a/ Including mining in the case of Austria, Denmark, Sweden and Yugoslavia; including construction in the case of the Netherlands; firms employing 20 persons or more in the case of Canada; male workers only in the case of Australia, Netherlands, New Zealand and Norway; monthly earnings in the case of Japan and Yugoslavia.

b/ January-September.

c/ Third quarter.

d/ January-June.

e/ Second quarter.

Table 47. Selected developing countries: changes in consumer prices, 1972-1974

	Percentage change				
	From preceding year			In latest 12 months <sup>a/</sup>	
	1972	1973	1974 <sup>a/</sup>	Total	Food
A. Countries or areas <sup>b/</sup> whose rate of inflation was 15 per cent or less in 1974 <sup>c/</sup>					
1. <u>Experiencing less inflation in 1974 than in 1973<sup>c/</sup></u>					
Liberia	4.0	19.6	2.1	11.6	14.9
Niger	9.7	11.7	3.4	4.2	0.5
Haiti	3.2	22.7	15.0	19.5	14.0
Hong Kong	6.1	18.0	14.6	9.9	8.0
Dominican Republic	7.9	15.1	13.2	10.5	11.8
2. <u>Experiencing a similar rate of inflation in 1973 and 1974<sup>c/</sup></u>					
Central African Republic	7.2	5.6	5.0	10.7	10.6
Tunisia	2.2	4.7	4.1	5.7	-1.0
Ethiopia	-6.1	8.9	8.7	6.3	3.9
3. <u>Experiencing a higher rate of inflation in 1974 than in 1973<sup>c/</sup></u>					
Congo	13.0	3.5	5.6	1.3	11.3
Togo	4.3	5.0	12.5	23.0	29.7
Sri Lanka	6.3	9.6	12.3	10.7	11.6
Réunion	7.7	11.7	14.5	16.3	18.1
Zambia	5.6	6.0	9.2	7.6	8.3
Upper Volta	-2.9	7.6	10.8	0.5	...
Fiji	9.1	11.2	14.5	16.9	19.3
Iraq	5.2	4.9	8.3	6.6	7.2
Southern Rhodesia	2.9	3.1	6.6	7.0	7.4
Iran	6.4	9.8	13.6	14.0	17.1
Venezuela	3.0	4.0	8.5	12.2	20.8
Chad	2.9	5.4	10.2	15.4	2.6
Gabon	4.7	5.9	10.8	9.4	4.9
Lebanon	4.9	6.0	11.1	7.4	8.4
Egypt	2.1	4.3	9.4	13.1	21.1
Mauritania	8.2	7.2	13.3	19.2	27.1
Honduras	5.2	5.2	12.6	11.3	12.2
Somalia	-2.9	6.4	14.3	20.5	24.3
Morocco	3.7	4.1	14.4	9.1	10.8
Afghanistan	-12.5	-10.2	10.4	26.8	...

Table 47 (continued)

	Percentage change				
	From preceding year			In latest 12 months <sup>a/</sup>	
	1972	1973	1974 <sup>a/</sup>	Total	Food
3. Countries or areas <sup>b/</sup> whose rate of inflation was more than 15 per cent in 1974 <sup>c/</sup>					
1. <u>Experiencing less inflation in 1974 than in 1973<sup>c/</sup></u>					
Argentina	58.5	60.3	24.2	40.1	33.3
Uruguay	76.5	97.0	71.4	63.9	55.1
2. <u>Experiencing a similar rate of inflation in 1973 and 1974</u>					
Bangladesh	28.5	44.8	42.0	48.9	54.1
Singapore	2.1	23.0	22.3	26.5	30.9
Syrian Arab Republic	0.8	20.0	19.0	16.4	22.9
3. <u>Experiencing a higher rate of inflation in 1974 than in 1973</u>					
Colombia	14.3	22.8	24.4	31.6	38.1
Guatemala	0.5	14.4	16.0	27.5	29.7
Guyana	4.5	8.9	15.3	11.6	17.4
Surinam	3.2	13.1	19.5	11.5	3.7
Netherlands Antilles	4.0	8.2	15.2	21.7	39.6
Peru	7.2	9.5	16.6	16.8	18.2
Trinidad and Tobago	9.3	14.9	22.0	18.6	21.7
United Republic of Cameroon	8.0	10.5	17.7	20.2	26.7
Malaysia	3.2	10.6	17.9	12.5	15.3
Jamaica	5.8	19.9	27.8	24.8	28.4
Ghana	9.4	11.9	20.9	29.6	35.4
Guadeloupe	8.0	6.8	15.9	19.4	19.1
Nepal	8.4	11.5	20.7	26.1	...
Kenya	5.8	9.3	18.5	13.8	18.5
Sudan	11.9	17.0	26.5	15.3	10.3
Jordan	8.2	10.5	20.0	12.6	16.7
Burundi	3.9	5.9	15.7	21.2	24.9
Panama	5.3	6.9	16.8	16.7	21.0
El Salvador	1.7	6.5	16.8	21.0	20.2
Malawi	3.6	5.1	15.4	15.3	10.0
Indonesia	6.5	31.1	41.4	34.9	32.2
Ecuador	7.9	13.0	23.4	21.2	28.0
Republic of Viet-Nam	25.3	44.4	55.1	41.1	38.0
Martinique	5.8	7.7	18.9	20.2	20.2
Senegal	3.5	7.3	18.6	30.8	...

Table 47 (continued)

	Percentage change				
	From preceding year			In latest 12 months <sup>a/</sup>	
	1972	1973	1974 <sup>a/</sup>	Total	Food
3. <u>Experiencing a higher rate of inflation in 1974 than in 1973</u> (continued)					
Thailand	4.0	11.7	23.3	17.5	24.0
India	6.3	16.9	28.8	25.4	30.0
Pakistan	13.1	10.5	22.8	25.9	28.3
Paraguay	9.1	12.8	25.2	22.1	18.4
Brazil	16.7	12.9	25.8	27.9	31.7
Nigeria	2.9	3.6	16.5	18.8	24.1
Zaire	15.5	16.0	29.5	33.3	29.9
Ivory Coast	0.3	10.8	16.7	17.0	...
Mauritius	5.4	13.5	29.1	18.5	20.2
Mozambique	7.1	5.4	22.6	21.9	25.0
Mexico	6.4	16.5	34.3	27.1	25.3
Laos	25.2	30.7	49.7	47.3	57.1
United Republic of Tanzania	20.0	5.1	24.7	52.5	67.3
Israel	12.9	19.9	39.8	56.2	68.8
Republic of Korea	11.7	3.2	24.3	28.0	32.2
Madagascar	5.7	3.7	24.9	21.1	26.7
Barbados	11.8	16.7	39.1	36.6	41.3
Philippines	15.7	7.1	41.0	43.0	30.7
Bolivia	6.5	31.5	70.7	59.9	...
Uganda	-3.0	24.4	66.7	54.3	57.3
Khmer Republic	25.5	157.9	284.8	289.5	229.7
Chile	77.8	352.8	504.7	375.9	92.0

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

a/ Preliminary.

b/ Countries are listed in ascending order of the degree of acceleration as measured by the difference between the percentage increase in 1973 and the percentage increase in 1974.

c/ Based on a comparison of year-to-year changes in annual averages.

Table 48. Developing countries: distribution of changes in money supply, a/ 1974

Change in money supply from preceding year (percentage)	Number of countries	Countries <u>b/</u> in which, in relation to the trend during the preceding year, the trend registered during 1974 represents			
		Continuation	Deceleration	Acceleration	Reversal
Increase of:					
Less than 6.0	2		Kenya Pakistan		
6.0-9.9	7		Malaysia Paraguay Honduras Zambia Algeria	Mauritania	Trinidad and Togabo
10.0-14.9	9	Lebanon Sri Lanka	Kuwait Sierra Leone Haiti Thailand India	Madagascar Afghanistan	
15.0-19.9	7	El Salvador	Nicaragua Ethiopia Mexico Costa Rica Niger Jamaica		
20.0-29.9	19	Colombia Jordan Burundi Dominican Republic	Rwanda Brazil Upper Volta Israel Guatemala Nepal	Morocco Egypt Philippines Tunisia United Republic of Tanzania Mali Republic of Viet-Nam Guyana	Dahomey

Table 48 (continued)

Change in money supply from preceding year (percentage)	Number of countries	Countries <u>b/</u> in which, in relation to the trend during the preceding year, the trend registered during 1974 represents			
		Continuation	Deceleration	Acceleration	Reversal
Increase of:					
30.0-39.9	11		Malawi	United Republic of Cameroon Iran Sudan Ecuador Peru Iraq Somalia Ghana Venezuela Congo	
40.0 and over	13		Gambia Argentina	Saudi Arabia Bolivia Gabon Libyan Arab Republic Zaire Syrian Arab Republic Senegal Ivory Coast Mauritius Nigeria	Togo
Total	68	7	27	31	3

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/ Money supply is measured by the liabilities of the monetary system to the domestic private sector in respect of currency and demand deposits.

b/ Countries are listed in ascending order of the degree of acceleration as measured by the difference between the percentage increases in 1973 and 1974.

Table 49. Developing countries: sources of change in money supply, 1973 and 1974

Direction of change and causative factor <sup>a/</sup>	Percentage of countries <u>b/</u> in which the order of importance of the indicated factor in changing the supply of money in					
	1973 was			1974 was		
	First	Second	Third	First	Second	Third
<u>Expansion</u>						
Foreign assets (net)	29	23	17	29	20	12
Claims on government (net)	17	35	21	13	38	7
Claims on private sector	54	34	6	60	37	3
<u>Contraction</u>						
Foreign assets (net)	30	1	-	35	4	-
Claims on government (net)	22	5	-	41	1	-
Claims on private sector	3	3	-	-	-	-

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/ Based on the consolidated accounts of the monetary authorities and deposit banks.

b/ For list of countries, see table 48.

Table 50. Centrally planned economies of Eastern Europe and USSR: changes in gross fixed investment, 1966-1975

(Percentage)

Country	Average annual rate			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974 Planned Actual		1975, planned
Albania	...	...	...	...	...	...	...	...	...
Bulgaria	12.5	6-7 <sup>a/</sup>	2.4	1.7	10.0	8.2	3.5	-9.2	7.0
Czechoslovakia	7.2	6.2-6.5	8.0	5.7	8.7	9.2	10.8	8.7	7.4
German Democratic Republic	9.9	5.2 <sup>a/</sup>	4.2	.6	2.9	8.5	5.3	4.0	4.4
Hungary	8.4 <sup>a/</sup>	8.1-9.4	6.1	11.3	-1.0	4.2	ca.10	11	5.6
Poland	8.1	8.3	20.2	7.7	23.7	25.0	12.4	25.6 <sup>b/c/</sup>	15.4
Romania	10.9	8.4	11.6	10.5	10.4	8.3	18.1	17.3	22.0
USSR	7.6	6.7	6.5	7.2	7.1	4.6	6.5	7.0	7.3

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans and plan fulfilment reports, national statistical yearbooks and statistical bulletins.

<sup>a/</sup> Average annual change over preceding five-year period.

<sup>b/</sup> Socialist sector only.

<sup>c/</sup> At current prices.

Table 51. Centrally planned economies of Eastern Europe and USSR: selected indicators of growth of income and consumption, 1966-1975

(percentage)

Country	Average annual rate			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974 Planned	1974 Actual	1975, planned
<u>Bulgaria</u>									
Personal income per capita (real).....	6.1	4.6-5.4	6.0	4.2	7.4	7.4	5.0	5.0	4.3
Average wage (nominal)....	5.8	...	2.8	1.8	3.2	3.3	...	3.0	...
Retail sales (real).....	8.6	6.8	7.8 <sup>b/</sup>	6.5	6.6	8.5	8.5	9.5	7.1
Total consumption (real)..	7.2	8.4-9.4 <sup>a/</sup>	6.8 <sup>b/</sup>	7.4	6.4	6.7	...	...	...
<u>Czechoslovakia</u>									
Average wage (real).....	3.6	2.5-5.0	3.8	4.2	4.5	3.1	...	3.4	...
Retail sales (real).....	6.3	5.1-5.4	6.2	5.5	6.0	5.8	...	7.5 <sup>c/</sup>	...
Total consumption (real)..	5.5	4.9	5.8	6.2	5.2	5.9	5.9 <sup>c/</sup>	5.9 <sup>c/</sup>	4.4
<u>German Democratic Republic</u>									
Personal income per capita (real).....	4.1	4.0-4.5 <sup>a/</sup>	5.1 <sup>b/</sup>	4.1	6.4	4.8	...	...	...
Average wage d/ (real)....	...	...	3.4 <sup>b/</sup>	4.0	3.7	2.6	...	...	...
Retail sales (nominal)....	4.6	4.1 <sup>e/</sup>	5.4	3.9	6.0	5.8	4.8 <sup>e/</sup>	5.9	4.6
Total consumption (real)..	4.7	4.2	5.8 <sup>b/</sup>	5.1	6.3	5.9	...	...	...
<u>Hungary</u>									
Personal income per capita (real).....	6.0	4.6-4.9	4.8	4.5	3.1	5.0	5.0-5.5	6.6	3.5
Average wage (real).....	3.4	3.0-3.4	3.2	2.3	2.2	2.8	3.7	5.5	2.5
Retail sales (real).....	8.3	6.0-6.4	6.6	7.4	3.3	5.8	6.5	9.2	9 <sup>f/</sup>
Total consumption (real)..	6.0	5.0	5.1	6.1	3.1	4.4	5.2-5.6 <sup>g/</sup>	6.9 <sup>g/</sup>	3-3.5
<u>Poland</u>									
Average wage (real).....	2.1	3.4	7.8	5.7	6.6	11.2	ca.5 <sup>h/</sup>	ca.8 <sup>i/</sup>	ca.5
Retail sales (nominal)....	7.1	7.2	12.0	8.3	12.7	12.5	9.7 <sup>h/</sup>	14.5 <sup>i/</sup>	...
Total consumption (real)..	5.5	6.9	8.9	7.7	9.1	10.9	...	8	8.2

Table 51 (continued)

Country	Average annual rate			Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1974, actual	1971, actual	1972, actual	1973, actual	1974 Planned	1975, Actual	1975, planned
<u>Romania</u>									
Personal income per capita (real).....	4.1	7.0-7.4	8.8 <sup>b/</sup>	13.5	8.0	5.2	8.6	...	9.0
Average wage (real).....	3.7	3.5-4.2	2.8	2.2	1.8	3.2	...	4.4	10.0
Retail sales <u>i/</u> (nominal).	7.2	...	8.2	9.1	6.3	7.5	9.7	10.0	8.5
<u>USSR</u>									
Personal income per capita (real).....	5.9	5.5	4.4	4.5	4.0	5.0	5.0	4.2	5.0
Average wage (nominal)....	4.8	...	3.6	3.6	3.4	3.2	...	4.3	...
Retail sales (nominal)....	8.2	7.2	6.2	6.8	6.7	5.2	6.3	5.9	7.2
Total consumption (nominal).....	7.5	...	5.6 <sup>b/</sup>	5.8	5.8	5.3	...	...	...

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans and plan fulfilment reports, national statistical yearbooks and statistical bulletins.

a/ Estimated.

b/ For 1971-1973.

c/ Estimated from components.

d/ In socialist production only.

e/ Fund of consumer goods for sale.

f/ Nominal.

g/ Private consumption.

h/ Delivery of goods to domestic markets, presumably in real terms.

i/ Socialist sector only.

## Chapter IV

### OUTLOOK

The prospects for the world economy in the 12 months immediately ahead are much more uncertain than usual. The sheer size of the price changes that took place in 1972-1974 and of the imbalances that have emerged and the extraordinary coexistence of strong inflationary and recessionary symptoms have made the choice of economic policy mix extremely difficult in most market economies. And even where decisions have been made and specific measures enacted, the outcome is by no means assured: cross-currents within countries and the impact of external events may have an even stronger influence on developments.

By the beginning of 1975 most developed market economies, confronted with increasing unemployment, had adopted a reflationary stance, and most developing countries, with their terms of trade deteriorating, had begun to take defensive action. Since costs were still rising, however, and business profits were being squeezed while consumers were still apprehensive both about future income and about price increases, the effectiveness of the monetary and fiscal action so far taken remains in doubt. As the outcome of the first quarter of 1975 became known, forecasts for the rest of the year tended, almost everywhere, to become more cautious. This in turn cast a shadow over many of the developing countries. Until there is a strong recovery in demand in the developed market economies, the prospects for developing country exports and in some cases, indeed, for the whole development process, will remain bleak. Perhaps the two most positive elements in the 1975 outlook are the vigour with which economic development is proceeding in the oil-exporting countries and the reduction in the number of places in the grip of famine.

The centrally planned economies of Eastern Europe, entering the last year of their current five-year plans, are aiming at a rate and pattern of growth not greatly different from that achieved in the two previous years. As usual, their performance will depend to some extent on whether the agricultural sector lives up to the promise held out by a favourable spring. Given their growing links with outside markets, the great changes in world price relationships will also influence the outcome, especially in countries that have passive trade balances and are net importers of fuels and raw materials.

#### Developed market economies

Total output of the developed market economies will almost certainly be lower in 1975 than in 1974. This is virtually assured by the steep decline in production in the United States of America where the gross national product registered its fifth consecutive quarterly reduction in the first quarter of 1975: at an annual rate of 11.3 per cent this was the sharpest decline on record, and it brought real output down to 7.7 per cent below the peak attained in the last quarter of 1973. In the Federal Republic of Germany total output in the first quarter of 1975 was 3 per cent below the corresponding 1974 figure. At this stage Italy was expecting

a decline of 3 per cent in gross national product between 1974 and 1975, the Federal Republic of Germany and the United Kingdom foresaw no growth, and France and Japan revised their forecasts downward to a growth rate of 3 per cent. According to an estimate made by the Organisation for Economic Co-operation and Development in May 1975, industrial production in the five largest countries is likely to be 10-20 per cent less in the first half of 1975 than in the second half of 1974, and for all 24 member countries a decline of 3 per cent in gross national product is predicted. 1/

The three basic industries - steel, automobiles and textiles - all expect to produce appreciably less in 1975 than in 1973 or 1974. In the United States, steel production in the first five months of 1975 was running at 11 per cent below the corresponding 1974 level, and the prediction for the year as a whole was for a 15-20 per cent reduction. In March steel production in the European Economic Community was expected to be 6 per cent (9 million tons) lower in 1975 than in 1974, consumption 2 million tons lower, exports 4 million tons lower and inventories drawn down by 3 million tons. On average, the industry was expected to work at 75 per cent of capacity. In the first four months of 1975, however, production was 9 per cent below the corresponding 1974 level and new orders were down 30 per cent. By May 1975 guidelines for production curbs were being discussed. European automobile sales, which exceeded 9 million in 1973, are expected to be well below 8 million in 1975 and an even sharper decline is forecast for the United States. And the United States textile industry was employing 367,000 fewer workers in March 1975 than a year earlier.

In the face of this widespread weakness in demand trade forecasts have also become more pessimistic. In March 1975 the General Agreement on Tariffs and Trade (GATT) saw a possible 3 per cent expansion in the volume of world trade between 1974 and 1975, but a decline if production continued to stagnate. By May, OECD thought that the combined imports of member countries would be 10 per cent lower in the first half of 1975 than in the second half of 1974 - the steepest decline since the Second World War. Largely because of the vigorous growth in demand in the petroleum-exporting countries, OECD exports are unlikely to decline as much as imports. Estimates of the combined current account deficit of member countries have consequently diminished and in May 1975 the year's probable total was placed between \$18 billion and \$19 billion: 2/ smaller deficits were postulated for France and Italy, and a larger surplus for Japan, while the United States was thought likely to swing into surplus before the end of the year. A \$9 billion surplus was projected for the Federal Republic of Germany and a \$7 billion deficit for the United Kingdom.

By early 1975 the decline in demand was beginning to result in a slackening in the rate at which prices were rising. For the OECD countries as a group the retail price index rose at an annual rate of just under 10 per cent in the first four months of 1975, compared with about 15 per cent in 1974: the rate had dropped to 6 per cent in the Federal Republic of Germany, 10 per cent in the Netherlands and the United States, 14 per cent in Belgium, France and Japan, and over

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1/ Compared with an earlier forecast of a 2 per cent decline, followed by a comparable recovery in the second half of the year.

2/ Compared with a figure of \$27 billion-\$28 billion forecast earlier in the year, and an actual figure of \$33 billion-\$34 billion for 1974.

20 per cent in Italy and the United Kingdom (see table 52). Another manifestation of the recession was a rapid increase in unemployment: in the five major industrial countries the number of idle workers is expected to average 14 million in the first half of 1975, double the figure for the second half of 1974 and representing about 5 per cent of the work force.

It was this rapid increase in unemployment that impelled most Governments towards a more expansionary fiscal and monetary policy, less inhibited than in 1974 by the continuing rise in prices and the external deficits.

In the United States the aim of federal tax rebates and reductions, amounting to an estimated \$23 billion over the 1975/76 fiscal year, is to encourage consumer purchases of all kinds including, in particular, housing and durable goods. How rapidly an expansion can be effected is still far from certain: April brought a significant improvement in the indices of "buying plans" and "consumer confidence" and a 10 per cent increase in orders for durable goods, but the first quarter had seen a record \$13 billion inflow into savings and loans associations, and housing starts - at an annual rate of under 1 million - were at the lowest level since the Second World War. In April industry was operating at only two thirds of its capacity - 16 per cent below the corresponding 1974 figure. And the capital-spending plans of major corporations had been further reduced: from a 1975 increase of 12 per cent in money terms predicted in the autumn of 1974 to a 5 per cent increase - which means a 5 per cent reduction in real terms - predicted in the spring of 1975. Though there were further small declines in residential construction and fixed investment by business, the main component in the large first quarter reduction in gross national product was inventory liquidation. This was the first cut in real inventories since the 1960/61 recession and it came at the end of a steep two-year climb in the ratio of inventories to final sales. Further liquidation is expected but it will almost certainly be smaller, especially if there is an expansion in sales. In May, the Chairman of the Federal Reserve Board advised Congress that targets had been set for the growth in money supply in 1975/76: in the case of the smallest money aggregate - current bank deposits and currency - the rate was 5-7.5 per cent, compared to an actual expansion of 4 per cent in the preceding 12 months.

Illustrative of the cross-currents in the United States economy at this stage is the movement of the index of leading economic indicators compiled by the Department of Commerce. In March this index fell by 0.5 per cent, five of its components pointing to a deterioration in the economy and four to an improvement. 3/ In April it rose by a record 4.2 per cent. A new index - including four of the old components and eight new ones, chosen to reduce the distorting effects of inflation - also showed a 4.2 per cent gain in April after a 1 per cent rise in March, 10 of the components pointing to an improvement in the economy. 4/

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3/ Signalling deterioration in the economy were consumer instalment debt, new orders for durable goods, the ratio of price to unit labour cost, issue of building permits and the length of the average work week. The components moving favourably were share prices, new plant and equipment orders, industrial material prices and initial claims for unemployment insurance.

4/ Average work week in manufacturing, lay-off rate in manufacturing, speed of deliveries by manufacturers, change in total liquid assets, change in sensitive prices, new orders for plant and equipment (valued at constant prices), net business formation, share prices, new orders for consumer goods and materials (valued at constant prices) and building permits for new housing.

Projections released by the Administration at the end of May suggested that after stagnating in the second quarter, the United States economy would resume its growth in the third quarter and reach an annual rate of expansion of about 7 per cent in the fourth quarter. For 1975 as a whole the gross national product was expected to be 3.6 per cent below the 1974 level, but a 6.3 per cent gain was projected for 1976. Unemployment was expected to reach a peak in the third quarter of 1975 at a little over 9 per cent. The rise in consumer prices, on the other hand, was expected to decelerate, averaging about 9 per cent above the 1974 level in 1975 (compared with a prediction of over 11 per cent made in February).

In the Federal Republic of Germany, where the gross national product in the first quarter of 1975 was 3 per cent below the corresponding 1974 figure, the reduction reflected not only weak domestic demand but a significant decline in exports - the result of the recession in major trading partners and the completion by the chemical and capital goods industries of a number of large orders from Eastern European and petroleum-exporting countries. In January, in the face of mounting unemployment, an expansionary programme was adopted: money rates were lowered, a tax reform was enacted that should raise the disposable income of those in lower tax brackets, and a public expenditure programme was introduced that should result in a 10-11 per cent increase in the combined 1975 outlays of the Federal Government, the Länder and the local authorities. In May interest rates were again lowered and, as from the beginning of June, bank reserve requirements were also reduced to ensure that the supply of credit did not act as a constraint on the economy. Together with an increase in the disbursements of social security institutions, these measures are expected to revive domestic demand as the year progresses. This may in due course stimulate fixed investment: after two years of virtual stagnation this declined sharply in 1974 and is not expected to recover in 1975.

The continuing rise in unemployment also prompted reflationary measures in France. The discount rate was lowered by 1 per cent on two occasions early in 1975 and credit restrictions were relaxed; the tax prepayment system introduced in mid-1974 was ended; the minimum wage and various social benefits were raised; and to stimulate the construction industry the subsidy to local authority housing was increased and various government housing and public works projects brought forward in time. This cautious fiscal and monetary policy played a part in reducing the rate of inflation steadily from 4.2 per cent in the first quarter of 1974 to 2.7 per cent in the first quarter of 1975 and in turning around the trade balance to surplus in the first quarter of the year. But the number of registered unemployed increased steadily from 0.6 million in October 1974 to over 0.8 million in March 1975.

In the United Kingdom the first quarter of 1975 brought further deterioration in both internal and external balance: the rate of price increase was the highest among the industrial countries and a \$7 billion current account deficit was expected for 1975. In contrast to the fiscal measures adopted in 1974, the 1975/76 budget aimed at a significant movement of resources from consumption - public as well as private - to industrial investment. The strategy involves the forgoing of growth in 1975 in order to strengthen the base from which exports can be expanded in 1976 when world trade is expected to recover its earlier buoyancy. Unemployment continued to rise rapidly and in the six months ending in May 1975 the seasonally adjusted number of unfilled vacancies - often regarded as a more sensitive indicator of the state of the labour market - was almost halved.

In Italy the severely restrictive measures adopted in 1974 had greatly improved the state of balance in the economy entering 1975. The annual rate of increase in retail prices, which had reached to over 29 per cent in the third quarter of 1974, had receded to about 12 per cent in the first quarter of 1975. In the course of 1974 the non-oil trade balance had been brought into surplus and the over-all current account deficit for 1975 was projected at less than \$4 billion, about half the 1974 figure. Investment had been sharply curtailed, however, and at the beginning of 1975 industrial production was running at 14 per cent below the corresponding 1974 level. With unemployment and short time spreading, official policy began to relax restraints on demand. Interest rates were lowered from the extremely high rates (17 per cent and over) of 1974. The advance deposit scheme that had been used to curtail imports in 1974 was ended, releasing some \$2 billion for gradual repayment. Credits were made available to two weak sectors - construction and agriculture - as well as to a number of export industries. As a result of stimulation of this nature the pace of economic activity is expected to rise in the course of 1975 though, for the year as a whole, total production may be 2 per cent below the 1974 level - the first such decline since the 1950s.

In Japan, after a sharp decline in business activity in the first quarter of 1975 and spring wage settlements with gains averaging 12-14 per cent which, it was thought, made little or no provision for any increase in workers' real purchasing power, policy began to swing towards reflation. The April trade returns showed exports running 11 per cent above the corresponding 1974 level and imports 12 per cent lower, and an Economic Planning Agency projection suggested that the 1975/76 trade surplus might be double the earlier estimate of \$5 billion. Public works expenditure budgeted for the fiscal year beginning in April 1975 was advanced - two thirds to be spent in the first half of the year - and plans were formulated to stimulate housing construction. The over-all growth rate is expected to pick up as the year advances, reaching 5 or 6 per cent towards the end of 1975. This would be in line with longer-term plans which visualize a less heavily industrialized investment pattern and a rate of growth around half the pre-1974 average.

A projection made in April by the LINK international econometric forecasting group, <sup>5/</sup> after taking into account policies implemented or announced up to that time, indicates that the combined gross domestic product of the developed market economies is likely to be 2.3 per cent lower in 1975 than in 1974. Given normal harvests and no major change in economic policy, recovery is projected to get under way in the second half of 1975 and the gross domestic product in 1976 should be 3.8 per cent above the 1975 level. The swings in industrial production would be much sharper. While output in 1976 would have surpassed the 1973 pre-recession level, it would involve less than full utilization of capacity and would be associated with higher than pre-recession rates of unemployment.

Another feature emerging from the LINK projection is the slowness with which inflationary forces seem likely to abate: the rate of increase in the gross domestic product deflator is expected to slow down only slightly in 1975 and to

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<sup>5/</sup> The LINK project is an international short-term forecasting system, linking various national econometric models. It involves the collaboration of 11 countries and 4 international organizations, with the Wharton School of Finance and Commerce of the University of Pennsylvania acting as co-ordinating centre.

remain above the 1973 figure even in 1976. This is partly the result of a projected acceleration in price increases in the United Kingdom as compared with the average for 1974 (see table 52), but it also reflects the asymmetrical upward flexibility/downward rigidity characteristic of much price and wage formation in contemporary market economies. Lack of success in dealing with this by the restrictive use of conventional monetary and fiscal instruments was one of the factors accentuating the 1973-1975 recession, and the problem of assuring stable growth and equitable distribution of output remains a central one for future economic management.

The price increase will affect the unit value of exports from the developed market economies. The LINK projection suggests that the rate of increase in average unit value is likely to recede to a range of around 8 to 10 per cent in the 1975-1977 period. The increase in the volume of developed market economy exports is expected to recede from about 6 per cent in 1974 to around 2 per cent in 1975, recovering to around the 1974 rate in 1976 and exceeding it in 1977. Since the unit value of developed market economy imports is expected to rise somewhat less than that of exports, a slight improvement in the terms of trade is projected for the 1975-1977 period.

#### Developing countries

Except for those that have either large external reserves or assured export income - pre-eminently the petroleum exporters - the developing countries face a difficult period in the immediate future. The decline in demand in the developed market economies has weakened the market for their exports, and for many countries both volume and price seem likely to be lower in 1975 than in 1974. At the same time, inflation in the developed market economies is continuing to raise the unit value of manufactured goods which constituted around 70 per cent of their imports. The resultant deterioration in the terms of trade will tend to reduce the resources at the disposal of the developing countries. An offset may come from increased domestic production, particularly in the agricultural sector, or from a greater inflow of grants, loans and investment, but neither of these is certain and although prospects are not unfavourable, it is doubtful whether the gains from these sources will be sufficient or sufficiently widespread to prevent a decline in the average rate of growth of the developing countries in 1975. Even though the petroleum-exporting countries will probably achieve a much higher rate of growth in the years immediately ahead, in view of the set-back in foreign trade in the rest of the developing countries the attainment of the International Development Strategy target average of 6 per cent a year during the second half of the 1970s will depend very largely on a major improvement in agricultural production over the 1.5 per cent annual average registered in the first half.

In the first quarter of 1975 some commodity prices were still above the levels of the fourth quarter of 1974 - those of arabica coffee, tea, beef and olive oil, for example, as well as cotton and jute, aluminium and nickel, and manganese, chrome and iron ore. And some prices that were below that level were still well above the level of a year earlier - cocoa, sugar and sisal, for example. The countries whose external outlook was gloomiest were those exporting commodities the prices of which had risen less than the prices of manufactured goods - three fourths from 1970 to the end of 1974 - and were declining: among these commodities were robusta coffee, edible seeds and oils, wool, rubber and hides and skins. The price of copper was 40 per cent below the 1974 average and 10 per cent below the 1970 level but a fourth higher than before the 1973-1974

boom. Relative to 1970 levels, the prices of lead and zinc had risen more than those of manufactures in 1974 but were also falling in early 1975. This was the case with cereals also and, at a higher level, with linseed oil. Petroleum prices had risen between three and four times as much as those of manufactures (see table 53).

Because of the weakness of demand in the developed market economies, most primary commodity prices seem likely to decline in the course of 1975, especially in relation to the unit value of manufactured goods whose costs are continuing to rise in the industrial countries. Since commodities entered 1975 with such widely different price relationships, however, the impact of the expected decline will differ considerably from country to country. For the exports of developing countries, as distinct from the total world market, the average price of non-ferrous metals at the beginning of 1975 was not much above the level on the eve of the Second United Nations Development Decade. The average price for their agricultural raw materials was about twice that level, that of food-stuffs well over twice, and that of petroleum ores about five times, so that the average for all primary commodity exports of the developing countries (not including metals) was well over three times the 1970 level, having increased twice as much as the average price of manufactures.

The effect on imports of the impending deterioration in the volume of exports in the terms of trade will also depend on the state of external assets and liabilities and, like price relationships, this also differs from country to country. The decline in the real burden of debt service which characterized much of the 1972-1974 period will be reversed. This poses a potential threat to a number of developing countries, especially to the dozen whose debt service ratio (relative to export earnings) is more than twice the average and to some of those that borrowed extensively on the private market in recent years. In 1974 the process of reserve accumulation that was a marked feature of the two previous years came to an end in most developing countries and 1975 is likely to see a widespread decline in reserves. In view of the large increase in the cost of imports, this will impose a serious liquidity strain on a number of developing countries.

In the aggregate, however, foreign exchange reserves continued to increase in the first two months of 1975 - by \$2.5 billion in the petroleum-exporting countries and \$0.3 billion in the other developing countries, a decline in Africa and the western hemisphere being more than offset by a rise in Asia. Part of this increase reflects the continuing inflow of capital. Publicized credits from the Euro-currency market reached a total of \$1.2 billion in the first quarter of 1975, not much below the \$1.3 billion reported in the corresponding portion of 1974.

One sign of impending strain was a sharp increase in the number of countries seeking accommodation from the International Monetary Fund: there were 18 in the first quarter of 1975, compared with 10 in the first quarter of 1974 and net borrowing rose from \$63 million to \$311 million. And the period saw a number of exchange rate devaluations in Latin America and South and East Asia as well as the imposition of a number of import-reducing measures.

Export balances of petroleum-exporting countries are expected to continue to build up in 1975, though at a slower rate than in 1974. Developed market economy demand for petroleum may rise somewhat in the second half of the year if recovery gets under way. The volume of exports (and production) for the year as a whole,

however, is likely to be smaller than in 1974, and even though OPEC is considering the question of raising prices in order to maintain the purchasing power of petroleum over manufactured imports, export earnings of the group for 1975 seem unlikely to rise above 1974 levels. Receipts from foreign investments, however, will be substantially higher.

Saudi Arabia expects official revenue to amount to about \$30 billion in 1975, more than half of which will be available for investment abroad. Domestic expenditure is expected to continue to increase at about 20 per cent a year. Despite a poor agricultural outlook, Iran is forecasting a 26 per cent increase in national income for the year ending March 1976. Industrial growth is expected to approach 20 per cent. Though large food subsidies are planned, the consumer price index is expected to rise by about 14 per cent. Iraq is also prepared for a less-than-average agricultural output. With the ending of the Kurdish insurgency, however, investment in industry and infrastructure is being accelerated and an over-all growth rate of 15 per cent is forecast for the 1975/76 fiscal year. Except in Oman, where disturbances in the western region continue to strain the economy, the Gulf States also expect to spend more on infrastructure and industrialization. Bahrain, for example, has a 1975 budget which is 45 per cent greater than the high figure of 1974. An even larger expansion (74 per cent) has been budgeted for in Indonesia where, as a result of the increase in oil revenues, only 10 per cent of public expenditure for 1975 is to come from external loans and donations. With almost half of the budget going into investment, inflationary pressures are expected to remain strong, held in check - here as in other petroleum-exporting countries - by the increased ability to expand imports. In Venezuela, where inflationary pressures have also increased, larger investment in domestic industry is also expected to improve supplies. In Nigeria consumer demand has been greatly increased by a virtual doubling of civil service enrolments early in 1975, following a two-year freeze. This has created difficulties in the private sector, including industrial unrest, and a considerable expansion in imports is expected. In all the petroleum-exporting countries the goal is a rapid restructuring of the economy to create productive capacity capable of substituting in due course for the oil industry as deposits are depleted.

Elsewhere, prospects are mixed: the most critical factors are the composition of exports, the role of the export sector in the economy and the performance of agriculture. Some acceleration in growth is forecast in Argentina and Brazil on the basis of improved results in agriculture and industry, but the external balance is under strain. Argentina has to repay \$3 billion of debt in 1975 and although foreign exchange reserves were built up to a record \$1.8 billion by mid-1974 - three times the 1970 level - a major devaluation of the peso was deemed necessary in March 1975. In Brazil official objectives for 1975 are the maintenance of an adequate rate of growth, a reduction in the rate of inflation - for which a target of under 25 per cent has been set - and a strengthening of the external balance, preferably by expanding exports. In Chile and Mexico growth rates are expected to decelerate. Chile, caught in the slide of copper prices in 1974 and facing a prospective \$1 billion current account deficit, devalued the escudo on three occasions in the early months of 1975. Uruguay, faced with unfavourable prospects for its wool earnings, also devalued. Elsewhere there are expectations of greater intra-trade within the Andean Group, which effected a further 10 per cent cut in internal tariffs at the beginning of 1975, and within the Central American Common Market where a renewal of economic relations between El Salvador and Honduras has set the scene for further integration and industrialization.

In Africa the most hopeful development is the improvement in agricultural output in the western and Sahelian regions. Early in 1975 Ghana was reported to have achieved self-sufficiency in rice and maize, and Sierra Leone to be harvesting a record rice crop. A reduction in the need to import food should offset the impact of lower prices for exports of vegetable oils, rubber and robusta coffee. In East Africa the situation is less satisfactory: stocks were drawn down in the wake of drought in 1974, and in the early months of 1975 weather conditions have not been favourable in important parts of Ethiopia, Kenya, Somalia and the United Republic of Tanzania. A number of countries are expecting a further reduction in receipts from tourism in 1975. Though the year promises to be a difficult one for the maintenance of external balance, not all countries are equally affected: the export earnings of the phosphate and bauxite producers (such as Guinea and Morocco) as well as the petroleum producers (Algeria, Gabon and Nigeria) should be sustained and some of the prices that are now receding have been at extraordinarily high levels, as in the case of cocoa, sugar, sisal and olive oil. Many of the African countries, moreover, are signatories of the Lomé Convention which embodies a compensatory mechanism that comes into play if earnings from exports to partner countries in the European Economic Community drop significantly below previous levels. Egypt expects a major boost to its foreign exchange receipts from the reopening of the Suez Canal in June 1975: annual earnings are postulated at about \$450 million.

Several of the non-oil-exporting countries of West Asia expect to benefit indirectly from the region's huge receipts from petroleum exports. The lowest growth is predicted for Democratic Yemen and Yemen, with some improvement possible after the mid-year opening of the Suez Canal. Israel is expecting a growth rate of 5 per cent with heavy emphasis being placed on industries producing for export. In Jordan and Lebanon a growth rate about double that is expected, while the Syrian Arab Republic forecasts a growth rate of 14 per cent based on expanding oil production and the extension of irrigation in the Euphrates basin as well as a larger inflow of foreign funds for investment. All these countries visualize further inflation, in part imported, though at a somewhat lower rate than in 1974.

In South Asia some acceleration in growth is expected in Afghanistan, India and Pakistan and a continuation of low growth in Bangladesh and Sri Lanka. The improvement in Afghanistan is premised on an increase in the inflow of capital and in the outflow of exports, particularly of gas. Pakistan expects an expansion in industrial production in the second half of 1975 to underpin an 8 per cent advance in gross national product. This result is threatened, however, by a decline in the wheat crop following reduced planting in the dry weather of late 1974. This means larger imports and an increase in the cost of subsidy. In order to protect the budget, domestic prices of wheat (as well as sugar and edible oils) were substantially raised in April 1975. The food problem remains a more serious one in Bangladesh, though the April rice harvest, which provides a fourth of the year's production, is reported to have been satisfactory: a buffer stock of 125,000 tons has been acquired by the Government for stabilization purposes. About 0.6 million tons of wheat is being supplied by EEC in 1975, of which half will be in the form of a gift. Higher farm prices for rice encouraged the use of land for rice rather than jute, the 1974/1975 output of which - at less than 0.9 million tons - was almost a fourth below the previous year's figure. Jute prices on the world market, though rising in early 1975, were still lagging behind the prices of cereals and manufactures. In May the taka was devalued by 58 per cent, setting the scene for the raising of the official procurement price for jute in a move to stem the decline in production. The economy remains extremely import-dependent, however: the

1974/1975 development plan budgeted on obtaining three fourths of its outlays from foreign sources, and the external deficit seems likely to widen further in the course of the year.

In India the food situation has eased perceptibly. Spring grain crops are estimated at 26 million tons, 15 per cent above the 1974 level, and domestic prices have begun to decline. The Government, which has again nationalized the wholesale wheat trade, has retained the 1974 procurement price, however, and has set a target of 5.5 million tons for the public distribution system. It has also increased its order for delivery from the United States 1975 wheat crop to 1.3 million tons, over and above a food aid shipment of 0.8 million tons of wheat and rice. The agricultural improvement has not yet affected industry, the output of which remained sluggish in the early part of the year. For the 1975/1976 fiscal year, however, the Planning Commission has projected a 7-8 per cent expansion in industrial output and a 4-5 per cent expansion in agricultural output, which would mean a sharp acceleration in over-all growth compared with the 1-2 per cent achieved in 1974. Though tea prices, like those of jute goods, have been rising, they continue to lag behind the prices of manufactures and petroleum and, with unfavourable terms of trade and a heavy debt-service burden, the external deficit remains a major problem. On a smaller scale, Sri Lanka is suffering from a similar situation, exacerbated in early 1975 by declining prices for its exports of rubber, copra and coconut oil and by drought in one of its main rice-growing areas which is likely to increase its food import requirements.

Most of the countries of South and East Asia face larger external deficits in 1975, chiefly because of the falling off in demand for their exports, both primary and manufactured, accentuated in the case of the former by a decline in price from the high levels reached in 1974, especially for sugar and tin. A further reduction in tourist receipts from the high levels of 1973 is also expected. And in Thailand, where 1974/1975 crops were lower, there will be less rice to export, and a 20 per cent reduction in proceeds - from the high 1974 figure of \$0.5 billion - is expected. Most of the countries are taking compensatory action to maintain activity and employment. In Malaysia the 1975 budget embodies a one-fifth increase in both current and capital expenditures and a \$M 0.6 billion deficit, and this has been supplemented by an easing of the monetary restraints that were imposed in 1973/1974 to contain inflation. Singapore ended its curb on bank credit in January and budgeted for a 60 per cent increase in capital outlays in the 1975/1976 fiscal year. The Republic of Korea also eased credit curbs and accelerated public spending and, in addition, devalued the won by one sixth. Hong Kong has budgeted for a larger deficit than the modest one recorded in 1974. The results of these expansionary measures are far from certain: the general expectation is an acceleration in inflation while growth in gross domestic product decelerates owing to weak foreign demand.

Though the food situation has improved in the areas of most serious deprivation, the global position remains precarious. The end of the 1974/1975 crop year will probably find stocks further reduced in the case of each of the principal cereals - wheat, rice and coarse grains - and in both the net exporting and net importing countries (other than China and the Soviet Union). While population has increased by an eighth and demand by substantially more since 1970, cereal stocks have been halved. As a proportion of total available supplies, carry-over stocks have diminished steadily from about 26 per cent at the beginning of the 1970s to a mere 11 per cent in 1975. This low ratio leaves the world precariously dependent on current harvests. And particularly vulnerable are the

net importing developing countries in which there is a considerable year-to-year fluctuation in staple food crops. 6/

Given the probability that growth rates in the developed market economies will be rather modest in the period immediately ahead, it is important that development strategies in the developing countries be premised on adequate and mutually sustaining expansion of domestic agriculture and industry. The events of 1973 and 1974 have made necessary an early adjustment in the food and energy sectors. There is some evidence in the pattern of investment intentions for 1975 that this process has begun.

#### Centrally planned economies

The national economic plans of the centrally planned economies of Eastern Europe and the USSR indicate their intention to maintain in 1975 approximately the same rate of expansion in output as was attained during the previous two years. The target growth rates for net material product range from 6 to 15 per cent and are in most countries below the actual 1974 growth. Exceptions are Bulgaria, Romania and the USSR, where better harvests than in the preceding year are counted upon to produce some acceleration of the growth in total production. The year 1975 is the last of the present five-year plan period, and as a result of earlier investment important new production capacity is expected to be completed in most of the socialist countries and to begin adding to the output stream. In the light of recent performance, the targets for national product appear generally attainable, given reasonable success in the investment completion rate and favourable weather in the agricultural sphere.

Agricultural output and food production targets appear to have been set on the growth trend of the recent past and generally involve faster growth of crop production - at rather high rates in those countries in which crops suffered set-backs in 1974 - than of livestock output. Since reserves probably had to be drawn down in 1974, the state of the food-grain and feed-stuff balances in 1975 will depend heavily on climatic conditions.

The industrial expansion plans of the socialist countries for 1975 generally stress the engineering and chemical industries, and in some countries of the group above-average growth rates are also planned for metallurgy. A significant indicator of a changing development policy, however, is that in several countries the light and consumer goods industries, normally the slowest expanding sectors, have been set relatively high growth targets in 1975: in Poland, light industry is expected to expand the volume of output sold by 13 per cent (as against an 11 per cent growth target for industry as a whole), in the German Democratic Republic by 8 per cent (versus 6 per cent for all industry), and in Romania by 14 per cent (almost equal to the 15 per cent target for all industry). Though in

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6/ In May the International Wheat Council forecast a 1975 world wheat crop of 370 million tons, 7 per cent above the 1974 level. At that point the export commitments of the five major exporting countries for 1975/1976 stood at 11 million tons, well below the 16 million tons reported at the corresponding time in 1974. On this basis, the 1976 carry-over stocks of exporters, especially the United States, might register their first increase since 1970.

most of the other countries, and probably also in Romania, the output of producer goods is expected to grow faster than that of consumer goods, the divergence between the expansion paths of production for these two markets continues to narrow.

As in earlier years, but with increased urgency, production plans in the trade-dependent Eastern European socialist countries stress the need to increase output for export. While this emphasis reflects the general desire to contain trade imbalances, especially with the convertible currency area - which have grown in recent years of adjustment to increased exchanges with the market economies - the urgency derives from the deterioration of the terms of trade which in 1973-1974 affected the countries that are net raw material importers and rely for part of their supplies on the non-socialist world. In several countries stringent new regulations on raw material usage and especially on energy and fuel consumption complement these efforts.

The economic plans for 1975 appear to call in general for a slight enlargement in the share of accumulation in the distribution of national income. While the growth rate of planned investment outlays is generally lower than that experienced in 1974, in most countries it exceeds that of net material product. Although the standard of living of the population is expected to continue to rise in 1975, the planned growth indicators are almost all lower than those attained in 1974, the Soviet Union being a notable exception. Housing construction will continue to grow, but in some instances at a slower pace than in 1974. In several countries, further redistributive measures are planned, such as increases in minimum wage and salary scales, pensions, stipends and children's allowances.

A key issue faced by the Eastern European socialist countries in 1975 is how to combine a dramatically changed external balance with domestic economic stability while implementing the annual production and distribution plan. It should be noted that the published plans for 1975 were probably brought into balance prior to the decision of the CMEA member countries to adjust foreign trade prices in the intra-group market, a decision which is bound to worsen significantly the terms of trade of the raw material importing countries of the group (all but Poland and the USSR) and will probably put several of them into balance-of-payment deficit with other socialist countries. The changed cost relationships in foreign trade may call for some adjustments in the production and consumption programmes of several of the socialist countries even in 1975, although it appears that arrangements have been made, especially with the Soviet Union, to bridge the unexpected intra-group payments deficits by medium-term credits and other measures

Table 52. Developed market economies: changes in the retail price index, 1974-1975

Country	Percentage change over three months ending				
	March	June	September 1974	December	March 1975
Austria . . . . .	3.5	2.0	0.9	2.9	2.5
Belgium . . . . .	3.7	4.4	4.1	2.6	2.9
Canada . . . . .	2.8	3.6	2.3	3.0	1.8
Denmark . . . . .	3.0	4.8	3.5	3.3	1.1
Finland . . . . .	4.6	3.9	5.7	1.8	6.0
France . . . . .	4.2	4.0	3.2	3.0	2.7
Germany, Federal Republic of . . . . .	1.9	1.6	0.7	1.6	1.9
Greece . . . . .	4.8	3.8	0.6	3.6	-1.4
Italy . . . . .	5.7	4.9	7.2	4.7	2.9
Japan . . . . .	8.7	3.5	4.7	3.5	1.8
Luxembourg . . . . .	3.5	2.5	1.9	2.9	2.8
Malta . . . . .	2.8	2.8	1.1	2.2	2.3
Netherlands . . . . .	3.2	2.1	2.7	2.5	2.6
Norway . . . . .	3.8	1.1	2.9	2.9	4.3
Portugal . . . . .	11.8	0.3	9.4	-3.5	8.1
South Africa . . . . .	3.2	3.0	4.6	2.7	2.7
Sweden . . . . .	4.6	-0.1	2.1	4.5	1.2
Switzerland . . . . .	0.5	1.7	3.0	2.2	1.3
United Kingdom . . . . .	4.6	5.9	2.2	5.3	6.3
United States of America . . . . .	3.3	2.7	3.2	2.5	1.6
Yugoslavia . . . . .	2.7	7.9	2.8	7.3	5.1
Developed market economies, average <u>a/</u> . . . . .	3.9	3.1	3.2	2.9	2.2

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

a/ Weighted by the 1970 dollar value of private consumption.

Table 53. Price indices of primary commodities in world trade,  
1974-1975, first quarter

(1970 = 100)

Commodity	1974				1975, first quarter
	First quarter	Second quarter	Third quarter	Fourth quarter	
Wheat . . . . .	355	301	310	337	307
Rice . . . . .	292	291	262	249	233
Cereals . . . . .	302	268	279	294	268
Coffee . . . . .	135	141	122	123	127
Tea . . . . .	103	130	136	135	141
Cocoa . . . . .	204	292	276	267	238
Beverages . . . . .	142	161	146	145	145
Beef . . . . .	220	233	222	222	231
Sugar . . . . .	315	399	518	784	573
Oil-seed cake and meal . . . . .	202	148	175	206	182
Olive oil . . . . .	276	289	316	309	317
Copra . . . . .	356	334	278	227	153
Coconut oil . . . . .	289	312	279	195	134
Palm kernel oil . . . . .	357	362	303	237	159
Linseed oil . . . . .	598	568	587	624	439
Fats, oils and oil-seeds . . . . .	260	248	257	250	206
Wool . . . . .	250	232	196	169	166
Cotton . . . . .	269	240	229	202	...
Jute . . . . .	97	109	121	148	158
Sisal . . . . .	493	512	513	533	...
Textile fibres . . . . .	256	234	217	194	185
Rubber . . . . .	235	185	152	127	138
Hides and skins . . . . .	200	195	183	155	...
Manganese ore . . . . .	207	218	220	220	256
Chrome ore . . . . .	114	130	138	138	223
Iron ore . . . . .	152	143	146	147	164
Petroleum . . . . .	602	602	602	599	590
Crude fertilizer . . . . .	152	162	200	217	...
Aluminium . . . . .	105	118	131	140	142
Copper . . . . .	168	194	123	98	90
Lead . . . . .	209	212	185	179	180
Nickel . . . . .	126	128	143	144	157
Tin . . . . .	204	251	236	194	203
Zinc . . . . .	395	443	315	274	272
Unit value of manufactures . . . . .	145	161	167	175	...

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.

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