Department of Economic and Social Affairs

CURRENT ECONOMIC DEVELOPMENTS

World Economic Survey 1968 — Part Two

UNITED NATIONS
New York, 1970

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

E/4688
ST/ECA/119

FOREWORD

As in previous years the second part of the *World Economic Survey, 1968* is devoted to a review of recent trends in the world economy. Three chapters deal with events in 1968 and a fourth summarizes the outlook for 1969 as it appeared in the middle of the year.

The first chapter analyses the performance of world economy with respect to the production of goods and services. Country, regional and global data are presented for both agricultural and industrial output, as well as for over-all performance as measured by the gross domestic product. Changes between 1967 and 1968 are compared with the average rate of change recorded in the period 1960 to 1967. A similar method is adopted in chapter II in the case of international trade, and imports and exports are dealt with separately.

The third chapter takes up the question of economic balance in 1968, both internal and external. The state of internal balance is discussed in the light of such indicators as changes in unemployment and in wholesale and retail price levels. The state of external balance is measured by changes in the relationship between exports and imports—the commodity trade balance—and changes in international liquidity. Again the situation in 1968 is compared with that obtaining in the earlier part of the decade.

The fourth chapter brings together the available data on the performance of countries in the early months of 1969 and uses the analysis to discuss major problems likely to characterize the remainder of the year.

The *Survey* is based on information available in July 1969 to the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat, including the replies of Governments to the Secretary-General's questionnaire on economic trends, problems and policies, circulated in December 1968.

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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., 1960/61

Use of a hyphen (-) between dates representing years, e.g., 1961-1963, 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:

EEC	European Economic Community
EFTA	European Free Trade Association
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
OECD	Organisation for Economic Co-operation and Development
SDR	Special drawing rights

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 or territory or of its authorities, or concerning the delimitation of its frontiers.

Chapter I

PRODUCTION

World production of goods and services in 1968 was about 6 per cent above the figure for 1967. This was not only higher than had been widely expected at the beginning of the year but also above the average rate of growth in the first seven years of the decade. The 1968 results were above the longer term rate in all three country groupings (developed market economies, centrally planned economies, developing countries), most notably in the case of the developing countries. The only region to record a rate of growth appreciably below the 1960-1967 average was southern Europe, though the increase in the countries of the Central American Common Market was somewhat lower and there was a marginal falling off in North America (see table 1).

The forces leading to this upsurge in production differ from country to country, but among the most important are the relatively good agricultural harvests of 1967/68 and 1968/69, the reflationary policies which were pursued in some of the countries that had experienced a marked slackening in growth in 1967 and the unexpected resilience of demand in some of the countries that were seeking to improve restraints in 1968 in order to restore internal equilibrium or to defend their balance of payments.

The impact of favourable weather on the 1968 output is illustrated most strikingly in North Africa where there had been a substantial decrease of about one fifth in agricultural production in 1966. The 1967 harvest brought complete recovery in Algeria and a partial return to natural in Morocco and Tunisia. There was a further, smaller gain in Algeria in 1968, while agricultural output was up by 17 per cent in Tunisia and by about 40 per cent in Morocco. As a result, the gross domestic product increased by about twice the 1960-1967 average in Tunisia and by about three times that average in Morocco (see table 2).

Changes in agricultural production also played a major role in shaping the course of economic activity in southern and south-eastern Asia during this period. The failure of the 1965 and 1966 monsoons in India, for example, not only reduced agricultural outputs by 10 per cent and 2 per cent respectively but also brought the growth of over-all production virtually to a halt. An increase of one sixth in agricultural output in 1967 provided a greater flow of raw materials to many industries and was largely instrumental in raising the gross domestic product by over 9 per cent. A further gain of between 3 and 4 per cent in 1968 restored the rate of gross domestic product growth to approximately its 1960-1967 average. New high-yield seed and better climatic conditions resulted in a major improvement in the rice crop in most countries in the region: in Burma, Ceylon and Pakistan, rice production in 1966/67 was below the average for the first half of the decade, but recovering well in 1967/68 it was substantially above the average in 1968/69—3 per cent in Burma, 20 per cent in Pakistan and 40 per cent in Ceylon. Good 1968/69 rice crops were also reaped in the Philippines (about 20 per cent above the 1960-1965 average), Indonesia (30 per cent) and Malaysia (40 per cent), contributing in each case to the improvement in the over-all growth rate.

On a different scale, changes in agricultural production have also exercised a strong influence on over-all economic growth in the Union of Soviet Socialist Republics. The recovery from a period of poor crops came in this case in 1966; output has since tended to level out at the high figures then realized, with consequent benefit to the processing industries. Production in 1968 was below target because of shortfalls on the livestock side, but was notable for the fact that a 14 per cent increase in grain crops and a 3.5 per cent gain in total farm output were achieved in spite of unfavourable weather. The over-all expansion in national income of 7.2 per cent was above both the planned figure and the 1960-1967 average.

Good results in the agricultural sphere also played an important part in raising the rate of over-all economic growth in a number of other countries, particularly in Czechoslovakia, where three successive increases in vegetable and livestock production stabilized the food market during this period, Iraq, where there was a marked recovery in the barley crop and Poland, where the 1968 cereals yield was a record. Conversely, the deceleration in economic growth in such countries as the Dominican Republic, El Salvador, Greece, Malawi, Peru, Sudan, and Yugoslavia is in large measure

Table 1. World economic growth, by region, 1960-1968

(Average annual rate of increase as a percentage)

Region[a]	Annual increase in real gross domestic product[b] 1960-1967	1967-1968[c]
Developed market economies		
(22 countries)	5.2	5.7
North America (2)	5.2	5.0
Western Europe (16)	4.4	4.7
Japan	9.6	15.6
Southern hemisphere (3)	5.2	5.0
Centrally planned economies		
(7 countries)	6.6	7.0
USSR	7.0	7.2
Eastern Europe (6)	5.7	6.6
Developing countries		
(50 countries)	4.8	6.1
Latin America (20)	4.7	5.5
Central American Common Market (5)	6.2	5.4
Rest of Latin America (15)	4.7	5.5
Africa (14)	6.3	8.3
Excluding Libya	3.7	4.2
Asia (16)	4.9	6.2
Western Asia (5)	7.4	10.5
Southern Asia (3)	3.9	4.2
Eastern Asia (8)	5.3	7.5
Southern Europe (5 countries)	7.2	4.8
World[d]	5.5	6.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Yearbook of National Accounts Statistics*, *Monthly Bulletin of Statistics*, *Economic Survey of Latin America, 1968; Economic Survey of Europe, 1968* (Sales No.:69.II.E.1) and *Economic Survey of Asia and the Far East, 1968* (Sales No. 69.II.F.1); *United States Department of State, Agency for International Development Data Book* (Washington, D.C.); *United States Department of Commerce, Foreign Economic Trends* (Washington, D.C.); replies of Governments to the United Nations questionnaire of December 1968 on economic trends, problems and policies; and national sources.

[a] The regions comprise countries selected on the basis of availability of 1968 data, as follows:

North America: Canada and United States of America.

Western Europe: Austria, Belgium, Denmark, Federal Republic of Germany, Finland, France, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland and United Kingdom of Great Britain and Northern Ireland.

Southern hemisphere: Australia, New Zealand and South Africa.

Eastern Europe: Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland and Romania.

Southern Europe: Cyprus, Greece, Spain, Turkey and Yugoslavia.

Central American Common Market: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Rest of Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

Africa: Ethiopia, Ghana, Ivory Coast, Kenya, Libya, Madagascar, Malawi, Morocco, Nigeria, Southern Rhodesia, Sudan, Tunisia, Uganda and United Republic of Tanzania.

Western Asia: Iran, Iraq, Israel, Saudi Arabia and Syria.

Southern Asia: Ceylon, India and Pakistan.

Eastern Asia: Burma, China (Taiwan), Indonesia, Malaysia, Philippines, Republic of Korea, Singapore and Thailand.

[b] In most cases, based on official constant price data, using various base years; otherwise current price data deflated by the relevant cost-of-living index, with 1963 as a base; in the case of the centrally planned economies, based on net material product. In the case of the Union of Soviet Socialist Republics, the change between 1967 and 1968 reflects consumption plus accumulation (that is, net material product distributed).

[c] Preliminary, based in many cases on data for a period of less than twelve months.

[d] Based on 84 countries as indicated. Regional subtotals reflect country gross domestic product weights in 1967. Centrally planned economy aggregates were inflated to an approximate gross domestic product concept for purpose of weighting.

attributable to the fact that the agricultural output was smaller in 1968 than in 1967.

While the performance of the agricultural sector was thus a major determinant of total domestic production, on world economy its impact was more limited. Although, as indicated later in this chapter, the ups and downs of agricultural output exercised a considerable influence on the volume and unit value of international trade in a number of commodities. The expansion of industrial production

Table 2. Distribution of countries according to growth in real gross domestic product,[a] 1960-1968

Countries in which the growth in gross domestic product between 1967 and 1968 relative to the average annual growth between 1960 and 1967 was								
Significantly greater			*More or less the same*			*Significantly less*		
1960-1967[b]		*1967-1968*[c]	*1960-1967*[b]		*1967-1968*[c]	*1960-1967*[b]		*1967-1968*[c]
31	Libya	48	10	China (Taiwan)	11	4.0	Uruguay	0.3
9.6	Japan	16	9	Saudi Arabia	9	9.0	Romania	7.0
7.9	Republic of Korea	13	7.6	Thailand	8.5	7.6	Bulgaria	6.5
5.7	Iraq	12	7.2	Costa Rica	8	8.3	Panama	6
7.8	Israel	12	7.0	USSR	7.2	6.2	South Africa	5
3.2	Burma[d]	11	6.3	Singapore	7	5.7	Canada	4.7
3.3	Morocco	10	6.6	Mexico	7	7.8	Spain	4.5
7.7	Iran[d]	10	5.4	Honduras	6	5.7	Cyprus	4.5
8.0	Ivory Coast	10	6.5	Trinidad and Tobago	6	8.0	Nicaragua	4.5
4.8	Syria	8.2	5.5	Pakistan[d]	6	7.5	Yugoslavia	4
3.8	Ceylon	8	6.0	Portugal	5.5	7.4	Greece	4
5.8	Malaysia	8	4.7	Netherlands	5.5	5.2	France	4.0
6.4	Poland	8.0	5.1	Italy	5.2	6.4	El Salvador	4
4.6	Jamaica	7.5	5.4	Hungary	5.0	5.1	Norway	3.5
3.7	Tunisia	7	5.2	United States	5.0	4.5	Denmark	3.5
4.0	Czechoslovakia	7.0	4.8	Venezuela	5	4.3	Paraguay	3.2
4.3	Federal Republic of Germany	6.9	4.7	Colombia	5	4.6	Peru	3
5.3	Turkey	6.6	5.4	Bolivia	5	4.3	Uganda	3.4
4.9	Australia	6	5.2	Guatemala	5	4.2	Finland	2.5
3.5	Kenya	6	4.4	United Republic of Tanzania	5	7	Malawi	2.4
4.6	Philippines	6	4.7	Belgium	4.5	3.4	Dominican Republic	2
4.1	Brazil	6	4.7	Ethiopia	4.5	5.0	Chile	2
4.0	Eastern Germany	5.3	4.6	Ecuador	4	4.4	New Zealand	2
3.3	Ireland	5	4.6	Sweden	4	3.1	Sudan[d]	1
2.6	Argentina	4.8	4.2	Switzerland	4	3.2	Nigeria[d]	—
2.9	Luxembourg	4.5	3.9	Austria	4	5.4	Iceland	—2.8
2.5	Ghana	4	3.0	United Kingdom	3.5			
1.8	Indonesia	3	3.4	India[d]	3.5			
			3.6	Madagascar	3.3			
			3.1	Rhodesia	3			

Source: See table 1.

[a] Constant price data, various base years. For centrally planned economies see table 1, footnote *b*. In each column, countries are listed in descending order of the change from 1967 to 1968.

[b] 1961-1967 for some countries; 1964-1967 for Malawi, Rhodesia and Zambia.

[c] Preliminary. Where provisional estimates have been cited, figures have been rounded to nearest integer.

[d] Changes between fiscal years (beginning 1 July for Pakistan and Sudan, 1 April for India and Nigeria, 21 March for Iran, and ending 30 September for Burma).

in 1968 was generally more important in terms of the size and scope of its repercussions on other countries than the results achieved on the farms. This was particularly so in the case of the principal industrial countries where an acceleration in manufacturing activity involved a rise in the demand for raw material inputs and in incomes with a consequent increase in the demand for finished goods, from foreign as well as from domestic sources. Of special significance were the high rates of industrial expansion recorded in the Federal Republic of Germany and in Japan in 1968.

In the Federal Republic of Germany, the expansion reflects a consciously reflationary policy. Industrial production had fallen fairly steadily from mid-1966 to mid-1967, and throughout 1967, the number of registered unemployed workers exceeded the number of job vacancies. The official discount rate was cut in four successive steps from 5 per cent to 3 per cent in the first half of 1967 and the volume of credit absorbed by the private sector began to expand. By mid-1967, new orders were beginning to exceed deliveries in the manufacturing sector. Industrial production, which had declined by 2 per cent between 1966 and 1967, rose erratically but sharply from mid-1967, and output in 1968 was 11 per cent and more above that of the previous year. Fixed investment, which had diminished in 1967, expanded by rather more than 7 per cent and private consumption stimulated by a considerable increase in transfer expenditure in the 1968 budget rose by 3.5 per cent, almost six times the modest increase recorded in 1967. As demand increased, imports, which had remained more or less static in annual volume over the three years 1965-1967, began a rapid and sustained rise that carried the volume of imports for 1968 as a whole to one sixth above the previous level. This upsurge was a significant stimulus to partner countries, both in western Europe and further afield.

The expansion in Japanese industrial production was even more vigorous—about a sixth between 1967 and 1968—but its impact was concentrated more on the primary exporting countries. It started earlier than in the Federal Republic of Germany: the downward trend had been reversed in 1965 and growth was rapid throughout 1966 and 1967. That it could continue virtually unchecked through 1968 reflects an unusual combination of factors. There was a gentle internal stimulus on the economy resulting in part from an increase in public consumption and in part from a relaxation of monetary restraints. Though a steep rise in wages and consumer prices points to some strain on resources, a reduction in the rate of stock accumulation and a further gain in capacity utilization, raising the latter to a record level, tended to lessen the pressure, and wholesale prices remained remarkably stable. The external constraint was less in evidence than in earlier periods of rapid industrial expansion: imports rose much less than exports and for the year as a whole there was virtually no trade deficit, while the capital account deficit was reduced by sales of Japanese securities as well as by long-term borrowing.

One of the forces that had been expected to exert a negative impact on world economy in 1968 was the United Kingdom effort to restrain domestic demand and to work towards a trade surplus. In the event, despite deflationary fiscal and monetary measures, private consumption increased more between 1967 and 1968 (by 3 per cent) than it had in the previous period (2 per cent) and though there was some deceleration in public consumption in investment, total final demand advanced almost as much as in 1967. Though a reversal in the trend in export growth was achieved and 1968 receipts were about 6 per cent above the 1967 level, imports rose almost as rapidly and, at $2 billion, the trade deficit was actually greater than in 1967.

In terms of its impact on activity in other countries, however, the upswing in the United States was by far the most important single factor. Final domestic demand which had increased by about $50 billion (in current prices, 4 per cent in real terms) between 1966 and 1967, rose by $70 billion (5 per cent in real terms) between 1967 and 1968, the main stimulus coming from the private sector, both for fixed investment (which had declined slightly in 1967) and for personal consumption (which rose almost twice as much as in 1967). Unemployment, which had begun to rise in 1967, dipped again and, notwithstanding the enforcement of a 10 per cent surcharge on income taxes and a fairly stringent monetary policy, the upward movement of prices, both wholesale and retail, began to accelerate. The pressure on resources was accentuated by the lengthy strike of copper miners, which ended, in its ninth month, in March 1968, and by precautionary buying of steel against the possibility of a strike in the second half of the same year.

As a result, United States imports expanded by almost a fourth, to over $33 billion. The increment of $6.3 billion was about four times as great as that registered in 1967. One fourth of this was accounted for by motor vehicles, 2 per cent by copper, 10 per cent each by iron and steel, "basic materials" and food-stuffs, while the remaining 40 per cent comprised miscellaneous manufactures. Almost 30 per cent of the increment came from Canada, reflecting in part the operation of the 1967 free trade agreement on motor vehicles. About a sixth came from Japan and an eighth from the Federal Republic of Germany; the remaining 40 per cent came in more or less equal proportions from other developed market economies and from the developing countries.

As a result of these and other stimuli, the world economy recovered strongly from the slowdown that had characterized 1967. World mining production (outside mainland China) increased by twice as much as it did between 1966 and 1967. Petroleum output was up 9 per cent (as against 7.5 per cent); copper production which had declined by 10 per cent in 1967 was up 12 per cent, zinc was up 12 per cent and lead 7 per cent (following virtual stagnation in 1967). The rate of growth of electricity production rose from under 7 per cent to nearly 9 per cent. The output of both steel and cement exceeded 500 million tons, a record figure 6-7 per cent above that for 1967, compared with an increase of less than 5 per cent in the previous interval. Motor vehicle production, which had declined in 1967, rose by almost a sixth in 1968. The rise in natural rubber production more than doubled, to over 6 per cent in 1968.

In 70 per cent of the eighty-four countries for which 1968 data are available, the rate of growth in over-all product was in line with or higher than the average recorded in the first seven years of the decade. The expansion between 1967 and 1968 was just on 5 per cent in about a tenth of the countries and it was appreciably above 5 per cent in more cases than it was below.

A majority of developed market economies—thirteen out of twenty-two—registered a growth rate of less than 5 per cent in 1968. Only in the Federal Republic of Germany and Japan was expansion markedly greater than that, though in seven other countries, including Italy and the Netherlands, the 5 per cent rate was surpassed. Only a fourth of the developed market economies did better in 1968 than the average over the first seven years of the 1960s. Poorer performances by France, the Scandinavian countries and New Zealand brought the proportion of developed market economies which fell significantly short of earlier growth rates to well over a third.

None of the European centrally planned economies grew at less than 5 per cent in 1968. Only in Bulgaria and Romania, where as indicated above, climatic conditions were particularly unfavourable, was the 1968 rate significantly below the decade average. The most notable advances over earlier growth rates were recorded in Czechoslovakia, Eastern Germany and Poland.

Among the developing countries, more than half increased their gross domestic product by over 5 per cent in 1968. About a third of the fifty countries for which estimates can be made registered a rate of growth above both the 5 per cent mark and the average for the first seven years of the decade. Apart from the recovery in Morocco and Tunisia, referred to above, there was a notable acceleration in Iran, Iraq, Israel and Syria and, most strikingly, in Libya where, in the wake of the closing of the Suez Canal, petroleum production increased by well over 50 per cent.[1] Sizable gains were also recorded in Burma, Ceylon, Malaysia, the Philippines, the Republic of Korea and Singapore, as well as in Brazil and Jamaica, and the Ivory Coast and Kenya.

Most of the developing countries whose 1968 performance was in line with the decade average increased their total output by more than 5 per cent. Included in this group were a number of countries in the Carribean area such as Costa Rica, Honduras, Mexico and Trinidad and Tobago and some in Asia, like China (Taiwan), Pakistan and Saudi Arabia. Another group of Latin American countries. Bolivia, Colombia, Guatemala and Venezuela, just about maintained a 5 per cent growth rate.

At the low end of the growth spectrum are those developing countries in which output increased by less than 5 per cent between 1967 and 1968. Most of these experienced a significant deceleration in 1968, but some were merely continuing the low growth rates of the earlier part of the decade and a few fell short of the 5 per cent mark despite a sharp acceleration. Of the nineteen developing countries with poor 1968 results, half were in the group with growth rates below the decade average, and all but three—El Salvador, Malawi and Nicaragua—were countries in which the longer term rate of growth was also below the 5 per cent rate. Among these lagging countries were some of the largest, such as Argentina, India, Indonesia and Nigeria, accounting between them for about one half of the population of the developing regions.

In Argentina, there was a sharp recovery in industry after three static years, but agricultural results were substantially below the 1967 level and this served to hold down the over-all growth rate. As in Argentina, the 1968 results in Indonesia were above the long-term trend, the harvest was a favourable one and there were sizable gains in tin and petroleum mining; but in the aggregate, production seems to have increased only fractionally more than population.

In the case of India, the major recovery from the 1965-1966 failure of monsoons came in 1967, with a record improvement in the output of agriculture. Some further gains were made in 1968 but these were relatively modest, barely maintaining the rather low average growth in total production achieved in the first part of the decade. Nigeria, with a similar low long-term rate of increase in production, was disrupted by civil war in 1968 and economic growth was virtually brought to a standstill.

Industrial production

The most striking aspect of the 1968 recovery from the 1967 slowdown which reduced the rate of growth in world industrial production to below 5 per cent was the upsurge in the developed market economies. The rate of expansion in North America and western Europe had receded to about 1 per cent between 1966 and 1967; it rebounded to nearly 5 per cent in North America, although, this was still short of the decade average and to nearly 8 per cent in western Europe, a figure in this case well above the decade average. As a result, the overall industrial growth of the developed market economies which had fallen to half its decade average in 1967 regained the 6 per cent rate in 1968 (see table 3).

Among the developed market economies, the lagging countries in 1968 included Canada, France, Finland, New Zealand, Norway, South Africa and the United States. Though in all these countries except South Africa, industrial production increased more between 1967 and 1968 than between 1966 and 1967, the rate of expansion did not regain the 1960-1967 average (see table 4).

[1] This upsurge raised Libya, which drilled its first wells in 1961, to sixth position among the world's producers of petroleum. In 1968, the Libyan output was 126 million tons, above that of Kuwait (122 million) and only slightly below that of Iran and Saudi Arabia (150 million each). The only larger producers were Venezuela (189 million), the USSR (308 million) and the United States (450 million)

Table 3. World industrial growth, by region, 1960-1968

(Percentage)

Region	Annual rate of increase[a]	
	Average 1960-1967	1967-1968[b]
Developed market economies	6	6
North America[c]	6	5
Western and southern Europe[d]	4.5	8
Japan	10	17
Southern hemisphere[e]	7	4
Centrally planned economies[f]	8.5	8
USSR	8.8	8
Eastern Europe[g]	7.7	8
Developing countries	6.5	8
Latin America[h]	4.9	6
Asia[i]	7.5	8
World	6.5	7

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

[a] Where provisional estimates are cited, figures are rounded to nearest integer.

[b] Preliminary.

[c] Canada and United States.

[d] Excluding Cyprus and Turkey; including Finland, Greece, Israel, Malta and Yugoslavia.

[e] Australia, New Zealand and South Africa.

[f] Excluding China (mainland), Cuba, Mongolia, North Korea and North Viet-Nam.

[g] Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland and Romania.

[h] Including the Caribbean islands.

[i] Including Cyprus, Mongolia and Turkey; excluding Israel.

In Canada, the main increase was in durable goods, the output of which had declined in 1967. In the United States, by contrast, the output of non-durable goods increased substantially more than that of durable goods. In both cases, however, the stimulus came chiefly from consumer demand which rose much more vigorously than business investment. This was particularly so in Canada where, notwithstanding a reduction in fixed capital formation in the major productive sectors, industrial output was almost 8 per cent higher in the fourth quarter of 1968 than in the corresponding period of 1967.

In France, widespread strikes severely disrupted industry in the second quarter. Although by the end of the year production was running almost one eighth above the corresponding 1967 level, for the year as a whole the rate of growth was well below the longer term average. The output of passenger cars, though about 3 per cent above the 1967 level, was only fractionally greater than in 1966; while in the case of textiles, production failed to regain even the 1963 level. Construction, which had been rising fairly briskly, declined slightly in 1968.

A levelling off of production caused the year-to-year expansion to fall well below the trend in Finland and Norway. In both cases exports demand was the main growth factor. In Norway, indeed, the output of domestic consumer and investment goods was lower in the fourth quarter of 1968 than in the corresponding quarter of 1967.

In South Africa, the rapid growth in manufacturing that had characterized the earlier years of the decade was slowed down by efforts to curb domestic inflation; while in New Zealand, deflationary policies adopted to correct a serious external imbalance served to inhibit industrial growth altogether.

In Australia and a few western European countries, such as Italy, Sweden and Switzerland, industrial expansion between 1967 and 1968 was approximately in line with the decade average. In Italy, there was some slackening from the vigorous recovery that had occurred in 1965 and 1966, especially in the case of the production of consumer goods, but 1968 growth was up to the average for developed market economies average. This was also the case in Sweden and Switzerland, where the 1967 tendency towards a slowdown in manufacturing output was reversed in 1968.

In Japan and in the remaining countries of western Europe, notably in the Federal Republic of Germany and the Netherlands, but also Austria, Belgium, Ireland, Luxembourg and the United Kingdom, the rate of industrial expansion between 1967 and 1968 was well above the decade average.

As indicated above, the stimulus to industry in Japan came from both domestic and external demand. The output of non-durable consumer goods rose by about 7 per cent and that of producer (intermediate) goods by about 15 per cent—both roughly in line with the decade trend. The main upsurge was in the production of finished durable goods, both for investment (a 25 per cent advance) and for consumers (31 per cent).

The industrial expansion in the Federal Republic of Germany was more uniform: producer goods, investment goods and consumer goods other than food all increased by about 14 per cent. In the Netherlands, the most dynamic branch of industry was that producing chemicals in which output rose by almost a fourth between 1967 and 1968. The growth in metal products (7 per cent) was nearer the trend, while the output of textiles and clothing, recovering from the 1967 recession, oscillated around the 1963 level. Belgium and, to a much greater extent, Luxembourg benefited from the improvements in the situation of the steel and related metallurgical industries, the output of which, after remaining more or less static for two years, rose by 6-8 per cent in 1968.

Table 4. Distribution of countries according to rate of industrial growth, 1960-1968[a]

(Percentage per annum)

Countries in which, relative to the increase in industrial product between 1960 and 1967, the increase between 1967 and 1968 was								
Significantly greater			*More or less the same*			*Significantly less*		
1960-1967		*1967-1968*[b]	*1960-1967*		*1967-1968*[b]	*1960-1967*		*1967-1968*[b]
5.8	Ceylon	50	12	Bulgaria	12	13	Turkey	10
15	Republic of Korea	32	13	Romania	12	12	Iran	9
10	Israel	29	8.2	Poland	9.3	11	Pakistan	9.2
15	China (Taiwan)	19	8.2	Mexico	8.5	13	Panama	7.7
.	Singapore	18	8.8	USSR	8.1	8.9	Yugoslavia	6.9
8	Syria	17	.	Uganda	8	15	El Salvador	6.8
10	Japan	17	9.8	Bolivia	7.3	9.5	Greece	6.2
4.3	Brazil	12	6.1	Colombia	6.5	7.2	Canada	5.4
6.2	Ireland	12	6.3	India	6.5	7.7	Hungary	5.0
4.1	Federal Republic of Germany	12	7.4	Italy	6.3	11	Spain	4.8
6.1	Netherlands	11	6.3	Sweden	6.3	6.3	United States	4.7
7.0	Philippines	10	5.9	Eastern Germany	6.1	5.9	Denmark	4.4
4.5	Venezuela	9	7.7	Peru	6.0	5.1	France	4.2
3.0	Zambia	9	5.7	Australia	5.7	5.8	Norway	3.9
2.8	Rhodesia	8	5.8	Czechoslovakia	5.2	9.2	South Africa	3.6
5.4	Ghana	8	1.0	Uruguay	2.0	6.0	Finland	3.2
3.1	Argentina	8				4.3	Paraguay	0.3
0.6	Luxembourg	6.6				5.7	Chile	—
4.6	Belgium	6.2				6.1	Guatemala	—
4.1	Austria	6.0				4.4	Senegal	—
4.6	Switzerland	6.0				6.9	New Zealand	—1.6
2.7	United Kingdom	4.5						

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, *Economic Survey of Latin America, 1968*; *Economic Survey of Asia and the Far East, 1968* (Sales No : 69.II.F.1) and *Statistical Bulletin for Latin America, and* national sources.

[a] In each column, countries are listed in descending order of the change from 1967 to 1968.

[b] Preliminary; based in some cases on data for a period of less than twelve months.

In the United Kingdom, there was also a marked, if more modest, recovery in the metal and metal products industries. Textile and clothing output recovered rather more sharply, while the output of the chemical industry continued its steadier growth.

These interindustry differences are in evidence in regional aggregates. In the period 1960-1967 and in 1968, in North America and in western Europe, the growth of heavy industry was more rapid than that of light industry and within the heavy category, the chemical branch remained the most dynamic. In the developed market economies as a whole, however, the most striking feature of the industrial performance of 1968 was not the continued high growth rate of the chemical industry (10 per cent above the 1967 level) so much as the sharp improvement in the output of basic metals (a 7 per cent expansion, compared with a longer term trend of 4-5 per cent) and in textiles (6 per cent as against 3-4 per cent) and the strength of the expansion in the metal products industry whose growth rate rose in successive quarters during the year (see table 5).

In the centrally planned economies, the gain in industrial production between 1967 and 1968, though above the world average, was well below the high rate recorded between 1966 and 1967 (9.5 per cent for the group) and slightly below the trend for the decade. The only country to register an acceleration in industrial growth in 1968 was Poland, where the gain was appreciably greater than planned and slightly more than the longer term average. In general, the less industrialized members of the group (Bulgaria and Romania) achieved the highest rates of expansion, both in 1968 and over the decade as a whole, while the more industrialized (Czechoslovakia and Eastern Germany) recorded the lowest rates.

The slowing down of industrial growth in the centrally planned economies in 1968 was related in some degree to the economic reforms and structural changes now under way in these countries, since these modifications tend to shift the emphasis from quantitative targets to improvements in productive efficiency and the quality of output. It is noteworthy that in Czechoslovakia and the USSR, the expansion in the output of consumer goods exceeded, for the first time, that of producer goods. Nevertheless, as has often been the case in recent years,

Table 5. Industrial production: changes by region and branch, 1967-1968

(Average annual growth as percentage; 1968 index, corresponding period of 1967 = 100)

Region[a] and period	Mining	Light manufacturing[b]			Heavy manufacturing[c]			
		Total	Food	Textiles	Total	Chemicals	Basic metals	Metal products
World								
Average annual growth, 1960-1967	4.8	4.5	4.7	3.8	7.9	9.2	5.7	8.3
1968	106	105	103	106	109	111	107	109
First quarter	105	106	105	107	108	110	109	107
Second quarter	107	104	103	104	108	110	109	107
Third quarter	105	104	103	106	109	112	107	109
Fourth quarter	106	105	103	106	110	111	106	111
Developed market economies								
Average annual growth 1960-1967	2.4	4.1	3.6	3.2	6.7	8.7	4.4	6.8
1968	104	105	103	106	107	110	107	107
First quarter	104	103	103	107	105	109	109	105
Second quarter	104	104	102	104	106	109	110	104
Third quarter	104	105	103	108	109	112	106	108
Fourth quarter	104	105	103	106	109	111	106	109
North America								
Average annual growth 1960-1967	3.2	4.2	3.1	4.5	6.3	7.3	4.0	6.9
1968	103	104	103	108	105	108	104	104
First quarter	103	103	101	108	103	107	106	102
Second quarter	104	104	102	107	106	108	113	103
Third quarter	103	105	103	110	105	108	100	104
Fourth quarter	103	104	103	103	105	109	96	106
Western Europe								
Average annual growth 1960-1967	0.4	3.5	3.7	1.3	5.3	9.7	2.7	4.5
1968	104	105	103	106	108	112	111	106
First quarter	105	104.5	104	105	107	111	110	104
Second quarter	99	103.5	102	102	103	109	106	101
Third quarter	105	105.6	102	108	112	116	113	111
Fourth quarter	105	106.7	102	108	112	114	115	111
European Economic Community (EEC)								
Average annual growth 1960-1967	0.4	3.4	3.8	1.1	5.7	10.5	2.7	4.5
1968	106	106	...	107	109	114	112	106
First quarter	108	105	105	106	108	113	113	105
Second quarter	100	105	104	102	104	109	106	100
Third quarter	108	108	104	111	113	117	114	112
Fourth quarter	107	109		110	114	115	116	112
Centrally planned economies								
Average annual growth 1960-1967	7.2	5.1	6.2	4.8	11.1	12.9	8.1	11.6
1968	106	104	105	105	111	112	107	112
First quarter	108	109	108	106	112	113	109	112
Second quarter	107	104	105	105	111	112	107	112
Third quarter	106	103	104	104	110	112	106	111
Fourth quarter	105	103	104	106	111	108	106	113
Developing countries								
Average annual growth 1960-1967	6.5	5.3	4.7	4.1	7.3	7.1	7.0	7.6
1968	109	104	103	107	110	111	110	111
First quarter	103	104	102	109	107	108	103	
Second quarter	113	104	107	102	108	111	106	
Third quarter	110	104	103	107	113	114	114	
Fourth quarter	109	105	102	107	115	114	115	
Asia								
Average annual growth 1960-1967	7.7	5.3	4.3	3.7	9.3	6.6	10.7	11.9
1968	110	105	104	108	111	112	107	115
First quarter	101	106	102	113	106	107	98	108
Second quarter	116	107	112	102	108	111	109	108
Third quarter	111	104	106	107	113	113	108	120
Fourth quarter	108	104	99	107	117	114	112	127

Table 5. Industrial production: changes by region and branch, 1967-1968 (*continued*)

Region[a] and period	Mining	Light manufacturing[b]			Heavy manufacturing[c]			
		Total	Food	Textiles	Total	Chemicals	Basic metals	Metal products
Latin America								
Average annual growth 1960-1967	3.7	4.0	4.2	2.3	6.1	6.6	6.0	5.7
1968	103	103	103	104	111	114	112	
First quarter	104						107	
Second quarter	104						104	
Third quarter	101						119	
Fourth quarter	99						118	

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

[a] For definition of regions, see table 3.
[b] International Standard Industrial Classification (ISIC), 20-26, 28-30, 39.
[c] ISIC 27, 31-38.

the most rapid growth was generally registered in the chemical and machine-building industries.

The sharp recovery in the performance of industry in the developing countries, from an increase of only 4 per cent between 1966 and 1967 to one of almost 8 per cent in 1968, reflects a marked acceleration in activity in Latin America and continued high growth rates in eastern Asia.

The Latin American upsurge was based in part on the development in Argentina, referred to above, and in part on the trebling of the rate of industrial expansion in Brazil, where housing investment and an enlarged flow of credit to manufacturing provided a powerful stimulus. On a smaller scale, there was also an acceleration in Venezuela, based largely on a higher rate of public investment and on the efforts of the petroleum industry to improve its competitive position (by reducing the sulphur content of its crude oil, for example). Satisfactory rates of increase were also registered in Mexico, where demand for manufactures was stimulated by the activities surrounding the Olympic Games, and to a lesser extent in Bolivia and Colombia, where public sector investment was an important stimulant.

At a somewhat lower rate, industrial growth continued in Peru, based in part on a record output of refined copper and zinc and of fishmeal which was for the first time within sight of 2 million tons or over one third of the world total. In Uruguay there was a slight upward movement from the virtual stagnation that has marked the 1960s, but the local market remained too small to absorb a rapid rise in the characteristic processing industries and the industries themselves were too inefficient to compete successfully abroad.

In contrast to the majority of Latin American countries, where industrial production was maintained or accelerated in 1968, are a few in which there was a marked deceleration. They include Chile, El Salvador, Guatemala, Panama and Paraguay. In general, the poor 1968 results in industry reflect vicissitudes in agriculture or exports or both. In Panama, the volume of oil refined, which had been rising rapidly in the 1960s, levelled off in 1968. In Paraguay the principal decline was in meat canning, which was down a fifth from the high 1967 level, though the volume of sugar refined was also smaller. In Chile, steel production was down sharply and there was a reduction in the output of copper ore, but the chief set-back lay in the effect of a severe drought on rural areas with a consequent decline in the demand for industrial products.

In the aggregate, industrial production in Latin America in 1968 was over 6 per cent above the 1967 level. The main advance was in heavy manufacturing, with both the chemical and basic metals branches increasing their output by twice the decade average. The expansion in light industry and also in the mining sector was much more in line with the earlier trend and not a great deal higher than the rate of population growth.

In eastern Asia, the rapid pace of the advance was set by the Republic of Korea, where the rate of industrial expansion almost doubled, and by China (Taiwan) where the high growth rate of recent years was not only maintained but even slightly increased in 1968. The increment in manufacturing output accounted for almost half the over-all gain in gross domestic product in the Republic of Korea, much of it, particularly clothing and plywood, going into exports. The growth of manufacturing in China (Taiwan) was also largely export-based and as in the case of the Republic of Korea, greatly stimulated by the rise in import demand in the United States. A notable feature of 1968 expansion was the new degree of diversification: the highest growth rates were recorded in electrical equipment, rubber products, machinery and various wood products. Major advances were also registered in Hong Kong, where industrial employment rose 10 per cent and domestic exports 20 per cent, and Singapore, where an 11 per cent increase in manufacturing output in 1967 was followed by an 18 per cent increase in 1968. In Thailand, favourable harvests and heavy outlays on construction brought large industrial gains, though on a narrow front: cement and electricity production were both up about a third from 1967 levels. In the Philippines, manufacturing production, with had slackened in 1967, increased more vigorously in 1968 under the influence of a better harvest: though a widening of the external deficit began to constrain activities as the year progressed, preliminary data suggest that the advance during the twelve-month period was well above the average for the 1960s.

In contrast to developments in eastern Asia, industrial production in southern Asia expanded at more or less the earlier, relatively low average. The lag was mainly in India which continued to experience great difficulty in revitalizing its manufacturing sector after two years of stagnation. While the improvements in agricultural supply permitted the rebuilding of depleted inventories of raw materials, imported inputs remained scarce and official attempts to contain the inflationary forces that had emerged in 1966 and 1967 reduced the stimulus of public investment. Cement production rose by 5 per cent, rather less than the longer term average, while steel production was the lowest since 1964. With a 5 per cent increase over 1967, 1968 manufacturing output just surpassed the 1965 figure. By far the most dynamic industrial component was electricity, production of which rose 15 per cent in 1968.

In Pakistan, the rate of industrial growth was substantially higher, though below earlier achievements and earlier targets for the 1968-1969 period. This reflects some recent diversion of emphasis to agriculture and to social overhead investment, but the principal constraint still appears to have been caused by shortages of imported inputs which led to poor utilization of manufacturing capacity. In contrast, capacity utilization was greatly improved in Ceylon though on a much smaller scale: industrial employment rose by about a third, as did the consumption of electricity. There was a particularly sharp increase in the output of fabricated metal products, textile and chemical production also rose and in the wake of a one-sixth gain in paddy and a sizable growth in coconut production the food industry also expanded its output.

In western Asia, high rates of industrial growth were quite common, though the pace was set by Israel and Syria. In the former, three stagnant years were followed by a massive upswing in both manufacturing (30 per cent) and mining (19 per cent). In Syria, there was a sharp rise in industrial production, aided by heavy investments in transport and communications and achieved in spite of slow growth in agriculture.

In Iran and Turkey, the pace slowed down slightly from the high averages of the 1960-1967 period. Perhaps the most notable feature in Iran in 1968 was the fact that the growth rate in manufacturing overtook the petroleum sector (mining and refining) growth rate. In Turkey, under a much more stringent balance-of-payments constraint, efforts continued to improve and increase the exportable output of local factories.

For the Asian region as a whole the most dynamic branch of industry was metal products (ISIC 35-38), output of which rose by one seventh in 1968. Rapid growth also characterized the chemical industry (12 per cent) and mining (10 per cent), both well above the decade average. No less notable was an upswing in the textile industry, production of which rose by 8 per cent in 1968, an increase of double the trend rate.

On the whole, world industrial production outside mainland China was about 7 per cent higher in 1968 than in 1967.[2] This rate of increase was over two percentage points above the corresponding 1966-1967 figure and almost one point above the average so far registered in the 1960s. As implied previously, the most rapid expansion continues to take place in heavy industry where the over-all rate of growth was almost double that of the light industries. Among the heavy industries, it was the chemical branch which continued to register the greatest gains: 9 per cent a year between 1960 and 1967 and 11 per cent in 1968.

Agricultural production

Broadly speaking, the 1968 agricultural output, responding in varying degrees to the weather pattern, was relatively large in North America, continental western Europe, North Africa and southern and south-eastern Asia (stretching from Iran and Iraq to Australia). It was relatively poor in most of Latin America, in south-eastern Europe and the eastern Mediterranean, and in most of Africa south of the Sahara.

In comparison with agricultural performance in the earlier years of the decade, the 1968 gains were most notable in Australia, in the USSR, as previously shown, and in many parts of Asia. A massive recovery from a drought in the previous year resulted in an Australian increase large enough to raise the over-all agricultural output of the developed market economies of the southern hemisphere

[2] Mainland China is excluded from this calculation because of the absence of reliable data. Indications are that industrial production began to recover in 1968 from the disruptive effects of the "cultural revolution" of the two preceding years; the second half of 1968 seems to have brought a considerable advance. In some provinces, output is reported to have been as much as 50 per cent above the low 1967 levels. Industrial imports which had exceeded food imports in 1967 reverted to second place in 1968

to over 5 per cent above the 1967 level. The gain in southern and south-eastern Asia was almost 4 per cent; well over twice the low average rate of agricultural growth that has characterized the 1960s. Good 1968 crops in Iran and Iraq were responsible for a 5 per cent agricultural expansion in western Asia (see table 6).

Table 6. World agricultural growth, by region, 1960-1968

(*Percentage*)

Region[a]	Annual rate of increase: Average 1960-1967	1967-1968[b]
Developed market economics	3.0	2.4
North America	2.0	1.7
Western Europe	2.7	1.6
Japan	2.4	0.8
Southern hemisphere	3.6	5.1
Centrally planned economies	3.5	2.9
USSR	2.9	3.5
Eastern Europe	3.9	1.7
Developing countries	2.1	2.3
Latin America	2.8	—0.8
Central American Common Market	4.5	0.7
Africa	2.0	1.6
Western Asia	4.1	5.1
Southern and eastern Asia	1.5	3.9
World[c]	2.7	2.4

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations (FAO), *Production Yearbook*, information supplied by the United States Department of Agriculture, and national sources

[a] For definition of the regions, see table 1.

[b] Preliminary.

[c] Excluding mainland China.

The unfavourable climatic conditions that prevailed over south-eastern Europe resulted in a reduction of agricultural output in most countries in that area including Bulgaria, Cyprus, Greece, Italy, Lebanon, Romania, Syria, Turkey and Yugoslavia (see table 7). Another zone of unfavourable conditions stretched across Africa from Senegal to Sudan and there were poorer crops in Ghana, the Ivory Coast, Mali, Niger, Togo and Upper Volta.

Agricultural results in Central America in 1968 were generally poor: with the notable exception of Costa Rica, almost all the countries in this region recorded lower production or below average increases. The falling off was largely in the 1968-1969 coffee crop, though in El Salvador the cotton crop was also poor; food crops were satisfactorily higher in most of these countries. The coffee crop also accounted for the reduction in agricultural production in Brazil: at about 16.5 million bags, the 1968-1969 crop was only about 60 per cent of the average yield in the 1960s. The only area to register an increase in coffee production was eastern Africa.

One of the features of the 1968 agricultural situation was a record world wheat harvest of well over 300 million tons, 8 per cent above the previous peak in 1966 and one third above the average of the first half of the decade. Large crops were reaped in North America (61 million tons), Latin America (11 million tons), EEC (32 million tons), USSR (78 million tons), North Africa (6 million tons), Southern Asia (23 million tons) and Australia (15 million tons).[3]

Rice production also reached a new peak in 1968 of about 186 million tons in countries excluding mainland China; this was 2 per cent more than in the previous year and 15 per cent above the average for the first half of the decade. There were record crops in the United States (almost 5 million tons), Latin America (almost 11 million tons), Africa (6.5 million tons, largely from Madagascar and the United Arab Republic) and in most of the main Asian rice producing countries (including 59 million tons in India, 20 million in Pakistan, 18 million in Japan and 16 million in Indonesia).

Though the 1968 maize crop was 4 per cent below the previous year's record, it was one sixth above the average for the first half of the decade and the reduction between 1967 and 1968 was concentrated very largely in the United States where the mid-year carry-over was the highest since 1964. There was a sizable increase in Argentina, Mexico and Thailand among the exporting countries and also in western Europe, the principal importing region, where the French crop was well over 5 million tons, almost double the average for the first half of the decade.

Barley production was also at a record level of 111 million tons, 7 per cent above the 1967 crop and almost a third higher than in the first half of the 1960s. Record crops were reaped in North America (16 million tons), the USSR (22 million tons), Australia and Morocco (about 2 million tons each) as well as in the main importing region, western Europe (38 million tons) and in Asia where India, Iran and the Republic of Korea all registered higher yields from larger acreages.

Cereal production was also higher in Eastern Germany, and even more so in Poland where the total agricultural output, instead of declining as had been expected, registered a 4 per cent advance. This, along with the increase in the USSR referred to above, raised the over-all gain for the European centrally planned economies to about 3 per cent in 1968, compared with 2 per cent in the previous year.

[3] Preliminary data compiled from national and trade sources by the United States Department of Agriculture; see, *Foreign Agriculture Circular*, FG6-69 (Washington, D.C.).

Table 7. Distribution of countries according to rate of increase in agricultural production, 1960-1968[a]

(Percentage per annum)

Countries in which, relative to the average rate of increase between 1960 and 1967, the increase in agricultural production between 1967 and 1968 was

Significantly greater

1960-1967		1967-1968[b]
2.0	Morocco	42
3.4	Australia	17
-1.9	Tunisia	15
1.3	Iraq	12
2.0	Costa Rica	12
-0.8	Uruguay	11
4.5	Spain	11
2.5	Ceylon	9
-0.3	Norway	9
4.2	Iran	8
-0.2	Trinidad and Tobago	8
-1.2	Congo (Democratic Republic of)	7
4.9	Mexico	7
1.9	Chile	6
1.5	Indonesia	6
4.3	Malaysia	6
2.7	Pakistan	5
-1.4	Republic of Viet-Nam	5
2.4	France	4
0.2	Denmark	4
1.9	Czechoslovakia	4
1.9	Colombia	4
0.5	India	4
0.6	Dahomey	4
-0.6	Burma	4
-0.7	Guinea	4
1.9	Netherlands	4
0.7	Bolivia	3
—	Sweden	3
0.3	Rwanda	2
-2.3	Algeria	2

More or less the same

1960-1967		1967-1968[b]
5.5	Thailand	7
5.0	Canada	6
4.7	Kenya	6
5.5	Panama	5
4.8	China (Taiwan)	5
3.5	Poland	4
4.1	United Republic of Tanzania	4
4.2	Philippines	4
4.2	Honduras	4
2.9	USSR	4
2.4	Austria	3
3.4	Burundi	3
3.4	Cameroon	3
2.8	Liberia	3
2.8	Uganda	2
1.8	Federal Republic of Germany	2
2.5	Finland	2
1.1	Sierra Leone	2
2.0	Ethiopia	2
0.6	Switzerland	2
1.7	United States	2
2.2	Cambodia	1
1.5	Belgium-Luxembourg	1
—	Mali	-1
-2.7	Haiti	-2

Significantly less

1960-1967		1967-1968[b]
7.2	Israel	4
5.5	Venezuela	1
9.0	Nicaragua	1
2.4	Japan	1
2.4	Hungary	1
3.1	New Zealand	1
2.4	Angola	1
3.8	Portugal	1
3.0	Ireland	—
5.1	Republic of Korea	—
3.9	Turkey	-1
7.3	Ivory Coast	-1
3.1	Sudan	-1
1.9	Nigeria	-1
1.9	United Arab Republic	-1
4.9	Guatemala	-1
1.2	Peru	-2
0.7	Upper Volta	-2
2.9	Brazil	-2
3.0	Madagascar	-2
3.3	United Kingdom	-2
4.2	Syria	-2
-1.1	Dominican Republic	-3
3.1	Italy	-4
3.7	Romania	-4
1.8	Togo	-5
3.2	Ecuador	-5
1.4	Jamaica	-5
4.2	Yugoslavia	-6
3.1	El Salvador	-6
0.4	Guyana	-7
3.0	Argentina	-7
2.2	Paraguay	-7
-3.4	Cuba	-8
4.7	Bulgaria	-9
2.3	Ghana	-10
2.7	Senegal	-11
5.2	Greece	-13
4.3	South Africa	-13
6.1	Lebanon	-14
5.7	Niger	-15
8.9	Cyprus	-18
5.0	Jordan	-33
—	Malawi	-50

Source: See table 6.
[a] In each column, countries are listed in descending order of the change from 1967 to 1968
[b] Preliminary.

These large cereal crops in most of the major exporting countries and some of the principal net importers resulted in a perceptible easing of prices. Average wheat prices in 1968 were the lowest since 1965, while rice prices, which had climbed steeply after the 1964/65 season, began to decline early in 1968 and in some markets, fell 20 per cent in the course of the year. The prices of feed-grains which had begun to weaken in 1966, declined very sharply between mid-1967 and mid-1968, dropping to less than $50 per ton, to the lowest level of the decade, even though carry-over stocks were much smaller than those that had characterized the early 1960s.

The increase in the supply of cereals facilitated an expansion in several livestock products. The output of meat continued to rise faster than population growth rates in most regions: there was an increase of well over 3 per cent in North America, almost 3 per cent in western Europe, just over 2 per cent in eastern Europe and about one per cent in the USSR. Among the exporting regions, the outstanding increase was in Oceania where, after a very low rate of growth earlier in the decade, production rose by almost 8 per cent in 1968. In South America, the 1968 increase of 1.6 per cent was below the decade average.

The expansion in milk production between 1967 and 1968 (about 2 per cent) was less than that in meat, but, as the demand for milk products is rising much more slowly than the demand for meat, world market prices for the latter were generally well maintained while those for butter continued the downward slide that had begun in 1964. In many countries, however, these market trends were not mirrored in the prices received by producers. Indeed, the large grain and dairy output in western Europe was in part the consequence of high support prices offered to farmers under the common agricultural policy of EEC. In 1968 the dual problem of financing the programme (with costs approaching $3 billion a year) and disposing of surpluses of wheat and butter grew so unmanageable that there was talk of modifying the policy particularly with respect to the structural improvements in the farm sector that constituted one of the ostensible objectives of the support arrangements.

World sugar production increased by about 3 per cent between 1966/67 and 1967/68 and by a further 4 per cent in 1968/69. In the first interval, the principal gains were in Europe and the USSR; in the second they were in Asia (particularly India) and the United States mainland. Though this recent growth has been more in keeping with the rise in demand than was the expansion induced by high prices of 1963 and 1964, it left carry-over stocks at a relatively high level. At 12.5 million short tons (raw value), stocks were over 50 per cent higher than the average for the first half of the 1960s, while at 76 million short tons world production of centrifugal sugar in 1968/69 was less than a fourth above the earlier average.

As in the two previous years, the world market price of sugar averaged less than 2 cents a pound in 1968—between a half and a third of the prices obtained under the Commonwealth Sugar Agreement and the United States quota arrangement. With a new International Sugar Agreement about to take effect, however, prices began to harden in the last quarter of the year. Export allocations, 10 per cent below basic quotas, came into operation in 1969 to defend the agreed floor price of 3.25 cents per pound —just about twice the lowest monthly average in 1968.

In contrast to the output of basic food crops, production of the beverage crops showed little or no advance. The 1968/69 coffee crop amounted to 61 million bags (of 60 kilogrammes each), about the same as in 1966/67, 11 per cent below the 1967/68 figure and 7 per cent below the average for the first half of the decade. As indicated above, the principal reduction was in the output of Brazil, but smaller crops were the rule throughout Latin America and West Africa.

The 1967/68 cocoa crop was about the same as the preceding one, below world consumption for the third successive year. Early estimates of the 1968/69 crop indicate a reduction of about 11 per cent. The decline is partly in Brazil but mainly in West Africa where heavy rains in the third quarter of 1968 have adversely affected yields and deliveries in Ghana and Nigeria (where output is expected to be well below the average for the first half of the 1960s) as well as in the Ivory Coast and Togo.

Tea production in 1968 was slightly above that of the previous year (2 per cent) the smaller producers in Africa being mainly responsible for the expansion, although in Malawi poor weather resulted in a 6 per cent decline. The output in Ceylon, just short of 500 million pounds, was only 1 per cent above the level of two years earlier, while the volume of tea exported from India in 1968 had not regained the 1963 level.

World supplies of fats and oils in 1968 were generally ample. As implied above, the output of animal fats—lard, tallow and butter—reached record figures, 10 to 20 per cent above the average for the first half of the 1960s. The most spectacular expansion, however, was in the output of soya beans: at almost 40 million tons, the 1968 crop was 7 per cent above the previous one and 40 per cent above the average for the first half of the decade. The main increase in 1968 was in the United States which now accounts for well over two thirds of the world production (including mainland China where the 1968 crop is thought to have been somewhat below the 1960-1964 average).

The 1968 crop of the other leading source of soft edible oil, ground-nuts, was below the level of the two previous years and not much (4 per cent) above the first half decade average. The poor 1968 turnout is chiefly a reflection of the reduced harvest in India, though production was also below earlier levels in most Latin American countries and in much of central and east Africa as well as Senegal, where drought and the disincentive effects of the loss of French preferences combined to reduce yields by about 10 per cent.

Crops of other vegetable oil seeds in 1968 were generally below the record levels of 1967. Lack of moisture reduced sunflower seed yields in eastern Europe and the USSR, which had difficulty in marketing the large exportable surplus of oil from the 1967 crop. Rape-seed production was lower in India and Pakistan and also in Canada where poor export prospects, mainly in EEC, discouraged planting. The sesame seed output was also lower, chiefly in Burma, Colombia and India, as was safflower seed in Australia, Mexico, Spain and the United States; the olive crop suffered because of cyclical declines in Greece and Italy.

Output of the various palm oils is thought to have reached the lowest level of the decade in 1967 and 1968 and a turning-point in the historical trend. Commercial production of palm oil itself in 1968 was about an eighth above the low figure of 1967, a continued recovery in the Democratic Republic of the Congo, as more and more small holders resumed their collections and a rapid growth of new trees in Malaysia being the principal features. The same two countries were responsible for a reversal of the downward trend in the production of palm kernels; as Nigerian output continued to recede, however (the 1968 crop being about half that of 1965), world production remained well below earlier levels. In the case of coconut oil, world production continued its downward drift in 1968. The 1968 output of nuts, however, was probably above the 1967 figure: there were small increases in Indonesia, in the Philippines, despite typhoon damage to the palms in 1967, and an 8 per cent increase in Ceylon. As part of an attempt to revitalize the industry, seven of the major producers—Ceylon, India, Indonesia, Malaysia, the Philippines, Singapore and Thailand—came together late in 1968 and organized a trade and development group to be known as the Asian Coconut Community aimed at raising productivity and quality, improving processing facilities and stabilizing prices.

As reported earlier in this chapter, world production of natural rubber rose 6 per cent between 1967 and 1968. This was well above the slow upward trend and reflects a major increase of almost an eighth in West Malaysia and Thailand. The recovery set in motion in Indonesia in 1967 was not fully sustained, and output from this second largest source was fractionally lower in 1968.

World production of natural fibres was far from buoyant in 1968. The 1967/68 wool clip was between 1 and 2 per cent greater than that of the previous year and 1968/69 saw a further 2 per cent expansion. The rise in commercial supplies was slightly greater than this, as with a stabilization of auction prices for cross-bred wools, the New Zealand Wool Commission was able to dispose of about a sixth of the stocks it had accumulated in the course of supporting prices during 1967.

While the 1967/68 cotton crop was slightly smaller than the average in the first half of the decade, that of 1968/69 was 10 per cent higher. These changes in world production were centred very largely in the United States, where the 1967/68 cotton crop was sharply down and the 1968/69 crop up again, though still well below earlier averages. In the aggregate, production in the developing countries has continued to expand: the 1967/68 crop was about an eighth larger than the average in the first half of the decade and there was a further 5 per cent growth in 1968/69. Compared with earlier crops, the most notable increases registered in 1967/68 were in Brazil (one fifth above the 1960-1964 average), India (up one eighth), Pakistan (up over 40 per cent), the Sudan (up one third) and Turkey (up two thirds). Except in the case of India, these major producers registered further gains in 1968/69. On the other hand, production in Mexico, Peru, Syria and the United Arab Republic showed little or no growth during the decade.

The output of other natural fibres was lower in 1968 than in 1967. The decline was general: it affected jute, sisal, abaca and henequen in virtually all producing countries.

In the case of hard fibres, the 1968 output was below the average for the first half of the decade in a number of countries including Angola, Haiti, Kenya and United Republic of Tanzania (sisal), the Philippines (abaca) and Mexico (henequen). At about 800,000 tons, world production of hard fibres in 1968 was 8 per cent below the 1967 level and 11 per cent below the 1960-1964 average.

After having risen sharply in 1967, jute production also receded in 1968 to below the average for the first half of the decade. The decline was partly a response to the low prices occasioned by the large 1967 crop and partly the result of floods in the main producing areas of India and Pakistan. If mesta production in India and Thailand is included, total output in 1968, excluding mainland China, was about 2.5 million tons, 10 per cent less than the 1960-1964 average.

Reductions in the output of what are essentially export crops in the developing countries served in many cases to strengthen the international market. Though reflected in lower rates of growth in domestic production, such reductions tend to benefit exporters by way of the terms of trade. Moreover, they do not affect local food supplies. Thus, although almost half of the ninety-eight countries for which data are available registered declines in agricultural output between 1967 and 1968 (or rates of increase significantly below the longer term average) and less than a third recorded significantly over average rates of increase, yet the year saw some further easing of the world food situation. As indicated above, there was a major increase in grain production in the deficit régime of North Africa and southern Asia, either in 1967 or in 1968 or in some cases in both years. Altogether, the gains in food production in the developing countries of Asia excluding mainland China amounted to about 4 per cent between 1967 and 1968, well above the longer term rate of increase for this area.[4]

Thus, notwithstanding the poorer performance in South America and in sub-Saharan Africa, thanks to better results in Asia, the over-all expansion in agricultural production in the developing countries in 1968 was above the long-term average. However, it was fractionally below the rate of progress registered in the more advanced countries and, more significantly, it was below the rate of growth in population. The period 1967-1968 saw the beginning of a potential agricultural revolution based on a scientific genetic approach to crop selection and cultivation methods. The experience of the period served to emphasize the fact that higher yield strains constitute only one component of what is a complex group of requirements for assuring an adequate rate of agricultural progress for the future. It became strikingly clear that the need for other inputs was a question not only of volume but also of timing, cost and proper proportions. Emphasis was also thrown on the problems of transporting and handling the increased volumes of both inputs and outputs. Attention was once more drawn to certain longstanding institutional aspects, of paramount importance in some areas, the reform of which would not only ensure that farms were better adapted technologically to the new cultivation possibilities but also create adequate motivation among landowners and land users.

[4] No official information of a quantitative nature is available on agricultural developments in mainland China. Scattered pieces of evidence suggest that while in terms of organization, 1968 brought some stabilization to the Chinese countryside after two years of "cultural revolution", the weather was far less favourable, being abnormally dry in the north and abnormally wet in the south, so that the year's output showed no further gain. The first half of the year was the least favourable, cold and rainy weather having apparently greatly reduced the early rice crop. Except in the north, the autumn harvests were much more bountiful.

Chapter II

TRADE

International trade was one of the most dynamic factors in world economy in 1968. Most of the major trading regions registered an export expansion well above the average for the earlier years of the decade and the over-all growth of almost one eighth was one of the highest rates on record.

The most significant advance in terms of both absolute and relative size and also in terms of impact on the rest of the world was in the trade of the developed market economies. The exports of western Europe and North America increased by 12 per cent and those of Japan by twice as much. The only lagging region was the primary producing group in the southern hemisphere: lower prices for cross-bred wool, butter and lamb and smaller shipments of wheat reduced the export earnings of Australia and New Zealand (see table 8).

Among the centrally planned economies, the largest increases were registered by the USSR, though proportionately the advance made by Bulgaria and Poland was even greater. The exports of the centrally planned economies of Asia to the rest of the world appear to have declined again in 1968.

Though exports from Spain leapt up again in 1968, the over-all growth in the trade of southern Europe was less than half the 1960-1967 average. This reflects the poor agricultural results in south-eastern Europe referred to in the previous section:

Table 8. Growth of world trade, by region,[a] 1960-1968

(Annual average percentage increase)

Region[a]	*Exports f.o.b.*		*Imports c.i.f.*	
	Average 1960-1967	*1967-1968[b]*	*Average 1960-1967*	*1967-1968[b]*
Developed market economies	8.7	13	9.2	12
North America	7.6	12	9.7	21
Western Europe	8.7	12	8.5	10
Japan	16.0	24	12.8	11
Southern hemisphere	6.3	5	7.0	5
Southern Europe	11.4	5	15.3	6
Centrally planned economies[c]	8.3	10	7.4	9
USSR	8.2	10	6.1	10
Eastern Europe	8.4	9	8.2	8
Developing countries	6.3	8	5.2	7
Central American Common Market	11.3	13	11.7	4
Rest of Latin America	4.8	4	3.8	9
Africa	7.9	14	3.8	5
Western Asia	9.4	8	7.3	16
Southern Asia	3.2	8	4.0	—10
Eastern Asia	4.9	11	6.8	14
World	8.2	12	8.3	11

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund (IMF), *International Financial Statistics* and national sources.

[a] The regions comprise the countries listed in the footnotes to table 1 plus the following:

Rest of Latin America: Barbadoes, Guadeloupe, Guyana, Haiti, Martinique, Netherlands Antilles and other Caribbean islands.

Africa: Algeria, Angola, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Liberia, Mali, Mauritania, Mauritius, Mozambique, Niger, Réunion, Senegal, Sierra Leone, Togo, the United Arab Republic, Upper Volta and Zambia.

Western Asia: Jordan, Kuwait, Lebanon, Southern Yemen and other Gulf States.

Southern Asia: Afghanistan.

Eastern Asia: Brunei, Cambodia, Hong Kong, Laos and the Republic of Viet-Nam.

[b] Preliminary, based for some countries on returns for a period of less than twelve months.

[c] Excluding the Asian centrally planned economies. Imports are valued f.o.b.

exports from Greece and Turkey were actually lower in 1968 than in 1967 and there was only a fractional advance in Yugoslavia.

Among the developing countries, the most striking gains were registered by Africa and southern and eastern Asia. African export earnings recovered sharply from the 1967 slowdown: the better harvest in the north, higher cocoa prices and greater mineral receipts, particularly from petroleum and copper, all contributed to the expansion of about 14 per cent. The 1967-1968 advance in southern and eastern Asia was over double the 1960-1967 average. Its most noteworthy feature was its non-traditional component: though the copra market was much more stable than in 1967, there was little improvement in the market for tea while, average over the year, jute, rubber and tin prices were all lower. Much of the gain came from increased shipments of manufactured goods, not only from China (Taiwan), Hong Kong and the Republic of Korea but also from India, the Philippines and Singapore, where there was a notable expansion in sales of metal and engineering products.

The growth of exports from West Asia at just over 8 per cent between 1967 and 1968 was slightly below the longer term average. This was partly the result of the closure of the Suez Canal in June 1967 which diverted petroleum demand to African sources. (Libyan exports were almost 60 per cent above the 1967 level.)

Latin American export growth in the period 1967-1968, though better than that of 1966-1967, was still below the 1960-1967 average. The principal drag lay in Argentina where, as indicated above, agricultural production was down by 7 per cent: shipments of maize were substantially below the high 1966-1967 level; meat exports were affected by more stringent precautions against foot-and-mouth disease in European markets, especially in the United Kingdom,[1] and, on a smaller scale, hide and linseed oil sales were also lower. There were also reductions in the earnings of several of the Caribbean sugar exporters, and virtually no advance in exports from Guyana, Paraguay and Venezuela. In Chile, copper shipments which had been rising rapidly in recent years to a record level during the 1967-1968 United States copper strike, tailed off markedly in the second half of 1968. Despite a notable recovery in the foreign trade of Brazil, including record coffee exports and increased earnings from cotton, sugar, maize, beef and iron ore, and a continuation of the vigorous growth of exports from Mexico, Peru and some of the Central American Common Market countries, the over-all expansion in Latin American export proceeds was less than half the 1968 developing country average and below the region's own longer term rate.

[1] The United Kingdom ban on imports of South American beef was terminated in April 1968.

Export earnings

The course of export earnings in individual countries in 1968 was strongly influenced by the nature of exportable supplies. The countries that registered the greatest increase were those that were able to ship manufactured goods to areas with a healthy import demand, most notably the United States. Some primary exporting countries benefited from high or rising commodity prices (as in the case of cocoa and copper, for example); others suffered a shrinkage in earnings as a result of low or declining prices on the international market for their major exports (as in the case of sugar, sisal, olive oil, butter and coarse wool). In some cases, the change in earnings between 1967 and 1968 was more a reflection of abnormally high or low receipts in the earlier year than of the events or policies of 1968.

A number of currency realignments were made in 1967, especially in November when sterling was devalued. The impact on 1968 trading results was far from uniform. Of the twenty-three trading countries whose currency was devalued from its previous parity or depreciated against the major currencies, about a third failed to maintain the 1960-1967 rate of growth in export earnings measured in United States dollars, another third registered an expansion more or less in line with the previous trend and the remainder achieved a significant acceleration.

Altogether, among the 114 countries for which data are available or for which estimates have been made, there were almost as many (36 per cent) with 1968 export growth rates significantly below the decade average as there were with rates significantly above that average (38 per cent) (see table 9). Among the latter were several of the countries that had devalued their currencies in 1967. Most notable in the group was Spain whose export earnings rose by 15 per cent largely as a result of increased sales of manufactures and in spite of smaller shipments of citrus fruit and olive oil. In the case of Sierra Leone, the export recovery in 1968 followed three years of decline and, being based largely on diamonds, was probably not attributable to the devaluation. Ghana, which devalued the cedi in July 1967, also earned more from diamonds, though the main contribution to its export recovery came from the rise in cocoa prices. Changes in the rate of exchange probably played a larger role in a recovery in trade in Uruguay; this was based chiefly on meat shipments, and brought export earnings back to the 1964 level. The same was true in two other inflationary economies, Brazil and Indonesia. The highest returns of the decade were recorded for sales of coffee, cotton and iron ore by Brazil and of rubber and petroleum by Indonesia. Another group of devaluing countries were among those whose rate of export growth in 1968 was more or less in line

Table 9. Distribution of countries according to growth in exports,[a] 1960-1968

(Annual percentage change)

Countries in which, in relation to the average annual increase in exports between 1960 and 1967, the increase between 1967 and 1968 was								
Significantly greater			*More or less the same*			*Significantly less*		
1960-1967		*1967-1968*[b]	*1960-1967*		*1967-1968*[b]	*1960-1967*		*1967-1968*[b]
-4.1	Dahomey	54	40.5	Republic of Korea	42	17.3	Libya	59
-1.3	Sierra Leone	37	21.8	China (Taiwan)	25	30.1	Upper Volta	19
6.3	Mozambique	33	13.5	Italy	17	14.3	Bulgaria	11
10.6	Ivory Coast	31	13.5	Central African Republic	16	17.8	Lebanon	9
5.0	Iraq	26	14.8	Israel	15	15.2	Surinam	6
15.3	Jordan	25	12.9	Hong Kong	14	13.5	Gabon	6
14.0	Honduras	24	13.4	Liberia	13	10.0	Hungary	5
16.0	Japan	24	8.9	Peru	12	10.0	Romania	5
12.3	Togo	22	10.5	Norway	12	7.5	Philippines	4
0.7	Réunion	21	8.2	USSR	10	12.4	Portugal	4
7.6	Cameroon	20	7.0	Austria	10	8.7	Denmark	4
9.9	Canada	19	6.9	United States	10	15.9	Nicaragua	4
8.7	Costa Rica	19	6.7	Mexico	10	10.3	Chile	3
-1.0	Guadeloupe	19	11.6	Saudi Arabia	9	9.1	El Salvador	2
10.9	Guatemala	16	8.8	Sweden	9	21.3	Panama	2
10.2	Belgium-Luxembourg	16	7.9	Cyprus	9	7.7	United Republic of Tanzania	2
10.0	Angola	16	6.9	Eastern Germany	9	9.2	Barbados	2
7.0	Chad	16	6.1	Syria	9	7.6	Australia	1
10.7	Spain	15	5.0	United Kingdom	7	7.9	Uganda	1
9.1	Netherlands	15	6.8	Finland	7	7.9	Ireland	1
9.6	Federal Republic of Germany	14	6.1	Ecuador	6	13.9	Yugoslavia	1
2.4	Sudan	14	6.8	Bolivia	6	5.7	Guyana	1
4.1	Brazil	14	5.4	Trinidad and Tobago	6	2.4	Venezuela	—
2.1	Uruguay	13	3.9	Tunisia	6	2.1	Afghanistan	—
9.5	Switzerland	13	6.3	Kuwait	6	8.9	Paraguay	-1
9.7	Poland	13	6.9	Kenya	5	5.0	Mauritius	-2
4.7	Madagascar	12	5.4	Ethiopia	5	94.7	Mauritania	-2
7.8	Pakistan	12	3.9	New Zealand	2	5.3	Jamaica	-2
7.9	France	11	-1.0	Ceylon	-2	11.4	Iran	-3
2.1	Colombia	11	-19.9	Republic of Viet-Nam	-25	2.0	Cambodia	-4
0.2	Singapore	11				7.5	Thailand	-4
-1.1	Brunei	11				7.2	Turkey	-5
5.8	Czechoslovakia	10				13.3	Greece	-6
5.8	South Africa	10				7.0	Argentina	-7
1.7	Malaysia	10				4.9	Martinique	-7
1.8	United Arab Republic	10				-5.6	Burma	-10
3.1	Senegal	9				15.6	Congo (Brazzaville)	-11
-1.8	Ghana	9				7.4	Nigeria	-13
2.8	India	9				9.3	Iceland	-16
3.4	Morocco	6				15.9	Niger	-17
0.8	Haiti	6						
2.6	Algeria	5						
-3.2	Indonesia	5						
-1.2	Dominican Republic	4						

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on IMF, *International Financial Statistics* and national sources.

[a] Measured f.o.b. in dollars.
[b] Preliminary, based in a number of cases on data for a period of less than twelve months.

with the decade average: these included Ceylon, Cyprus, Finland, Hong Kong, Israel, New Zealand and Trinidad and Tobago as well as the United Kingdom itself, whose exports rose by 6.7 per cent in dollar terms (compared with a longer term growth of about 5 per cent) and by almost 23 per cent in terms of sterling. In Ceylon rupee earnings rose 20 per cent but dollar earnings were at the lowest level of the decade; only rubber, among the main exports, was shipped in greater volume; tea, the principal item, barely reached the 1963-1964 level while coconut products, though recovering well from the 1966-1967 set-back, were far below earlier sales levels. In New Zealand, there was a rise of 25 per cent in terms of local currency but of only 2 per cent in United States dollars; a sharp recovery in wool shipments and a continued expansion in sales of lamb and mutton did little more than offset a reduction in butter sales. The other countries in the group maintained more satisfactory growth rates. In Trinidad and Tobago, this was based on increased shipments of petroleum products; in Finland, on recovery in wood-pulp trade (up 5 per cent in volume in 1968) and wood (up 11 per cent); and further expansion in paper sales (up 7 per cent); in Cyprus, on recovery in copper and iron shipments and further rapid growth in sale of citrus fruit; in Hong Kong, on continued expansion in shipments of various manufactures (chiefly textiles and clothing but also electronic apparatus and a wide range of plastic products); and in Israel on citrus fruit, cut diamonds and some manufactured goods.

In the third group of devaluing countries which includes Barbadoes, Chile, Denmark, Guyana, Iceland, Ireland and Jamaica, the relative importance of trade with the United Kingdom and the market weakness of such commodities as butter, sugar, tea and crossbred wool combined to hold the rate of export expansion in terms of dollars below the 1960-1967 average. In the case of Denmark, even the kroner receipts from the major traditional exports (butter and bacon) declined to the lowest level since 1963; a 4 per cent increase in dollar terms was achieved through exports of manufactures The small gain (3 per cent) registered in Chile in 1968 reflects a slowing down in the rate of copper expansion; export earnings from copper had doubled between 1963 and 1967. In Jamaica, there was a reduction in shipments of bauxite and bananas and, though sugar exports recovered somewhat from the low 1967 figure and alumina continued the expansion that had made it the country's principal export, total earnings were below the 1967 level in dollar terms. In Iceland, the fish catch declined by a fourth in 1967 and by a further third in 1968; prices for frozen fish also declined and export receipts followed suit with reductions of 30 and 20 per cent.

Among the ninety countries not affected by changes in currency value in 1967, over 40 per cent registered a sharp upsurge in exports in 1968. In many cases this was no more than a marked recovery from an earlier decline or lag in export proceeds. Brunei, Colombia, Dahomey, the Dominican Republic, Guadeloupe, Haiti, India, Malaysia, Réunion, Senegal, Singapore, the Sudan and the United Arab Republic had all experienced reductions or extremely slow growth in their exports during the first seven years of the decade. Chad, Iraq and Morocco, with somewhat better export performance, recovered in 1968 from set-backs in the immediately preceding period.

Though commodity composition played an important part in the earlier lag and subsequent upsurge in these countries' exports, this was not the only factor. Other countries heavily dependent on coffee or cotton, such as Angola, Costa Rica, the Ivory Coast, Madagascar and Pakistan, were among those whose increase in export earnings in 1968 succeeded a period of vigorous growth. But most of the countries in which the 1968 upsurge was preceded by a relatively high rate of export expansion belong to the more advanced group. They include Belgium-Luxembourg, Canada, the Federal Republic of Germany, Japan, the Netherlands, Poland and Switzerland, all of which exceeded the world average both for the 1960-1967 rate of increase (8 per cent), and for the 1968 upswing (12 per cent). At slightly lower rates, Czechoslovakia, France and South Africa also registered significant improvements on the decade average.

Most of the more advanced countries that maintained their earlier rate of export growth in 1968 were increasing their trade at less than the world average. This group includes Austria, Eastern Germany, Sweden, the USSR and the United States, as well as, at lower rates, three of the countries that devalued their currencies in November 1967, Finland, New Zealand and the United Kingdom. The exceptions were Italy and Norway both of which maintained above average rates of export expansion in 1968.

Among the developing countries, those maintaining above average rates of export expansion included not only Hong Kong and Israel, as indicated above, but also the Central African Republic, where diamonds boosted cotton and coffee earnings, China (Taiwan) and the Republic of Korea, both of which were increasingly involved in exporting manufactures, Liberia, with its exploitation of iron ore deposits, and Peru, where a rapid expansion in receipts from fishmeal, copper and silver, iron ore and other non-ferrous metals more than compensated for lagging returns from cotton and sugar. Export rates were also maintained by Cyprus, Mexico, Saudi Arabia and Syria at rates less than the world average but above that of the developing countries. The other developing countries that maintained their decade trend in 1968 were all in the slow-growing category: they include Bolivia, Ceylon, Ecuador, Ethiopia, Kenya, Kuwait, the Republic of Viet-Nam, Trinidad and Tobago and Tunisia.

The countries whose export returns in 1968 were significantly below the decade trend were all in the category of primary producers. Among the developed market economies in this group were Australia, still suffering from the poor 1967/68 wheat harvest and low wool prices, Denmark, Iceland, Ireland and Portugal as well as Greece and Turkey, where, as indicated in chapter I, agricultural production was relatively poor in 1968. The centrally planned economies of south-eastern Europe—Bulgaria, Hungary and Romania—were also in this group, largely as a result of poor harvests. A lower agricultural output was also a major influence in the decline in exports of ground-nuts from Niger, of maize and linseed from Argentina in addition to two successive years of reduced wheat shipments and of cotton, meat and hides from Paraguay.

In a few cases, in Lebanon, Libya and the Upper Volta, for example, the deceleration in 1968 was from an exceptionally high rate of increase in the earlier part of the decade and left the countries in question with an export performance still above the developing country average. Deceleration, though to a rather lower rate of increase, also took place in Gabon and Surinam in 1968, after rapid growth in previous years based in the former on the opening up of new petroleum and manganese resources and in the latter on the expansion of bauxite exports.

The 1968 deceleration also took place after particularly rapid expansion in cotton exports from Nicaragua, in bananas and, in earlier years, in petroleum products from Panama and, as indicated above, in copper from Chile. In Mauritania, iron ore exports which had only begun in 1962 levelled off at mine and transport capacity in 1966. In Iran, there had been a notable upsurge in petroleum production and exports in 1967 in the wake of the hostilities in the Middle East: exports in 1967 yielded more than twice the 1963 amount, and 1968 saw a levelling off. In the Congo (Brazzaville), the upsurge had occurred in the first half of the decade; exports of wood and diamonds levelled off after 1965 and diamond shipments were sharply down in the second half of 1968.

There was a marked deceleration, from rates that had been above the developing country average, in exports from El Salvador and the United Republic of Tanzania, reflecting in the first case reduced shipments of coffee and cotton and in the second a decline in diamond sales and sisal prices. The slackening in export growth was rather less in the Philippines and Venezuela. In the former, earnings from wood shipments continued to increase rapidly; from sugar they increased more slowly and from abaca they declined at a swift pace. More was earned from coconut products in 1968 than in 1967, but the amount was well below the 1963-1966 level. In Venezuela, petroleum exports continued to rise slowly, but shipments of iron ore receded further from the 1966 peak. A sharp decline in petroleum shipments was the main cause of the reduction in export proceeds in Nigeria, though less cocoa was shipped also.

The remainder of the countries registering a significant reduction in the rate of increase in export earnings belonged either to the sugar-producing group (Barbados, Guyana, Jamaica, Martinique, Mauritius) or to the rice-producing group (Burma, Cambodia, Thailand). Most of the former were among the devaluing countries and did better in terms of local currencies than in terms of dollars. Though teak exports from Burma were more buoyant, rice shipments continued to decline: in 1968 they were about one sixth of the 1963 level in volume and one fourth in value. Thailand did better from rubber and maize exports in 1968, but shipments of rice, tin and kenaf were all lower in volume and value; rice earnings were the lowest since 1963.

Very few of the more advanced countries registered less than a 10 per cent gain in export earnings (measured in dollars) between 1967 and 1968: apart from Eastern Germany, Sweden and the United Kingdom, the lagging group consisted entirely of primary producers, Australia and New Zealand and the peripheral countries of Europe—Cyprus, Denmark, Finland, Greece, Hungary, Iceland, Ireland, Portugal, Romania, Turkey and Yugoslavia. Relatively few of the developing countries registered more than a 10 per cent gain in export earnings in 1968. Those which did for the most part consisted of countries which were recovering from a set-back in 1967, or, in some cases, 1966; of exporters of metals or petroleum; or of countries, such as China (Taiwan), Hong Kong, Israel and the Republic of Korea, where trade has been increasingly in industrial products.

The vigorous growth in the exports of manufactured goods in 1968 served to increase still further the share of the developed market economies in world trade: it was about 68 per cent of the total (outside mainland China) at the beginning of the 1960s and by 1968 it was approaching 71 per cent (see table 10). The expansion was in the share of EEC (from 24 per cent to 27 per cent) and of Japan (from 3 per cent to 5 per cent) and at the expense of the European Free Trade Association (EFTA), whose contribution to total exports declined from nearly 15 per cent to not much more than 13 per cent, of Latin America, where the decline was from merely 7 per cent to not much more than 5 per cent, and of southern and south-eastern Asia, from 6 per cent to less than 5 per cent. North America more or less maintained its 20 per cent share of total exports, as did the centrally planned economies other than mainland China (at just under 11 per cent), Africa (at 4 per cent) and western Asia (at between 3 and 4 per cent).

Import expenditure

When classed according to destination, world exports to the centrally planned economies increased by just over 8 per cent between 1967 and 1968, exports to developing countries increased by almost 10 per cent and those to the developed market eco-

Table 10. World trade:[a] regional share in exports, 1960-1968

(*Percentage of total*)

Region	*1960*	*1961*	*1967*	*1968*
Developed market economies[b]	67.9	68.2	70.3	70.9
North America	20.8	20.2	19.9	20.0
Western Europe	40.8	41.6	42.7	42.9
EEC	23.5	24.3	26.4	27.0
EFTA	14.6	14.6	13.5	13.1
Japan	3.2	3.2	4.9	5.5
Centrally planned economies[c]	10.5	10.9	10.8	10.7
USSR	4.4	4.5	4.5	4.5
Eastern Europe	6.1	6.4	6.3	6.2
Developing countries[d]	21.7	20.9	18.9	18.4
Latin America[e]	6.8	6.6	5.5	5.1
Africa[f]	4.2	4.1	4.0	4.1
Western Asia[g]	3.4	3.3	3.7	3.6
Southern Asia[h]	1.7	1.6	1.2	1.2
Eastern Asia[i]	4.3	4.1	3.5	3.4
TOTAL (billions of dollars)	126	133	213	237

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

[a] Excluding exports from China (mainland).

[b] Canada, United States, western Europe, Australia, Japan, New Zealand and South Africa.

[c] Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland and USSR.

[d] The rest of the world excluding the developed market economies, the centrally planned economies and China (mainland).

[e] Twenty republics.

[f] Continental Africa excluding South Africa.

[g] Cyprus, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Saudi Arabia, Southern Yemen, Syria, Gulf sheikhdoms.

[h] Afghanistan, Ceylon, India, Pakistan.

[i] Burma, Cambodia, China (Taiwan), Hong Kong, Indonesia, Malaysia, Philippines, Republic of Viet-Nam, Singapore, Thailand.

nomies by 12 per cent (see table 11). The most vigorous growth was in trade among the developed market economies which rose by 13 per cent. The expansion in the centrally planned economy trade was largely within the group: as reported by the exporters, centrally planned economy imports from the developing countries increased by not much more than 3 per cent and with the developed market economies by about 4 per cent (appreciably less than in 1967). The exports of the developing countries rose by more than twice as much as they had between 1966 and 1967: there was a marked increase in reciprocal trade between developing countries (6 per cent) though the main expansion, both absolutely ($3 billion) and relatively (9 per cent), was in shipments to the developed market economies.

In terms of interregional trade flows, the most striking feature of 1968 was the expansion in exports to North America, not only from western Europe (24 per cent) and Japan (35 per cent) but also, on a smaller scale, from southern and south-eastern Asia (19 per cent) and Africa (20 per cent) as well as within the region (19 per cent). The expansion in exports from North America to other regions, though sizable by historical standards, was more modest in comparison with the 1968 upsurge in imports: 9 per cent to western Europe, 14 per cent to Latin America, 18 per cent to West Asia (see table 12).

Apart from the expansion in its exports to North America, western Europe increased trade within its own boundaries by about an eighth and its exports to western Asia recovered sharply (23 per cent) from the 1967 set-back. Exports to Latin America rose by the same proportion as those to North America (14 per cent), though in absolute value the increment was only half as great. There was another major increase (one fourth) in shipments to the USSR, chiefly from EEC. Exports to Africa also rose substantially (10 per cent), again chiefly from EEC. Altogether, exports to developing countries rose by about $1 billion from EEC and by about half that amount from EFTA.

Japan increased its exports to every region (except eastern Europe) and by major proportions in each case. In value terms, the principal gains were in shipments to North America (up one third) and to southern and south-eastern Asia (up one fourth).

Japan was also, in its turn, the most rapidly growing market for the developed market economies of the southern hemisphere, Australia, New Zealand and South Africa: their combined exports to Japan increased by 28 per cent in 1967 and a further 14 per cent in 1968. By contrast, their exports to their main traditional markets in western Europe failed to make good in 1968 the decline in exports from

Table 11. World exports: value in 1966 and percentage change, 1967 and 1968

(*Million of dollars; percentage*)

Country group and item	*Exports to* Developed market economies	Centrally planned economies	Developing countries	World
Developed market economies[a]				
Value in 1966	105,680	5,760	29,540	141,470
Percentage change from preceding year				
1967	6.1	8.9	2.5	5.5
1968	13.0	3.8	11.4	12.4
Centrally planned economies[b]				
Value in 1966	5,580	13,860	3,230	23,200
Percentage change from preceding year				
1967	6.1	8.4	4.0	7.3
1968	4.7	10.8	3.3	8.6
Developing countries[c]				
Value in 1966	28,080	2,340	7,970	38,710
Percentage change from preceding year				
1967	4.9	—8.1	2.6	3.7
1968	9.2	3.3	6.1	8.1
World[d]				
Value in 1966	139,340	21,690	40,750	203,370
Percentage change from preceding year				
1967	5.9	6.8	2.6	5.4
1968	12.0	8.2	9.7	11.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, June 1969.

[a] North America, western Europe (including Turkey and Yugoslavia, excluding Cyprus), Australia, Japan, New Zealand and South Africa.

[b] USSR and eastern Europe (excluding Yugoslavia) plus trade of mainland China, Mongolia, North Korea and North Viet-Nam with rest of the world.

[c] Latin America, Africa (other than South Africa) and Asia (other than mainland China, Japan, Mongolia, North Korea, North Viet-Nam and Turkey).

[d] The figures for total exports include certain exports which because their regions of destination could not be determined, are not found elsewhere in the table. Because of slight differences in definition and coverage the data in this table may not always agree exactly with those presented elsewhere in this chapter.

Australia and New Zealand in 1967. In 1968, their principal trade gain was the result of a major recovery of 18 per cent in exports to North America.

After eastern Europe, the main destination of Soviet exports is western Europe: this trade was approaching $2 billion in 1968, 8 per cent above the 1967 level. Higher proportional increases were registered in the case of the smaller flows to western Asia (one third), mainland China (one sixth) and Latin America, including Cuba (one eighth). Exports to the developing countries in Africa which had risen by 30 per cent in 1967 declined by one sixth in 1968. Exports to southern and south-eastern Asia were also lower.

Though Latin American exports to North America rose by an exceptionally large amount (9 per cent), this was offset by a decline of almost 4 per cent in shipments to western Europe. The most promising features of Latin American trade in 1968 were the one eighth expansion in exports to Japan and the only slightly inferior growth of trade among Latin American countries themselves.

The African trade gains were almost entirely in flows to the more advanced countries: increase of one fifth in exports to North America and to Japan, of one sixth to western Europe and one seventh to eastern Europe and the USSR.

The expansion in the main trade flows of western Asia was at only half the 1966-1967 rate: exports rose by 7 per cent to western Europe in 1968 and 15 per cent to Japan. The effect of this slowing down was largely offset, however, by a recovery in exports to North America and Africa after the sharp 1967 decline. Exports to southern Europe, southern and south-eastern Asia, Australia and South Africa continued to increase rapidly.

The most important gain in the case of southern and south-eastern Asia was a one-fifth increase in exports to North America, putting this market for the first time ahead of western Europe. There was

Table 12. World exports, by region of origin and destination,[a] value 1966 and annual change, 1966-1968

(Millions of dollars; percentage)

Exports from / to	North America	Western Europe	Japan	Australia, New Zealand and South Africa	Southern Europe	Eastern Europe	USSR	China (mainland)[b]	Latin America	Africa	Western Asia	Southern and south-eastern Asia	Other developing countries[c]	World[d]
North America														
Value in 1966	12,320	10,458	2,715	1,391	1,212	223	337	170	4,510	957	944	3,640	670	39,500
Percentage change from previous year														
1967	13	5	18	19	—11	—17	—47	—50	—3	—20	—4	4	11	6
1968	19	9	9	3	1	8	—22	76	14	9	18	—	6	12
Western Europe														
Value in 1966	8,466	49,970	740	2,973	3,700	2,195	875	494	2,825	4,230	2,235	2,968	885	82,940
Percentage change from previous year														
1967	4	5	36	4	6	12	38	29	7	3	—1	—2	1	5
1968	24	12	6	1	2	2	26	—17	14	10	23	2	10	12
Japan														
Value in 1966	3,265	1,155		485	145	60	215	325	465	590	335	2,630	97	9,780
Percentage change from previous year														
1967	2	14		20	—14	17	—26	—9	8	15	—2	11	34	7
1968	35	13		13	52	—21	13	19	20	10	39	23	19	24
Australia, New Zealand and South Africa														
Value in 1966	858	2,542	800	295	88	44	48	94	41	307	72	384	186	5,830
Percentage change from previous year														
1967	—8	—5	28	—4	—13	21	—46	123	63	16	24	28	—3	6
1968	18	4	14	3	4	13	92	—50	—19	8	—39	—11	6	4
Southern Europe														
Value in 1966	364	1,610	20	17	100	425	245	6	235	140	95	92	5	3,370
Percentage change from previous year														
1967	27	9	160	18	—	—4	18	—50	—11	7	5	—28	—	8
1968	13	3	—23	10	20	—5	—3	33	24	—	10	20	40	5
Eastern Europe														
Value in 1966	173	2,115	50	16	495	3,310	4,540	285	210	285	180	270	1	12,070
Percentage change in previous year														
1967	10	8	20	—	—8	9	13	11	10	11	31	—15	50	9
1968	—5	4	8	13	13	10	11	18	—4	2	9	7	—50	9

Table 12. World exports, by region of origin and destination,[a] value 1966 and annual change, 1966-1968 (*continued*)

(*Millions of dollars; percentage*)

Exports from / to	North America	Western Europe	Japan	Australia, New Zealand and South Africa	Southern Europe	Eastern Europe	USSR	China (mainland)[b]	Latin America	Africa	Western Asia	Southern and south-eastern Asia	Other developing countries[c]	World[a]
USSR														
Value in 1966	62	1,415	240	1	285	4,690		485	520	305	125	350	—	8,840
Percentage change from previous year														
1967	—	3	48	50	25	8		2	12	30	36	—14	—	9
1968	2	10	10	—	3	12		17	12	—16	22	2	—	10
China (mainland)														
Value in 1966	23	379	300	28	6	235	325		80	135	65	710	1	2,290
Percentage change from previous year														
1967	13	—10	—10	4	133	—2	—23		—13	—7	—12	—9	100	—10
1968	—12	—2	—17	7	—86	...	...		21	—	—4	3	—	—2
Latin America														
Value in 1966	4,180	3,510	530	33	350	295	405	75	1,170	43	57	92	800	11,620
Percentage change from previous year														
1967	—2	2	6	—3	7	—10	5	33	3	47	—18	—9	8	1
1968	9	—4	13	6	—1	19	—24	—	11	19	45	—1	4	4
Africa														
Value in 1966	711	5,285	230	160	235	265	215	80	53	550	140	190	16	8,220
Percentage change from previous year														
1967	—3	1	30	9	15	—13	5	—14	—21	—	—4	—	144	2
1968	20	16	22	—6	20	13	16	4	5	2	—	5	—3	14
West Asia														
Value in 1966	495	3,205	1,090	292	285	77	48	29	110	280	520	465	62	7,130
Percentage change from previous year														
1967	—20	13	31	6	18	—4	27	—41	—5	—9	10	16	5	11
1968	8	7	15	11	16	—1	18	—12	14	10	5	13	9	9
Southern and south-eastern Asia														
Value in 1966	1,930	2,140	1,330	314	120	205	385	150	110	315	250	2,410	53	9,712
Percentage change from previous year														
1967	14	—1	10	11	—8	—5	—10	—13	—18	—	2	5	2	3
1968	19	5	9	8	9	15	6	4	6	—5	14	4	9	9

Other developing countries[c]														
Value in 1966	870	646	58	47	24	1	1	—	78	39	3	39	140	2,000
Percentage change from previous year														
1967	9	—4	26	15	25	—	—	—	—	—36	—	—18	11	4
1968	4	—1	27	15	—17	—	—	—	15	8	33	16	10	4
World[d]														
Value in 1966	33,710	84,430	8,110	6,050	7,040	12,030	7,640	2,290	10,410	8,180	5,020	14,220	2,920	203,370
Percentage change from previous year														
1967	6	4	21	9	3	7	8	3	2	2	2	3	7	5
1968	20	10	10	4	5	9	10	2	13	7	18	6	7	11

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

[a] Regions are as defined in tables 1 and 8, except as follows: Cyprus is included in West Asia; eastern Europe includes Albania; Latin America comprises only the twenty republics (including Cuba).

[b] Including Mongolia, North Korea and North Viet-Nam. The trade between these countries and their trade with China (mainland) are excluded. Estimated on the basis of import data of trading partners.

[c] Chiefly islands in the Caribbean and Pacific areas.

[d] The figures for total exports include certain exports which are not found elsewhere in the table because the region of their destination could not be determined. Because of this and other slight differences in coverage and definition, there may be minor discrepancies between this table and the data presented in other tables in this chapter.

a further advance (of about 9 per cent) in exports to Japan, but in the wake of the improved rice harvest of some of the food-deficit countries in the region, trade among the southern and south-eastern Asian countries again recorded very little growth. Exports to eastern Europe and the USSR, which had receded in 1967, just about regained the 1966 level.

Implicit in the export matrix is the fact that the distribution of changes in imports in 1968 was less symmetrical than that in exports: a much smaller proportion (30 per cent) of the countries registered a gain between 1967 and 1968 significantly above the trend and a much larger proportion (almost a half) registered either a decline in imports in 1968 or an expansion significantly below the 1960-1967 average (see table 13). This reflects the preponderant influence of the growth of demand in a few of the major trading countries, most notably the United States (with a 24 per cent increase in imports between 1967 and 1968), the Federal Republic of Germany (17 per cent) and Belgium-Luxembourg (16 per cent).

A surprisingly vigorous rise in imports occurred in some of the countries which devalued their currencies in November 1967. There was a 41 per cent increase in Israel, after a sharp dip in 1967 and three years of virtually stationary imports before that. Import growth was also above the longer term average in Ireland and Jamaica and in the United Kingdom, where the result was a failure to achieve the hoped for improvement in the balance of trade.

Among the centrally planned economies, the rise in imports in 1968 was approximately in line with the rise in exports, reflecting the high proportion of reciprocal trade between these countries, though eastern European imports from the USSR rose rather more and Soviet imports from eastern Europe rather less than in 1967. Imports into mainland China increased marginally, the main expansion coming from the USSR and eastern Europe and, after a decline in 1967, from Japan and Canada.

Among the developed market economies, the expansion in North American imports far exceeded not only the longer term rate but also the 1968 expansion in exports and the 1968 expansion in imports of other industrial countries. By contrast, imports into Japan rose slightly at less than the 1960-1967 rate and much less than the country's exports. In western Europe, the growth in imports in 1968 was more nearly in line both with the historical rate (just under 10 per cent as against a 1960-1967 average of 8.5 per cent a year) and with the growth in exports (12 per cent). In the southern hemisphere group the combined changes were also in line, though the main cut in imports in 1968 occurred in South Africa, the country with the highest rate of export growth, while the main increase in imports occurred in Australia, the country with the lowest growth in exports in 1968.

In southern Europe, imports, like exports, rose at well below the longer term rate. Marked reductions in the rate of increase of imports into Spain and Yugoslavia offset acceleration in the flow into Greece and Turkey, where 1968 brought a recovery from a 1967 decline.

Among the developing regions, only in the case of Africa was the 4 per cent growth of imports in 1968 in line with the longer term rate and this average represented widely disparate results from country to country, ranging from a massive 36 per cent increase in Libya to reductions of more than one eighth in the Central African Republic, Nigeria, Tunisia and the United Arab Republic. In other regions, the over-all rise in imports was generally substantially higher, with the notable exception of southern Asia where, in the wake of the improvements in domestic food supplies, both India and Pakistan imported appreciably less (about one tenth) in 1968 than in 1967. In Latin America, western and eastern Asia, the 1967-1968 growth in imports was just about twice the average rate of each region respectively for the earlier years of the decade. In Latin America, the expansion was largely in Brazil (28 per cent), Colombia, where a gain of 29 per cent almost restored imports to their 1966 level, and Mexico (12 per cent), though Argentina, Costa Rica and Venezuela also recorded significantly above average increases. In western Asia the main acceleration was in Iran (to 23 per cent), while in Israel and Syria imports recovered sharply from the 1967 setback and Saudi Arabia also expanded its imports substantially (to about one sixth). In eastern Asia, the most notable acceleration was in Hong Kong (to 13 per cent in 1968), the Republic of Korea (47 per cent) and Singapore (15 per cent), but there was also a recovery from a 1967 decline in Cambodia and Malaysia, and continued rapid growth in the imports of the Philippines (9 per cent in 1968) and Thailand (15 per cent).

Table 13. Distribution of countries according to growth in imports,[a] 1960-1968

(Annual percentage change)

Countries in which, in relation to the average annual increase in imports between 1960-1967, the increase between 1967 and 1968 was								
Significantly greater			*More or less the same*			*Significantly less*		
1960-1967		*1967-1968[b]*	*1960-1967*		*1967-1968[b]*	*1960-1967*		*1967-1968[b]*
17.2	Republic of Korea	47	15.6	Saudi Arabia	17	13.1	Réunion	9
6.6	Israel	41	12.9	Thailand	15	12.2	Angola	9
18.5	Libya	36	13.8	Honduras	14	13.5	Dominican Republic	8
1.4	Colombia	29	11.3	Upper Volta	13	11.4	Panama	6
1.3	Brazil	28	11.0	France	13	13.6	Kuwait	5
4.0	Syria	25	15.1	China (Taiwan)	12	11.2	Yugoslavia	5
9.9	United States	24	13.9	Bulgaria	12	12.6	Bolivia	5
9.1	Iran	23	9.2	Netherlands	11	8.1	Barbados	5
9.8	Ethiopia	21	12.8	Japan	11	13.2	Romania	4
1.3	Cambodia	20	7.9	Jamaica	10	10.0	Togo	4
9.7	Ivory Coast	19	8.1	Sweden	10	10.8	Italy	4
8.9	United Republic of Tanzania	19	8.5	Switzerland	9	8.7	Paraguay	3
8.3	Ecuador	18	8.0	Philippines	9	6.6	Cyprus	3
9.3	Greece	17	8.9	Guatemala	9	12.5	Martinique	3
4.9	Madagascar	17	7.7	Ireland	8	5.9	Eastern Germany	3
9.0	Federal Republic of Germany	17	8.5	Poland	8	9.0	Denmark	2
5.7	Czechoslovakia	16	8.1	Austria	8	11.6	Guadeloupe	2
9.8	Belgium-Luxembourg	16	7.8	Kenya	8	8.9	Hungary	2
0.4	Senegal	15	4.9	United Kingdom	7	23.3	Spain	1
0.9	Singapore	15	8.2	Uganda	6	6.4	Dahomey	1
8.0	Mozambique	14	7.7	Lebanon	5	5.4	Trinidad and Tobago	1
9.3	Canada	14	6.4	Jordan	4	11.0	Cameroon	—
9.6	Hong Kong	13	0.3	Congo (Brazzaville)	1	5.2	Afghanistan	—
6.3	Mexico	12	0.3	Ceylon	1	14.4	Brunei	—
6.8	Australia	12	2.4	Sierra Leone	1	0.9	Mauritius	—2
9.3	Costa Rica	12	—4.0	Uruguay	—3	0.9	Mauritius	—2
6.4	Turkey	11	—2.7	Mauritania	—4	9.0	Norway	—2
6.1	USSR	10	—2.0	Ghana	—4	9.0	South Africa	—2
6.3	Chad	9	—8.4	Burma	—10	9.6	Portugal	—2
3.4	Venezuela	10				11.9	Gabon	—3
—3.3	Argentina	7				2.3	Iraq	—3
3.0	Malaysia	7				11.5	El Salvador	—4
2.4	Morocco	7				18.4	Niger	—4
—0.5	Indonesia	7				10.2	Surinam	—4
—0.9	Haiti	6				7.0	Liberia	—5
						7.5	Finland	—6
						3.2	New Zealand	—6
						17.5	Nicaragua	—8
						0.6	Sudan	—9
						7.5	Pakistan	—10
						3.4	India	—11
						6.3	Chile	—12
						5.3	United Arab Republic	—13
						13.1	Republic of Viet-Nam	—13
						11.1	Central African Republic	—13
						1.5	Nigeria	—14
						12.0	Iceland	—15
						4.1	Tunisia	—16
						6.2	Guyana	—18
						11.9	Peru	—24

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on IMF, *International Financial Statistics* and national sources.

[a] Measured c.i.f. in dollars.

[b] Preliminary; based in a number of cases on data for a period of less than twelve months.

Chapter III

THE STATE OF ECONOMIC BALANCE

While in a number of ways the sources of economic disequilibrium were tackled in 1967 and 1968, both within individual countries and in matters affecting relations between countries, many of the deeper seated difficulties proved more recalcitrant than had been hoped. The successes were generally localized; the imbalances with the widest international implications yielded very little to the measures applied.

For purposes of a global survey it is desirable to review the state of internal and external balance separately, although they are closely interrelated. Indeed, one of the main reasons why, notwithstanding the vigorous growth of the world economy in 1968, the state of international balance still remained precarious lies in the apparent lack of success of several of the major countries in restoring visible evidence of better domestic balance. The manifest difficulties in the way of both deflationary and inflationary internal adjustments led to a renewed debate on the advisability of easing the domestic problem by providing for greater flexibility in relations between national currencies.

On several occasions between November 1967 and May 1969, evidence was available regarding the magnitude of privately owned resources that could be mobilized in expectation of quick gain from a change in parity. The task of keeping national price levels in line in the face of even the ordinary distortions induced by technological developments and institutional rigidities has become both more important and more difficult, especially for those countries whose industrial structure or external indebtedness makes for greater vulnerability. The need for close and continuous collaboration at the official level to keep the international monetary system functioning smoothly as the servant of economic growth irrespective of its technical nature has been amply demonstrated.

CHANGES IN INTERNAL BALANCE

On the basis of preliminary data, it is possible to detect a shift of resources from consumption to investment in 1968. In most of the major countries, private consumption increased between 1967 and 1968 at much the same rate as earlier in the decade; it was fractionally higher in Belgium, Japan, Poland and the USSR, fractionally lower in France, the United Kingdom and the United States. Among the more advanced countries, there was a marked acceleration in private consumption in Australia, Czechoslovakia, Luxembourg and South Africa but more significantly, a marked deceleration in Canada, the Federal Republic of Germany, Italy, the Netherlands, Sweden[1] and Switzerland (see table 14). This tendency for the rate of increase in private consumption to slacken was repeated among the developing countries so that, in the aggregate, rates above the 1960-1967 average were registered in 40 per cent of the reporting countries and rates below that average in 60 per cent.

At the same time there was also a tendency for fixed capital formation to increase more than total production, raising the investment ratio above the decade average in almost two thirds of the sixty countries for which data are available (see table 15). Among the industrial market economies, Italy was the only one with a significantly lower investment ratio in 1968, though there were small reductions (below the 1960-1967 average) in Canada, the Federal Republic of Germany and Switzerland. A large majority of the developing countries—twenty-three out of the thirty-two reporting—raised their investment ratios in 1968; the most notable exceptions, with low average ratios, further reduced in 1968, were Brazil, Ceylon, Ecuador, Indonesia, the Sudan and Uruguay.

In the centrally planned economies, the increase in gross investment outlays was generally greater than the increase in total production, except in Hungary, where fixed investment had been particularly high in 1967; it was also significantly above the 1960-1967 average in the more industrialized countries in the group, such as Czechoslovakia, Eastern Germany and the USSR. Investment expanded to a greater extent than consumption in all countries except Czechoslovakia where, as indicated above, there was a particularly sharp rise in consumer spending, and Hungary where there was a levelling off in capital formation in the socialized sector (see table

[1] In Sweden, the deceleration in the growth of private consumption was more than counterbalanced by an acceleration in public consumption.

Table 14. Distribution of countries according to rate of increase in private consumption

(Percentage per annum)

Countries in which, in relation to the average annual increase in private consumption between 1960 and 1967, the increase between 1967 and 1968 was								
Significantly greater			*More or less the same*			*Significantly less*		
1960-1967		*1967-1968*[a]	*1960-1967*		*1967-1968*[a]	*1960-1967*		*1967-1968*[a]
6.1	Republic of Korea	12.7	9.0	Japan	9.6	8.4	China (Taiwan)	6.2
8.0	Israel	11.1	7.8	Venezuela	7.0	5.1	Canada	4.5
3.9	Philippines	9.6	7.1	Mexico	6.9	5.4	Italy	4.5
3.5	Czechoslovakia	9.0	5.9	USSR	6.5	5.7	Netherlands	4.5
2.9	Morocco	8.6	6.0	Thailand	6.4	5.2	Chile	4.3
5.7	South Africa	7.8	6.9	Greece	6.4	5.1	Paraguay	4.3
5.2	Ecuador	7.8	4.8	Poland	6.0	6.1[c]	Yugoslavia	4.0
6.3[c]	Bulgaria	7.8	5.3	Pakistan[b]	5.2	4.7	Federal Republic of Germany	4.0
2.9	Ceylon	7.1	5.5	Bolivia	5.2	6.9	El Salvador	3.7
6.0	Brazil	6.9	5.4	France	5.0	4.7	Austria	3.6
5.6	Colombia	6.7	4.8	United States	4.7	4.2	Sweden	3.2
4.8	Singapore	5.8	5.0	Costa Rica	4.6	6.7	Panama	3.0
.	Luxembourg	5.5	4.6	Guatemala	4.2	4.7	Switzerland	2.5
4.9	Honduras	5.5	3.9	Belgium	4.0	4.6	Denmark	1.5
4.3	Hungary	5.0	3.9	Norway	3.4	4.6	Finland	1.5
4.1	Australia[d]	4.9	2.8	United Kingdom	2.7	6.5	Dominican Republic	1.5
2.8	Ireland	4.9				6.3	Nicaragua	—0.2
3.0	Eastern Germany	4.7				0.3	Uruguay	—0.9
2.8	Argentina	4.6				8.1	Peru	—4.3
						5.5	Iceland	—5.4

Source: See table 1.
[a] Preliminary.
[b] Fiscal year beginning 1 July of year indicated.
[c] 1960-1966.
[d] Fiscal year ending 30 June of year indicated.

16). Thus 1968 saw the expansion of both consumption and investment in Czechoslovakia, Eastern Germany, Poland and the USSR. In Bulgaria and Romania, the increase in investment in 1968, though below the decade average (13 per cent), was above what had been planned. Planned investment was also exceeded in Czechoslovakia, Poland and the USSR, suggesting difficulties in implementing the efforts that were being made to improve the balance between demand and supply in the capital goods and construction industries. In some cases, the greater degree of decentralized decision-making associated with economic reforms seems to have militated against cutbacks in the initial work on new projects.

Among the developed market economies, only Japan, and at a lower level Australia and South Africa, managed to accelerate the gain in private consumption in 1968 while at the same time raising their investment ratios. This was also achieved by a few developing countries, most notably the Republic of Korea, but also several other countries in southern and south-eastern Asia, such as the Philippines, Singapore and Thailand, and some countries like Morocco where there was a striking agricultural recovery in 1968. At the other end of the spectrum were the countries in which a deceleration in the growth in consumption was accompanied by a reduction in the investment ratio: these included Austria, Canada, the Federal Republic of Germany, Finland, Italy and Switzerland among the developed market economies and Peru and Uruguay among the developing countries. With the major deficit countries, France, the United Kingdom and the United States, maintaining or raising their consumption and investment and the major surplus countries the Federal Republic of Germany, Italy and Switzerland, slowing down their rate of advance on both fronts, the scene was set for an accentuation of one of the most troublesome international imbalances.

Further evidence of the imbalance among the principal developed market economies may be gleaned from the course of unemployment, wage costs and commodity price levels.

The upswing in production in 1968 was associated with a sharp decline in unemployment in a number of developed market economies (see table 17), most notably the Federal Republic of Germany and the Netherlands, where by the end of the year the number of job vacancies greatly exceeded the number

Table 15. Distribution of countries according to ratio of fixed investment to gross domestic product, 1960-1968

(Percentage)

Countries in which, in relation to the average ratio of fixed investment to gross domestic product between 1960 and 1967, the ratio in 1968 was

Significantly higher			*More or less the same*			*Significantly lower*		
1960-1967		*1968*[a]	*1960-1967*		*1968*[a]	*1960-1967*		*1968*[a]
32.1	Iceland	39.2	32.5[b]	Yugoslavia	33.2	24.9	Finland	22.2
33.9	Japan	36.9	29.4	Norway	28.6	27.4	Israel	21.3
20.7	Thailand	29.0	26.4	Switzerland	25.5	21.2	Italy	20.0
25.0	Netherlands	27.6	23.4	Sweden	24.3	21.9	Spain	. .
25.9	Australia[c]	27.5	24.8	Federal Republic of Germany	23.8	19.4	Peru	18.3
15.3	Republic of Korea	27.0	23.5	Greece	23.8	18.9	Zambia	
22.7	Denmark	24.0	24.7	Austria	23.7	18.1	Portugal	. .
21.0	France	23.0	22.4	Canada	21.8	13.6	Uruguay	12.3
21.5	South Africa	22.8	20.8	Belgium	21.4	12.2	Ecuador	10.5
18.4	Ireland	22.5	19.6	Argentina	19.3	12.7[b]	Sudan	9.8
15.9	China (Taiwan)	21.3	20.0	Costa Rica	19.2	7.9[d]	Indonesia	4.6
14.1	Malawi	21.2	17.6	Venezuela	18.5			
18.7	Bolivia	20.5	17.1	Panama	18.0			
17.7	Cyprus	20.1	16.8	United States	16.7			
18.1	United Kingdom	19.6	17.0	Colombia	16.6			
15.0	Turkey[e]	19.6	16.0	Chile	16.1			
15.9	Iran[f]	19.0	13.5	El Salvador	13.9			
16.5	Nicaragua	18.2	13.2	Ceylon	12.5			
12.6	Dominican Republic	17.9	12.5	Brazil	12.4			
13.8[d]	United Republic of Tanzania	17.8[d]	9.7[g]	Madagascar	10.1			
13.7	Honduras	17.5						
15.4	Mexico	17.2						
16.0	Malaysia	17.0						
13.9	Philippines	16.3						
14.4	Paraguay[h]	16.2						
13.6	Pakistan[i]	14.8						
11.7	Singapore	14.8						
11.5	Morocco	13.5						
11.4	Guatemala	12.7						

Source: See table 1.
[a] Preliminary.
[b] 1960-1966.
[c] Fiscal year ending 30 June of year indicated.
[d] Ratio of fixed investment to gross domestic product at factor cost.
[e] Current price data.
[f] Fiscal year beginning 21 March of year indicated.
[g] Average of 1960, 1962-1967.
[h] Ratio of gross investment to gross domestic product.
[i] Fiscal year beginning 1 July of year indicated.

of unemployed workers, as had been the pattern throughout the 1960s until 1967. In the Federal Republic of Germany, output per man-hour in manufacturing was about 7 per cent higher in 1968 than in 1967 and wage costs per unit of output about 4 per cent lower. There was an even sharper rise of productivity in manufacturing in Japan, with more or less stable unit costs.

In France, by contrast, unemployment exceeded vacancies by a margin that on average was higher in 1968 than earlier in the 1960s. The disruptions in May sharply reduced the gain in output per man-hour (to below 6 per cent in manufacturing) and inflated the average wage cost per unit of output (by about 6 per cent for the year as a whole). Unit wage costs also rose in the United Kingdom by 2 per cent and in the United States by 5 per cent. In the United Kingdom, the excess of unemployment over vacancies, which had risen during 1967, declined somewhat in 1968, but the 6 per cent advance in output per man-hour worked in manufacturing was the highest since 1964. In the United States, the unemployment rate declined to the low ratio of 3.3 per cent of the civilian labour force by the end of 1968, and there was only a small 2 per cent advance in output per man-hour.

Though the rise in unit costs in the United States during 1968 came at an awkward time in relation to the country's external balance, it should be viewed in a longer perspective in order for it to be seen in a proper international context. In the course of the 1960s, for example, wage costs per unit of manu-

Table 16. Centrally planned economies: changes in national income, consumption and investment, 1965-1968

(Percentage change from previous year)

Country	National income[a]		Private consumption[b]		Gross fixed investment[c]	
	Average 1960-1967	1968	Average 1960-1967	1968	Average 1960-1967	1968
Bulgaria	7.6	6.5	6.3	7.8	12.8[d]	11.0[d]
Czechoslovakia	4.0	7.0	3.5	9.0	3.4	8.6
Eastern Germany	4.0	5.3	3.0	4.7	5.9	10.0
Hungary	5.4	5.0	4.3	5.0	7.4	—
Poland	6.4	8.0	4.8	6.0	8.2	8.6
Romania	9.0	7.0	9.8	8.8	13.0	11.1
USSR	7.0	7.2[e]	5.9	6.5	6.8	8.5

Source: See table 1.

[a] Net material product at constant prices.

[b] In the case of Eastern Germany and Romania, volume of retail sales (which in Romania has probably been rising more rapidly than total consumption); the 1968 figures for Bulgaria and the USSR are estimates; in the case of Bulgaria, the first column refers to 1960-1966.

[c] At constant prices except in the case of Bulgaria; total investment in the case of Czechoslovakia, Eastern Germany and the USSR; investment in the socialized sector only in the case of Bulgaria, Hungary and Poland; state investment only in the case of Romania.

[d] Value at current prices.

[e] Net material product distributed (that is, consumption plus investment).

Table 17. Changes in unemployment in selected countries,[a] 1967-1968

Country	Percentage change in number of unemployed from corresponding period of previous year		Percentage ratio of job vacancies to registered unemployment	
	Fourth quarter 1967	Fourth quarter 1968	Fourth quarter 1967	Fourth quarter 1968
Austria	14	—1	35	40
Belgium	45	7	4	6
Canada	28	12		..
Denmark	126	25	.	...
Federal Republic of Germany	84	—50	70	269
France	42	11	14	21
Japan	—7	—3	62	76
Netherlands	59	—28	81	159
Norway	44	38	49	24
Sweden	55	3	88	112
United Kingdom	12	—4	43	51
United States	9	—13	11	14

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development (OECD), *Main Economic Indicators*, June 1969.

[a] Because of differences in definition and completeness of coverage, data on unemployment and job vacancies are not fully comparable among countries. Even changes over time in individual countries need to be interpreted cautiously.

facturing output have risen only 4 per cent in the United States, compared with 10 per cent in Italy, 18 per cent in the Federal Republic of Germany, 20 per cent in Japan and about 22 per cent in France and the United Kingdom This is in marked contrast to the change that has taken place in the average dollar price of exports of manufactured goods: between 1960 and 1968 this declined substantially in the case of Italy (about 6 per cent) and Japan (9 per cent) and increased in the other major industrial countries—by 9 per cent in the United Kingdom, 10 per cent in France, 11 per cent in the Federal Republic of Germany and 13 per cent in the United States It is these changes which lie behind the rise in the share in the manufacturing exports of the developed market economies coming from Italy (from 5 per cent in 1960 to 7 per cent in 1968) and Japan (from 7 per cent to 11 per cent) at the expense of those from France (from 10 per cent to 8 cent), the United Kingdom (from 16 per cent to 11 per cent) and the United States (from 22 per cent to 20 per cent).

Data on changes in manufacturing costs are available for only a small number of countries and in the present context, their relevance is confined to the developed market economies. A more general indicator of changes in the supply/demand balance is the movement of market prices.

As is so often the case in the world economy with all its complexity and diversity, the evidence of internal imbalance to be inferred from domestic price movements points to a wide variety of situations. Although the number of countries in which prices receded between 1967 and 1968 or rose at significantly less than the average 1960-1967 rate was appreciably greater than the number registering a higher rate of price increase, the latter included many of the countries in which inflationary forces were particularly troublesome and damaging either because of sheer magnitude, as in the case of Chile and Uruguay, or because the strategic commercial and monetary interrelationships involved, as in the case of France, the United Kingdom and the United States. Table 18 shows recent movements in the wholesale price index in fifty-three countries for which appropriate data are available, and table 19 sets forth similar data relating to the cost of living or consumer price index in ninety-three countries.

Where there was an easing of the pressure on prices, it came in most instances from improvements in the supply situation. This was brought about largely by agricultural gains in such countries as India and Morocco, in western Pakistan, in the Philippines, where the effect of a 25 per cent upsurge in imports in 1967 was wearing off in 1968, and also in Spain, where food prices stabilized after the first quarter of 1968, notwithstanding the expansion in demand when the official austerity programme, introduced with the devaluation of the peso, was relaxed. The improvement in domestic supply was assisted in a number of cases by an upsurge in imports in 1968, as in Brazil (28 per cent), Colombia (29 per cent), Israel (41 per cent) and the Republic of Korea (47 per cent).

In Brazil, the flow of goods from domestic industry was also substantially greater, reflecting an easier credit policy and the deferment of certain tax payments. Despite this last, budget cuts sharply reduced the federal deficit (from 2.6 per cent of gross domestic product in 1967 to 1.6 per cent in 1968). Thus the rise in money supply, though greater than in 1967, was more closely related to the growth of industrial output.

There was also a major reduction in the government deficit in Argentina where revenue was increased by important improvements in tax administration and expenditure was cut by contraction of federal establishment: about 6,000 redundancies were declared in the second half of 1967 and there was virtually no increase in public consumption between 1967 and 1968. In addition, a wage freeze was imposed and efforts made to stimulate industrial production by relaxation of controls over investment. Supplies from the large 1967 harvest met local consumer demand and helped to finance a sizable increase in imports in 1968. This in turn facilitated a reversal of the downward drift in investment: fixed capital formation increased by almost 13 per cent between 1967 and 1968. The price rise in the course of 1968 was about 4 per cent at the wholesale level and 10 per cent at the retail level—both very low figures by historical standards.

Strenuous efforts were also made to reduce inflationary pressures in Indonesia. The main object of these was to stimulate domestic output by better use of existing capacity; new investment dropped back from 7 per cent of gross domestic product in 1966 to 6 per cent in 1967 and to less than 5 per cent in 1968. Some help was derived from United States food aid in 1967 and a favourable harvest in 1968 as well as from an increase in external financial assistance which facilitated the importation of badly needed inputs. The production of milled rice was 15 per cent higher in 1968 than in 1967, while total imports, which had risen by a third between 1966 and 1967, increased a further 7 per cent in 1968. The rate of increase in prices began to slow down in the second half of 1968 and, in the case of food, retail prices levelled off at the mid-year average. The price of rice, which had trebled between 1966 and 1967 averaged about a fifth more in 1968 than in 1967 and in the first quarter of 1969 was actually below the 1968 average.

In Yugoslavia, the supply of manufactures began to improve in 1968 after two rather stagnant years: there was a substantial recovery in industrial production and a rise in productivity that kept factory prices virtually constant. A sharp rise in consumer saving ratios also helped: private consumption increased by only 4 per cent between 1967 and 1968, much less than in the earlier years of the decade. The increase in the cost of living, though well below earlier rates, began accelerating during the year, however, in the wake of the poor harvest and a planned rise in rents; and by the beginning of 1969, official credit policy had become much more restrictive.

Altogether, almost one third of the countries for which data are available reported a measurable deceleration in the rate of increase in consumer prices. Most significant among them, from the point of view of international equilibrium, were the leading surplus countries of western Europe, the Federal Republic of Germany, Italy and Switzerland.

Most of the countries in which there was a distinct acceleration in the rise in prices in 1968 belong to the group that devalued their currencies along with sterling in November 1967. There were particularly sharp increases in Ceylon, Denmark, Finland, Iceland, Mauritius, New Zealand and Trinidad and

Table 18. Distribution of countries according to rates of change in wholesale prices, 1960-1968

(Percentage per annum)

Countries in which, in relation to the average annual rate of increase between 1960 and 1967, the rise in wholesale prices between 1967 and 1968 was											
	Significantly greater				*More or less the same*				*Significantly less*		
	1960-1967	*1967-1968[a]*	*During 1968[a]*		*1960-1967*	*1967-1968[a]*	*During 1968[a]*		*1960-1967*	*1967-1968[a]*	*During 1968[a]*
Chile	27	31	33	Republic of Viet-Nam	11	8.8	10	Brazil	50	24	25
Ghana	6.6	16	23	Denmark	2.8	3.6	0.9	Argentina	24	9.3	4.0
Finland	3.5	11	5.9	Turkey	4.4	3.3	5.8	Republic of Korea	15	7.6	6.8
United Kingdom	1.5	9.1	1.9	Tunisia	4.8	3.1	2.7	Colombia	13	6.3	4.9
Costa Rica	1.2	7.7	2.3	Southern Rhodesia	2.1	3.0	4.0	Gabon	5.0	3.5	4.4
New Zealand	1.6	6.9	9.8	China (Taiwan)	1.9	2.9	1.5	Zambia	4.7	3.4	2.7
Dominican Republic	3.0	6.7	8.1	Canada	2.0	2.6	2.6	Philippines	5.1	2.9	—3.0
Ireland	3.1	6.2	6.2	Ethiopia	1.0	2.5	0.8	Spain	4.4	2.3	1.7
Portugal	2.0	4.5	—	Australia	2.6	2.4	4.3	South Africa	2.4	1.2	2.2
Guatemala	0.3	3.8	7.1	Israel	3.2	2.3	3.0	Sweden	3.0	0.9	0.9
United States	0.9	3.4	2.8	Mexico	1.9	1.9	2.1	Netherlands	2.8	0.9	3.1
				Ecuador	2.6	1.5	3.9	Austria	2.6	0.9	2.2
				France	2.0	1.3	6.1	Venezuela	3.0	0.6	1.6
				Norway	2.2	0.9	0.9	Italy	2.4	0.4	0.1
				Japan	0.8	0.8	—0.3	Iran	1.3	0.5	1.1
				Belgium	1.8	0.2	2.4	Senegal	3.0	0.3	0.2
								Yugoslavia	5.7	—	0.7
								Greece	2.2	—	3.4
								Switzerland	1.9	—	0.3
								India	8.0	—1.3	—2.5
								El Salvador	0.9	—1.3	—1.3
								United Arab Republic	3.8	—2.5	—0.5
								Thailand	2.9	—3.5	—7.5
								Pakistan	3.6	—4.0	3.4
								Federal Republic of Germany	1.2	—5.4	—5.0
								Syria	1.6	—8.6	—4.1

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

[a] Preliminary; based in some cases on data for a period of less than twelve months. The change during 1968 is measured between the latest monthly figure in 1968—December, in most cases—and that of the corresponding month in 1967. In each group the countries are listed in descending order of increase in wholesale prices between 1967 and 1968.

Table 19. Distribution of countries according to rates of change in consumer prices,[a] 1960-1968

(Percentage per annum)

Countries in which the rise in consumer prices between 1967 and 1968, in relation to the annual average rate of increase between 1960 and 1967, was

	Significantly greater				More or less the same				Significantly less		
	1960-1967	1967 1968[b]	During 1968[b]		1960-1967	1967 1968[b]	During 1968[b]		1960-1967-	1967 1968[b]	During 1968[b]
Uruguay	42	125	66	Chile	27	27	28	Indonesia	225	125	85
Congo (Democratic Republic of)	23	53	19	Ghana	9.4	10	13	Brazil	60	24	25
Republic of Viet-Nam	18	28	25	Turkey	5.8	5.9	5.2	Argentina	26	16	9.8
Peru	9.6	19	9.8	Japan	5.7	5.4	3.9	Republic of Korea	15	11	11
Iceland	11	16	15	Ireland	4.1	4.8	5.4	Yugoslavia	15	6.6	7.5
Zambia	4.1	12	10	Somalia	4.7	4.7	3.9	Colombia	14	5.7	5.6
Ceylon	1.5	12	6.7	Libya	5.4	4.4	7.3	Spain	8.0	4.9	2.9
Finland	5.3	8.4	5.6	Ecuador	4.0	4.3	3.5	Bolivia	5.4	3.8	3.7
Trinidad and Tobago	2.6	8.2	7.5	Netherlands	3.9	3.7	4.2	Congo (Brazzaville)	5.3	3.7	3.9
Denmark	5.9	8.0	4.3	United Arab Republic	4.2	3.5	6.3	India	8.1	2.6	0.6
China (Taiwan)	2.0	7.9	6.2	Norway	4.1	3.5	3.7	Switzerland	3.7	2.4	2.2
Mauritius	1.1	6.9	3.7	Guyana	2.1	3.0	2.0	Gabon	3.5	2.1	2.1
Portugal	3.3	6.1	4.0	Austria	3.6	2.8	3.0	Israel	6.8	2.1	1.9
Cambodia	2.8	6.0	6.8	Belgium	3.0	2.8	2.5	Sweden	4.3	1.9	2.0
Ivory Coast	2.2	5.6	9.3	Hong Kong	2.1	2.7	—	Federal Republic of Germany	3.0	1.4	2.7
United Kingdom	3.6	4.7	5.9	Australia	2.0	2.7	2.7	Italy	4.6	1.4	0.9
France	3.6	4.7	5.3	Luxembourg	2.5	2.6	2.3	Sierra Leone	4.1	1.4	2.7
New Zealand	3.0	4.3	5.1	Pakistan (east)	3.3	2.5	7.2	Chad	5.2	1.0	1.6
United States	1.7	4.2	4.6	Tunisia	2.8	2.4	2.5	Madagascar	2.3	0.9	1.3
Canada	2.2	4.1	4.0	Southern Rhodesia	2.6	2.3	0.8	Singapore	1.4	0.7	—2.7
Mozambique	2.2	4.1	4.9	Mexico	2.5	2.3	1.8	Philippines	7.0	0.6	—
Costa Rica	1.6	4.1	3.5	Honduras	2.6	2.2	2.7	Paraguay	3.5	0.6	2.7
Jamaica	2.5	3.8	4.0	Thailand	2.1	2.2	1.1	Kenya	2.3	0.5	0.7
Cyprus	0.4	3.8	3.6	Malta	1.5	2.0	1.1	Morocco	2.9	0.5	1.9
United Republic of Tanzania	2.0	3.4	2.7	Syria	2.7	1.8	4.2	Pakistan (west)	3.7	0.2	2.0
El Salvador	0.3	2.6	1.5	South Africa	2.5	1.8	2.7	Ethiopia	6.0	0.2	0.5
Guatemala	0.3	1.9	4.4	Panama	0.8	1.6	1.9	Malaysia	1.0	0.2	—3.0
Venezuela	0.6	1.3	2.8	Iraq	0.9	1.4	2.0	Dominican Republic	2.7	—	—0.1
				Netherlands Antilles	0.8	1.3	1.2				
				Nigeria	3.3	1.2	7.1				
				Czechoslovakia	0.7	0.9	1.1				
				Iran	1.5	0.6	2.3				
				Hungary	1.0	0.5	1.9				
				Senegal	2.9	0.5	4.1				
				Greece	2.2	0.4	2.5				
				Uganda	2.8	—4.8	3.4				
				Sudan	3.2	—10	3.4				

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

[a] Based in most cases on prices prevailing in the capital city and other urban centres; referring in some cases to particular population or income groups or to restricted commodity coverage.

[b] Preliminary; based in some cases on data for a period of less than twelve months; the change during 1968 reflects prices in December 1968 (or the latest available month) compared with those in the corresponding period in 1967. In each group, countries are listed in descending order of increase in consumer prices between 1967 and 1968.

Tobago, and some acceleration in the price rise in Cyprus and Jamaica.

The increase in the United Kingdom was somewhat less than had been expected in an economy so dependent on imports. Wholesale prices rose 2 per cent in the course of 1968 and retail prices 6 per cent, while the year-to-year increases were just about 9 per cent and 5 per cent respectively. Nevertheless, the problems caused by the severely deflationary policies being pursued were accentuated and it became more difficult to expand exports. In the event, money incomes kept pace with prices and, while public consumption was held down, private consumption continued to rise at just under 3 per cent a year. Though fixed investment increased at not much more than half the 1960-1967 rate, its ratio to gross domestic product reached 20 per cent, a figure somewhat higher than the 1960-1967 average.

France was also among the countries registering a marked acceleration in the upward trend of prices. This reflected the disruption of production by the strikes in May and June and subsequent wage increases: as indicated above, hourly wage rates in manufacturing rose by about a sixth in the course of the year. The movement in retail prices was very similar to that in the United Kingdom, but the wholesale prices of intermediate goods, which had been easing, rose steeply after the strike and at the end of the year were 6 per cent above the corresponding 1967 figure. As in the United Kingdom, the increase in fixed capital formation was well below the decade average, but the investment ratio rose to 23 per cent of gross domestic product, while private consumption continued to expand at 5 per cent a year.

There was also a marked quickening in price movements in the United States: over the year there was a 3 per cent increase at the wholesale level and a 4.6 per cent increase at the consumer level. Hourly earnings in manufacturing rose 6 per cent between 1967 and 1968 and also in the course of 1968. Expectations of continuing price increases seem to have motivated both consumers and businessmen: notwithstanding the enactment of a 10 per cent surcharge on income taxes, consumption maintained its earlier growth, at the expense of a sharp decline in personal savings ratios, and the expansion in fixed investment (6.6 per cent) was above the 1960-1967 average (5.3 per cent). The rise in United States prices contributed to similar increases in those of some of its close trading partners, notably Canada, Costa Rica, El Salvador and Guatemala, each of which registered a 1968 rise well above the 1960-1967 average.

More severe in its domestic impact was the rise in inflationary pressures in Chile, Peru and Uruguay. In Chile, the main increment in demand came from fixed investment which, largely reflecting a projected expansion in the copper industry, rose by about 10 per cent or almost three times the 1960-1967 average. This was accentuated by a burst of inventory building in anticipation of the effects of a serious drought which affected the country in the second half of 1968, helping, paradoxically, to increase agricultural output figures because of greater livestock slaughter. As manufacturing output remained static for the third successive year and less was imported than in 1967, supply did not keep pace with demand and in the course of the year wholesale prices rose by about 40 per cent in the case of imported goods (as a consequence of the depreciation of the escudo), a third in the case of construction materials and a fourth in the case of textiles and farm products.

Peru suffered even more from drought in 1968, and *per capita* food production dropped to the lowest level in the decade. As in the case of Chile, the impact of rising food prices was accentuated by a sharp increase in the local cost of imported goods following the 45 per cent devaluation of the sol late in 1967. Tax reforms, a cutback in government expenditure and restrictions on credit began to slow down the rate of advance in prices in the second half of 1968. For the year as a whole, however, consumption declined 4 per cent below the 1967 level in real terms and fixed capital formation 12 per cent, reducing the investment ratio in 1968 (18 per cent) to below the decade average.

In Uruguay, also, a stabilization drive was launched in mid-1968, and for the year as a whole both consumption and investment were about one per cent below the 1967 level. Improved tax collections reduced the budget deficit to 2 per cent of expenditure from 21 per cent in 1967. This was bridged by borrowing from the public rather than from the banking system. A more selective expansion of credit assisted the agricultural sector to recover from two years of drought, with consequent benefit to local supplies and exports, an expected increase of which in 1969 would permit a reversal of the downward drift in imports. This would facilitate a continuation of the deceleration in price increases that was achieved in the second half of 1968 even though the wage freeze imposed in mid-1968 was to be relaxed.

Strong inflationary pressures were also in evidence in Ghana and the Ivory Coast where a poor agricultural season was reflected in a one-fifth rise in food prices. In the case of Ghana this accentuated the continued shortage of imported goods.

After a lengthy period of relative price stability, there were signs of a marked increase in inflationary pressures in China (Taiwan). These seem to have been generated largely by the continued high rate of expansion in investment, partly from foreign sources: there was a 14 per cent rise between 1967 and 1968, only slightly below the decade average. Employment opportunities have been increasing faster than the labour force, and in 1967 and 1968 shortage in skilled labour, combined with a strengthening of the bargaining position of some groups, caused a sharp rise in hourly earnings and in unit labour costs in manufacturing. Rents and building costs began rising and food prices followed. The Government tightened its credit policy in mid-1968 and prepared for a major reform in tax structure and administration in an effort to hold off wage increases and the risk of a repetition of the spiral that had destabilized the economy in the 1950s.

Strong inflationary forces, not fully reflected in increases in controlled prices, emerged in Czechoslovakia during 1968. Wage increases, higher welfare payments and better agricultural returns all helped to swell money incomes and the resultant increase in demand was further inflated by the loss of confidence in internal economic stability in the latter part of the year. For the year as a whole, retail sales were 14 per cent above the 1967 level, and sales of consumer goods other than food were more than one fifth higher. Though supplies from factories and farms rose well above planned levels, the imbalance was acute and inventories were sharply reduced. Plans for 1969 include a greater expansion in supply, a curb on new investment and on the rise in wages, and increases in various retail prices.

Altogether, in about a third of the reporting countries, prices continued to increase at approximately the same rates as those recorded in the past. They were over the 4 per cent mark in a number of cases, not only in Chile and Ghana but also in Japan and Libya (two countries with records of high growth), in Ireland after devaluation, in Somalia and in Turkey, countries with serious shortages of foreign exchange. The rate of price increase also rose above the 4 per cent mark in the course of 1968 in several other countries in this group, including Nigeria, where the civil war was taking its toll in production and trade, and in Syria and the United Arab Republic, two more countries which have found it extremely difficult to increase their import capacity.

Changes in external balance

The state of economic balance among countries needs to be examined at two levels: as a determinant of policy priorities of a purely domestic nature and as a reflection of the operating efficiency of the mechanisms that, through the flow of goods and capital, connect the country component to the world economy as a whole. In general, the larger the country, the more likely it will be that the state of its external balance will be a matter of concern not only to its trading partners but also to the international monetary system. Because of the persistence of payments deficits in some major countries, notably the United Kingdom and the United States, and of payments surpluses in others, notably the Federal Republic of Germany, 1968 will probably be viewed as a year in which little progress was made in bringing the principal trading nations into alignment, rather than one in which many smaller trading nations improved their external balance.

World trade as a whole was not unduly affected by price movements in 1968, though differences in the commodity composition of exports caused those price changes that did occur to have an impact on the terms of trade—and hence on the balance of trade—differing from country to country and even, to a much slighter extent, from region to region.

Largely as a result of the devaluation of sterling in November 1967, the average unit value of world exports in dollar terms was fractionally below the 1967 figure, and the quantum increase in world trade was a record of one eighth. Because of the weight of the industrial countries in the group that devalued their currencies in 1967, the main incidence of the decline in unit value was in the developed market economies; the unit value of North American and Japanese exports increased about 1 per cent, but with average dollar prices of exports from EFTA declining by about 4 per cent, the unit value of western European exports was about 2 per cent below the 1967 level. The combined effect of these divergent movements was a slight reduction in the average dollar price of the exports of the developed market economies. Against this, the average dollar price of exports from the developing countries was marginally higher in 1968 than in 1967. As a result, the average terms of trade of developing countries as a group improved slightly: after a sharp deterioration of 6 per cent early in the decade, developing country terms of trade recovered most of the loss and since 1964 have remained remarkably stable.

The price index of primary commodities exported by developing countries changed very little between 1967 and 1968: it was still more or less at the 1960 level, around which it has fluctuated during the decade. The food component of this index rose marginally to 10 per cent above the 1960 level, the mineral component remained at 1 per cent above the 1960 level, while the agricultural raw material component also remained at the 1967 figure; this was, however, 17 per cent below the 1960 level. The price index of non-ferrous metals exported by the developing countries was 6 per cent higher than in 1967, 7 per cent below the 1966 peak, but 60 per cent above the 1960 level.

It is not surprising, therefore, that while the overall export unit value index of developing countries rose fractionally in 1968, the regions did not all fare alike and there were even sharper differences among individual countries. In general, the gains were in Africa, where there was a 3 per cent rise in export prices and Latin America which showed almost 2 per cent; the Asian group experienced a 1 per cent reduction. Differences in the trading pattern of these regions modified the consequences of the export price changes: importers from sterling sources gained a sizable benefit in dollar terms while importers from the United States were exposed to a more rapid rise in the cost of manufactures. As a result, the Latin American terms of trade receded slightly, to approximately the 1958 level around which they have fluctuated for ten years. The terms of trade of developing countries in Asia remained more or less at the level they had reached in 1964 after a 10 per cent decline from the figure at the turn of the decade. The terms of trade of developing countries in Africa were about 3 per cent better than in 1967, recovering the ground lost between 1960 and 1962 (see table 20).

Table 20. Terms of trade,[a] by region, 1960-1968

(Percentage)

Region	*Average annual change 1960-1967*	*Change between 1967 and 1968[b]* Export unit value	Import unit value	Terms of trade
Developed market economics	0.3	—1	—1	—
North America	0.4	2	2	1
Western Europe	0.3	—2	—2	—1
EEC	0.3	—1	—2	—
EFTA	0.7	—4	—2	—2
Japan	—1.6	1	—1	1
Southern hemisphere	0.3	—2	—2	—
Developing countries	—0.1	1	—	1
(excluding petroleum)	0.5	—	.	1
Latin America	1.3	1	3	—2
(excluding petroleum)	2.1	2		—1
Africa	—0.3	3	—	3
Western Asia	—1.1	—1	—1	—1
(excluding petroleum)	0.6	—3	.	—3
Southern and south-eastern Asia	—1.2	—1	—2	1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, July 1969.

[a] Export unit values divided by import unit values, based on 1963 = 100

[b] Preliminary.

As suggested above, differences from country to country were accentuated not only by the differences in the extent to which the cheaper sterling imports were absorbed but also by a number of sharply divergent trends on primary commodity markets. Compared with 1967, significantly higher average prices were realized for a number of products, including rice and cocoa, copra, palm kernels and linseed, cotton, aluminium, copper and lead and their ores, and rock phosphate. Sugar prices on the free market began to recover in the middle of 1968 and had virtually doubled by the first quarter of 1969. By contrast, the market prices of a comparable range of commodities were substantially lower in 1968 than in 1967; wheat, maize and tea, for example, as well as ground-nuts and palm oil, wool, jute and sisal, natural rubber, zinc and tin and their ores, and iron, manganese and chrome ores.

Thus even within individual regions, the terms of trade tended to move quite differently from country to country. In Latin America, for example, price movements tended to be favourable for Chile, the Dominican Republic and Peru, unfavourable for Argentina and Uruguay. In Africa, the changes favoured Cameroon, the Democratic Republic of Congo, Ghana, the Ivory Coast, the United Arab Republic and Zambia, while prices tended to move against Kenya, Liberia, Nigeria, Senegal and the United Republic of Tanzania. In Asia, the beneficiaries of price changes included Burma and the Philippines; those that were placed at a relative disadvantage included Ceylon, India and Malaysia.

For an up-to-date appraisal of the state of external equilibrium on a global scale, it is necessary to rely heavily on two partial indicators: the balance of trade and movements in international liquidity. Neither provides a definitive test of changes in the state of external balance of individual countries. The role of trade in the balance of payments differs considerably from country to country, while liquidity is an elusive concept, dependent not only on the availability of convertible currency reserves but also on the structure of external debt and the mechanisms for providing accommodation and making adjustments. It is clear that due caution must be exercised in drawing inferences from changes in the trade balance and in external reserves. Nevertheless, such changes furnish primary evidence of the state of international economic equilibrium.

In the interpretation of the significance of movements in the balance of trade, two considerations need to be borne in mind. The first entails the genesis of the movement—whether it reflects expansion or contraction in exports or the opposite change in imports. The second concerns the extent to which commodity exports provide the means for making external payments; a low ratio of export earnings to import expenditure may reflect the availability of other sources of revenue, from shipping, tourism, emigrant workers or interest receipts, for example, rather than an increase in indebtedness, while a high ratio may reflect the results of earlier borrowing or direct foreign investment for the development of the country's export sector and be offset in the current account by other outlays, for interest and dividends.

One of the consequences of the great increase in imports into the major trading countries in 1968, accompanied as this was by a deceleration in the growth in imports into a number of smaller trading countries in the wake of devaluation or improved agricultural production, was a widespread rise in the ratio of exports to imports, both measured in dollars. Among the 115 countries for which data are available, 43 per cent recorded an export/import ratio significantly above the average for the earlier years of the decade, and in only 29 per cent was the 1968 ratio significantly below the earlier average (see table 21).

While there is no reason to expect all countries to pay by means of exports for the import of goods brought to their boundaries, trade payments and receipts tend to be much larger and in the case of many developing countries less stable than invisible transactions. In general, therefore, an equilibrating change is one that reduces the surplus of countries that have active trade balances and moderates the deficit of those which have passive balances. In this more limited sense, 1968 was not a year in which the balance of international trade was improved. Of the thirty-six countries in which exports f.o.b. exceeded imports c.i.f., 70 per cent had a significantly larger surplus in 1968 than in earlier years of the decade, while only 11 per cent registered a smaller surplus. Conversely, of the seventy-nine countries whose exports earnings fell short of import expenditure, over 35 per cent registered a significantly greater deficit, while only 30 per cent financed more of their imports through exports in 1968 than in previous years. Only 15 per cent of the countries with reduced export/import ratios reported an active trade balance in 1968.

Most of the centrally planned economies continued to maintain a close relationship between exports and imports. However, the countries with the most active balance, Eastern Germany and the USSR, registered a further increase in export/import ratio in 1968, while those with the most passive balance, Bulgaria and Romania, experienced a reduction. In Poland, the trade balance changed from passive to active.

Among the developed market economies, the most significant contrast was between the deterioration in the trade balances of France, the United Kingdom and the United States, which all had deficits in 1968 when imports are measured c.i.f., and those of the Federal Republic of Germany and Japan, which were both in surplus in 1968, and Belgium-Luxembourg, Italy, Netherlands and Switzerland, which all had reduced deficits. In the United States, the ratio of exports to imports had been declining for many years. It averaged 1.26 in 1960-1962 and 1.12 in 1965-1967; but 1968 was the first year of deficit. In the case of France, trade had moved into deficit earlier (the decade had opened with a ratio of 1.05) while in the United Kingdom, the 1968 deterioration in the balance was the smallest of the three.

Australia was the only other developed market economy to register a distinctly lower ratio of exports to imports in 1968 than in the previous years of the decade. The remaining countries in this category were less developed primary exporters. They ranged from some of the petroleum exporters that traditionally run a large trade surplus (Iran, Kuwait and Venezuela) to developing countries whose commodity exports in 1968 financed less than two thirds of their imports, priced c.i.f. These were Barbados, Ethiopia, Iceland, Jamaica, Malawi, Mauritius, Mexico, the Philippines, Syria, Thailand, Turkey and the Republic of Viet-Nam.

Just over half the countries in which the ratio of exports to imports was significantly higher in 1968 than in previous years registered a trade surplus. This was greater than usual in the case of some of the major exporters of petroleum, such as Brunei, Iraq, Libya, Saudi Arabia and Trinidad and Tobago, as well as some of the major metal and ore exporters, such as Chile, Gabon, Liberia, Mauritania, Sierra Leone and Zambia. Higher exports also raised the surplus of the Ivory Coast and, together

Table 21. Distribution of countries according to the extent to which export earnings covered import expenditure, 1960-1968

Countries in which, relative to the average ratio of exports to imports in 1960-1962, and 1965-1967, the ratio in 1968 was

Significantly above	*Exports/ Imports 1968*[a]	*Within the earlier range*	*Exports/ Imports 1968*[a]	*Significantly below*	*Exports/ Imports 1968*[a]
Saudi Arabia	3.60	Argentina	1.17	Kuwait	2.22
Libya	2.91	Malaysia	1.16	Venezuela	1.79
Iraq	2.53	Uruguay	1.16	Uganda	1.51
Mauritania	2.24	Cameroon	1.01	Iran	1.36
Brunei	2.09	Czechoslovakia	1.01	United Republic of Tanzania	1.06
Gabon	1.97	Burma	0.99	United States	0.98
Zambia	1.50	Hungary	0.99	Ceylon	0.94
Liberia	1.50	Guyana	0.93	Ecuador	0.93
Peru	1.37	Brazil	0.88	Angola	0.92
Ivory Coast	1.35	Guatemala	0.87	Bulgaria	0.92
Chile	1.33	Colombia	0.85	Romania	0.91
Sudan	1.26	Senegal	0.83	France	0.90
Federal Republic of Germany	1.23	Denmark	0.82	Australia	0.81
Honduras	1.14	Morocco	0.82	United Kingdom	0.81
New Zealand	1.13	Austria	0.80	Singapore	0.77
USSR	1.13	Costa Rica	0.80	Dominican Republic	0.75
Eastern Germany	1.12	South Africa	0.75	Netherlands Antilles	0.75
Trinidad and Tobago	1.11	Cambodia	0.75	Afghanistan	0.71
Nigeria	1.10	Niger	0.72	Madagascar	0.68
Canada	1.05	Yugoslavia	0.70	Philippines	0.66
Sierra Leone	1.05	Ireland	0.68	Mexico	0.64
Finland	1.03	Paraguay	0.66	Turkey	0.64
Ghana	1.00	Israel	0.59	Ethiopia	0.61
Japan	1.00	Upper Volta	0.56	Malawi	0.60
Poland	1.00	Kenya	0.55	Mauritius	0.60
Italy	0.99	Congo (Brazzaville)	0.52	Iceland	0.59
Belgium-Luxembourg	0.98	Spain	0.45	Jamaica	0.57
Bolivia	0.96	Réunion	0.37	Thailand	0.56
Haiti	0.95	Greece	0.34	Syria	0.51
Central African Republic	0.95	Panama	0.33	Barbados	0.51
Sweden	0.95	Republic of Korea	0.31	Guadeloupe	0.37
Nicaragua	0.91			Martinique	0.37
Netherlands	0.90			Republic of Viet-Nam	0.03
United Arab Republic	0.90				
Togo	0.89				
China (Taiwan)	0.89				
Switzerland	0.88				
Hong Kong	0.85				
Chad	0.82				
Norway	0.72				
Pakistan	0.72				
Tunisia	0.72				
India	0.70				
Portugal	0.70				
Mozambique	0.66				
Dahomey	0.57				
Cyprus	0.53				
Lebanon	0.26				
Jordan	0.25				

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on IMF, *International Financial Statistics* and national sources.

[a] Ratio of exports f.o.b. to imports c.i.f.; preliminary, based in a number of cases, on data for a period of less than twelve months.

with a cut in imports, contributed to the same end in the Sudan. Canada, and to a lesser extent Honduras, moved into surplus through an increase in exports, while in the case of Finland, Ghana, New Zealand, Nigeria and Peru, reduction in imports was the main contributor, induced in all but Nigeria by currency devaluation in 1967 and subsequent stabilization measures.

Table 22. Distribution of countries according to ratio of international liquidity to imports of goods,[a] 1960-1968

(Percentage)

Countries in which, in relation to the 1960-1967 average, the ratio of international liquidity to imports in 1968 was					
Significantly higher		*More or less the same*		*Significantly lower*	
	Liquidity ratio 1968[b]		*Liquidity ratio 1968*[b]		*Liquidity ratio 1968*[b]
Jordan	179	Saudi Arabia	122	Thailand	86
Burma	135	Switzerland	87	Italy	52
Portugal	131	Israel	61	United States	44
Uruguay	118	Austria	60	Ethiopia	38
Iraq	110	Venezuela	58	Australia	35
Cyprus	90	Federal Republic of Germany	49	Mexico	34
Libya	84	Ireland	46	Spain	31
Lebanon	67	China (Taiwan)	42	France	30
Argentina	65	Ghana	37	Republic of Korea	28
Togo	55	Nicaragua	26	Kuwait	28
Upper Volta	54	Ivory Coast	25	Belgium	26
South Africa	51	Pakistan	25	Netherlands	26
Malaysia	44	United Arab Republic	24	Ecuador	25
Uganda	40	Greece	23	Sudan	25
Jamaica	37	Finland	22	Guatemala	25
Kenya	31	Japan	22	Canada	24
Panama	30	Honduras	18	Nigeria	24
El Salvador	29	Paraguay	16	Dahomey	23
Chile	29	Central African Republic	14	Iceland	21
Colombia	27	Costa Rica	10	Iran	21
India	27			Mauritania	18
Norway	26			Peru	18
Cameroon	24			Dominican Republic	17
Trinidad and Tobago	12			Sweden	16
Congo (Brazzaville)	11			Turkey	16
Yugoslavia	7			Morocco	15
				Ceylon	14
				Denmark	14
				Tunisia	14
				Philippines	13
				United Kingdom	13
				Brazil	12
				Senegal	9
				Gabon	9
				New Zealand	8
				Niger	7
				Chad	3

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on IMF, *International Financial Statistics* and national sources.

[a] International liquidity includes gold, convertible foreign exchange and reserve position in IMF. Imports are valued on a c.i.f. basis.

[b] Preliminary; liquidity at end of 1968 divided by imports during 1968, based in some cases, on data for a period of less than twelve months.

Among the countries whose 1968 trade deficit relative to imports was substantially below the 1960-1967 average were a few that financed less than three fourths of their imports by means of their export earnings. These include India and Pakistan, Norway and Portugal, Dahomey and Mozambique, and Cyprus, Jordan, Lebanon and Tunisia.

In the third group—in which the 1968 performance was within the range recorded in the earlier years of the decade—relatively few countries had a trade surplus: apart from Czechoslovakia, only Indonesia and Malaysia, Argentina and Uruguay. A much larger number of countries were at the other end of the scale, with 1968 exports financing less than two thirds of their imports: this was the case in Greece, and Spain; in Panama and Paraguay; Congo (Brazzaville), Kenya, Réunion and Upper Volta; and in Israel and the Republic of Korea.

As in the case of changes in the trade balance, the evidence implied by changes in liquidity also indicates some deterioration in the state of international equilibrium. Of the eighty-four countries with relevant data, about 44 per cent possessed smaller international reserves relative to imports in 1968 than they did on average during the period

1960-1967. Less than a third had a liquidity/import ratio significantly above the 1960-1967 average (see table 22 on page 40).

At the end of 1968, about 45 per cent of the eighty-four countries covered had reserves equivalent to less than three months' imports at the 1968 rate. And over 60 per cent of these low reserve countries were in the declining liquidity category. Some of them are accustomed to working with a low level of international liquidity: Denmark and Sweden, for example, Yugoslavia and to a lesser extent Finland and Iceland, as well as a number of Latin American economies, such as Bolivia, Costa Rica, the Dominican Republic, Honduras, Nicaragua, Paraguay and Peru. This is even true of Ceylon and the Philippines where the external balance has been a critical problem for most of the 1960s. However, some countries in this group have seen their relative external liquidity shrink very rapidly in the course of the decade: it has been more or less halved in Brazil, Turkey and the United Kingdom, reduced to about a third in Gabon, Morocco, New Zealand, Senegal and Tunisia and cut to an even greater extent in Chad, Niger and the Sudan. Whereas most of these countries can be provided with accommodation, while strenuous efforts are made to improve their export structure, the loss of liquidity by a reserve currency country such as the United Kingdom has much more serious and widespread implications for the international monetary system.

For the developing countries as a group the ratio of international liquidity to total imports (measured c.i.f.) was 30 per cent in 1968, a figure from which it has deviated very little in the 1960s. Export earnings having increased by more than import expenditure between 1967 and 1968 ($3.4 billion as against $2.8 billion), the developing countries' combined trade deficit was sharply reduced to $1.6 billion below the high levels in excess of $2 billion recorded in 1966 and 1967. As the net inflow of resources from the developed market economies rose substantially in 1968, especially in the form of trade credits and private investment, the deficit was covered and the combined reserves of the developing countries were augmented by rather more than $1 billion. About a sixth of this increment accrued to the petroleum exporting countries; the remainder was widely distributed to all regions except south-eastern Asia where several countries, Burma, Ceylon, China (Taiwan) and the Philippines, for example, drew down their reserves.

Though foreign exchange shortages continued to act as a constraint on the pace of economic development in many developing countries, the main focus of external imbalance in 1968 was in the developed market economies. This is partly a reflection of the continuing weakness of sterling and of concern about the reduction of the United States trade surplus, but its most dramatic manifestation was in the changing relationship between the French franc and the Deutsche mark in the framework of EEC.

In the United Kingdom, the ratio of international liquidity to imports in 1968 was 13 per cent, just about half the average obtaining in the early years of the decade (1960-1962). Furthermore, the vulnerability of the country had been greatly increased during this period by the accumulation of short and medium-term debt resulting from periodic efforts to defend sterling parity. As indicated above, the surprisingly large increase in private consumption and imports in 1968 undermined the intended improvement in the balance of payments and notwithstanding further deflationary measures, the provision of a $4 billion stand-by credit by the major central banks in March and a further $2 billion in July to support a scheme for reducing the risks of sudden withdrawals of sterling balances, the new parity of $2.40 to £1 remained very exposed to sales by both commercial and speculative holders who sought to acquire currencies they considered stronger.

In the case of the United States, the liquidity ratio has been more than halved during the decade (from 110 in 1960-1962 to 44 in 1968), but without the encumbrance of heavy short-term borrowing and with external trade constituting a relatively small proportion of total economic activity. At the beginning of 1968, the programme of controls over the outflow of capital that had been operating on a voluntary basis in 1967 was made mandatory. In March, the dollar gained benefit from the establishment of a two-tier system for gold sales: the seven leading central banks agreed to maintain the $35 value of an ounce of gold in all transactions between them, formally dissociating their currencies from any fluctuations in the price of gold on the free market. The dollar was also strengthened by a rise in interest rates in the United States, especially after April when the Federal Reserve discount rate was raised by half a point to 5.5 per cent. Favourable growth and profit prospects in the United States also attracted an unusually large inflow of private capital, sufficient indeed to put the 1968 balance of payments into surplus notwithstanding the deterioration in the trade balance.

The centre of disequilibrium shifted to Europe in 1968 with an accentuation in the course of the year of the difference between the positions of the Deutsche mark and the French franc. As indicated above, the Federal Republic of Germany, while maintaining a relatively stable domestic balance, increased its exports much more than its imports: between 1967 and 1968 the former rose by $3.2 billion and the latter by $2.8 million, raising the trade surplus from \$4.3 billion to \$4.7 billion (exports f.o.b., imports c.i.f.). In the case of France, the reverse was true: exports rose by \$1.3 billion and imports by \$1.5 billion and the trade deficit widened from \$1.0 billion to \$1.2 billion. The mark/franc parity was maintained, despite two bouts of intensive currency speculation, one after the disturbances and strikes of the month of May and the other in November, after twelve months that saw the external reserves expand from \$8 to \$11 billion in the Federal Republic of Germany and contract from \$7 to \$4 billion in France.

A series of defensive actions were taken in France. Between June and September exchange controls were instituted and import quotas imposed on textiles and durable goods; these were reintroduced and intensified in November. Taxes were raised slightly in July and more sharply in November when the tax structure was altered in favour of exports by the abolition of the payroll levy and the imposition of substantially higher rates of taxation on value added in the course of production. November also brought a further effort to reduce the budget deficit by cutbacks in public spending: this included reductions in the subsidies paid to the nationalized industries, accompanied by increases in the rates and charges by the railways and public utilities. Credit restraints were also imposed in November: the central bank discount rate was raised from 5 to 6 per cent, and the commercial banks were made subject to higher compulsory reserve requirements and minimum liquidity ratio.

These measures were supported by some corresponding action in the Federal Republic of Germany. Throughout the year there was a high rate of external investment and lending and in November efforts were made to curb the inflow of short-term capital: transfers were made subject to licence and the minimum reserve ratio required of commercial banks in respect of foreign-owned deposits was raised to 100 per cent. As an alternative to revaluing the Deutsche mark, border taxes were adjusted by 4 per cent, upward on exports and downward on imports.

The expectation of a revaluation of the Deutsche mark had also affected transactions in currencies other than the franc, particularly the more vulnerable ones such as sterling. The United Kingdom responded to the November crisis by further measures to restrain consumer demand. These included new curbs on hire purchase, a 10 per cent surcharge on many customs duties and purchase taxes, a new ceiling on commercial bank lending (except for exports) and a new system of prior deposits of 50 per cent of the value of imports, applicable to most manufactured goods, interest-free and repayable after 180 days.

The result of all these steps and of two credits arranged for France, \$1.3 billion in July and a further stand-by of \$2 billion in November, was some reflux of funds from the Federal Republic of Germany. The external reserves of the Federal Republic of Germany receded from their November peak of \$11 billion to below \$9 billion by April.

The underlying imbalances remained, however. While in the Federal Republic of Germany, retail prices rose by less than 2 per cent between December 1968 and May 1969, to reach 3 per cent above those of a year earlier and 15 per cent above the 1963 average, they rose by over 3 per cent in France, to 7 per cent above the level in May 1968 and 23 per cent above the 1963 average. In both countries, trade continued to expand vigorously, but, while the first five months of 1969 brought a slight reduction in the active balance of the Federal Republic of Germany compared with the corresponding period in 1968, it brought a doubling of the passive balance of France. By mid-1969 external liquidity stood at one fourth above the level obtaining at the time of the sterling devaluation in the Federal Republic of Germany, but at only one half of that level in France.

Chapter IV

ECONOMIC OUTLOOK

World economy continued to expand vigorously in the early months of 1969. The outstanding problem was still how to correct the imbalances that had emerged during the 1960s with the least possible damage to economic growth. Chief among these was the intensification of inflationary pressures in the United States and the disparities between developments in France and the United Kingdom on the one hand and the Federal Republic of Germany on the other.

In the developed market economies, industrial production in the early months of 1969 was generally more buoyant than in the corresponding period in 1968 (see table 23). This was particularly so in EEC where there was a sharp upsurge in corporate investment as well as a tendency for consumer expenditure to rise more rapidly than in 1968. There was a particularly steep increase in industrial activity in the Federal Republic of Germany where after an expansion of one eighth in 1968, output in the first half of 1969 was almost one sixth above the corresponding 1968 level. Industrial growth rates in the first four or five months of 1969 were also above 1968 figures in the Netherlands (11 per cent), Belgium and France (10 per cent) and Italy (8 per cent). With agricultural production expected to reach at least the record level of 1968, the forecast for the gross domestic product growth rate in mid-1969 was 6 per cent, appreciably above the 1967-1968 increase.

Industrial expansion was more rapid in the early months of 1969 than in 1968 in a number of other western European countries, such as, for example, Austria, Greece and Yugoslavia (11 per cent), Sweden and Switzerland (9 per cent) and Finland (7 per cent). In Ireland (4 per cent), Norway (just over 3 per cent) and the United Kingdom (rather less than 3 per cent), on the other hand, industrial growth was below the 1968 figure. The forecast for year-to-year gross domestic product increase in the United Kingdom made by the National Institute of Economic and Social Research in May 1969 was not much above 2 per cent, both for 1969 and for 1970.

In Japan, industrial output in the first five months of 1969 was 16 per cent above the corresponding 1968 level—a rate of expansion very little below the high figure recorded in the previous interval. In Canada, industrial expansion (almost 8 per cent) was above the 1968 rate, while in the United States the rate for the first half of 1969 (just short of 5 per cent) was well up to the 1968 figure.

The over-all growth of the United States economy had begun to show some signs of slowing down in the wake of the 10 per cent surcharge that had been levied on income taxes in mid-1968, higher social security deductions from salary cheques, deceleration in federal government outlays, a reduced stimulus from exports and a restraining monetary policy. Preliminary estimates of the seasonally adjusted real gross national product suggest an annual rate of growth of 3.2 per cent in the last quarter in 1968, 2.6 per cent in the first quarter of 1969 and 2.3 per cent in the second quarter. The main contraction was in housing, the cost of which was particularly high, while funds were very scarce. However, state and local authority expenditure was continuing to rise as was business investment, and although consumer expenditure on non-durables rose less in the second quarter than in the first, retail sales gave few indications of slowing down.

The acceleration in the increase in industrial production in early 1969 was generally accompanied by a significant decline in unemployment, by about 9 per cent in Japan and Sweden, 10 per cent in France, 11 per cent in Canada and Greece and 12 per cent in Belgium and Spain, and by much higher proportions in Australia, Finland and South Africa (one fifth), the Netherlands (almost a third) and the Federal Republic of Germany, Luxembourg and Switzerland (approaching one half). There was also a reduction in unemployment in Austria, Denmark, Ireland, the United Kingdom and the United States, but this was on a smaller scale—less than 5 per cent in most cases. In very few of the developed market economies was registered unemployment higher in the first five months of 1969 than in the corresponding period in 1968; Italy and Norway came within this category.

Thus, in most of the developed market economies, pressure on resources continued to mount. Retail prices were all higher in the first half of 1969 than in the first half of 1968, reflecting not only the expansion in demand but also in some instances,

Table 23. **Developed market economies: recent changes in key economic variables, 1968-1969**

(Average for first half of 1969 as a percentage of the corresponding average in 1968, except as indicated)

Country	*Industrial production*[a]	*Unemployment*[b]	*Consumer prices (end of period)*	*Exports f.o.b.*	*Imports c.i.f.*	*International liquidity (end of June)*
Australia	(3) 109	(5) 80	103	115	99	(5) 117
Austria	111	(5) 99	(7) 104	(5) 117	(5) 108	95
Belgium	(5) 110	88	(7) 104	(5) 119	(5) 117	87
Canada	(5) 108	(5) 99	105	112	118	109
Denmark		95	(2) 104	(5) 112	(5) 112	80
Federal Republic of Germany	116	(4) 56	(5) 103	117	124	115
Finland	(5) 107	(3) 81	102	(4) 116	(4) 124	91
France	(4) 110	90	108	128	136	65
Greece	(4) 111	(2) 11	103	(3) 104	(3) 153	(5) 105
Ireland	(3) 104	96	(5) 107	(5) 111	(5) 120	140
Italy	(5) 108	(4) 105	102	(4) 121	(4) 123	96
Japan	(5) 116	(4) 91	(5) 105	125	110	156
Luxembourg	(3) 114	(5) 27	102	c	c	c
Netherlands	(5) 111	68	(7) 108	(5) 114	(5) 113	96
New Zealand	...	(3) 53	105	118	(5) 115	98
Norway	103	(5) 104	(7) 103	(5) 121	(5) 99	95
Portugal	(4) 109	.	(7) 109	(5) 117	(5) 97	(3) 111
South Africa		(2) 80	103	(5) 94	(5) 97	126
Spain	...	(5) 88	(5) 102	(5) 122	(5) 113	(5) 93
Sweden	(5) 109	(5) 91	103	(5) 113	(5) 111	62
Switzerland	(3) 109	57	(7) 103	116	115	106
United Kingdom	(5) 103	97	105	(5) 111	(5) 104	91
United States	(7) 105	95	106	(5) 104	(5) 105	114
Yugoslavia	(5) 111	(4) 115	(5) 106	(5) 113	(5) 124	134

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics* and IMF, *International Financial Statistics*.

[a] General industrial production, covering mining, manufacturing and electricity and gas (ISIC divisions 1, 2, 3 and groups 511-512).

[b] Based on labour force sample surveys, compulsory unemployment insurance, unemployment relief statistics, trade union statistics, registered applicants for work or registered unemployed.

[c] Included with Belgium.

changes in taxation designed in general to restrain domestic consumption without affecting exports. The consumer price index rose by about 3 per cent in Australia and South Africa, in the Federal Republic of Germany, Greece, Italy, Luxembourg, Norway, Sweden and Switzerland. The increase was 4 per cent in Austria, Belgium and Denmark, almost 5 per cent in Japan, between 5 and 6 per cent in Canada and the United States, New Zealand and the United Kingdom, 7 per cent in Yugoslavia, 8 per cent in France and the Netherlands and 9 per cent in Portugal.

In the United States, demand pressures were still exercising a dominant influence on the price trend. Except for lumber, the price of which fell in the wake of the housing slowdown, wholesale quotations continued to rise rapidly: raw material prices jumped no less than 10 per cent in the first half of 1969. The inflationary situation was, however, becoming rapidly more complicated by pressures on costs; wage settlements in 1968 and the first half of 1969 showed a sharply rising trend in increases and, as these new higher wage bills entered the cost structure, the price spiral was given an upward thrust.

In the Federal Republic of Germany, resistance began to emerge to any acceleration in the economic upswing in 1969. In the face of a high ratio of capacity utilization, some labour shortages and a tendency for industrial prices to rise, steps were taken in March 1969 to reduce borrowing at all levels of government, to invoke arrangements for advance tax payments by business so as to slow down the pace of investment, and to tighten central bank monetary policy. At the same time, in order to augment supply and to minimize the negative effect on the deficit countries of measures taken solely to prevent incipient domestic inflation, the Federal Government undertook to increase import quotas and to relax various control arrangements.

The international trade of the developed market economies continued to expand at a rapid rate. In view of the tendency for consumer prices to rise more steeply in the deficit countries than in those in external surplus, there were few signs of equilibrating changes in the growth of trade. Though imports in the first five months of 1969 increased to a greater extent than exports in the Federal Republic of Germany and Italy and exports increased more than imports in the United Kingdom, there was no sign of the restoration of a large export surplus in the United States, while in France imports, increasing by more than one third over the corresponding 1968 figure, rose much more rapidly than exports.

Those flows of capital that characterized 1968 appear to have persisted in the first half of 1969. Loans by foreign banks and purchases of shares by foreigners continued to provide Japan with a net inflow of capital. Share purchases and the borrowing of American companies (restricted in their access to domestic finance) on the European market have continued to result in a net inflow of capital into the United States. And the strength of the Deutsche mark has continued to attract funds into the Federal Republic of Germany, despite official efforts to discourage speculation and other short-term movements of capital.[1] Combined with the trading results, these capital transfers showed up in changes in international liquidity. Compared with the situation a year earlier, mid-1969 reserves were appreciably higher in the Federal Republic of Germany, Japan and the United States, and correspondingly lower in most countries of western Europe, particularly Denmark, France and Sweden.

The upsurge in trade in 1968 and its continued expansion in 1969 suggest that there has been no inhibiting over-all shortage of reserves, despite the fact that their gold content has declined by $3 billion since 1965. The activation of the scheme for special drawing rights (SDR) in IMF, expected later in 1969, should provide an additional source of liquidity, affecting any reduction occasioned by the efforts of the major reserve currency countries to reduce the deficit of their balance of payments.

Supplementary total international liquidity will provide needed room for manœuvre by the deficit countries and will thus help to prevent over-hasty resort to defensive measures that might not only reduce the imports of the country concerned but also invite countermeasures by trade partners, thus setting in motion a sequence of trade-destroying policies. The SDR scheme as at present conceived, however, will leave the basic problems of intercountry imbalance more or less untouched. This leaves high on the agenda of international monetary co-operation the question of facilitating adjustment between currencies.

Twenty-five years of unparalleled growth in world trade have made Governments understandably reluctant to tamper with a régime based essentially on fixed parities. That countries can get out of line, however, has been amply demonstrated in the 1960s as have the difficulties of applying deflationary policies to restore the relationship of a deviating country. While there is no escape from the necessity of maintaining reasonable internal balance, with incomes rising in line with productivity, it would be advantageous to be able to arrange parity adjustments between currencies in ways that are less difficult to effect and less potentially disruptive than the devaluation procedures currently practised. As a result, a debate of more than academic significance is now under way regarding the possibility of establishing the means for testing the market valuation of individual currencies, and for allowing a somewhat wider range of permissible fluctuations in particular parities. This might facilitate orderly and limited depreciation of currencies that have been put out of line by domestic price movements, with minimum risk of setting off a train of retaliatory or competitive devaluations. There is a prospect of the most critical examination being made of the working of the international monetary system since the Bretton Woods Conference of 1944.

* * *

In the centrally planned economies, plans for 1969 are broadly in line with those for 1968. In most cases, a slightly higher rate of increase in net material product is envisaged for 1969 than was planned for 1968. The main exception is the USSR where growth in 1969 is expected to be fractionally below both what was planned and what was achieved in 1968, reflecting a slight decline in the expected rate of increase in industrial production. Soviet expectations in agriculture are for a somewhat smaller gain than was planned in 1968, but well above the rate actually achieved; fixed investment intentions for 1969 reflect the reverse—that is, above the planned but below the actual rate for 1968 (see table 24).

A considerable increase in the resources allocated to agriculture has been planned for 1969 in the USSR, while in the case of manufacturing, both investment and output are expected to rise more rapidly in consumer goods industries than in those producing investment goods and industrial inputs.

In eastern Europe, a rate of increase above that actually achieved in 1968 is planned for national income in Bulgaria and Romania (whose agriculture lagged in 1968), for industrial output in Czechoslovakia and Hungary and for both in Eastern Germany.

Further steps are to be taken to improve the flexibility of central planning and there continues to be an emphasis on structural changes designed to raise efficiency and quality rather than the mere volume of output.

[1] These efforts included the initiation of an arrangement among the major central banks to try and "recycle" short-term funds not associated with investment or trade If such funds could be identified and returned to their country of origin, the authorities would be better placed to deal with the basic disequilibria and free of the panic-inducing pressures that speculative transactions are now large enough to build up.

Table 24. Centrally planned economies: production and use of resources, actual and planned,[a] 1968 and 1969

(Percentage change from previous year)

Item	*Bulgaria*	*Czechoslovakia*	*Eastern Germany*	*Hungary*	*Poland*	*Romania*	*USSR*
Net material product[b]							
1968 planned	10.5	5.3	5.4	5–6	4.8	..	6.8
actual	6.5	7.0	5.3	5.0	8.0	7.0	7.2
1969 planned	10.0	7.0	6.0	5–6	5.0	9.0	6.5
Industrial production[c]							
1968 planned	10.6	6.0	6.4	6–7	7.1	12.3	8.1
actual	11.8	5.2	6.1	5.0	9.3	11.6	8.1
1969 planned	11.6	6.4	6.5	6.0	8.2	10.8	7.3
actual, first half	10.4	3.7	8.5	2.4	9.0	9.8[f]	6.9
Agricultural production							
1968 planned	10.0	1.7		3–4	—1.5	7.5–8.5	7.4
actual	—8.7	3.6	..	1.3	4.4	—3.6	3.5
1969 planned	16.6	1.3		2–3	—1.7	..	6.1
Fixed investment[d]							
1968 planned	10[e]	5.4	10.7	1–2	5.8	8.6	5.7
actual	11[e]	8.6[e]	10.0	—	8.6	11.1	8.5
1969 planned	..	7.7	11.0	6–7	9.0	9.0	6.0
actual, first half	5.3[e,f]	7.0[e]	11.0		7.7	..	4.0
Retail trade							
1968 planned	8.5	..	3.9[e]	7.0	6.8	8.0	7.8
actual	8.1	14.0[e]	4.7[e]	7.8	7.3	8.8	8.7
1969 planned	8.2	7.8[e]	4.7[e]	8–9	6.7	7.0	7.5
actual, first half	5.8[e]	15.9[e]	5.2[e]	8.0	6.5	3.7[e,f]	7.8
External trade							
1968 planned							
export	9.6	5.2	7.0	8.0	7.0	9.0	7.4
import		4.9		9.0	6.3	7.0	
1968 actual							
export	10.5	10.2	9.5	5.0	13.1	5.2	10.1
import	11.9	16.2	3.3	2.0	7.9	4.1	10.2
1969 planned							
export		3.4	10.0	6.0	4.7	12.0	5.7
import		1.2		7.0	9.1	6.0	
1969 actual, first half							
export	14.6	0.4	9.2	15.0	14.0	1.6	8.0
import	1.4	2.7		9.0	8.6		

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on reports of fulfilment of plans, national statistical yearbooks and statistical bulletins, and replies of Governments to the United Nations questionnaire on economic trends, problems and policies.

[a] The 1968 and 1969 plan data refer to targets set in original annual plans.

[b] At constant prices; in the case of the USSR, national income distributed (that is, consumption plus accumulation).

[c] Gross value of output; in the case of Eastern Germany commodity production (that is, gross output less work in progress).

[d] Gross, at constant prices; in the case of Hungary and Poland, the socialized sector only; in the case of Romania, state investment only.

[e] At current prices.

[f] Data for five months.

Preliminary evidence of industrial production in the first half of 1969 suggests that the planned rate of growth is being exceeded in Poland (as it was in 1968) but is not being attained in Bulgaria, Hungary and Romania.

Most of the national economic plans envisage better agricultural results in 1969. Evidence half way through the year suggests that grain production in eastern Europe might be 5 per cent above the 1968 level: crops are likely to be much better than in 1968 in the southern area in Bulgaria, Hungary and Romania, and below the generally record 1968 result in the north in Czechoslovakia, Eastern Germany and Poland. Given favourable autumn weather, the wheat harvest could exceed the 1967 record and the maize harvest should greatly exceed the 1968 one. This outcome should make for increased trade; it would result in larger net imports into the north and larger exports from the south.

A similar pattern is foreseen with respect to oil-seeds. Supplies of rape-seed seem likely to be lower in the north and sunflower seed supplies greater in the south.

Livestock populations were generally lower at the beginning of 1969 than a year earlier, especially in the case of hogs and particularly in Hungary, though meat supplies were less plentiful in Czechoslovakia too.

In the USSR, winter grain crops were reduced by bad weather but the shortfall seems likely to be more than offset by unusually large spring harvests. Special arrangements have been made to deploy men and machinery to ensure a rapid and complete harvesting in critical areas in the autumn. The total grain output for 1969 therefore may be close to the record level of 1966. Rather more than usual it is likely to consist of feed-grains and this should permit a recovery in livestock production which was below the 1968 level early in 1969.

In the first half of 1969, retail sales, which constitute a rough measure of private consumption, increased at much the same rate as in 1968 in all the countries of the region, except Bulgaria and Romania where the effects of the poor 1968 harvest were still discernible. In Czechoslovakia, the rapid rise in sales was accompanied by price increases: the price level averaged 3 per cent above the corresponding 1968 figure, implying that the inflationary tendencies which had emerged in 1968 were continuing.

Incomplete preliminary information indicates a slight deceleration in the rate of increase in investment outlays, except in Eastern Germany. The slowdown was most noticeable in the USSR where the severe and prolonged winter of 1968/69 adversely affected activity in the construction industry.

* * *

In the developing countries, 1969 should be a year of generally satisfactory growth. The usual short-term obstacles in connexion with food supplies, international liquidity and commodity price trends all appear to offer fewer immediate difficulties than they have often done in the past.

Although with the widespread incidence of malnutrition and the rapid growth in populations the food situation presents many structural problems, current food inventories and harvest prospects are generally much more favourable than they were two years ago. The challenge is to use the time saved by the present improvement in the balance of supply and demand for tackling the longer range task of modernizing the agricultural sector so that both food production and farm incomes can be set on a stable upward trend.

In southern and south-eastern Asia, one of the critical areas in respect of the balance between food supplies and population, there has been a notable revival of interest in agricultural development, stimulated first by the monsoon failures of 1965-1967 and more recently by the promising results obtained from the newly evolved high-yielding strains of wheat and rice. These were first introduced into the region in 1966/67 when it is estimated that about 64,000 hectares were planted with new varieties of wheat and 94,000 hectares with new varieties of rice, mostly in India. The area planted with the new strains was rapidly expanded and by 1968/69 almost 6 million hectares carried the new wheat varieties (about a sixth of the region's wheat land) and rather more than 5 million hectares carried the new rice varieties (about 7 per cent of the region's rice land).

Although the experiments carried out so far have been insufficient to distinguish the effect of the new varieties from that of improvements in irrigation, in the use of fertilizer and in pest control with which their planting has necessarily been associated, or to determine the part played by the generally favourable weather that has prevailed since their widespread adoption, it is estimated that on average they should improve on the yields which can be expected from traditional varieties by about 9 per cent in the case of rice and by about 20 per cent in the case of wheat.[2] Because of the careful control that is required to extract the full benefit from these new strains, the plantings have been confined to appropriately irrigated land and it is probable that the availability of controlled water will be the main limiting factor in the direction and speed of their spread.

The programme of work for the immediate future includes increasing the resistance of new strains to local pests and diseases, improving the palatability of the IR 8 rice types, extending appropriate forms of irrigation and water management, ensuring an adequate supply of the necessary fertilizer mix, improving harvesting and drying facilities so as to extend double cropping, and ensuring that the encouragement being given to the favoured areas does not have too adverse an effect on farmers in the less productive areas who must continue planting traditional varieties. It is clear that a rise in agricultural productivity needs to be synchronized with an expansion in employment opportunities in other sectors. It is also clear that most of the policy choices involve decisions about

[2] See United States Department of Agriculture, *The Impact of New Grain Varieties in Asia*, ERS-Foreign 275 (Washington, D.C.).

prices, and in many countries there may be an awkward relationship between the pricing of farm inputs to encourage innovation and technical progress and the pricing of outputs to provide both adequate farm incomes and a socially acceptable cost of non-farm food.

There are comparable problems of a long-term nature facing the export sectors of most developing countries, and chronic shortages of foreign exchange, often exacerbated by a rising claim for the servicing of external debt, tend to inhibit economic growth in many ways. No majority of developing countries, however, have gained reserves in the recent past, in some cases for four or even five successive years, and short-term prospects for export earnings are not unfavourable.

The continuing high level of activity in the more advanced countries in general, and the upswing in industrial production in western Europe in particular, point to a firm market for many of the raw materials that bulk large in developing country exports.

The price index of primary commodities entering international trade was 2 per cent higher in the first half of 1969 than in the first half of 1968: food prices were up 1 per cent as were mineral prices, while prices of agricultural raw materials were up 4 per cent. The price index of non-ferrous metals was also 2 per cent higher (see table 25).

In the food category the most notable gain was in cocoa for which market prices averaged almost 50 per cent above the figure for the first half of 1968, the highest since 1958/59. Though total grindings in 1968/69 (1.4 million tons) are estimated to be the lowest since 1964/65, bean stocks will have been drawn down for the fourth successive year.

Substantially higher prices have also been quoted for sugar. On the free market, in the wake of the imposition of export quotas under the new International Sugar Agreement, the price in the first half of 1969 averaged 80 per cent above the low level of a year earlier. Along with the higher price paid under various bilateral arrangements, this increase served to raise the over-all index of sugar prices to 18 per cent above the 1968 level. Most of the major sugar exporters seem likely to earn more in 1969 than they did in 1968. One exception is Peru where the poor cane harvest of 1968/69 has reduced supplies to the point where even the country's quota allotment to the United States could not be entirely filled. The unfilled allocation has been redistributed to other Latin American suppliers.

Higher prices should also contribute to higher export earnings for maize, beef and mutton, to the benefit of Thailand and some of the South American countries.

Rice prices, on the other hand, have receded somewhat, under the influence of the improved food situation in the net importing countries of southern and south-eastern Asia. Tea prices are also lower, thus adding to the difficulty that Ceylon is experiencing in raising its export earnings.

Coffee prices have also receded slightly, despite the stabilizing effect of export quota arrangements. The decline has been sharpest in the cast of *robustas* and least in the case of the hard *arabicas*. This should reverse the recent tendency for the African share of export proceeds to increase at the expense of the Brazilian share. Quotations for mild *arabicas* were also lower in the first half of 1969, darkening the immediate export prospects of Colombia and the producers of central America.

The poor ground-nut crops of 1968 have brought about a sharp rise in market prices, for the oil as well as the nuts. This should benefit the export earnings of these west African countries that were less affected by the 1968 drought. Other oil-seed prices were generally lower in the first half of 1969, particularly in the case of palm products: the prices of copra, palm oil and palm kernels were all a fifth to a fourth below the corresponding 1968 figure.

Among the fibres, the weakest price performance in 1969 has been that of cotton. Wool prices have recovered slightly from the low levels of 1967 and 1968, particularly in the case of the coarser cross-bred types exported by the South American countries. Jute prices also turned upward, though in this instance after they had been drifting downward from a relatively high level. Quotations for sisal also showed signs of recovery from the long decline that has characterized the 1960s.

Rubber prices have continued the recovery that started in 1968. The average for the first half of 1969 was a third higher than the corresponding 1968 figure and by the middle of the year quotations were their highest since 1962. As this is entirely a demand-based phenomenon, the price increase should be reflected in the export proceeds of such countries as Indonesia and Malaysia.

Among the agricultural raw materials, hides have also shown a sharp rise in prices, recovering some of the ground lost in 1968.

Most of the non-ferrous metals were fetching higher prices in the first half of 1969 than a year earlier. The most notable gains were in aluminium and lead and their ores. The rise in bauxite prices should benefit the Caribbean producers. By mid-1969 lead quotations were the highest since 1965. There was also some recovery in the price of tin, after three years of downward drift, culminating in large-scale support operations by the buffer pool, which raised its stock from about 3,500 tons in

Table 25. Export price indices of primary commodities and non-ferrous base metals, 1965-1968 and first half of 1969

Commodity group	*Index 1963 = 100*				*Index first half 1969 (first half 1968 = 100)*
	1965	*1966*	*1967*	*1968*[a]	
Primary commodities	103	104	101	100	102
Food	103	106	104	102	101
Cereals	99	104	106	102	100
Wheat	95	102	103	97	102
Rice	103	108	125	137	94
Maize	104	105	99	89	104
Beverages	111	113	111	111	105
Coffee	124	120	112	112	97
Tea	101	104	104	91	94
Cocoa	66	94	110	129	147
Meat	126	125	117	115	105
Beef	135	130	120	121	104
Mutton and lamb	127	119	114	105	108
Dairy products	113	112	117	107	97
Sugar	53	53	55	56	118
Other food	104	105	102	100	97
Agricultural non-food	103	104	96	96	104
Fats, oils and oil-seeds	114	111	102	106	95
Olive oil	72	72	75	74	99
Copra	118	99	105	121	75
Coconut oil	127	107	115	142	72
Ground-nuts	118	110	103	86	130
Ground-nut oil	109	105	102	100	112
Palm kernels	120	103	103	111	80
Palm kernel oil	139	139	127	110	73
Palm oil	116	107	104	90	81
Linseed oil	100	90	95	111	100
Linseeds	97	92	99	105	102
Soya beans	105	115	105	100	97
Soya bean oil	125	132	109	100	100
Cotton-seed oil	113	132	111	120	100
Textile fibres	92	92	88	88	99
Wool	86	90	77	74	103
Cotton	97	94	100	103	95
Jute	112	123	116	112	120
Sisal	62	56	49	46	103
Wood and wood pulp	108	108	107	110	106
Other agricultural non-food	94	109	91	88	116
Minerals	104	104	103	102	101
Metal ores	114	115	109	109	103
Iron ore	99	100	95	94	100
Bauxite	100	100	108	110	117
Copper ore	184	230	169	181	104
Lead ore	175	147	129	136	118
Zinc ore	145	129	127	125	106
Tin ore	154	142	132	125	108
Nickel ore	100	101	111	119	115
Manganese ore	115	116	107	94	77
Chrome ore	99	109	116	98	104
Fuels	101	101	101	100	100
Petroleum	100	100	100	100	100
Coal	104	105	104	102	102
Crude fertilizer	109	115	111	117	100
Non-ferrous base metals	135	156	142	150	102
Aluminium	109	108	111	113	106
Copper	145	192	166	180	98
Lead	183	152	132	138	113
Tin	155	142	132	120	106
Zinc	147	135	130	126	102

Source: 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.

September 1967 to 11,500 tons a year later (about 7 per cent of developing country production), and the imposition of export quotas, for the first time in ten years. Zinc prices also turned upwards from a four-year slow slide: on the free market quotations they began rising in mid-1967 and by mid-1969 were at their highest level since 1964.

The price of copper on the free market eased considerably in 1968 after the termination of the long strike, in the United States, but it climbed again later in the year and continued upward in the first half of 1969. The result is likely to be higher earnings for the major producers, such as Chile and Zambia.

Reflecting in varying degree these commodity price trends, export proceeds in the first quarter of 1969 were substantially above the corresponding 1968 level in a number of the developing countries for which data are available, including Argentina and Uruguay, Cameroon, Nigeria and Réunion, Malaysia and Pakistan. Earnings were also sharply higher in the case of some of the exporters of manufactured goods, such as China (Taiwan), Hong Kong, Israel, the Republic of Korea and Singapore. The petroleum exporters, Iran and Libya, also reported a large increase in exports. Correspondingly, significantly lower export proceeds are reported by Peru, by the Ivory Coast, Madagascar, Sudan and the United Arab Republic and by the Philippines.

Altogether, early returns indicate an expansion of about 8 per cent in the exports of the developing countries in the first quarter of 1968, and the prospects are for a continuation of this rate of growth.

Imports have not risen as fast and there appears to have been a further increase in international reserves: the mid-1969 figure was considerably above the mid-1968 level in a number of countries, including Brazil, Chile, Colombia, Mexico and Peru, the Democratic Republic of the Congo, Libya, Morocco, East Africa and former French West Africa, as well as India, the Republic of Korea and Pakistan.

By contrast, imports may well be curbed in the wake of a drawing down of reserves in some countries, including Ecuador, Ghana, the Sudan and the United Arab Republic, Ceylon, Israel and the Philippines.

Though on the whole the signs can probably be interpreted as favourable, the import capacity of the developing countries depends very heavily on the course of events in the more advanced countries. If, in their efforts to restore a greater degree of balance among themselves, the developed market economies unduly depress their rates of growth or resort to defensive measures to ward off competitive imports, the export prospects of the developing countries will deteriorate rapidly.

The flow of capital to the developing countries will also suffer. The outflow from the major deficit countries has been better maintained in the past two years than at one stage seemed likely. As far as official flows are concerned, this state of affairs was achieved largely by drawing more from the pool created by previous authorizations and commitments than was being fed into it, and, with a prospective further reduction in appropriations by these countries, the pipeline cannot be expected to provide much in the way of continued increments. With the reverse flow of debt service now rising rapidly, the 1960s could end with an aid crisis if sufficient resources are not set aside to provide the necessary expansion in gross public transfers.

Industry in the developing countries seems in general to be operating at a satisfactory rate. Returns for the early months of 1969 show production up 6 per cent in Guatemala, 7 per cent in India, 9 per cent in Mexico, 10 per cent in Argentina, 11 per cent in Tunisia, 13 per cent in Zambia, and over 20 per cent in Israel and the Republic of Korea.

Prices are continuing to rise in most developing countries, at rates that must be considered moderate in the circumstances. In a few countries, however, inflationary pressures are more noticeable, reflecting in some cases, new supply problems, particularly of food-stuffs and imports, and in others the expansion in monetary demand. By mid-1969, consumer prices were 6 per cent above the corresponding 1968 figure in Ceylon, Peru, Somalia and Tunisia, 7 per cent higher in Argentina, 8 per cent in Haiti, Libya and the Sudan, 9 per cent in Ghana and Iraq, 10 per cent in Cambodia, Ecuador and Jordan, 12 per cent in Colombia, the Democratic Republic of the Congo, the Ivory Coast, the Republic of Korea, Nicaragua and Uganda, 15 per cent in Indonesia, between a fifth and a fourth in Brazil and the Republic of Viet-Nam and a third in Chile and Uruguay. Among these countries, evidence suggests that the inflation was being brought under better control in Argentina, Ghana, Indonesia, Peru and the Republic of Viet-Nam, as it had been earlier in the case of Bolivia, China (Taiwan) and India. In the other countries, the prospect was for continued imbalance in the domestic economy in the immediate future.