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SUPPLEMENT TO WORLD ECONOMIC SURVEY, 1975

Fluctuations and Development in the World Economy

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Department of Economic and Social Affairs

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FOREWORD

This report has been prepared in response to General Assembly resolution 3517 (XXX) of 15 December 1975 which requested the Secretary-General to submit documentation for use in connexion with a discussion of the question of revising the International Development Strategy for the Second United Nations Development Decade to be held at the Assembly's thirty-first session.

The report is being issued as a Supplement to the World Economic Survey, 1975 1/ which examined the events of the first half of the 1970s in broad aggregative terms and discussed some of the problems that are likely to influence the pattern of economic development in the second half of the decade.

The present document takes a closer look at the period that followed the adoption of the International Development Strategy in October 1970. It analyses the way in which individual countries and groups of countries reacted to the major global changes that shaped the world economy - the business cycle, the food crisis and the radical alteration in the energy situation. For convenience of discussion and statistical analysis the review is presented in three chapters, the first dealing with the developed market economies, the second with the centrally planned economies and the third with the developing countries.

This Supplement has been prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs. Some of the information it contains was drawn from the replies of Governments to a note verbale and inquiry sent out by the Secretary-General in December 1975. The statistical contents reflect the information available to the Secretariat in June 1976 and hence, where revisions have been made by national authorities, supersede the data presented in the World Economic Survey, 1975.

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CONTENTS

Page

FOREWORD iii

Chapter

I. FLUCTUATIONS IN THE DEVELOPED MARKET ECONOMIES 1

Economic growth in the first half of the 1970s 2

Changes in private consumption 5

Changes in fixed investment 7

Changes in government consumption 9

Changes in final domestic demand 10

Changes in inventories 12

Changes in the foreign balance 13

Changes in gross domestic product 15

The state of economic balance 16

Price changes and inflation 17

Capacity utilization and unemployment 22

Exchange rates and balance of payments 28

Stabilization policies 34

Adjustments to the changing energy situation 38

Co-operation with the developing countries 46

Co-operation in international trade 52

The transfer of resources to developing countries 56

II. PROBLEMS AND POLICIES IN THE CENTRALLY PLANNED ECONOMIES 109

Economic growth in the first half of the Decade 109

The economic situation in 1975 109

Review of 1971-1975 growth performance 112

Foreign trade and economic growth 115

Domestic development policy and CMEA integration 122

National growth strategies 122

CONTENTS (continued)

Chapter		Page
	Economic integration policies of the CMEA countries	137
	Economic relations with market economies	157
	Trade with developed market economies, 1971-1975	157
	Financing of East-West trade	160
	New forms of East-West economic co-operation	161
	Trade with developing economies, 1971-1975	162
	Economic assistance to developing economies	166
III.	GROWTH AND ADJUSTMENT IN THE DEVELOPING COUNTRIES	191
	The impact of changes in the international monetary system	193
	The effect of changes in the parity of major currencies . . .	194
	Exchange rate policy adjustment in developing countries . . .	202
	The impact of fluctuations in demand for developing country exports	205
	Adjustment in the tropical products sector	207
	Adjustment in the minerals sector	217
	Adjustment in countries with a diversified export structure .	224
	The impact of changes in the food and energy situation	227
	Adjustment in the food-exporting countries	228
	Adjustment in the food-importing countries	232
	Adjustment in the petroleum-exporting countries	236
	Adjustment in the petroleum-importing countries	243

CONTENTS (continued)

List of tables

Table		Page
I-1.	Developed market economies: components of growth, 1971-1975	60
I-2.	Developed market economies: growth of private consumption, 1971-1975	62
I-3.	Developed market economies: growth in fixed investment, 1971-1975 .	63
I-4.	Developed market economies: growth in government consumption, 1971-1975	64
I-5.	Developed market economies: growth in final domestic demand, 1971-1975	65
I-6.	Developed market economies: change in stocks, 1971-1975	66
I-7.	Developed market economies: growth in exports of goods and services, 1971-1975	67
I-8.	Developed market economies: growth in imports of goods and services, 1971-1975	68
I-9.	Developed market economies: changes in foreign balance, 1971-1975 .	69
I-10.	Developed market economies: growth of gross domestic product, 1971-1975	70
I-11.	Developed market economies: rate of increase in consumer prices, 1971-1975	71
I-12.	Developed market economies: rate of increase in consumer prices, 1971-1975	73
I-13.	Developed market economies: changes in hourly earnings of workers in manufacturing, 1971-1975	74
I-14.	Selected developed market economies: unemployment and job vacancies, 1971-1975	75
I-15.	Selected developed market economies: unemployment rates, 1971-1975	76
I-16.	Major industrial market economies: changes in unit labour costs in manufacturing, 1971-1975	77
I-17.	Developed market economies: international trade, 1970-1975	78
I-18.	Developed market economies: balance of international payments, 1970-1975	79

CONTENTS (continued)

Table		Page
I-19.	Developed market economies: borrowing on the international market, 1973-1975	83
I-20.	Developed market economies: change in international reserves, 1970-1975	84
I-21.	Developed market economies: composition of international reserves, end-1975	85
I-22.	Developed market economies: structure of energy production, 1960-1974	87
I-23.	Developed market economies: production of solid fuels, 1950-1975	88
I-24.	Developed market economies: production of liquid and gaseous fuels, 1960-1975	89
I-25.	United Kingdom: sources of imports, 1970-1975	90
I-26.	Developed market economy imports from developing countries, 1970-1975	93
I-27.	Developed market economies: imports of textiles from developing countries, 1970-1975	94
I-28.	Developed market economies: imports of ores, metals and metal products, 1970-1975	95
I-29.	Developed market economies: distribution of imports from developing countries, 1971-1975	96
I-30.	Composition of imports from developing countries by major industrial countries, 1970-1975	97
I-31.	Developed market economies: composition of net financial flows to developing countries, 1971-1975	98

CONTENTS (continued)

Table		Page
II-1.	Centrally planned economies of Eastern Europe and the USSR: growth of national income, actual and planned, 1966-1980	170
II-2.	Centrally planned economies of Eastern Europe and the USSR: growth of industrial output, actual and planned, 1966-1980 . . .	171
II-3.	Centrally planned economies of Eastern Europe and the USSR: change of labour productivity in industry, 1966-1980	172
II-4.	Centrally planned economies of Eastern Europe and the USSR: growth of gross agricultural output, actual and planned, 1966-1980	173
II-5.	Centrally planned economies of Eastern Europe and the USSR: changes in gross fixed investment, 1966-1980	174
II-6.	Centrally planned economies of Eastern Europe and the USSR: selected indicators of growth of income and consumption, 1966-1980	175
II-7.	Centrally planned economies of Eastern Europe and the USSR: foreign trade, by direction, 1966-1975	177
II-8.	Centrally planned economies of Eastern Europe and the USSR: growth of foreign trade value, by country group, 1966-1976 . . .	178
II-9.	Centrally planned economies of Eastern Europe and the USSR: growth in value and quantum of foreign trade, 1961-1974	179
II-10.	Centrally planned economies of Eastern Europe and the USSR: foreign trade unit values and terms of trade, 1971-1974	180
II-11.	Centrally planned economies of Eastern Europe and the USSR: income elasticity of foreign trade, 1961-1974	181
II-12.	Centrally planned economies of Eastern Europe and the USSR: commodity composition of trade, 1961-1974	182
II-13.	Hungary: commodity composition of trade, 1967-1974	183
II-14.	Centrally planned economies of Eastern Europe and the USSR: cumulative surpluses and deficits in trade with major country groups, 1961-1975	184
II-15.	Centrally planned economies of Eastern Europe and the USSR: growth of crop and animal production, 1971-1980	185
II-16.	Centrally planned economies of Eastern Europe and the USSR: shares of CMEA countries in total trade, 1961-1974	186
II-17.	Selected centrally planned economies of Eastern Europe: commodity composition of trade with socialist countries, 1961-1974	187
II-18.	Hungary: commodity composition of trade with socialist countries, 1967-1974	188
II-19.	Centrally planned economies of Eastern Europe and the USSR: trade with developing countries, growth rates and shares in total trade, 1966-1975	189
II-20.	Centrally planned economies: bilateral aid commitments to developing countries, by donor country, 1966-1975	190

CONTENTS (continued)

Table		Page
III-1.	Developing countries: changes in production and trade, 1971-1975	249
III-2.	Developing countries: external assets and liabilities, 1971 . .	251
III-3.	Developing countries: sterling assets, 1971-1973	254
III-4.	Developing countries: ratio of international reserves to imports, 1951-1975	255
III-5.	Developing countries: distribution of outstanding external public debt, by creditor, end-1971	256
III-6.	Less developed countries: source of borrowing, 1971-1974	257
III-7.	Major developed market economies: changes in exchange rates and export prices, 1970-1973	259
III-8.	Selected developed market economies: average annual change in exchange rates and export prices, 1970-1974	260
III-9.	Developing countries: trade with major developed market economies and status of currency, 1970-1975	261
III-10.	Developing countries: proportion of exports to and imports from six major trading partners, 1970-1974	274
III-11.	Developing regions: distribution of trade with major partner countries, 1970-1974	275
III-12.	Developing countries: composition of exports, 1970-1973	276
III-13.	Developing countries: price indices of basic commodities, 1970-1975	277
III-14.	Developing countries: annual changes in export earnings and import expenditure, 1970-1975	278
III-15.	Developing countries: balance of merchandise trade, 1970-1975. .	279
III-16.	Developing countries: outflow of direct investment income, 1970-1974	280
III-17.	Developing countries: international reserves of selected export groups, 1970-1975	281

CONTENTS (continued)

Page

Table

III-18. Developing countries: ratio of international reserves to import expenditure, 1970-1975 282

III-19. Coffee: movements in international and domestic prices, 1970-1975 283

III-20. Developing countries: trends in gross domestic savings, 1970-1974 284

III-21. Cocoa: movements in international and domestic prices, 1970-1975 285

III-22. Tea: movements in international and domestic prices, 1970-1975 286

III-23. Sugar: movements in international and producer prices, 1970-1975 287

III-24. Cotton: movements in international and producer prices, 1970-1975 288

III-25. Developing countries with diversified exports: economic developments in 1974-1975 289

III-26. Selected developing countries: production of cereals, 1970-1974 290

III-27. Rice: national and international prices, 1970-1975 291

III-28. Selected developing countries: net exports of cereals, 1970-1974 292

III-29. Argentina: beef and veal production and trade, 1970-1975 293

III-30. Developing countries: instability in food production, 1970-1975 294

III-31. Developing countries: distribution according to growth in food production, 1970-1975 295

III-32. Food: self-sufficiency ratio in developing regions, 1970-1972 296

III-33. Cereal-importing developing countries: production and imports of cereals, 1970-1974 297

CONTENTS (continued)

Page

Table

III-34. Selected developing countries: actions affecting food crops, 1973-1974 298

III-35. Developing countries: changes in retail food prices, 1970-1975 301

III-36. Developing countries: distribution according to movement in food prices, 1970-1975 302

III-37. Selected petroleum-exporting countries: tax-paid costs and buy-back prices, 1975 303

III-38. Selected petroleum-exporting countries: budgetary revenue, 1972-1975 304

III-39. Members of OPEC: deployment of external surpluses, 1974-1975 . . 305

III-40. Petroleum-importing developing countries: production of energy, 1970-1975 306

III-41. Developing countries: consumption of commercial energy, 1970-1974 307

List of figures

Figure		Page
I-1.	Exchange rates of the major currencies, trade weighted against 20 trading partners, 1971 to April 1976	99
I-2.	United States of America: selected indicators of economic development and policy, 1970-1975	100
I-3.	Federal Republic of Germany: selected indicators of economic development and policy, 1970-1975	101
I-4.	Japan: selected indicators of economic development and policy, 1970-1975	102
I-5.	France: selected indicators of economic development and policy, 1970-1975	103
I-6.	Italy: selected indicators of economic development and policies, 1970-1975	104
I-7.	United Kingdom: selected indicators of economic development and policy, 1970-1975	105
I-8.	Developed market economies: ratio to gross national product of net transfer of resources to developing countries and international development institutions, 1970-1975	107
III-1.	Price indices of selected tropical products in international trade, 1971-1976	308
III-2.	Price indices of selected mineral products in international trade, 1971-1976	309
III-3.	Price indices of basic commodities, 1971-1975	310

Explanatory notes

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

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

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

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

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

A full stop (.) is used to indicate decimals.

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

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

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

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:

ABBREVIATIONS

ACP	Commonwealth countries of Africa, the Caribbean and the Pacific
AsDB	Asian Development Bank
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee /OECD/
EEC	European Economic Community
GATT	General Agreement on Tariffs and Trade
GSP	generalized system of preferences
IBEC	International Bank for Economic Co-operation
IDA	International Development Association

IDB	Inter-American Development Bank
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIB	International Investment Bank
IMF	International Monetary Fund
OAPEC	Organization of Arab Petroleum Exporting Countries
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	special drawing rights
SITC	Standard International Trade Classification
UNCTAD	United Nations Conference on Trade and Development
UTN	Uniform Trade Nomenclature /CMEA/

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

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

Chapter I

FLUCTUATIONS IN THE DEVELOPED MARKET ECONOMIES

The first half of the 1970s was a period of unparalleled instability in the developed market economies. There was an upsurge in prices that was extraordinary not only in extent and speed but also in universality and its persistence through different phases of the business cycle. And the cycle itself was notable for its pace and amplitude: low growth at the beginning of the decade gave way to one of the strongest and most concerted upswings in the post-war period and that in turn was followed by the steepest and deepest recession since the early 1930s. This brought an alarming incease in unemployment, also notable for its extensiveness.

Interacting with the cyclical forces were several exogenous events that tended to exacerbate the imbalances and complicate the search for effective stabilization policies. The first of these was the break-up of the Bretton Woods gold-exchange monetary system. This set in motion a series of changes in the relationships among national currencies that had a major impact both upon the international trading system and the state of external balance and upon the course of internal prices. The second external influence was the result of widespread harvest failures in 1972. By drawing down grain stocks - particularly those held by the major exporting countries - to levels that were widely considered dangerously low relative to possible fluctuations in world cereal production, these created a sense of crisis and greatly accentuated the rise in food prices almost everywhere. The third of these exogenous events also affected a vital sector when in the final quarter of 1973 members of the Organization of Arab Petroleum Exporting Countries (OAPEC) placed an embargo on deliveries of petroleum to a number of countries, and members of the Organization of Petroleum Exporting Countries (OPEC) agreed on changes in the system of costing crude petroleum that had the effect of quadrupling its price. These actions had an immediate and profound effect on the cost of energy - and hence on prices in general - and on the state of activity in energy-intensive industries as well as on the external balance of petroleum-importing countries.

The speed and magnitude of these exogenous factors and, indeed, of the business cycle itself made it exceptionally difficult for Governments to devise and bring into operation effective stabilizing measures. In many cases, by the time appropriate policies had been agreed to and acted on, the underlying situation had changed - occasionally to the point at which the official actions provided reinforcement to new destabilizing tendencies. Thus, in some countries, stimulants introduced to counteract the 1970-1971 shrinking of demand became effective in 1972 after a vigorous upswing had started. And steps to dampen the boom were still being taken in 1974 when recessionary forces were already reducing demand.

One of the reasons for difficulty in the formulation and timing of economic policies was the persistence of price inflation, even during periods when national productive capacity was being utilized at far below optimum rate. This inflation was in fact a multiple phenomenon with at least three different origins, operating quite separately but sometimes reinforcing one another, and all manifested in rising prices. At one stage the main source of the price increases was the tendency for final domestic demand to run ahead of available supplies. Later, the price increases were the result of rising costs, as overtime was extended or wage rates raised to compensate for the higher cost of living or administered prices raised to compensate for the effects of reduced turnover. At other periods the price increases were reinforced from abroad through higher unit values of imports.

Dealing with the dual problem of rising prices and unemployment of workers and productive capacity - forms of imbalance that in normal circumstances would call for opposite types of action - was thus complicated in many countries by the state of external balance. The use of monetary policy was often inhibited by the effect of changes in interest rates on the inflow or outflow of capital. Depreciation of the exchange rate was often resisted because of its adverse effects on domestic prices. Expansionary action was sometimes moderated or even avoided because of the stimulus it might give to imports. Contrariwise, there was also a tendency to avoid fiscal or other action to defend the external balance that would have raised the price of a major import.

Fear of aggravating the complex problem of inflation thus induced a number of developed market economies to tolerate a rate of unemployment above any encountered since the 1930s. This reflects the fact that while the consequences of unemployment affect only a small proportion of the population and - at least as far as income is concerned - can be alleviated through existing social security mechanisms, the consequences of inflation are felt by everyone and have proved extremely difficult to remedy. Governments have, indeed, been noticeably reluctant to accelerate the recovery from the 1974-1975 recession because of a fear that such action might set in motion another inflationary spiral and quickly abort any upswing in real incomes. They thus entered 1976 with both unemployment and inflation at levels that would have been widely regarded as unacceptable during most of the post-war period.

Economic growth in the first half of the 1970s

When the decade opened, the major industrial countries 1/ were pulling out of a short but sharp slump. In 1971 there was some liquidation of inventories so that, although both personal consumption and fixed investment were accelerating, the over-all rate of growth in production was a modest 3.6 per cent, well below the average achieved in the 1960s. Both consumption and investment expanded vigorously in 1972 and, reflecting the belated effects of earlier reflationary policies, government expenditure also added to the upward movement: in the aggregate, final domestic demand was nearly 6 per cent above the 1971 level.

Increase in stock building which had recommenced in 1972 continued strongly in 1973, influenced partly by the commodity boom and partly by a further expansion in fixed investment. There was also a turnaround in the real foreign balance - which had been negative in 1972 - so that although the increase in

1/ Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom, United States of America.

consumption was somewhat below the previous year's figure, the gain in total output reached 6 per cent (see table I-1).

Then came the collapse: investment - both in plant and equipment and in stocks - was appreciably less in 1974 than in 1973 and there was virtually no increase in private or government consumption. With exports still rising vigorously, however, there was a sizable increase in the real foreign balance notwithstanding the extraordinary widening of the trade deficit in money terms. The gross product as well as final domestic demand was below the 1973 level. The downswing continued into 1975: largely as a result of a major decline in fixed investment along with a sizable run-down of inventories, there was a 1.7 per cent reduction in total output. And, despite a moderate recovery in personal and government consumption, final demand registered its second successive decline.

Apart from its amplitude, one of the main characteristics of the 1971-1975 swings in economic activity was their generality. Among the seven leading industrial countries, only Canada entered the decade with a rate of growth above the average for the 1960s. All seven accelerated in 1972 and all but the United States did so again in 1973. All registered a sharp deceleration in 1974 and all but Canada and Japan had a decline in output in 1975.

Among the major industrial countries the most striking changes were in fixed investment. In general, investment outlays expanded most in 1972 and 1973, with peak year-to-year growth in 1972 in France (7.4 per cent) and the United States (8.9 per cent) and in 1973 in Canada (10.4 per cent), Italy (8.2 per cent), Japan (13.0 per cent) and the United Kingdom (2.6 per cent). The exception was the Federal Republic of Germany where investment growth decelerated throughout the quinquennium. For the group as a whole, the turn-around came between 1973 and 1974 when aggregate investment growth swung from plus 7.1 per cent to minus 4.6 per cent. In all seven countries there was either a marked deceleration (Canada, France and Italy) or an absolute decline - of substantial proportions in Japan (-9.8 per cent), the Federal Republic of Germany (-8.1 per cent) and the United States (-5.2 per cent). This decline or deceleration continued into 1975 even more sharply in all countries except the Federal Republic of Germany, Japan and the United Kingdom where investment outlays declined less in 1975 than in 1974. The over-all reduction in fixed investment was 7.5 per cent in 1975.

These swings were duplicated - and their impact consequently accelerated - by movements in inventories. Except in Canada and the United States, there were smaller additions to stocks in 1971 than in 1970. This was moderated or reversed in 1972, while 1973 saw a major build-up - the addition accounting for over 2 per cent of gross national product in the United Kingdom and between 1 and 2 per cent in Italy and Japan, plus a continuation of the slower rate of accumulation in North America. The decline in fixed investment in 1974 was accompanied by a reduction in the rate of stockbuilding - in all countries except Canada and Japan. In 1975 there was a general liquidation of inventories in all countries with the exception again of Japan where further, but much smaller, additions were made to stocks. For the major countries as a group, inventory adjustment had the effect of bringing down the rate of growth in total output by 0.6 per cent in 1974 and 1.9 per cent in 1975.

Movements in the foreign balance measured in real terms, on the other hand, tended to be stabilizing. The swing into deficit in 1972, for example, was fairly general and it served to moderate the effects of the acceleration in domestic demand. Contrariwise, when domestic demand declined in 1974, the foreign balance turned or remained positive in all the major countries except Canada. 2/ This continued into 1975 when a positive foreign balance in all members of the group except Canada and the Federal Republic of Germany offset the further reduction in over-all final domestic demand. In Canada and the Federal Republic of Germany movements were in the opposite direction: largely as a result of a substantial decline in exports, there was a major swing in the foreign balance that more than offset the increase in domestic demand.

In the smaller industrial countries, 3/ the cyclical pattern that characterized the first half of the 1970s was similar to that in the major industrial countries, though less uniform and less volatile. Austria is the only country of the group that started the decade with a rate of growth above the average for the 1960s. All but the Netherlands and Switzerland accelerated in 1972. In 1973, Austria, Denmark and Finland showed early signs of slowdown, though this was outweighed by increases in other countries. The downswing in 1974 was moderated to a large extent by accelerating growth in Norway and Sweden.

The largest expansion in fixed investment outlays was made in 1972 (Austria, Denmark, Finland and Sweden) and in 1973 (Belgium), while Luxembourg and Norway, having entered the decade wtih an extraordinarily high rate of expansion, registered the second highest increase in 1973. The exception was Switzerland where investment growth decelerated throughout the 1971-1975 period. The turn-about in the aggregate investment that came between 1973 and 1974 (from an increase of 4.8 per cent to a decrease of 0.8 per cent) was less drastic than that in the major industrial countries. All nine registered either a substantial deceleration as in Austria, Belgium, Finland, Norway and Sweden or an absolute decline as in Denmark, Luxembourg, the Netherlands and Switzerland. This movement continued in 1975 - even more sharply in most countries - and the combined decline in investment was nearly 6 per cent.

The rate of increase in private consumption rose from 3.1 per cent in 1971 to 4.4 per cent in 1972 and then decelerated to not much above 2 per cent in 1974 and 1975. The impact of the swing in investment outlays and the deceleration in private consumption was to a large extent neutralized by the movement of government consumption. Starting with a 4.5 per cent increase in 1971, it remained around a 3 per cent rate in 1972-1974, and accelerated to over 4 per cent in 1975. In the early years of the decade the movement in the external balance roughly offset the effect of changes in stockbuilding; thus total production and final domestic demand followed a similar growth path. There was a general increase in inventories in 1973 (largely voluntary, in the wake of a vigorous expansion in imports) and in 1974 (largely involuntary, in the wake of weakening internal and external demand) while the foreign balance swung from passive to active, both

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2/ As a result of the deterioration in their terms of trade, however, France, Italy, the United Kingdom and the United States all had current account deficits in 1974. For a discussion of changes in the external balance in current prices, see the section below on exchange rates and balance of payments.

3/ Austria, Belgium, Denmark, Finland, Luxembourg, Netherlands, Norway, Sweden and Switzerland.

factors thus helping to sustain total production. In 1975, by contrast, with exports declining faster than imports and inventories being liquidated in virtually all the countries in the group, there was no offset to the deceleration in domestic demand, and production dropped in all countries except Norway and Sweden.

In the developed market economies that are more strongly affected by changes in the primary commodity situation, 4/ the swings of the 1971-1975 period followed the same pattern as those in the industrial countries, but they were much less violent. The acceleration of the first half of the quinquennium carried the rate of increase in private consumption from less than 6 per cent in 1971 to over 6 per cent in 1973; and the deceleration of the second half brought it down again - to about 2 per cent in 1975. Only in Iceland, Ireland, New Zealand and Portugal, linked closely to receding demand in Western Europe, was there a reduction in consumption in 1975. The rate of increase in fixed investment decelerated sharply from a 1972 peak of 8 per cent, actually becoming negative in 1975. However, the impact of this was considerably softened by government action, particularly in the case of Greece, Portugal and the southern hemisphere countries: after dropping to 4 per cent in 1972, the rate of increase in government consumption accelerated to over 7 per cent in 1974 and 1975. Thus the swings in final demand were relatively gentle, paralleling those in private consumption - fluctuating around 6 per cent in the first four years of the decade, before decelerating to about 2 per cent in 1975.

In line with their greater dependence on primary exports, fluctuations in foreign trade were much greater. The group's exports of goods and services expanded vigorously in the early years of the decade - by nearly 13 per cent in 1972 - and then slowed down in 1973 before registering an absolute reduction in 1974. Imports, lagging about a year behind this pattern, reached their highest growth rate - over 13 per cent - in 1973 and 1974 before being cut back drastically by almost all the countries in the group in 1975 under the impact of a severe liquidity squeeze. These movements in foreign trade exercised a strong influence on the growth of inventories: in particular, the combination of a decline in exports and a massive expansion in imports caused a major accumulation in 1974 - equivalent to 2.2 per cent of gross domestic product. With the trade balance and the change in stocks more or less neutralizing each other, total production moved in much the same way as domestic final demand: the rate of growth rose to about 6 per cent in 1972 and 1973 and then weakened to not much above 1 per cent in 1975, with Australia and New Zealand joining Iceland, Ireland and Portugal in the negative column.

Changes in private consumption

In the aggregate, private consumption in the developed market economies continued to increase in the first half of the 1970s: after rising to a growth rate of 5-6 per cent in 1972 and 1973, there was hardly any expansion in 1974 and only a marginal recovery to just under 2 per cent in 1975. Consumption thus

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4/ Australia, Greece, Iceland, Ireland, New Zealand, Portugal, South Africa, Spain, Turkey and Yugoslavia.

lagged behind the growth of population in 1974 and the average level of living declined. At about 3.5 per cent a year, the average rate of increase over the quinquennium was well below the figure for the 1960s.

The dominant pattern of change over the quinquennium was: acceleration to a peak in 1972 or 1973 followed by sharp deceleration, with a modest recovery in a few countries in 1975. Among the major industrial countries the highest rate of increase in private consumption was registered in Japan (6.5 per cent a year). Canada and France also achieved rates of over 5 per cent a year. In the Federal Republic of Germany the rise in consumption exceeded 5 per cent in 1971 but it had fallen to almost zero by 1974. The United Kingdom and the United States recorded gains of about 6 per cent in 1972 but absolute reductions by 1974. There was a further decline in consumption in the United Kingdom in 1975 when Italy also moved into the minus column (see table I-2).

Among the smaller industrial countries there were some that did not conform to the acceleration-deceleration pattern, and this exerted a stabilizing influence on the combined rate of increase in private consumption: this rose to 4.4 per cent in 1972 and then declined to about half that figure in 1974 and 1975. Luxembourg and Sweden achieved their highest rates of increase in private consumption in 1974, while the Netherlands and Norway maintained a steadier rate of expansion - around 3 per cent a year in the former and about 4 per cent in the latter. Denmark and Switzerland were among the countries recording an absolute reduction in consumption in 1974; and in Switzerland there was a further decline in 1975 bringing the average rate of increase in the quinquennium down below 2 per cent a year, the lowest in the group.

In the remaining developed market economies private consumption increased at around 6 per cent a year in the 1971-1974 period but at less than 2 per cent in 1975 when there was a sharp decline in several countries, including Iceland, Ireland and Portugal. The relative stability of the group's growth in the opening years of the decade conceals some wide variations among individual countries: the 1971 expansion was boosted by particularly high rates of increase in consumption in Iceland, Portugal, Turkey and Yugoslavia and this was repeated in 1974 when these countries recorded rates of 7-9 per cent.

Averaged over the quinquennium, private consumption in the developed market economies rose by 3.5 per cent a year, well below the 4.9 per cent rate achieved in the 1960s. A few countries approached or even exceeded earlier rates: consumption increased by 5 per cent or over a year in Canada, Finland, Iceland, Luxembourg, Portugal and Turkey (above the average for the 1960s) as well as in France, Greece, Japan, Spain and Yugoslavia (below the average of the 1960s). But in some of the leading industrial countries, including Italy, the United Kingdom and the United States as well as some of the smaller ones - Denmark, Ireland, Sweden and Switzerland - the average rate of increase in consumption was below 3 per cent a year.

These low averages reflect the severity of the 1974-1975 recession. As indicated above, private consumption was virtually static in the major industrial countries in 1974 and, following the turn-around, it advanced hardly faster than population in 1975.

The impact of these changes was moderated by official transfers - through unemployment compensation, for example, and other social security payments - and by adjustments in tax rates. Thus real disposable income continued to rise in the Federal Republic of Germany, slightly in 1974 but at a near normal rate in 1975, while in the United States expansion was resumed in 1975 after a reduction in 1974. In Italy, however, the transfer-tax adjustment was not sufficient to prevent a decline in disposable income in both years. In France and Japan there was also a sharp deceleration in the growth of earned income in 1974 and 1975, moderated in both cases by the operation of transfers and taxes. In the United Kingdom, on the other hand, where wage rates rose with exceptional speed and inflation intensified the fiscal drag of a steeply progressive and low-threshold income tax, earned income continued to rise in 1974 and 1975 but less than enough to prevent the transfer-tax adjustment from resulting in a reduction in real disposable income in 1975. The transfer system also seems to have had a perverse effect in Canada in 1974, magnifying the deceleration in incomes.

One of the consequences of the deceleration in income growth in 1974 and 1975 was a tendency for personal savings ratios to rise, reflecting the institutional nature of a significant part of the savings of individuals as well as a reaction to the sudden increase in the possibility of unemployment. Even before this, personal savings rates had shown an upward tendency in a number of developed market economies, presumably in response to the rise in incomes and, at some stages, in reaction to the rapid rise in prices. 5/ With Governments explicitly aiming to reduce the inflation, many consumers appear to have deferred certain types of expenditure, including the purchase and equipping of new houses. As a result, the ratio of personal saving to personal disposable income was generally high throughout the quinquennium and it attained a peak in 1974 in Japan (25.8 per cent) and the United Kingdom (12.7 per cent) and in 1975 in Canada (9.2 per cent), France (14.2 per cent), the Federal Republic of Germany (16.6 per cent) and the United States (8.9 per cent).

In Japan, where there was a marked expansion in corporate deposits as well as in personal savings, the increase in savings in 1975 was the largest ever recorded in value and the second largest (after 1971) in proportion. In the Federal Republic of Germany the 1975 increase in the savings of members of the Savings Banks and Giro Association (DM 31 billion) was almost twice as large as the 1974 increase (DM 16.5 billion). And in the United States the Federal Home Loan Bank reported that the net inflow of savings in 1975 was more than six times the 1974 figure and almost a fourth above the previous record established in 1973.

By widening the deflationary gap this upsurge in savings was one of the influences tending to make the 1974-1975 recession much deeper than expected.

Changes in fixed investment

Recovering from the 1970 recession, investment in plant and equipment increased vigorously in the first three years of the decade, raising its share of the goods and services produced in the developed market economies in this period. Then came a sudden collapse and, in the aggregate, investment declined by 3.6 per cent in 1974 and 6.8 per cent in 1975. The pattern was a general one. Only six of the

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5/ It has been argued that one reason for the rise in savings has been a desire to restore or maintain the relationship between the value of liquid assets and the stream of income. See Bank of England, Quarterly Report, March 1976, for a discussion of the testing of this hypothesis.

26 developed market economies reduced their investment in 1971 (Belgium, Italy, New Zealand, Spain, Turkey and Sweden), only three in 1972 (Iceland, the Netherlands and Norway) and only one in 1973 (Australia). In 1974, by contrast, almost half the developed market economies invested less than in the previous year and of those that invested more only four, all primary exporting countries, recorded an acceleration - Australia (to 5.7 per cent), South Africa (to about 7 per cent), Turkey (to about 16 per cent) and Yugoslavia (to 9 per cent). In 1975 a fourth of the developed market economies expanded their fixed investment and of these only Finland, Norway, South Africa and Yugoslavia recorded an increase of over 2 per cent (see table I-3).

The swing in business investment was widest among the major industrial countries where year-to-year growth rose to a combined figure of over 7 per cent in 1972 and 1973 before becoming increasingly negative in the 1974-1975 recession. A similar swing occurred among the smaller industrial countries though its amplitude - from plus 4.8 per cent for the group as a whole in 1973 to minus 5.6 per cent in 1975 - was 5 percentage points less than that of the major group. In the case of the primary exporting group, the over-all rate of increase in fixed capital investment peaked at 8 per cent in 1972 and then decelerated, much more gently than in the industrial countries, turning negative only in 1975.

The massive reduction in investment in the industrial countries reflects the weakness in effective total demand that developed in 1974 and 1975 and the resultant decline in capacity utilization in the manufacturing sector. In view of the fact that one of the reasons for the acceleration in the rate of increase in prices in the upswing of 1972-1973 was the emergence of a number of bottle-necks in productive capacity, the transformation was sudden. Although it was touched off by the great increase in petroleum prices and the cutting off of supplies - which exerted a direct and immediate effect on the motor vehicle industry and the associated engineering branches and an indirect effect on all energy-using activities, there were endogenous and more fundamental factors involved, relating to the longer-term relationship between consumption and investment and the extent to which growth in the latter needed to be curbed in the interest of internal economic stability.

Some of these problems are discussed later in this chapter; 6/ in the present context it is sufficient to note that anti-inflationary policies both in the late 1960s - when the rise in prices first began its acceleration - and in the 1972-1973 upswing were aimed in part very specifically at curbing investment. As a good deal of idle capacity emerged in the 1970 recession, especially in some of the capital-intensive industries, discouragement of investment seemed an acceptable policy - at least on the current assumption that the continued price increases reflected excess demand. In retrospect the soundness of the policy appears less certain. On the one hand, the inflation was in fact deriving increasingly from lagging productivity and rising unit costs. On the other hand, the upswing in 1972-1973 carried the rate of growth in world demand to 6.6 per cent, well above its longer-term average. As bottle-necks appeared in the course of 1973 and the rate of price increase again accelerated, disinflationary policies again tended to deter investment.

Apart from monetary and fiscal disincentives, efforts to slow the course of inflation by price controls also tended to exert a drag on investment. Where in the face of such controls wage rates rose more or less in line with the cost of living, profits were squeezed. Over the 1970-1974 period there was in many of the

6/ See the section on Stabilization policies below.

industrial countries a steady erosion of the ratio of the operating surplus of business enterprises to the national disposable income: in France and the Netherlands it declined by 3 percentage points, in Austria, Belgium, the Federal Republic of Germany and Spain by 4 points, in Italy by 7, in Japan by 8 and in Luxembourg by 12. In the United Kingdom and the United States the reduction occurred only after 1973 but both these countries started the decade with low ratios and were the only developed market economies in which profits accounted for less than 20 per cent of total income in 1974. 7/ In the United Kingdom and also in Italy the impact of this decline on fixed capital formation was intensified by work stoppages which lowered productivity and raised unit costs.

The need for additional resources to be devoted to investment in manufacturing plant and machinery was enhanced after 1973 when the urgent search for alternative sources of energy resulted in new and unexpected claims on the capital market. The ensuing slump in demand masked the problem until well into 1975 when policy-making bodies began stressing the need for modernization and expansion of production facilities in order to sustain the upswing just getting under way. In the United Kingdom a new long-term industrial strategy was launched late in 1975 at the core of which lay the expansion of investment and the raising of productivity. In the Federal Republic of Germany, fiscal policy of 1976 involved some redistribution of income in favour of entrepreneurship. And in the United States the President's Council of Economic Advisers called 8/ for the raising of the business investment ratio in the second half of the 1970s to an average of 12 per cent of gross national product, compared with an average of 10.4 per cent in the previous 10 years.

Changes in government consumption

Though there were some instances in which changes in government consumption reflected specific contra-cyclical policies, longer-term trends and special programmes - relating to defence or social welfare, for example - generally seem to have exercised a stronger influence on the course of official expenditure over the quinquennium. 9/ Canada was the only major industrial country in which government consumption was substantially increased in the 1974-1975 recession. The rate of increase remained relatively stable in the United Kingdom (around 3.4 per cent), in France and, after 1971, in the Federal Republic of Germany (around 4 per cent a year), and in Japan (around 7 per cent) - all appreciably above the average growth in government consumption in the 1960s. In Italy there was a steady deceleration, from over 5 per cent in 1971 to less than 1 per cent in 1975, while in the United States government consumption actually declined in three

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7/ Luxembourg was the only country in this group in which the profit ratio in 1970 was significantly above the average for the preceding five years (34 per cent as against 30 per cent); the 1970 figure was virtually the same as the earlier average in Austria (30 per cent), Belgium (33 per cent), France (29 per cent) and Japan (42 per cent); in the Federal Republic of Germany, Italy, the Netherlands, Spain, the United Kingdom and the United States it was already 1-2 percentage points lower.

8/ In its Annual Report, January 1976.

9/ The problem of adjusting fiscal policy to cyclical requirements in the peculiar circumstances prevailing in the first half of the 1970s is discussed later in the chapter.

out of five years, including 1974 (see table I-4). 10/ In the aggregate, the highest rate of expansion in this group occurred in the boom year 1972 (3.1 per cent) and the lowest (zero) in the recession year 1974. Over the five years government consumption increased more rapidly than private consumption in the Federal Republic of Germany, Italy, Japan and the United Kingdom but, largely owing to the reduction in the United States, the average for the group as a whole was well under half the rate of growth in private consumption.

Among the smaller industrial countries, government consumption increased somewhat faster than private consumption, but for the group as a whole the rate of growth decelerated between 1971 and 1974, recovering in 1975 in almost all the countries concerned - to the highest rates in the quinquennium in the case of Luxembourg (3.1 per cent), the Netherlands (4.2 per cent) and Sweden (4.9 per cent). There was some tendency for the rates of increase in government consumption to vary contra-cyclically in Denmark, Sweden and Switzerland - declining in the early years and rising in the later years - but they fluctuated erratically around the average in Luxembourg (2.4 per cent a year), Austria (3.7 per cent) and Norway (4.3 per cent) while in Belgium, Finland and the Netherlands the lowest rate of increase was registered in the recession year 1974.

A significantly faster rate of growth in government consumption was recorded by the primary exporting group: over the quinquennium it averaged more than 6 per cent a year, well above the rate of increase in private consumption or fixed investment. Largely as a result of deceleration in Australia and South Africa in 1972 and subsequent increases not only in those countries but also in Greece (to a growth rate of over 12 per cent in 1975) and Yugoslavia (to 10 per cent in 1975), the pattern of year-to-year change for the group as a whole was contra-cyclical in the global context. There were exceptions among individual countries however: government consumption decelerated along with other components of final demand not only in Australia and South Africa in 1972 but also in Iceland, Ireland, Portugal and Spain in 1975, while in 1974 it followed the general upward movement in South Africa and Yugoslavia.

Changes in final domestic demand

With all three components - private and government consumption and gross fixed capital formation 11/ - moving in much the same way, aggregate final domestic demand in the developed market economies accelerated to a 5.6 per cent increase in 1972 and then rose by 4.8 per cent in 1973 and, with no further growth in 1974 or 1975, registered an average rate of increase over the first half of the 1970s of less than 3 per cent a year, significantly below the rate of about 5 per cent achieved in the 1960s.

10/ In the United States, government consumption has been calculated as the difference between government expenditure on goods and services - which increased at an average rate of 0.6 per cent over the quinquennium - and government fixed capital formation. It thus includes expenditure on inventories and on military equipment and facilities.

11/ The contribution of these components to final domestic demand differs appreciably from country to country. In 1970, for the developed market economies as a whole, private consumption accounted for about 61 per cent of the total, fixed investment about 22 per cent, and government consumption about 17 per cent.

The cycle was most marked among the major industrial countries where, under the influence of the reduction in investment, final demand declined in both 1974 and 1975. Only Canada and France maintained a positive rate of growth during the recession; demand was reduced in 1974 in the Federal Republic of Germany, Japan and the United Kingdom, in 1975 in Italy and in both years in the United States (see table I-5). Except in Canada, the average rate of expansion over the five years was well below the figure for the 1960s - less than half in the case of the Federal Republic of Germany (2.2 per cent a year), Italy (2.0 per cent) and the United States (1.9 per cent) and only slightly above half in Japan (5.5 per cent).

Among the smaller industrial countries both the upswing and the downswing were milder. Switzerland was the only member of this group in which final domestic demand was substantially lower in 1975 than in 1973: over the five years the growth in demand averaged only 1 per cent a year - the lowest among the developed market economies and less than a fifth of the rate recorded in the 1960s. Rates of less than half the earlier average were also registered by Denmark, the Netherlands and Sweden - about 2 per cent a year over the quinquennium. Finland and Norway resisted the recessionary influences of 1974-1975 much better and maintained their earlier rates of growth, as did Austria and Luxembourg, despite an absolute reduction in 1975.

In the case of the developed market economies that are more dependent on primary exports, cyclical influences were generally weaker and, as indicated above, offset to a greater extent by movements in government consumption. In the first four years of the decade the group's over-all rate of increase in final demand oscillated around 6 per cent a year, well up to the average for the 1960s. It dropped sharply in 1975, largely as a result of a reduction in Iceland (where growth rates had been high) and in Ireland (which was particularly exposed to developments in its larger partners in the European Economic Community (EEC) and a sharp deceleration in Australia and Spain.

As a component of final demand in the developed market economies, the share of private consumption increased appreciably in the first half of the 1970s. This reflects developments in the United States where government consumption declined and business investment lagged: but private consumption also grew more rapidly in several other countries, including France and Japan and, to a lesser degree, Italy (where the share of private consumption in final demand, at 66 per cent in 1975, was the highest among the major industrial countries) and the Federal Republic of Germany (where it was the lowest - below 57 per cent). The quinquennium also saw an appreciable increase in the share of private consumption in final demand in the Netherlands and Switzerland as well as Greece and Yugoslavia.

Corresponding to this shift in favour of consumption and reflecting the depth of the 1974-1975 recession, there was a significant and widespread decline in the contribution of investment to final demand. It was most noteworthy in some of the major industrial countries - particularly the Federal Republic of Germany, France, Italy and Japan - but also apparent among the smaller industrial countries (Belgium, Denmark, the Netherlands, Sweden and Switzerland) and even in some of the primary exporting countries such as Australia, Greece, Turkey and Yugoslavia.

No less significant was the rise in the proportion of total demand derived from government consumption. Outside the United States, this rise was almost universal. Only a few of the primary exporting countries in which government consumption is relatively low - Portugal, Spain and Yugoslavia - saw a decline over the first half of the decade. The most notable increases were recorded in Australia, Italy, Japan and Switzerland where government consumption accounted for only a moderate (10-15 per cent) share of final demand and, more significantly, in Denmark, the Federal Republic of Germany, Sweden and the United Kingdom where the government share was particularly high - between 21 and 26 per cent in 1975.

Changes in inventories

In general, movements in stockbuilding tended to accentuate the cyclical changes in demand during the first half of the 1970s, exercising a negative effect in 1971, an increasingly positive effect in 1972-1973 - raising the over-all rate of growth in the developed market economies by almost one full percentage point in 1973 - and an increasingly negative effect thereafter. In 1975 there was not only a sharp deceleration in stockbuilding but an actual liquidation of stocks in a majority of countries; this served to reduce the over-all rate of growth in production by almost 2 percentage points.

Over and above this dominant cyclical pattern in investment and industrial production, inventory changes in individual countries were affected by a number of other factors. During the quinquennium uncertainty regarding the value of currencies often lay behind stock movements: expectation of devaluation tended to advance and enlarge investment in imported goods and, contrariwise, expectation of currency appreciation tended to delay and diminish such stock accumulation. Shortages, actual or feared, and the accompanying efforts to control exports also affected stock movements, especially in 1973. The upswing in commodity prices in 1972-1973 and the ensuing surge in imports into the primary exporting countries were also reflected in changes in the stocks held in particular places. Labour strikes and other industrial stoppages were the occasion of stock changes in Italy and the United Kingdom. More generally, changes in credit conditions played an important, and sometimes contra-cyclical, role: easy credit helped to keep stocks higher than they would have been in Japan in the 1970-1971 recession, for example, but in the 1975 recession monetary stringency associated with anti-inflationary policies tended to tighten the squeeze on stock-carrying enterprises in many of the industrial countries, adding to the forces making for liquidation.

The upswing in stockbuilding in the early part of the decade was most striking among the major industrial countries. All seven followed the same pattern, with stockbuilding making its greatest contribution in 1973 when growth rates were raised by up to 2 percentage points in Italy, Japan and the United Kingdom and by almost 1 percentage point for the group as a whole. Except in Canada and Japan, 1974 brought a marked deceleration in stockbuilding. At the end of the year, however, stock/sales ratios were still very high in a number of countries, suggesting that the speed and extent of the downswing in economic activity were far above business expectations. This served to accentuate developments in 1975: except in Japan, where there was a further but much smaller increment in inventories, there was widespread liquidation which had the effect of reducing the average growth rate by about 2 percentage points - rather less in the United States, appreciably more in all the other members of the group (see table I-6).

The upswing was rather less regular among the smaller industrial countries and it lagged somewhat behind the pattern of change set in the major countries: 1972 saw a continued deceleration in stockbuilding in all members of the group (except

Luxembourg) and the expansion phase extended into 1974 (though at a slightly lower rate in Austria and Belgium). Deceleration or liquidation characterized 1975 and although in Finland and Sweden the year's inventory increase continued to raise the rate of growth in production, 12/ the group as a whole had its growth cut to the same extent (almost 2 percentage points) as the major countries.

Among the primary exporting countries inventory changes were more erratic, being influenced strongly by the outcome of harvests and the flow of exports and imports. Largely as a result of liquidation of stocks in Australia, Iceland, Portugal and South Africa, the negative effect on the group's over-all growth was accentuated in 1972 and the positive effect moderated in 1973. The general effect of the 1972-1973 commodity boom was to transfer stocks from the primary exporting countries to the industrial importing countries. By the same token there was a particularly large accumulation of stocks in 1974 - reflecting in part the shrinking of exports as the recession spread - which added well over 2 percentage points to the group's combined rate of growth. In 1975, however, as in the other groups, the impact of stock changes was decidedly negative.

Changes in the foreign balance 13/

In most countries, year-to-year changes in the current external balance had a greater impact on total production than inventory changes during the first half of the 1970s, but in terms of the weighted average for the developed market economies as a group the effect of the two components was of much the same order of magnitude. Whereas inventory changes tended to accentuate the effect of movements in final domestic demand, however, the foreign balance generally exercised a moderating effect, reducing or holding back growth in the 1972-1973 upswing in demand and boosting it in the 1974-1975 downswing.

12/ In Finland the continued, though reduced, build-up of stocks reflects primarily the slackening in exports - of lumber and other wood products - supplemented by some precautionary movement into goods in the face of a price rise running in excess of 20 per cent a year. In Sweden, where prices were rising at less than 10 per cent a year, the further growth in stocks reflects, in part, the Government's efforts to support stockbuilding as a means of stabilizing output and employment: in the year beginning in July 1975 a fifth of the cost of increments in stocks in firms that maintained employment levels was borne by the State.

13/ The changes in foreign balance discussed in this section have all been measured in real terms, mostly at 1970 prices, in the same way as the other components of production growth. In most of the developed market economies, however, changes in import prices in the 1971-1975 period differed much more sharply from export prices than they had previously done. By its effect on the purchasing power of exports, this often resulted in marked differences between changes in production and changes in income. By the same token it also tended to cause unusually wide differences between the foreign balance as a component of gross domestic product growth and the balance of goods and services measured in current prices in the external accounts of individual countries. Payments imbalances emerging in current prices in the course of the quinquennium are discussed in the section below on Exchange rates and balance of payments.

Among the major industrial countries there was a general acceleration in the increase in exports in the early years of the decade - 1971 to 1973 in the case of Canada, the Federal Republic of Germany and the United States, 1972-1974 in the case of France and Japan - followed by a corresponding deceleration which, in most cases, carried export earnings into the negative column in 1975. In the aggregate, the export growth rate doubled between 1971 and 1973 - from 7 per cent to over 14 per cent - decelerated somewhat in 1974 (to 11 per cent) and then collapsed to a reduction of 5 per cent in 1975, when only Italy and Japan registered further, though diminished, gains (see table I-7).

With the bulk of its international trade taking place within the group, the imports of the major industrial countries followed the same course as their exports: there was a sharp acceleration to a peak rate of increase in 1973 (1972 in the case of Italy and the United States) and then an even sharper deceleration to an absolute decline in 1975 (except in the Federal Republic of Germany where imports continued to expand, though by less than 1 per cent in 1975). In the United States, where imports showed hardly any growth in 1974 there was a reduction of no less than 17 per cent in 1975, reducing the average rate of increase over the first half of the decade to a mere 1 per cent a year (see table I-8). The rate of increase was also well below the longer-term average in Italy (about 3 per cent a year) and the United Kingdom (just under 5 per cent).

As the recovery got under way in 1972, imports rose faster than exports: Canada, the United Kingdom and the United States moved into deficit, while in the Federal Republic of Germany and France there was a reduction in surplus. For the group as a whole the change in external balance exerted a negative impact on over-all growth in production. Thereafter, with exports booming in 1973 (and to a somewhat less extent in 1974) and import increases shrinking (and becoming negative in 1975), the external balance played a positive role. Under the influence of particularly strong export performance in 1973 the change in external balance added almost 1 percentage point to the nearly 4 per cent growth in final domestic demand in the United States and over 2 percentage points in the Federal Republic of Germany - almost as much as the gain in internal demand. In 1974 the change in the external balance added to the growth in production in all the major industrial countries except Canada (where domestic demand was better maintained); in the Federal Republic of Germany and the United Kingdom, indeed, the external balance more than offset the reduction in final internal demand. 14/ In 1975 the impact of the external balance was again positive, except in Canada and the Federal Republic of Germany where imports were better maintained in the face of declining exports (see table I-9). In the United States the external surplus, though relatively smaller than in 1973 and 1974 was equivalent to almost half the decline in final domestic demand, and in Italy the compensatory effect was even greater.

The course of export growth from the smaller industrial countries was essentially the same as in the major countries: peak rates of increase were achieved in 1972 in Denmark, Finland and Norway and in 1973 in Belgium, Luxembourg, the Netherlands, Sweden and Switzerland. Thereafter, deceleration was rapid: Norway was the only member of the group that did not register a reduction in 1975. Import growth followed the same pattern, accelerating to a 1973 peak in virtually all the countries in question and then decelerating no less generally to become negative in 1975.

14/ In the wake of the sharp deterioration in terms of trade, however, all the major industrial countries except the Federal Republic of Germany and the United States ran large external payments deficits in 1974.

In Austria, Belgium, Denmark and Switzerland the resultant changes in the external balance became progressively less negative or more positive, adding to the growth in production in all four countries in 1975, around 1 per cent of gross domestic product in most cases but almost 4 per cent in Switzerland where there was a particularly sharp reduction in final domestic demand. In Finland, Luxembourg, Norway and Sweden, by contrast, the external balance grew less positive or more negative, especially after 1973, more than offsetting the expansion in internal demand in Finland and Sweden in 1975, and in Luxembourg accounting for the bulk of the massive (7.7 per cent) decline in production. 15/ In the case of the Netherlands there was no cyclical pattern in the foreign balance which - uniquely among the developed market economies - remained positive throughout the quinquennium.

The cyclical pattern was also absent from the movement in the foreign balances of the primary exporting countries. Except in the case of Spain in 1971, South Africa in 1972 and Australia in 1971-1973, these countries were in continuous deficit. The growth of exports decelerated markedly between 1971 and 1974 in Australia, New Zealand and Spain and between 1972 and 1975 in Portugal and Yugoslavia. For the group as a whole, peak expansion in 1972 reached almost 13 per cent; 1974 brought a decline of nearly 3 per cent. The growth in imports rose to a similar peak, later and longer sustained, before turning negative in 1975. With imports overtaking exports, 1973 saw the group swing into deficit; Australia was the only member to remain in surplus, and then only barely. 16/ Though there was a reduction in the deficit in Greece and Ireland in 1974, the deterioration in the external balance of the group as a whole was over twice the proportion of the preceding year - amounting to more than 3 per cent of gross domestic product, this deficit offset much of the increase in domestic final demand. The cutback in imports in 1975, combined with some recovery in exports, resulted in a movement in the over-all foreign balance that added to the effect of the modest increase in domestic demand that occurred in that recession year.

Changes in gross domestic product

The combined effect of the movements outlined above was an upswing in the rate of growth in production that reached a developed market economy average of nearly 6 per cent in 1973, followed by the virtual cessation of growth in 1974 and a contraction of 1.5 per cent in 1975. The pattern was common to all three groups of countries but most marked among the major industrial countries and least among the primary exporting countries.

The United States reached its maximum growth rate (5.7 per cent) in 1972, the rest of the major countries in 1973. The decline that followed was precipitant: production was reduced in Japan and the United States in 1974 and there was hardly any increase in the Federal Republic of Germany and the United Kingdom (see table I-10). Japan was the only country to register a recovery in production in 1975; in Canada production was virtually static at the 1974 rate, while in all the other countries there was a contraction - for the second year in the case of the United States, making the recession both the steepest and the longest since the 1930s.

15/ In current prices Sweden moved into increasing external deficit in 1974 and 1975.

16/ Measured at current prices, however, South Africa also remained in surplus in 1973, as did New Zealand, though at a much reduced level.

Among the smaller industrial countries, the growth cycle was far less uniform. The rate of increase in production reached its peak in 1971 in the Netherlands and Switzerland, 1972 in Austria, Denmark and Finland, 1973 in Belgium and Luxembourg, and 1974 in Norway and Sweden. The 1975 recession hit every member of the group, however: there was a contraction in output everywhere except Norway, where a 3 per cent increase was recorded, and Finland and Sweden, where there was marginal growth.

Some members of the primary exporting group followed the cycle set by the major countries: Ireland, New Zealand and Portugal experienced a notable acceleration in the early years of the decade and a sharp deceleration after 1973, into the negative column in 1975. Spain moved from a high growth rate in 1972 and 1973 to a fractional one in 1975. In Iceland there was a deceleration throughout the period that carried the growth rate from almost 12 per cent in 1971 to -2 per cent in 1975. Australia maintained a more uniform expansion between 1971 and 1974 but recorded a decline in output in 1975. The other members of the group - Greece, South Africa, Turkey and Yugoslavia - were more affected by variations in agricultural harvests and government expenditure and tended to register erratic but generally higher rates of increase in total production. It was largely as a result of this that the primary exporting group as a whole sustained a 5-6 per cent rate of expansion in the first four years of the quinquennium and a positive though much reduced growth in 1975.

The state of economic balance

The first half of the 1970s was characterized by economic imbalances - both within countries and between countries - that were not only acute by post-war standards but also extremely persistent. Efforts to restore more stable growth were far from successful; indeed, at certain stages adoption of inappropriate combinations of policies contributed to the wide swings in demand discussed in the preceding section.

The three main manifestations of imbalance were inflation and unemployment - within virtually every developed market economy - and exchange instability, which was also widespread, though not always overt. The three phenomena were closely interrelated. Differences in the rates of increase in domestic prices were among the main sources of pressure on the rates of exchange between national currencies. At the same time, increases in external prices and the resultant rise in import costs fed the domestic inflation, especially in trade-dependent countries. Devaluation of the currency, designed to improve the state of external balance, also affected domestic prices by raising the cost of imports. Efforts to restrain the rise in prices through tightening the supply of money or reducing the claims of Government on available resources exerted a negative effect on new investment and on the rate of capacity utilization, thus increasing the incidence of unemployment. Efforts of private industry to counteract the effects of rising wages and other costs on profit margins by raising their selling prices invariably aggravated the problem of inflation and where they involved a reduction in supply they added to unemployment also.

Though 1975 brought some deceleration in the rate of price increase in most developed market economies, the end of the year still found prices rising more rapidly than at any time before 1974. Despite this, unemployment rates were generally higher than at any time since the readjustment period immediately after the Second World War, and in very few countries had the rate turned downwards by the end of the year. And because of the marked differences in the pace of price increase, rates of exchange between national currencies remained unstable, notwithstanding official intervention intended to smooth out the effects of speculative and other ephemeral forces. Thus the challenge of restoring conditions for stable growth remained a priority for the second half of the decade.

Price changes and inflation

The developed market economies entered the 1970s with prices rising at rates that were widely regarded as unacceptably high. The generally vigorous rates of economic growth in the 1960s had involved easy credit and the rapid expansion of Government social programmes and, in the case of the United States, increasing budgetary deficits arising from the war in Indo-China. And towards the end of the decade there was a perceptible tendency for negotiated wage rates to include compensation for expected price increases.

In the second half of the 1960s, measured by the gross national product deflator, prices were rising at 5 per cent a year in the United Kingdom (as against 3.5 per cent in the first half of the decade), at 4.7 per cent in Japan, 4.4 per cent in France, 4.2 per cent in Canada (compared with 1.9 per cent in the first half) and 4 per cent in the United States (up from a low 1.4 per cent).

In the United Kingdom there was a sharp acceleration in wage rates in 1969 and by the end of 1970 earnings were 14 per cent above the corresponding figure of a year earlier and the price level was up 8 per cent. Policy in the fiscal year 1970/71 was aimed at stimulating growth in order to raise productivity and slow down the increase in costs. In 1971 a new strategy was adopted in respect of public sector wage settlements with a view to effecting a systematic deceleration in the rate of increase - then running at over 10 per cent a year. Though it was backed by the Confederation of British Industry - the main employers' organization - which undertook to limit price increases to 5 per cent, the effort to contain wages broken down early in 1972 when a coal miners' strike was settled by a 25 per cent increase.

In the United States in April 1970, the Chairman of the Federal Reserve Board diagnosed the country's inflation as a problem of "cost-push" rather than "demand-pull". Between the fourth quarter of 1968 and the first quarter of 1970 compensation in the private non-farm economy had risen at an annual rate of 6.4 per cent while productivity declined at an average rate of 0.8 per cent a year. In June 1970 the President set up a National Commission on Productivity, a Regulations and Purchasing Review Board and a system of "inflation alerts" intended to publicize actions or policies deemed likely to exacerbate the inflation. Three such alerts had been sounded by the spring of 1971 when a tripartite Construction Industry Stabilization Committee was established to bring under control the wage-price spiral in the strategically placed building industry.

In France, wage increases in 1969 and 1970 averaged 10 per cent a year. Kept under official surveillance, the price level of industrial goods, including taxes, increased by 7.5 per cent in 1970 (compared with 10.8 per cent in 1969) and by only 2.1 per cent in 1971. In September 1971, when there were signs of fresh acceleration, the Government introduced direct price restraints.

In the Federal Republic of Germany the wage settlements concluded between the end of 1969 and early 1971 involved "double digit" increases, 17/ in sharp contrast to the previous rather low and longer contracts negotiated in the 1966/67 recession. Earnings per employee rose by a sixth in 1970 while productivity lagged; there was a 7 per cent increase in the general price level - twice as much as in any year in the 1960s. Though the round of gains in the spring of 1971 was far above the targets embodied in the Government's "orientation data", direct intervention into the wage or price formation process was avoided. The official policy remained one of "moral suasion": the orientation data were reaffirmed, the education process intensified and the Federal Cartel Authority was urged to enforce, as vigorously as possible, the Law Against Restrictive Practices.

The 90-day rent, wage and price freeze introduced as part of the "new economic policy" of the United States in August 1971 helped to reduce the rate at which the consumer price index was rising from 5.9 per cent in 1970 - notwithstanding the deceleration in demand at that time - to 4.3 per cent in 1971 and 3.3 per cent in 1972, in the face of a renewed upswing in demand. The only other industrial countries to experience a slowing down in price movement were Japan (from 6.1 per cent in 1971 to 4.5 per cent in 1972), Sweden (from 7.4 per cent to 6.0 per cent) and the United Kingdom (from 9.4 per cent to 7.1 per cent). Several of the primary exporting countries registered a smaller price increase in 1972 than in 1971 - New Zealand, Portugal, Turkey and, marginally, Australia and Ireland - but as others registered a sharper increase, the average price change for the group as a whole remained at around 8.5 per cent, about twice the average recorded in the industrial countries (see table I-11).

In the 1972-1973 period the task of the industrial countries in dealing with the wage-price spiral was greatly complicated, on the one hand, by the pace and universality of the renewed upswing in demand and, on the other hand, by a series of exogenous developments affecting the prices of primary commodities in international trade. The vigour of the upswing between mid-1971 and the first quarter of 1973 imposed strains on some production facilities and rekindled the demand inflation that had subsided in the 1970 recession. The rise in commodity prices, which was the result not only of the general rise in demand but also of a number of supply difficulties in importing as well as exporting countries, exacerbated the cost inflation.

The most troublesome aspect of the commodity price increase in 1972 and 1973 was the extent to which food items were involved. The widespread crop failures of 1972 set in motion an upsurge in cereal prices the effects of which were soon transmitted throughout the food sector, both in terms of higher prices to the consumer (or a heavier subsidy burden) and in terms of increased demand for various agricultural inputs as farmers hastened to make good the shortfall and benefit from the improvement in their relative receipts.

In the major industrial countries the rise in retail food prices jumped from just over 5 per cent in 1972 to nearly 13 per cent in 1973 and 15.5 per cent in 1974, before subsiding somewhat to 11 per cent in 1975. In the smaller industrial countries the rate of increase in food prices was steadier and less dramatic but in the primary exporting developed market economies it was even sharper - and there was no deceleration in 1975 (see table I-12). Since in most countries food is the largest element in the consumer shopping basket, this increase had an immediate and

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17/ Negotiating between September and November 1970, the metal workers - key groups in the pattern of wage settlements - had their wages raised by about one eighth.

powerful impact on the cost of living and, in a very short time, on wage rates as these came to be renegotiated (or automatically raised in response to an escalator clause in an earlier settlement).

Another strong and pervasive force hit the price level at the end of 1973, when the price of crude petroleum was quadrupled by the exporting countries. This extraordinary increase hit the consumer price index directly through the cost of heat and light and transportation and the products of the petrochemical industry and indirectly through the prices of the products of all energy-using industries, including agriculture whose fertilizer, mechanical handling and transport costs were particularly vulnerable to the rise in petroleum prices.

As a result of this combination of inflationary forces, the process of decelerating the rise in the consumer price index that had been at work in 1971-1972 was reversed: there was a sharp and universal acceleration in the upward movement. This carried the average index for the developed market economies as a whole from 4.6 per cent in 1972 to 7.7 per cent in 1973 and 12.8 per cent in 1974. In two thirds of the countries the 1973-1974 increase exceeded 10 per cent; the Federal Republic of Germany and Malta were the only countries in which the increase was less than 9 per cent.

In the Federal Republic of Germany, where the increase in consumer prices amounted to about 7 per cent in both 1973 and 1974 - high by historical standards but much lower than in any of the other major industrial countries - the impact of the rapid rise in commodity prices on the international market was moderated slightly by the appreciation of the Deutsche mark: between 1972 and 1973 the dollar value of the Deutsche mark rose by about 16 per cent and in 1974 it made a further gain, making it worth almost 30 per cent more dollars than in 1970. On the domestic scene the rise in wage rates had slackened markedly after the spurt in the first half of 1971: the rate of increase in hourly earnings in manufacturing, which had been 13.4 per cent in 1971, dropped to 8.5 per cent in 1972 and 9.8 per cent in 1973 (see table I-13). And, with the recovery in output, productivity began rising and the increase in unit costs decelerated.

At the other end of the spectrum, the rise in consumer prices in the United Kingdom accelerated sharply - from 7 per cent in 1972 to 9 per cent in 1973 and 16 per cent in 1974. Here there was no shelter against the effects of rising commodity prices; indeed, there was a slight depreciation in the pound sterling - about 2 per cent against the dollar in 1973 and 4 per cent in 1974 - which magnified the effect of higher prices of imported goods. But the main difficulty was internal, as the large increase in coal miners' wages in 1972, referred to above, was followed by a number of similar settlements. After a failure to reach agreement with the trade unions regarding a voluntary incomes policy, the Government imposed statutory controls in November 1972. Wages and all prices other than those of fresh foods and imported raw materials were frozen for 150 days. Thereafter, from April to November 1973, limited increases were permitted. Wage gains during this period averaged rather less than 8 per cent. A third phase followed in which pay increases were limited to a maximum of 7 per cent and only at yearly intervals, though exceptions could be made in order to accommodate the lowest-paid workers and take the cost of living into account. With the prices of primary commodities rising rapidly, external circumstances grew steadily less favourable for this type of stabilization arrangement and the year ended with another dispute with the mine workers. After a costly strike this was settled in March 1974 by the award of increases ranging from 22 to 32 per cent. Though price controls were maintained, wage controls were abandoned in July 1974 and the scene was set for a severe squee
of business profits and liquidity.

In France, efforts to moderate the rise in prices included a freeze on public sector prices (ended in March 1973), various formal and informal arrangements to control industrial and service prices (throughout 1973) and reductions in the value-added taxes (at the beginning of the year). By mid-1973 the upswing that had been taking place in demand was beginning to manifest itself in shortages of certain types of skill and other supply bottle-necks. Hourly earnings in manufacturing which had been increasing at about 11 per cent a year, rose by nearly 15 per cent in 1973 and 19 per cent in 1974. And the rate of increase in consumer prices almost doubled between 1973 and 1974.

In Italy where retail prices rose twice as fast in 1973 as in 1972, the introduction of valued-added taxes at the beginning of 1973 contributed to the acceleration. In mid-1973, rents and a variety of prices - together estimated to cover about half of the average consumer expenditure basket - were frozen for six months in an attempt to slow down the increases. Escalator clauses in wage contracts were voided, but the rate of increase in hourly earnings more than doubled - to 24 per cent - in 1973. Under the impact of the rapid rise in both external prices and domestic wages, the freeze could not be maintained and it was allowed to lapse at the end of 1973. The incidence of the rapid rise in import costs was magnified in 1974 by a 10 per cent depreciation of the lira (against the dollar) and there was another near-doubling in the rate of increase in consumer prices: over the year as a whole they averaged about 19 per cent above the 1973 level.

In the United States wage and price controls that had been first imposed in August 1971 were relaxed partly in 1972 and then again at the beginning of 1973, but in the face of sharp increases in meat and other food prices a second freeze was ordered in mid-June. Because of the negative effect this had on farm supply, the more lenient formula of so-called Phase II controls was restored in August. World commodity prices were rising rapidly, however, and in order to protect supplies to domestic consumers and avoid undue distortions in the price structure, a process of selective decontrol was begun. By April 1974 most of the controls had been phased out and many business prices were adjusted upwards to restore profit margins that had been eroded by rising costs. The result was an upsurge in consumer prices: year-on-year increases jumped from the low 3.3 per cent in 1972 to 6.2 per cent in 1973 and 11 per cent in 1974.

Though, as indicated above, the expansion in demand in the major industrial countries decelerated in 1973, and the first quarter of 1974 saw the beginning of a contraction which continued until mid-1975, the rapid upward movement in prices persisted. Indeed among the developed market economies as a whole, those experiencing a greater increase between 1974 and 1975 than between 1973 and 1974 were as numerous as those in which there was some reduction. Nor was the group showing no slowdown in price increase confined to the primary exporting countries: it included Belgium, Canada and Sweden where the rise in consumer prices was maintained, and Luxembourg, the Netherlands, Norway and the United Kingdom where it was accelerated.

Even with the slackening that occurred, two thirds of the industrial countries recorded double-digit price increases between 1974 and 1975. In the United States, on the other hand, the year-to-year increase receded to 9 per cent and in the course of 1975 the rate of increase decelerated further - below 7 per cent by the beginning of 1976. And in the Federal Republic of Germany, the 1975 average was less than 6 per cent above the 1974 figure and there was a further though only slight easing in the course of the year.

Among the industrial countries, however, the most dramatic improvement was registered in Japan where the 1972-1974 period had seen an extraordinary upsurge in prices - annual increases rising from 5 per cent to 12 per cent to 23 per cent in the three years. One of the reasons for the 1974 rise was the country's great dependence on imported petroleum, the increase in whose price accounted for 60 per cent of the rise in the wholesale price index in the six months ending in March 1974. Another reason was the 29 per cent gain in wages won by the trade unions in the spring settlement of 1974. In the following year, in the face of many signs of economic recession, the settlement was only half that figure and there was a progressive easing in the rise in costs and prices, especially after industrial production resumed its growth. The increase in consumer prices was down to 8 per cent by the end of 1975.

By contrast, there was a marked acceleration in the rise in prices in the United Kingdom where wage pressures mounted rapidly after the abandonment of controls in mid-1974. A voluntary incomes policy was adopted, but the loose guidelines that were embodied in a "social contract" with the trade unions proved ineffectual. By early 1975, wage rates were running 30 per cent above the level of a year earlier and consumer prices - still under a modified form of control - had risen by 20 per cent. A more rigorous, but still voluntary wage policy was then negotiated with the trade unions; this involved a flat limitation - of £6 a week, estimated to raise the over-all wage bill by 10 per cent - on increments in pay during the year beginning 1 August 1975, balanced by an increase in food subsidies, a limit on rent increases by local authorities and an undertaking that other price increases would be held to a minimum. This arrangement was adhered to more strictly than the previous one and, although consumer prices rose by more than 25 per cent in the course of 1975, there were signs of deceleration in the first half of 1976. This process was helped by a marked reduction in the amount of working time lost through strikes: there was a 60 per cent decline between 1974 and 1975 and in the first half of 1976 the loss was at the lowest rate since 1967. During this period a follow-up agreement was worked out with the trade unions: this involved a 5 per cent limit on the middle band of earnings, with a maximum flat increment designed to yield an over-all gain of about 4.5 per cent in the year beginning 1 August 1976. In return, the Government undertook to reduce the level of taxation. Success of this policy thus depends not only on union-management compliance but also on the Government's ability to curtail expenditure, as well as on the course of import prices.

In the aggregate, the year-on-year rise in consumer prices in the industrial countries decelerated to about 10 per cent in 1975. There was no corresponding slowdown in the primary exporting countries where the average increase remained at 17 per cent. As in the industrial countries, however, prices began to decelerate in the course of 1975 in most members of this group: only in Greece, New Zealand and Portugal was the increase during 1975 greater than the increase between 1974 and 1975 and the average for the group as a whole - about 15 per cent in the course of 1975 - was below the year-to-year increases in both 1974 and 1975.

In a majority of countries food prices continued to rise more rapidly than those of other consumer goods, but in some cases - notably the Federal Republic of Germany and the United States among the major countries, Austria, the Netherlands and Switzerland among the other industrial countries and Australia, Greece and New Zealand among the primary exporters - food prices were leading the deceleration.

While the year-on-year gains in hourly earnings of workers in manufacturing accelerated between 1973 and 1974 in virtually every developed market economy, 1975 saw a slowing down of these increases in most countries, most notably in Switzerland (to 5 per cent in the course of the year), the Federal Republic of Germany (to 8 per cent), New Zealand (to 9 per cent), Japan (to 10 per cent), Australia (to 11 per cent), the Netherlands (to 14 per cent) and Yugoslavia (to 18 per cent). In these countries the 1975 gains in earning rates were more or less in line with the rise in prices. Hourly earning increases also decelerated in 1975 in Belgium (to 18 per cent), Denmark (to 17 per cent) and France (to 16 per cent) but in these cases much less than prices. In some countries, on the other hand, there was little sign of any slowing down in the rate at which manufacturing earnings were rising: 1975 saw a 30 per cent increase in Ireland, a 19 per cent increase in Sweden, a 23 per cent increase in Italy and a 31 per cent increase in Greece - all more or less twice the rate at which consumer prices were rising. A very high rate was also recorded in the United Kingdom - over 29 per cent, compared with a rise of about 25 per cent in retail prices. It is clear that the second half of the decade was beginning with inflationary forces still prevalent and powerful.

Capacity utilization and unemployment

Most of the developed market economies entered the 1970s with higher rates of unemployment than had prevailed during the 1960s. This was in part a result of the 1970-1971 recession in demand, but socio-demographic factors were also at work. In varying degrees the labour force was being expanded by the entry of the generation born in the early post-war years, of immigrants from abroad or from rural areas on the fringe of organized employment, and of women participating fully in the wage economy for the first time. In the United States the winding down of the war in Indo-China and of the space programme as well as a change from military conscription to voluntary enlistment added a sizable number of work-seekers to the civilian labour force.

Recorded unemployment in the developed market economies, which stood at rather more than 6 million in 1969, rose by 1.4 million in 1970 and 1.2 million in 1971 to reach a total of 8.7 million or about 3 per cent of the labour force. 18/ The increase was sharpest in the United Kingdom and North America but there was also a significant rise in the rate of unemployment in France, Ireland and Sweden. Unemployment also rose in Austria, the Federal Republic of Germany and the Netherlands though the number of applicants for work in these countries and in Switzerland continued to remain below the number of vacancies on offer (see table I-14).

Among the major industrial countries, the United States was the only one to register a decline in the level of unemployment between 1971 and 1972, though in Canada the increase was only a small one - less than the expansion in the labour force. As the upswing in activity got under way in 1972, however, there was a more general reduction in unemployment - not only in Canada and the United States but also in Italy, Japan and the United Kingdom as well as in some of the smaller

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18/ Definitions of "labour force" and of "unemployed" differ from country to country, as do the methods of measuring changes in unemployment rates. For a recent examination of these differences, see Robert J. Meyers, "International comparison of unemployment" in The Banker (London), November 1975.

industrial countries (Austria, Denmark, Finland, Norway and Sweden) and primary exporting countries (Australia, Greece, Ireland and Spain). In all these countries the unemployment rate also declined, although in Australia, Italy and Japan it failed to return to its 1971 figure.

In the aggregate, recorded unemployment in the developed market economies which had risen by a further 0.3 million in 1972, declined by almost 1 million in 1973. This brought the total down to about 8 million or approximately 2.7 per cent of the labour force, a substantially higher proportion than had prevailed at the comparable phase of the previous business cycle. In relation to its vigour, the impact of the upswing on the employment situation was unexpectedly moderate and, in a number of countries, plant capacity limits were reached before there were any serious shortages of labour.

In France the number of unemployed rose between 1972 and 1973 but not as fast as the labour force, and the unemployment rate dropped back to its 1971 level. There was even less cyclical improvement in the situation in Belgium, the Federal Republic of Germany and the Netherlands where both the level and the rate of unemployment continued to rise through 1972 and 1973. Most of the other developed market economies joined these countries in 1974 when demand began to decelerate more rapidly and costs to accelerate. Only in Italy and the United Kingdom among the major industrial countries and Finland, Norway and Sweden among the other industrial countries was the average number of employed lower in 1974 than in 1973.

As the recession deepened, the employment situation deteriorated. Despite the turn-around in production that occurred in the course of 1975 the average level of unemployment was substantially above the 1974 figure in every country except Sweden. And in every country, including Sweden, the number of unemployed was higher in the last quarter than earlier in the year. By then there was no country in which the number of reported job vacancies exceeded the number of applicants. Only in Denmark, the Federal Republic of Germany and the United States was the ratio of unemployment to vacancies lower in the final quarter of the year than for the year as a whole and even in these countries the ratio was many times higher than earlier in the decade: in the United States it was nearly three times the low average (115 per cent) of 1973; in the Federal Republic of Germany it was over 15 times as high as in 1971 (29 per cent) and in Denmark it was over 40 times the minimum of 1973 (228 per cent). In the fourth quarter of 1975 the number of unemployed in the developed market economies as a whole exceeded 15 million or about 5 per cent of the combined labour force.

Thus the quinquennium ended with unemployment rates at very high, and in many cases post-war record, figures in every developed market economy except Sweden where, largely as a result of stabilization policies the rate had been almost halved between 1972 and 1975 (see table I-15). 19/ And notwithstanding the

19/ Sweden pursued a generally expansionary fiscal and monetary policy until well into 1974. Largely as a result of high rates of investment in the late 1960s it experienced few, if any, capacity bottle-necks during the 1972-1973 upswing. During the 1974-1975 recession resources were released from the investment equalization fund built up earlier in the Central Bank from the pre-tax profits of enterprises. To maintain employment in 1975 th Government met a fifth of the cost of inventories accumulated by firms agreeing to maintain employment levels and provided a guarantee for borrowing from abroad for financing such inventories.

recovery in demand that was under way, the trend in many countries was still upwards. In about half the developed market economies - including France, Italy, Japan and the United Kingdom as well as Belgium, Finland, Ireland and Yugoslavia - the rate of unemployment in mid-1976 was above the average for 1975 and considerably higher than the norm set in the 1960s. Cyclical adjustment was seemingly being impeded by secular and structural factors.

Conventional measurements of unemployment tend to understate the impact on the labour market of the variations in demand. The recessionary forces that marked the opening of the decade were reflected in a widespread reduction in daily working hours, most notably in Italy and Japan. The 1972-1973 upswing was correspondingly characterized by an extension of working hours and an increase in overtime. The 1974-1975 recession reversed this and there was a marked contraction in the working day, notably in the Federal Republic of Germany and Japan, and an increase in part-time employment. In mid-1975 the full-time equivalent of working hours lost in this way amounted to rather more than 5 per cent of the recorded volume of unemployment in France and the United Kingdom and as much as 23 per cent in the Federal Republic of Germany. 20/

The over-all figures of measured unemployment also tend to blur some of the features of its distribution which are of major economic or social significance. In many countries there were considerable differences among industries and regions in the incidence of the recession in demand. The impact of unemployment was generally greatest in areas in which the cyclical downswing aggravated a longer-term decline in activity, especially when there were obstacles to the relocation and retraining of workers. 21/ The jump in the price of petroleum in 1973, and the subsequent reduction in trade had a disruptive effect on employment in related sectors in 1974, especially in the motor vehicle, shipbuilding and shipping industries.

The impact of unemployment also tended to be more severe among workers newly recruited into industry or, for other reasons, lacking seniority. Young members of the labour force were among the most severely affected: in 1975 the under 25 year-age group constituted about a fourth of all unemployed in the Federal Republic of Germany and Japan and almost a half in France, the United Kingdom and the United States. On average, the unemployment rate was twice as high among these young workers as among labour at large. The incidence was also heaviest among blue-collar workers, particularly those in the construction sector and in some of the heavy manufacturing industries. One corollary of this was the high incidence of unemployment among lower-income workers and workers from racial minority groups or foreign countries. 22/

20/ For further details, see chapter I of "The European economy in 1975" (ECE/XXXI/1), issued by the Economic Commission for Europe.

21/ In the United Kingdom, for example, the average rate of unemployment in 1973 was three times higher in Scotland than in southern England.

22/ In the downswing between October 1973 and May 1975 in the United States the rate of unemployment increased from 4.1 per cent to 8.3 per cent among white workers, from 8.4 per cent to 14.2 per cent among black workers, and from 27.3 per cent to 37.3 per cent among black teenagers.

To some extent immigrant workers continued to act as a buffer: to the extent that on loss of their jobs they withdrew to their country of origin the incidence of the unemployment was transferred. The return of migrants to their home country, however, seems to have been less common in the first half of the 1970s than it was in the recessionary periods in the 1960s. More workers had put down roots in the host country, particularly when they were in family groups. The rights of migrants to the benefits of local social security systems had significantly improved. And, more difficult to document, but perhaps more influential, was the drift of the migrant pattern of labour into disfavour: movement was becoming more regulated and access to jobs less certain and hence migrants became hesitant about returning home because of doubts about the opportunities to re-enter the host country.

Thus, in the Federal Republic of Germany the 1970-1971 slowdown in demand was not accompanied by the repatriation of migrants on the scale that had characterized the 1966-1967 recession: despite the rise in unemployment immigration continued, though at a much reduced level. Since, despite the upswing in demand, unemployment continued to rise, new efforts were made to limit the inflow of foreign workers: from November 1973 immigration was restricted to workers from other EEC members. This aggravated the labour situation in some of the southern European countries, particularly Turkey and Yugoslavia, where unemployment was high and increasing, especially after Austria restricted entry, and job opportunities began to decline in the alternative labour markets of Belgium and the Netherlands. In June 1974 France also restricted the entry of workers from outside the Community and began to tighten control over illegal immigration. Efforts to reduce the employment of illegal migrants were also stepped up in Canada and the United States.

In the Federal Republic of Germany some of the states began to encourage repatriation by the offer of up to three fourths of a year's unemployment benefit as a lump sum to those who would leave. Between September 1973 and March 1975 the number of foreign workers in the Federal Republic of Germany declined by almost half a million. Nevertheless, at that stage foreigners accounted for about 16 per cent of the country's registered unemployed and the unemployment rate among foreign workers (7.4 per cent compared with 4.8 per cent in 1973) was well above the national average (4.9 per cent compared with 1.3 per cent in 1973).

Notwithstanding the generally higher levels of unemployment in the early years of the decade, government policies tended to be oriented more towards combating inflation than towards creating jobs. This reflects, in part, the fact that income-maintenance programmes were, on the whole, succeeding in mitigating the financial hardship occasioned by loss of employment and in part the fact that unemployment among the strategic group of males of prime working age remained relatively low - under a fourth of the total in most cases. Ameliorative action generally took the form of improving either the social security system or the efficiency of training and placement services or in some cases both, as in France in 1971 when a Comité interministérial de l'emploi, working with employers' and workers' associations and public authorities was established to co-ordinate official action.

As the 1974 recession deepened, however, and the proportion of prime age male unemployment rose, along with the proportion of this group out of work for more than six months, measures addressed more specifically to the job situation became more common. In the United States, Congress passed the Emergency Jobs and Unemployment Assistance Act of 1974 authorizing the expenditure of $4 billion to raise the number of special public service jobs from 170,000 to 500,000 and extend the coverage of unemployment benefits. The Federal Republic of Germany also voted a large sum - DM 3.6 billion - for public works in regions of high unemployment, as well as tax credits to encourage private investment and an easing of the money supply.

In the United Kingdom, a Community Industry Scheme sought to create employment on projects of "social and environmental value". This was supplemented in 1975 by a Job Creation Programme for which the Manpower Services Commission had been allotted £70 million to support the projects of local authorities and other local bodies. In August 1975 a Temporary Employment Subsidy Scheme was introduced to assist firms - at first in depressed areas and later generally - to defer the dismissal of workers by the offer of a subsidy of £20 a week in respect of each full-time job sustained for 12 months. At the same time the regional employment premium - by which jobs in depressed areas had been subsidized since 1967 - was doubled. In November an Employment Probation Act improved the benefits to workers who were on short time or temporary lay-off - whose number had expanded more than tenfold to 230,000 between the end of 1973 and mid-1975.

France also acted to postpone the laying off of workers and raise the benefits of those who were out of work. From the beginning of 1975 those dismissed for economic reasons were entitled to 90 per cent of their previous earnings. Employers taking on new workers from certain categories of unemployed for contracts of a year or more were offered an incentive bonus of F 500 per job. In June 1975 another system of subsidies was introduced - for employers taking on work-seekers in the 16-25-year bracket and providing them with training for six months.

In Japan, where the absence of job opportunities resulted in a decline in participation rates in 1974 - as housewives and other part-time and temporary workers withdrew from the labour market, reducing the labour force for the first time in the post-war period - the Government introduced a system of Employment Adjustment Grants at the beginning of 1975. Under this, part of the allowance paid to workers who were laid off temporarily was met by the State - half in the case of large enterprises, two thirds in the case of smaller firms. At its peak in June 1975, 440,000 workers were in receipt of this subsidy. In the meantime, benefits accruing to the fully unemployed - whose number stood at about a million in mid-1975 - were liberalized: from April 1975 the maximum proportion of prior earnings - 80 per cent - was payable to insured workers in the lower wage brackets and the duration of payment was linked not only to the length of insured service but also to the scope and conditions for finding new employment.

There is some evidence that the improvements that have been made to social security systems in general and to unemployment benefits in particular have tended to raise the level of recorded unemployment. As the difference between wage rates and unemployment compensation has narrowed, the financial hardship of the loss of a job has diminished, the incentive to register has increased and the pressure to seek or accept other employment has been reduced. 23/ To this extent the concept of an unemployment norm may be a function of the system of measurement and compensation.

There can be little doubt, however, that the severity and extent of the 1974-1975 downswing resulted in rates of unemployment that were widely regarded as

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23/ In the United Kingdom, for example, it is estimated that between 1960-1965 and 1967-1972 the level of measured unemployment was increased by as much as 30 per cent as a result of improvements in unemployment benefits. See D. Maki and Z. A. Spindler, "The effect of unemployment compensation on the rate of unemployment in Great Britain", Oxford Economic Papers (London), vol. 27, No. 3 (November 1975), pp. 440-454.

unacceptably high. Despite the turn-around in the manufacturing production trend in the course of 1975, the first half of the decade ended with the rate of unemployment in most developed market economies still rising. This reflects continued weakness in the construction and manufacturing sectors. In each of the seven major countries, except Italy, industrial employment declined appreciably between 1974 and 1975 - by as much as 8 per cent in the United States and over 6 per cent in the Federal Republic of Germany. In four of the seven - the Federal Republic of Germany, Japan, the United Kingdom and the United States - it also declined in 1974, and in the Federal Republic of Germany, the United Kingdom and the United States it had declined in the 1970-1971 recession as well. Employment in manufacturing was actually lower in 1975 than in 1970 not only in the Federal Republic of Germany (by about 11 per cent), the United Kingdom (15 per cent) and the United States (5 per cent) but even in Japan (nearly 7 per cent). Clearly, secular trends have aggravated the forces generated by the business cycle.

Nor is the outlook for a rapid revival of construction particularly bright. In all the major countries industrial capacity utilization, after rising sharply in 1972 and 1973, declined even more sharply in 1974 and 1975. Though there was a turn-around in the second half of 1975, the end of the year still found plant and equipment being used at considerably less than preferred rates - between 70 and 80 per cent of nominal capacity in most cases.

Exchange rates and balance of payments

The 1970s opened with the state of international economic balance overshadowed by the mounting deficit of the United States whose shrinking trade surplus was no longer offsetting the shortfall on other current items and the outflow of long-term capital. The United States dollar being the key reserve currency in the gold-exchange system, the continued accumulation of dollars by other countries undermined the Bretton Woods monetary régime that had regulated not only rates of exchange between currencies but also international liquidity throughout the post-war period. In August 1971 the United States brought the régime to an end by suspending the convertibility of the dollar.

In the months that followed several attempts were made to reconstitute the fixed exchange system, with different rates and more flexibility to allow for minor deviations. The most ambitious of these was the Smithsonian Agreement of December 1971 which provided, inter alia, for the devaluation of the dollar (by 7.89 per cent) against gold and the appreciation of the currencies of the countries that had been running the largest external surpluses - the Japanese yen (by 16.9 per cent against the dollar) and the Deutschmark (by 13.6 per cent). But the magnitude of the payments imbalances, along with their distribution and the rate at which prices and costs were changing in some of the principal trading countries, frustrated these efforts to agree on a nexus of exchange rates representing even a rough equilibrium. In the event some of the major countries soon opted for a "floating", market-determined, rate of exchange - first the Canadian dollar then, in June 1972 the pound sterling (and associated currencies) followed by the Swiss franc and in February 1973 the lira and the yen. Following a further devaluation of the dollar (by 10 per cent in terms of special drawing rights (SDR)), the Deutschmark was linked with the currencies of Belgium, Denmark, France, Luxembourg and the Netherlands and a little later Norway and Sweden in a joint float. By March 1973 all the major currencies had given up their fixed parities and, subject to varying degrees of intervention, were floating. When the International Monetary Fund Committee of Twenty (on the Reform of the International Monetary System and related matters) submitted its final report in mid-1974, perhaps its most immediately useful contribution was a set of guidelines for the management of a system of floating rates.

Among the circumstances militating against a return to a fixed rate system once the Bretton Woods régime had been upset were the prevailing national attitudes towards individual exchange rates and, more tangible, the enormous volume of money held outside national jurisdiction - on the Eurocurrency market in particular - and capable of generating large-scale capital movements. Given the increasingly competitive export situation, most countries were reluctant to see their own currency appreciate, so that parity structures that gave adequate recognition to the relative strength of a particular country's external balance and international reserves tended to meet with resistance from the stronger currencies. And, given the size of the dollar overhang and the growth of international firms capable of moving resources rapidly from country to country, official attempts to defend specific exchange rates created unprecedented opportunities for relatively safe and profitable speculation between currencies that seemed likely to depreciate and those more likely to appreciate.

The floating of the principal currencies did not put an end to official attempts to defend specific parities, but adjustments in exchange rates did become much easier and, with the weakening of the support system, speculative capital movements lost some of their appeal. In the event, subsequent developments in the field of international prices and trade would have made any pattern of parities selected in 1972 on the basis of existing conditions and recent performance extremely difficult to sustain. As indicated earlier in this chapter, there was a resurgence in prices, general in its incidence but differing considerably from one country to another. There was also an upsurge in the prices of primary commodities moving in international trade and the impact of this also differed markedly among the developed market economies. The crop failures in some of the net importing countries in 1972 gave rise not only to a rapid increase in food prices but also to a major expansion in trade in cereals and this too affected countries in different ways. Then came the quadrupling of the price of crude petroleum, the impact of which also differed considerably from country to country, while at the same time throwing the developed market economies as a group into external deficit. 24/ The incidence of the subsequent recession was general but the inflation that accompanied it again differed considerably in its intensity. The result was a marked divergence in trends in unit labour costs: among the seven major industrial countries the spread between the lowest increase from the preceding year and the highest widened steadily from about 12 percentage points in 1971 and 1972 to about 22 percentage points in 1975 (see table I-16).

After 1972, when floating became general, these differences in labour cost trends exercised an increasing influence on movements in effective exchange rates, though the latter continued to be affected by capital movements which, being chiefly from weak currency countries to strong currency countries, also tended to widen the spread between exchange rate trends (see figure I-1).

The pattern of export growth in the first half of the 1970s shows clear evidence of the business cycle: there was a notable acceleration in the 1970-1973 period in virtually every developed market economy and thereafter the rate of increase slackened, moderately in 1974, drastically in 1975. Import expenditure moved in much the same way, though the delayed effect of the 1970-1971 recession induced deceleration in 1972 in the case of a number of the smaller economies and the great rise in petroleum prices in 1973 prolonged the acceleration in outlays in many countries into 1974. This had the effect of making the 1975 slowdown all the more dramatic: in a majority of the major industrial countries and in half the primary exporting countries import expenditure was actually reduced in 1975 (see table I-17).

For the major industrial countries as a group imports rose somewhat faster than exports during the upswing so that the combined trade surplus in 1972 and 1973 (around $13 billion) was rather less than in 1970 and 1971 (around $16 billion). Within this total lie the main external imbalances: the swing into deficit in the United States (in 1971 and 1972 as the demand for imports surged), the United Kingdom (1972 and 1973 as exports lagged) and Italy (1973 when imports rose 44 per cent), on the one hand, and the related expansion in the surpluses of

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24/ For further discussion of these events, see World Economic Survey, 1975 (United Nations publication, Sales No. E.76.II.C.1).

Japan (from $4 billion in 1970 to $9 billion in 1972) 25/ and the Federal Republic of Germany (from under $6 billion in 1970 to over $15 billion in 1973), on the other. It was not until 1973 that, under the influence of the upsurge in agricultural prices and the divergence in exchange rates, 26/ the imbalance of trade affecting Japan and the United States began to narrow: the Japanese surplus in 1973 was less than half its 1972 figure while the United States swung into surplus again (see table I-18).

The trade deficits of Italy, the United Kingdom and the United States were offset in varying degree by surpluses on the services account, and the trade surpluses of the other major industrial countries were correspondingly reduced. The current account moved into deficit in 1972 in Canada and in 1973 in France. In Japan the large surpluses ($6-7 billion) that characterized 1971 and 1972 disappeared in 1973. Only in the Federal Republic of Germany did the current account surplus continue to increase, approaching $7 billion in 1973. In Italy and the United Kingdom the large trade deficits of 1973 were not fully counterbalanced by sales of services and receipts of factor income: both countries registered current account deficits of over $1 billion. In the United States, however, 1973 saw a tremendous ($13 billion) turn-around: from a deficit of $2.5 billion to a surplus of $10.3 billion.

If the net outflow of long-term capital and official grants is taken into account, the only countries to remain in surplus were Canada and Italy, on a diminishing scale (after a reversal of long-term capital flows - from outflow to inflow - in 1971) and the Federal Republic of Germany, on an increasing scale, despite efforts to restrain the inflow of capital. In France and the United Kingdom the basic balance swung into deficit in 1972 and reached a net outflow of about $3 billion in 1973. In Japan there was an extraordinary $12 billion turn-around: from an inflow of $3.6 billion to an outflow of $8.6 billion. More important from the point of view of international liquidity was the virtual cessation of the outflow from the United States which had averaged $10 billion a year in 1971 and 1972.

With the adaptation of the system to floating exchange rates and the strengthening of the dollar in 1973 it became possible to relax the various controls that had been exercised over the movement of capital. Belgium, France, the Federal Republic of Germany, Japan and Switzerland all eased their restriction on the inflow of funds. In December, the United States began abolishing its controls over the outflow of capital: restrictions on direct investment were ended, the Federal Reserve System's guidelines for voluntary restraint on foreign credits were withdrawn and the equalization tax on the purchase of foreign securities discontinued.

25/ In October 1972, the Japanese Government, in further efforts to reduce its large trade surplus and quiet the complaints of its trading partners, passed an Export Control Ordinance and reached agreement with organized business to limit the export growth of 20 trade items for one year to an annual rate of about 26.5 per cent over the previous 12-month period.

26/ By mid-1973 the effective value of the dollar in terms of its trading partners' currencies had dropped about 20 per cent below the 1970 average while the corresponding value of the yen had appreciated by about 23 per cent.

Among the smaller industrial countries, the 1971-1973 upswing dramatized the contrast between the Benelux group and Sweden on the one hand, whose strong export performance resulted in an increasing trade surplus, and Austria, Denmark and Switzerland whose deficit became steadily greater. There was a similar contrast among the primary exporting countries: the southern hemisphere group registered a rapid increase in their trade surplus, Australia and South Africa having reduced their imports in 1972, while the southern European group (particularly Greece, Spain and Turkey) expanded their imports and saw their trade deficit widen.

In both the smaller industrial and primary exporting groups there was an increasing current account surplus in this period. Chiefly responsible for this were the Benelux countries, Sweden and Switzerland in the first group and the southern hemisphere countries, Turkey and Yugoslavia in the second. Changes in these countries outweighed a shrinking of the current account surplus in Spain and an expanding deficit in Greece and, on a smaller scale, Austria, Denmark, Finland, Ireland and Norway.

Capital movements were more erratic among these countries: only in the Benelux group and Norway, Sweden, Turkey and Yugoslavia was there a steady increase in the net inflow of resources, as measured by the basic external balance. Largely as a result of the net outflow of resources from Switzerland, the basic balance of the smaller industrial countries as a whole remained negative, though on a steadily diminishing scale. In the aggregate, resources continued to move into the primary exporting group: nearly $6 billion in 1972 when the surpluses of the southern hemisphere countries and Spain were at their peak, $3.5 billion in 1973 when peak inflows into Turkey and Yugoslavia were partly offset by the outflows from Australia and Greece.

The rise in the price of petroleum and the onset of the recession in demand transformed the situation in 1974. The combined trade balance of the major industrial countries swung from a surplus of nearly $14 billion in 1973 to a deficit of nearly $5 billion in 1974. Canada and Japan remained in surplus though at a much reduced level; only the Federal Republic of Germany, by dint of expanding its exports to a greater extent than its import expenditure, increased its trade surplus - to a record $22 billion. The trade balances of France and the United States swung into deficit, while in the case of Italy and the United Kingdom the 1974 deficit was more than double that of 1973. Both Italy and the United Kingdom had record current account deficits (of around $7 billion), as did France and Japan (of almost $5 billion). The only countries left in surplus were the Federal Republic of Germany ($12.5 billion) and the United States ($9 billion). The Federal Republic of Germany was the only country left in surplus after allowing for long-term capital movements; the other six countries experienced a net outflow of resources.

The recession continued in 1975 and although, as indicated above, there was a turn-around in demand in the course of the year, import expenditure was below the 1974 level. With export earnings still rising, even though only modestly, there was another massive swing in the trade balance of the major countries: Canada, Italy and the United Kingdom were in deficit but the group as a whole posted a $24 billion surplus. The largest contributor to this was the Federal Republic of Germany which, with a trade surplus of $17 billion and a deficit on services of about $10 billion had an active current account of over $7 billion.

The United States surplus was even larger: $9 billion on trade account and $12 billion on invisibles. Most of this was redistributed as long-term loans and investment and official transfers, but in 1975 the United States registered a positive basic balance for the first time in the post-war period. In contrast to earlier years, the net outflow of capital from the Federal Republic of Germany exceeded its current account surplus and for the first time since 1970 there was a negative basic balance. Except in the case of Italy, which borrowed extensively from abroad, there was a negative balance in the remaining members of the group, too. In Japan in 1975 as in 1974, the deficit on invisibles exceeded the merchandise surplus, so that even though the net outflow of capital was minuscule, compared with earlier years, the basic balance remained negative.

The violent swings in external balance, so common among the major countries in 1974 and 1975 were much less frequent among the other developed market economies. One of the most notable changes was in Switzerland where, as a result of a significant cutback in imports, a trade surplus was achieved for the first time in the post-war period. In Finland and Norway, on the other hand, there was a particularly sharp increase in the merchandise deficit, and in Sweden a comparable reduction in the surplus. Even sharper was the deterioration in the trade balance in some of the primary exporting countries, most notably the southern Europe and southern hemisphere groups where there was also a large current account deficit and a net outflow of capital - for the first time in the 1970s in most cases. In the aggregate, the trade deficit of the primary exporting countries rose to $18 billion in 1974 and the over-all balance deteriorated by $10 billion - from a $3.5 billion surplus to a $6.3 billion deficit - and 1975 brought only marginal improvement.

Part of the external deficit of some of the developed market economies was covered by short-term lending by United States banks. Such accommodation rose to $18 billion in 1974, of which over half was to developed market economies, notably $6.1 billion to Japan, $1 billion to the United Kingdom and $0.8 billion to Canada. The total dropped below $11 billion in 1975, of which less than a third was to developed market economies, including $2 billion to the United Kingdom and $0.7 billion to France.

The international bond market was also very active, particularly in Switzerland and the United States. As long-term interest rates stabilized and then declined relative to short-term rates, flotations by the developed market economies rose from less than $6 billion in 1973 and 1974 to nearly $16 billion in 1975. The largest borrowers were Canada, France, Japan and the United Kingdom, but almost all the developed market economies made use of this source of funds.

Much larger sums were raised on the Eurocurrency market, particularly when it became a convenient mechanism for recycling part of the $68 billion current account surplus accruing to the petroleum-exporting countries. In 1974 the United Kingdom alone borrowed nearly $6 billion, France more than $3 billion and Italy more than $2 billion, out of a total reported borrowing of nearly $29 billion. Two thirds of this total went to the developed market economies, virtually all of which drew on these credits. Lending receded to $20 billion in 1975, of which only about $6 billion went to the developed market economies. Most of these countries were listed among the borrowers, France, Spain and the United Kingdom each raising more than $0.5 billion (see table I-19).

With the upsurge in primary commodity prices in 1973 and the movement of the developed market economies as a whole into deficit, the number of countries drawing on their international reserves rose sharply: from 2 in 1971 and 3 in 1972 to 6 in 1973, 13 in 1974 (that is, more than half the total) and 16 in 1975. The sum of these drawings by countries other than the United Kingdom and the United States - the reserve currency countries - increased from $0.3 billion in 1971 to $0.7 billion in 1972 to nearly $9 billion in 1973, $4 billion in 1974 and over $8 billion in 1975.

The annual increments to the international liquidity of the developed market economies other than the United States fell away rapidly during this period: from a peak of $36.5 billion in 1971 the amount added to their reserves declined to $17 billion in 1972, $9 billion in 1973 and $2 billion in 1974, and in 1975 there was actually an over-all loss of over $1 billion. In only a few countries - Greece, Norway, Sweden and Yugoslavia - was the ratio of international reserves to imports higher in 1975 than in 1970. In several countries (Canada, Portugal, Turkey and the United States, for example) the ratio was halved and in some it was reduced to around a third of its 1970 level - as in Finland, Iceland and Italy. The proportion of developed market economies whose international reserves at the end of the year were equivalent to less than two months' imports was twice as high in 1975 as in 1970: to Denmark, Finland, Greece, Sweden, the United Kingdom and Yugoslavia had been added Canada, Iceland, Italy, New Zealand, South Africa and the United States (see table I-20).

The significance of this diminution in international liquidity is not altogether clear. On the one hand, the gold component of official reserves continues to be valued at $46 an ounce, far below the free market price. Provided it was done judiciously, individual countries could raise the nominal value of their reserves by converting gold into dollars or other convertible currency. In principle, moreover, the need for reserves should be significantly less under a régime of floating exchange rates than it was when countries felt obliged to defend a specific parity as a matter of the highest priority in economic policy. On the other hand, the distribution of gold does not by any means conform to the pattern of need for reserves: some of the developed market economies that are among the least liquid have relatively small proportions of gold in their assets (see table I-21). And while the system of floating rates is undoubtedly much more flexible than the gold-exchange system that preceded it, the need for reserves has not been eliminated: Governments are pledged to "manage" their exchange rates in a way that, while not resisting a genuine economic trend, prevents undue fluctuations lacking real economic significance.

The resources required for successful currency management may in fact be greater in the period immediately ahead than they were in 1974-1975 when most countries were experiencing shrinking demand and decelerating imports. The "basic" deficit of the developed market economies which had jumped to nearly $37 billion in 1974, was less than half that in 1975. With recovery in demand in 1976, however, and the slackening of the growth in imports of the petroleum-exporting countries - as internal absorptive capacity comes under strain - the developed market economy deficit may be expected to widen and the weaker countries run into serious external difficulties. The Oil Facility of the International Monetary Fund (IMF), from which 11 developed market economies borrowed $4.4 billion in 1974 and 1975, is no longer available. Direct loans from individual petroleum exporters may assist: $4.5 billion was borrowed in this way in 1974 and $2 billion in 1975 by developed market economies other than the United Kingdom and the United States. But the petro-dollar recycle flow tends to go to the major countries with a large investment potential and appropriate financial machinery. Special efforts may be necessary to prevent the aborting of the recovery in some of the developed market economies with weaker external balances.

Stabilization policies

The magnitude and speed of the cyclical changes that took place in the first half of the 1970s would themselves have posed a severe test of the capacity of most of the developed market economies to deploy effectively the ordinary instruments of economic management. In the event, their task was complicated by the need to deal simultaneously with certain longer-term structural problems and with the consequences of exogenous changes affecting two of the most critical sectors of the economy - food and energy. Moreover, one of the features characterizing the 1971-1975 cycle was the high degree of synchronization of the changes in demand, intensifying competition for resources in the upswing and thus aggravating the inflation, and denying individual countries the benefit of an external stimulus in the subsequent recession.

In general, the policy prescriptions followed the cycle, especially among the major industrial countries. The decade opened with efforts to reinforce the recovery from the 1970-1971 recession. As the effects of the 1972-1973 upswing on price movements became accentuated by rising food and raw material costs, monetary and fiscal policy turned restrictive. Because price increases continued to accelerate, this restrictive stance was maintained well into 1974, despite the manifestations of contraction in economic activity. As the recession deepened and unemployment rates rose, constraints were relaxed and as 1974-1975 advanced there was a widespread swing towards stimulatory measures. Since prices were still rising rapidly, however, the watchword was caution: most Governments expressed a fear that measures designed to expand demand might aggravate the continuing inflation and bring the recovery that started in the course of 1975 to a premature halt. Thus the policies in force at the opening of the second half of the decade were implicitly tolerant of rates of both inflation and unemployment that in earlier periods would have been widely regarded as unacceptable.

Timing proved to be a serious problem in most countries throughout the cycle. Apart from the frequent conflict in objectives - most notably between the curbing of inflation and the absorption of the unemployed - there was constant difficulty in gearing policy shifts to the changing state of the economy. In the United States, for example, monetary expansion aimed at stimulating demand in the 1970-1971 recession was extended through 1972, a year of industrial boom; and the reserve bank discount rate was raised to its peak (of 8 per cent) in mid-1974 at the time when manufacturing output and the ratio of fixed investment to total production were declining and the rate of unemployment was rising steeply (see figure I-2). Similarly, in the Federal Republic of Germany monetary restraint initiated towards the end of 1972 was operative for most of 1974 in the face of declining investment and production and an acceleration in the rate of increase in unemployment (see figure I-3). In Japan, where monetary policy followed essentially the same pattern, accentuated in this case by a large external deficit in 1974, the main budgetary stimulus of the period, though initiated in 1971, had its strongest impact in 1972/73, the year of rapidly rising investment and industrial production (see figure I-4). In France, too, monetary restraint was tightest in the 1974 recession year when its effect was actually complemented by a sizable budget surplus and the largest external deficit of the quinquennium (see figure I-5). Similarly in Italy, interest rates hit a peak in 1974 just when the growth of industrial production turned downwards and the rate of unemployment turned upwards and the country was under the deflationary influence of a large external deficit, equivalent to over 5 per cent of the gross national product (see figure I-6). In the United Kingdom the budgetary balance grew increasingly expansionary during the first half of the 1970s, even in the 1972-1973 period when industrial production was accelerating and unemployment declining. The money supply ceased expanding between mid-1973 and mid-1974 and interest rates reached a post-war peak even though industrial production had begun to fall and unemployment to rise (see figure I-7).

The explanation for these seeming inconsistencies lies in part in the extraordinary complexity of the situation and the pace at which it evolved. Policies had often to be aimed at the achievement of the most urgent of objectives, even if this meant exacerbating other problems or delaying the achievement of other objectives. Moreover, the imbalances that existed, in changing form and magnitude, throughout the period, often made it difficult to make effective use of the conventional instruments of economic management. The high rate of price increase, for example, tended to set a floor to interest rates, reducing the usability of this means of influencing investment. In some cases even raising the rate of interest to a high nominal level left it negative in real terms. The effect of this on economic activity became particularly sensitive to expectations about future price changes; nevertheless the high interest rates had an extremely negative impact on private construction, especially home-building.

Efforts to use changes in the money supply were also rendered difficult by the high underlying rate of price increase. The immediate effect of a deceleration in money supply tended to be a severe liquidity squeeze on the business sector and in most cases the impact of this was not on price movements but on investment and employment.

The deployment of monetary policy was also inhibited by the high level of international liquidity that existed in the early years of the decade. The raising of the rate of interest as part of a disinflationary policy in one country was often nullified by the inflow of capital induced by the resultant widening of the differential between countries. A number of countries - especially among those with strong currencies - erected barriers to the inflow of short-term funds in the course of the 1970-1972 phase in order to protect the internal use of monetary policy for stabilization purposes. In some cases, however - particularly the Federal Republic of Germany - large-scale inflows of funds continued to frustrate domestic control of the money aggregates until well into 1973. In countries with a weak external balance, on the other hand, freedom to use interest rates to influence domestic decisions was often circumscribed by concern about the impact on the movement of foreign-owned capital, especially the risk of withdrawal of short-term funds.

It also proved difficult to tailor fiscal policies to the needs of a rapidly changing situation. In most of the major industrial countries the budget was in deficit for most of the period, reflecting the rising cost of government in an inflationary situation, the rapid increase in the burden of interest payments and the growth of social programmes, in the face of a general reluctance to raise tax rates. To some extent the fluctuations in revenue provided a built-in stabilizer: the increase generated by the 1972-1973 upswing in activity tended to reduce the deficit and the deceleration in receipts in the 1974-1975 recession tended to augment it. But in some cases the combination of progressive income tax and rapid increase in money wages resulted in a so-called fiscal drag, deepening and enlarging the tax take. A similar phenomenon affected the revenue from the business sector when inflation created paper profits.

As indicated above, the use of the fiscal instrument for economic management posed special problems in a period of rapid change. Many budgetary actions, especially on the expenditure side, take time to work out, particularly if more than one level of government is involved. Thus some of the decisions to embark on a more expansionary policy taken in 1971 had their main impact on the economy when it was already on the 1972-1973 upswing. Similarly, actions to reverse these decisions, decided in 1973, sometimes exerted their full influence only in 1974 when demand was decelerating.

Because of the size of the deficit that developed in some of the major countries in 1974/75, and the persistence of rapid price increases, there was some reluctance to seek further fiscal stimulus. Nevertheless, the United States did manage to boost consumption by means of a tax rebate - of $22 billion - put into effect at a critical juncture in May 1975. In Japan, where a supplementary budget was introduced early in 1975, the 1975/76 appropriation for public works was increased, 27/ to coincide with an easing of monetary policy and the budgetary balance became increasingly negative.

In the Federal Republic of Germany, fiscal policy became progressively more expansive in the course of 1974, and in 1975 the budget deficit was equivalent to about 3 per cent of the gross product. Here, too, it was supplemented by the lowering of interest rates and an acceleration in the growth of money supply, at least until the final quarter of the year.

In France a major reflationary effort was initiated in September 1975; it included not only higher spending on social benefits and public works but also fiscal incentives for investment and the easing of the liquidity squeeze on business through the postponement of corporate income taxes as well as a relaxation of monetary restraints. As the result of this was an acceleration in the rise in prices and a weakening of the exchange rate of the franc - causing France to withdraw from the joint European currency float in March 1976 - the policy was short-lived: in May 1976 a new attack on inflation was formulated.

Italy also combined an easier monetary policy with an increase in budgetary outlays for the 1975/76 year, just as the ending of the deposit scheme for restraining imports added appreciably to the liquidity of the economy. Though the external balance improved after mid-1974 and industrial production began to recover after mid-1975, the budgetary deficit widened ominously, confidence sagged and the selling of lire increased sharply and, despite a doubling of the discount rate - to 12 per cent - at the beginning of 1976 and a general tightening up of credit, there was a rapid depreciation in the exchange rate.

In the United Kingdom, also, a weak external balance was a major constraint on measures to improve the internal balance. Despite the continuing rise in unemployment, fiscal strategy was changed in 1975: with the deficit running at about 8 per cent of the gross product, taxes were raised in April and an agreement

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27/ This increase was repeated in the 1976/77 budget. Public works account for a larger proportion of government expenditure in Japan than in most of the other major industrial countries and changes in such outlays are believed to have a prompt impact on demand and employment.

was worked out with the trade unions to limit pay increases in the year beginning in August to a flat £6 a week. As this would raise the wage bill by about 10 per cent - less than half the rate at which retail prices were rising - the agreement included efforts to minimize price and rent increases and to expand food subsidies. In May 1976 a second year of voluntary wage restraint was negotiated: this involved a proportionate instead of a flat-rate formula and was therefore less damaging to skill and other differentials, but its effect was to limit the increase in the wage bill to about 4.5 per cent, less than a third of the rate at which prices were then rising. As it was to be accompanied by a tax cut, however, its effect on disposable income was rather less severe than implied. The tax cut, in its turn, was to be more than matched by cuts in public expenditure, thus reducing both borrowing requirements and the high share of the gross product moving through government hands.

With all three of the major indicators of imbalance - domestic prices, unemployment and effective rate of exchange of the currency - moving adversely at the beginning of 1976, the United Kingdom dramatized the difficulty of formulating an appropriate combination of policies to restore a more stable pattern of growth. While the international imperative of action to deal with the external imbalance is less than it was when a currency parity had to be defended, a continually depreciating exchange rate is not in the longer-term interest of either trade or productive capital movements. 28/ Moreover, by raising the unit cost of imports it exacerbates the domestic price problem. While the political pressure for action to deal with unemployment has been reduced by improvement in the coverage and benefits of the social security system, a high and rising rate is inimical to production and economic growth and demoralizing to the workers concerned. Action to moderate the internal inflation has thus been elevated to prime importance even in countries with a relatively strong external balance, while it has become an imperative in countries whose external weakness stems chiefly from a more rapid rate of increase in internal prices.

The fact that for much of the period under review - in 1970 and 1971 in many of the developed market economies and in 1974-1976 in almost all of them - a high rate of price increase has coexisted with an abnormally high level of unemployment and under-utilized capacity suggests that whatever initiated the upward movement in prices, it has been sustained and accelerated not by demand pressures but by rising costs. In these circumstances the remedy for inflation is unlikely to be found in policies that are aimed at depressing demand. Such policies are likely merely to aggravate under-employment of men and machines and by the same token slow down or reverse the secular gain in productivity. 29/

28/ The position of the United Kingdom in this respect has been greatly complicated by problems stemming from the role of sterling as a reserve currency under the Bretton Woods monetary régime. Since it began floating in 1972, the value of the pound has been influenced not only by the relative rate of increase in domestic costs but also by shrinkage in the international use of sterling particularly for the purpose of international reserves.

29/ The secular rise in productivity may in any case be slowing down in some of the advanced economies as the proportion of the labour force engaged in service occupations rises.

While some of the major boosts to costs and prices during the first half of the 1970s came from particular supply bottle-necks and pricing decisions outside the developed market economies, it would appear that there has been a basic and continuing upward impulse generated by the way in which prices are determined and wages negotiated in some of the key industries. In varying degree, depending on the product and the market and the extent of the control exercised by the decision makers, higher prices or wage rates have taken precedence over greater production or employment. This is not a new phenomenon but in several of the leading developed market economies the area of the economy over which its influence has been strongest has tended to widen, while the persistence of inflation around the turn of the decade and the subsequent impact of the upsurge in the cost of most imported primary commodities tended to inject into the price and wage determination process a firm expectation of further cost increases. Thus the institutional arrangements lent themselves to a rapid acceleration in prices, even in the face of an increasing proportion of idle resources.

By mid-1976 the effect of this process was subsiding, but only slowly since cost increases were still working their way through the system. Prospects for restoring a more stable pattern of growth were contingent on the limitation of income gains to the increases in productivity derived in the first instance from the reabsorption of unused capacity. This seems likely to be facilitated by a recovery in investment as capacity becomes better utilized and long-term interest rates decline in the wake of decelerating prices. It would also be facilitated by better alignment of policies among the developed market economies including, in particular, the assumption of the lead in regaining higher growth rates by those countries with the strongest external balance. This would provide the stimulus of faster export growth to countries with weaker external balances, thus reducing the need that they may feel to adopt more risky expansionary measures that might delay the process of price deceleration and expose them to the effects of further currency depreciation.

In the longer run institutional changes may prove necessary. Though the record of experimentation with so-called "incomes policies" shows few successes, the problems they were designed to address remain to be solved. In most cases these policies have been adopted in emergency situations, often on the assumption that they would be temporary. As a result they have usually served, at best, to buy time, and not infrequently to introduce new distortions in price and wage relationships. The emerging views on incomes policies, therefore, tend to be more fundamental and more comprehensive, aimed at dealing with the process of price and wage determination in situations in which the related competitive forces are weak or absent and embracing all the variables that influence real incomes, including taxation. Whether the outcome is a "social contract" or official guidelines or adjudicated negotiations or more far-reaching institutional innovations, the practical economic consequences will be of importance not only for the prospects for more stable growth in the countries concerned but also for partner countries, particularly the developing countries whose progress is strongly influenced by export proceeds and import prices.

Adjustments to the changing energy situation

Faced at the end of 1973 with a sudden and radical change in the relative costs of basic sources of commercial energy, the developed market economies were impelled into a series of actions designed first to conserve energy, then to adjust fuel use patterns to conform to the emerging relationships among fuel prices and finally to strengthen the longer-term security of fuel supplies.

The initial conservation measures were of an emergency nature, especially in those countries subject to a boycott of crude petroleum deliveries from the members of the Organization of Arab Petroleum Exporting Countries. Thus in the Netherlands petrol was rationed - to 4 gallons per week per motor vehicle - until 4 February 1974; while in the United States an allocation system was worked out with refineries and distributors so as to preserve prescribed ratios among products - particularly gasoline and heating oil - and assure an equitable regional distribution of the available supplies. At the same time, there was a widespread lowering of speed limits for vehicles moving on public highways - generally to 80 kilometres per hour - in order to optimize petrol use per mile of travel.

Most Governments launched "switching off" campaigns in an effort to reduce wasteful use of energy for light, space heating and electrical appliances. These efforts, plus those made in the transport field, are estimated to have saved EEC countries over 35 million tons of petroleum - more than a fifth of "normal" consumption - in the first quarter of 1974. Later in the year limits were set on the temperature to be maintained in public buildings - generally 20 degrees centigrade, 2 degrees below previous practice - and these were urged on private dwellings too. 30/ Since as much as a fourth of petroleum consumption in EEC countries is for space heating, substantial economies were expected.

Steps were also taken to affect longer-term savings in the energy used for space heating by means of improvements in the insulation of buildings. Several countries tightened their building codes - Canada and Iceland, for example, as well as the Federal Republic of Germany where special arrangements were made for more rapid depreciation, for tax purposes, of such expenditure on old as well as new dwellings. The United States is also providing fiscal incentives to promote better insulation of homes and small businesses. 31/ Legislation setting mandatory energy efficiency standards for new buildings as well as new automobiles and appliances and voluntary goals for the 10 principal energy-using industries has also been adopted. Japan and the United Kingdom are also among the countries that have made provisions for loans to industry on favourable terms in order to encourage investment in energy-saving improvements.

Conservation research is being sponsored in many countries, including France where an Agence pour l'économie de l'energie was established in September 1974. The Federal Republic of Germany, Switzerland, Turkey and the United Kingdom are among the countries promoting so-called "district heating" - systems for utilizing

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30/ In some countries - France after July 1974 and Italy early in 1975, for example - the reduction in heating levels was also made applicable to residential buildings, with a projected saving of 10-15 per cent in the consumption of heating fuel. In the United Kingdom the conservation campaign is estimated to have saved £150 million of petroleum imports in the 1973/74 winter and 3-5 per cent of total energy consumption in 1975.

31/ A measure enacted in mid-1976 provides $200 million for incentives to homeowners and small businesses and $2 billion in loan guarantees to larger businesses and institutions.

the waste heat from steam-based electricity generating stations that have been adopted in many parts of Sweden.

Scrap metal recycling is also being encouraged in a number of countries, not only as a means of removing a potential pollutant of the environment but also to conserve both the metal in question and the difference between the energy needed to remelt it and the energy needed to smelt and refine its equivalent from native ore. Other energy-economizing techniques are being researched or, in the case of those already in use - such as electron and laser beams for precision heating and welding - more widely adopted. In some places public transport is being subsidized as a means of reducing or slowing the growth of more energy-intensive private transport.

On the whole, the jump in the price of crude petroleum was transmitted to consumers through large increases in the prices of the various petro-products and this itself was a strong deterrent to consumption. In the light of the inflationary circumstances, most Governments were reluctant to impose any further price-raising tax. In the United States, indeed, the price of petroleum from pre-existing wells was held down and only the output from new wells was allowed to rise in price to the import level; and imported crude was subject to a levy for most of 1975. 32/ Where the prices of locally produced fuels were not controlled, they rose sharply in the course of 1974: by the end of 1975 the price of bituminous coal from the Ruhr was over 60 per cent above the 1973 level and the price of Pennsylvania anthracite had risen more than twice that proportion. Over the two years the fuel and light component of the consumer price index rose by about 30 per cent in Japan and nearly 70 per cent in the United Kingdom.

The combination of price increase, conservation effort and industrial recession resulted in a reduction in consumption in virtually all the developed market economies. In the United States the decline in energy consumption in 1974 and 1975 - the first two-year dip since 1945-1946 - was much sharper than the decline in industrial production. Though the proportion of total United States consumption derived from imported petroleum was significantly higher than in 1973,

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32/ $1 a barrel from February 1975 and $2 from April. This levy was removed at the end of the year with the signing of an Energy Policy and Conservation Act that began the process of decontrol of domestic oil production under which the prices of "old" - pre-1974 - oil is to rise gradually from $5.25 a barrel at the beginning of 1976 to $6.16 by May 1979 after which the price would be left to market forces. The controlled price of "new" oil, after having been reduced from $12.99 to $11.28 a barrel early in 1976 is also to rise slowly - to $13.95 - by the time of decontrol in May 1979. Over this 40-month period, the proportion of "old" oil in total domestic output is expected to fall from 60 per cent to less than 50 per cent. The composite ceiling price, which was $7.66 per barrel in February 1976, may be adjusted by up to 10 per cent without further congressional action. To equalize the cost of crude to local refiners, a subsidy of $3 a barrel was granted on imported oil input (lowering its price from $13 to $10) and a variable fee imposed on domestic oil input, bringing its average cost up to $9.79 per barrel.

imports of petroleum of member countries of the organisation for Economic Co-operation and Development (OECD) as a group were substantially lower in volume. 33/

The fact that imports declined to a much greater extent than consumption in 1974 and 1975 reflects the extent to which the developed market economies managed to increase domestic fuel production. The main scope for such an increase lay in the group's coal resources which are still very large, notwithstanding the rapid decline in the relative contribution they have made to total energy production in the past 20 years. This decline was particularly steep in Japan - where solid fuels constituted less than 60 per cent of domestic production in 1973, compared with 85 per cent at the beginning of the 1960s - and in the industrial countries of Western Europe (see table I-22).

Among the major producers of solid fuels (over 1 million tons, actual weight, per month) the main increases in 1974 and 1975 were in Australia, Canada, South Africa and the United States, but there were also significant gains in some of the less industrialized European countries - Greece, Spain and Yugoslavia and, on a somewhat smaller scale, Turkey. Production continued to contract in Belgium, France and, more slowly, the Federal Republic of Germany. In the United Kingdom there was a sharp cut in output in 1974 in the wake of a miners' strike, followed by a recovery, to within 3 per cent of the 1973 level, in 1975 (see table I-23).

Though coal is by no means a preferred fuel - both its mining and its combustion tend to be subject to stringent controls in industrialized areas - plans for its increased use are now widespread. In France the closure of the Nord-Pas de Calais field has been postponed, the output from the Lorraine field is to be maintained instead of being run down and the Centre-Midi coal field is to be expanded. In the Federal Republic of Germany the annual investment in the coal industry is being doubled and subsidies increased in order to at least maintain the 1975 output. The United Kingdom is opening new mines to exploit recently discovered deposits at Selby in Yorkshire. Sweden is raising its target for the share of coal in total energy consumption from 4 per cent in 1973 to 9 per cent in 1985. The United States is also looking for an increase in the contribution of coal - from 18 per cent of energy requirements in 1974 to 21 per cent in 1985. Greece, whose petroleum imports pre-empted over a sixth of import expenditure in 1974, is planning to open up its deposits of 2 billion tons of lignite and 4 billion tons of peat for use in thermal electricity stations.

33/ At about 22 million barrels a day in 1975 OECD petroleum imports are estimated to have been almost a fifth below what they would have been had 1960-1973 trends prevailed. See, Ulf Lantzke, Executive Director of the International Energy Agency of OECD, "International co-operation on energy - problems and prospects" in The World Today, (London), March 1976, p. 91.

Most of the solid fuel output is intended for electricity generation and research has been intensified into ways of raising the efficiency of conversion, which even in modern power stations is only in the vicinity of one third. Research is also being pressed in the area of gasification and hydrogenation to widen the scope of solid fuel utilization.

The main expansion in Western European energy production in recent years has been in natural gas: making a negligible contribution to total output at the beginning of the 1960s, it provided more than a third in 1973. There was a further sizable increase in 1974 - coming largely from the Netherlands (the leading producer) and the United Kingdom (which, as a result of North Sea development has moved into second place) - but a levelling off in 1975. On a much smaller scale, production continued to increase in Australia and New Zealand in 1974 and 1975 and Japan (in 1975).

The largest developed market economy producers of natural gas are Canada and the United States. Output rose rapidly in the 1960s but peaked in 1973 and, unless reinforced from new fields, will continue to decline. One such new field under development is in Alaska, whence natural gas could be carried by pipe into southern Canada and the United States by the end of the decade. It has been argued by some who are familiar with the technical problems of the industry that a revision of the price structure - which has remained under official regulation in the United States - would result in a significant increase in investment and production.

Like natural gas, petroleum production has also peaked in North America: in 1975 it was 8 per cent below the 1973 level in the United States and 15 per cent below in Canada (see table I-24). When petroleum from the Alaskan North-Slope deposits begins to reach the market in 1977, the rate of over-all domestic production is expected to regain no more than the 1970 level. After 1979 the effects of the scheduled decontrol of the market may be manifested in greater production, but there are serious technical and environmental obstacles to the more rapid exploration and development of offshore deposits in which most United States petroleum resources are presumed to reside.

Elsewhere among the developed market economies the scale of petroleum production is very small and in many places decreasing. The only significant expansion since 1973 has been in Australia and Yugoslavia and from the newly exploited resources of the North Sea. Norway's production increased sixfold between 1973 and 1975, bringing it into the same order as such countries as Angola, Brazil, Colombia, Egypt, Gabon, India and the Syrian Arab Republic. A slow expansion is planned, with a 1982 limit - for petroleum and natural gas combined - of 90 million tons oil-equivalent. Production from the British sector of the North Sea rose less in the 1973-1975 period but is expected to continue upwards much more rapidly, reaching 2 million barrels a day by 1980 and making the United Kingdom self-sufficient, at least in over-all quantitative terms. 34/

34/ To bring supply into line with the pattern of domestic consumption, much of the light North Sea oil will be exported and heavier oil requirements met from imports.

As part of the effort to increase domestic supplies of petroleum, there has been an intensification of research into ways and means of mining and refining the Alhabasca tar sands of Canada (estimated to contain the equivalent of over 300 billion barrels of petroleum) and the shale deposits of the western United States (with a petroleum content of as much as 1,800 billion barrels). In neither case has the prospect of economic beneficiation yet been brought perceptibly nearer. Even at 1974 costs, a price of $7 per barrel was thought too low to attract private venture capital. The notional price has since risen, but so have costs. Moreover there are strong objections to the growth of such an industry on purely environmental grounds stemming from both the mining of the land in question and the refinery processes which, with existing technology, tend to be extremely water-intensive.

The price/cost consideration lies at the heart of the energy debate in most developed market economies. Nowhere is it expected to produce petroleum within the range of costs obtaining in the Middle East. Since the OAPEC embargo of 1973/74, security of supplies has been a major objective. But given the high cost of finding and then opening up new petroleum deposits and the high interest rates that have prevailed, commercial concerns have shown some diffidence about extensive involvement, especially in countries in which the Government has adopted mining laws regarding participation and taxes modelled on those that have evolved in the members of OPEC. In this context the United Kingdom has argued for a minimum price (of $7 a barrel) to be enacted by all the major petroleum-importing countries to protect domestic producers - new and prospective - against the possibility that, after making costly investments in relatively high-priced petroleum projects, they may have to compete against a lowered OPEC price on the international market.

In some countries with little in the way of indigenous resources, a policy of diversification of supply has been followed. Japan, for example, is extending its links with several potential sources of energy: with Australia for its coal and uranium supplies and with China and the Soviet Union for petroleum. In 1973 and 1974 China provided some 80 million barrels of oil; deliveries have since declined but Japanese support has been expanded in the form of offshore drilling equipment as well as pipelines and pumps and other components of the oil transportation system. Japan is collaborating with the Soviet Union in petroleum exploration off Sakhalin Island, with an entitlement to half of whatever oil is found. Earlier talks about collaboration in the Tyumen area of Siberia have not yet resulted in a specific programme.

Several Western European countries are drawing increasing quantities of natural gas from the Soviet Union. Late in 1975, Austria enlarged its purchases from 1.75 billion cubic metres a year to 2.65 billion. By the end of the decade a pipeline through Austria and the Federal Republic of Germany will deliver an annual 4 billion cubic metres of natural gas to France. The Federal Republic of Germany has sought to strengthen its bargaining power vis-à-vis both resource countries and the international petroleum companies by promoting the merger of two of its main refining concerns - Veba and Gelsenberg - with a combined capacity of 24 million tons (a fifth of the national total) and a controlling interest in a fourth of the country's petrol outlets.

Late in 1974 the developed market economies sought to institutionalize these efforts to promote a co-operative approach to energy problems by the setting up of an International Energy Agency (IEA). 35/ Among the Agency's immediate objectives was the "conserving" of 2 billion barrels of pertroleum per day in 1975 - half by the United States and half by the rest of the membership. A system of evaluating country conservation programmes was created. Members also agreed to expand their petroleum inventories - from 60 days' consumption to 90. A division of labour was worked out for stepped-up research in the energy field - Japan concentrating on solar energy and the United Kingdom on coal technology, for example. Contingency arrangements were drawn up for the sharing of supplies in the event of a curtailment - general or selective - amounting to more than 7 per cent of the preceding year's imports.

In the light of the sudden and large increase in import bills for petroleum, IEA also sought to organize financial co-operation. A fund of $25 billion as mutual guarantee was set up - subject to parliamentary ratification - as a "safety net" for the support of the balance of payments of member countries experiencing difficulties as a result of their energy deficit.

Outside the framework of IEA, energy policies remained highly nationalistic. Canada, for example, in order to conserve its petroleum supplies is phasing out exports to the United States: shipments will be reduced from 500,000 barrels a day in 1976 to 255,000 in 1977 and will cease by 1981. Prices - for natural gas and petroleum - were promptly raised to the new OPEC level. The United Kingdom, as a potential exporter of petroleum, has sought to differentiate itself from EEC rather than press for a common energy policy. Norway has chosen to conserve its resources rather than develop them for export, leaving untouched - at least until 1978 - all petroleum reserves north of the 62° parallel. 36/ France, rejecting membership in IEA, sought to secure petroleum supplies by means of large-scale barter deals with Saudi Arabia and other OPEC sources and intensified its nuclear research programme, particularly in the area of fast-breeder technology in which its Phénix prototype was believed to be in advance of developments in other countries. 37/

35/ Membership comprises Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, Greece (in 1976), Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Norway did not join but has a special relationship with the organization, with 4 out of 136 votes.

36/ In 1975, three fourths of Norway's energy production was in the form of hydroelectricity.

37/ The prototype Phénix, with a capacity of 250 MW, has been superseded by the Superphénix, with a capacity of 1,200 MW, in which France shares responsibility with interests from the Federal Republic of Germany (33 per cent) and Italy (16 per cent).

The development of nuclear power has been an area in which it has been particularly difficult to arrive at international solutions. Experimentation is extremely costly but dependence on the system that is most widely used - namely, the light-water reactors built in the United States - has serious disadvantages. Importation implies a balance-of-payments strain, avoidance of which has been among the principal reasons for action in the energy field since 1973. 38/ It also implies dependence on the supplying source for appropriately prepared fuel, which also runs counter to the motivation of the recent drive to ensure future energy supplies. There are also strong doubts regarding the technology involved. These derive partly from misgivings - scientific as well as lay - about the safety of currently operating designs, both in respect of the methods of dealing with possible malfunctions and in respect of the disposal of wastes from the fission process.

Thus, apart from the Superphénix project in France, the Federal Republic of Germany is proceeding with its own fast-breeder reactor based on liquid metal (SNR-300) 39/ and the United Kingdom, having abandoned its advanced gas-cooled reactor (AGR), 40/ continues to work on other types, including a steam-generating heavy-water reactor (SGHWR). In the six major EEC countries about two thirds of the amount spent on energy research in 1974 was devoted to nuclear programmes. 41/ According to present plans, the investment of EEC members in the energy sector is likely to absorb 2-2.5 per cent of the gross domestic product in the 1975-1985 period, compared with about 1.5 per cent in the previous 10 years. At 1973 prices, some $180 billion will be spent on power stations, and of this $120 billion is expected to go into nuclear plant.

In 1975 nuclear power contributed rather more than 7 per cent of the commercial energy requirements of Western Europe, compared with less than 6 per cent in 1973 (and about 5 per cent in the United States). By 1985, France aims to obtain as much as a fourth of its energy requirements from nuclear plants and the Federal Republic of Germany about 15 per cent. Japan, which is even more dependent on imports of its energy supplies, has a nuclear target of about 11 per cent.

38/ Italy, for example, has estimated the external cost of attaining its 1990 target of 44 GW of nuclear capacity by importing currently available light-water reactors at $1 billion a year for 8-10 years. The balance-of-payments burden could only be reduced through arrangements for the local manufacture of components, as indeed has been done in Spain where, in 1975, the United States manufacturers agreed to the local production of half the component parts of five newly ordered nuclear steam supply systems.

39/ Belgium and the Netherlands each has a 15 per cent interest in the SNR-300 programme.

40/ The AGR system, on which around £2 billion was spent, has been incorporated in five power stations in the United Kingdom.

41/ The expenditure of the Governments of Belgium, France, the Federal Republic of Germany, Italy, the Netherlands and the United Kingdom on energy research in 1974 totalled $1,096 million, of which $670 million was in the nuclear field.

Underpinning the work on nuclear power generating plant is a major effort to build fuel preparation facilities. Two routes are being taken to the conversion of natural uranium to fissionable material: a plant is being built in France (EURODIF) embodying the conventional gaseous diffusion method of separating U_{235} and another in the Netherlands and the United Kingdom (URENCO) using the experimental centrifugal method.

Work is also proceeding in Western Europe as well as the United States and elsewhere on longer-term research designed to bring the process of atomic fusion under control, to generate usable heat without the production of the fission by-products that are so difficult to deal with. Research is also proceeding into the use of tidal power and solar and geothermal energy. But these, too, are regarded as longer-term projects, unlikely - except in a few countries 42/ - to contribute more than a small proportion of developed market economy energy requirements in the foreseeable future.

Co-operation with the developing countries

Though the 1970s were ushered in as the Second United Nations Development Decade with the adoption of a comprehensive International Development Strategy, the events of the first half of the decade conspired to relegate the concerns of the developing countries to a much lower priority of attention among the more advanced countries than had been contemplated when the Strategy was formulated. In each case, however, the problem that seized the attention of the major industrial countries proved to have global ramifications and where machinery was set up to deal with it the end result tended to be an institutional innovation likely to keep longer-run development concerns in sharper focus. Thus, although the quinquennium saw disappointingly little progress towards the attainment of the aid and trade objectives of the Strategy, it ended with a burst of institution building which hopefully could lead to a more rapid advance in the second half of the decade.

Apart from policies relating specifically to economic co-operation with the developing countries, market forces played a part in shaping the course of events in the first half of the 1970s. On the whole official reactions to the trade consequences of the business cycle were defensive rather than encouraging. Both the rapid rise in commodity prices during the upswing and the rapid increase in

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42/ France has harnessed tidal power in the La Rance estuary and the United Kingdom allocated $1.8 million to research in this field in 1975. In Iceland half the buildings are heated by geothermal sources, and usable resources are available in several parts of France. In 1974 sizable amounts of electricity were generated from geothermal energy in Italy (2.5 billion kWh), the United States (2.5 billion kWh) and New Zealand (1.2 billion kWh) and smaller amounts in Japan.

France is now producing up to 100 kW of electricity from a turbine deriving its steam from solar heat concentrated on a parabolic reflector by a system of mirrors in the Pyrenees mountains, and a larger experiment is being planned. By the end of the 1970s, it is expected that some 200,000 houses will be heated by solar energy. And work is proceeding on small (1 kW) generating sets capable of replacing diesel generators in remote areas.

unemployment during the downswing evoked attitudes and actions inimical to trade with the developing countries. Nevertheless, more fundamental factors - regarding resource endowment, for example, and production costs in an increasingly environment-conscious world - tended to exercise a preponderant influence and, reinforced by the adoption of preference schemes by most of the major importers, helped to expand the exports of manufactured goods by many developing countries.

The decade was only a few months old when the Bretton Woods rules - which had governed the international monetary system for more than a quarter of a century - collapsed under the weight of imbalances among the major developed market economies. Because of the importance of the matter for international trade and payments, efforts to reconstitute the régime of fixed currency relationships pre-empted much of the attention of the principal trading countries in the two years that followed. In December 1971, after consultation with other members of IMF, the Group of Ten, 43/ at a meeting of Ministers and Central Bank Governors at the Smithsonian Institution in Washington, agreed to a realignment of their currencies. These new rates could not be sustained, however. Further adjustments were made in May 1972, and in June the United Kingdom let the pound float. Other currencies followed and by the time the Committee that had been set up by IMF in July 1972 to advise on the reform of the system submitted its final report in mid-1974, traders and bankers had reaccustomed themselves to dealing with floating rates of exchange. The immediate crisis having been weathered, the question of the longer-term shape of the international monetary system was put into the hands of the Interim Committee of the IMF's Board of Governors. At the same time (October 1974) IMF, jointly with the World Bank established a Development Committee to focus on those aspects of the problem of particular concern to the developing countries whose interest, it was felt by many, had been neglected in earlier discussions. 44/ All three of these Committees had 20 members, of whom nine (10 in the first phase of the Interim Committee) represented developing countries.

The Development Committee met five times in 1975 and urged that additional resources be made available to the multilateral aid agencies, including the World Bank, the regional development banks and the Fifth Replenishment of the International Development Association (IDA). It also recommended an early increase in the capital of the International Finance Corporation (IFC) to enhance its ability to stimulate private investment and an expansion in the co-financing arrangements of the international banks in terms of which regular fixed rate loans have been supplemented by floating rate loans from commercial banks - two mechanisms that can significantly increase the leverage of public lending. 45/

43/ Belgium, Canada, Federal Republic of Germany, France, Italy, Japan, Netherlands, Sweden, United Kingdom and United States.

44/ The formal designation of the "Development Committee" is the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

45/ Up to mid-1976 co-financing arrangements involved either complementary lending in which the private lenders participated fully in the loan arranged by the multilateral development bank or a twin loan agreement in which the private lending was linked to the public lending by means of a cross default clause, tying them together in the event of non-repayment. The World Bank, the Inter-American Development Bank (IDB) and the Asian Development Bank (AsDB) have all experimented with such co-financing, lending to public bodies in developing countries at their normal rate of interest along with syndicates of private banks lending at 2 points above the interbank rate on the London Eurocurrency market.

These recommendations were still awaiting implementation when the Fund and the Bank met for their annual conference in October 1976.

In the meantime, arrangements were made to expand the resources of IMF by increasing members' quotas by almost a third to a total of SDR 39 billion. This expansion included a doubling of the quotas of the major petroleum-producing countries, with a corresponding reduction in the shares of many of the developed market economies. In June 1974 an Oil Facility was set up to help ease the external balances of some of the petroleum-importing countries. In the course of its two-year life SDR 1.9 billion (somewhat less than 28 per cent) of its total resources of SDR 6.9 billion was contributed by developed market economies and SDR 2.54 billion (about 37 per cent) borrowed by 45 developing countries. In September 1974 further action was taken to provide financial accommodation: an Extended Fund Facility was established to make available additional resources and for periods longer than those applicable to regular drawings. And by the end of 1975 agreement was reached regarding the setting up of a Trust Fund fed from the profits accruing to IMF from the sale of a sixth of its holdings of gold and available for special balance-of-payments assistance to developing countries. 46/

Somewhat earlier - in March 1975 - agreement had been reached regarding the opening of a so-called "third window" at the World Bank, from which loans might be obtained by low-income countries at interest rates more or less half way between the rate applicable to ordinary Bank loans - then 8.5 per cent a year - and the merely nominal cost of loans from IDA. By mid-1976 about $125 million had been paid into the Fund, half by six of the developed market economies and the other half by five members of OPEC. By that time about $478 million had been committed in third window loans and, in due course, contributions to the required interest subsidy account are expected to make it possible to lend about $1 billion a year on these easier terms.

A second set of problems that moved to the centre of the international economic stage during this period was the enlargement of the European Economic Community, the world's principal trading bloc. 47/ The negotiations that led to the accession of Denmark, Ireland and the United Kingdom were a major preoccupation of economic policy makers in 1972 and the subject continued to be an important one. In 1973-1974 there were renewed negotiations with the United Kingdom regarding the terms of entry and there were negotiations with the remaining members of the European Free Trade Association (Austria, Iceland, Portugal, Sweden and Switzerland and later, Norway) regarding trade relations with the new Community of the Nine. The resulting agreements provided for the mutual abolition of trade restrictions on most items over a period of 4-5 years, thus implicitly weakening

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46/ The Trust Fund came into existence in May 1976. By September, three auctions, each of 780,000 ounces of gold, had been held and the margin between the book price of $35 per ounce and the realized price - $126.00 in June, $122.05 in July and $109.40 in September - had yielded a sum of about $184 million. Half the 25 million ounces that are to be sold will be auctioned over a period of two years.

47/ In 1970 EEC - the six original members plus the three members-to-be - accounted for well over one third of world trade and 46 per cent of total developed market economy imports from the developing countries.

the preferences that had been accorded the developing countries. There were also negotiations under the provisions of the General Agreement on Tariffs and Trade (GATT) to compensate trade partners whose access to the market for specific products had suffered as a result of the enlargement, particularly the incorporation of the United Kingdom into the protective system of the Community's Common Agricultural Policy. And the new Community had its own internal economic relationships to work out in the light of the evolving situation in the world at large.

Though these trade negotiations within what was to become the Community of the Nine claimed much attention during the mid-part of the quinquennium, their effect on the actual flow of trade from the developing countries was very small. Indeed, one of the subjects of negotiation concerned ways and means of preserving, if not extending, the rights of access that developing Commonwealth countries had enjoyed in the United Kingdom market. This proved most difficult in the case of Hong Kong and the major Commonwealth countries of Asia with a large industrial capacity and in the case of primary commodities regulated by the Common Agricultural Policy of the Six, especially in respect of such items as sugar, wheat and butter of which the United Kingdom was a major importer and the Community of the Six an actual or potential net exporter.

In the event, the accession of the United Kingdom to EEC caused a considerable diversion of trade: the proportion of United Kingdom imports coming from the Community rose steadily from 21 per cent in 1971 to over 29 per cent in 1975. However, the loss was borne entirely by other developed market economies, notably the developed members of the Commonwealth. The share of United Kingdom imports drawn from the developing countries was actually higher in 1974-1975 (around 25 per cent) than in the three preceding years (around 21 per cent). The only perceptible reductions in developing country shares were recorded by the independent Commonwealth countries of Asia which provided a slightly lower proportion of United Kingdom imports of food-stuffs and beverages in 1975 than at the beginning of the decade and by Hong Kong which provided a fractionally smaller proportion of manufactured goods (see table I-25). The share of the other developing countries was well maintained and in the case of food-stuffs it increased appreciably in the course of the quinquennium. This group participated in the negotiations with the enlarged EEC that led to the Lomé Convention signed in February 1975. 48/

Another development that captured the attention of the economic policy makers during this period was the rapprochement between the United States and China and the Soviet Union. This also involved extensive negotiations on trade and credit questions, though the resultant flows remained relatively small: averaged over 1973-1975 United States exports reached about $1.2 billion a year in the case of the Soviet Union and about half that in the case of China, with which there had been no trade until 1972. 49/

Much of this trade consisted of grain purchased by the Soviet Union to make good the shortfalls in production that occurred in 1971 and 1972 and again

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48/ See the section below on Co-operation in international trade.

49/ Exports to the Soviet Union averaged about 1.4 per cent of total United States exports and those to China about 0.7 per cent. The scale of imports was only about a fourth of this.

in 1974 and 1975. Imports approached 22 million tons in 1972/73 and 26 million in 1975/76, almost a sixth of world grain trade. 50/ In order to smooth out the impact of such large transactions on the market the United States and the Soviet Union negotiated an agreement in 1975 for minimum and maximum annual sales, the former (6 million tons) guaranteed by the purchaser and the latter (8 million tons) by the seller, with additional amounts subject to special consultations and conditions.

While the Soviet purchases were the major feature on the international grain market in the first half of the 1970s, the food situation of the world as a whole was threatened by the depletion of stocks in the main exporting countries. For much of the period, food production was lagging in the developing countries, most notably in South Asia in 1972 and parts of Africa in 1973 where persistent drought resulted in famine in the Sahelian region and some of the north-eastern countries. Though this lag did not impinge on the market in the way that the shortfalls on the Eurasian mainland did, it represented a more serious long-term challenge to the ability of the world to feed itself. All save five of the developing countries had become net importers of cereals. 51/

It was against this background that a World Food Conference convened in November 1974. The outcome of this Conference was the launching of a new attack on the agricultural problems of the developing countries, inter alia, through a number of new institutions, including a World Food Council, intergovernmental bodies dealing with agricultural investment and research, a new target (10 million tons of grain) for food aid transfers and a proposed new International Fund for Agricultural Development (IFAD). After endorsement by the General Assembly, the Fund was in fact set up in June 1976 and by October was within sight of the $1 billion in pledged contributions required to bring it into operation. Rather more than half the resources will come from the developed market economies, the remainder from members of OPEC.

The IFAD represents a new form of collaboration within a multilateral institution. Control is shared among three categories of countries - developed market economies, developing country donors and developing country recipients. Two thirds of the votes will thus be in the hands of donor countries. At the same time, however, two thirds will be held by developing countries. The Fund's prime objective will be to support investment in the agricultural sector of food-deficit developing countries.

One of the consequences of the 1972-1974 rise in the prices of food-stuffs and other primary commodities on the world market was a wide-ranging reassessment

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50/ Almost half as much as the gross grain imports of all the developing countries. These rose from 32 million tons in 1970/71 to 60 million tons in 1973/74 and then declined to 55 million in 1975/76, the great bulk coming from the developed market economies.

51/ The only consistent net exporters of cereals - including rice as well as wheat and coarse grains - among the developing countries during the first half of the 1970s were Argentina, Burma, Nepal, Thailand and Uruguay. For a discussion of the developing country side of the problem, see chapter III of the present *Supplement*, the section on the impact of changes in the food and energy situation.

of the prospective availability and utilization of raw materials, basic food-stuffs and commercial energy. In varying degree, action was subsequently taken to conserve non-renewable resources (by raising the efficiency of use and recycling materials after use), to increase the security of supply (by promoting the search for new mineral deposits and substitutes and by adjustments in agricultural and mining policy) and by co-operation among the major consuming countries (through the creation of an International Energy Authority, for example).

The general drift of policy implied a reduction in developed market economy dependence on imports from the developing countries. Specific actions tended to lag far behind stated intentions, however, and as price relationships moved towards a more normal pattern in 1975 autarkic sentiments tended to abate. This was reinforced by some reorientation of North-South dialogue, most notably in the seventh special session of the General Assembly, the fourth session of the United Nations Conference on Trade and Development (UNCTAD) and the series of meetings held in Paris by the newly formed Conference on International Economic Co-operation.

More serious in terms of their immediate practical effect on economic relations between the developed market economies and the developing countries were the imbalances that characterized the former during the first half of the 1970s. Most damaging was the impact of the inflation, transmitted rapidly and widely through the nexus of international trade. More subtle was the effect of the rise in unemployment and underutilized productive capacity: this influenced the import policies of many developed market economies aggravating the consequences of the recession in demand.

One of the results of the persistent and intensifying inflation in the major developed market economies was a rapid acceleration in the average unit value of manufactures entering world trade - from an increase of 5 per cent in 1971 to a peak of nearly 22 per cent in 1974. Though the increase receded to about 12 per cent in 1975, it was the principal factor in the deterioration of about 7 per cent in the terms of trade of the developing countries in that year. The rise in the price of manufactured goods also contributed to the worsening of the terms of trade of the petroleum-importing developing countries in 1971 and 1974.

After accelerating strongly between 1971 and 1973, developed market economy imports levelled off in 1974 and declined sharply in 1975. Because of the slack that had emerged in most of these countries, sensitivity to imports increased perceptibly and in the case of a number of products - beef, textiles, foot-wear, steel, electronic components - restraints became more common. In some cases these were applied by the importing country, but with increasing frequency they took the form of limitations exercised by the exporting country at the urging of the trading partner whose industry felt exposed to undue competition. Most of these voluntary export limitation arrangements were between developed market economies, but some developing country exporters were also under pressure to restrain the flow of certain products to developed market economies with vulnerable industries.

Co-operation in international trade

Although in the last two years of the quinquennium events tended to strengthe defensive attitudes towards imports, the period as a whole continued to reflect the influence of earlier liberalization efforts. And, until they began to weaken in 1974, market forces made for a rapid increase in developed market economy imports from the developing countries, particularly in terms of value.

The decade opened with the implementation of the fourth instalment of tariff cuts agreed to under GATT's Kennedy Round of negotiations, and at the beginning of 1972 the fifth and final instalment came into effect. Since the cuts related mostly to more sophisticated manufactured goods, their main impact was on trade among the advanced industrial countries. But some of the industrialized of the developing countries also benefited and the momentum for liberalization of trade was carried forward into another round of negotiations. This was formally inaugurated in September 1973 with the adoption of the Tokyo Declaration which made specific reference to the need to extend the negotiations to agricultural commodities and to give special consideration to the requirements of developing countries. The Tokyo Round of multilateral trade negotiations still continue though the pace was slowed down greatly by the imbalances that emerged after 1973 and the onset of the 1974-1975 recession.

Recognition of the danger of the escalation of defensive measures in the wake of the new balance-of-payments strains induced the members of OECD to draw up a code of good conduct aimed at obviating fresh trade restrictions. This was adopte as a pledge for a year in May 1974 and renewed for another year in May 1975 and again in May 1976.

Mid-1971 saw the implementation by the six members of EEC and Japan of a system of tariff preferences for developing countries initially proposed at the first session of UNCTAD in 1964. 52/ This involved the non-reciprocal reduction of import duties on a range of processed agricultural products, semi-manufactures and manufactured goods imported from a specified list of developing countries. At the beginning of 1972, Denmark, Ireland and the United Kingdom introduced essentially similar preference arrangements. Two years later, after these countri had acceded to EEC, their national schemes were superseded by that of the Community. By mid-1972, Austria, New Zealand, Switzerland and the Nordic countrie had also inaugurated preferential arrangements in their trade with developing countries. At the beginning of 1974 Australia replaced an earlier narrow preferential arrangement with a scheme modelled on those adopted since 1971 and in mid-1974 a Canadian scheme came into operation. In January 1975 the United States enacted its own version of the generalized system of preference (GSP and this came into effect at the beginning of 1976.

An earlier and more limited preference arrangement had come into operation with the inauguration in January 1970 of the Second Yaoundé Convention between the six members of EEC and the 18 (later 19) African countries then formally associated with the Community. This was enlarged in January 1971 by the Second

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52/ The first resolution calling for a "generalized system of preferences" was adopted by the Trade and Development Board in 1968

Arusha Convention extending the arrangement to the three members of the East African Community. With the accession of the United Kingdom to EEC, however, a much older system - of Commonwealth preferences - began to be phased out. In terms of the Act Accession, negotiations were opened in October 1973 between the enlarged Community and the Commonwealth countries of Africa, the Caribbean and the Pacific (ACP) with a view to accommodating these countries in a revised version of the Yaoundé Convention, due to expire in January 1975. The result was the signing in February 1975 of the Lomé Convention with 46 ACP countries - 19 Associated States, 21 Commonwealth States and 6 other African countries - whose combined population numbered about 270 million.

The EEC imports from ACP countries amounted to $7.6 billion in 1973. Most of the items involved (over 94 per cent of the value) are to be admitted duty free, the remainder - including the rather more than 13 per cent of the total accounted for by items subject to the Common Agricultural Policy in EEC - on preferential terms. As in GSP these concessions are non-reciprocal though the ACP countries are required not to discriminate among EEC members and to grant them most-favoured-nation status.

The Lomé Convention, which came into full effect in April 1976, embodied an idea that had been debated early in the 1960s, namely, the stabilization of export earnings by means of compensatory financial transfers. These transfers are to come from a fund of 375 million European units of account (equivalent to about $450 million) available over the five-year life of the Convention. When annual receipts from the exports to EEC of one or other of a designated list of commodities - including groundnuts, cocoa, coffee, cotton, coconuts, palm nuts and kernels, hides and skins, timber products, bananas, tea, raw sisal and iron ore - fall more than a certain percentage below a historical average the shortfall will be made good from the fund. The compensatory transfer is to be reimbursed from subsequent increases in earnings in the case of the higher-income countries but may be treated as a grant by those with lower incomes, including the 18 ACP members that have been ranked by the General Assembly among the least developed countries.

Apart from the Lomé Convention with the 46 ACP countries, EEC entered into negotiations to expand trade in a preferential manner with several other developing countries: with Argentina, Brazil and Uruguay in August 1974, with the Asian Commonwealth countries - Bangladesh, India, Malaysia, Singapore and Sri Lanka - and with the Maghreb countries of North Africa in October 1974, with the countries of the Association of South-East Asian Nations (ASEAN) in November 1974 and Israel and Mexico in July 1975 and with the eastern Mediterranean countries later in the year. Not all these negotiations ended in significant modifications in EEC's preferential system. The GSP was itself expanded, simplified and liberalized in November 1974.

While it is not possible to measure precisely the influence that the preference schemes may have had on the course of trade in the first half of the decade, the presumption is that it was not very great. Both the EEC and the Japanese schemes were equipped with safeguards, both in terms of product coverage (most temperate agricultural products and certain sensitive industrial products being excluded) and in terms of the quantity of the item eligible for preferential entry (quotas being set for the eligible amount either in total or from individual trading partners). Moreover, to ensure that only eligible countries benefited, rules of origin were laid down that proved difficult to administer, especially in some of the exporting countries. Moreover, very few developing countries were in a position to expand very rapidly their exports of specific commodities to particular markets in response to the granting of a preference, especially if a new trade flow was involved.

Quite apart from the limitations in the schemes themselves and the problems of administration, they happen to have been launched at the outset of a period of extraordinary expansion in both the volume and the price of most goods moving in international trade. The dollar value of developed market economy imports from developing countries rose at an accelerating pace: the rate of annual increase more or less doubled each year between 1971 and 1974 - from 11 per cent to over 92 per cent - before collapsing in 1975. In 1971 and 1974 this growth was largely the result of the extraordinary changes occurring in the petroleum industry. In 1972 and 1973, however, the expansion was almost as great in imports from the rest of the developing countries as it was in the case of petroleum - 17 per cent and 47 per cent, respectively - and even in 1974, when recession was under way in the developed market economies, their non-petroleum imports from the developing countries increased by nearly 30 per cent (see table I-26).

Over the five-year period developed market economy imports from the developing countries of goods other than petroleum increased at an average annual rate of rather more than 17 per cent. The rate of increase was less than 8 per cent a year in the case of non-ferrous metals, about 15 per cent for food-stuffs and raw materials, but nearly 29 per cent for manufactured goods. There were particularly rapid increases in purchases of machinery and vehicles (from less than $1 billion in 1971 to almost $5 billion in 1974) and other metal products (at an average of 38 per cent a year, despite a 19 per cent cutback in 1975) as well as from clothing which was one of the largest categories in this trade flow in 1970 and increased more steadily than most of the others (even in 1975 when the earnings from most items were shrinking) at an average rate of nearly 34 per cent a year.

Since developed market economy purchases of fibres and textiles declined sharply in 1975 and over the quinquennium rose at a much slower pace than imports of clothing, there was a significant change in the structure of this segment of trade between the developing countries and the developed market economies. In 1970 the developing countries earned about $3.4 billion from sales of fibres, textiles and clothing. By 1974 this total was over $10 billion and the proportion contributed by fibres had fallen from 40 per cent to 25 per cent. The contribution of the manufactured component rose correspondingly - textiles from 27 per cent in 1970 to 31 per cent in 1974 and clothing from 33 per cent to 44 per cent. Though the composition of this trade differs among developed market economy regions - the United States being a major exporter of fibre and EEC and Japan major importers - the same type of change occurred in each: the proportion of raw material declined and that of the finished product rose (see table I-27).

A similar, though less general, swing from raw material towards processed product took place in the case of oil-seeds and the oils pressed from them. In the United States where imports of seeds and oils from the developing countries trebled in the first half of the 1970s (from about $170 million to around $500 million) the share of seeds in the total dropped from 25 per cent in 1971 to 3 per cent in 1975. Similarly, in Japan the share of oils in the total rose from

13 per cent to 39 per cent. Only in EEC did the pattern of trade remain unchanged: with oil-seeds being extensively used in the feed-stuffs industry and the local mills protected by a tariff, imports of seed from the developing countries expanded more or less parallel to imports of oils.

Developed market economy imports of ores, metals and metal manufactures from the developing countries showed the same basic pattern over the period under review. There was an erratic decline in the share of ores and scrap and of non-ferrous metals in developed market economy imports of this group of products from the developing countries, and a corresponding increase in the share of the more manufactured items - iron and steel to a small extent and, more significantly, machinery, vehicles and other metal products. In varying degree, depending in part on difference in the domestic resource base, each of the major industrial areas exemplified the same transformation. In the United States, for example, ores and scrap and non-ferrous metals accounted for almost half the imports of this group from the developing countries in 1971, but not much more than a third in 1975; the share of iron and steel fluctuated around 8 per cent of the total while that of machinery, vehicles and other metal products rose sharply from less than 43 per cent in 1971 to about 58 per cent in 1973-1975. In EEC ore imports maintained their one third share; the swing was from non-ferrous metals to the more highly manufactured products. In Japan the share of metals - ferrous as well as non-ferrous - fluctuated erratically between 24 and 30 per cent of the group total, falling away only in 1975, while the share of ore declined and that of the manufactured items rose steeply from a mere 2 per cent in 1970 to over 14 per cent in 1975 (see table I-28).

The changes that occurred in the distribution of developed market economy imports from the developing countries during the first half of the decade do not suggest any strong influence from GSP which was operating for most of the period in EEC and Japan but not in the United States. Changes in the share of total developed market economy imports from developing countries going to these three destinations did not reveal any clear trend: the slight gain in the Japanese proportion of imports other than fuels and the slight loss in the United States proportion were no more than might have been expected to result from the differences in growth rates. 53/

Among the industrial commodity groups, the most decided shifts were in oil-seeds and fibres, but, while the EEC share was up and the United States share down, at least in the case of oil-seeds, the share of Japan was substantially lower. The commodity groups of which the Japanese share rose - chemicals, machinery and other metal products - were all groups showing a reduction in the EEC share, but not in that of the United States (see table I-29). The Japanese share of petroleum imports also rose but to a much smaller extent than that of the United States, while there was a sharp reduction in the proportion going to EEC; in any case this is not one of the commodities included in GSP in either Japan or EEC.

The commodity groups that exemplify most clearly the theoretical GSP effect

53/ Over the quinquennium average annual increases in gross domestic product were 2.0 per cent in the United States, 2.5 per cent in EEC and 5.4 per cent in Japan.

are textiles and clothing: in both of these there was a sharp increase in the share of developing country exports going to EEC and Japan and a comparable decrease in the United States share. Here again, however, GSP was not always the responsible factor: access to most developed market economy markets was governed to a large extent by quotas negotiated, first, under the Long-term Arrangement regarding International Trade in Cotton Textiles and, since 1973, under a multifibre agreement, both of which were designed to achieve an orderly expansion in the export of textiles from the developing countries.

The importance of manufactured products among the imports from developing countries increased significantly in all three of the main industrial areas. In Japan, manufactures other than non-ferrous metals more or less doubled their proportion of total imports from developing countries, excluding petroleum: in 1970 it was less than 9 per cent, in 1973-1975 it averaged over 20 per cent. In the case of EEC there was a comparable growth - from about 14 per cent in 1970 to 23 per cent in 1973-1974 and even higher in 1975. Manufactures constituted a larger proportion of United States imports from the developing countries - about 35 per cent in 1970, again exclusive of petroleum and non-ferrous metals - but here, too, there was a notable increase, to about 48 per cent of the total in 1973-1975 (see table 30).

The transfer of resources to developing countries

Developed market economy co-operation with developing countries in the provision of resources occurs at two levels - one reflecting directly the policies and decisions of Governments and the other influenced mainly by market forces. During the first half of the 1970s, the flow resulting from the first type of co-operation - official development assistance (ODA) 54/ - changed very little in real terms: in 1970 prices it fluctuated around $7 billion a year. The flow responding to the market, by contrast, increased significantly, especially in 1973 and 1975: in 1971 it amounted to $8.5 billion (in current prices) or 53 per cent of the total, by 1975 it had risen to nearly $21 billion or 61 per cent of the total.

Most of ODA continued to move bilaterally, but the amount going to the international development agencies rose more rapidly: it constituted less than 18 per cent of the total in 1971 but nearly 28 per cent by 1975. The amount provided in the form of bilateral donations increased fairly steadily - from $3.5 billion in 1971 to $6.3 billion in 1975 - accounting for about 56 per cent of bilateral ODA in 1971 and around 64 per cent thereafter. The proportion of these donations transferred as technical assistance also rose somewhat: it was

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54/ Official development assistance comprises government grants or loans having a "grant element" of at least 25 per cent. The grant element is the present value of the difference between the agreed lending rate of interest and a nominal rate - reflecting returns from alternative uses - over the life of the loan. Though the nominal rate should in principle reflect commercial returns it has been conventionally set at 10 per cent.

26 per cent of total bilateral ODA in 1971, reached 32 per cent in 1973 and then declined to below 30 per cent in 1975.

Food aid declined sharply from $1.8 billion in 1971 to $1.3 billion in 1973 as stocks in the major exporting countries were drawn down. It rose again in current value - to $2.2 billion in 1975 - as the contribution from EEC surpluses expanded, though as a proportion of total transfers, it was not much more than half the 1971 figure (11 per cent) in 1975 (6 per cent). An increasing proportion of this food aid moved directly from donor to recipient country: multilateral transfers dropped below $500 million a year after 1972.

Though total official flows - to the international agencies as well as bilateral - increased steadily in current prices during this period, from $8.9 billion in 1971 to nearly double that ($16.3 billion) in 1975, the ratio to gross national product remained more or less static. The proportion of these transfers that was on more or less commercial terms rose sharply between 1971 (14 per cent) and 1973 (nearly 21 per cent) and then receded to below 17 per cent in 1974 and 1975.

Private flows from the developed market economies to the developing countries amounted to $7.3 billion in 1971; they rose steeply (to $10.8 billion) in 1973 as a result of an upsurge in direct investment and bank lending, and again in 1975 (to $18.6 billion) in the wake of an upsurge in export credits and a further increase in direct investment.

The rise in private direct investment in 1973 (to $6.2 billion) reflects in part the reinvestment of profits earned in the 1972-1973 upswing in commodity trade and prices. The large amounts invested in 1974 ($5.9 billion) and 1975 ($8.2 billion) include sums devoted to improving energy supplies in net importing countries.

Private portfolio investment in the developing countries - including the lending of commercial banks - swung upwards to a peak of about a seventh of the total flow of resources in 1973 and 1974 and then receded below $3 billion (less than 9 per cent of the total flow) in 1975. The movement in guaranteed export credits was the reverse of this: the provision of such credit was highest - about a seventh of the total flow - in 1971 and 1975; in between it sank to a low of only $1 billion in 1973 (see table I-31).

Between 1971 and 1974 the over-all flow of resources from the developed market economies to the developing countries - official and private, concessional and commercial - increased only slightly faster than the price level of the goods and services concerned. In 1970 prices the transfers rose from $15.2 billion in 1971 to $16.7 billion in 1973 but then dropped back below the 1972 figure. It was only in 1975 when the current account deficit of the petroleum-importing developing countries widened to nearly $38 billion, that the flow of finance from the developed market economies increased significantly - by about one sixth in real terms and to almost $35 billion in current prices.

It is clear that, in the aggregate, the net flow of resources from the developed market economies to the developing countries and the international institutions providing development assistance was not significantly affected by the business cycle: in terms of United States dollars at current prices it increased by 11 per cent and 26 per cent in the two years of upswing (1972 and 1973) and by 11 per cent and 33 per cent in the two years of recession (1974 and 1975). As a proportion of the developed market economies' combined gross national product the net flow dropped sharply in 1972 to 0.68 per cent, recovered in 1973 and 1974 and then jumped to 0.90 per cent in 1975.

In so far as there was a pattern among individual countries in respect of the movement of this ratio it was one of decline between 1971 and 1973 and increase between 1973 and 1975. In the case of Italy, however, the decline extended to 1974 and in the case of Switzerland to 1975 while in some countries the ratio fluctuated around its mean value for the quinquennium - 0.40 per cent in the case of Austria, 0.64 per cent in Denmark, 0.90 per cent in the United Kingdom and 0.92 per cent in Japan (see figure I-8).

The number of countries exceeding the target of 1 per cent of gross national product laid down in the International Development Strategy increased sharply over the period: it was 2-3 in the first three years of the decade and six in 1974 and 1975. To this extent, the flow of resources to the developing countries does not seem to have been adversely affected by the recession in the developed market economies. The only countries with 1975 transfer ratios below the 1971-197 average were Austria, Denmark, Japan and Switzerland. For the period as a whole the average rate of net transfer from the developed market economies was equivalent to 0.75 per cent of their combined gross national product. The only countries exceeding the target over the quinquennium were Belgium, Canada, France and the Netherlands.

As indicated above, the net flow of official assistance was less buoyant. Having the stability that comes from a greater degree of institutionalization, its ratio to total production in the donor countries tended to move inversely to economic growth: it was highest in 1971 and 1975, lowest in 1973. This pattern of movement derives from the performance of the largest donors - the United States, France, the Federal Republic of Germany and the United Kingdom. Among the smaller donors there was a more general tendency for the ratio to increase, most notably in the case of the Scandinavian countries, Austria and New Zealand. Among the remaining countries the ratio tended to fluctuate around the quinquennia average: 0.63 per cent in the Netherlands, 0.54 per cent in Australia, 0.52 per cent in Belgium, 0.23 per cent in Japan, 0.16 per cent in Switzerland and 0.12 per cent in Italy.

It was not until 1974 that any of the developed market economies reached the target for ODA (0.7 per cent of gross national product) set in the International Development Strategy. In that year Sweden provided assistance amounting to 0.74 per cent of its gross national product. In 1975 the Netherlands (0.75 per cent) joined Sweden (0.82 per cent) in compliance with the Strategy and several other countries were within reach of the target, notably France and Norway (0.65 per cent) and Australia (0.61 per cent). 55/ With the larger donors still lagging, however, the average ratio of ODA to the combined gross national product of the developed market economies was only half the target figure.

55/ Australia, Denmark, France and New Zealand are committed to reach the 0.70 per cent target by the end of the decade, by which time the Netherlands, Norway and Sweden intend to achieve an ODA transfer equal to 1 per cent of gross national product.

Though the over-all volume of ODA remained more or less static during the first half of the decade, there was some tendency for the terms on which the transfers were made to ease somewhat, thereby raising their net effectiveness. The proportion of grants in total ODA commitments which had dropped to 59 per cent in 1971 averaged 66 per cent in the last three years of the period. As the loans were also on slightly easier terms - average maturity up from 29 years to about 31 years, average grace period up from seven years to over eight years and average interest rate down from 2.8 per cent a year to about 2.5 per cent - the grant element in total ODA was appreciably higher: in 1971 it had dropped to 82 per cent, by 1973-1975 it stood at 87 per cent.

This concessional flow was also being directed more purposefully towards the lower-income developing countries. By 1975, a number of countries - including Austria, Belgium, New Zealand, Norway, Sweden and Switzerland - were making all their aid to the least developed countries in the form of grants. This was also the declared policy of the United Kingdom in respect of developing countries with per capita incomes of below $200 a year in 1975 prices. The least developed countries and the countries designated by the General Assembly as most seriously affected by the events of 1974-1975 were accorded special concessionary treatment by the Federal Republic of Germany - 50-year loans at 0.75 per cent interest. Canada had also decided to concentrate its ODA on the neediest among the developing countries.

These improvements in the quality of official development assistance, welcome as they are, cannot compensate for the disappointing trend in volume. The current account deficit of the petroleum-importing developing countries widened to $29 billion in 1974 and $38 billion in 1975. This deficit was financed entirely from abroad in 1974, but in 1975 it involved a cutback in import quantum and in international reserves. These reductions were relatively small - 3.5 per cent and 5.5 per cent, respectively - but they were the first to be necessary in the 1970s. In financing the deficit, moreover, recourse was made to private credit that, in relation to development needs was high in interest cost and short in tenor. Thus the external debt profile of many petroleum importers among the developing countries has deteriorated considerably. Their ability to attract commercial credit on the 1974-1975 scale is becoming increasingly doubtful. While the acceleration in export earnings in 1976 is easing the financing problem, the pace of recovery in the developed market economies seems likely to continue to be too slow and the rise in import prices to continue to be too rapid to reduce the trade deficit of those developing countries to manageable proportions. Without a greater flow of development assistance, therefore, imports are likely to have to be curbed again. Such a course would be inimical not only to the development process but also to those developed market economies whose own growth is at present particularly dependent on the expansion of external demand.

Table I-1. Developed market economies: components of growth, 1971-1975

Components and country groups a/	Average, 1971-1975	1971	1972	1973	1974	1975 b/
	Percentage change from preceding year					
Gross domestic product						
All developed market economies	2.7	3.7	5.4	5.9	0.2	-1.5
Major industrial countries c/	2.6	3.6	5.5	6.0	-0.5	-1.7
Other industrial countries d/	2.9	3.4	4.4	4.5	3.5	-1.2
Other developed market economies e/	4.8	5.5	5.9	6.0	5.4	1.3
Private consumption						
All developed market economies	3.5	4.2	5.9	5.0	0.8	1.7
Major industrial countries c/	3.4	4.2	6.0	5.0	0.2	1.6
Other industrial countries d/	3.2	3.1	4.4	3.9	2.2	2.3
Other developed market economies e/	5.0	5.8	5.8	6.2	5.8	1.6
Government consumption						
All developed market economies	1.8	1.7	3.1	1.1	0.6	2.3
Major industrial countries c/	1.4	1.2	3.1	0.7	-	1.8
Other industrial countries d/	3.6	4.5	3.7	2.9	2.7	4.4
Other developed market economies e/	6.2	5.4	4.2	5.4	8.3	7.7
Fixed investment						
All developed market economies	1.8	5.4	7.1	6.9	-3.6	-6.8
Major industrial countries c/	1.6	5.6	7.3	7.1	-4.6	-7.5
Other industrial countries d/	1.4	4.5	4.0	4.8	-0.8	-5.6
Other developed market economies e/	4.3	4.2	8.0	6.4	4.2	-1.2
Final domestic demand f/						
All developed market economies	2.8	4.1	5.6	4.8	-0.4	0.1
Major industrial countries c/	2.7	4.0	5.8	4.8	-0.9	-0.2
Other industrial countries d/	2.9	3.7	4.3	4.0	1.5	0.8
Other developed market economies e/	5.0	5.3	6.2	6.1	5.6	1.9
Changes in stocks g/						
All developed market economies	-0.3	-0.5	-	0.9	-0.2	-1.9
Major industrial countries c/	-0.4	-0.5	0.2	0.9	-0.6	-1.9
Other industrial countries d/	-0.3	-1.7	-1.1	1.0	1.7	-1.9
Other developed market economies e/	-0.1	-	-1.4	0.7	2.2	-1.9
Exports of goods and services						
All developed market economies	6.6	7.2	8.2	13.1	8.8	-4.2
Major industrial countries c/	7.1	7.0	7.3	14.4	11.2	-4.6
Other industrial countries d/	5.4	7.0	9.7	11.2	4.9	-5.6
Other developed market economies e/	5.4	9.1	12.6	5.8	-2.8	2.3
Imports of goods and services						
All developed market economies	5.1	5.8	9.3	12.2	5.5	-7.4
Major industrial countries c/	5.0	6.0	10.8	11.9	4.8	-8.5
Other industrial countries d/	4.6	4.5	6.2	12.9	4.5	-5.6
Other developed market economies e/	7.3	7.2	5.6	13.5	13.5	-3.2
Foreign balance g/						
All developed market economies	0.3	0.3	-0.1	0.2	0.6	0.5
Major industrial countries c/	0.3	0.2	-0.3	0.4	1.0	0.4
Other industrial countries d/	0.4	0.9	1.4	-0.4	0.2	-0.2
Other developed market economies e/	-0.4	0.2	1.1	-1.5	-3.2	1.2

(source and foot-notes on following page)

Source and foot-notes to table I-1.

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics, Organisation for Economic Co-operation and Development, Economic Surveys (Paris), Commission of the European Communities, La situation de la Communauté (Brussels), and national sources.

a/ 1970 weights used to combine country data.

b/ Preliminary.

c/ Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom and the United States of America.

d/ Austria, Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, Sweden and Switzerland.

e/ Australia, Greece, Iceland, Ireland, New Zealand, Portugal, South Africa, Spain, Turkey and Yugoslavia. Fiscal year ending 30 June of the indicated year for Australia.

f/ Sum of consumption and fixed investment.

g/ Change in real terms from the previous year's level expressed as a percentage of the gross domestic product of the year prior to the one indicated. Thus it indicates the item's contribution to changes in gross domestic product.

Table I-2. Developed market economies: growth of private consumption, 1971-1975

Country	Percentage change from preceding year					
	Average, 1971-1975	1971	1972	1973	1974	1975 [a/]
Industrial countries						
Major industrial countries:						
Canada	5.5	5.7	6.6	7.5	4.2	3.7
France	5.1	5.9	5.9	5.8	4.3	3.8
Germany, Federal Republic of	3.0	5.1	4.6	2.7	0.2	2.2
Italy	2.6	3.0	3.6	5.6	2.5	-1.8
Japan	6.5	7.3	9.2	8.3	1.4	6.1
United Kingdom	2.4	2.9	6.0	4.5	-1.3	-0.3
United States of America	2.8	3.4	5.9	4.5	-0.9	0.9
Other industrial countries:						
Austria	4.9	6.2	8.2	4.1	3.7	2.5
Belgium	4.5	5.0	6.4	7.4	2.7	1.0
Denmark	2.3	2.0	2.6	4.8	-3.5	5.5
Finland	5.0	2.9	8.6	6.7	3.6	3.0
Luxembourg	5.0	5.8	4.4	5.8	6.8	2.1
Netherlands	2.9	3.1	2.2	3.1	2.6	3.5
Norway	3.7	4.6	3.2	3.1	3.3	4.1
Sweden	2.2	-0.8	2.5	1.8	4.4	3.0
Switzerland	1.9	4.8	5.5	2.3	-0.5	-2.5
Other developed market economies						
Australia [b/]	4.3	4.0	4.5	6.1	5.3	1.7
Greece	5.5	7.2	8.5	5.3	2.0	4.7
Iceland	5.3	14.9	10.2	6.5	7.0	-11.9
Ireland	2.7	3.3	5.6	7.7	-2.3	-1.0
New Zealand	3.3	-0.9	6.0	9.5	4.5	-2.8
Portugal	6.7	9.4	3.5	14.3	9.4	-3.0
South Africa	3.9	3.2	2.2	5.5	5.6	3.1
Spain	5.7	4.5	8.6	7.6	5.8	2.1
Turkey	7.9 [c/]	14.2	6.7	1.4	9.3	...
Yugoslavia	5.3	9.0	5.0	2.8	7.8	2.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-3. Developed market economies: growth in fixed investment, 1971-1975

Country	Percentage change from preceding year					
	Average, 1971-1975	1971	1972	1973	1974	1975[a/]
Industrial countries						
Major industrial countries:						
Canada	6.3	8.0	6.1	10.4	5.4	1.6
France	3.3	6.6	7.4	5.2	3.1	-5.8
Germany, Federal Republic of	-1.1	4.6	2.7	0.6	-8.1	-4.7
Italy	-0.7	-3.1	0.4	8.2	3.7	-12.7
Japan	2.9	9.3	10.6	13.0	-9.8	-8.4
United Kingdom	0.8	1.7	2.2	2.6	-2.0	-0.5
United States of America	1.3	5.5	8.9	7.1	-5.2	-9.7
Other industrial countries:						
Austria	4.5	12.5	12.9	2.8	1.2	-7.0
Belgium	2.5	-1.8	3.7	7.5	6.1	-3.2
Denmark	-0.8	4.4	7.9	6.1	-9.7	-12.8
Finland	4.5	3.6	6.3	5.5	4.0	3.0
Luxembourg	2.6	12.9	3.2	11.3	-7.0	-7.2
Netherlands	-0.8	3.3	-3.5	5.6	-5.4	-3.9
Norway	9.3	18.4	-3.9	13.7	7.5	10.9
Sweden	0.6	-1.7	5.9	1.4	1.3	-3.9
Switzerland	-2.2	7.9	7.4	0.2	-6.1	-20.4
Other developed market economies						
Australia[b/]	1.5	4.5	2.4	-1.6	5.7	-3.3
Greece	2.6	14.0	15.4	7.7	-25.9	1.7
Iceland	14.1	44.7	-1.0	19.5	10.4	-3.0
Ireland	2.9	7.1	0.8	15.1	-3.4	-5.0
New Zealand	3.8	-3.8	7.8	20.0	11.0	-16.0
Portugal	5.4	11.3	21.7	11.8	-2.7	-15.0
South Africa	5.8	11.4	3.9	2.8	7.0	3.9
Spain	5.6	-2.9	15.8	14.3	4.4	-3.4
Turkey	9.9[c/]	-5.0	14.8	14.1	15.6	...
Yugoslavia	6.3	6.5	3.4	2.7	9.0	10.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-4. Developed market economies: growth in government consumption, 1971-1975

Country	Average, 1971-1975	1971	1972	1973	1974	1975[a]
	Percentage change from preceding year					
Industrial countries						
Major industrial countries:						
Canada	4.9	4.1	3.2	3.9	8.0	5.1
France	4.0	4.2	3.8	4.1	3.5	4.2
Germany, Federal Republic of	4.7	7.4	3.9	4.2	4.7	3.3
Italy	3.2	5.4	5.0	2.7	2.1	0.8
Japan	6.7	7.2	7.8	7.3	4.3	6.8
United Kingdom	3.4	3.0	3.7	4.1	2.9	3.3
United States of America	-0.4	-0.6	2.3	-1.5	-2.5	0.5
Other industrial countries:						
Austria	3.7	2.9	4.7	3.8	4.0	3.0
Belgium	4.9	5.8	5.8	4.9	2.7	5.4
Denmark	3.8	7.4	3.3	1.8	2.7	4.0
Finland	5.1	5.0	7.1	5.8	3.6	4.0
Luxembourg	2.4	1.5	2.7	2.2	2.6	3.1
Netherlands	2.5	3.3	3.6	0.9	0.4	4.2
Norway	4.3	5.3	3.9	4.4	4.2	3.8
Sweden	3.3	3.4	2.4	2.5	3.2	4.9
Switzerland	3.5	5.3	2.0	3.2	3.0	4.2
Other developed market economies						
Australia[b]	4.7	4.5	1.3	5.1	6.7	5.9
Greece	8.5	5.0	5.7	6.5	12.8	12.3
Iceland	4.7	6.4	6.0	6.0	5.0	-
Ireland	5.9	8.4	8.5	4.4	6.4	2.0
New Zealand	5.7	1.6	3.8	-5.3	12.3	16.0
Portugal	8.8	6.4	8.6	7.8	16.4	5.0
South Africa	7.9	8.4	2.7	3.0	11.4	14.1
Spain	5.7	5.4	5.4	8.0	6.0	3.7
Turkey	6.9[c]	6.1	7.3	8.8	5.2	...
Yugoslavia	5.6	2.3	3.7	4.6	7.5	10.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-5. Developed market economies: growth in final domestic demand, 1971-1975

Country	Average, 1971-1975	1971	1972	1973	1974	1975[a]
	Percentage change from preceding year					
Industrial countries						
Major industrial countries:						
Canada	5.6	5.9	5.8	7.5	5.2	3.5
France	4.4	5.8	6.0	5.3	3.4	1.4
Germany, Federal Republic of	2.2	5.3	4.0	2.4	-1.4	0.6
Italy	2.0	2.0	3.1	5.7	2.7	-3.7
Japan	5.5	8.0	9.6	10.0	-2.7	2.7
United Kingdom	2.3	2.7	4.9	4.1	-0.5	0.3
United States of America	1.9	3.0	5.8	3.9	-2.0	-1.1
Other industrial countries:						
Austria	4.7	7.6	9.2	3.7	3.0	-0.2
Belgium	4.1	3.5	5.7	7.1	3.4	0.7
Denmark	2.0	3.6	3.9	4.5	-3.4	1.3
Finland	4.8	3.4	7.7	6.2	3.7	3.2
Luxembourg	4.0	7.3	3.9	7.0	2.1	-0.5
Netherlands	2.1	3.3	1.6	3.4	0.3	1.9
Norway	5.4	8.5	1.2	6.3	4.7	6.2
Sweden	2.0	-0.1	3.3	1.8	3.3	1.8
Switzerland	1.0	5.7	5.7	1.8	-1.7	-6.7
Other developed market economies						
Australia[b]	3.6	4.1	3.6	3.9	5.6	0.9
Greece	5.1	8.5	9.8	6.0	-3.9	5.1
Iceland	7.5	21.4	6.6	9.9	7.9	-8.4
Ireland	3.1	4.7	5.0	8.8	-1.4	-1.5
New Zealand	3.8	-0.9	5.8	7.5	7.5	-1.0
Portugal	6.7	9.4	7.3	13.0	7.7	-4.1
South Africa	4.9	5.9	2.8	4.5	6.7	4.7
Spain	5.7	2.9	9.9	9.2	5.5	0.8
Turkey	8.0[c]	9.6	8.0	4.5	9.9	...
Yugoslavia	5.5	7.5	4.5	2.9	8.2	4.5

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-6. Developed market economies: change in stocks, 1971-1975

Country	Contribution to growth in total output[a]					
	Average, 1971-1975	1971	1972	1973	1974	1975[b]
Industrial countries						
Major industrial countries:						
Canada	-0.1	0.2	0.4	0.5	1.0	(-2.5)
France	-1.0	-0.9	0.4	0.7	-0.5	(-4.7)
Germany, Federal Republic of	-0.6	-1.8	-0.2	0.7	-1.2	(-0.4)
Italy	-0.6	-1.2	-	1.6	-0.7	(-2.7)
Japan	-0.5	-1.9	-0.1	1.7	0.2	-2.3
United Kingdom	-0.5	-0.7	(-0.2)	2.0	-0.8	(-2.6)
United States of America	-0.2	0.2	0.3	0.6	-0.7	(-1.5)
Other industrial countries:						
Austria	-0.4	-2.1	(-1.7)	3.5	0.6	-2.5
Belgium	-0.4	-0.1	-0.5	1.0	0.6	(-3.0)
Denmark	-0.3	(-1.5)	(-0.8)	2.2	2.2	(-3.6)
Finland	0.5	-0.6	-2.8	1.9	2.6	1.3
Luxembourg	-0.3	-1.4	1.4	-1.8	1.8	(-1.5)
Netherlands	-0.6	-1.1	-0.6	0.8	0.8	(-2.9)
Norway	-0.4	-1.5	-2.3	0.1	2.6	-0.7
Sweden	0.1	-1.7	-0.8	(-0.4)	2.6	0.8
Switzerland	-0.7	-0.6	-1.8	1.0	2.6	-4.6
Other developed market economies						
Australia[c]	0.1	(-0.3)	(-1.4)	(-0.3)	3.9	-1.4
Greece	-0.1	-1.5	-1.2	4.2	-2.2	0.1
Iceland	0.1	3.7	(-5.1)	(1.1)	2.9	(-2.0)
Ireland	-1.4	-1.1	0.8	0.7	-0.3	(-7.0)
New Zealand	-0.3	0.3	-1.0	2.0	5.0	-7.8
Portugal	-[d]	0.3	(-0.3)	(-)	...	...
South Africa	-1.3	-1.4	(-4.9)	(1.7)	4.3	-2.7
Spain	0.4[e]	0.4	0.3	0.3	0.7	...
Turkey	-0.3[e]	-0.3	-0.7	-0.1	-	...
Yugoslavia	1.0	2.9	-2.7	1.5	2.9	0.5

Source: See table I-1.

a/ Changes in real terms from the previous year's level expressed as a percentage of the gross domestic product of the year prior to the one indicated. Figures in parentheses indicate an absolute decline of inventories in that year.

b/ Preliminary.

c/ Fiscal year ending 30 June of the year indicated.

d/ Average for 1971-1973.

e/ Average for 1971-1974.

Table I-7. Developed market economies: growth in exports of goods and services, 1971-1975

Country	Average, 1971-1975	1971	1972	1973	1974	1975[a]
	Percentage change from preceding year					
Industrial countries						
Major industrial countries:						
Canada	2.2	4.5	6.4	10.6	-3.8	-6.7
France	10.2	12.9	10.7	15.5	15.6	-3.7
Germany, Federal Republic of .	7.3	7.2	7.8	17.0	13.3	-8.9
Italy	7.5	7.2	11.8	5.4	10.0	3.1
Japan	11.5	17.7	6.6	7.3	21.2	4.7
United Kingdom	4.6	7.0	2.1	11.5	6.9	-4.5
United States of America . . .	6.6	1.2	7.1	20.5	11.4	-7.2
Other industrial countries:						
Austria	6.5	10.7	10.6	8.5	9.5	-7.0
Belgium	6.4	6.8	9.8	14.1	8.1	-7.0
Denmark	5.4	7.7	8.4	7.8	5.1	-1.9
Finland	0.7	-1.4	14.2	7.4	-0.9	-16.0
Luxembourg	1.6	-2.5	6.0	15.2	5.0	-15.5
Netherlands	6.7	11.1	11.0	11.9	2.8	-3.5
Norway	4.9	1.1	14.0	8.3	0.5	0.4
Sweden	5.7	6.7	6.8	15.1	8.4	-8.4
Switzerland	3.3	4.3	6.6	7.7	2.1	-4.2
Other developed market economies						
Australia[b]	4.4	9.0	6.5	3.9	-3.9	6.3
Greece	11.8	16.4	20.1	21.1	-5.1	6.5
Iceland	3.5	-3.9	10.7	8.5	-0.8	3.0
Ireland	4.6	3.9	3.4	9.0	0.9	6.0
New Zealand	2.4	3.8	5.0	3.0	-3.3	3.5
Portugal	4.8[c]	12.6	16.1	2.1	-11.5	...
South Africa	3.8	6.5	16.1	-2.7	-1.1	-
Spain	6.4	13.2	10.4	10.9	-1.6	-1.0
Turkey	9.5[c]	15.5	14.6	18.5	-10.5	...
Yugoslavia	8.9	6.4	30.4	8.6	1.0	-2.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-8. Developed market economies: growth in imports of goods and services, 1971-1975

Country	Average, 1971-1975	1971	1972	1973	1974	1975[a/]
	Percentage change from preceding year					
Industrial countries						
Major industrial countries:						
Canada	7.4	7.0	11.0	13.2	8.6	-2.6
France	9.0	9.3	14.7	18.1	12.7	-9.6
Germany, Federal Republic of	6.8	9.7	8.5	10.3	4.8	0.7
Italy	3.3	2.4	11.7	10.2	2.0	-10.0
Japan	7.9	4.0	8.2	23.0	12.4	-8.0
United Kingdom	4.9	4.8	11.6	13.5	0.2	-5.7
United States of America	1.0	4.3	10.8	5.9	0.8	-17.0
Other industrial countries:						
Austria	7.0	10.7	14.0	12.6	6.9	-9.0
Belgium	6.4	5.1	8.7	18.7	8.5	-9.0
Denmark	3.3	3.0	3.4	18.5	-3.5	-5.1
Finland	4.6	-0.6	4.4	12.9	6.5	-
Luxembourg	3.8	3.0	7.8	12.6	5.8	-10.1
Netherlands	3.6	6.2	5.0	12.0	-0.7	-4.3
Norway	6.0	6.4	-1.0	14.4	4.7	5.7
Sweden	4.8	-3.5	6.3	8.0	15.9	-2.6
Switzerland	1.3	7.1	7.8	6.7	-0.5	-14.5
Other developed market economies						
Australia[b/]	7.2	3.4	-3.1	4.1	31.2	0.4
Greece	9.1	8.4	15.4	30.8	-15.5	6.2
Iceland	8.3	23.0	0.2	18.6	12.8	-13.0
Ireland	3.3	4.0	6.1	17.6	-3.7	-7.5
New Zealand	5.9	1.4	9.0	17.5	21.0	-1.0
Portugal	11.8[c/]	24.1	8.8	10.0	4.3	...
South Africa	4.8	9.6	-14.0	13.5	21.8	-7.1
Spain	7.6	1.8	20.8	16.5	4.8	-6.0
Turkey	12.6[c/]	9.7	19.0	13.0	8.5	...
Yugoslavia	9.0	11.6	8.7	13.1	14.4	-3.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

c/ Average for 1971-1974.

Table I-9. Developed market economies: changes in foreign balance, 1971-1975

Country	Contribution to growth in total output[a]					
	Average, 1971-1975	1971	1972	1973	1974	1975[b]
Industrial countries						
Major industrial countries:						
Canada	-1.3	-0.5	(-1.1)	(-0.7)	(-3.2)	(-0.8)
France	0.4	0.7	-0.6	(-0.2)	0.6	1.3
Germany, Federal Republic of	0.2	-0.5	-0.1	2.1	3.0	-3.6
Italy	0.8	0.8	-	(-0.9)	1.5	2.6
Japan	0.6	1.7	-	-1.4	1.2	1.7
United Kingdom	-	0.5	(-1.9)	(-0.7)	1.6	0.6
United States of America	0.4	(-0.1)	(-0.2)	0.9	0.8	0.6
Other industrial countries:						
Austria	-0.2	0.1	-1.0	(-1.5)	(0.8)	0.8
Belgium	-0.1	0.8	0.8	-1.5	-	1.6
Denmark	0.7	(1.3)	1.5	(-3.4)	(-2.8)	1.3
Finland	-1.1	(-0.2)	2.5	(-1.4)	(-2.1)	(-4.3)
Luxembourg	-1.6	-4.2	-0.9	2.9	0.2	-5.8
Netherlands	1.5	2.2	3.0	0.3	1.8	0.4
Norway	-0.6	(-2.3)	6.1	-2.3	(-1.9)	(-2.4)
Sweden	0.3	2.6	0.3	2.1	-1.6	-1.9
Switzerland	0.8	-0.9	-0.4	0.4	1.0	3.8
Other developed market economies						
Australia[c]	-0.4	1.0	1.7	0.1	(-5.7)	(1.1)
Greece	-	(0.5)	(-0.2)	(-3.1)	(2.9)	(-0.3)
Iceland	-2.7	(-13.7)	(4.5)	(-6.0)	(-8.0)	(9.7)
Ireland	0.6	(-0.3)	(-1.5)	(-4.7)	(2.2)	(7.1)
New Zealand	-0.8	0.5	-1.0	-4.0	-7.3	7.8
Portugal	-2.8[d]	(-4.5)	(1.0)	(-3.1)	(-4.6)	...
South Africa	-0.2	(-1.0)	7.2	(-3.6)	(-5.4)	(1.9)
Spain	-0.4	1.5	(-1.4)	(-1.0)	(-1.0)	-
Turkey	-0.6[d]	(0.1)	(-0.7)	(-)	(-1.7)	...
Yugoslavia	0.9	(-1.9)	(4.0)	(-1.7)	(-4.4)	(-0.5)

Source: See table I-1.

a/ Changes in foreign trade balance in real terms from the previous year's balance expressed as a percentage of the gross domestic product of the year prior to the year indicated. Figures in parentheses indicate negative current year's foreign trade balances of goods and services.

b/ Preliminary.

c/ Fiscal year ending 30 June of the year indicated.

d/ Average for 1971-1974.

Table I-10. Developed market economies: growth of gross domestic product, 1971-1975

Country	Percentage change from preceding year					
	Average, 1971-1975	1971	1972	1973	1974	1975[a]
Industrial countries						
Major industrial countries:						
Canada	4.3	5.7	6.0	6.9	2.8	0.2
France	3.7	5.4	5.6	5.7	3.8	-2.0
Germany, Federal Republic of	1.7	2.7	3.6	5.1	0.4	-3.4
Italy	2.1	1.6	3.1	6.3	3.4	-3.7
Japan	5.4	7.3	9.1	9.9	-1.2	2.0
United Kingdom	1.9	2.5	2.6	5.6	0.3	-1.6
United States of America	2.0	3.0	5.7	5.3	-1.8	-2.0
Other industrial countries:						
Austria	4.0	5.3	6.4	5.8	4.4	-2.0
Belgium	3.7	4.1	5.7	6.3	3.9	-1.3
Denmark	2.4	3.4	4.6	3.3	1.6	-1.1
Finland	4.0	2.4	7.0	6.5	4.2	..
Luxembourg	1.6	0.6	4.1	7.5	3.5	-7.7
Netherlands	3.0	4.4	3.9	4.3	2.9	-0.7
Norway	4.4	4.5	5.0	4.0	5.3	3.0
Sweden	2.3	0.7	2.7	3.5	4.2	0.5
Switzerland	1.1	3.9	3.2	3.2	2.0	-7.0
Other developed market economies						
Australia[b]	3.6	4.4	4.3	4.6	5.7	-1.0
Greece	5.1	7.6	8.7	7.5	-3.3	5.0
Iceland	5.2	11.7	6.7	6.0	3.9	-2.3
Ireland	2.5	3.5	4.7	5.4	0.4	-1.5
New Zealand	2.9	0.1	3.8	5.5	5.5	-0.5
Portugal	4.8	5.7	8.7	11.0	4.3	-5.9
South Africa	4.2	4.8	3.0	4.0	7.0	2.2
Spain	5.5	4.8	8.5	8.4	5.0	0.8
Turkey	7.4	9.5	6.7	4.5	8.5	8.0
Yugoslavia	6.2	8.8	4.5	5.0	8.8	4.0

Source: See table I-1.

a/ Preliminary.

b/ Fiscal year ending 30 June of the year indicated.

Table I-11. Developed market economies: rate of increase in consumer prices, 1971-1975

(percentage)

Country a/	Change from preceding period									
	Average, 1971-1975		All items					Food	1975 fourth quarter b/	
	All items	Food	1971	1972	1973	1974	1975	1975	All items	Food
Industrial countries c/	7.8	9.6	4.8	4.3	7.3	12.5	9.9	11.0	8.0	9.3
United Kingdom	13.0	15.6	9.4	7.1	9.2	15.9	24.3	25.7	25.3	25.5
Italy	11.3	11.5	4.8	5.7	10.8	19.1	17.0	18.0	11.6	11.8
Belgium	8.4	7.4	4.3	5.5	7.0	12.7	12.7	11.2	8.9	10.3
Japan	11.5	12.4	6.1	4.5	11.7	24.5	11.8	13.0	8.4	10.2
France	8.9	9.5	5.5	6.2	7.3	13.7	11.8	11.4	9.9	11.0
Norway	8.4	8.7	6.2	7.3	7.5	9.4	11.7	15.0	11.6	16.8
Canada	7.4	10.4	2.9	4.8	7.6	10.9	10.8	13.0	10.2	10.8
Luxembourg	7.2	7.5	4.7	5.2	6.1	9.6	10.7	11.2	11.2	13.5
Netherlands	8.6	6.8	7.6	7.8	7.9	9.7	10.2	8.0	9.5	7.7
Sweden	8.0	8.4	7.4	6.0	6.8	9.9	9.8	11.7	8.9	12.5
Denmark	9.3	10.3	5.8	6.6	9.3	15.2	9.6	11.1	4.6	6.1
United States of America	6.7	8.8	4.3	3.3	6.2	11.0	9.1	8.5	7.3	7.1
Austria	7.3	6.4	4.7	6.3	7.5	9.5	8.5	6.3	7.2	6.2
Switzerland	7.7	7.2	6.6	6.7	8.7	9.8	6.7	6.2	4.1	0.1
Germany, Federal Republic of	6.1	5.4	5.3	5.5	6.9	7.0	6.0	5.3	5.6	5.1
Others c/	12.6	13.6	8.6	8.4	12.1	17.0	16.9	17.9	15.3	15.4
Iceland	25.3	27.5	6.4	10.3	22.2	43.0	48.9	50.8	43.4	42.6
Yugoslavia	19.8	20.3	15.6	16.6	19.7	21.1	26.2	28.6	22.4	26.6
Ireland	13.3	14.4	8.9	8.7	11.3	17.0	20.9	21.5	16.8	16.0
Turkey	16.9	18.6	16.3	13.0	16.6	18.6	20.1	30.0	17.1	24.8
Spain	12.1	12.1	8.2	8.3	11.4	15.7	17.0	17.0	14.7	13.6
Portugal	15.1	16.4	12.0	10.7	12.9	25.1	15.2	23.6	16.4	17.4
Australia	10.2	9.0	6.1	5.8	9.4	15.1	15.1	7.5	14.1	9.5
New Zealand	10.2	9.4	10.4	6.9	8.2	11.1	14.7	10.6	15.6	14.8
South Africa	9.4	11.3	6.1	6.5	9.5	11.6	13.5	14.9	5.5	9.0
Greece	12.3	13.6	3.0	4.4	15.5	26.9	13.4	11.8	15.4	14.3
Malta	5.3	6.5	2.3	3.4	7.7	7.3	6.1	6.7	2.9	1.6
Cyprus	6.1	7.1	4.1	4.9	7.8	14.0	...	...	...	...
Total c/	8.1	10.0	5.1	4.6	7.7	12.8	10.4	11.6	8.8	10.4

(Source and foot-notes to table I-11)

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

a/ Countries are arranged in descending order of percentage increase in consumer prices ("all items") from 1974 to 1975 in each country grouping.

b/ Change from 1974 fourth quarter.

c/ Changes in average prices of country groups have been calculated from the indices of individual countries weighted in the case of "all items" by the 1970 dollar value of private consumption and in the case of "food" by the 1970 dollar value of food consumption.

Table I-12. Developed market economies: rate of increase in consumer prices, 1971-1975

Item and country group a/	Percentage change from preceding year Average 1971-1975	1971	1972	1973	1974	1975
Consumer price index (CPI)						
Industrial countries	7.8	4.8	4.3	7.3	12.5	9.9
Major b/	7.7	4.7	4.1	7.3	12.6	9.9
Other c/	8.3	6.3	6.5	7.7	10.8	10.0
Other developed market economies d/	12.6	8.6	8.4	12.1	17.0	16.9
Total	8.1	5.1	4.6	7.7	12.8	10.4
Food component of consumer price index						
Industrial countries	9.6	4.5	5.5	12.3	14.9	11.0
Major b/	9.8	4.4	5.4	12.8	15.5	11.1
Other c/	7.7	5.2	7.2	7.7	8.6	9.6
Other developed market economies d/	13.6	8.3	8.9	15.6	17.5	17.9
Total	10.0	4.9	5.7	12.7	15.2	11.6

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

a/ Changes in average prices of country groups have been calculated from the indices of individual countries weighted in the case of CPI by the 1970 dollar value of private consumption and in the case of the food component by the 1970 dollar value of food consumption.

b/ Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom and United States of America.

c/ Austria, Belgium, Denmark, Luxembourg, Netherlands, Norway, Sweden and Switzerland.

d/ Australia, Iceland, Ireland, Greece, New Zealand, Portugal, South Africa, Spain, Turkey and Yugoslavia.

Table I-13. Developed market economies: changes in hourly earnings of workers in manufacturing, a/ 1971-1975

Country	Percentage change from corresponding portion of preceding year					
	1971	1972	1973	1974	1975	1975 fourth quarter
Australia	11.3	9.6	12.7	27.4	19.1	11.3
Austria	11.1	12.1	11.2	12.5	19.8	17.8
Belgium	12.0	14.3	16.4	20.8	20.0	17.9
Canada	9.0	8.3	8.5	13.3	15.9	12.9
Denmark	14.5	12.6	18.8	22.3	19.6	16.8
Finland	15.0	13.9	16.8	22.9	22.6 b/	20.3 c/
France	11.1	11.3	14.6	19.3	17.3	16.0
Germany, Federal Republic of	13.4	8.5	9.8	12.0	9.1	7.7
Greece	9.0	9.2	16.0	26.1	24.7	31.4
Ireland	16.0	14.7	19.5	20.1	29.1 b/	30.1 c/
Italy	13.5	10.4	24.3	22.4	26.7	23.0
Japan	13.9	15.6	23.6	26.5	11.9	9.6
Netherlands	12.0	12.5	13.5	17.5	14.9 b/	13.8 c/
New Zealand	27.1	7.8	10.3	14.4	12.6	9.1
Norway	12.0	8.9	10.7	17.8	19.5	17.6
Spain	14.0	18.4	16.3	33.8	29.4 b/	32.3 c/
Sweden	7.8	14.8	8.4	11.0	14.8	19.1
Switzerland	10.0	8.2	9.2	10.8	7.6	5.4
United Kingdom	12.5	13.8	12.9	17.2	29.9	29.3
United States of America	6.0	6.6	7.1	8.3	9.2	7.3
Yugoslavia	22.0	16.4	17.6	29.3	22.2	18.1

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

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

b/ January-September.

c/ Third quarter.

Table I-14. Selected developed market economies: unemployment and job vacancies, a/ 1971-1975

Country	Number of unemployed (thousands)						Percentage ratio of unemployment to vacancies					
	1971	1972	1973	1974	1975	1975 fourth quarter	1971	1972	1973	1974	1975	1975 fourth quarter
Australia	74	104	84	122	269	297	180	321	131	197	893	1 165
Austria	53	50	41	41	55	60	95	81	62	71	177	250
Belgium	71	87	92	105	177	210	530	1 024	648	778	4 317	5 526
Canada	552	562	520	525	707	724	1 693	964	666	574	1 247	1 616
Cyprus	3	3	3	11	23	21	...	...	...	...	...	...
Denmark	30	30	20	45	103	111	712	530	228	1 545	10 310	9 267
Finland	49	57	52	40	51	70	419	361	228	134	278	583
France	337	380	394	498	840	916	274	230	156	243	771	898
Germany, Federal Republic of	185	246	274	583	1 074	1 141	29	45	48	185	455	449
Greece	30	24	21	27	35	34	...	...	...	...	...	...
Ireland	42	48	44	48	75	80	...	...	...	...	...	...
Italy	607	696	669	560	654	698	...	...	...	...	...	...
Japan	639	733	671	736	998	1 178	141	142	98	154	295	378
Netherlands	62	108	110	135	195	211	58	171	164	196	415	480
New Zealand	3	6	2	1	4	5	99	214	66	21	203	310
Netherlands	62	108	110	135	195	211	58	171	164	196	415	480
Norway	12	15	13	11	19	23	114	174	156	108	322	402
Spain	190	191	150	150	257	298	...	...	...	...	...	...
Sweden	101	107	98	80	67	69	281	338	278	164	133	172
Switzerland	-	-	-	-	10	21	3	2	2	8	363	670
Turkey	45	44	45	82	117	119	139	124	132	232	393	450
United Kingdom	776	855	611	600	929	1 132	434	443	152	150	505	787
United States of America	4 993	4 840	4 305	5 076	7 830	7 912	205	161	115	152	329	306
Yugoslavia	291	315	382	449	540	574	647	700	707	774	915	134

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

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

Table I-15. Selected developed market economies: unemployment rates, a/ 1971-1975

(Percentage)

Country	Average unemployment rate					
	1971	1972	1973	1974	1975	1975 fourth quarter b/
Australia	1.3	1.9	1.5	2.1	4.7	4.9
Austria	2.1	1.9	1.6	1.5	2.1	2.5
Belgium	2.9	3.4	3.6	4.0	6.7	8.3
Canada	6.4	6.3	5.6	5.4	7.1	7.2
Cyprus	1.1	0.9	1.2	4.1	8.2	7.6
Denmark	3.7	3.7	2.4	5.3	11.1	11.9
Finland	2.3	2.5	2.3	1.7	2.2	2.9
France	2.0	2.3	2.0	2.3	4.0	4.1
Germany, Federal Republic of	0.9	1.1	1.3	2.6	4.7	4.9
Ireland	7.2	8.1	7.2	7.9	12.2	12.8
Italy	3.2	3.7	3.5	2.9	3.3	3.5
Japan	1.2	1.4	1.3	1.4	1.9	2.1
Netherlands	1.6	2.7	2.7	3.3	4.8	5.2
Norway	0.8	0.9	0.8	0.6	1.1	1.5
Spain	1.9	1.8	1.4	1.4	2.3	2.7
Sweden	2.6	2.8	2.5	2.0	1.6	1.7
United Kingdom	3.3	3.7	2.6	2.6	4.0	4.9
United States of America	5.9	5.6	4.9	5.6	8.5	8.5
Yugoslavia	6.7	7.0	8.1	9.0	10.2	10.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; Organisation for Economic Co-operation and Development, Economic Indicators and Labour Force Statistics (Paris).

a/ The unemployment rate refers to the number of persons wholly unemployed (including those temporarily laid off, except in the case of Japan and the United Kingdom) expressed as a percentage of the civilian labour force. The figures are generally derived from unemployment insurance statistics, employment office registrations or sample surveys. Because of differences in definition, the data do not permit simple intercountry comparisons.

b/ Figures for Belgium, Cyprus, Ireland, the Netherlands and Yugoslavia not seasonally adjusted.

Table I-16. Major industrial market economies: changes in unit labour costs in manufacturing, 1971-1975

Country	Percentage change from preceding year				
	1971	1972	1973	1974	1975
Canada	0.2	3.7	4.5	11.1	13.8
France	12.1	11.9	16.4	19.2	20.3
Germany, Federal Republic of . .	9.0	2.8	6.3	11.8	7.5
Italy	12.1	3.7	11.4	20.5	25.0
Japan	12.0	5.4	3.4	29.5	22.2
United Kingdom	9.0	5.5	5.2	20.7	29.5
United States of America	3.0	1.0	2.9	9.4	11.1
Average of above a/	8.0	4.2	6.5	16.7	17.2

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

a/ Weighted by 1970 exports of manufactured goods.

Table I-17. Developed market economies: international trade, 1970-1975

Country and country groupings	Exports f.o.b. Value (millions of dollars) 1970	Exports f.o.b. Percentage change from preceding year 1971	1972	1973	1974	1975	Imports c.i.f. Value (millions of dollars) 1970	Imports c.i.f. Percentage change from preceding year 1971	1972	1973	1974	1975
Developed market economies	226 192	11.9	18.8	36.7	33.2	6.5	238 139	11.4	18.4	37.7	42.4	0.5
Industrial countries	210 353	12.0	18.3	36.4	33.9	6.6	213 739	11.6	19.2	37.4	41.0	0.5
Major industrial countries	164 168	12.0	17.3	35.3	34.9	6.6	161 227	11.8	20.4	36.5	42.7	-1.0
Canada	16 747	9.7	15.2	24.8	30.5	-1.9	14 355	15.9	21.1	23.7	39.0	5.1
France	18 098	15.0	27.1	38.6	26.8	13.9	19 132	11.5	26.6	39.7	40.3	2.0
Germany, Federal Republic of	34 192	14.2	19.7	44.6	32.1	1.0	29 817	15.2	17.6	36.0	26.8	7.7
Italy	13 206	14.5	23.1	19.4	36.1	15.1	14 969	6.8	20.9	43.9	47.2	-6.3
Japan	19 318	24.3	19.0	29.3	50.2	0.5	18 881	4.4	19.0	63.4	62.0	-6.9
United Kingdom	19 383	15.5	8.8	25.4	27.3	13.5	21 644	10.4	16.4	39.6	40.4	-1.8
United States of America	43 224	2.1	12.8	43.4	38.1	9.3	42 429	13.9	21.8	25.0	46.8	-4.3
Other industrial countries	46 185	11.8	22.1	40.2	30.9	6.5	52 512	11.0	15.7	40.4	35.3	5.2
Austria	2 857	11.0	22.4	36.2	35.4	5.0	3 549	18.2	24.3	36.5	26.7	4.1
Belgium	11 600	9.7	26.9	39.2	26.0	1.7	11 412	13.0	20.1	42.5	35.3	2.7
Denmark	3 356	9.9	19.7	41.5	23.5	12.9	4 407	4.7	9.9	53.9	27.2	4.4
Finland	2 306	2.2	23.2	32.0	43.9	-0.3	2 636	6.1	12.6	37.4	58.1	11.5
Netherlands	11 774	18.4	20.5	43.3	36.4	6.8	13 426	14.8	13.7	41.3	36.1	5.6
Norway	2 455	4.2	28.3	44.0	32.9	14.7	3 702	10.3	7.0	43.8	33.9	15.4
Sweden	6 795	10.1	17.3	39.1	30.4	9.6	7 007	1.1	14.5	31.0	48.9	14.2
Switzerland	5 042	13.4	19.7	39.2	25.3	8.5	6 373	12.8	17.8	37.2	24.3	-7.9
Others	15 839	11.1	25.3	41.0	23.7	5.5	24 400	9.7	10.8	40.6	55.5	0.8
Australia	4 770	9.3	24.0	47.9	15.3	7.7	5 055	3.3	-1.7	49.6	61.3	-10.4
Cyprus	107	8.4	15.5	29.1	-12.1	-	238	10.5	20.5	42.3	-9.8	-24.3
Greece	643	3.1	31.4	67.2	39.4	12.2	1 958	7.2	11.9	48.1	26.1	21.3
Iceland	147	2.0	26.0	53.4	14.5	-7.8	157	33.8	10.0	55.4	44.3	-10.8
Ireland	1 120	17.7	21.9	32.9	24.3	19.8	1 622	13.2	14.8	32.6	36.4	-1.2
Malta	39	17.9	47.8	44.1	36.7	22.4	161	-	9.3	35.8	51.0	3.4
New Zealand	1 223	11.3	31.7	45.0	-6.4	-11.3	1 245	8.3	12.9	43.2	67.6	-13.7
Portugal	950	12.9	21.8	42.5	23.5	-15.7	1 583	17.6	20.8	36.5	52.5	-18.0
South Africa	2 186	1.1	21.8	32.2	40.0	8.1	3 843	13.6	-9.5	30.8	52.5	5.3
Spain	2 386	24.1	28.9	36.2	36.4	8.5	4 716	5.5	37.3	41.6	59.5	5.4
Turkey	589	14.9	30.3	49.3	16.3	-8.6	948	23.5	33.0	33.9	81.1	25.4
Yugoslavia	1 679	7.9	23.5	27.5	33.4	7.0	2 874	13.4	-0.8	39.5	67.2	2.1

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

Table I-18. Developed market economies: balance of international payments, 1970-1975

(Millions of dollars)

Country group and item[a/]	1970	1971	1972	1973	1974	1975
Industrial countries						
Trade balance	12 171	13 520	11 528	11 917	-11 388	19 107
Current account balance	12 952	16 250	14 851	18 735	-4 720	21 449
Basic balance	802	1 596	-1 456	-4 043	-30 243	-12 218
Major industrial countries:						
Trade balance	15 743	16 940	12 725	13 704	-4 986	23 984
Current account balance	13 545	16 123	11 654	14 704	-3 999	21 177
Basic balance	2 057	2 674	-702	-3 697	-29 324	-10 404
Canada:						
Trade balance	2 888	2 410	1 625	2 722	1 557	-791
Current account balance	948	226	-692	-54	-1 772	-4 970
Basic balance	1 710	780	1 155	388	-625	-1 426
France:						
Trade balance	726	1 109	1 299	776	-3 859	1 892
Current account balance	516	992	1 030	-57	-4 819	1 347
Basic balance	660	535	-351	-2 931	-6 123	-909
Italy:						
Trade balance	-241	580	817	-3 959	-8 473	-1 137
Current account balance	1 424	2 862	3 233	-1 177	-6 614	-882
Basic balance	2 140	2 823	2 573	1 488	-4 582	167
Germany, Federal Republic of:						
Trade balance	5 868	6 630	8 167	15 215	21 940	17 119
Current account balance	1 749	1 455	2 778	6 744	12 511	7 403
Basic balance	-77	2 214	5 648	9 269	7 491	-2 963
Japan:						
Trade balance	3 963	7 788	8 971	3 686	1 436	5 029
Current account balance	2 146	6 016	6 952	74	-4 491	-419
Basic balance	506	4 839	3 607	-8 589	-8 288	-760
United Kingdom:						
Trade balance	-64	690	-1 745	-5 687	-12 309	-7 173
Current account balance	2 182	3 077	872	-1 153	-7 783	-3 113
Basic balance	860	2 304	-2 046	-2 942	-5 910	-5 944
United States of America:						
Trade balance	2 603	-2 267	-6 409	951	-5 278	9 045
Current account balance	4 580	1 495	-2 519	10 327	8 969	21 811
Basic balance	-3 742	-10 821	-11 288	-380	-11 287	1 431
Other industrial countries						
Trade balance	-3 572	-3 420	-1 201	-1 785	-6 398	-4 881
Current account balance	-593	127	3 197	4 031	-721	272
Basic balance	-1 255	-1 078	-754	-346	-919	-1 814

Table I-18 (continued)

Country group and item[a/]	1970	1971	1972	1973	1974	1975
Other industrial countries (continued)						
Austria:						
Trade balance	-591	-877	-1 155	-1 506	-1 429	-1 402
Current account balance	-6	-81	-160	-305	-472	-319
Basic balance	12	-99	-84	-535	-83	739
Belgium and Luxembourg:						
Trade balance	719	772	1 029	1 223	878	619
Current account balance	1 018	1 155	1 458	1 746	1 461	1 772
Basic balance	383	540	552	736	726	676
Denmark:						
Trade balance	-760	-711	-431	-1 135	-1 788	-1 273
Current account balance	-510	-375	2	-708	-1 180	-619
Basic balance	-433	-118	209	-266	-747	-309
Finland:						
Trade balance	-177	-275	-55	-248	-888	-1 607
Current account balance	-232	-335	-126	-371	-1 192	-2 133
Basic balance	-158	40	209	-273	-956	-858
Netherlands:						
Trade balance	-905	-605	438	959	669	879
Current account balance	-555	-172	1 302	2 178	2 080	1 924
Basic balance	93	410	409	619	883	444
Norway:						
Trade balance	-1 155	-1 440	-1 010	-1 548	-2 338	-2 910
Current account balance	-201	-467	-6	-273	-1 124	-2 416
Basic balance	-110	-160	233	509	-137	-
Sweden:						
Trade balance	318	903	1 252	2 156	607	740
Current account balance	-219	301	438	1 360	-604	...
Basic balance	-165	172	377	1 337	-656	...
Switzerland:						
Trade balance	-1 021	-1 187	-1 269	-1 686	-2 109	73
Current account balance	112	101	289	404	310	3 137
Basic balance	-877	-1 859	-2 667	-2 476	-483	-1 481
Other developed market economies						
Trade balance	-4 836	-5 217	-2 821	-4 459	-18 008	-17 112
Current account balance	-2 960	-2 040	1 666	2 493	-13 079	-12 198
Basic balance	395	2 766	5 857	3 491	-6 335	-4 996
Australia:						
Trade balance	518	598	2 006	2 786	99	2 057
Current account balance	-690	-686	616	796	-2 162	-187
Basic balance	194	1 004	1 737	-209	-1 785	-254

Table I-18 (continued)

Country group and item[a]	1970	1971	1972	1973	1974	1975
Other developed market economies (continued)						
Iceland:						
Trade balance	3	-50	-24	-35	-147	-134
Current account balance	7	-44	-19	-27	-154	-139
Basic balance	7	9	4	10	-61	1
Ireland:						
Trade balance	-432	-440	-378	-527	-1 077	...
Current account balance	-188	-186	-128	-294	-853	...
Basic balance	-39	192	-114	48	17	...
Greece:						
Trade balance	-897	-1 098	-1 326	-2 355	-2 351	-2 364
Current account balance	-406	-366	-404	-1 184	-1 245	-1 012
Basic balance	-126	-35	283	-350	-481	-157
New Zealand:						
Trade balance	227	290	521	572	-486	-763
Current account balance	-32	43	245	210	-1 129	-1 393
Basic balance	14	102	327	135	-587	-421
Portugal:						
Trade balance	...	...	-734	-902	-1 989	-1 608
Current account balance	...	...	354	347	-824	-706
Basic balance	...	...	258	205	-551	-894
South Africa:						
Trade balance	-451	-605	691	1 110	98	-691
Current account balance	-1 234	-1 419	-56	48	-1 392	-2 305
Basic balance	-481	-541	653	224	-374	-1 086
Spain:						
Trade balance	-1 874	-1 599	-2 316	-3 504	-7 044	-7 279
Current account balance	79	861	581	557	-3 116	-3 458
Basic balance	747	1 355	1 504	1 309	-1 649	-1 652
Turkey:						
Trade balance	-262	-379	-522	-560	-1 830	-2 817
Current account balance	-83	-45	109	604	-642	-1 816
Basic balance	153	269	375	951	-426	-1 359
Yugoslavia:						
Trade balance	-958	-1 171	-727	-1 284	-3 092	-3 015
Current account balance	-349	-358	416	486	-1 202	-958
Basic balance	-152	180	903	1 092	-717	-106
Total developed market economies						
Trade balance	7 335	8 303	8 707	7 458	-29 396	1 995
Current account balance	9 992	14 210	16 517	21 228	-17 799	9 251
Basic balance	1 197	4 362	4 401	-552	-36 578	-17 214

Table I-18 (continued)

Country group and item[a]	1970	1971	1972	1973	1974	1975
Reference item						
Developing countries						
Oil-exporting countries:[b]						
Trade balance	6 721	10 404	10 942	19 059	83 227	51 504
Current account balance	12	1 677	2 792	6 206	67 530	34 827
Basic balance	1 350	3 750	3 659	5 541	48 890	22 566
Other developing countries:						
Trade balance	-5 520	-8 648	-6 960	-6 907	-23 729	-30 243
Current account balance	-8 368	-11 040	-9 098	-9 930	-29 097	-37 714
Basic balance	-147	-1 172	4 819	10 612	-3 618	-6 146

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics.

a/ Balances are defined as follows: the trade balance as exports f.o.b. minus imports f.o.b.; the current account balance as the balance on goods, services and private unrequited transfers; and the basic balance as the balance on the current account, government unrequited transfers and long-term capital.

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

Table I-19. Developed market economies: borrowing on the international market, 1973-1975
(Millions of dollars)

Country	1973 International bonds	1973 Eurocurrency credits	1973 Total	1974 International bonds	1974 Eurocurrency credits	1974 Total	1975 International bonds	1975 Eurocurrency credits	1975 Total
Industrial countries	5 034	10 651	15 685	5 405	15 163	20 569	13 739	3 733	17 472
Major industrial countries . .	4 074	9 294	13 369	4 006	13 155	17 160	9 517	2 156	11 672
Canada	1 210	51	1 261	2 402	75	2 477	4 582	101	4 683
France	103	63	166	674	3 304	3 978	1 850	546	2 397
Germany, Federal Republic of	56	-	56	136	9	146	227	-	227
Italy	25	4 713	4 738	50	2 240	2 290	61	105	166
Japan	49	150	199	249	191	439	1 626	350	1 976
United Kingdom	1 313	3 070	4 383	305	5 897	6 202	714	560	1 275
United States of America . .	1 318	1 248	2 565	190	1 439	1 629	456	494	950
Other industrial countries . .	960	1 357	2 317	1 400	2 009	3 409	4 223	1 577	5 800
Austria	177	30	207	496	185	681	858	350	1 208
Denmark	160	243	403	125	394	519	213	341	554
Finland	148	424	572	81	309	389	375	343	718
Luxembourg	65	-	65	...	...	...	...	...	...
Netherlands	160	252	412	478	558	1 036	685	76	760
Norway	105	200	305	84	365	449	929	192	1 120
Sweden	145	99	244	125	189	313	997	275	1 272
Switzerland	-	108	108	12	10	22	168	-	168
Other developed market economies	575	1 905	2 479	507	3 918	4 426	1 835	2 307	4 142
. . . .	-	74	74	147	127	274	688	32	720
Iceland	20	-	20	24	33	56	25	45	70
Ireland	138	-	138	134	321	455	73	338	410
Greece	15	600	615	-	438	438	-	239	239
New Zealand	-	-	-	33	490	523	521	113	634
Portugal	-	10	10	17	165	182	-	34	34
South Africa	171	498	669	50	626	676	393	333	726
Spain	88	467	555	25	1 169	1 194	117	931	1 048
Turkey	-	20	20	-	-	-	-	170	170
Yugoslavia	30	235	265	52	549	601	-	73	73
Total developed market economies	5 609	12 555	18 164	5 913	19 082	24 994	15 574	6 040	21 614

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information furnished by the International Bank for Reconstruction and Development, Washington, D.C.

Table I-20. Developed market economies: change in international reserves, a/ 1970-1975

Country and country groups	1970 (millions of dollars)	Change from preceding year (millions of dollars)					Ratio of reserves to imports b/ (percentage)		
		1971	1972	1973	1974	1975	1970	1973	1975
Industrial countries . .	66 244	30 815	9 450	8 095	5 905	1 809	31.0	29.3	22.1
Major industrial countries	50 755	26 058	6 284	4 199	3 226	-2 648	31.5	29.5	21.0
Canada	4 679	1 022	349	51	-276	-499	32.6	24.5	14.7
France	4 960	3 293	1 762	-1 889	726	3 741	26.0	21.5	23.3
Germany, Federal Republic of . . .	13 610	5 047	5 128	9 090	-477	-1 364	45.6	59.9	41.4
Italy	5 352	1 468	-735	652	204	-2 167	35.8	24.2	12.4
Japan	4 840	10 520	3 005	-5 940	1 094	-704	25.6	32.4	22.2
United Kingdom . . .	2 827	6 005	-3 185	797	495	-1 480	13.0	16.6	10.1
United States of America	14 487	-1 297	-40	1 438	1 470	-175	34.1	19.8	15.4
Other industrial countries	15 489	4 757	3 166	3 896	2 669	4 457	29.5	28.9	25.6
Austria	1 751	592	375	42	670	1 009	49.3	38.8	47.3
Belgium and Luxembourg	2 847	626	397	909	566	452	24.9	21.6	18.9
Denmark	484	238	133	166	-86	-58	11.0	13.1	8.5
Finland	460	222	45	-79	-14	-164	17.5	15.0	6.2
Netherlands	3 241	555	989	1 218	954	152	24.1	24.3	20.0
Norway	813	341	171	463	141	308	22.0	28.4	23.0
Sweden	761	349	465	713	-552	1 341	10.9	21.5	17.0
Switzerland	5 132	1 834	591	464	990	1 417	80.5	69.0	78.4
Other developed market economies	7 916	4 380	7 668	2 415	-2 328	-3 082	33.0	54.7	26.3
Australia	1 693	1 623	2 825	-672	-1 200	-1 013	33.5	71.2	29.3
Greece	310	215	507	-84	-12	-5	15.8	27.3	17.5
Iceland	54	16	14	16	-52	-1	34.4	27.9	10.2
Ireland	697	298	131	-80	221	265	43.0	37.4	40.7
New Zealand	258	235	340	35	-228	-212	20.7	39.8	13.6
Portugal	1 504	441	367	363	-321	-820	94.6	87.1	40.0
South Africa	1 012	-301	579	125	-256	57	26.3	27.4	14.7
Spain	1 817	1 451	1 746	1 456	15	-395	38.5	67.5	37.4
Turkey	431	330	640	855	-395	-797	45.5	108.1	22.5
Yugoslavia	140	72	519	401	-100	-161	4.9	25.0	11.6
Total developed market economies	74 160	35 195	17 118	10 510	3 577	-1 273	31.2	31.7	22.6
Other than United States of America .	59 673	36 492	17 158	9 072	2 107	-1 098	30.5	34.2	24.0
Other than United Kingdom and United States of America .	56 846	30 487	20 343	8 275	1 612	382	32.7	36.3	25.6

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

a/ Gold, convertible foreign exchange, SDR and reserve position in the International Monetary Fund. Gold is valued throughout at SDR 35 per ounce, which is equivalent to $35 for the 1970 figures, $38 for the 1971 and 1972 figures, $42.22 for those of 1973, $42.85 for those of 1974, and $40.97 for those of 1975.

b/ International reserves, end of year, as percentage of imports in the same year.

Table I-21. Developed market economies: composition of international reserves, end-1975

Country and country group	Total reserves[a]		Percentage of reserves consisting of			
	Millions of dollars	Percentage of 1975 imports	Gold	Foreign exchange	SDR	Position in IMF
Industrial countries . .	122 318	22.1	28.5	57.7	6.7	7.2
Major countries . . .	87 884	21.0	29.8	55.5	7.2	7.5
Canada	5 326	14.7	16.9	60.5	10.4	12.2
France	12 593	23.3	32.8	59.1	2.3	5.8
Germany, Federal Republic of . . .	31 034	41.4	15.5	73.0	5.5	6.0
Italy	4 774	12.4	70.8	27.2	2.0	-
Japan	12 815	22.2	6.7	82.9	4.1	6.3
United Kingdom . . .	5 459	10.1	15.7	62.8	14.9	6.5
United States of America	15 883	15.4	70.9	0.5	14.7	13.9
Other industrial countries	34 434	25.6	25.0	63.3	5.3	6.3
Austria	4 439	47.3	19.3	73.7	2.3	4.7
Belgium and Luxembourg	5 797	18.9	29.8	45.8	12.4	11.9
Denmark	877	8.5	8.4	72.4	11.0	8.2
Finland	470	6.2	7.2	76.4	16.4	-
Netherlands	7 109	20.0	31.3	47.8	8.6	12.3
Norway	2 237	23.0	1.8	87.7	4.7	5.9
Sweden	3 077	17.0	7.7	84.6	4.1	3.6
Switzerland	10 428	78.4	32.7	66.4	-	0.9
Other developed market economies	16 969	26.3	18.4	77.5	2.7	1.4
Australia	3 256	29.3	9.3	81.3	3.4	6.0
Greece	931	17.5	16.0	81.8	2.3	-
Iceland	47	10.2	2.6	85.1	11.9	-
Ireland	1 532	40.7	1.2	92.6	3.1	3.0
New Zealand	428	13.6	0.2	99.5	0.2	-
Portugal	1 534	40.0	74.1	25.4	0.5	-
South Africa	1 216	14.7	59.8	36.0	4.2	-
Spain	6 090	37.4	9.6	88.1	2.3	-
Turkey	1 064	22.5	13.7	83.3	3.0	-
Yugoslavia	871	11.6	6.9	89.2	3.9	-
Total developed market economies	139 287	22.6	27.2	60.1	6.2	6.5

(Source and foot-note on following page)

(Source and foot-note to table I-21)

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

a/ Gold, convertible foreign exchange, SDR and reserve position in the International Monetary Fund. Gold is valued at $40.97 per ounce. SDR is equal to $1.17.

Table I-22. Developed market economies: structure of energy production, 1960-1974

Country	Percentage of total energy production											
	1960				1973				1974			
	Solid	Liquid	Natural gas	Hydro and nuclear	Solid	Liquid	Natural gas	Hydro and nuclear	Solid	Liquid	Natural gas	Hydro and nuclear
North America	27	40	32	2	23	37	38	3	24	36	37	3
Canada	11	49	24	17	6	51	34	9	7	49	35	10
United States of America	27	39	32	1	25	36	38	2	26	35	37	2
Western Europe	88	4	3	5	55	6	31	9	51	6	35	9
Austria	31	36	19	14	17	35	28	22	17	30	27	26
Belgium	99	-	1	-	97	-	2	1	97	-	2	1
Denmark	100	-	-	-	97	-	-	3	98	-	-	2
Finland	6	-	-	94	2	-	-	98	2	-	-	98
France	83	5	6	7	57	7	21	16	54	6	22	19
Germany, Federal Republic of	94	4	1	1	77	6	15	2	77	5	16	2
Greece	94	-	-	7	94	-	-	6	94	-	-	6
Ireland	94	-	-	6	95	-	-	5	94	-	-	6
Italy	6	16	46	32	2	6	73	20	2	6	73	20
Netherlands	79	18	3	-	2	2	96	-	1	2	97	-
Norway	10	-	-	90	4	20	-	77	4	20	-	76
Portugal	57	-	-	43	20	-	-	80	19	-	-	81
Spain	88	1	-	12	67	7	-	26	61	15	-	24
Sweden	6	4	-	91	-	-	-	100	-	-	-	100
Turkey	86	11	-	3	53	45	-	3	55	42	-	3
United Kingdom . . .	100	-	-	-	75	-	22	2	68	-	29	3
Yugoslavia	85	10	1	5	65	20	7	8	64	19	7	10
Other developed market economies	92	1	1	7	73	15	5	7	73	15	5	7
Australia	98	-	-	2	63	30	5	2	64	29	6	2
Japan	85	1	2	12	59	3	10	28	56	3	10	31
New Zealand	76	-	-	24	42	5	8	44	43	5	9	43
South Africa	100	-	-	-	100	-	-	-	100	-	-	-

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on World Energy Supplies, 1950-1974 (United Nations publication, Sales No. E.76.XVII.5).

Table I-23. Developed market economies: production of solid fuels, 1950-1975

Country	Production in 1973 (millions of tons coal-equivalent)	Index[a] (1973 = 100)				
		1950	1960	1970	1974	1975
North America	522.4	95	73	102	102	111
Canada	18.0	89	48	71	103	129
United States of America . . .	534.4	95	73	103	102	110
Western Europe	346.5	141	145	112	93	98
Austria	1.8	129	172	101	100	95
Belgium	8.8	309	254	129	92	85
Finland	0.2	142	175	88	113	125
France	27.8	187	206	142	91	87
Germany, Federal Republic of .	133.2	113	130	108	100	97
Greece	4.3	1	19	59	106	137
Ireland	2.0	89	98	135	99	103
Italy	0.5	260	214	168	89	94
Netherlands	1.7	715	726	252	44	33
Norway	0.4	88	98	112	106	96
Portugal	0.2	211	232	123	104	95
Spain	11.5	102	128	104	103	111
Turkey	6.3	49	67	94	107	109
United Kingdom	131.5	167	150	111	84	97
Yugoslavia	16.5	43	73	88	104	109
Other developed market economies	150.4	58	79	99	103	109
Australia	63.6	30	42	84	105	114
Japan	22.4	173	230	177	91	85
New Zealand	1.8	119	129	97	71	102
South Africa	62.5	42	61	88	104	113

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on World Energy Supplies, 1950-1974 (United Nations publication, Sales No. E.76.XVII.5).

a/ Based on coal-equivalent of total solid fuel production.

Table I-24. Developed market economies: production of liquid and gaseous fuels, 1960-1975

	Production in 1973 (millions of tons coal-equivalent)		Index (1973 = 100)					
			Liquid fuels			Natural gas		
	Liquid fuels	Natural gas	1960	1974	1975	1960	1974	1975
North America . . .	911.6	919.7	66	95	91	53	96	92
Canada	147.7	100.1	26	94	85	19	98	115
United States of America . .	763.9	819.7	74	96	92	56	95	90
Western Europe . .	35.0	194.3	67	102	140	8	114	114
Austria	3.8	3.0	95	87	80	65	97	102
Belgium	-	0.1	-	-	-	131	114	46
Denmark	0.1	-	-	130	174	-	-	-
France	3.2	10.1	105	92	98	38	101	97
Germany, Federal Republic of . .	9.8	26.1	84	93	87	5	104	101
Italy	1.6	20.4	17	100	100	42	100	91
Netherlands . . .	2.3	94.3	124	98	96	1	118	127
Norway	2.3	-	-	108	584	-	-	-
Spain	1.1	-	8	260	228	-	-	-
Turkey	5.3	-	10	95	86	-	-	-
United Kingdom .	0.6	38.4	36	111	244	-	121	110
Yugoslavia . . .	4.9	1.8	28	103	110	4	109	117
Other developed market economies	31.5	9.7	3	99	105	11	108	115
Australia	30.2	5.5	-	99	105	-	114	123
Japan	1.1	3.9	74	96	87	28	98	104
New Zealand . . .	0.2	0.4	-	105	109	-	114	122

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on World Energy Supplies, 1950-1974 (United Nations Publication, Sales No. E.76.XVII.5).

Table I-25. United Kingdom: sources of imports, 1970-1975

Import category and source	Millions of dollars 1970	Percentage of imports in 1971	1972	1973	1974	1975 a/
Food and beverages (0-1)						
European Economic Community of the Six	606.2	13.6	14.7	15.2	26.8	29.9
Denmark and Ireland	789.1	18.0	17.7	16.4	17.0	18.6
Developed Commonwealth b/	1 033.2	22.0	20.4	17.5	13.1	10.2
Other developed market economies	1 193.1	22.8	23.8	27.6	20.1	17.4
Centrally planned economies	162.7	2.8	2.5	2.0	1.8	1.5
Asian Commonwealth c/	260.8	4.5	3.3	3.4	3.3	3.0
Hong Kong	2.8	0.1	0.1	0.1	0.1	-
Other developing countries	876.9	16.2	17.7	17.9	17.8	19.4
Raw materials (2+4)						
European Economic Community of the Six	240.1	7.4	8.7	9.3	9.4	10.8
Denmark and Ireland	66.5	2.0	2.3	2.4	2.5	2.8
Developed Commonwealth b/	661.6	19.9	19.4	16.7	15.3	14.9
Other developed market economies	1 054.1	33.3	34.5	34.3	34.1	35.2
Centrally planned economies	246.9	7.4	7.3	7.1	7.3	7.8
Asian Commonwealth c/	189.0	5.8	5.7	6.6	5.9	5.8
Hong Kong	2.9	0.1	0.1	0.1	0.1	0.1
Other developing countries	551.5	16.7	16.0	16.8	15.7	17.0
Unallocated	260.6	7.3	6.1	6.5	9.7	5.8

Table 1-25 (continued)

Import category and source	Millions of dollars 1970	Percentage of imports in 1971	1972	1973	1974	1975 a/
Fuels (3)						
European Economic Community of the Six	378.3	13.6	15.9	13.9	11.7	15.2
Denmark and Ireland	61.5	2.6	2.1	2.7	3.6	3.0
Developed Commonwealth b/	1.8	1.1	0.9	0.3	0.5	1.3
Other developed market economies	75.7	4.1	4.5	4.6	3.4	3.3
Centrally planned economies	0.9	0.2	0.7	0.5	0.8	1.7
Asian Commonwealth c/	1.9	0.1	-	0.1	0.2	0.1
Hong Kong	-	-	-	-	-	-
Other developing countries	1 749.7	78.3	75.8	78.0	79.9	75.4
Manufactures (5-8)						
European Economic Community of the Six	3 018.9	29.7	32.4	32.4	36.2	37.5
Denmark and Ireland	455.2	4.7	4.7	5.8	4.2	4.3
Developed Commonwealth b/	981.9	7.2	5.9	5.0	4.7	4.0
Other developed market economies	4 293.8	37.8	37.6	36.6	36.4	36.1
Centrally planned economies	268.8	2.5	2.4	2.2	2.1	2.1
Asian Commonwealth c/	154.8	1.5	1.4	1.7	1.5	1.8
Hong Kong	290.1	3.2	2.9	2.9	2.3	2.3
Other developing countries	650.6	4.6	3.7	4.4	4.5	4.1
Unallocated	877.7	8.8	9.0	9.0	8.0	7.7

Table 1-25 (continued)

Import category and source	Millions of dollars 1970	Percentage of imports in				
		1971	1972	1973	1974	1975[a]
Total (0-9)						
European Economic Community of the Six	4 264.1	21.0	23.8	24.0	26.7	29.4
Denmark and Ireland	1 430.6	7.1	6.9	7.1	6.0	6.4
Developed Commonwealth b/	2 703.3	11.4	10.0	8.4	6.4	5.6
Other developed market economies	6 621.9	29.5	30.5	31.0	26.8	27.3
Centrally planned economies	681.4	2.9	2.8	2.6	2.4	2.4
Asian Commonwealth c/	611.6	2.6	2.2	2.5	2.0	2.0
Hong Kong	300.3	1.7	1.6	1.6	1.2	1.3
Other developing countries	3 836.7	18.0	16.2	16.6	22.9	20.8
Unallocated	1 273.8	5.9	6.0	6.2	5.5	4.7

Source: United Nations, Commodity Trade Statistics, Series D, and United Kingdom, Overseas Trade Statistics.

a/ Preliminary; based in some cases on national source.

b/ Australia, Canada and New Zealand.

c/ Bangladesh, India, Malaysia, Singapore and Sri Lanka, plus Pakistan which left the Commonwealth on 30 January 1972.

Table I-26. Developed market economy imports from developing countries, 1970-1975

Category of imports	Value (billions of dollars) 1970	Percentage change from preceding year					
		1971	1972	1973	1974	1975	Average 1971-1975
Total	45.33	11.0	16.4	47.1	92.2	-5.5	32.3
Excluding fuels . . .	30.01	1.5	17.0	46.9	29.9	-9.2	17.2
Food and beverages . .	11.12	1.8	13.1	34.2	20.2	3.5	14.5
Cereals	0.68	15.9	-40.1	70.4	75.4	-32.2	17.9
Raw materials	9.01	-3.2	8.6	52.5	35.2	-18.7	14.9
Oil-seeds	0.55	-1.3	5.1	90.1	33.5	-2.3	25.0
Fibres	1.52	-8.5	19.4	24.6	22.1	-24.0	6.7
Crude fertilizer . .	0.49	1.4	2.2	34.3	142.8	-15.3	33.1
Ores and scrap . . .	3.05	-5.0	2.1	39.7	43.0	-8.1	14.3
Fuels	15.32	29.8	15.6	47.4	188.5	-3.0	55.7
Manufactures	9.50	4.1	29.4	57.3	34.7	-13.4	22.4
Chemicals	0.61	12.6	8.6	30.0	64.8	-11.1	21.0
Machinery and vehicles	0.86	45.9	47.2	76.3	43.9	-4.0	41.9
Textiles	1.02	19.0	31.8	64.2	20.3	-25.5	21.9
Clothing	1.20	37.9	37.5	52.2	29.6	10.4	33.5
Iron and steel . . .	0.27	-3.3	53.2	47.2	59.7	-23.7	26.6
Non-ferrous metals .	3.42	-28.5	2.3	52.0	50.0	-37.2	7.7
Other metal products	0.07	13.6	68.0	55.6	71.9	-19.0	38.0
Manufactures other than non-ferrous metals	6.08	22.3	38.0	58.5	31.2	-7.0	28.6

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

Table I-27. Developed market economies: imports of textiles from developing countries, 1970-1975

Year and item	Fibres a/			Textiles b/			Clothing c/		
	EEC	United States of America	Japan	EEC	United States of America	Japan	EEC	United States of America	Japa
Value (millions of dollars)									
1970	748	63	452	409	335	81	341	650	51
1971	656	42	435	501	394	100	488	911	72
1972	737	56	541	654	509	165	721	1 192	91
1973	1 017	60	583	1 027	576	559	1 180	1 464	416
1974	1 225	79	686	1 290	737	414	1 618	1 712	570
1975	1 004	59	463	1 235	494	323	2 055	1 991	347
Structure (percentage of combined value) d/									
1970	49.9	6.0	77.4	27.3	32.0	13.9	22.8	62.0	8.7
1971	39.9	3.1	71.7	30.4	29.3	16.4	29.7	67.6	11.9
1972	34.8	3.2	67.9	31.0	29.0	20.7	34.2	67.8	11.4
1973	31.5	2.9	37.4	31.9	27.4	35.9	36.6	69.7	26.7
1974	29.6	3.1	41.1	31.2	29.2	24.8	39.1	67.7	34.1
1975	23.4	2.3	40.9	28.8	19.4	28.5	47.8	78.3	30.6

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

a/ SITC 26.

b/ SITC 65.

c/ SITC 84.

d/ Sum of SITC 26, 65 and 84.

Table I-28. Developed market economies: imports of ores, metals and metal products, 1970-1975

Group and importing countries	Value (millions of dollars) 1971	1975	Structure (percentage of combined values) 1971	1972	1973	1974	1975
Ores and scraps a/							
Developed market economies	2 895	5 427	41.8	37.8	34.5	33.6	37.5
EEC	977	1 960	34.5	36.1	32.9	32.5	36.0
United States of America	479	987	27.2	19.0	15.9	15.2	20.7
Japan	1 208	1 980	71.4	67.2	61.6	62.0	67.0
Non-ferrous metals b/							
Developed market economies	2 444	3 576	35.3	32.0	31.8	32.5	24.7
EEC	1 471	2 033	52.0	47.1	47.0	50.3	37.3
United States of America	387	698	22.0	18.0	17.4	19.2	14.7
Japan	386	499	22.8	25.5	27.5	25.3	16.9
Iron and steel c/							
Developed market economies	263	723	3.8	5.1	5.0	5.4	5.0
EEC	87	313	3.1	4.1	4.5	3.8	5.7
United States of America	129	290	7.3	9.3	7.3	9.3	6.1
Japan	27	50	1.6	1.1	2.1	1.7	1.7
Machinery and metal products d/							
Developed market economies	1 322	4 744	19.1	25.1	28.7	28.5	32.8
EEC	294	1 139	10.4	12.7	15.6	13.4	20.9
United States of America	767	2 782	43.5	53.7	59.5	56.3	58.5
Japan	71	427	4.2	6.2	8.8	11.0	14.4
Total, above							
Developed market economies . . .	6 924	14 470	100	100	100	100	100
EEC	2 829	5 445	100	100	100	100	100
United States of America	1 762	4 757	100	100	100	100	100
Japan	1 692	2 956	100	100	100	100	100

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

a/ SITC 28.

b/ SITC 68.

c/ SITC 67.

d/ SITC 691-5, 698, 7 and 812.

Table I-29. Developed market economies: distribution of imports from developing countries, 1971-1975

	Share of developed market economy imports from developing countries coming to														
	EEC					United States of America					Japan				
Category of imports	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Total	47	46	45	43	43	23	24	23	24	25	17	17	19	20	20
Food and beverages	44	44	45	40	42	32	31	28	31	27	10	10	11	13	16
Cereals	52	55	59	47	47	1	-	-	-	1	24	25	20	26	31
Raw materials . . .	43	44	45	44	46	13	13	11	13	15	31	29	32	29	25
Oil-seeds	60	62	68	72	72	8	6	5	2	1	16	12	15	10	8
Fibres	47	44	49	48	52	3	3	3	3	3	31	33	28	27	24
Crude fertilizer	42	44	44	55	54	15	14	13	8	11	20	18	18	15	13
Ores and scrap .	34	36	36	35	36	17	16	15	15	18	42	39	41	48	37
Fuels	57	55	52	46	44	12	13	16	20	22	18	19	20	22	22
Manufactures:															
Chemicals	44	37	38	36	38	29	34	27	29	30	6	8	13	15	13
Machinery and vehicles . . .	22	19	21	17	24	58	69	66	65	59	6	6	7	8	9
Textiles	41	41	39	41	52	32	32	22	23	21	8	10	21	13	14
Clothing	29	32	34	36	41	55	52	42	38	40	4	4	12	13	7
Iron and steel .	33	30	35	26	43	49	58	47	59	40	10	5	10	9	7
Non-ferrous metals	60	56	56	57	57	16	18	17	19	20	16	18	20	17	14
Other metal products . . .	27	23	20	16	22	52	58	55	56	57	4	4	11	13	10
Manufactures other than non-ferrous metals	31	30	31	29	35	48	51	44	45	44	6	7	13	12	10
Total other than fuel	41	40	41	39	42	30	31	28	29	30	16	15	18	18	16

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

Table I-30. Composition of imports from developing countries by major industrial countries, 1970-1975

Category of imports	EEC: Value (millions of dollars) 1970	EEC: Percentage of imports from developing countries other than fuel 1971	1972	1973	1974	1975	United States of America: Value (millions of dollars) 1970	United States of America: Percentage of imports from developing countries other than fuel 1971	1972	1973	1974	1975	Japan: Value (millions of dollars) 1970	Japan: Percentage of imports from developing countries other than fuel 1971	1972	1973	1974	1975
Total	21 519						10 354						7 497					
Fuels	8 611						1 920						2 709					
Total other than fuels	12 908	100	100	100	100	100	8 434	100	100	100	100	100	4 788	100	100	100	100	100
Food and beverages	4 922	39.3	39.2	36.2	31.2	35.1	3 521	39.9	35.7	33.1	31.8	32.0	1 002	23.8	24.7	20.0	22.7	33.9
Cereals	380	3.2	1.8	2.2	2.5	1.8	3	0.1	-	-	-	0.1	167	3.9	2.2	1.7	3.0	3.0
Raw materials . . .	3 943	29.9	29.2	30.2	32.8	28.7	1 231	12.8	10.7	11.0	12.3	12.9	2 778	56.7	51.9	48.3	47.8	40.6
Oil-seeds	329	2.6	2.5	3.5	4.0	4.0	46	0.5	0.3	0.4	0.2	0.1	94	1.8	1.3	1.7	1.3	1.1
Fibres	748	5.2	5.1	4.8	4.6	3.9	63	0.5	0.5	0.4	0.4	0.3	453	9.0	10.1	6.2	5.7	4.7
Crude fertilizer	206	1.7	1.6	1.4	3.5	3.0	74	0.8	0.7	0.6	0.7	0.9	98	2.0	1.7	1.3	2.0	1.8
Ores and scrap	1 061	7.8	7.5	7.0	7.9	7.7	511	5.3	4.2	4.1	4.4	5.4	1 224	25.0	21.6	18.0	23.8	19.9
Manufactures . . .	3 987	30.2	30.9	33.2	35.6	35.2	3 414	43.5	50.4	53.2	53.5	51.7	870	17.8	21.7	30.9	23.8	24.4
Chemicals	240	2.4	1.9	1.7	2.2	2.1	192	2.2	2.2	1.8	2.3	2.3	43	0.8	1.1	1.4	2.0	1.8
Machinery and vehicles . . .	187	2.2	2.4	3.1	3.1	4.2	561	8.1	11.4	14.6	15.2	14.5	40	1.4	1.9	2.3	3.1	3.9
Textiles	409	4.0	4.5	4.8	4.9	4.8	335	4.4	4.5	3.9	3.7	2.7	81	2.1	3.1	5.9	3.5	3.3
Clothing	341	3.9	5.0	5.5	6.1	8.0	650	10.1	10.6	10.0	8.6	11.0	51	1.5	1.7	4.4	4.7	3.5
Iron and steel	104	0.7	0.9	1.0	0.9	1.2	73	1.4	2.1	1.9	2.8	1.6	66	0.6	0.4	0.6	0.7	0.5
Non-ferrous metals	2 142	11.7	9.8	10.0	12.2	7.9	513	4.3	4.0	4.5	5.5	3.8	546	8.0	8.2	8.0	8.1	5.0
Other metals products . . .	14	0.2	0.2	0.2	0.2	0.2	39	0.4	0.7	0.7	1.0	0.9	3	0.1	0.1	0.2	0.4	0.3
Manufactures other than non-ferrous metals	1 845	18.5	21.2	23.2	23.3	27.2	2 901	39.3	46.4	48.8	48.0	47.9	424	9.8	13.5	22.8	20.7	19.4

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

Table I-31. Developed market economies: composition of net financial flows to developing countries, 1971-1975

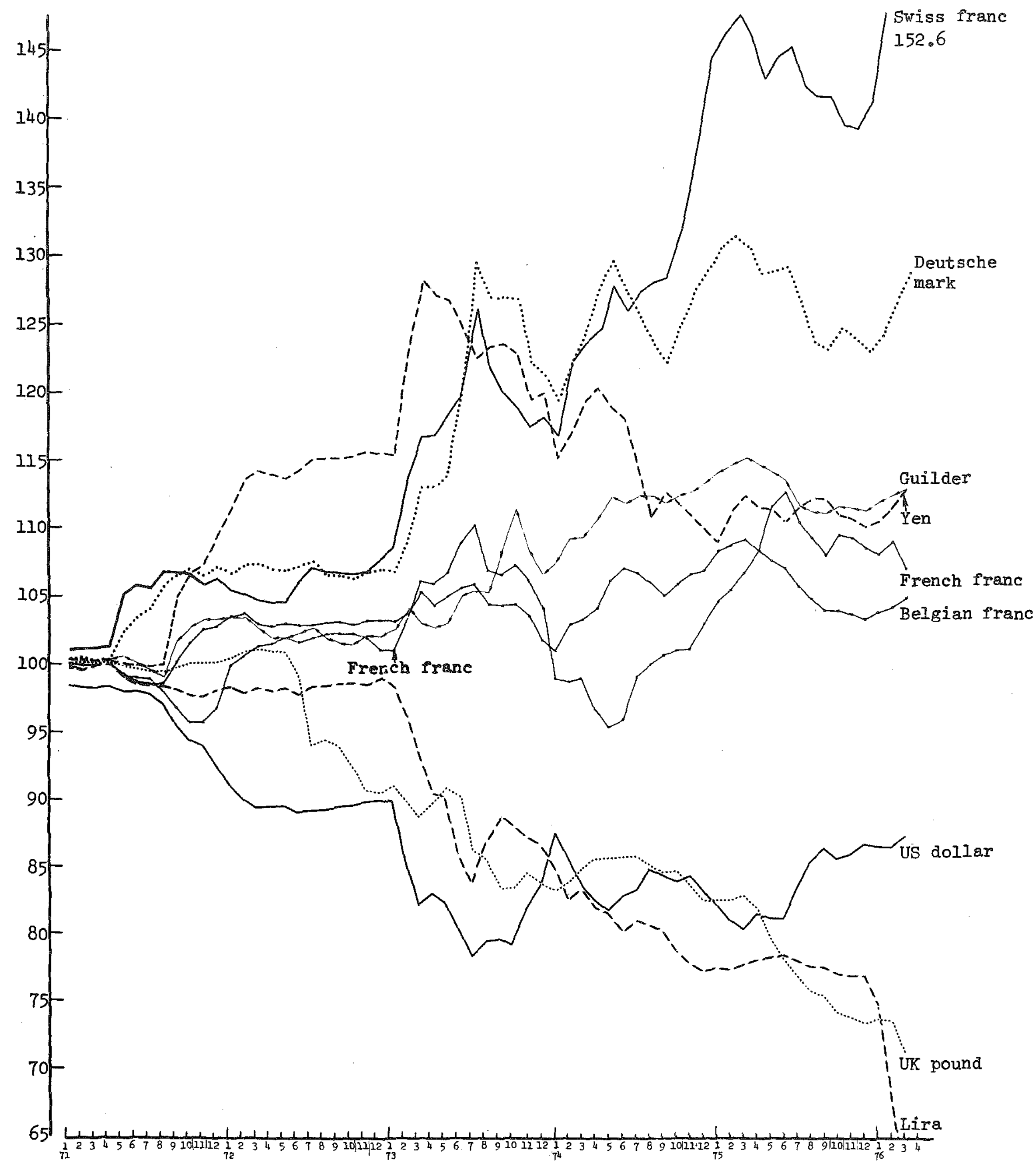
Flow	1971		1972		1973		1974		1975 a/	
	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total	Millions of dollars	Percentage of total
Official, bilateral . .	7 098	44.0	7 545	42.2	8 865	39.5	10 370	41.6	12 320	35.4
Official, development assistance	6 258	38.8	6 519	36.5	6 971	31.1	8 228	33.0	9 790	28.1
Other official flows	840	5.2	1 027	5.7	1 894	8.4	2 142	8.6	2 530	7.3
Donations	3 514	21.8	4 225	23.6	4 308	19.2	5 289	21.2	6 265	18.0
Loans	3 584	22.2	3 320	18.6	4 557	20.3	5 081	20.4	3 525	10.1
Technical assistance	1 629	10.1	1 814	10.1	2 232	9.7	2 486	10.0	2 880	8.3
Food aid	1 240	7.7	1 088	6.1	850	3.8	1 066	4.3	...	...
Official, to the multilateral agencies . .	1 756	10.9	2 446	13.7	2 782	12.4	3 176	12.7	3 943	11.3
Official development assistance	1 354	8.4	1 921	10.7	2 272	10.1	3 064	12.3	3 770	10.8
Food aid	546	3.4	516	2.9	420	1.9	461	1.8	...	...
Other official flows	402	2.5	525	2.9	510	2.3	112	0.4	173	0.5
Private, bilateral . .	6 500	40.3	7 226	40.4	10 529	46.9	11 443	45.9	18 587 b/	53.4 b/
Direct investment . .	3 417	21.2	4 089	22.9	6 199	27.6	5 867	23.5	8 190	23.5
Portfolio investment	761	4.7	1 761	9.8	3 319	14.8	3 517	14.1	2 948 b/	8.5 b/
Guaranteed export credits	2 323	14.4	1 376	7.7	1 011	4.5	2 059	8.3	5 125	14.7
Private, to the multilateral agencies . .	771	4.8	667	3.7	258	1.2	-70	-0.3	... b/	... b/
Total at current prices	16 125	100.0	17 884	100.0	22 434	100.0	24 919	100.0	34 850	100.0
at 1970 prices	15 212		15 606		16 680		15 458		18 134	

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Development Co-operation, 1974 Review and 1975 Review (Paris), and Press Release, "Resources for developing countries, 1975, and recent trends" (Press/A(76)22) (Paris, 29 June 1976).

a/ Preliminary.

b/ ... included with bilateral portfolio investment.

Figure I-1. Exchange rates of the major currencies, trade weighted against 20 trading partners, 1971 to April 1976



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

Figure I-2. United States of America: selected indicators of economic development and policy, 1970-1975

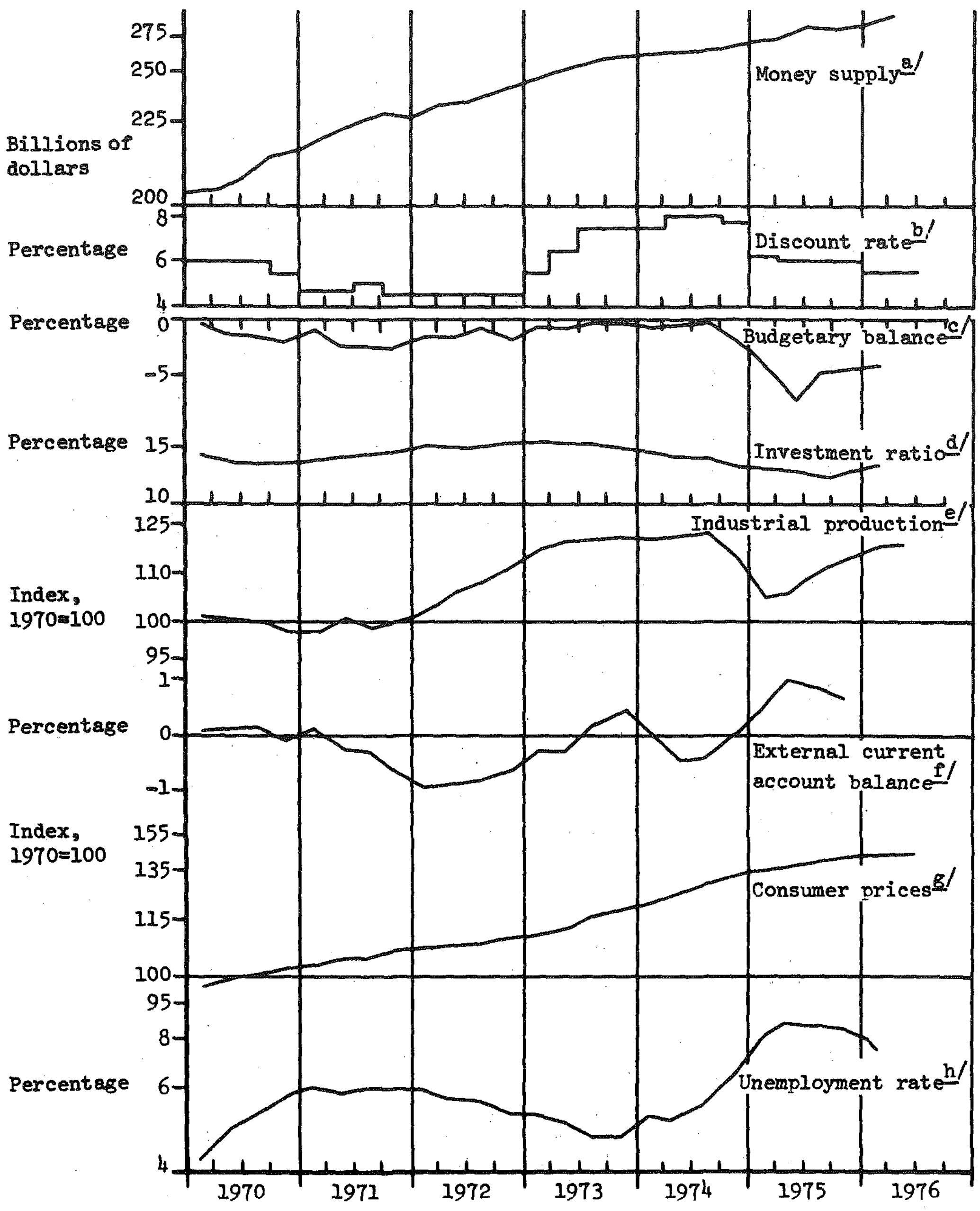


Figure I-3. Federal Republic of Germany: selected indicators of economic development and policy, 1970-1975

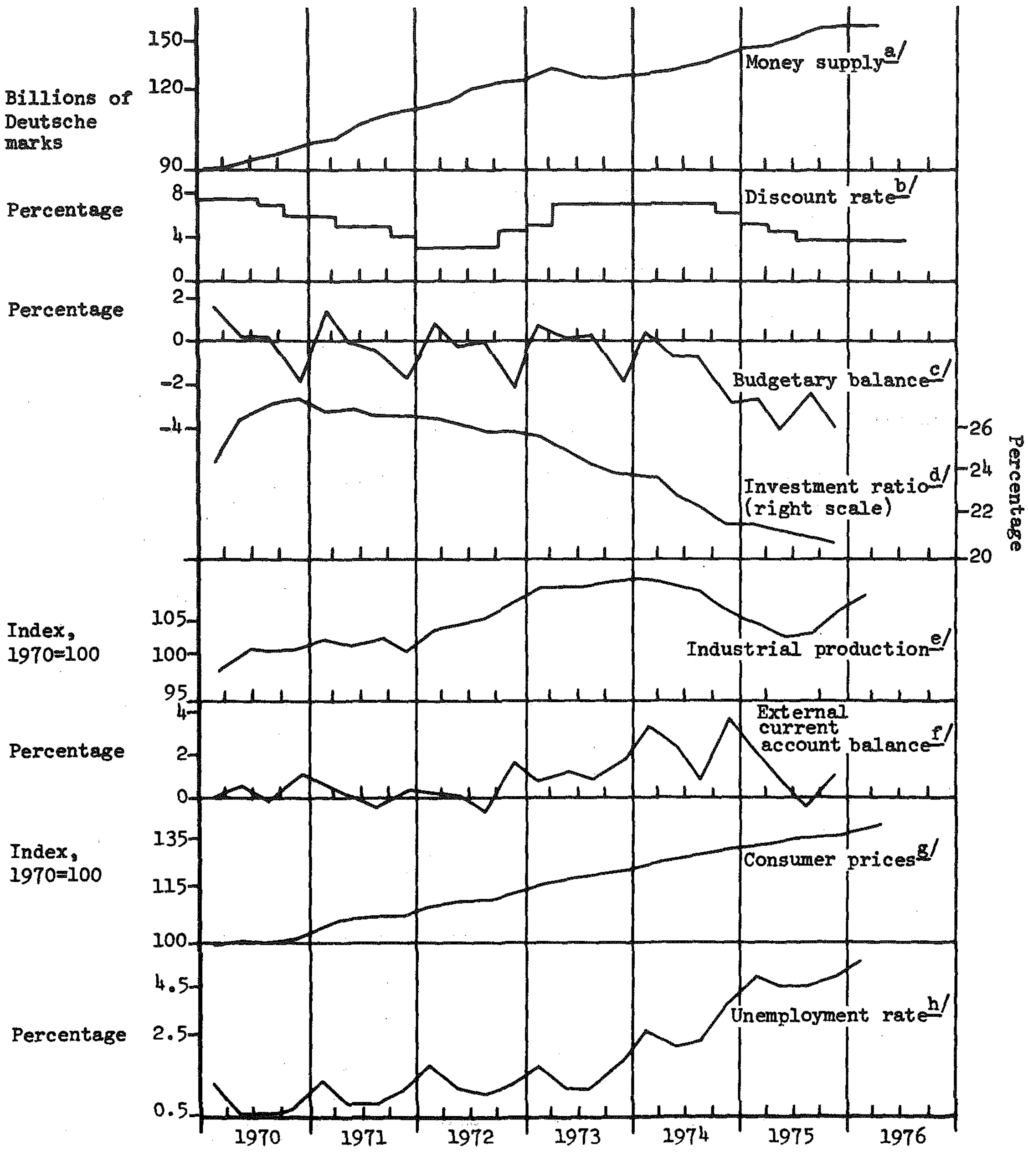


Figure I-4. Japan: selected indicators of economic development and policy, 1970-1975

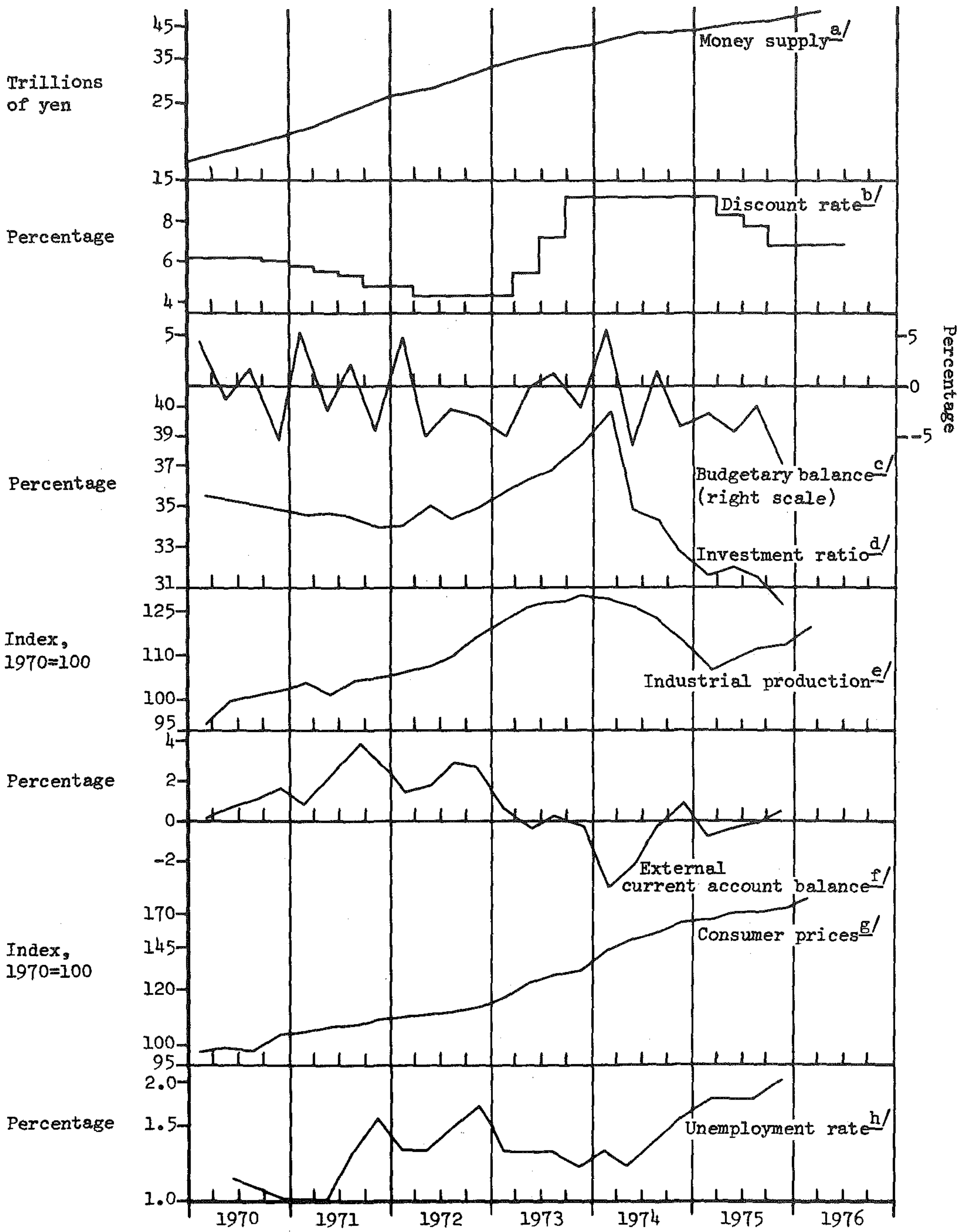


Figure I-5. France: selected indicators of economic development and policy, 1970-1975

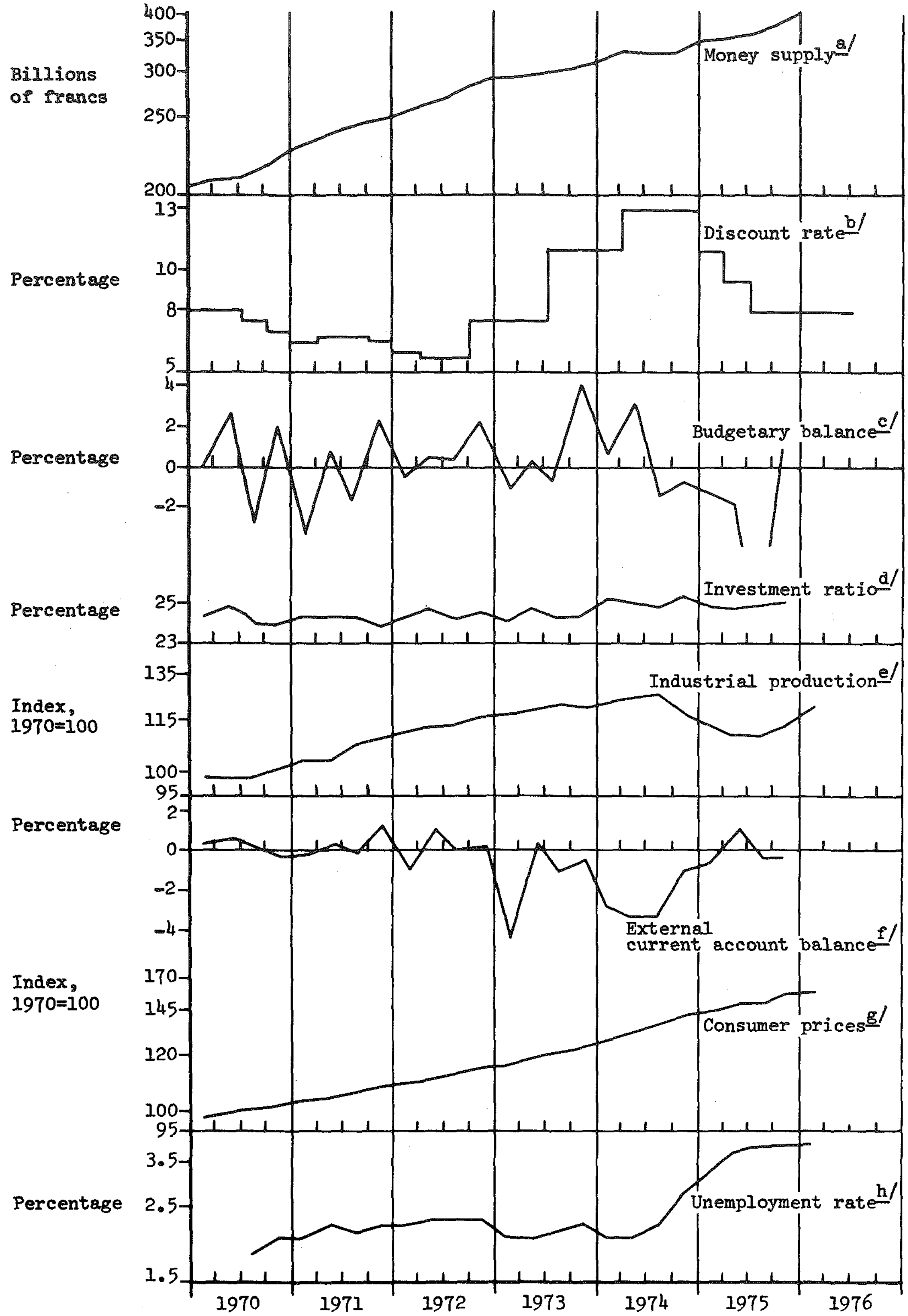


Figure I-6. Italy: selected indicators of economic development and policy, 1970-1975

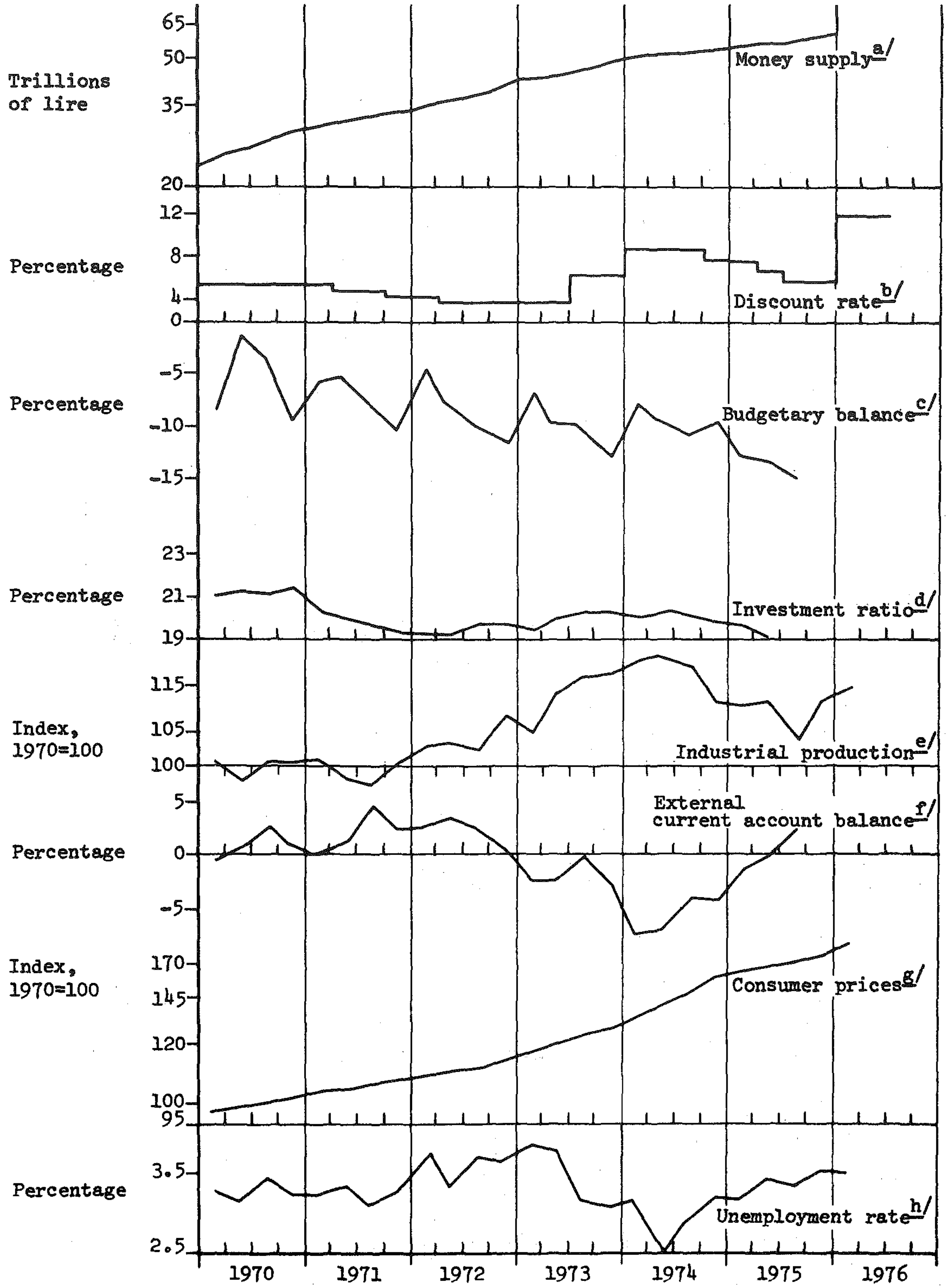
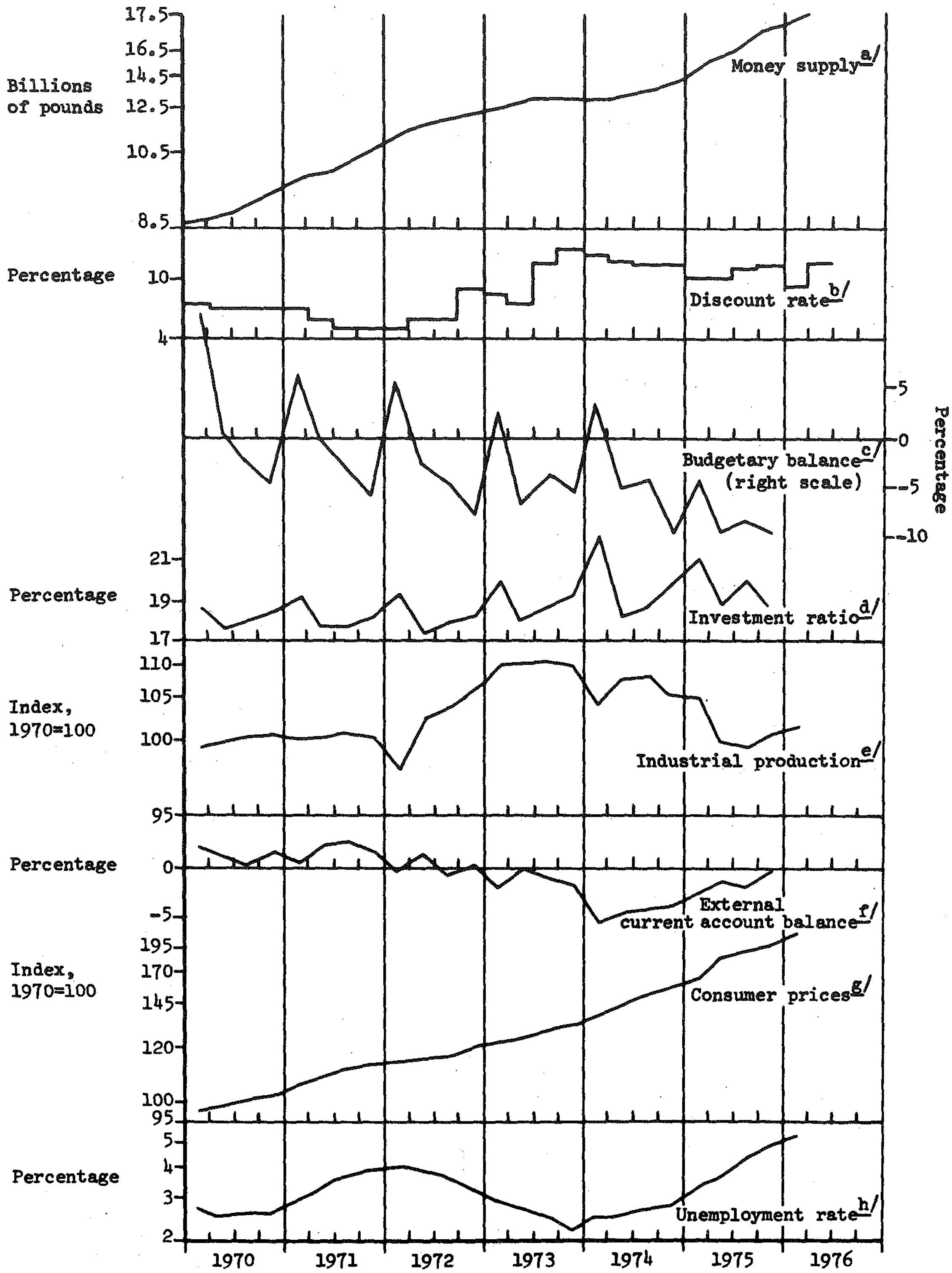


Figure I-7. United Kingdom: selected indicators of economic development and policy, 1970-1975



(Source and foot-notes to figures I-2 to I-7: Selected indicators of economic developments and policy, 1970-1975)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on International Monetary Fund, International Financial Statistics (Washington, D.C.); Organisation for Economic Co-operation and Development, Main Economic Indicators, Economic Outlook and Economic Surveys (Paris), and national sources.

a/ Money supply: currency and deposit money held by the domestic non-government sector at end of quarter, seasonally adjusted, semi-logarithmic scale.

b/ Discount rate: percentage per annum as at end of quarter, arithmetic scale.

c/ Budgetary balance: central or federal government budget surplus or deficit (-) expressed as percentage of gross national product (gross domestic production in the case of France), arithmetic scale.

d/ Investment ratio: gross fixed capital formation as percentage of gross national product (gross domestic product in the case of France), seasonally adjusted, arithmetic scale.

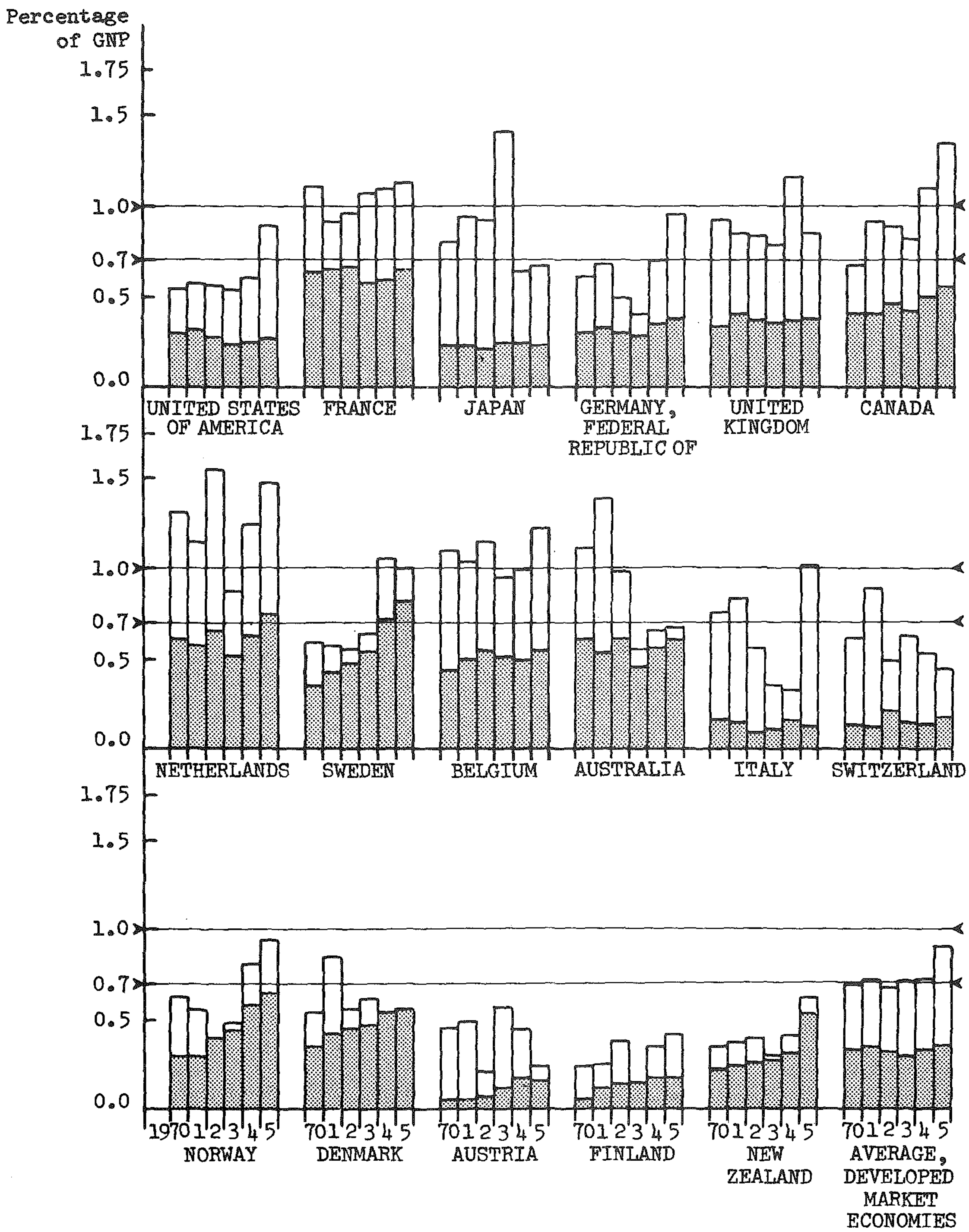
e/ Industrial production: index (1970=100), excluding construction (except in the case of the United Kingdom), seasonally adjusted, semi-logarithmic scale.

f/ Current account balance: surplus or deficit (-) of merchandise trade, services and unrequited transfers expressed as percentage of gross national product (gross domestic production in the case of France), arithmetic scale.

g/ Consumer prices: index (1970=100) of cost of living, quarterly average, semi-logarithmic scale.

h/ Unemployment: number of registered unemployed expressed as percentage of civilian labour force, quarterly average, seasonally adjusted, semi-logarithmic scale.

Figure I-8. Developed market economies: a/ ratio to gross national product of net transfer of resources to developing countries b/ and international development institutions, 1970-1975



(Source and foot-notes to figure I-8)

Source: As for table I-31.

a/ Countries are arranged in descending order of net amount transferred to developing countries in 1975.

b/ Developing countries of Latin America and the Caribbean, Africa, and Asia and the Pacific.

Chapter II

PROBLEMS AND POLICIES IN THE CENTRALLY PLANNED ECONOMIES

Economic growth in the first half of the Decade

The economic situation in 1975

Output in the European socialist countries continued to increase fairly rapidly in 1975, though because of the weak performance of the agricultural sector over-all growth rates were generally somewhat lower than in 1974. Internally generated aggregate demand, supported by strong investment programmes and rising consumer incomes, continued to maintain pressure on domestic resources and import possibilities. In the foreign trade sphere, the situation of most Eastern European countries was adversely affected by worsening terms of trade and weak demand in Western markets. The effect of this on the external balance was accentuated by the fact that regular import requirements were reinforced by the need for supplementary agricultural imports.

Production

Total output (real net material product) of the Eastern European centrally planned economies 1/ increased by just over 7 per cent in 1975 compared with 9 per cent in 1974, while Soviet national income grew by 4 per cent, as against over 5 per cent in 1974 (table II-1).

Industrial output of the group was 8 per cent above the level of the preceding year. The increase in Eastern Europe (9.2 per cent) was only slightly below that of the preceding year (9.5 per cent), and well above plan figures in almost all of these countries. Soviet industrial production also exceeded the plan target with a 7.5 per cent increase, but was more strongly braked by supply difficulties connected with the agricultural results of the year, which retarded growth in the last quarter and also caused the setting of a relatively low target (4.3 per cent) for 1976 (table II-2). Industrial labour productivity increased by between 5 and 10 per cent, in line with recent trends, except in Bulgaria and Poland where 1975 brought a notable gain (table II-3).

Agricultural production was seriously affected by adverse weather conditions during the 1974/75 growing season, which caused a drop of about 1 per cent in the Eastern European countries and a much sharper decline - 6 per cent - in the USSR (table II-4). Unfavourable weather in the fall and winter forced the replanting of some winter-sown areas in Poland, and in the northern part of central Europe and the grain belts of the Soviet Union a lengthy drought depressed yields especially in grain production. In Romania and Hungary, excessive rainfall and floods during the summer reduced root crop harvests.

In Eastern Europe grain production reached approximately 71 million tons - some 4 million tons below the 1974 level. Only Bulgaria and Romania registered increases. The Soviet crop of 140 million tons was down 56 million tons from the

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

preceding year. The sharp downturn upset the pattern of grain distribution in the area, especially the supply-demand balance for feed grains, and forced a fallback on to the world market to mitigate the impact on livestock herds. The USSR is reported to have contracted for imports of 27-30 million tons of grain and Eastern European countries for another 10 million tons. To protect future meat supplies, the countries seem anxious to maintain cattle herds: at the end of the year these were reported fairly steady though most hog herds had been sharply cut.

Final uses and internal balance

In most Eastern European countries investment activity increased at a somewhat lower rate than in 1974, in accord with the plan, except in Hungary where outlays increased by 12 per cent, double the planned rate (table II-5). Soviet investment spending, however, grew somewhat faster than in the preceding year, and in most countries investment expanded substantially faster than output. The recent trend towards tightened central control over investment spending continued in 1975 in response to concern about excessive dispersion of resources which hampered priority projects and resulted in over-long gestation periods.

In general, the growth of money incomes and consumer expenditures appears to have been slower than in recent years, though in Poland and perhaps also in the USSR it seems to have been somewhat faster (table II-6). Except in these two countries, consumption seems to have increased less than production. In Poland, where consumer incomes grew especially rapidly in 1975, as in the preceding years, some imbalances developed, in particular between the structure of food-stuff supply and the structure of consumer demand.

Over-all, however, internal macro-balance appears to have been fairly well maintained in the European centrally planned economies during 1975. Though price levels were probably under pressure - because of world market developments as well as internal cost changes - most countries decided as a matter of policy to use fiscal means to maintain price levels unchanged. Only in Hungary and Poland, where the price system is used to a relatively larger degree as an economic steering instrument, did consumer price levels increase significantly - by 3 to 4 per cent.

Foreign trade and external balance

In marked contrast to the contraction of world trade, the volume of the socialist countries' foreign trade continued to grow in 1975 by roughly 7-9 per cent for exports and 8-12 per cent for imports, somewhat below the trend of recent years. In current value terms, the export growth of the group slowed, from 25 per cent in 1974 to 16 per cent in 1975, while imports expanded by 26 per cent, about the same rate as in the preceding year. While exports increased at similar rates in Eastern Europe and the USSR, import growth slowed down in Eastern Europe but accelerated in the Soviet Union to more than double the export growth rate (table II-7).

A marked acceleration in the growth of the value of trade among the socialist countries in 1975 was caused by the adjustment of trade prices among members of the Council for Mutual Economic Assistance (CMEA) to world market trends at the beginning of the year. The adoption of average 1972-1974 world market prices as a base for intra-group price determination resulted in substantial increases in fuel and raw material prices, even though these still remained significantly below those current in Western markets. 2/ The volume of intra-regional trade probably increased by 7-9 per cent.

Exports to the market economies generally stagnated in value, though volume may have risen if other countries shared the Hungarian experience of falling export prices. 3/ Several Eastern European countries sharply constrained imports from market economies - both developed and developing - probably for balance-of-payments reasons, while in others imports continued to grow in spite of sluggish export performance (see table II-8). For the Eastern European group jointly, imports from the market economies rose by less than 5 per cent, with a somewhat higher increase in imports from the developed countries and an absolute drop in imports from developing economies. Soviet imports, by contrast, increased by an unprecedented 56 per cent from the developed market economies - probably reflecting a bunching of deliveries of machinery and equipment imports ordered earlier as well as the surge of grain imports late in the year - and by 44 per cent from developing countries.

There was thus a pronounced worsening in the balance of trade of the Eastern European countries, especially with developed market economies, and a swing from over-all surplus into over-all deficit for the USSR. 4/ The trade balance of the Eastern European group reflects the combined impact of slack import demand in recession-bound Western markets and deteriorating terms of trade of the raw material-importing countries of the group in the intra-group market after the adjustment of CMEA foreign trade prices. All countries but Poland and Romania developed deficits in intra-CMEA trade. In trade with the industrial market economies, the cumulated deficits for the 1970s rose from $9.5 billion at the end of 1974 to $15.5 billion. The Soviet Union, as the main raw material supplier in the CMEA group, doubled its surplus with other socialist countries, but reduced the traditional surplus with developing countries to approximate balance and incurred a record deficit with industrial market economies which raised the cumulated 1970s deficits from $2.1 to $7.1 billion.

2/ Further price increases, however, are expected in coming years under the new price formation régime which envisages annual adjustments towards the average price level on world markets during the immediately preceding five-year period. Data on the 1975 CMEA trade price changes are available only for Hungary, where in trade with the rouble area, export prices rose by 15 per cent and import prices by 26 per cent.

3/ In Hungarian trade with the dollar area, export prices dropped by 7 per cent and import prices remained unchanged.

4/ Eastern Europe and USSR: trade balance, 1973-1975

(Billions of dollars)

	Eastern Europe			USSR		
	1973	1974	1975	1973	1974	1975
Total	-1.1	-4.8	-6.0	0.4	2.5	-3.7
Centrally planned economies .	1.2	0.3	-0.5	-0.5	0.6	1.3
Developed market economies .	-2.5	-5.1	-6.1	-1.1	0.3	-4.9
Developing economies	0.2	-	0.6	2.0	1.6	-

Source: See source and foot-note a/ to table II-8.

Review of 1971-1975 growth performance

1975 was the last year of a medium-term (five-year) planning period, whose over-all goals were successfully implemented in most of the countries of the group. The growth of output lagged against the plan only in the Soviet Union, where agricultural performance was disappointing in three out of the five years. By contrast, the combined national income of the Eastern European countries grew faster than during the preceding quinquennium.

For the 1971-1975 plan period, the centrally planned economies of Eastern Europe and the USSR had set themselves three over-all guidelines. First, the gradual transition from extensive economic development to intensive growth was to be stepped up in an effort to counteract the potential deceleration stemming from the exhaustion of labour reserves and to raise productivity nearer to the levels obtaining in the advanced market economies. Secondly, this strategic change was to be implemented, inter alia, through a more intensive participation in the international division of labour, both within the region, where closer economic integration was to be fostered, and with other countries, especially the developed market economies. Thirdly, a more consumer-oriented policy in the structure of production and trade and in the growth of incomes was to be an essential ingredient of the redefined strategy.

In general, the socialist countries achieved these goals despite the world economic recession, the price explosion on world markets and the adverse climatic conditions in several years of the period. Though difficulties of preserving price stability and the need to finance large balance-of-payments deficits emerged in several of the countries, they succeeded, by and large, in at least temporarily neutralizing the adverse effects of world market events on the domestic economies, in maintaining relatively high growth rates and full employment, and in implementing a more consumer-oriented policy without seriously disturbing domestic price stability.

Production

In all the centrally planned economies of Eastern Europe and in the USSR, the growth of national income (net material product) continued at a rapid pace in 1971-1975 (see table II-1). Compared with the preceding five-year period, there was a marked acceleration in Eastern Europe, but a slowdown in the USSR. The over-all targets set in the 1971-1975 plans were exceeded in the Eastern European region, but were not fully met in the USSR. The net material product of the region increased by 6.2 per cent a year, as against 7.4 per cent in 1966-1970 and the 6.7-6.8 per cent plan targets for 1971-1975. While industrial growth accelerated in almost all countries of the group, in agriculture several disappointing harvests in the Soviet Union and relatively weak growth in several other countries affected the over-all performance.

Sharp variations in agricultural output were mainly responsible for fluctuations in growth performance during the period. National income growth rates for the region as a whole ranged from 5 to 9 per cent a year. While growth was relatively steady in Eastern Europe (with rates varying between 7 and 9 per cent), it fluctuated between 4 and 9 per cent in the USSR. High gains were recorded in the south-eastern European countries and in Poland.

The growth of industrial output in 1971-1975 surpassed the planned levels in all countries except Bulgaria and the USSR (see table II-2). As against the 7.5 to 7.8 per cent target, the average annual growth rate in the Eastern European countries was 8.8 per cent. Industrial expansion was very fast in Bulgaria, Romania and Poland, but in Bulgaria the high plan target was only barely attained. In the USSR, the industrial sector expanded by an annual 7.4 per cent, compared with an 8.0 per cent target.

The output of producer goods grew at a higher rate than the output of consumer goods in all countries except Hungary, but the difference between the two narrowed markedly in the German Democratic Republic, Poland and Romania, where the growth of output of consumer goods accelerated substantially. A slowdown in the consumer goods sector was observed in Bulgaria and the USSR, reflecting the weak performance in agriculture whence a substantial proportion of the sector's inputs originate. In the USSR the five-year plan goal to have the output of consumer goods expand faster than that of producer goods proved unattainable. 5/

In agricultural production, the Eastern European countries and the USSR had aimed at annual expansion rates ranging from 2.4 per cent to more than 8 per cent above the levels achieved in the preceding five-year period (see table II-4). 6/ Actual output for the group as a whole was substantially below planned levels, mainly on account of three disappointing harvests in the USSR but also because of adverse developments in several Eastern European countries. Floods and excessive rainfall in south-eastern Europe and extended droughts following upon cold and snowless winters in the northern part of central Europe and the grain belt of the Soviet Union resulted in poor crops - especially of grains and roots - in 1972 and again in 1974 and 1975. On the whole, livestock production was more stable and softened the impact of low crops on over-all agricultural performance.

In the USSR, the average annual output in 1971-1975 was 13 per cent above that of the previous quinquennium, equivalent to a growth rate of 2.5 per cent a year, substantially below the 3.4 per cent growth trend of the preceding decade and even further below the 3.7-4.0 target. Because of the disastrous harvest in the final year, the annual growth from 1970 to 1975 averaged only 0.6 per cent. The performance of the Eastern European countries was essentially on target with only Bulgaria experiencing a substantially lower rate of expansion than planned or attained in the preceding decade. Hungary, with an average growth rate of almost 5 per cent between 1970 and 1975, significantly exceeded both the target rate and the trend rate of the 1960s.

Responding to weather conditions, year-to-year variations in agricultural performance were very pronounced. In Romania, the growth in agricultural output varied from 1 to 19 per cent, averaging an annual rate of 6.3 per cent. In the

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5/ In the case of producer goods, the attained rate of growth (7.8 per cent a year) was only fractionally below the planned rate (7.9 per cent), whereas achievement fell well short of plan in the case of consumer goods - 6.6 per cent a year against 8.2 per cent. In the 1976-1980 plan, Soviet planners revert to the traditional relationship between the two sectors, with a 6.6-7.3 annual growth target for producer goods and 5.4-5.7 per cent growth for consumer goods.

6/ Agricultural targets in Czechoslovakia and Poland are expressed against the 1970 levels.

USSR, the range was from -6 to +16 per cent. By contrast, growth in Czechoslovakia was much more stable though it averaged only 2.6 per cent. Since good harvests in some countries tended to counterbalance modest or no expansion in others, agricultural growth in Eastern Europe as a whole was also fairly stable.

Inputs and productivity

In the first half of the 1970s, labour supply began to become a constraint on the structure of growth even in those centrally planned economies where population growth was still relatively high. The gradual decline of increments to the working-age population, the exhaustion of possibilities of increasing the labour force through mobilization of inactive reserves, especially among women, as labour-force participation rates approached their natural maximum, and the decreasing returns from redistribution of the active population, expecially from agriculture to industry, have been crucial considerations in the policy shifts sought by these countries. Clearly, continued output growth could be assured only through an increasing stress on improvement in labour productivity.

In Czechoslovakia, the German Democratic Republic and Hungary, the natural growth of the labour supply had fallen to very low levels by the early 1970s. While demographic growth of labour resources continued in the other countries, sectoral shortages as well as difficulties due to the regional distribution of population had begun to arise, notably in Poland and the USSR. In some countries, the net availability of labour resources was reduced by social policy measures entailing decreases in the length of the working day or the work week, lowering of pension age, and temporary withdrawals for maternity leave or study.

In the high growth countries, a redistribution of the active population in favour of industry was envisaged and attained. The annual growth in the industrial labour force ranged between 0.3 per cent in the German Democratic Republic and 3.5 per cent in Poland. But in all countries, the main stimulus to output growth was provided by new capital inputs and gains in labour productivity, especially in industry.

Planned growth in industrial labour productivity ranged from 4.5 per cent in Hungary to 7.6 per cent in Bulgaria (table II-3). Except in Hungary and the USSR, these rates were similar to those achieved in the preceding medium-term plan. In Hungary and Poland, the targets were exceeded by a significant margin, and in Czechoslovakia the planned gain was attained.

Gross fixed investment was increased at an unprecedented rate in Poland and it expanded substantially faster than planned in Czechoslovakia and Romania also (see table II-5). In spite of rather conservative investment plans, with targets no higher than those attained in the preceding quinquennium, actual performance changed significantly from year to year as well as from country to country. While annual increases in labour productivity were fairly stable, investment activity in 1971-1975 fluctuated considerably in all countries, but especially in Hungary, Poland and Romania. In some years - in Hungary in particular - mandatory investment curbs had to be enacted in an effort to restore balance in the economy, especially in the foreign trade sector.

The intensive investment activity did not always result in a comparable addition to productive capital: acceleration in gross fixed investment was usually accompanied by sharply expanding inventories and uncompleted projects.

Not all the expansion could be channelled into productive use in the short run, so that a sequence of acceleration and deceleration in investment activity was typical, and very pronounced in the case of Hungary.

Consumption

Only in the German Democratic Republic and Poland did consumption grow more rapidly in 1971-1975 than in the preceding five years, but targets were exceeded in Czechoslovakia and Hungary. Except in the German Democratic Republic and the Soviet Union, the average expansion in accumulation was faster than that in consumption, so that in Eastern Europe as a whole the share of accumulation in distributed national income tended to increase. Furthermore, in most cases, as a result of new or expanded social welfare measures, growth in public consumption outpaced that in private consumption.

The real growth in personal incomes and private consumption during 1971-1975 was high in nearly all the centrally planned economies, and in some countries, Poland in particular, it reached unprecedented levels. In all countries except the USSR, increases in real per capita income and in retail trade surpassed the planned targets by a wide margin. This was especially conspicuous in Poland (table II-6). The expansion in disposable income was achieved largely without overt price inflation or excessive pressure on the available supply of consumer goods. In several countries, however, prices had to be subsidized on an increasing scale. In some cases shortages occurred and the authorities resorted to imports to maintain or to restore balance on consumer markets, incurring increased foreign deficits in the process.

Foreign trade and economic growth

Developments in over-all trade, prices and terms of trade

Price instability in world markets, especially in 1973-1974, and the downturn in world trade growth as a result of the recession in the major developed market economies have not been without effect on the centrally planned economies of Eastern Europe and the Soviet Union. However, in comparison with the impact of inflation and recession on the trade of the market economies, the socialist countries demonstrated a remarkable resilience which was reflected in the sustained growth of their foreign trade.

Over the first half of the decade, the countries of the group increased exports by 15 per cent annually at current prices and imports by over 18 per cent, the pace of growth increasing almost continuously from year to year until 1974 (see table II-7). In 1975, however, the expansion rate was somewhat lower than in the preceding years as exports to the market economies stagnated and several countries constrained imports to protect their balance of payments (table II-8).

Trade value grew substantially faster during the period than in the 1960s, but most of the acceleration was caused by increasing prices in outside markets and, in 1975, also in the intra-CMEA market. In 1971-1974 the physical volume of the Eastern European countries' exports and imports grew at about the same rate as during the preceding quinquennium, some 9-10 per cent annually, but it probably increased at a significantly lower rate in 1975 (table II-9). 7/ Several countrie showed some deceleration in export or import growth as compared to the late 1960s but Poland, and probably also Romania, expanded both exports and - even more pronouncedly - imports at a substantially accelerated pace. In the Soviet Union, the growth of export volume was about the same as in the preceding plan period, near 10 per cent a year, while import volume growth almost doubled from over 6 per cent a year in 1966-1970 to over 12 per cent in 1971-1974.

Export and import unit values rose for all centrally planned economies in th first half of the 1970s, especially in 1973-1974 (see table II-10). However, compared with world market price changes, the fluctuations in the average foreign trade prices of the socialist countries were modest, ranging between 2.4 and 6.6 per cent.

On balance, the terms of trade deteriorated for all economies except Poland and the Soviet Union. In some cases, the terms of trade declined continuously (Czechoslovakia and Hungary), while in others the adverse effects, especially in 1974, followed and offset favourable developments in earlier years.

In the German Democratic Republic and Hungary, the terms of trade losses over the five years amounted to about 10 per cent of total exports. The terms of trade declined less sharply for Czechoslovakia and remained virtually stable for Bulgaria. Although Poland's terms of trade improved significantly in 1971-1972, they declined in 1973-1974, leaving a 2.1 per cent gain for the period as a whole For the Soviet Union the decline set in only in 1974, leaving an over-all gain fo 1971-1974 of 8.5 per cent.

Changes in the over-all terms of trade were not solely the result of price changes in non-socialist markets: intra-CMEA contract prices were revised in 1971-1972, and though they then remained virtually constant until the end of 1974 for transactions included in the medium-term and annual trade agreements, it is probable that a portion of the intra-group trade - transactions denominated in dollars and above-plan deliveries - took place at prices more closely attuned to current world market fluctuations. 8/ This suggests that the centrally planned economies must have experienced substantial changes in terms of trade in transactions with non-socialist economies and, possibly, in trade with the socialist economies not members of CMEA. Although data on 1975 are still incomplete, preliminary evidence suggests that the price increases in intra-CMEA trade enacted in January 1975 had a negative impact on those countries which export primarily finished industrial goods and a positive impact on the exporters

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7/ Quantum data for 1975 are available only for Hungary, where growth was substantially below the average of the preceding four years - 4.8 per cent for exports and 5.6 per cent for imports, as against 10.6 and 7.7 per cent, respectively, for 1971-1974. (At current prices, export growth decelerated in 1975 while import growth accelerated against the 1971-1974 average.)

8/ Wider price swings in the dollar-denominated intra-group trade are indicated by Hungarian data: whereas in 1972-1974 unit values in Hungarian trade with CMEA countries (all types of transactions) rose by 4 per cent for exports ar 9.2 per cent for imports, in "rouble area" trade (essentially all of which is wit CMEA countries), the increases were only 2.4 per cent for export unit values and 3.3 per cent for import unit values.

of energy and fuels, raw materials and food-stuffs. 9/ Shifts in world market prices in 1975 probably further reduced the terms of trade of most centrally planned economies in commercial relations with non-socialist countries.

Trade dependence of the centrally planned economies

The aim of enlarging participation in world trade is one strategic element in the centrally planned economies' strategy of more intensive growth. It was hoped in the late 1960s that the economies would step up foreign trade very rapidly in consequence of more selective investment policies and the gradual consolidation and specialization, regionally and world-wide, of the existing economic structures.

Although between 1971 and 1974 trade volume increased faster than domestic output in all countries of the group, and the degree of trade participation thus continued to increase, the pace of advance does not seem to have been as high in most centrally planned economies as it was in the 1960s. This contrasts with expectations based on the emphasis the socialist countries put on regional integration efforts during this period, the translation of political détente into stronger East-West commercial ties, and the shifts in internal economic policies in favour of a more intensive participation in the international division of labour.

Direct measurement of trade dependence is prevented for most centrally planned economies by the lack of data on the value of exports and imports in domestic currency, but an indirect assessment of changes in the level of trade involvement can be made through an analysis of the behaviour of the income elasticity of foreign trade (table II-11). 10/ Export and import elasticities of the socialist countries for 1960-1974 and various subperiods, including the early 1970s, were above unity in all cases with the exception of Soviet imports during the 1960s, thus indicating a general increase in trade dependence. The elasticities for the early 1970s, however, are generally not greater - and in some cases are significantly smaller - than those prevailing in the 1960s. Only the data for the USSR indicate a significantly accelerated increase in trade intensity. In the Eastern European countries, export elasticity declined in several instances, increasing against the preceding period only in the case of Hungary, while the import elasticity was markedly above the long-term average for 1960-1974 only in Bulgaria and Poland.

Except in the German Democratic Republic and Hungary, 1970-1974 import elasticities substantially surpassed export elasticities. Most of the Eastern

9/ In 1975, Hungary's terms of trade with the "rouble area" deteriorated by 9 per cent, and those with the "dollar area" (including dollar-denominated intra-CMEA trade) by 7 per cent.

10/ An economy's trade dependence rises when a relative increase in economic activity is associated with a proportionally larger relative increase in trade. A deepening of trade dependence occurs whenever the ratio of the proportional increase in trade to that of economic activity - here conveniently identified as the net material product - is greater than unity. If this ratio is rising over time, the economy may be said to be accelerating the growth of its trade dependence.

European countries clearly did not succeed in accelerating the growth of export intensity, though in some cases the differential between export and import growth resulted from policy measures, especially in Poland where imports were planned to rise faster than exports. It is probable that export elasticities were often lower than expected owing to the slowdown in economic activity in Western markets. In other cases, it would seem that shifts in domestic wage and income policies contributed to the lower export profile, while the larger than planned expansion in production may have required disproportionately larger increases in imports as supply bottle-necks developed in some sectors.

Shifts in the commodity composition of foreign trade

In the aggregate, the commodity composition of exports and imports of the centrally planned economies changed little during the first half of the 1970s (table II-12). Reflecting the domestic development strategies of these economies and the main direction of their trade, however, the less developed economies (Bulgaria and Romania in particular) substantially increased the share of finished industrial products in exports. In the more industrialized economies there was a significant increase in the share of finished industrial products in imports. There were few, if any, changes in the commodity composition of the trade of Hungary and the USSR. In Poland, the share of finished industrial goods increased in exports as well as in imports.

In Hungary, the only member of the group for which data are available in real terms, the commodity composition of trade shows some interesting differences from that based on current values (table II-13). 11/ There was an increase in the share of machinery and equipment in its exports and a reduction in the share of raw materials, characteristic of a level of development midway between the industrialized and the less developed centrally planned economies. There was also a real increase in the share of finished manufactures in imports.

A comparison of the commodity composition in real and nominal values shows that price changes differed appreciably among the various commodity groups. Large price increases were charged on exports of energy carriers and raw materials, while import prices rose most in the case of raw materials and food-stuffs. If similar price developments were experienced by the other socialist countries, the real structural shifts in the exports of the less developed centrally planned economies and in the imports of the more industrialized ones were probably larger than those shown by current value data.

11/ As a rule, available data on commodity composition are expressed in current prices, reflecting the importance of the monetary and balance-of-payments aspects of trade. Taking into account the organization of the socialist economies, however, it is the real composition of trade that is more closely related to structural shifts that may have arisen as a result of changes in the country's export potential or import demand. A comparison between real and nominal values is possible only for Hungary, and this is not necessarily typical of developments in other centrally planned economies.

The geographical distribution of foreign trade

Notwithstanding the rapid expansion in trade of the centrally planned economies, the emphasis on East-West trade, and the various effects of recessionary and inflationary world events, shifts in the geographical distribution of trade in 1971-1975 were small. In the early 1970s, the share of socialist countries in the centrally planned economies' trade - especially in imports - tended to fall, but this trend was reversed in 1975 when intra-CMEA trade prices were substantially raised. This suggests that the observed shifts in the geographical distribution of trade value mainly reflected the faster increase of prices in the non-socialist markets in 1971-1974, though a real shift (in terms of physical trade volume) may have occurred in the case of Poland, Romania and the Soviet Union.

With the exception of Romania, whose trade with the market economies - developing and industrialized - now comprises more than half of total trade, the socialist countries continue to rely primarily on intra-group trade channels, especially those of intra-CMEA trade. According to the value data, most Eastern European countries cleared two thirds to three quarters of their trade with socialist partners during the early 1970s, and the Soviet Union somewhat less than 60 per cent.

Though world market inflation and the related deterioration in the socialist countries' terms of trade caused a shift during the early 1970s in the trade shares calculated at current prices, price data available for Hungary and isolated pieces of information for other centrally planned economies suggest that in real terms the average proportion of trade with socialist countries did not decline significantly, and in some cases may have increased. 12/ Romania and the Soviet Union are probably significant exceptions. While the volume of USSR trade with the advanced capitalist countries expanded at an annual rate of 14 per cent in the

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12/ Share of socialist countries in Hungarian foreign trade, 1967-1975

(Percentage of total exports and imports)

	Exports		Imports	
	Value	Quantum a/	Value	Quantum a/
1967-1970	69.2	67.5	67.7	66.9
1971-1974	68.5	71.5	62.6	66.3
1967	69.4	66.7	67.6	66.5
1974	67.1	72.9	57.1	66.4
1975	72.2	74.5	65.7	69.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data in Külkereskedelmi statisztikai évkönyv, 1974 (Budapest, 1975) and Statisztikai havi közlemények (Budapest), 1976, No. 2-3.

a/ Share in total trade at 1970 prices. Quantum data for socialist and non-socialist countries were obtained by deflating current values with the price indices for the two trading regions. 1975 shares were roughly estimated on the basis of partial information.

case of exports and 17 per cent in the case of imports, in trade with the socialist countries the corresponding rates were only 8 and 9 per cent. In real terms, the USSR continued to sell chiefly to socialist countries, but significantl decreased its import dependence on these economies. 13/

Balance of trade

The rapid increase in imports and the somewhat slower expansion in exports entailed trade balance problems in some of the centrally planned economies. In 1971-1975, all Eastern European countries as well as the Soviet Union cumulated over-all trade deficits. In the USSR and Romania, the cumulative deficits were small - imports exceeding exports by less than 1 per cent over the period - but in most of the other Eastern European countries the external imbalance was in excess of 5 per cent of exports, reaching 19 per cent in the case of Poland. In the relationship with market economies, developed and developing, the swing was much sharper: Eastern European imports exceeded exports by 27 per cent in 1971-1975, as compared to a 5-6 per cent cumulative deficit in the 1960s, and in the Soviet Union the surplus of the preceding decade turned into a 6 per cent cumulative deficit (see table II-14).

The relatively modest proportions of the over-all deficit, thus cover substantial differences in the balance of trade relations with different partner groups. Such differences are potentially important since, normally, the centrally planned economies find it difficult to mobilize surpluses in one trade direction to offset deficits in another.

Because of bilateral balancing practices in trade with socialist countries, the disequilibria remained rather small. The centrally planned economies as a rule are in surplus with the developing economies and in deficit with the

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13/ Share of socialist countries in USSR foreign trade, 1966-1975

(Percentage of total exports and imports)

	Exports		Imports	
	Value	Quantum a/	Value	Quantum a/
1966-1970	66.1	66.9	66.6	67.1
1971-1974	59.3	65.7	60.1	60.6
1966	66.4	66.1	66.5	67.6
1974	53.5	63.5	54.7	58.1
1975	60.7	...	52.4	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data in Vneshniaia torgovlia SSSR za 1974 god (Moscow, 1975).

a/ Share in total trade at 1970 prices. To obtain constant price data, current value data were deflated by a price index derived from the quantum index for socialist and non-socialist trade separately.

developed market economies. While the nature and size of the imbalance with the developing economies varied, the trade deficit with the developed market economies was much greater in the first half of the 1970s than in the preceding five years, except for Romania where it remained high nevertheless. For some countries, Poland in particular, this deficit emerged largely as a result of trade policy choices. For others the imbalance was a signal of the persistent difficulties encountered by the centrally planned economies in financing imports from current export earnings. In all cases, a significant proportion of the growing deficit resulted from deteriorating terms of trade and unexpected price fluctuations in Western markets. Over the 1971-1975 period as a whole, the centrally planned economies' import expenditure was between 16 and 67 per cent higher than current export earnings in trade with the developed market economies.

Domestic development policy and CMEA integration

National growth strategies

The five-year plans for the first half of the decade of practically all countries of the region incorporated substantial modifications of economic strategies, with respect to both the medium-term goals and the instruments for their implementation. All countries of the group were determined to achieve a better balance between production and consumption - which in most cases meant a higher growth of consumption - and to increase the level of efficiency of their economies.

Major objectives of the centrally planned economies included the following:

To achieve a more balanced or "harmonized" growth of all sectors of the economy;

To stimulate a higher quality of production, both for the domestic market and for exports;

To achieve a significant modernization of industries, to a large part through imports of know-how and equipment;

To gear policies in the field of agriculture to the requirements of a higher standard of living and thus to put a special emphasis on increased production of meat and dairy products;

To improve the standard of housing, which in many countries has become a critical sector for raising standards of living;

To increase considerably the role of foreign trade in the economy and to improve the commodity structure of both exports and imports, in response to urgent needs for industrial modernization and greater consumer satisfaction.

In some countries - notably Czechoslovakia, the German Democratic Republic and Hungary - the new strategies were geared to "intensive" development, as the increasing shortage of labour made it neither feasible nor desirable to continue the "extensive" development typical of earlier periods. Other countries, especially Poland, while continuing a predominantly "extensive" type of development, put the main stress on rationalization of the use of resources and increasing efficiency, at the same time according higher priority to the needs of the consumer.

Consumption and distribution policies

A "consumer-oriented" strategy was pursued in all the countries of the group, though with an urgency that differed with the timing and the degree of social pressures. In some countries, particularly in Poland, it was decided to stimulate labour productivity and efficiency through faster increases in wages.

An important feature of economic policies was the expansion in social programmes which, in some cases, brought about changes in the distribution of national income. These programmes were mainly responsible for the fact that in practically all countries per capita disposable income rose much faster than average wages. In all countries of the group except Hungary and the Soviet Unicn, the growth in real personal income in 1971-1975 was above the plan targets and often above the rates experienced in the previous five years (see table II-6). In most instances social programmes were designed to improve the standard of living of those segments of the population, mostly the aged and the retired, whose incomes had not been growing proportionately with the incomes of the economically active population.

In many countries, intersectoral wage differentials were changed and minimum wages were raised to alleviate disproportions. In Poland, where the average wage rose by close to 10 per cent annually, the highest rate in the group, changes in the wage structure went much further than elsewhere as the social pressure from the lagging sectors was rather strong. The salary increases for health service staff, teachers and administrative workers are typical examples, but there were also shifts in wage levels among different productive sectors. 14/ Similar shifts in the intra-sectoral and intersectoral wage structure took place in most other countries of the group, though the growth of the general wage and salary levels was considerably lower (see table II-6). 15/ In practically all countries of the group wage policies were used more actively than in previous periods. Many of these countries have reached an "intensive" stage of development, when over-all consumer income is not rising solely or mainly through expanding employment but increasingly through the growth of real wages. The need for more rational use of labour resources requires stimulative wage policies as an instrument for higher productivity. Under such circumstances consumption itself is becoming an increasingly active factor in economic development, which it was not in earlier periods.

Housing construction was treated as an important feature of social policies and received a high priority in a number of countries. Measured by the number of rooms added per capita, the greatest increases in housing construction were

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14/ Construction, agricultural and transportation workers gained in Poland in relation to the average wage level, while employees in such sectors as domestic trade or science lost somewhat in relative terms, notwithstanding absolute increases in wage and salary levels.

15/ In the Soviet Union, wage levels moved in favour of industrial construction and transportation workers, as well as those in agriculture, though in 1974 agricultural money wages were still some 12 per cent below the national average (compared with 17 per cent in 1970), next to Poland the lowest relative level in the group. On the other hand, employees in health, science, education and trade fell behind over the period in spite of a special wage adjustment in 1972. Over-all average wages increased by almost 4 per cent annually. In Bulgaria, salary and wage adjustments benefited lower-paid categories of employees in the fields of health, education, trade and agriculture, while the relative position of workers in the construction industry, for example, where wages are substantially above the national average deteriorated. In the remaining countries of the group intersectoral wage and salary shifts were less pronounced.

recorded in the Soviet Union, followed (in that order) by Hungary, Czechoslovakia and the German Democratic Republic, though year-to-year increases were also substantial in Poland.

Another important feature of economic policies was the relative stability of consumer prices. Practically all countries kept the prices of basic food-stuffs stable or even frozen. A greater flexibility was shown with respect to the prices of industrial consumer goods. But on the whole the consumer price index remained virtually constant in all countries except Hungary and Poland, where over the 1971-1975 period it increased by 14 and 13 per cent, respectively.

This "consumer-oriented" strategy, which in some countries was connected with significant changes in planning and management methods, contrasted with the earlier pattern of development, where priority was usually accorded to heavy industry.

Investment policies

In some countries (particularly in the German Democratic Republic, Hungary and the USSR) the consumer orientation of growth policy coincided with slower growth in investment, while in other countries (especially in Poland and Romania) investment increased at an unprecedented pace. 16/ In all countries investment policies were designed to achieve a more "harmonized" growth of all sectors. In many cases, particularly in Hungary, Czechoslovakia and the German Democratic Republic, this meant a more discriminating approach to particular sectors of industry.

In Hungary, consumer goods industries - including food processing - received much higher increases in investment outlays than in the previous five-year period, and their share in total industrial investment rose. In the producer goods industries, investment outlays on electric energy and chemical industries grew at well above the average rate, while in mining, metallurgy and engineering, they were held stable or grew only moderately. A somewhat similar pattern is evident in Czechoslovakia, where certain branches of heavy industry showed little or no increase in investment, while others, such as fuels, electric energy and chemicals, had a very rapid increase. This differentiation was apparent in light industry also, with food processing in a leading position. In the German Democratic Republic, likewise, some branches of heavy industry - such as machine-building and electrotechnics - did not show any increase in investment and their share in total industrial investment declined. However, other branches of heavy industry - particularly energy and fuels, metallurgy and chemicals - recorded substantial increases, as did the light and food-processing industries.

In other countries of the group the "leading" industries, such as power, machine-building, chemical and especially petro-chemicals were in a privileged position and absorbed most of the new investment. The heaviest investments in those fields were made by Poland and Romania. 17/ Those two countries also

16/ The average annual growth rate of investment for 1971-1975 was 18.3 per cent in Poland and 12.8 per cent in Romania (table II-5). The share of accumulation in national income in those two countries showed a steady upward trend.

17/ In Poland, between 1970 and 1974, investment in the machine-building industry jumped by 276 per cent and in the chemical industry by 182 per cent, while in Romania, it increased by 172 per cent and 223 per cent, respectively.

recorded high investment increases in the power-generating and metallurgical industries. In both countries, however, investment in the food-processing industry also rose at above-average rates, and in Poland outlays on light industry increased at close to 30 per cent annually, almost double the rate in the previous five-year period.

In Bulgaria, some branches of heavy industry - metallurgy and machine-building for example - showed large gains. Since the rate of investment growth in the light and food-processing industries was quite low, however, the over-all growth of industrial investment was rather modest (12 per cent in the 1971-1974 period).

In the case of the Soviet Union, industrial investment grew at an average annual rate of about 7 per cent, with only small differences between the branches. Nevertheless, some branches of heavy industry - iron metallurgy, the chemical and oil industries and the machine-building industry, for example - enjoyed relatively faster annual increases than the light or food-processing industries. As a result, the share of the latter in total industrial investment declined slightly.

Much of the effort to modernize, and many of the imports of new technology and machinery, were concentrated in the "leading industries". Some industrial branches - notably the automobile, electronics, fertilizer and chemical fibre industries - were treated particularly favourably in this respect, but other industries were not neglected. The process of modernization was widespread, and industrial diversification was pursued in all countries of the group. In most countries, but particularly in Czechoslovakia, the German Democratic Republic, Hungary and Poland, consumer goods industries received a sizable share of new investment and high-technology imports.

The shifts in investment emphasis, however, have not led to any weakening of the position of the so-called "leading" industries. The share of machinery and chemical industries in total industrial production of the CMEA countries, which was already relatively high in 1970, appears to have further increased.

Though the high level of investment, combined with modernization, contributed to increased growth of industrial production in the first half of the 1970s, it is generally expected to show its main results in the next five-year period. In particular, increased production capacities are expected to generate increased exports both in intra-CMEA trade and to the hard-currency area. Many of the new industrial installations and technologies were purchased under "buy-back" arrangements or on credits which will have to be repaid in the coming years.

Industrial modernization is expected to increase efficiency in the future, when annual increases in the labour force will in most cases be smaller than in recent years and higher labour productivity will have to be the main or, in some countries of the group, the sole source of growth in industrial production.

Five-year plans, 1976-1980 18/

The five-year plans for 1976-1980 anticipate a somewhat slower growth than was achieved in the first part of the decade. Projections for the growth of national income, though still high, are generally lower than the actual performance in the 1971-1975 period. Only Bulgaria is planning a slight acceleration. The projected rates of increase vary considerably from country to country, ranging from below 5 per cent in the Soviet Union to 11 per cent in Romania (table II-1).

In all cases, with the exception of Bulgaria, targets for the growth of industrial production are also below the rates achieved in 1971-1976. Projected annual rates of increase range from about 6 per cent in Czechoslovakia to over 11 per cent in Romania (table II-2).

Plans for investment expenditures in 1976-1980 also point to a slowdown almost everywhere in the region (table II-5). In some countries - particularly Poland and the Soviet Union - the deceleration is to be substantial. Only the German Democratic Republic is projecting some acceleration from the rather low growth of 1971-1975, while Romania intends to maintain the high expansion rate of the early 1970s.

Agricultural policy

In recent years it has become increasingly clear that the situation in agriculture is crucial both to the over-all economic performance in these countries and to the future course of the consumer-oriented development policies. Apart from affecting domestic balance, poor performance in agriculture has had an immediate impact on the balance of payments of the socialist countries, either reducing their potential export earnings or increasing their imports, or, in some cases, both.

In all CMEA countries the development of agriculture received more attention and financial resources in the 1971-1975 period than at any earlier time. This was connected directly with the basic policy objective of raising living standards, an important component of which was to increase the share of meat and dairy products in the total supply of consumer goods coming from the agricultural sphere.

Though the methods and instruments used to stimulate agricultural production varied widely from country to country, depending on specific conditions of agriculture and the preferences of the planners for particular policy instruments, price and credit policies were everywhere used more actively than in earlier periods. In Hungary and Poland, agricultural purchase prices were raised on several occasions for a wide range of products. In 1972 Poland abandone

18/ for a more extensive discussion of the five-year plans, see the World Economic Survey, 1975, chap. II (E/5790/Add.1). Guidelines for the Soviet five-year plan were voted by the XXV Congress of the KPSS and published as Osnovnye napravleniia razvitiia narodnogo khoziaistva SSSR na 1976-1980 gody (Moscow: Politizdat, 1976), and similar documents were issued in the Eastern European socialist countries after Party congresses in 1975 and 1976. Detailed plan documents will in most cases become available late in 1976.

the last vestiges of the compulsory delivery system for agricultural products and decided to rely entirely on price incentives, which seemed to be working satisfactorily. In other countries of the group price increases were also made periodically for selected products.

The agricultural sector also received a boost from a number of supporting industries - especially the machine-building, chemical and construction sectors. Investment projects in the field of agricultural infrastructure and food processing received priority treatment. In some cases it was discovered that the insufficiency of such investments in earlier periods had constituted a serious barrier to faster growth of agricultural output and greater efficiency in the agricultural and food sectors in general. In practically all countries of the region there was a much closer co-ordination and integration of efforts in the agricultural sector with the food-processing industries, into which substantial investments were directed in order to obtain a greater variety of food products for the domestic market, and, in several countries, also to raise the quality of food-stuffs for export.

In the 1971-1975 period, capital investment in agriculture was 40-50 per cent higher than during the preceding five years in Hungary, Poland, Romania and the USSR, more than 30 per cent higher in Bulgaria and Czechoslovakia and almost 20 per cent higher in the German Democratic Republic. In the Soviet Union, agriculture obtained a larger share of total investment outlays than during the earlier period - approximately 20 per cent in 1971-1975 as against 18 per cent in 1966-1970 - and this share is expected to increase further during the 1976-1980 plan. In the other countries of the group, however, where the agricultural share in total investment ranged from 11 per cent (in Czechoslovakia) to 16 per cent (in Bulgaria and Hungary), this proportion was in all cases slightly lower than during the previous period. 19/

In the Soviet Union, the share of total agricultural investment devoted to the development of the livestock sector was noticeably higher than in the preceding period, 20/ and the same was probably also true of the other countries of the region, in keeping with the goals of the programmes to increase animal production. The bulk of the investment effort, however, was devoted to improving production conditions in the crop sector. In most countries, and especially in the Soviet Union, 21/ substantial investment funds went into land improvement. The supply of tractors and other mechanized agricultural equipment increased

19/ Council for Mutual Economic Assistance, Statisticheskii ezhegodnik stran-chlenov SEV (Moscow, "Statistika", 1975), pp. 137 and 141.

20/ Outlays on the construction and equipment of stock-raising installations more than doubled, increasing from an annual average of 2.5 billion roubles in 1966-1970 to over 5 billion roubles in 1971-1975, or from 21 per cent to over 26 per cent of investment in agricultural production.

21/ The area under drainage and irrigation in the USSR was extended by almost 9 million hectares to about 30 million hectares, some 13 per cent of the arable land. More than 25 billion roubles - 20 per cent of total agricultural investment in 1971-1975 - was spent on this effort.

considerably in all but the most highly developed countries of the group. 22/ Investment continued to raise the capacity for production of agricultural machinery in the region, and improved utilization of this capacity is expected from the purchase of licences for the use of Western technology as well as from intragroup specialization and co-operation arrangements among CMEA countries.

In spite of impressive increments in agricultural investment, however, both capital inputs per agricultural worker and labour productivity in agriculture are still much lower than in the Western industrial countries, and in most socialist countries the proportion of agricultural employment is much higher. Though it is decreasing in all countries, the ratio of agricultural to total employment, now down to 11-14 per cent in Czechoslovakia and the German Democratic Republic, still ranges from about 23 per cent in Hungary to almost 40 per cent in Romania. In most countries of the region, an unfavourable age structure of the agricultural population further affects productivity levels.

In almost all countries considerable investments in the chemical industry, as well as imports, made possible rapid increases in fertilizer supplies. Fertilizer application per unit of land increased by 50-80 per cent in the more agricultural countries except Bulgaria (where applications stagnated), and by smaller though still substantial amounts in Czechoslovakia and the German

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22/ Compared with the 1966-1970 level, deliveries of tractors to agriculture increased by over 50 per cent in Poland, by more than 30 per cent in Bulgaria, and by 10-20 per cent in all other countries, with the exception of Czechoslovakia and the German Democratic Republic. Substantial increases in the mechanization of field work are indicated by the rising stock of tractor horse-power units per 100 hectares of arable land:

	1965	1970	1974
Bulgaria	34	50	74
Czechoslovakia	88	109	138
German Democratic Republic	95	143	152
Hungary	46	56	63
Poland	25	51	89
Romania	41	59	69
USSR	35	51	65

Source: Council for Mutual Economic Assistance, Statisticheskii ezhegodnik stran-chlenov SEV (Moscow, "Statistika", 1975), p. 214.

Democratic Republic where application levels were relatively high. 23/ In Poland, where about 80 per cent of the agricultural land is farmed by the private peasantry, the Government instituted guidelines for minimum fertilizer applications which, though not mandatory, were made effective by being linked to access to marketing channels and machinery supplies.

In a general way, output growth and structural changes in the first half of the decade responded to these agricultural development policies. As noted earlier, in spite of stagnating or declining production in 1975, the growth of total agricultural output was higher during 1971-1975 than during the preceding decade in all Eastern European countries except Bulgaria, and in several cases it exceeded the targets of the five-year plans (see table II-4). Except in Hungary, animal production expanded substantially faster than the output of the crop sector (see table II-15). Animal production grew faster than total output in the Soviet Union also, but in that country, owing to wide swings in crop production, the plan targets for over-all output and those for animal production could not be met.

Livestock herds increased substantially between 1970 and 1974, and in some countries continued to grow even in 1975 when the fodder supply had become precarious. Between 1970 and 1975 cattle herds grew by 30 per cent in Poland, about 20 per cent in Bulgaria and Romania, 12 per cent in the Soviet Union, and by smaller proportions in Czechoslovakia, the German Democratic Republic and Hungary. Pig numbers also increased rapidly in all Eastern European countries - by as much as 40 to 55 per cent in Bulgaria, Poland and Romania between 1970 and 1975 - despite a decline from 1974 levels in most countries in 1975. In Hungary and the Soviet Union, however, pig herds at the end of the period were below the 1970 levels. Total meat production increased by more than 4 per cent a year in the Soviet Union and by an estimated 6-7 per cent a year in Eastern Europe.

Crop output, though growing less rapidly than animal production, also showed significant advances for the period as a whole. In the Eastern European group of countries, the average annual grain production of 72.5 million tons was 22 per cent above the level of the previous quinquennium (representing a 4 per cent annual rate of increase). In the Soviet Union, the average annual grain output was 181.5 million tons, an 8 per cent increase over the average of the earlier period (that is, 1.6 per cent annually). The larger inputs resulted

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23/ Application of mineral fertilizers per hectare of arable land (kilogrammes of standard nutrient units)

	Annual averages 1966-1970	Annual averages 1971-1974	1974
Bulgaria	159	154	140
Czechoslovakia	196	264	275
German Democratic Republic	297	351	376
Hungary	109	203	243
Poland	123	201	228
Romania	51	78	88
USSR	38	57	61

Source: Council for Mutual Economic Assistance, Statisticheskii ezhegodnik stran-chlenov SEV (Moscow, "Statistika", 1975), p. 217.

in substantial increases of average grain yields in almost all countries. 24/ The productivity gains were sustained and in all countries but the Soviet Union yields exceeded the 1970 levels, even in poor harvest years.

The over-all advance of crop production, however, was subject to considerable fluctuation, in which the swings of grain output, involving 55-60 per cent of the sown area in the region, played the chief role. Output of the crop sector showed an absolute decline in at least one year of the 1971-1975 period in every country except Hungary. The widest swings occurred in the Soviet Union, which by virtue of the geographical position of much of its agricultural area and its extensive cultivation pattern is more vulnerable to climatic variations. Crop output in the USSR declined from the previous year's level in 1971, in 1972, and, after a large upswing in 1973, again in 1974 and 1975. Year-to-year variations in the Soviet grain harvest exceeded 50 million tons between 1972 and 1973, and again between 1974 and 1975. In Eastern Europe, the variability of grain output was much smaller, in both absolute and percentage terms.

The discrepancy between the growth of the livestock sector and that of the crop sector, combined with the size of the year-to-year fluctuations in the output of the latter, resulted in increasing strain on the fodder balance of the region. Fodder - in particular, feed-grain - requirements increased faster than domestic output in all countries of the group except Hungary. Increased domestic fodder requirements and two serious harvest shortfalls during the period turned the Soviet Union, traditionally a net exporter of grains and the main supplier of the Eastern European countries, into a net importer on a major scale. At the same time, Romania, the only other significant exporter, sharply reduced its export surplus. The additional feed-grain requirements had therefore to be met largely from imports from outside the region. 25/

24/ Average annual yields of grains and pulses, 1961-1975

(Quintals per hectare)

	1961-1965	1966-1970	1971-1975 a/
Bulgaria	19.0	27.4	33.2
Czechoslovakia	21.8	26.6	33.9
German Democratic Republic	25.3	29.4	35.8
Hungary	20.3	25.4	34.1
Poland	17.0	19.8	24.8
Romania	15.9	19.3	24.0
USSR	10.2	13.7	14.6

Sources: Council for Mutual Economic Assistance, Statisticheskii ezhegodnik stran-chlenov SEV (Moscow, "Statistika", 1975), p. 190, and national plan fulfilment reports for 1975.

a/ Computed as the arithmetic average of annual yields; 1975 yields partially estimated.

25/ Average annual net grain imports of the Eastern European countries increase from about 4 million tons in 1966-1970 to over 6 million tons in 1971-1974, and Soviet average net exports of 2.8 million tons in 1966-1970 turned into average net imports of over 6 million tons in 1971-1974. In the wake of the 1975 harvest shortfalls, the grain trade balances for 1975 and 1976 will undoubtedly show a net import level of the region substantially higher than this - perhaps in excess of 20 million tons on the average for the two years.

In response to these imbalances, production programmes for the second half of the decade envisage somewhat slower growth of livestock output, lower than that planned for the crop sector, in all countries for which data are available with the exception of Poland. The focus of 1976-1980 efforts is generally to be on the achievement of higher yields and greater stability in crop production. The Soviet Union, in particular, has scheduled a major effort to increase the level and reduce the wide swings of the grain crop as well as to increase storage capacity in order to assure greater steadiness of feed supplies across good and bad harvest years.

The new plan sets an average annual production target of 215 million-220 million tons of grains, which seems to be a realistic goal, given normal weather conditions and further improvements in technology. Attainment of this target could provide an average of about 115 million tons for feed use annually and still permit a moderate rebuilding of grain stocks. The plan recommends enlarged production of other feed-stuffs, but even so, planned growth of livestock output is quite modest: the 1976-1980 goals for meat and milk are only slightly above the original 1971-1975 goals. Average annual meat output is planned to rise only 6 to 11 per cent over the average output of the past five years (corresponding to a 1-2 per cent annual rate of increase), and milk only 7 to 10 per cent. With an expected population growth of about 5 per cent, the projected five-year per capita increase is 1 to 6 per cent for meat and 2 to 5 per cent for milk. It seems that the restoration of full balance in the feed and livestock economy will require some time and further substantial increases of investment in the whole agricultural infrastructure, including machinery, livestock equipment, mineral fertilizer, additional storage capacity and land improvement. The plan for 1976-1980 calls for an additional 4 million hectares to be brought under irrigation and 4.7 million hectares to be reclaimed and drained. It is also expected that by 1980 about 44 million-46 million tons of mineral fertilizer will be applied to grain production as against 26.6 million tons used in 1975. To facilitate the movement and care of fertilizer, the next five-year plan calls for 12 million tons of storage capacity. Investments for agriculture are to increase by 31 per cent (172 billion roubles against 132 billion roubles spent in 1971-1975), with priority being accorded to increased output of grain and other feed-stuffs.

The achievement in the early 1970s of substantial increases in the standard of living and greater consumer satisfaction was to a significant degree the result of a very good performance in the animal production sector. Continuation of this performance will depend on catching up in the domestic fodder base. In some cases this may mean a slowdown in livestock growth and consequently in meat supply.

Most of the countries have declared their intention to maintain stable consumer prices for basic food-stuffs despite these unfavourable developments in agricultural production. However, the forces pressing for some price adjustments would seem to be strong. In view of the rapid growth of extrasectoral and imported inputs in agricultural production, increases in procurement prices paid by the State for agricultural produce, the continued high-income elasticity of demand for food in some countries, and the undesirability of continuing high budgetary subsidies for a wide range of food products, price adjustments have already been announced in Hungary and are under active consideration in Poland. 26/ It is not unlikely that some other countries may also adopt a similar approach, introducing a greater measure of consistency between the cost and price structure.

Economic reforms and institutional change

The process of industrial modernization in the CMEA countries in the early 1970s was combined with institutional changes in planning and management methods which were designed to bring about greater efficiency and more rational use of available resources. Though the specific features and the timing of the reforms differed from country to country, they shared the goal of obtaining an improved combination of central directives and indirect economic instruments in the implementation of the plan.

Improvements in planning methods were concentrated mainly in greater use of modern scientific instruments - especially for the determination of long-term structural changes in the economy - and in looking for more adequate indices for the assessment of over-all economic performance of enterprises. The authorities were looking everywhere, though with substantial variations in approach, for solutions which would strengthen the role of central planning and at the same time create a wider opportunity for the initiative of individual enterprises.

In Hungary, planning lost most of its mandatory features, although some instruments of direct regulation were retained, especially in the field of investment policies, prices, and trade with other centrally planned economies. On the other hand, the reform of industrial organization introduced in Bulgaria from the beginning of 1971 may be cited as a course of extreme centralization, under which industrial branch associations took over direct responsibility for production in most sectors, while the former enterprises lost their economic and legal autonomy and became affiliates of the associations. However, a trend towards greater autonomy of production units and greater reliance on indirect regulation has been more typical for the socialist countries in recent years.

The balance between the use of central directives to production units for the implementation of plan targets and the use of indirect instruments - such as prices, credit policy and interest rates, profit shares and taxes - clearly shifted in favour of the latter in some countries, while in others the indirect instruments of regulation began to be used to a limited extent as experiments. Hungary and Poland are the two countries in which regulation through indirect instruments has

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26/ In Hungary, price increases for meat and meat products averaging 30 per cent were announced in December 1975, to take effect at the beginning of July 1976. The 1976 over-all cost-of-living increase was expected to be about 4.5 per cent (Nepszabadság (Budapest), 3 December 1975 and 4 July 1976). In Poland, increases in meat, sugar and grain product prices which would have raised food prices over-all by about 40 per cent and the total cost of living by some 16 per cent were announced late in June 1976 (Trybuna ludu (Warsaw), 25 June 1976), but subsequently withdrawn in the face of strong consumer objections. However, the need for reordering the consumer price structure remained urgent, and alternative proposals combining compensatory wage increases with substantial, though somewhat smaller, increases of food prices and plans for a programme of further gradual price increases were to be discussed in the course of the summer.

been furthest advanced. In these two countries the use of indirect instruments has created more flexibility for industrial enterprises to regulate autonomously the level of employment and wages. This has tended to stimulate greater efficiency in the use of resources, while at the same time providing greater opportunities for increases in wages. A distinctive feature of the Hungarian "New Economic Mechanism" instituted in 1968 was the introduction of new "steering" methods which relied mainly on economic instruments, with a minimum of mandatory directives. In Poland the reforms, initially tested on an experimental basis, were introduced more gradually and retained mandatory planning, diluting it with the increasing use of indirect regulators.

The "harmonization" of mandatory planning - which is designed to advance and protect the macro-economic interests of the State - with the particular interests of economic units that are interested chiefly in their own profitability naturally presented problems for the planners. However, it has generally been recognized that most of the negative features in economic activities - particularly, the low efficiency and lack of motivation in advancing technological innovation - had their roots in excessive administrative interference with enterprise management and certain dysfunctional effects of the earlier incentive system which chiefly rewarded short-run output growth.

While most countries of the group have attempted to change those conditions and eliminate some of the underlying causes of inefficiency, they are determined, however, to preserve the advantages of stability inherent in the system of central planning, and hence are generally reluctant to allow market forces to play a significant role in resource allocation.

Much of the planners' effort has thus been concentrated on searching for more adequate success indicators. In some countries the planners' "gross output" indicator was either replaced or supplemented by "output sold", "net output" or "value added" as a means of indirect regulation of the enterprises. The basic objective of these efforts was to find an indicator that would help to adapt the structure of supply more closely to the structure of effective demand and at the same time stimulate technological innovation and economical use of materials. It has been found, in the course of the search, that each kind of indicator, no matter how well it suits certain purposes, may also have negative side-effects and that none will by itself provide an ideal solution. With appropriate price policies, however, many of the negative side-effects can be corrected or even avoided. Though the process of searching for more adequate indicators has not been completed, it is clear that some of the new indicators are gaining broader recognition and are being used, if not universally, then at least for specific purposes, such as determination of the wage fund, or are being tested on a limited scale in selected branches of the economy.

Another general feature of changes in the planning and management system was the reorganization of economic units at different levels. While in some countries - the German Democratic Republic and Romania, for example - major changes in the organization of industry occurred in the 1960s, in other countries of the group most of such changes were accomplished during the 1971-1975 period. The most significant organizational changes took place in Poland, where the process of forming "large industrial units" (WOG) in various branches of industry started in 1972. These associations, which are profit-making entities, took over some of the functions previously exercised by government units (industrial ministries). In particular, they set long-term production plans and development programmes for the industrial branch and play a significant role in financing certain types of investment outlays. In some cases they have also been given responsibility for foreign trade operations, the financial results of which impinge on their profit and loss accounts. By the end of 1975, less than 100 associations accounted for about two thirds of the country's total industrial production. The reorganization process is scheduled to be completed by the end of 1976. These organizational changes have been closely co-ordinated with the introduction of the new success indicators by the central planning authorities.

In the Soviet Union the reorganization of the management structure in industry was undertaken early in 1973 when the Council of Ministers adopted a decision to amalgamate related enterprises into larger industrial "associations" (ob"edineniia). The associations will be directly responsible to the industrial ministries either at the centre or in the republic in which they are located. The basic aim of the reform is to simplify the organizational structure by eliminating one level of administration, the "chief administrations" (glavnye upravleniia) in the branch ministries, and to assure more efficient planning for the resulting smaller number of units. The Soviet planners are hoping to strengthen certain features of central planning and at the same time to promote and stimulate initiative from the lower levels, and thus to relieve the upper echelons of management from being preoccupied with detail. The process of setting up industrial associations is to be completed in the 1976-1980 plan period. 27/ Here, too, different methods are being explored to enhance the quality of industrial management through the use of new success indicators, especially in the determination of the wage fund for workers and bonuses for management.

A wide variety of new approaches appeared in the investment sphere. Among common characteristics is a tendency to depart from budgetary financing of investment and rely more on bank credit, to be repaid by the investor with interest over a period of years. Enterprise resources - retained profits and depreciation funds - are also becoming a significant source of investment financing. Only in Romania and the Soviet Union are most investment funds still centrally allocated (from the state budget or centralized depreciation funds), though here, too, the share of investments financed from bank credits or from the resources of economic units themselves is growing.

The basic intent behind these changes is to tie the investment process more closely into the total economic activities of the industrial unit - instead of treating it as a separate field with special rules and procedures, as was previously the case - and thus to make the industrial unit directly accountable for investment decisions and their economic results. The link to the investor's financial results is designed to prevent industrial enterprises from sponsoring ill-founded investment decisions, as was frequently the case when investment funds could be obtained without cost from the central authorities.

In most countries, however, the trend towards greater decentralization in investment decisions is balanced by strict central control over the magnitude of the funds which the enterprises or industrial associations can use for investment

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27/ At the beginning of 1976, 2,300 associations were in existence, accounting for 24 per cent of industrial output.

purposes, as well as by the system of physical allocation of construction materials. Experience in some countries suggests that such controls are necessary if the total volume of investment is to be kept within the desired limits.

Reforms of the price formation system pose a serious dilemma in the socialist countries which prize the stability of price levels made possible by central controls, but in most cases can maintain this only at the expense of a fairly high degree of rigidity in the price structure. In the long intervals between comprehensive revisions of producer prices, the price structure tends to become obsolete, deviating increasingly from the structure of costs which, for reasons both foreign and domestic, are continuously changing. During the first half of the decade, most countries maintained the traditional price formation systems. In Hungary (in 1968) and in Poland, changes in the basic system were introduced which attempted to combine the benefits of increased price flexibility with the maintenance of central control over the general price level and at the same time sought to permit foreign trade prices some influence on the domestic price structure.

In Hungary, goods were divided into three broad categories, and wholesale prices were set differently for each of them. Prices for the goods with the highest priority for the national economy were fixed for longer periods, prices for the second category of goods could change within an established range, while prices for the third category of goods, mostly from the small producers, could change more easily, though they were also subject to control by state authorities.

In Poland, where the reformed system was introduced gradually during the early 1970s, prices for "first priority" goods were fixed for longer periods and kept stable, while prices for goods which were not included on that list could be changed more frequently in response to domestic cost and other factors, and to price changes on the world market. The approach to price changes resulting from domestic cost increases differed somewhat from the method of dealing with price changes of imported goods. So-called "transaction prices" in foreign trade, obtained through a system of exchange multipliers from import prices in foreign currency, were used as instruments for feeding the outside price fluctuations into the domestic economy, though the prices of the most essential materials were insulated from such effects through a system of budgetary subsidies.

In most other countries changes of producer prices were made selectively, whenever domestic or outside factors justified it, but without resorting to an overhaul of the industrial price formation system.

One of the most difficult problems of economic policy in recent years has been to maintain internal price stability in face of sharp price fluctuations on world markets. Some upward price adjustments for fuels and other important raw materials were purely of an adaptive nature and were introduced to economize on the use of more expensive or scarce materials. 28/ Price instability on the world market probably hampered or delayed internal long-term price reforms in some

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28/ An attempt was made in most countries to avoid automatic transmission of such price increases to the consumer, though in some cases - notably gasoline - it was not possible.

socialist countries - Czechoslovakia and Poland, for example - where comprehensive revisions of producer prices have been under consideration for some time.

Only in Hungary are major modifications in the industrial producer price mechanism about to be implemented. The process will involve several stages, starting from 1976. In the first instance, industrial producer prices are to be raised in tune with changed world market prices. The changes are intended to ease the burden of subsidies on the state budget and to stimulate greater economy in the use of raw materials and energy. It is likely that even for the basic products producer prices will no longer be held fixed for long periods, but that more frequent periodic adjustments will be allowed to reflect changes taking place on world markets and in domestic production costs. In this respect the emerging new approach will go a step beyond the 1968 price reform, which did not count on inflation in world markets.

It seems likely that other countries of the group may also adopt a more flexible approach to the formation of producer prices. This would be a logical extension of the decision (early in 1975) to permit greater elasticity in intragroup foreign trade prices. The steady increase in domestic costs that can be observed in practically all socialist countries in the raw material sphere would support such expectations.

Outside factors are exercising a growing influence on conditions under which individual enterprises and other economic units have to function in the socialist countries: this is especially true in the case of Poland and Hungary, where world market inflation, transmitted through the foreign trade sector, has caused severe disturbances in the internal price and wage structure. Under the reformed system in Poland, the "value added" success indicator is calculated for exported products from their value at "transaction prices". This mechanism was introduced to encourage the industrial organizations to search for the most profitable export outlets. Under inflationary conditions in Western markets, this system created the possibility of increasing "value added", and thus improving profitability, not only from increased sales but also from inflationary price increases. With a direct link between "value added" and the wage level, it became feasible to raise the latter without an increase in production quantity or quality. It became virtually impossible to determine whether a given increase in wages and bonuses resulted from higher volume or simply from inflationary price increases. Such increases in wage and bonus levels had undesirable effects on the domestic market, as they were not matched by a corresponding increase in the volume of goods available.

Negative effects of outside inflationary trends were also felt from the import side, especially in those countries which had established a direct link between import costs and the input prices of domestic enterprises. The increasing production costs of those enterprises were exerting upward pressure on domestic price levels. Where foreign trade prices were not directly fed into the production costs of domestic enterprises but were absorbed by the state budget, increasing subsidies had to support the existing price structure. Such subsidies, though justified by some economic considerations in a centrally planned economy, also served to keep price and cost relationships in the domestic economy out of alignment with those on the world market. This certainly ran counter to the intentions of some socialist countries - especially Hungary - which were striving to establish a closer link between the two.

This experience suggests that the reforms were designed to function in more stable price conditions and had not envisaged the difficulties of coping with outside inflationary effects. The timing of economic reforms in some socialist countries in fact coincided rather unfortunately with the price upswings in the capitalist market. It is now clear that the latter adversely affected the economic reforms in such countries as Hungary and Poland, where the central economic authorities felt compelled to resort to "corrective" administrative measures, which under normal circumstances would have been avoided and which in varying degree interfered with the functioning of economic "regulators".

In the case of Hungary, however, the corrective intervention aimed to raise the steering potential available through manipulation of indirect regulators. The Hungarian planners stated their intention to continue to run the economy through such instruments when, at the beginning of 1976, they introduced certain broad modifications into the system. The changes substantially reduce the disposal of enterprises over resources by raising profit tax rates, and provide the means to steer their autonomous allocation of the residual by means of differential taxation dependent upon type of usage, higher tax rates applying to bonus and wage distributions than to funds put aside for investment purposes. At the same time, export-tied profit-tax rebates were abolished, the forint was revalued relative to the dollar and the transferable rouble, and producer prices were raised for energy and fuels, and certain raw and basic materials as well as for food products and transportation services. Major goals are to help adjust the domestic price structure to international price relations and the internal cost structure, to reduce the need for budgetary supports, to tie wage fund management closer to State goals, and to divert some of the profits of producing enterprises to the State budget in order to assure resources for the realization of major investment projects planned at the centre.

Economic integration policies of the CMEA countries 29/

The centrally planned economies of Eastern Europe and the Soviet Union have maintained close economic, political and strategic ties for more than a quarter of a century. During the first half of the 1970s, the process of economic co-operation within the Council for Mutual Economic Assistance was under comprehensive review. Several new initiatives were introduced to deepen and widen economic co-operation between the countries of the group and to achieve a higher degree of regional integration, which is now the principal objective of bilateral and multilateral efforts. Together with the development of new co-operation methods in planning and production, the countries continued to emphasize the steady expansion of intra-trade as the primary channel for realizing tangible benefits from regional integration.

Trade developments, 1971-1975

Traditionally, the intra-group trade of the European CMEA members has accounted for between 50 and 75 per cent of member countries' foreign trade. In the early 1970s, these shares remained at about the same level, although some shifts occurred (see table II-16).

29/ Countries members of the Council for Mutual Economic Assistance are Albania (inactive), Bulgaria, Cuba (since 1972), Czechoslovakia, German Democratic Republic, Hungary, Mongolia (since 1962), Poland, Romania and the USSR.

The average annual growth rate of the value of regional exports and imports in 1971-1975 was about 14 per cent, with only small variations across countries (see table II-8). 30/ Although the growth rates were high in all countries of the group, they were in general - with the exception of Czechoslovakia and Hungary - below the growth of over-all trade value; thus there was a reduction in the regional share, small in the case of exports, rather larger in the case of imports. Romania, in particular, continued to diversify both its export markets and its foreign sources of supply.

The downward shift in regional trade shares was largely caused by the significantly different price behaviour on the CMEA market and on other markets of the socialist countries. As noted earlier, except in the case of Poland, Romania and the Soviet Union, the regional trade share probably declined only marginally, and may in some cases even have increased, if the comparison across time is made at constant prices. 31/

Some shifts in the geographical pattern of intra-group trade were also evident. In particular, there was a noticeable decline during the early 1970s in the share of the USSR in the intra-CMEA trade of the Eastern European countries. 32/ The fact that trade among the Eastern European socialist countries increased faster than their trade with the Soviet Union is a significant departure from trends in the 1960s, when the movement was in the opposite direction. Nevertheless, the Soviet Union remains by far the largest partner, absorbing between 45 and 70 per cent of intra-regional trade of the various countries.

Regional trade prices were not absolutely stable in 1971-1974, but the changes that occurred were far smaller than those in the centrally planned economies' trade with other regions. Following a price realignment in 1971-1972, fluctuations were held within narrow limits until the end of 1974, at least for trade conducted in transferable roubles. 33/

30/ Though the growth rates in table II-8 refer to a somewhat different grouping of trade partners (centrally planned economies rather than CMEA member countries), the levels and intercountry variations of the five-year average growth rates do not differ significantly from those applicable to intra-CMEA trade.

31/ Price or quantum indices for the intra-CMEA portion of trade with socialist countries are available only for Hungary. Changes in the volume of this trade can be inferred, however, from indices pertaining to trade with all socialist countries, i.e., including China, the Democratic People's Republic of Korea, the Democratic Republic of Viet-Nam and Yugoslavia in addition to the CMEA members. Trade with non-CMEA socialist countries accounts for about 2-3 per cent of trade with all socialist countries in Bulgaria, 4-6 per cent in the German Democratic Republic, Hungary and Poland, and 6-8 per cent in Czechoslovakia and the USSR. Only in Romania is the share substantial - 19 per cent in 1974.

32/ The 1975 price revision, which raised prices of raw materials relatively more than those of other goods, probably had the effect of increasing the share of the USSR in the CMEA members' trade value.

33/ Traditionally, intra-CMEA rouble trade prices are pegged to historical world market prices and are kept unchanged for long periods of time (in 1971-1974, for instance, on the basis of 1965-1969 world prices). The small portion of intra-CMEA trade denominated in convertible currencies (some 4-5 per cent of the total) is transacted at prices that follow world market developments more closely. The same probably applies to above-plan deliveries - i.e., trade not transacted under the provisions of the annual protocols.

In trade with all socialist countries, Poland experienced from 1971 to 1974 increases in both export unit values (6 per cent) and import unit values (7 per cent), and thus a slight worsening of its regional terms of trade. Evidence for Hungary shows a larger negative impact. Over the period 1971-1974, Hungary's import unit values in trade with all socialist countries increased by about 12 per cent, while unit export values rose by only 6 per cent. As a result, even in intra-socialist exchanges, Hungary suffered a marked deterioration in its terms of trade, which arose mainly in that portion of its trade with CMEA partners which was transacted in terms of convertible currencies: whereas prices in transferable rouble trade remained relatively constant in 1971-1974, prices for these transactions rose sharply in 1974, especially for fuels and food-stuffs. This suggests that world market inflation had some impact on intra-CMEA transaction well before the price adjustments early in 1975.

The revision of the price formation rules for intra-group trade at the beginning of that year may be expected to have a significant effect on future trade and co-operation relations within the CMEA group as well as on the internal economic system of centrally planned economies, especially in the smaller and more trade-dependent ones. Through 1974, these economies were protected against the full impact of world market price turbulence and shifts in relative prices by the fact that the large intra-group part of their trade was transacted at prices remaining at least relatively stable over long time periods. Under the new rule of annual adjustments based on a moving average of world market prices of several earlier years, such shifts, though still damped, would be fed more rapidly into the intra-group market. The 1975 price adjustment - as had happened earlier elsewhere in the world - worsened the terms of trade of importers of fuels and raw materials and benefited the exporters of such goods. 34/ Although prices of key fuels and raw materials in intra-CMEA trade are still substantially below current world market prices, 35/ the 1975 prices were much higher than those of 1971-1974. In the short run, the Soviet Union is likely to be the principal beneficiary of the decision to approximate more closely world market price developments in the CMEA region. By the same token, Czechoslovakia, the German Democratic Republic and Hungary, in particular, will have to reckon with the declining terms of trade at least in the immediate future.

34/ Average price changes in Hungarian trade with the rouble area have been reported as follows (1974 = 100):

	Exports	Imports
Energy and fuels	209.7	194.7
Raw materials	117.3	132.5
Machinery and equipment	110.9	105.9
Manufactured consumer goods	113.4	105.5
Food-stuffs	123.4	119.2
Total	125.7	114.7

Source: Statisztikai havi közlemények (Budapest), 1976, No. 2-3.

35/ The price of oil in Soviet-Hungarian trade, for instance, was kept at about $21 per ton until 1975, when it was changed to $48, (Népezabadság (Budapest), 23 February 1975), as against a 1975 average price for Persian Gulf oil of $85 (f.o.b. Ras Tanura). (The Hungarian source cites for comparison purposes an early 1975 price for oil purchases on capitalist markets of $110 per ton, which presumably is c.i.f. Hungary.)

Shifts in the commodity composition of intra-CMEA trade are determined largely by the level of development and the potential supply of so-called "hard" goods (energy and fuels, most industrial raw materials and food-stuffs). Changes in the early 1970s were not large (see table II-17). Evidence for Czechoslovakia, Hungary and Poland - countries that publish detailed data regarding the commodity composition of their trade with socialist countries 36/ - confirms the continuation into the 1970s of the trend of the 1960s: the more highly developed members exported mainly finished manufactured products, the share of which in regional trade remained virtually unchanged, and gradually increased the import share of those products. 37/ In the less developed centrally planned economies the composition of regional exports changed relatively rapidly in favour of manufactured products, while the commodity composition of imports stayed virtually constant. These changes are in general larger than those noted earlier with respect to the commodity composition of all exports and imports. The Soviet Union retained its important role as the primary supplier of Eastern Europe's fuels and raw materials imports and as the chief purchaser of the region's exports of finished manufactured products.

The available information regarding the commodity composition of trade may be too aggregated to reveal significant shifts within the four main reported categories. Such shifts are likely to ensue from regional specialization measures and from the trade-intensification strategy adopted by nearly all centrally planned economies as part of a more intensive development strategy, which entails a compression of the spectrum of activities that individual countries engage in for the sake of reaping economies of scale.

Integration policies, 1971-1975

The framework for the gradual development of socialist economic integration was outlined in great detail in a "Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries", which was approved at the opening of the current decade. 38/ On the basis of this programme, member countries have made considerable

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36/ Comprehensive data regarding the commodity composition of intra-CMEA trade alone are not available. Since trade with the non-CMEA socialist countries is small, the composition of trade with all socialist countries has been assumed to be indicative of shifts in the composition of regional trade.

37/ In the case of Hungary, data are also available in constant prices. These suggest that the importance of finished manufactures increased rather more, in both imports and exports, than is indicated by current price data. Correspondingly, there was a sharper diminution in the role of raw materials exports and food imports (see table II-18).

38/ The "Comprehensive Programme" was adopted during the twenty-fifth CMEA session in Bucharest in July 1971. The document has been made available in all major languages by the CMEA Secretariat. The official Russian version is reproduced in P. A. Tokareva, M. D. Kudriashov and V. I. Morozov, eds., Mnogostoromnee ekonomicheskoe sotrudnichestvo sotsialisticheskikh gosudarstv - sbornik dokumentov, 2nd ed. (Moscow, Iuridicheskaia literatura, 1972), pp. 29-103.

progress in regional co-operation, especially with respect to: (a) the creation of common enterprises and joint ventures; (b) the formulation of co-ordinated and joint plans, and their incorporation into the planning process of each member country; (c) the improvement of monetary and financial instruments, and (d) the participation in large-scale, multinational investment projects, especially in advanced technology, energy carriers and industrial raw materials. Several other important decisions were also made, so as to ensure a stable expansion in intra-regional trade, to accelerate production specialization, and, generally, to promote efficient progress in most other areas of economic interdependence among member countries.

Not all the regional economic activities of the past five years were solely inspired by the provisions of the Comprehensive Programme. The swift implementation of some measures was apparently in response to developments abroad which could not have been predicted in the late 1960s when the Programme was discussed (e.g., world market inflation, raw materials shortage, recession in the developed market economies, and the opportunities for expanded East-West trade as a result of political détente), while other measures ensued directly from the problems encountered in fostering the production-type of integration sought by the centrally planned economies (e.g., the practical problems of co-ordinating comprehensive national economic plans, and the organizational and legal obstacles to greater regional division of labour).

Policy steps inspired by the Comprehensive Programme were accompanied by a rapid expansion of regional trade and a great number of informal initiative to promote trade, production specialization and co-operation in the CMEA area. Moreover, the groundwork was laid to accelerate the pace of integration in the coming medium-term plan period (1976-1980) as a result of a carefully woven multilateral programme of integration measures, the dovetailing of the new five-year plans, the incorporation of integration measures into the national economic plans, and detailed trade agreements associated with co-operation and integration plans.

The integration programme of 1971

In July 1971, the then active CMEA members (Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Mongolia, Poland, Romania and the USSR) 39/ ratified the Comprehensive Programme. This basic document charts the main paths towards deepening and widening virtually all types of economic co-operation between the CMEA members on a regional as well as a subregional level until about 1990, and expands on matters of principle and substance concerning the speedy transition towards regional economic integration. In particular, the centrally planned economies agreed to a number of principles and a series of deadlines for decisions on important policy, organizational and other issues. Furthermore, the programme offers a number of suggestions with regard to measures that are expected directly to inspire national and regional economic policies of the CMEA member countries.

39/ Albania is officially a full CMEA member, though it has not participated in CMEA affairs since late 1961. Cuba joined the organization in 1972. Finland and Yugoslavia have an associate status. Although they participate in some CMEA affairs, associate members do not necessarily endorse decisions taken by the active members.

Socialist economic integration is to serve several interrelated goals in the economic, political, strategic and legal sphere. 40/ Its main objective is to elevate "the material well-being and cultural level of the fraternal countries on the basis of scientific-technical progress, the greatest effectiveness of social production, /and/ labour productivity growth". 41/ The centrally planned economies hope to accomplish this by reducing the most striking differences in relative economic scarcities within the CMEA as a result of increased economic interdependence in trade and production.

In order to steer effectively the intensification of regional economic interdependence, the integration strategy is to be buttressed by a number of direct and indirect co-ordination instruments. Most of the instruments included in the Comprehensive Programme are already extant, but must be adapted since they will have to serve more complex tasks than heretofore. The instruments making up the "economic mechanism" of socialist economic integration may be grouped into three categories: the co-ordination of national economic plans and joint planning in various selected subsectors; the system of monetary and financial stimuli and indicators; and organizational and legal bases of co-operation between sovereign States. From the economic point of view, the first two sets of instruments are of paramount importance.

Instead of focusing attention primarily on the harmonization of regional trade intentions by means of five-year trade agreements - the chief co-ordination mechanism in the past - the centrally planned economies hope to deepen production specialization, trade, joint production and other areas of co-operation as a result of including in the national economic plans details of the co-ordinated agreements on specific integration objectives in addition to the trade flows that may result from these and other agreements. Such disaggregation of formal agreements into national and international input and output flows in the national plans was not used very intensively in 1971-1975, mainly because the first agreements regarding "plan co-ordinated integration" were signed well after the national five-year plans were approved.

Direct co-ordination involving the dovetailing of national economic plans is of two chief forms. First, economy-wide or sectoral plans formulated in the several member countries will be co-ordinated by means of bilateral and multilateral negotiations and consultations regarding the draft plans themselves and the implied regional and other flows of goods and services. Secondly, subsectors or individual tasks may be planned jointly by the economies involved and then included in the process of co-ordinating national plans. Both types of plan co-ordination are to be complemented by frequent bilateral and multilateral consultations regarding economic policies and developments within the region as well as with regard to problems affecting trade and co-operation with other countries.

40/ Eight sets of goals are identified in the Programme (see P. A. Tokareva, M. D. Kudriashov and V. I. Morozov, eds., op. cit., p. 32).

41/ N. N. Shinkov, "Kompleksnaia programma - dokument ogromnoi istoricheskoi vazhnosti", in M. V. Senin, et al., eds., XXV let SEV - Itogi, zadachi, perspektivy. Materialy mezhdunarodnoi nauchnoi konferentsii (Moscow, CMEA Secretariat, 1974), p. 71.

The second set of instruments to be used in promoting the integration process comprises an assortment of market-type indicators and institutional changes in the trade and payments model. Indirect co-ordination instruments such as prices, interest rates, exchange rates etc. will be utilized in the formulation and implementation of national and regional plans. Furthermore, institutional changes such as multilateralism in trade and payments, and more frequent contacts between producers and consumers of various economies, will help to assure the realism of the indirect co-ordination instruments and facilitate the implementation of co-ordinated plans. Such modifications in the trade and payments model are expected to play a subordinate, albeit important, role in the process of formulating and implementing national and regional plans.

CMEA organization

Co-operation of the centrally planned economies of Eastern Europe and the Soviet Union is organized on many interrelated levels. Apart from various bilateral and multilateral contacts among Governments and Party delegations, the principal meeting ground is CMEA. This institution was created in 1949 as an inter-State advisory organ dealing with the co-ordination of trade and co-operation among member countries. 42/

At the beginning of the 1970s, the Council's organizational structure comprised a Council session as its highest organ, an Executive Committee, a Secretariat, a number of standing commissions, several institutes and various conferences.

During 1971-1975, CMEA's organizational structure was further elaborated by the creation of three special committees (for planning, material supply and scientific-technical co-operation) directly responsible to the Executive Committee. Several new standing commissions were also created (postal and telecommunications in 1971 and civil aviation and health in 1975) and a few were replaced by the higher-level committees. The responsibilities of the standing commissions were expanded by subdividing the tasks of various working parties and subcommittees that prepare their recommendations. The activities of the various working bodies were stepped up in response to the desire of members to foster regional economic integration and to implement the trade-intensification strategy that most of them had adopted. The Council and its organs recommended a number of specialization and joint venture projects, and elaborated a more generally applicable set of guidelines and agreements to govern regional integration measures. The Council organs also played an instrumental role in formulating common projects funded jointly by member countries.

The Comprehensive Programme recommended that the member countries implement measures to enhance the Council's role in organizing multilateral economic, scientific and technological co-operation. 43/ While some organizational changes resulted from the implementation of the Comprehensive Programme, the centrally

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42/ For a survey of CMEA's organizational evolution and an examination of its present structure, see N. V. Faddeev, Sovet ekonomicheskoi vzaimopomoshchi, 3rd ed. (Moscow, "Ekonomika", 1974), pp. 64-66.

43/ For further details, see chap. 16 of the Programme in P. A. Tokareva, M. D. Kudriashov and V. I. Morozov, eds., op. cit., pp. 100-102.

planned economies reaffirmed their intention not to change the organization's status as an inter-State advisory body. Rather than set up supranational institutions, the centrally planned economies intend to develop integration between sovereign States. Nevertheless, the implementation of the many different tasks outlined in the Comprehensive Programme will inevitably tend to increase the role of the intergovernmental institutions, especially in preparing recommendations with respect to integration measures.

One significant institutional development in the 1970s was the proliferation of autonomous organizations or ad hoc consultative commissions in charge of specific subsectors or narrowly defined economic problems that could, in principle, be handled by a standing commission. Of the 48 such international organizations now extant, 25 were created in 1971-1974. 44/ Although relations between the CMEA organs and the new organizations are very close, some of the topics dealt with by the latter were removed from the relevant commission's agenda. One reason for this was the difficulty encountered by the formal CMEA organ in dealing with isolated issues. 45/ In order to concentrate on these problems and accelerate integration by concrete actions in well-defined fields rather than by reaching more comprehensive agreements in principle, it was decided to create special organs. 46/ Another reason for setting up special institutions lay in the fact that it was inappropriate for the Council's organs to become directly involved in the day-to-day details of production specialization and co-ordination of actual economic activities. Thus, devolution of tasks, first tried in the middle and late 1960s, was endorsed by the Comprehensive Programme as a practical road to expanding the range and diversity of integration activities.

Integration instruments

The Comprehensive Programme calls for the gradual improvement of the co-ordination of national economic plans as the principal vehicle by means of which policy measures with respect to integration are to be implemented. The possibilities of intensifying regional co-operation, bilateral as well as multilateral, through plan co-ordination were thoroughly explored in the early 1970s. The centrally planned economies are now aiming at the joint formulation of projects in such a manner that specific agreements would become integral parts of national economic plans.

44/ H. Zachiedrich, "Internationale Wirtschaftsvereinigungen der RGW-Mitgliedsländer", Deutsche Aussenpolitik (Berlin), 1975, No. 11, pp. 1678-1687.

45/ The first such organization created under the provisions of the Comprehensive Programme is Interatominstrument. This is a trust formed by enterprises of members in order to co-ordinate research, specialization and marketing of machinery and equipment for the use of atomic energy in the civilian sector.

46/ See G. Proft, H. Liebsch and K. Werner, Planung in der sozialistischen ökonomischen Integration (Berlin, Staatsverlag der DDR, 1973), pp. 141-142.

Until efforts were begun to implement the recommendations contained in the Comprehensive Programme, plan co-ordination was by and large confined to reaching consistency in regional trade intentions. Specialization and co-operation agreements reached at the highest governmental or Party level were to be implemented at each partner's discretion. Similarly with respect to more general agreements regarding economic policy, especially investment intentions: information was exchanged in great detail but not always heeded in formulating plans. These agreements and policy exchanges were often too general to be readily translated into quantitative information for comprehensive economic planning. In any case, the main determinants of trade flows - the level and distribution of investments, for example - went largely unco-ordinated. The new procedures regarding integration through plan co-ordination should assure the implementation of dovetailed policy measures.

The visible results of planned integration measures in 1971-1975 were rather limited, partly because previous principles, methods and decisions had to be recast, but mainly because the five-year plans for the early 1970s had been introduced before the Comprehensive Programme was approved and could not be revised, even though in some cases innovations were in fact included in the annual plans for 1974-1975. 47/ In the early 1970s the co-ordination of plans for some large-scale investment projects (see below) was also completed, but these had minor effects on the execution of the 1971-1975 plans since they are to be implemented mainly in 1976-1980.

During the twenty-ninth Council session (June 1975), a first multilateral programme of integration measures was approved for 1976-1980, and each member has incorporated the ensuing obligations in its medium-term and annual plans. The measures are designed in particular to promote the regional reallocation of investment funds connected with loans approved by the International Investment Bank (IIB) and the implementation of several large-scale projects, especially in the raw materials and fuel sectors.

The plan of multilateral integration measures deals broadly with three different tasks. First, it contains details regarding the material, financial and, in some cases, labour transfers for the joint projects started in 1974-1975 (a cellulose manufacturing complex in Ust'-Ilim, an asbestos enrichment plant in Kiembaev, a gas condensate plant in Orenburg and a 2,800-kilometre gas pipeline to the Soviet-Czechoslovak border). This part of the project amounts to some TR 9 billion, 7 billion of which refers to 1976-1980. 48/ Secondly, a number of multilateral specialization and co-operation agreements in the engineering and chemical sectors are detailed and co-ordinated with the activities of the relevant international economic organizations. Thus, one of these agreements foresees specialization in the production and trade in various types of ball-bearings to

47/ In particular between the German Democratic Republic and Bulgaria, on the one hand, and the Soviet Union, on the other.

48/ The German Democratic Republic's share in the programme is 3.4 billion marks, of which 3.1 billion pertains to 1976-1980 (Die Wirtschaft (Berlin), 9 July 1975, supplement p. II). At the commercial exchange rate this amounts to some TR 730 million and 665 million, respectively. Investments for common integration measures in 1976-1980 totalling 7-8 billion marks are included in the new five-year plan of the German Democratic Republic.

a value of TR 500 million. 49/ Thirdly, scientific and technical co-operation projects are included in the integration plan, especially in order to improve and extend new sources of fuels and energy.

The total value of measures included in the new plan has not been disclosed. The value of the large-scale investment projects is rather modest in comparison with the planned total value of intraregional trade or the total investment volume scheduled for 1976-1980 in member countries. 50/ The real significance of the integration plan is therefore not its comprehensiveness, but the fact that for the first time such a plan has been constructed, that it deals with crucial components of regional co-operation and trade, and that it entails significant regional capital flows. 51/ As a result, production of some basic materials (electrical energy, liquid and gaseous fuels, cellulose, asbestos, iron ore, ferro-alloys, nickel etc.) will be significantly stepped up, thus easing the tight market for such products in the CMEA area.

The centrally planned economies hope to bring about regional integration through direct measures in the production sphere. Although the co-ordination of national economic plans will be the key instrument in forging ahead with production integration, market-type instruments will also be allotted an important role in implementing integration measures, especially in the formulation of tasks on the basis of the cost-benefit calculus. In order to promote efficient decision-making with respect to regional integration, the Comprehensive Programme outlined improvements that might be made in specific monetary and financial instruments as well as revisions in the associated institutional mechanism.

Since the Programme was approved, the stipulations regarding money and finance and the means by which such measures could be implemented have been intensively investigated. The reformulation of the price-formation mechanism in intra-CMEA trade in late 1974 and early 1975 was apparently one result. Two years earlier an agreement was reached on methods for the calculation of costs and revenues of joint investment projects or joint enterprises. 52/ A 1973 agreement permitted the

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49/ DDR-Aussenwirtschaft (Berlin), No. 47, 19 November 1975, p. 2. According to other publications, the value of this trade will amount to TR 600 million.

50/ The share of funds committed to these projects is probably less than 2 per cent of total investment planned in 1976-1980 by the Eastern European countries.

51/ The Bulgarian 1976 plan values participation in common investment projects at 277.2 million valuta leva, a threefold increase over 1975.

52/ The relevant documents have not yet been released. The Varna agreement of late 1972 would seem to be a refinement of the so-called Berlin method, according to which total expenditures on a common venture are disaggregated into several components - construction, tradeable items and labour. These groups of expenditures are then converted into transferable roubles by means of a set of commercial, non-commercial and ad hoc exchange rates. The new agreement refines the accounting methodology and the procedures to be followed when establishing such joint ventures. See Finance (Warsaw), 1975, No. 2, pp. 18ff.; Finansi i kredit (Sofia), 1974, No. 10, pp. 44ff.; Plånovanė hospodářství (Prague), 1973, No. 12, pp. 52ff.

introduction of new exchange coefficients for "non-commercial" transactions 53/ at the option of each pair of partners. 54/ Settlement of imbalances in non-trade transactions has been facilitated by the provision that members may transfer transferable rouble balances from the trade account at the International Bank for Economic Co-operation (IBEC) for this purpose. In January 1974, the amount of local currency that tourists may freely exchange in any other member country was increased from 10 to 30 roubles. 55/

In general, it would seem that the centrally planned economies have made little progress in exploring the opportunities for more multilateralism in regional trade. Since January 1973 members may agree to convert up to 10 per cent of balances outstanding at IBEC into Western currencies after fulfilling a few conditions, but what use has been made of this provision has not yet been disclosed. Intra-CMEA payments affected in currencies other than the transferable rouble appear to have been expanded. 56/

One of the institutional changes envisaged in the Comprehensive Programme involves the gradual liberalization of trade quotas. Members were invited to limit the use of detailed physical quotas to the most essential transactions only, and to explore the possibilities of widening the scope of value quotas both for individual commodities and for groups of commodities, especially in the field of durable consumer goods. It would seem that liberalization of the trade régime by limiting the use of physical quotas has proved more difficult than originally anticipated. 57/

The process of making the Eastern European currencies, the Soviet rouble and the transferable rouble reciprocally convertible has been under investigation for a long time. Similarly, the possibility of convertibility against Western currencies has been extensively explored with the main focus on the conditional convertibility of the transferable rouble. In the short and medium run, the

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53/ All transactions in foreign currency outside the field of commodity trade and related services are termed "non-commercial" and conducted under special rules, including separate "non-commercial" exchange rates. The coefficients in question are used to translate balances arising from such transactions into the foreign trade currency units ("valuta rouble", "deviza zloty" etc.).

54/ Negotiations on these rates are apparently still incomplete, but in the course of 1974-1975 new exchange rates for tourist and other non-commercial transactions were announced in all countries of the area, except Romania.

55/ In general, however, each member's exchange policy is determined nationally: no member is required to exchange more than the equivalent of 0 roubles per person into local currency.

56/ This may have resulted primarily from the widening gap between world market prices and the fixed intra-CMEA prices until late 1974. Above-quota deliveries, especially of very "hard" goods, such as fuels and non-ferrous metals, were probably sold for hard currencies.

57/ Poland and Hungary have explored the possibility of using value quotas p commodity group, but in 1971-1973 only 2 per cent of Hungarian-Polish trade was cleared in this way. According to Polish and Hungarian sources, the use of value quotas in other bilateral transactions is even smaller (Gospodarka planowa (Wars o. 4, 1974, pp. 268-270).

centrally planned economies hope to establish regional convertibility, especially for non-trade transactions, with regional tourism as the main beneficiary. This objective is within reach since it would require only few changes in the present settlements mechanism for "non-commercial" transactions. To be meaningful, however, the economies must first decrease the disparities in relative consumer prices which are still very large.

In 1970-1971, several important changes were enacted in the credit policy of IBEC. The six types of credit formerly used were replaced by two - settlements credits and short-term credits. Interest-free settlements credits were abolished and the ceiling of this credit type lowered to 2 per cent of mutual trade. Interes rates for deposits and, especially, for credits were revised. These measures were designed to stimulate trade and to reinforce payments discipline, but did not alte the settlement mechanism itself.

On the basis of the available evidence, the centrally planned economies appea to have made more progress in specifying the plan co-ordination mechanism of socialist economic integration than in rounding off an interrelated set of monetar and financial measures. But the countries continue to seek improvements in both areas with the object of elaborating a comprehensive socialist integration system.

Specialization

The centrally planned economies wish to widen regional economic co-operation primarily by direct actions affecting production rather than through indirect co-ordination instruments. Production integration is to be promoted typically through detailed specialization agreements, to be incorporated in the plan co-ordination process and, hence, in the network of enterprise and trade plans of the countries involved. During the past quinquennium, the number of bilateral and multilateral specialization agreements has increased rapidly and their scope has considerably widened. The absence of sufficiently disaggregated information, however, makes it difficult to assess their impact.

Two types of specialization can be distinguished. The first relates to the exploitation of natural resources, where specialization results essentially from differences in natural resource endowments and the over-all security consideratior of the region as a whole. 58/ The second type of specialization relates to the industrial sectors, particularly some of the advanced production activities. Traditionally, specialization in manufacturing and other industrial branches has been based essentially on the final product because this is more easily fitted int the domestic management framework of the centrally planned economies. In recent years, however, especially in the 1970s, they have devoted special attention to joint production, i.e., specialization in parts and components. Successes have been attained especially in newly introduced products (e.g., the automobile indust and the computer industry). In general, such products have been developed througl co-operation at each stage, starting from the research phase and ending with commercialization. But some cases are known where foreign licences have been boug

58/ Co-operation agreements for these activities are as a rule only signed when development or production costs are shared by two or more partners.

and production has been spread over several economies. 59/ Another aspect of this type of specialization that has increased in the 1970s is the arrangement to redistribute existing capacities for one or more products in order to exploit scale economies, particularly in the production of parts and components. Such agreements have usually been bilateral.

Judging by the share of products subject to specialization agreements in the regional trade of the German Democratic Republic and Bulgaria, there has been a substantial increase in intragroup specialization in the 1970s. In the case of the German Democratic Republic, the share of "specialized products" in exports to the CMEA region increased particularly rapidly, owing primarily to the expanding role of such deliveries in trade with the USSR, but showed a rising trend also in imports. 60/ In Bulgaria's total exports to the CMEA countries the share of specialized machinery and equipment rose from 12.4 per cent in 1970 to 18.8 per cent in 1974. 61/

Most specialization agreements apply to manufacturing - especially the engineering and chemical branches - but perhaps more significance should be attached to the recently signed co-operation agreements regarding fuels and industrial raw materials, which are of particular importance to the *de facto* specialization of the centrally planned economies and the balance in the CMEA market.

59/ Perhaps the best known case is the co-operation in the production of Zhiguli cars (see B. Csikós-Nagy, *Socialist Price Theory and Price Policy* (Budapest, Akadémiai Kiadó, 1975), pp. 316-317).

60/ "Specialized products" refers to products for which specialization agreements have been concluded. Most of these protocols concern commodities in the engineering and chemical sectors. The trends in foreign trade of the German Democratic Republic can be illustrated by the following data:

Share of "specialized products" in the trade of the German Democratic Republic with other CMEA countries

(Percentage)

	Exports	Imports
Trade with USSR		
1972	13.3	7.4
1974	27.4	11.1
Trade with Eastern Europe		
1972	4.0	8.4
1974	6.9	11.8

Source: Computed from data in *Svět hospodářství* (Prague), No. 85 (15 July 1975), p. 4.

61/ Calculated from data in *V"nshna t"rgoviia na Narodna Republika B"lgariia - statisticheski danni, 1939-1974* (Sofia, 1975).

Mobility of production factors

An important feature of regional economic development among the centrally planned economies during 1971-1975 was the launching of common economic ventures and the increase in the mobility of capital and, to a less extent, of labour. Capital mobility was enhanced as a result of the creation of the International Investment Bank in 1971 and the associated institutional mechanism for redistributing regional capital funds and, perhaps more important, of funds raised in international capital markets. The activities of IIB during 1971-1975 were limited by the fact that expected investment resources for that period had been allocated before the bank was founded. Moreover, the bank's disposable funds remained small and it proved more difficult than expected to mobilize loan commitments in transferable roubles after the regular trade protocols for 1971-1975 had been co-ordinated.

A number of multilateral and bilateral agreements were concluded on joint ventures, associations between industrial subsectors, and co-operation in the creation of production facilities. The mechanism adopted differs from project to project. The highest form of integration occurs in common production enterprises, but this form of co-operation has remained the exception rather than the rule. 62/

A more common method of pooling resources takes the form of a trust arrangement in which enterprises in different countries join in the common project. 63/ The trust will usually be responsible for planning, research and development, and sometimes for sales policy, especially in Western markets. In the early 1970s, several such organizations were set up either as international economic organizations (*mezhdunarodnye khoziaistvennye organizatsii*), which are self-financing, or as inter-State economic organizations (*mezhgosudarstvennye ekonomicheskie organizatsii*), 64/ which are essentially budget-financed. Most of the joint ventures are budget-financed although the founders' intention appears to be to convert them to a self-financing status eventually. 65/ Since these organizations are mostly concerned with administrative tasks or research, they contribute only indirectly to regional production specialization. Hence their impact on the socialist integration process is hard to assess.

62/ There are now only four such joint production ventures. *Haldex*, a Polish-Hungarian venture created in 1959, recovers coal and construction materials from Polish slag heaps; *Przyjaźń-Freundschaft*, a joint venture of Poland and the German Democratic Republic initiated in 1972, produces textile fibres; the Soviet-Mongolian enterprises *Mongolsovtsvetmet*, a copper-molybdenum extraction and refinery plant, and *Erdenetiin-Obo*, a geological surveying institution that also extracts and refines non-ferrous ores, were both created in 1973.

63/ Some of these organizations are: Interetalonpribor, which co-ordinates research and production of precision measurement instruments; Interelektro, which co-ordinates research, production and trade, and recommends specialization in the electronics sector; Interatomenergo, which co-ordinates research and construction of nuclear power stations.

64/ This distinction appears in the Comprehensive Programme (see P. O. Tokarev, M. D. Kudriashov and V. I. Morozov, eds., *op. cit.*, pp. 64-70).

65/ In some important agreements, the phrasing of the statutes indicates that the member countries will support the organization for a limited period only, after which the capital expenditure and current outlays are to be fully covered from current earnings. This is the case, for instance, in the Interatominstrument statutes.

The creation of common economic organizations has given rise to many legal, financial and organizational problems stemming from the traditional insulation of the individual centrally planned economies from each other and from the rest of the world. Pending the solution of these questions, the members have devoted considerable attention to indirect capital participation as a motor force for accelerating regional integration in Eastern Europe. From a long-term perspective, the creation of a banking mechanism for this purpose may prove to be of singular importance.

The International Investment Bank started operations in Moscow in 1971 with a statutory capital of TR 1 billion - 30 per cent in convertible currencies. 66/ The bank is primarily concerned with granting medium- and long-term credits to member countries for projects that will promote closer regional economic co-operation. The bank also has a special fund of TR 1 billion - 5 per cent in convertible currencies - to grant loans to and promote co-operation with developing countries.

The bank is entitled to grant credits on the basis of its own capital and accumulated reserves, deposits by banks, resources offered *ad hoc* by member countries, and funds raised on capital markets (especially in developed market economies). Until mid-1975, the bank relied primarily on its own resources, the only additional funds coming from medium-terms Eurocurrency loans raised in 1971-1974 to the extent of approximately $125 million. In 1975, however, the bank substantially expanded its engagement in Western money markets where it obtained several medium-term loans, totalling at least $470 million. 67/

As of the end of 1974, IIB had approved 39 projects involving an over-all investment of some TR 5.5 billion, of which about 45 per cent was financed through IIB loans. Three new commitments were made in 1975 which, according to one source, bring total credit commitments for 1971-1975 to about TR 3 billion. 68/ A substantial part of the loans is in convertible currencies. 69/

Disbursements on loan commitments have expanded rather slowly, partly in view of the bank's liquidity situation but also because of organizational obstacles to the multilateralization of regional trade and payments. Exclusive of Cuba, the members have thus far contributed 35 per cent of their quota (i.e., some TR 368.4 million). 70/ Since the bank did not attract deposits and through 1975 borrowed in Western markets only modestly, commitments continue to exceed available funds. Furthermore, the capital share in transferable roubles cannot be quickly mobilized, since disbursements in transferable roubles are contingent upon special regional trade agreements, i.e., protocols outside the regular trade plans. The

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66/ Following the accession of Romania in January 1971 and Cuba in January 1974, the bank's total subscribed capital is now TR 1,068.3 million.

67/ A Eurocurrency loan of $600 million was syndicated in late 1975, and apparently approved early in 1976.

68/ *Zycie gospodarcze* (Warsaw), 11 April 1976, p. 12.

69/ Over the 1971-1974 period, 87 per cent of the loans granted was in convertible currencies (*Finance a úver* (Prague), 1976, No. 1, p. 67).

70/ Preliminary reports on IIB activities in 1975 indicate that Cuba may have paid in TR 825,000 (*Ekonomicheskaia gazeta* (Moscow), 1976, No. 17, p. 21).

substantial Eurocurrency loans obtained in 1975 and the beginning of 1976 will greatly increase the liquid funds of IIB and the credit recipients' ability to carry out the approved projects.

Commitments during 1971-1975 went to many sectors but the largest share by far was allocated to raw material and fuel projects, especially in the Soviet Union. Whereas in 1971-1972 most of the loans were committed to projects in the manufacturing and chemical sectors, in 1973-1975 most loans were for the production of fuels and raw materials. The largest project co-financed by IIB is the Orenburg gas-condensate plant and the construction of the new pipeline from Orenburg to the Soviet Union's western frontiers. 71/

In contrast to capital transfers, intraregional redistribution of labour resources has not played a significant role in the integration planning of the socialist countries, in spite of the growing labour shortage in some (particularly Czechoslovakia and the German Democratic Republic) and the relative abundance in others (particularly Bulgaria and Romania). Promotion of labour migration to even out these relative labour scarcities is not an objective of the socialist integration programme. All centrally planned economies stress domestic full employment as the main policy goal, and such labour migration as does occur is in most cases temporary, motivated by trade and co-operation conditions or by a desire to increase the qualification of the migrating workers. 72/

Several types of international labour exchanges may be distinguished. The traditional form of temporary labour exchanges in connexion with foreign trade - export of services or goods or export of goods accompanied by experts during an installation or break-in period - has continued to expand. The engagement of construction crews from one country to build on a project basis in another member country probably constitutes the largest component. This type of exchange began in the 1960s and has expanded rapidly in the early 1970s. 73/

A second type of labour migration involves on-the-job training abroad. The best-known example is the training of Hungarian workers in selected manufacturing sectors of the German Democratic Republic. 74/ The volume of these exchanges appears to have remained relatively static since the mid-1960s.

71/ The loan amounts to at least TR 1.8 billion.

72/ See T. A. Vais, "Sotrudnichestvo stran-chlenov SEV v izpol'zovanii trudovykh resursov", in I. E. Mikul'skii, ed., Trudovye resursy i nauchno-tekhnicheskaia revoliutsiia (Moscow, Mysl', 1974), pp. 231-245.

73/ Thus, in 1974 Polish construction crews in Czechoslovakia had completed 12 investment projects, were engaged in 14 more, and 14 new projects were contracted for the middle and late 1970s (Voprosy ekonomiki (Moscow), 1975, No. 9, p. 110). Polish construction enterprises also work in the German Democratic Republic. Soviet construction workers play a significant role in Mongolia's investment programme.

74/ About 10,000 Hungarian workers are involved. This amounts to less than 0.2 per cent of the total labour force in the German Democratic Republic (T. A. Vais, loc. cit., p. 237).

Labour transfers in the context of participation in regional projects is a relatively new form of co-operation among the socialist countries. In the mid-1960s, Bulgaria and the Soviet Union agreed jointly to exploit the lumber resources in the Komi Autonomous Region (USSR), mainly with Bulgarian workers and Soviet natural and capital resources and expertise. 75/ Perhaps the most significant co-operation project of this kind is the Orenburg pipeline construction venture, which was initiated in 1974 and will be the most important joint construction project in the 1976-1980 plan period. The Orenburg project calls for a significant number of skilled workers from the various member countries to be temporarily detached to the USSR. In 1976-1978 perhaps 15,000 to 25,000 workers from five participating Eastern European countries will be involved. 76/ At the end of 1975, about 5,500 workers from Eastern Europe were engaged in the building of quarters for the crews that will soon become active, the construction of compressor stations and preparatory work on the pipeline.

Lastly, since the late 1950s there has been a significant increase in border exchanges, especially between Poland, Hungary, Czechoslovakia and the German Democratic Republic. This type of migration accounts for most of the labour exchanges among the centrally planned economies.

The total number of foreign workers engaged in the CMEA countries in the mid-1970s, most of whom come from other CMEA members, has been estimated as 100,000 to 200,000. 77/ Even in countries with a shortage of domestic labour, the significance of such labour transfers is small, and appears to be declining. 78/ This contrasts sharply with the estimated 9 million foreign workers - mainly from southern Europe and North Africa - employed in the European Economic Community.

Economic, legal and organizational obstacles have so far impeded conclusion of an agreement on general principles governing regional migration, and this may

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75/ In 1975, some 15,000 to 20,000 Bulgarian lumber workers were to be engaged in the Komi region.

76/ Romania is not participating in the pipeline construction project.

77/ Czechoslovakia and the German Democratic Republic each employ about 50,000 foreign workers, mainly from Hungary, Poland and, in the case of Czechoslovakia, Bulgaria (Voprosy ekonomiki (Moscow), 1975, No. 9, p. 106). In the USSR, about 25,000 Bulgarians constituted the largest contingent of foreign workers before the Orenburg project. Foreign - mainly Soviet - work crews in the construction sector are significant in Mongolia.

78/ In Czechoslovakia, a net labour importer, the share of all foreign workers in the total labour force in 1974 was less than one fourth of 1 per cent, of which the largest part was accounted for by border exchanges (Syntéza (Bratislava), February 1975, p. 9). Hungary is a net exporter, but the total number of Hungarians working abroad in 1974 - 11,000 - was lower than in any other year of the 1970s. In the early 1970s the number involved was less than 0.2 per cent of the total labour force (Statisztikai évkönyv, 1974 (Budapest, 1974), p. 109).

have kept the number of migrants below expectations. 79/ In view of the desire of each country to provide sufficient work at home, it is not considered likely that greater intraregional migration would significantly ease labour scarcities in the region in the near future even if economic and other hindrances to labour mobility could be removed. 80/ It is perhaps in response to the low potential for intra-CMEA migration that Czechoslovakia recently signed agreements with Yugoslavia and Cyprus to import workers from these countries.

Co-operation in raw materials and energy

Most of the Eastern European countries depend on imports for a wide variety of industrial raw materials and fuels. The Soviet Union, on the other hand, possesses vast resources that could be exploited in such a way as to permit the regional demand for raw materials and fuels to be satisfied from within the CMEA area. Though these economies have traditionally relied largely on regional supplies, there is no explicit indication that they now aim at self-sufficiency in most industrial raw materials and energy carriers.

Most industrial raw materials, electrical energy and fuels are considered "hard" commodities on the CMEA market since the potential demand for such products in the Eastern European countries tends to exceed the potential supply. This latei market disequilibrium has various causes. Perhaps the main cause for the chronic shortage of most fuels and industrial primary goods is the poor domestic endowment of the Eastern European planned economies and their rapid industrial expansion. Most of these countries possess relatively poor natural resources that can hardly satisfy the domestic demand for such products. (Exceptions to this are Polish coal and Hungarian bauxite.) The very fast rise in demand as a result of their post-war industrialization strategy has contributed to the potential shortage of such goods.

In spite of strenuous efforts to reduce the per unit input of raw materials and energy carriers, consumption has continued to expand at rates that are only slightly less than those for industrial production, and in some cases, even higher Domestic production of raw materials and fuels has also expanded, but in most case at steeply rising costs as poorer resources have had to be tapped. In the 1970s there was a general increase in the dependence on imports in respect of fuels and electrical energy in nearly all the centrally planned economies.

The second basic reason for market disequilibrium stems from autonomous price policies combined with the real increase in exploitation costs in the member countries. In regional trade, the centrally planned economies have tried to peg prices to historical world market prices 81/ which, until recently, have decreased in terms of the unit values of manufactured products in the developed market economies.

79/ The Polish-Czechoslovak agreement on labour exchange included a target of 26,000 Polish workers to be engaged in Czechoslovakia in 1973, but the actual number was about 19,000 (Syntéza (Bratislava), February 1975, p. 10).

80/ T. A. Vais, op. cit., p. 239.

81/ Actual trade prices, however, are negotiated bilaterally.

The Soviet Union possesses ample resources to redress the CMEA market balance for many raw materials and fuels, but it is not in a position to commit sufficient investment funds for such ventures from domestic sources without jeopardizing its own development strategy. Capital resources in the Eastern European countries are also limited and their transfer abroad is subject to a number of legal, economic and financial problems. Furthermore, the centrally planned economies have been reluctant to diversify their supply sources not only because of the chronic shortage of hard currency reserves but also for security reasons.

In the late 1950s and early 1960s serious efforts were made to reduce the regional shortage of hard goods by common efforts. Although a number of so-called special-purpose credits were granted by the importers to the producer countries (mostly on a bilateral basis), it was clear that the latent market disequilibria could be redressed only by considerably larger common efforts. The price explosion for raw materials and energy carriers on world markets in the 1970s seems to have raised the urgency of tackling the regional supply situation, although many of the issues involved were already agreed upon in principle in the Comprehensive Programme. Since 1971, these economies have negotiated several large-scale projects which will be carried out mainly in the 1976-1980 five-year plans.

Perhaps the most significant common investment project currently being implemented is the "Orenburg operation", which consists of two parts. First, a large gas-condensate plant is to be constructed near Orenburg and, secondly, the production facility is to be linked with the western borders of the Soviet Union through a pipeline that will span some 2,800 kilometres. This second project will further extend the network of gas and oil pipelines that the centrally planned economies have constructed since the late 1950s. In contrast to earlier joint projects - such as the first oil pipeline Druzhba (Friendship) 82/ - the Orenburg project is to be jointly constructed, all active European CMEA members contributing labour, material and financial resources. 83/ Each Eastern European country (except Romania which is participating only in the costs of the condensate plant) has assumed responsibility for the construction of some 500 to 600 kilometres of the pipeline. In some cases, the sections will be constructed by labour crews from the Eastern European countries, while in other cases, mainly for technical reasons, the work has been subcontracted to Soviet enterprises. The first deliveries of gas are scheduled for 1978, with full capacity to be attained in 1980.

Since the early 1960s the electrical power networks of the Eastern European countries have been linked together in the Mir (Peace) power-grid. A high-voltage line from Vinnitsa in the Ukraine to Albertirsa (Hungary), now under construction, will be the first link of what eventually will be an interconnected electrical power network of the Soviet Union and the Eastern European countries. Other projects are also under discussion on various levels, such as the direct linking of the electrical networks of the USSR and Bulgaria, and the exploration of

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82/ Each country was then responsible for the construction of the segment of the pipeline on its own territory.

83/ The Soviet Union assumes about 50 per cent of the total project costs, while the other members are held responsible for the costs of their assigned sectors.

off-shore oil deposits in the Baltic by the German Democratic Republic, Poland and the Soviet Union.

Several multilateral projects involving the production of important raw materials were started in 1974 and will be constructed in the 1976-1980 five-year plans. These include, among others, the cellulose project in Ust'-Ilim, to be constructed in 1974-1978 by the Eastern European countries (except Czechoslovakia) together with the USSR; 84/ the Kiembaev asbestos plant, which will be built in 1974-1980 by all the centrally planned economies of Eastern Europe and the Soviet Union; 85/ a joint project for the exploitation of iron ore and ferro-alloy deposits in the Kursk region (without Romanian participation); and the exploitatic of nickel deposits in Cuba by all the centrally planned economies.

84/ The Soviet Union's share in the total cost will be about 60 per cent.

85/ The six Eastern European countries will commit more than TR 100 million this project (Revista Economica (Bucharest), 1976, No. 9, p. 30).

Economic relations with market economies

A central feature in the economic development of the centrally planned economies of Eastern Europe and the USSR in the first half of the 1970s was increased reliance on an international division of labour extending beyond the confines of the socialist group of countries as an instrument for modernizing the national economy and raising levels of living. Though this policy was not explicitly articulated in all the 1971-1975 medium-term plans, it came to play an increasing role in the development strategy of all countries, especially as the opportunities for expanding East-West trade turned out to be larger than expected.

Trade with developed market economies, 1971-1975

In spite of a setback in 1975, over the first half of the decade the centrally planned economies' trade with developed market economies emerged as the fastest growing component of their total foreign trade value. Though prices increased rapidly in East-West trade, imports from the industrial market countries probably grew faster than total imports in terms of physical volume also. Measured in current prices, the combined exports of the socialist countries expanded at an average annual rate of 19 per cent over the five years, and imports at 26 per cent. This signifies a substantial acceleration in the growth of trade value (which had grown at an annual rate of about 11 per cent during the preceding quinquennium). In quantum terms, however, exports probably grew not much faster than during the earlier period, though import growth seems to have accelerated.

The acceleration was somewhat greater in the case of the Soviet Union average annual growth in trade value of 26 per cent for exports, 30 per cent for mports) than in the Eastern European group of countries (see table II-7). ulgaria and Hungary are the only countries in which the growth of exports to eveloped market economies lagged behind over-all export growth (and decelerated arkedly against the preceding period); imports from the industrial West grew at bove-average rates in every country of the group (table II-8).

Year-to-year changes in the value of the socialist countries' exports to eveloped market economies mirrored quite closely the fluctuations in the growth of the latter's total imports from all sources, 86/ suggesting that the movements reflect mainly changing demand forces and price developments in the non-socialist markets. The Soviet experience, however, differed somewhat from that of the Eastern European countries: Soviet export growth stagnated in 1972, owing in part to supply difficulties connected with the poor harvest of that year as well as to contrary price developments, and then surged in the following two years as world market prices increased sharply for important components of the Soviet export basket. 87/ The growth of Eastern European exports to the developed market economies, on the other hand, began to slow down in value terms in 1974 in spite of accelerating price increases (and was probably negative in quantum terms). The beginning of the recession in the industrial West lost the Eastern European socialist countries some ground in these markets, but several of them were also affected by trade-restricting measures such as the suspension of meat imports into the European Economic Community.

In every year after 1971 growth in the value of imports from the developed market economies exceeded by a substantial margin the growth of the latter's total exports. In quantum terms these imports continued to grow by an estimated 10-12 per cent even in 1974 (when quantum growth of the industrial market economies' total exports had dropped to less than 7 per cent) and in 1975 (when Western exports contracted by some 4 per cent). In 1975, however, as noted earlier, imports of the Eastern European countries from the developed West grew very little in value (and probably declined in real terms) as several countries acted to protect their balance of payments in the face of below-plan export growth, and the continued rapid growth of Soviet imports was largely the result of special factors such as the urgent need for additional grain imports in 1975. None the less, in 1974 and 1975 the sustained growth of demand for imports into the

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86/ Developed market economies and centrally planned economies: growth of trade value, a/ 1971-1975

(percentage)

	1971	1972	1973	1974	1975
Imports of developed market economies					
From all sources	11.3	18.4	37.6	42.4	0.4
From centrally planned economies b/ .	11.6	16.6	47.5	47.6	3.6
Exports of developed market economies					
To all destinations	11.9	18.9	36.8	33.1	6.3
To centrally planned economies b/ . .	9.0	33.3	48.3	44.4	26.7

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, and national data of the centrally planned economies.

a/ Growth rates were computed from trade values in current dollars and therefore differ in several years from those based on 1971 dollars in table II-7.

b/ Eastern Europe and USSR only.

87/ The increase in the value of Soviet fuel and energy exports to non-socialist countries alone accounted for 25 per cent of the total increase in the value of exports to these countries in 1973, and for 60 per cent in 1974.

socialist countries exerted some countercyclical influence on the development of world trade, though the relatively small share of socialist imports in the exports of the industrial market economies limited the impact of this stabilizing effect.

In its commodity structure, the trade between the European socialist countries and the developed market economies continued in the early 1970s to be primarily an exchange of primary goods (agricultural goods, fuels and raw materials), which constitute more than half of the socialist countries' exports, against manufactured products (chemicals, semi-fabricates, investment goods and consumer manufactures), which are more than two thirds of the socialist countries' imports. 88/ The structure of exports, which was re-enforced by the prevailing price movements, showed little change during the period. In the imports of the socialist countries from the industrial market economies, the fastest growing component appears to have been agricultural products (SITC 0 and 1), reflecting the grain and feed-stuff imports of several countries of the group. Thus, though the imports of industrial equipment and technology expanded rapidly, their share in total import value declined during the early years of the decade. None the less, machinery and equipment imports from developed market economies constituted one of the main driving forces of import growth and in some of the socialist countries - notably Poland - provided an increasing share of total investment goods supplies.

The recent unfavourable developments in the balance of trade seem to have already affected planning for future economic growth in all centrally planned economies. As noted earlier, in the national economic plans for 1976, and to some extent also in the five-year plans for 1976-1980, growth targets have been lowered, partly in response to less favourable outside factors. Indeed, in the short run - certainly in 1976 and possibly in 1977, when reduced import growth is expected - foreign trade may become a barrier to faster economic growth.

Much depends on how fast the major Western countries come out of their recession and how fast the socialist countries are able to boost their exports to Western markets. There seems to be no fundamental change in the economic policies of the centrally planned economies: their basic objective is to continue

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88/ Centrally planned economies of Eastern Europe and USSR: commodity structure of trade with developed market economies, 1966-1973

(percentage of total exports and imports)

	Exports SITC sections:		Imports SITC sections:	
	0-4 (Primary goods)	5-8 (Manufactures)	0-4 (Primary goods)	5-8 (Manufactures)
1966-1970	55.1	38.8	20.8	78.4
1971	52.2	42.5	20.2	79.3
1972	51.3	43.3	24.3	75.3
1973	54.6	41.6	26.7	72.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data in United Nations, Monthly Bulletin of Statistics, July 1975.

the "open strategy" of economic development and to expand exports as fast as possible. In recent years the centrally planned economies have achieved impressive increases in their industrial capacity, some of it oriented specifically towards exports, but because of the continued existence of trade obstacles impeding or burdening the conditions of access to some Western markets as well as of increasing competition, the expansion of exports is likely to pose a considerable challenge. It will require both a rapid improvement in the quality of export production and greater responsiveness to specific market requirements and to changing conditions. This in turn will demand greater flexibility on the part of the foreign trade enterprises of those countries, as well as on the part of their industrial production units.

Most countries in the group have already realized that the "open strategy" of economic development, though basically sound under normal conditions, has certain risks and limits. It is, therefore, understandable that one of the immediate objectives of the centrally planned economies seems to be the restoration of external balance. Their performance in this respect will have far-reaching consequences for the future course of their internal economic policies.

Financing of East-West trade

The export performance of the European socialist countries to developed market economies was undoubtedly somewhat below expectations even before the full impact of the recession in major Western countries and the worsening terms of trade of most socialist countries produced the sharp deterioration of trade balances noted earlier. Some of the socialist countries, however - especially Poland - had never aimed at fully balanced trade with the developed market economies, but early in the 1970s had decided instead to take advantage of the relatively favourable situation on Western financial markets and borrow enough to enable them to increase imports faster than exports, at least until the strategy could be reversed as new production capacity - completed with the help of imported investment goods - began to yield an enlarged stream of exportable goods. Accelerating inflation in the West was probably taken into consideration in the formulation of this policy.

The rapid increase in trade deficits with developed market economies in 1973-1975 pushed the centrally planned economies towards greater activity in the world financial markets. The only country to borrow relatively little on Western capital markets was Czechoslovakia. The rest, especially the Soviet Union, Poland and the German Democratic Republic, borrowed increasing amounts both in the Euro-currency market and through various bilateral or consortia arrangements.

For several years the situation on the world financial markets was quite favourable to the socialist countries. In the early 1970s they took advantage of the high liquidity of credit markets, especially in respect of dollars. After a short period of tightness in 1973 and early 1974, the demand for credit in the Western countries was depressed by the recession and the socialist countries could again borrow relatively easily and at interest rates close to the average Euro-dollar rates in London. A number of Western banks welcomed the opportunity to lend to the socialist countries, as a means of offsetting the fall-off in lending to their domestic customers. Since most of the credits were used to finance bilateral trade with particular trading partners, they tended to be Government-backed and at reduced interest rates. In 1974 and 1975, a number of new credits were arranged through the financial institutions of CMEA - the International Bank for Economic Co-operation and the International Investment Bank. Those loans, were chiefly to finance joint CMEA projects in the field of energy and other raw materials. On the basis of data from Western sources, it is estimated that Euro-currency borrowings of the CMEA countries exceeded $6 billion in 1974 and $7 billion in 1975. Their total hard-currency indebtedness is reported to have increased from $22.5 billion at the end of 1974 to $32 billion at the end of 1975. 89/

Though the current ratio of debt service payments to hard-currency export earnings is not known, it is becoming clear that in the years immediately ahead it is going to be considerably higher than in the recent past. Consequently, the use of new credits may be more limited. Because of its large gold reserves the position of the Soviet Union is somewhat different from that of other countries in the group. In fact, the Soviet Union is less dependent on foreign credits as long as it is willing to sell gold, as it has been doing in recent years, with limits dictated by the potential repercussions of such sales on the market price of the metal.

Despite their increased indebtedness to the major Western countries, some centrally planned economies are willing to continue an active credit policy. However, with the major Western countries recovering from the recession and greater demand for credit, their opportunities may not be as good as they were in recent years.

New forms of East-West economic co-operation

One of the new features of economic co-operation between the centrally planned economies and the Western industrial countries in recent years has been the growing role of agreements on industrial co-operation. In most cases such agreements have been designed to create a link between imports of technology and equipment by the socialist partner and the opening-up of export markets for at least some portion of the resultant finished goods in order to pay for those imports. Large contracts in particular tended to embody buy-back provisions of various types.

These "compensatory" deals, besides providing access to advanced technology and know-how, help to facilitate the introduction into foreign markets of goods produced in the socialist countries. In the case of the Soviet Union such buy-back arrangements have mostly been in the field of raw material production, though it is increasingly interested in extending them to manufacturing industries.

In other forms of co-operation agreements, the socialist partners take over the production of certain goods specifically for a foreign market, usually according to the Western partner's specifications and occasionally using the raw materials provided. Such arrangements are in effect an export of labour.

89/ The New York Times, 6 June 1976.

They give the socialist partner hard-currency earnings - the main purpose of such arrangements - and increase the skills of workers and this in turn tends to raise the quality of products for the domestic market. In return the Western partner receives goods at competitive costs.

The newest type of co-operation agreement is the so-called "joint-venture", set up on the basis of equity participation by both Western and Eastern partners. The "joint-venture" may be located either in a socialist country or in a third country. Up to now only Yugoslavia, Romania and quite recently Hungary have permitted "joint-ventures" located within their own borders. Experience in this field is too limited to provide valid ground for conclusions.

Trade with developing economies, 1971-1975

At the beginning of the 1970s, the European centrally planned economies announced their intention, both in national planning documents and in a joint Comprehensive Programme of the CMEA member countries, to seek continued expansion of trade with the developing countries. These general policy announcements were backed by the introduction of tariff preference schemes in several socialist countries and the adoption of non-tariff preferential measures in others, the conclusion of a number of new intergovernmental bilateral trade agreements with developing countries, and the creation of new institutions aimed at stimulating trade. 90/

In the first half of the decade, the growth of trade between the socialist and the developing countries accelerated substantially in value terms, but probably not in terms of quantum. World market price swings caused the rate of growth to fluctuate rather widely, though the sequence of estimated quantum changes also reveals a pattern of uneven growth, especially for the socialist countries' imports. The commodity structure of imports into the socialist countries continued to diversify during the early years of the decade, with a substantial increase in the share of manufactures in the total. Though the trade network expanded with the addition of new partners among developing countries, the geographical concentration of trade continued to be high. As in earlier periods, exports of the socialist countries continued to exceed imports by a substantial margin, especially in the case of the Soviet Union, but the gap was narrower than in the preceding quinquennium and over the 1971-1975 period several socialist countries were actually in deficit (see table II-14).

The value of the European centrally planned economies' exports to developing countries increased from $4 billion in 1970 to $10 billion in 1975 and their imports grew from $3 billion to $9.5 billion. In the case of Eastern Europe, the growth rates for the 1971-1975 period were more than double those of the preceding five years: based on SDR values, export growth increased from 9 per cent and import growth from 7 per cent annually in 1966-1970 to near 18 per cent annually for both trade flows in 1971-1975. In the USSR, import growth accelerated in a similar manner (from 9 to 23 per cent a year), though

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90/ For a review of trade policy measures in favour of developing countries and their implementation, see World Economic Survey, 1974, Part One: Mid-term Review and Appraisal of Progress in the Implementation of the International Development Strategy (United Nations publication, Sales No. E.75.II.C.1), chap. III.

export growth continued at the same average rate as in the preceding period, about 13 per cent per year (see table II-7).

In spite of this acceleration, however, trade with the developing countries grew less rapidly than trade with the developed market economies. The combined exports of Eastern Europe and the USSR to third world countries increased by 15 per cent a year (as against the 19 per cent average growth rate in exports to industrial market countries) and imports by 21 per cent (as against 26 per cent). Accordingly, the developing countries lost some ground in terms of their share in the socialist countries' trade with non-socialist partners. In Eastern Europe, their share in total exports and imports - about 8 and 6.5 per cent, respectively - was lower than in 1966-1970. Only in Bulgaria and Romania, the least developed members of the Eastern European group, did trade with developing countries grow faster than trade with the industrial countries. 91/ In the USSR, the developing countries' share in total exports remained approximately constant, at about 20 per cent, while their market share in imports rose slightly, from 14 to 15 per cent (see table II-18).

Year-by-year growth of trade value fluctuated widely. The swings in the growth of socialist exports and imports roughly mirror those in total imports and exports of the developing countries, 92/ thus reflecting world-wide price and exchange rate trends as well as swings in general economic conditions. However, there were also some notable divergencies. Except in 1972 and 1973, socialist exports to developing countries increased rather more slowly than total imports of the developing countries. Except in 1975, a similar relationship holds between

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91/ Romania increased the share of developing countries in its total foreign trade (exports plus imports) from 8 per cent in 1971 to over 13 per cent in 1974. A resolution passed at a foreign trade conference in February 1975 established a 1980 target of 30 per cent for this share.

92/ Developing economies and centrally planned economies: growth of trade value, a/ 1971-1975

(percentage)

	1971	1972	1973	1974	1975
Imports of developing economies					
From all sources	13.4	11.2	38.6	64.0	18.1
From centrally planned economies b/ .	3.0	15.1	43.9	29.8	11.1
Exports of developing economies					
To all destinations	13.1	19.9	49.4	97.7	-6.0
To centrally planned economies b/ . .	-0.7	9.1	48.9	54.7	28.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, and national data of the centrally planned economies.

a/ Growth rates were computed from trade values in current dollars and therefore differ in several years from those based on 1971 dollars in tables II-7 and II-19.

b/ Eastern Europe and USSR only.

socialist imports from developing countries and total exports of these countries. In the early years of the quinquennium, socialist imports from the third world registered little change (the 9 per cent increase in value in 1972 reflecting almost entirely the dollar devaluation of that year). Increases in import value in 1973 and 1974, however, were well in line with total export growth of the developing countries if allowance is made for the fact that petroleum does not play a significant role in these trade flows. In 1975, when total developing country exports declined, socialist imports expanded owing almost entirely to an upsurge in Soviet grain and sugar imports. 93/

Thus, in spite of the acceleration in the growth of trade flows between socialist and developing countries in the first half of the decade, there was no increase in mutual trade interdependence. In fact, though the available data do not yet cover the entire period, they point to some loss of ground in this respect. In 1971-1973, the socialist countries took slightly less than 4 per cent of the developing countries' exports, as compared to about 5 per cent in 1968-1970; they provided a somewhat larger share of the developing countries' imports (6.5 per cent), but this share too was down from the earlier period (6.9 per cent). 94/ However, because of the high degree of geographic concentration of the socialist countries' trade with developing countries, the significance of the CMEA market and supplies for some individual partner countries and regions is much higher, and is likely to have risen during the 1970s for some regions such as West Asia or North Africa with which trade growth was above average.

In the absence of direct information on price changes in the socialist countries' trade with developing economies, statements on the behaviour of trade quantum over the first half of the decade must remain rather speculative. For socialist imports, which consist predominantly of agricultural and other primary products, it may reasonably be assumed that price movements more or less reflect the trend of world market price changes for the commodity basket involved, and hence that suitably weighted export price indices for all developing countries are representative of the price changes experienced by the socialist importers. Estimates based on this approach suggest that the physical volume of imports stagnated or contracted in the first two years of the period and grew by 6 to 7 per cent in 1973. The large value growth in 1974 is likely to have been due predominantly to price changes, but in 1975 a significant quantum increase probably occurred, perhaps on the order of 20 to 40 per cent. However, the estimates for the past two years have to be considered quite tentative, owing to uncertainties of the underlying data.

Because of the significance of a limited number of commodities in socialist imports, changes in the quantum of trade are still very strongly affected by supply conditions in some developing countries and demand developments in the socialist countries for a very small number of goods, and hence are bound to exhibit

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93/ While imports of the Eastern European centrally planned economies from developing countries declined in 1975, Soviet imports increased by $2.1 billion. Increased imports from Argentina, Brazil, Cuba and Peru, mainly of sugar and grains, and probably meat, accounted for 80 per cent of the total increment.

94/ Computed from data in United Nations, Monthly Bulletin of Statistics, July 1975, special table D.

considerable variability. Thus, in several years import growth reflected the swings of the Cuban sugar harvest, on the one hand, and the import requirements for agricultural goods in the socialist countries on the other. None the less, during the early years of the decade the share of primary products in the socialist countries' imports declined (from 84 per cent of the total in 1966-1970 to 80 per cent in 1971-1973) and that of manufactures increased correspondingly. In more recent years, however, price trends as well as the growth of fuel imports may have stopped or reversed this structural shift. Rising - though still very small - levels of imports in machinery and equipment were noted as several socialist economies imported output of the new engineering industries in developing countries, at times in repayment of earlier development credits. The most important element in the growth of manufactured goods imports, however, was provided by the textile sector: yarns, fabrics and clothing items constituted 54 per cent of total manufactures imports in 1971-1973. 95/

The trade surplus of the socialist countries increased from $5.2 billion in 1966-1970 to $7.2 billion in 1971-1975, but whereas in the former period exports exceeded imports by more than one third, this gap was down to one quarter in the latter. The trade surplus doubled between 1970 and 1973, from $1.1 billion to $2.2 billion, but has been declining in the last two years of the quinquennium (to $0.5 billion in 1975) as import growth outpaced that of exports, owing in part to price developments, but in part also to the fact that repayments of earlier credits began to finance some of the socialist imports.

95/ For a more extensive review of changes in the commodity structure of trade, see World Economic Survey, 1974, Part One: Mid-term Review and Appraisal ..., pp. 160-166.

Economic assistance to developing economies

The economic and technical aid of the socialist countries to the developing countries became more active during the first half of the decade in terms of both the amounts committed and the nature of the assistance.

Most of the aid continued to be provided on a bilateral basis, though a small proportion was distributed through the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF). A multilateral aid outlet of the CMEA member countries was created towards the end of the period in the form of a Special Fund for development credits administered by the International Investment Bank of CMEA. The period also witnessed an increase of co-ordination among CMEA members as well as a degree of specialization in providing the development assistance.

During the first half of the 1970s, the centrally planned economies were reported to have extended new economic aid commitments to third world countries of $12.3 billion, more than two and one half times the amount extended during the preceding quinquennium (table II-20). These figures exclude economic aid to Cuba, a CMEA member country, and to the centrally planned economies of Asia, countries which in many respects face problems similar to those of developing market economies. The volume of loans, grants and technical assistance provided to these countries by the other centrally planned economies is reported to be larger than the total commitments to the non-socialist developing countries.

New credit commitments of the CMEA member countries in 1971-1975 amounted to $9.7 billion, as compared to the $4 billion reported for 1966-1970. The Soviet Union accounted for $5.8 billion, or some 60 per cent of the total. Among the socialist countries of Eastern Europe, which committed $3.9 billion in credits and aid during the period, the largest donor was Romania with over $1.7 billion in reported new credit extensions.

Reported new aid commitments of China totalled $2.5 billion during the first half of the decade, three and one half times the level of the preceding five-year plan period when China first began to engage in major development aid projects.

The CMEA countries' assistance is provided mainly in the form of long-term state loans, based on intergovernmental aid and co-operation agreements. Credits are usually tied to specified projects and they finance machinery and equipment deliveries, construction expenditures and the services of experts from the donor countries. The usual repayment period is 12 to 15 years, starting one to three years after the completion of the project. Interest is usually at 2.5 to 3 per cent per annum, and repayment is frequently accepted in local currency or in traditional export goods of the recipient country or in the form of the products produced by the projects aided.

The most important recipient region of the CMEA countries' 1971-1975 credits was West Asia, with commitments of $3.7 billion. The countries of North Africa and South and South-East Asia each received about $2 billion in credit commitments, followed by western hemisphere countries ($1.7 billion) 96/ and those of sub-Saharan Africa ($0.3 billion).

As in the previous period, the bulk of the aid commitments of the CMEA member countries was concentrated on a relatively small group of developing countries with which strong ties had been established. In 1971-1974, seven of the 42 recipient countries obtained about two thirds of the total credit commitments.

A key feature of co-operation between the CMEA member countries and the developing countries is the help given to industrial enterprises. About 84 per cent of USSR aid allocations went into the creation and modernization of the enterprises of the non-agricultural production sectors. 97/ More than 55 per cent of all Soviet industrial assistance funds up to the beginning of 1975 were directed to the ferrous metal industry, which is considered by the socialist and many developing countries as one of the main prerequisites of industrialization.

The CMEA member countries have provided the developing countries with various forms of modern technology - for example, machine-building enterprises, for which assistance has been given in the construction of 180 projects. 98/ By the beginning of 1975, the USSR had helped in the establishment of 39 enterprises producing machines and equipment, or repairing agricultural implements, 16 in Asia and 23 in Africa. 99/

Along with assistance in developing production of import-substitutes, more attention is now being given to stimulating export-oriented production, with emphasis on the creation of complementarities in the production structure between socialist and developing countries and the promotion of lines which would have a market in the CMEA member countries. One result of this new emphasis has been an increase in the commitments for mineral and fuel exploration and exploitation in the light of the current raw materials and fuel situation in the world. The repayment of loans for mineral and fuel exploration is accepted increasingly in the form of output of the projects aided. This return flow is now included in the plan calculations of the CMEA member countries: in 1973, for instance, it accounted for about one half of the USSR's total imports from

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96/ Excluding Cuba, for which data are not available, but which has probably been the leading recipient of CMEA aid since the early 1960s.

97/ The sectoral allocation of Soviet economic and technical aid cumulated to the beginning of 1975 has been reported as follows: manufacturing and extractive industry, 58.3 per cent; electricity generation, 18.1 per cent; transport and communications, 7.9 per cent; agriculture, 5.7 per cent; geological prospecting, 5.5 per cent; education, science, culture and health, 4.5 per cent (Mirovaia ekonomika i mezhdunarodnye otnosheniia (Moscow), 1975, No. 11, p. 40).

98/ Council for Mutual Economic Assistance, Information on Co-operation between the CMEA Member Countries and the Developing Countries in Trade, Economy and Technology (Moscow, 1975), p. 19.

99/ Mirovaia ekonomika i mezhdunarodnye otnosheniia (Moscow), 1975, No. 11, p. 72.

the developing countries. Trade generated in this manner is expected to stabilize the economic relations between the CMEA countries and the developing countries concerned.

At the beginning of 1975, CMEA member countries were providing economic and technical assistance to 34 developing countries in the field of geological prospecting and survey. Afghanistan, Bangladesh, the Congo, Egypt, India, Iran, the Sudan and the Syrian Arab Republic are among the developing countries in which geological surveys have been carried out with the assistance of CMEA member countries. The result has been not only the preparation of resource maps but also the discovery of various minerals, including petroleum and phosphorus in Syria and new petroleum reserves in Algeria. Geological prospecting has also been carried out in tropical Africa. Co-operation between CMEA member countries and Nigeria, for example, has resulted in the discovery of new deposits of oil, iron ore and coking coal, and other minerals. Cuba has provided economic and technical assistance to Democratic Yemen in prospecting for oil.

Among the countries to receive comprehensive assistance in developing its petroleum resources throughout the first half of the 1970s is Iraq, the initial agreements with which were signed by the CMEA member States in 1969. Since then aid has been provided in many forms - refinery equipment, pumping stations, pipelines, storage tanks, as well as expertise related to the organization and operation of the national oil industry.

Until recently, economic co-operation between the socialist countries and developing economies was conducted almost exclusively on a bilateral basis. In 1974 and 1975, however, the centrally planned economies took the first steps to organize a basis for multilateral co-operation through the Council for Mutual Economic Assistance.

The 1971 Comprehensive Programme of the CMEA member States envisaged the participation of non-member countries in some activities of the organization and in the implementation of the Programme. Under this provision, agreements on economic, scientific and technical co-operation were concluded with Iraq in July 1975 and with Mexico in August 1975. These were the first agreements between CMEA itself and developing countries and they created an organizational framework for multilateral co-operation between socialist and developing countries, without supplanting bilateral intergovernmental agreements negotiated between an individual centrally planned economy and a developing country.

Both agreements provide for the creation of mixed commissions in which concrete co-operation projects and trade and payments issues can be discussed in detail. In principle, these commissions have a very broad mandate, inasmuch as they are authorized to discuss any economic, technical and scientific project of mutual interest to the countries concerned.

The agreement with Iraq reflects the desire of the CMEA members to co-ordinate their plans with the new development programme to be implemented in Iraq in 1976, and the associated aid programme in the field of oil and natural gas resources, the chemical industry, agriculture and foreign trade. 100/

100/ Ekonomicheskoe sotrudnichestvo stran-chlenov SEV (Moscow), 1975, No. 4, p. 103; Rynki zagraniczne (Warsaw), 5 July 1975, p. 1.

The mixed commission of CMEA and Mexico will investigate the possibilities of intensifying multilateral and bilateral co-operation, especially in the development of trade and payments relations, the creation of common enterprises, and the exploitation of new technologies. 101/

Some of the projects worked out under these agreements may be aided by the Special Fund for the Financing of Economic and Technical Assistance of the International Investment Bank. The Special Fund was created by multilateral agreement in April 1973 and started operating in January 1974. It will eventually control TR 1 billion, with 5 per cent of the contributions to be paid in convertible currencies. 102/ The first contribution of TR 25 million was paid in 1974, and by 1976 the paid-in portion is to amount to TR 100 million. 103/

The Special Fund will be used for granting credits to non-socialist developing countries. Low-interest credits of up to 15 years can be granted for the construction of new enterprises or the reconstruction or modernization of existing ones. The national banks and enterprises and economic organizations of the State and co-operative sectors of the developing countries, and - in exceptional cases - private sector firms or organizations are eligible borrowers.

No lending activity of the Special Fund has yet been reported, partly perhaps because it has proved difficult to initiate new projects in the closing years of the centrally planned economies' current medium-term plans, and partly because the principles for transferable rouble loans to non-CMEA members have only recently been worked out. In due course the Fund is expected to become an important stimulus of economic co-operation between the CMEA members and developing countries. 104/

101/ DDR Aussenwirtschaft (Berlin), 24 September 1975, p. 1; Ekonomicheskoe sotrudnichestvo stran-chlenov SEV (Moscow), 1975, No. 4, p. 104; Deutsche Aussenpolitik (Berlin), 1975, No. 12, p. 1875.

102/ Izvestiia (Moscow), 12 April 1973; Vneshniaia torgovlia (Moscow), 1973, No. 7, p. 45.

103/ Ekonomicheskaia gazeta (Moscow), No. 20, p. 21; N. V. Faddeev, Sovet ekonomicheskoi vzaimopomoshchi, 3rd ed. (Moscow "Ekonomika", 1974), p. 320.

104/ Ekonomicheskoe sotrudnichestvo stran-chlenov SEV (Moscow), 1975, No. 6, p. 62.

Table II-1. Centrally planned economies of Eastern Europe and the USSR: growth of national income, a/ actual and planned, 1966-1980

(Percentage)

Country and group	Average annual rates: 1966-1970, actual	1971-1975: Planned	1971-1975: Actual	1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975: Planned	1975: Actual	1976, planned
Albania	9.0	9.2-10.0	...	...	...	...	...	...	...	...	...
Bulgaria	8.7	7.7-8.5	7.9	8.2-8.7	7.1	7.7	8.0	7.4	9	9	9
Czechoslovakia	6.8	5.1	5.7	4.9-5.2	5.1	6.3	5.2	6.0	5.6	6	5
German Democratic Republic .	5.2	4.9	5.4	4.9-5.4	4.4	5.8	5.6	6.3	5.5	5	5.3
Hungary	6.8	5.5-6.0	6.2	5.4-5.7	6.5	5.1	7.4	7.0	5-5.5	5	5-5.5
Poland	6.0	7.0	9.8	7.0-7.3	8.1	10.6	11.4	10.5	9.8	8	8.3
Romania	7.7	11-12	11.3	11.0	13.5	10.0	10.7	12.4	14	9.8	10.5
Eastern Europe[a/]	6.5	6.7-7.0	7.9	7.0-7.3	7.3	7.9	8.4	8.7	8.6	7.2	7.4
USSR	7.7	6.8	5.5	4.4-5.1	5.6	3.9	9.0	5.3	6.5	4	5.4
Eastern Europe[b/] and USSR	7.4	6.7-6.8	6.2	5.2-5.8	6.1	5.0	8.8	6.2	7.1	4.9	6.0

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

a/ National income produced, except for the USSR where for the planned rates and for 1975 the reference is to national income domestically utilized.

b/ Not including Albania.

Table II-2. Centrally planned economies of Eastern Europe and the USSR: growth of industrial output, a/ actual and planned, 1966-1980

(Percentage)

Country and group	Average annual rates: 1966-1970 actual	Average annual rates: 1971-1975 Planned	Average annual rates: 1971-1975 Actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	Increase over preceding year: 1972, actual	Increase over preceding year: 1973, actual	Increase over preceding year: 1974, actual	Increase over preceding year: 1975 Planned	Increase over preceding year: 1975 Actual	Increase over preceding year: 1976, planned
Albania	12.9	10-10.5	...	...	...	...	9.4	7.3	4.4	...	4.5
Bulgaria	10.9	9.2-9.9	9.2	9.2-9.8	9.0	9.1	9.1	8.6	8	9.9	9.2
Czechoslovakia	6.8	6.0-6.3	6.7	5.7-6.0	6.9	6.6	6.8	6.3	6.3	7	5.5
German Democratic Republic	6.5	6.0	6.4	6.0-6.3	5.6	6.0	6.8	7.2	6.3	6.4	6.0
Hungary	6.2	5.7-6.0	6.4	5.9-6.2	6.8	5.1	7.0	8.4	6	5	6
Poland	8.3	8.4	10.7	8.2-8.4	7.9	10.7	11.2	11.4	11.4 b/	12.3 b/	8.8
Romania	11.9	10-12	13.0	11.4	11.7	11.8	14.6	14.6	15	12.4	10.2
Eastern Europe c/	8.0	7.5-7.8	8.8	7.7-8.0	7.6	8.3	9.3	9.5	9.2	9.2	7.6
USSR	8.5	8.0	7.4	6.2-6.8	7.7	6.5	7.5	8.0	6.7	7.5	4.3
Eastern Europe c/ and USSR	8.4	7.9-8.0	7.8	6.6-7.1	7.7	7.0	8.0	8.4	7.4	8.0	5.2

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

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

b/ Value of output sold.

c/ Not including Albania.

Table II-3. Centrally planned economies of Eastern Europe and the USSR: change of labour productivity a/ in industry, 1966-1980

(Percentage)

Country	Average annual rates				Increase over preceding year						
	1966-1970, actual	1971-1975		1976-1980, planned	1971, actual	1972, actual	1973, actual	1974, actual	1975		1976, planned
		Planned	Actual						Planned	Actual	
Bulgaria	6.9	7.6	7.0	9.2	7.2	5.9	8.0	6.0	8.2 b/	7.9	8.8 b/
Czechoslovakia c/	5.7	5.4-5.7	6.2	...	5.8	6.4	6.4	6.2	5.4	6.1 d/	4.6
German Democratic Republic .	6.1	6.2	5.3	5.4-5.7	4.7	4.2	5.8	6.2	5.6	5.8	5.5
Hungary	3.6	4.5-5.0	6.3	6.2	7.0	6.2	5.4	7.7	7	5	...
Poland e/	4.9	5.4 f/	7.8	7.4-7.7	4.9	5.8	8.2	8.8	9.3	10.6 g/	7.7
Romania	7.3	7.3	7.1	6.7-7.2	4.5	5.7	7.8	6.9	10.3	7.1	8.5 h/
USSR	5.8	6.8	6.0	5.4-6.0	6.3	5.2	6.1	6.3	6.0	5.9	...

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

a/ Labour productivity measured as output per employee.

b/ Over-all labour productivity (net material product per man-year).

c/ Manual workers only.

d/ All employees (manual and white-collar).

e/ Socialist sector only.

f/ Including construction.

g/ Value of output sold per employee, socialist sector only.

Table II-4. Centrally planned economies of Eastern Europe and the USSR: growth of gross agricultural output, actual and planned, 1966-1980

(Percentage)

Country and group	Average annual rates					Increase over preceding year						
	1961-1970, actual a/	1971-1975			1976-1980, planned b/	1971, actual	1972, actual	1973, actual	1974, actual	1975		1976, planned
		Planned b/	Actual: Average b/	Actual: End-years c/						Planned	Actual	
Albania	6.0	8.4-9.2	...	...	...	...	...	7.0	11.0	15.9	...	15
Bulgaria	4.1	3.2-3.7	2.2	2.8	3.7	2.0	5.6	1.3	-1.9	9.3	7	5
Czechoslovakia	2.6	2.7[c]	2.9	2.6	2.6-2.8	3.2	3.9	4.7	2.2	3.3	-0.7	4.5
German Democratic Republic	2.6	2.4[d]	2.2	2.8	...	-	10.9	-0.9	8.2	2.4[d]	-3.4	1.4[d]
Hungary	2.6	2.8-3.0	3.4	4.7	3.2-3.4	9.2	2.7	6.7	3.5	3-4	1-2	4
Poland	2.5	3.6-3.9[c]	3.1	3.6	2.8-3.0[c]	3.6	8.4	7.3	1.6	3.7	-2.6	5.9
Romania	3.3	6.3-8.3	4.6	6.3	5.1-7.6	18.9	9.5	0.7	1.0	...	2.5	15-27
Eastern Europe[e] . . .	2.8	3.5-4.0	3.1	3.8	3.3-3.8	5.5	7.5	4.1	2.6	4.8	-0.6	...
USSR	3.4	3.7-4.0	2.5	0.6	2.6-3.2	1.1	-4.1	16.1	-2.7	7.9[f]	-6	9.4[f]
Eastern Europe[e] and USSR	3.2	3.6-4.0	2.7	1.6	2.8-3.4	2.5	-0.3	11.9	-1.0	6.8	-4.2	...

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

a/ Parameters of semi-logarithmic regression trends.

b/ Change in the five-year average output from the average of the preceding five years, expressed as annual compound rate.

c/ Average annual compound rate between terminal years.

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

e/ Not including Albania.

f/ Estimated.

Table II-5. Centrally planned economies of Eastern Europe and the USSR: changes in gross fixed investment, 1966-1980

(Percentage)

Country	Average annual rates				Increase over preceding year						
	1966-1970, actual	1971-1975 Planned	1971-1975 Actual	1976-1980, planned a/	1971, actual	1972, actual	1973, actual	1974, actual	1975 Planned	1975 Actual	1976, planned
Albania	...	...	...	...	...	...	...	...	...	...	18.8
Bulgaria	12.5	6.7 a/	6.8 b/	7.1	1.7	10.0	6.9	8.0	7.0	7	...
Czechoslovakia	7.2	6.2-6.5 a/	8.1	6.3-6.6	5.7	8.7	9.2	9.3	7.4	7.9	6.4
German Democratic Republic .	9.9	5.2 a/	4.2	5.2-5.5	0.6	3.9	8.0	4.2	4.4	4	6.5
Hungary	11.6	8.1-9.4	6.8	4.6-4.7 c/	11.4	-1.4	3.5	9.2	6 c/	12	1-2 c/
Poland	8.1	8.3	18.3	6.5-7.0	7.7	23.7	25.0	22.5	15.4	14.0	5.8
Romania	11.2	10.4 a/	12.8	12.9	10.5	10.4	8.3	13.2	22.0	14.4	19.4
USSR	7.6	7.2 a/	6.9	4.4-4.7	7.2	7.1	4.7	7.1	7.3	8.2	4

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

a/ Change over preceding five-year period, expressed as an average annual rate.

b/ 1971-1974.

c/ Socialist sector only.

Table II-6. Centrally planned economies of Eastern Europe and the USSR: selected indicators of growth of income and consumption, 1966-1980

(Percentage)

Country and indicator	Average annual rates				Increase over preceding year						
	1966-1970, actual	1971-1975 Planned	1971-1975 Actual	1976-1980, planned	1971, actual	1972, actual	1973, actual	1974, actual	1975 Planned	1975 Actual	1976, planned
Bulgaria											
Personal income per capita (real)	6.1	4.6-5.4	6.1	...	4.3	7.0	8.5	4.9	4.3	5.6	...
Average wage (nominal) . .	5.8	...	3.2	3.0-3.4	1.8	3.2	5.7	2.5	...	2.6	...
Retail sales (real) . . .	8.6	6.8	7.8	7.0-9.6	6.5	6.6	8.8	9.5	7.1	7.8	7.8
Total consumption (real) .	7.2	8.4-9.4	7.2	...	7.4	6.4	6.4	8.0	...	8.2	7
Czechoslovakia											
Average wage (real)[a] . .	3.6	2.5-3.0	3.8	2.5-2.8	4.2	4.5	3.1	2.9	...	3.3[b]	4[b]
Retail sales (real) . . .	6.3	5.1-5.4	5.4	4.2-4.6	5.5	6.0	5.8	7.5	4.6[b]	3.4[b]	4.7
Total consumption (real) .	5.5	4.9	5.3[c]	...	6.2	5.4	5.8	5.9	4.4[d]	3.3[c]	5.2[c]
German Democratic Republic											
Personal income per capita (real)	4.1	4.0[e]	5.5	3.9-4.2	4.1	6.4	6.1	6.1	...	5	...
Average wage (nominal) a/.	3.6	...	3.7	...	4.0	3.7	2.6	3.7	...	4.7[f]	...
Retail sales (nominal) . .	4.6	4.1[g]	5.1	3.7-4.1[g]	3.9	6.0	5.8	6.1	4.6	3.6	4.0
Total consumption (real) .	4.7	4.2	5.6[h]	3.9-4.2	5.1	6.3	5.5	5.6	...	...	...
Hungary											
Personal income per capita (real)	6.2	4.6-4.9	4.6	3.4-3.7	4.5	3.1	5.0	6.6	3.5	4	3
Average wage (real) . . .	3.5	3.0-3.4	3.4	2.7-3.0	2.3	2.2	2.8	5.5	2.5	4	1.5
Retail sales (real) . . .	9.0	6.0-6.4	6.2	5.1-5.4	7.4	3.3	5.8	9.2	4.8	5.4	4-5
Total consumption (real) .	6.2	5.0	5.1	3.6-4.3[c]	6.2	3.1	4.7	7.3	3-3.5	4-5	4

Table II-6 (continued)

Country and indicator	Average annual rates: 1966-1970, actual	1971-1975: Planned	1971-1975: Actual	1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975: Planned	1975: Actual	1976, planned
Poland											
Average wage (real) a/ . . .	2.1	3.4	8.0	3.0-3.4	5.7	6.6	11.2	8.5	5	8.0	3.5
Retail sales (nominal) i/.	7.1	7.2	12.5	7.3-7.7	8.3	12.7	12.5	14.3	11	14.7	14
Total consumption (real) .	5.5	6.9	9.2	...	7.7	9.1	10.9	8.3	8.2	10	8.3
Romania											
Personal income per capita (real)	4.2	6.3-6.7 c/	6.8	5.5-5.8 c/	11.8	5.8	4.8	6.1	8.3 c/	5.4	7.3-7.8 c/
Average wage (real) . . .	3.7	3.7	3.6	3.4-3.7	2.2	1.8	3.2	4.5	10.0 b/	6.8	8.0-8.7
Retail sales a/, i/ (real)	8.7	7-8	8.2	7.0-7.7	9.1	6.3	7.5	10.2	8.5 b/	7.7	10 b/
USSR											
Personal income per capita (real)	5.9	5.5	4.3	3.7-4.0	4.5	4.0	5.0	4.2	5.0	4.2	3.7
Average wage (nominal) . .	4.8	...	3.6	3.0-3.4	3.2	3.4	3.6	4.6	...	3.5	2.7
Retail sales (nominal) a/.	8.2	7.2 j/	6.3	4.9-5.2	6.7	6.6	5.2	5.9	7.2	7.0	3.6
Total consumption (nominal)	7.5	...	5.6 h/	...	5.8	5.8	5.3	5.5	...	...	...

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

a/ Socialist sector only.

b/ Nominal.

c/ Estimated from components.

d/ Private consumption only.

e/ Total real personal income.

f/ Total wage bill.

g/ Growth rate of five-year average.

h/ 1971-1974.

i/ Goods only.

j/ Real.

Table II-7. Centrally planned economies of Eastern Europe and the USSR: foreign trade, by direction, 1966-1975

(Value in billions of current dollars; growth rates in percentage[a/])

	Exports								Imports							
		Growth rates								Growth rates						
Origin and destination[b/]	Value, 1975	1966-1970	1971-1975	1971	1972	1973	1974	1975	Value, 1975	1966-1970	1971-1975	1971	1972	1973	1974	1975
Eastern Europe to or from:																
World	44.8	9.0	14.8	10.1	13.5	14.5	20.1	16.2	50.8	9.7	17.3	9.6	10.4	20.0	30.6	17.0
Centrally planned economies . . .	28.6	8.2	13.9	10.1	15.4	10.6	10.2	24.3	29.2	9.2	14.3	9.0	7.8	12.1	15.3	28.3
Developed market economies . . .	12.3	11.2	16.1	10.5	12.5	24.5	34.0	1.5	18.3	11.8	23.1	12.4	18.1	35.3	48.5	6.0
Developing countries	3.9	8.9	17.5	7.8	1.0	14.9	57.6	13.7	3.3	6.8	17.7	3.1	1.1	26.9	73.6	-2.0
USSR to or from:																
World	33.3	9.4	15.8	7.9	2.5	24.1	31.2	15.8	36.9	7.8	20.4	6.4	18.4	16.8	21.2	41.6
Centrally planned economies . . .	17.5	8.0	13.7	8.5	2.3	9.6	17.1	33.4	16.3	6.2	13.7	10.3	17.7	5.3	6.8	30.0
Developed market economies . . .	9.6	10.6	26.3	13.5	-2.0	50.1	69.8	-0.4	14.5	11.0	30.5	3.2	30.6	32.0	36.2	56.1
Developing countries	6.2	12.4	13.0	0.6	8.0	37.8	19.3	3.3	6.2	9.1	22.6	-3.2	-0.7	39.8	43.1	43.7

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

a/ Growth rates were computed directly from the national currency data and thus do not reflect the dollar devaluations. Year-to-year growth indices in current dollars would be approximately 9 per cent higher in 1972, 11 per cent higher in 1973, and 2 per cent lower in 1974 than the growth relatives indicated here. Both exports and imports are expressed f.o.b., except for Hungarian imports which are shown c.i.f. in the national returns. Data for 1975 are preliminary estimates.

b/ "Eastern Europe" here and in the following tables refers to the Eastern European countries members of CMEA (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania). Trade partner grouping follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)), which includes Turkey and Cuba among developing countries and Yugoslavia among the developed market economies.

Table II-8. Centrally planned economies of Eastern Europe and the USSR: growth of foreign trade value, by country group, 1966-1976[a]

(Percentage)

Country and partner group	Average annual rate: 1966-1970 actual, Exports	Imports	1971-1975, actual, Exports	Imports	Change from preceding year: 1971, actual, Exports	Imports	1972, actual, Exports	Imports	1973, actual, Exports	Imports	1974, actual, Exports	Imports	1975 Planned, Exports	Imports	1975 Actual, Exports	Imports	1976, planned, Exports	Imports
Bulgaria																		
Total	11.2	9.2	14.1	19.6	8.9	15.8	11.1	11.8	12.8	14.4	16.3	32.3	...	...	22.0	24.8	...	...
Centrally planned economies	11.3	10.1	14.0	18.3	9.3	18.0	12.4	15.9	12.1	12.0	9.1	15.8	11.0		28.3	30.4	22.6	
Developed market economies	8.8	5.6	5.8	24.5	5.2	3.3	7.6	0.8	11.5	21.3	10.2	85.7	...	...	-5.0	27.5	...	...
Developing economies	16.3	13.1	27.0	17.2	12.8	28.8	5.8	-3.3	23.1	26.1	93.5	80.7	...	...	16.5	-22.2	...	...
Czechoslovakia																		
Total	7.1	6.7	11.3	13.8	10.2	8.5	8.3	7.1	8.4	15.8	16.7	22.8	11.5[d]	14.7[d]	13.2	15.3	5.7	
Centrally planned economies	6.1	5.4	11.7	14.0	10.0	8.8	12.0	9.7	6.1	11.6	9.3	15.1	15.7	20.2	21.8	25.7	7.0	6.9
Developed market economies	11.8	12.0	10.6	14.3	8.0	10.9	3.5	0.8	19.8	24.7	31.0	36.6	2.7	4.4	-5.4	2.5	...	...
Developing economies	4.4	2.5	10.2	9.4	17.5	-2.7	-4.0	8.0	-3.0	22.7	32.4	37.0			12.3	-11.2	...	...
German Democratic Republic																		
Total	8.3	8.6	12.7	14.0	10.8	2.3	12.2	9.7	9.4	19.6	16.3	22.8	9.1		15[e]	17[e]	9.7	
Centrally planned economies	7.9	8.1	11.9[b]	13.3[b]	11.5	1.0	14.9	6.1	6.4	16.5	7.8	12.6	...	...	20[e]	30[e]	...	...
Developed market economies	8.2	13.4	15.0[c]	15.7[c]	9.7	6.6	9.4	23.2	18.1	24.6	38.6	29.5	...	...	5[e]	-3[e]	...	...
Developing economies	4.2	9.8			7.0	-3.1	-10.6	-22.4	13.5	30.8	27.1	135.7	...	...			...	...
Hungary																		
Total	8.9	10.5	13.9	15.9	7.9	19.3	21.2	-2.9	18.1	9.4	11.6	36.8	6.7		11.2	20.6	...	...
Centrally planned economies	7.7	9.8	15.8	16.1	12.7	20.7	22.3	-3.1	15.7	4.9	8.6	22.4	...	...	20.0	40.9	...	...
Developed market economies	13.3	12.3	9.3	15.7	-0.6	23.2	21.8	-2.5	26.1	16.5	11.6	59.1	...	...	-8.6	-6.8	...	...
Developing economies	5.0	10.1	14.3	14.8	0.0	-5.2	6.8	-1.6	8.6	21.4	50.6	61.3	...	...	11.6	9.0	...	...
Poland																		
Total	9.8	9.0	19.2	23.6	9.2	11.9	17.1	21.4	17.8	33.1	29.4	33.4	18.4	10.6	23.7	19.6	12.2	...
Centrally planned economies	10.2	10.2	17.5	13.8	7.3	8.9	18.2	10.2	12.7	13.4	18.0	13.4	...	...	32.8	23.7	...	...
Developed market economies	9.1	9.2	21.9	39.8	15.5	20.1	18.7	49.0	30.3	69.7	37.6	51.4	...	...	9.4	15.2	...	...
Developing economies	8.4	-1.4	21.5	20.3	-0.5	7.8	-0.3	6.0	2.2	10.1	100.4	65.1	...	...	30.5	21.2	...	...
Romania																		
Total	10.9	12.7	19.0	17.7	13.5	7.3	14.0	14.7	29.2	20.4	30.4	46.8	21.8		9.5	3.9	17.9	
Centrally planned economies	6.7	9.4	14.1[b]	12.6[b]	9.9	5.8	13.5	10.3	20.2	9.0	6.7	18.8	...	...	22.3[b]	28.6[b]	...	...
Developed market economies	17.6	16.9	24.1[c]	22.7[c]	21.6	8.8	12.8	18.0	33.5	26.8	52.7	65.7	...	...	-0.3[c]	-3.1[c]	...	...
Developing economies	19.3	18.2			4.8	8.8	22.2	26.6	62.6	58.1	56.3	85.2	...	...			...	...
USSR																		
Total	9.4	7.8	15.8	20.4	7.9	6.4	2.5	18.4	24.1	16.8	31.2	21.2	13.0		15.8	41.6	13.6	
Centrally planned economies	10.1	6.2	13.7	13.7	8.5	10.3	2.3	17.7	9.6	5.3	17.1	6.8	...	...	33.4	30.0	...	...
Developed market economies	10.6	11.0	26.3	30.5	13.5	3.2	-2.0	30.5	50.1	32.0	69.8	36.2	...	...	-0.4	56.1	...	...
Developing economies	12.4	9.1	13.0	22.6	0.6	-3.2	8.0	-0.6	37.8	39.8	19.3	43.1	...	...	3.3	43.7	...	...

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

a/ Trade partner grouping, unless otherwise specified, follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)). Growth rates were computed directly from the national currency data and thus do not reflect the dollar devaluations. Both exports and imports are expressed f.o.b., except for Hungarian imports which are shown c.i.f. in national returns.

b/ Including Yugoslavia and Cuba.

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

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

e/ Estimated.

Table II-9. Centrally planned economies of Eastern Europe and the USSR: growth in value and quantum of foreign trade, 1961-1974

(Percentage average annual rate of increase)

Country	Exports a/						Imports a/					
	Value			Quantum			Value			Quantum		
	1961-1965	1966-1970	1971-1974	1961-1965	1966-1970	1971-1974	1961-1965	1966-1970	1971-1974	1961-1965	1966-1970	1971-1974
Bulgaria	15.5	11.3	12.3	15.5	12.6	9.4	13.2	9.2	18.0	13.6	9.7	14.5
Czechoslovakia	6.9	7.1	10.8	7.3	9.0	6.6	8.0	6.7	13.4	8.5	8.0	7.7
German Democratic Republic	6.8	10.1	12.2	7.4	8.6	9.5	5.1	11.5	13.3	5.4	12.0	7.8
Hungary	11.6	8.9	14.6	11.1	9.1	10.6	9.3	10.5	14.8	9.8	11.1	7.7
Poland	10.9	9.8	18.1	11.1	9.5	11.3	9.4	9.0	24.6	9.8	9.0	18.0
Romania	9.0	10.9	21.5	...	...	...	10.7	12.7	21.4	...	...	...
Eastern Europe b/ . . .	9.1	9.0	14.5	9.4	9.4	9.3	8.4	9.7	17.3	8.6	10.0	9.5
USSR	8.0	9.4	15.8	8.8	9.9	10.4	7.4	7.8	15.6	5.8	6.4	12.4
Eastern Europe b/ and USSR	8.6	9.1	15.0	9.1	9.6	9.8	8.0	9.0	16.6	7.4	8.6	11.5

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

a/ See foot-note a to table II-7.

b/ Excluding Romania for the quantum series.

Table II-10. Centrally planned economies of Eastern Europe and the USSR: foreign trade unit values and terms of trade, 1971-1974

(Percentage change from preceding year)

Country	Unit value of exports				Unit value of imports				Terms of trade			
	1971	1972	1973	1974	1971	1972	1973	1974	1971	1972	1973	1974
Bulgaria	0.8	-0.4	2.9	7.1	2.2	-1.3	3.4	8.3	-1.3	0.9	-0.4	-1.1
Czechoslovakia	1.7	0.5	4.7	9.2	2.5	2.9	5.5	10.3	-0.8	-2.3	-0.7	-1.0
German Democratic Republic	0.4	0.3	1.8	7.4	0.3	1.9	5.8	13.0	0.1	-1.6	-3.8	-5.0
Hungary	0.3	1.6	5.0	7.8	1.7	2.4	6.4	16.4	-1.4	-0.8	-1.3	-7.4
Poland	2.4	1.8	6.0	14.7	-1.7	-0.5	8.7	16.8	4.2	2.3	-2.4	-1.8
Romania	...	...	...	...	...	...	...	...	...	...	...	...
Eastern Europe a/	1.2	0.9	4.2	9.6	0.8	1.2	6.2	13.4	0.4	-0.3	-2.0	-3.3
USSR	4.5	-0.2	8.4	7.4	0.5	1.0	1.9	8.2	4.0	-1.2	6.4	-0.8
Eastern Europe a/ and USSR	2.6	0.4	5.9	8.7	0.5	1.5	4.4	11.2	2.1	-1.1	1.5	-2.2

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

Note: The unit value indices were computed from trade value data in national currencies at current prices and quantum indices which, except for the Fisher-type index used in Hungary, were of the Laspeyres type. The computed unit value indices therefore approximate Paasche-type price indices. Current and constant price trade data for individual countries, the latter standardized to a common 1960 price base, were aggregated in terms of transferable roubles.

a/ Excluding Romania.

Table II-11. Centrally planned economies of Eastern Europe and the USSR: income elasticity of foreign trade, 1961-1974

Country	Income elasticity of exports					Income elasticity of imports				
	1960-1974	1965-1974	1960-1965	1965-1970	1970-1974	1960-1974	1965-1974	1960-1965	1965-1970	1970-1974
Bulgaria	1.6	1.4	2.0	1.5	1.2	1.4	1.2	2.0	1.1	1.9
Czechoslovakia	1.5	1.4	3.0	1.2	1.2	1.5	1.3	3.5	1.1	1.4
German Democratic Republic . .	1.8	1.7	2.2	1.6	1.7	1.8	1.8	1.4	2.0	1.4
Hungary	1.7	1.6	2.2	1.3	1.6	1.6	1.5	2.4	1.4	1.2
Poland	1.4	1.4	1.8	1.6	1.1	1.6	1.7	1.5	1.4	1.8
USSR	1.2	1.2	1.3	1.3	1.7	1.1	1.3	0.9	0.9	2.1

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

Note: Except for the 1970-1974 values, the elasticities were derived as parameters of double-logarithmic regressions of foreign trade quantum indices on the index of national income (net material product produced) at constant prices. Except for the 1960-1965 observations for Czechoslovakia, all parameters were statistically significant. The 1970-1974 elasticities were obtained as ratios of trade to national income compound growth rates. The foreign trade quantum indices were generally calculated as Laspeyres volume indices with moving or periodically shifting weights. Weight regimens vary between countries and between trade and output indices, and hence intercountry differences and changes over time in the elasticity measures should be taken as approximations of the actual order of magnitude.

Table II-12. Centrally planned economies of Eastern Europe and the USSR: commodity composition of trade, a/ 1961-1974

(Percentage of total trade)

Country and period	Exports				Imports			
	Capital goods b/	Producer goods c/	Food-stuffs	Consumer manu-factures	Capital goods b/	Producer goods c/	Food-stuffs	Co ma fa
Bulgaria								
1961-1965	21.7	27.4	36.1	14.8	44.6	42.5	6.9	
1966-1970	27.0	21.6	36.2	15.2	44.2	44.2	6.1	
1971-1974	36.5	18.5	33.9	11.1	43.2	46.1	4.9	
Czechoslovakia								
1961-1965	47.3	29.2	5.5	18.0	26.8	50.3	18.6	
1966-1970	49.8	28.7	4.4	17.1	32.0	45.1	15.7	
1971-1974	48.8	29.0	4.6	17.6	35.4	44.5	12.5	
German Democratic Republic								
1961-1965	48.0	30.1	3.1	18.8	14.6	59.5	21.6	
1966-1970	49.9	26.9	4.2	20.1	28.2	49.9	16.7	
1971-1974	50.9	26.6	4.3	18.2	30.8	46.9	15.7	
Hungary d/								
1961-1965	29.5	27.5	22.3	20.7	22.0	60.3	12.0	
1966-1970	25.6	29.1	22.6	22.7	21.1	59.8	11.1	
1971-1974	27.0	28.2	23.9	20.9	22.4	57.9	10.7	
Poland								
1961-1965	32.1	37.1	18.6	12.2	32.1	47.3	14.4	
1966-1970	37.4	33.1	14.1	15.4	36.2	47.2	10.7	
1971-1974	38.4	33.0	12.8	15.8	38.7	45.4	9.4	
Romania								
1961-1965	17.5	52.0	22.2	8.3	40.7	49.3	3.9	
1966-1970	20.7	42.8	22.0	14.5	44.0	46.0	3.8	
1971-1974	23.0	39.4	19.9	17.7	40.0	48.6	6.9	
USSR e/								
1961-1965	18.8	67.6	11.0	2.6	33.6	33.9	16.1	
1966-1970	21.6	65.8	10.0	2.6	35.3	30.8	15.2	
1971-1974	21.3	68.8	6.9	3.0	33.7	31.6	17.8	

Source: Centre for Development Planning, Projections and Policies of the United Nations Secret based on national statistical yearbooks and other economic publications.

a/ Based on the "Uniform Trade Nomenclature" (ETN) of the Council for Mutual Economic Assistanc Most data for 1961-1970 are classified according to the 1962 ETN version, while those for 1971-1974 based on the revised 1971 nomenclature.

b/ Machinery and equipment (including spare parts, except for Hungary).

c/ Raw materials, fuels and semi-manufactures; in the case of Hungary, also spare parts.

d/ Breakdown based on a national classification system not fully comparable with the ETN nomenc

e/ Share of producer goods and food-stuffs estimated on the basis of subcomponents given in the foreign trade statistics and the distribution of a residual on the basis of complete information ava for selected years.

Table II-13. Hungary: commodity composition of trade, 1967-1974

(Percentage)

Commodity groups	1967[a] Value	1967[a] Quantum[b]	1974 Value	1974 Quantum[b]	1967-1970[a] Value	1967-1970[a] Quantum[b]	1971-1974 Value	1971-1974 Quantum[b]
Exports								
Fuels and electrical energy	1.2	1.2	0.8	0.4	1.3	1.3	0.8	0.7
Raw materials, half-finished products and spare parts	27.1	28.3	27.7	26.0	27.7	28.3	27.3	27.2
Machinery and equipment	25.0	23.9	27.7	31.0	25.8	25.1	27.0	28.1
Industrial consumer goods	23.6	23.0	19.5	21.2	22.7	22.4	21.0	22.0
Food-stuffs	23.1	23.6	24.3	21.4	22.5	22.9	23.9	21.1
Imports								
Fuels and electrical energy	7.5	7.4	7.4	7.5	7.7	7.6	7.0	7.7
Raw materials, half-finished products and spare parts	49.9	49.7	51.8	48.8	51.6	51.7	50.2	49.7
Machinery and equipment	23.5	23.3	20.8	24.7	21.2	21.0	22.5	23.6
Industrial consumer goods	7.5	7.2	8.6	10.2	8.3	8.1	9.0	9.7
Food-stuffs	11.6	12.4	11.4	8.8	11.2	11.6	10.7	9.3

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

a/ The composition of trade as reported for 1967-1970 has been adjusted to take into account the modifications in reporting technique introduced in 1971.

b/ Structure at 1970 prices. Components have been deflated separately, and the structure was computed on the sum of deflated components.

Table II-14. Centrally planned economies of Eastern Europe and the USSR: cumulative surpluses and deficits in trade with major country groups, 1961-1975

(Percentage)

Reporting country and partner group	Trade balance a/ as a percentage of exports to the partner group		
	1961-1965	1966-1970	1971-1975 b/
Bulgaria			
Total	-4.5	-2.9	-6.4
Centrally planned economies	-2.4	0.9	-0.7
Developed market economies	-24.8	-28.3	-66.7
Developing economies	19.5	18.4	30.1
Czechoslovakia			
Total	5.1	1.6	-2.8
Centrally planned economies	5.2	-1.1	-0.2
Developed market economies	-4.7	-2.3	-18.3
Developing economies	19.3	24.4	20.6
German Democratic Republic			
Total	7.0	1.7	-5.4
Centrally planned economies	8.5	4.2	(8.7)
Developed market economies	1.4	-9.5	(-33.9)
Developing economies	9.7	16.1	(-7.9)
Hungary			
Total	-4.8	-1.0	-6.5
Centrally planned economies	-1.7	1.0	2.4
Developed market economies	-17.0	-2.8	-24.6
Developing economies	6.1	-12.6	-24.8
Poland			
Total	-7.8	-3.2	-19.0
Centrally planned economies	-11.2	-6.5	-0.8
Developed market economies	-4.4	-0.4	-57.8
Developing economies	3.6	12.2	21.5
Romania			
Total	-8.8	-7.1	-0.3
Centrally planned economies	-5.0	4.0	(8.6)
Developed market economies	-28.0	-42.0	(-15.9)
Developing economies	25.7	42.3	15.9
Eastern Europe			
Total	-0.1	-1.0	-7.5
Centrally planned economies	1.0	0.3	2.2
Market economies	-2.6	-3.7	-24.5
Developed	-7.8	-10.8	-34.5
Developing	11.7	18.4	11.0
USSR			
Total	2.8	10.6	-0.1
Centrally planned economies	0.8	6.6	1.8
Market economies	6.3	16.2	-2.3
Developed	-14.1	-3.6	-23.0
Developing	28.1	38.2	25.8

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

a/ Exports minus imports, both measured f.o.b. except for Hungarian imports which are measured c.i.f. A minus sign indicates a deficit.

b/ Data in parentheses refer to 1971-1974.

Table II-15. Centrally planned economies of Eastern Europe and the USSR: growth of crop and animal production, 1971-1980

(Percentage)

Sector and country	Average annual rates: 1971-1975, actual a/	Average annual rates: 1976-1980, planned b/	Change from preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976, planned
Crop production sector								
Bulgaria	1.7	...	-0.3	8.5	0.2	-6.9	8	...
Czechoslovakia	2.6	...	2.8	3.6	6.3	3.1	-2.9	8.7
German Democratic Republic	1.5 c/	3.7	-5.0	16.9	-6.2	10.5	...	...
Hungary	5.7	3.6-3.8	11.7	6.3	8.5	2	2-2.5	6
Poland	2.2	2.8	1.1	7.8	6.5	-0.7	-3.3	7.7
Romania	5.4	...	26.5	7.6	3.2	0.6	-1.8 d/	...
USSR	1.0 c/	3.4-3.8	-1.3	-7.7	27.1	-10.0	...	...
Animal production sector								
Bulgaria	4.4	...	6.1	1.4	3.2	5.7	5.8	...
Czechoslovakia	3.0	...	3.5	4.1	3.3	3.0	1.1	1.0
German Democratic Republic	4.4	1.7	5.0	4.7	4.6	6.0	1.6	...
Hungary	3.3	3.0	6.4	-1.7	4.5	8.0	-	1
Poland	5.2	3.0-3.4	6.6	9.0	8.2	4.2	-1.9	3.7
Romania	7.7	...	9.0	12.3	7.7	1.5	8.5 d/	...
USSR	3.5 c/	1.4-2.6	3.5	-0.6	6.1	5.2	...	...

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

a/ Average annual compound rate between terminal years.

b/ Change in the five-year average output from the preceding five years, expressed as annual compound rate.

c/ 1971-1974.

d/ Estimated.

Table II-16. Centrally planned economies of Eastern Europe and the USSR: shares of CMEA countries in total trade, 1961-1974

(Percentage)

Country and group	Exports			Imports		
	1961-1965	1966-1970	1971-1974	1961-1965	1966-1970	1971-1974
Bulgaria	77.5	74.6	75.9	76.1	72.2	73.7
Czechoslovakia	68.5	64.3	64.7	67.9	66.2	63.2
German Democratic Republic	72.9	69.3	68.7	71.6	68.4	61.6
Hungary	67.1	64.6	64.6	65.0	64.1	59.8
Poland	58.9	60.1	57.2	60.5	62.8	51.1
Romania	64.9	51.9	43.3	62.7	47.4	39.7
Eastern Europe	67.6	63.7	61.9	66.4	63.6	57.4
USSR	58.4	54.6	52.6	57.4	58.7	55.4

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

Table II-17. Selected centrally planned economies of Eastern Europe: commodity composition of trade with socialist countries, 1961-1974

(Percentage of total trade with socialist countries)

Country	Exports				Imports			
	Capital goods	Producer goods	Food-stuffs	Consumer manu-factures	Capital goods	Producer goods	Food-stuffs	Consumer manu-factures
Czechoslovakia								
1961-1965	53.7	27.4	2.4	16.5	31.2	46.4	17.2	5.2
1966-1970	57.9	24.7	1.7	15.7	33.8	42.8	15.6	7.8
1971-1974	57.6	24.0	1.9	16.5	38.2	42.9	10.9	8.0
Hungary								
1961-1965	38.6	25.3	15.3	20.8	27.0	60.0	5.9	7.1
1966-1970	34.7	24.2	16.6	24.5	25.1	58.7	6.5	9.7
1971-1974	35.7	23.1	19.1	22.1	27.3	55.8	5.6	11.3
Poland								
1961-1965	45.1	35.5	6.5	12.9	39.8	43.8	7.8	8.6
1966-1970	51.5	27.1	3.9	17.5	42.5	42.2	7.9	7.4
1971-1974	55.2	22.0	4.1	18.7	44.8	39.4	7.3	8.5

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

Note: For the full definition of the four commodity groups, see foot-notes to table II-12. The Hungarian data are not completely comparable with those for the other countries.

Table II-18. Hungary: commodity composition of trade with socialist countries, a/ 1967-1974

(Percentage of total trade with socialist countries)

Type of measurement and year	Machinery and equipment	Fuels and energy	Raw materials b/	Food-stuffs	Industrial consumer goods
Exports					
At current prices:					
1967	33.7	0.5	24.9	16.4	24.5
1967-1970	34.5	0.7	23.9	16.8	24.1
1971-1974	35.7	0.5	22.6	19.1	22.1
1974	37.1	0.5	21.5	21.3	19.6
At 1970 prices:					
1967	33.6	0.4	25.1	16.4	24.5
1967-1970	34.5	0.7	23.9	16.6	24.3
1971-1974	36.2	0.5	22.2	17.5	23.6
1974	38.8	0.5	20.7	18.4	21.6
Imports					
At current prices:					
1967	26.7	11.0	45.3	8.1	8.9
1967-1970	24.8	11.3	46.6	7.5	9.8
1971-1974	27.3	10.9	44.9	5.6	11.3
1974	27.4	10.6	43.6	6.4	12.0
At 1970 prices:					
1967	27.1	11.0	44.9	8.2	8.8
1967-1970	24.8	11.3	46.5	7.6	9.8
1971-1974	28.7	10.6	44.0	5.0	11.7
1974	30.2	10.1	42.4	4.5	12.8

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

a/ The composition of trade at current prices in 1967-1970 was adjusted to take into account modifications in the commodity classification introduced in 1971. All components were deflated separately into 1970 prices. The composition at 1970 price is based in the sum of deflated components.

b/ Including semi-finished products and spare parts.

Table II-19. Centrally planned economies of Eastern Europe and the USSR: trade with developing countries, growth rates and shares in total trade, 1966-1975

(Percentage)

Region and country	Exports							Imports						
	1966-1970	1971-1975	1971	1972	1973	1974	1975	1966-1970	1971-1975	1971	1972	1973	1974	1975
Growth of trade value (average annual compound rate and annual growth rates)[a]														
Eastern Europe	8.9	...	7.8	1.0	14.9	57.5	...	6.8	...	3.1	1.1	26.9	74.3	...
Bulgaria	16.3	27.0	12.8	5.8	23.1	94.8	16.5	13.0	17.2	28.8	-3.3	26.1	75.5	-22.2
Czechoslovakia	4.4	10.2	17.5	-4.0	-3.0	32.4	12.3	2.5	9.4	-2.7	8.0	22.7	37.0	-11.2
German Democratic Republic	9.3	...	7.0	-10.6	13.5	27.1	...	9.8	...	3.1	-22.4	30.8	135.7	...
Hungary	6.1	14.3	-	6.8	8.6	50.6	11.6	13.7	14.8	-5.2	-1.6	21.4	61.3	9.0
Poland	8.4	21.5	-0.5	-0.3	2.2	100.4	30.5	-1.4	20.3	7.8	6.0	10.2	65.1	21.2
Romania	19.5	...	4.8	22.2	62.6	56.3	...	18.2	...	8.8	26.6	58.1	85.2	...
USSR	12.4	13.0	0.6	8.0	37.8	19.3	3.3	9.1	22.6	-3.2	-0.7	39.8	43.1	43.7
Shares in total trade (percentage of total exports or imports)[b]														
Eastern Europe	8.0	...	7.5	6.7	6.7	8.8	...	6.5	...	6.0	5.5	5.8	7.8	...
Bulgaria	7.4	10.5	7.9	7.6	8.2	13.7	13.1	5.8	7.0	7.1	6.2	6.8	9.3	5.8
Czechoslovakia	10.9	9.2	10.4	9.2	8.2	9.3	9.3	8.4	7.1	6.9	6.9	7.3	8.2	6.3
German Democratic Republic	5.7	...	5.4	4.3	4.4	4.8	...	4.9	...	4.7	3.3	3.6	7.0	...
Hungary	7.1	6.2	6.4	5.6	5.2	7.0	7.0	7.9	7.3	6.4	6.4	7.2	8.4	7.6
Poland	8.0	7.3	7.1	6.1	5.3	8.2	8.6	6.5	4.8	5.6	4.8	4.0	5.0	5.0
Romania	10.5	...	9.0	9.6	12.1	14.5	...	5.7	...	6.9	7.6	10.0	12.0	...
USSR	19.8	20.3	19.6	20.6	22.9	20.8	18.6	13.7	15.0	13.9	11.6	13.9	16.5	16.7

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

a/ Growth rates were computed on the original data in national currencies and thus do not reflect the dollar devaluation (see foot-note a/ to table II-7).

b/ Directional attribution of exports and imports is by country of purchase and sale, except for Hungary and the USSR where it is by country of origin and ultimate destination.

Table II-20. Centrally planned economies: bilateral aid commitments to developing countries, by donor country, 1966-1975

(Millions of dollars)

Donor country	Annual averages 1966-1970	Annual averages 1971-1975	1971	1972	1973	1974	19
Total	942	2 453	1 940	2 439	2 475	2 924	2 4
CMEA countries.	796	1 945	1 358	1 650	2 006	2 487	2 2
USSR.	427	1 159	1 016	957	1 229	1 247	1 3
Eastern Europe.	369	786	342	693	777	1 240	8
Bulgaria.	40	52	55	40	43	117	
Czechoslovakia.	114	126	14	100	303	108	1
German Democratic Republic.	100	51	25	23	-	46	1
Hungary	47	98	42	45	148	110	1
Poland.	28	109	65	100	247	107	
Romania	40	350	141	385	36	752	4
China	146	508	582	789	469	437	2

Sources: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Bank for International Settlements, Press Review (Basle); Biulleten' inostrannoi kommercheskoi informatsii (Moscow); East-We Commerce Bulletin (London); Vneshniaia torgovlia (Moscow); Far Eastern Economic Review (Hong Kong); East-West Markets (New York); China Trade and Economic Newsletter (London); and other official and unofficial information.

Note: Developing countries do not include Cuba. National currencies were converted into dollars at current official rates of exchange. Data for 1975 are preliminary.

Chapter III

GROWTH AND ADJUSTMENT IN THE DEVELOPING COUNTRIES

In the first half of the 1970s the external forces bearing on the development process in the developing countries were stronger and more variable than in any other period since the Second World War. Though at times - especially in the midyears of the quinquennium - these external forces exercised a very favourable influence on economic growth, their cumulative impact was negative. Disparities in income were appreciably widened, both among countries and within countries. The stronger, resource-rich economies benefited most from the increases in international demand and in the prices of some of the primary products; the weaker, resource-poor economies suffered most from the subsequent shrinking of demand and the continued rise in import costs. The urban populations tended to gain most from the upswing in trade and the rapid growth in manufacturing; the rural populations, because of the tax or marketing system, did not always gain from the commodity boom, but bore the brunt of the crop failures that were particularly widespread in 1972 and 1974.

Agricultural production in the developing countries increased less rapidly than population in three of the five years between 1971 and 1975 (see table III-1). Only in 1975 did the expansion in agriculture exceed the target of 4 per cent a year laid down in the International Development Strategy for the Second United Nations Development Decade, and over the quinquennium the average rate of growth was only 2.2 per cent a year, which was somewhat below the average rate of population increase.

The growth in manufacturing production, by contrast, accelerated to 10 per cent in 1973 before receding to only half that figure in 1975. This slowdown reduced the average annual rate of increase over the five years to slightly below the 8 per cent target in the International Development Strategy.

There were wide swings in the rate of increase in the volume of developing country imports: it dropped below 3 per cent after the 1971 recession and then accelerated to 18 per cent in 1974 before falling back to 7 per cent under the influence of declining export earnings. Over the quinquennium the average was well above the Strategy target of 7 per cent a year, but there was a marked contrast between the rate at which the petroleum-exporting countries were able to expand their imports - about 20 per cent a year - and that averaged by the remaining developing countries which, at 6 per cent, fell somewhat short of the target.

There was an even sharper contrast between these two groups of developing countries in the case of exports. Measured in terms of their power to purchase imports - which is the implicit designation of the Strategy target of a 7 per cent rate of increase over the decade - the exports of the petroleum-importing developing countries accelerated notably between 1971 and 1973, to about 18 per cent, and then declined in 1974 and 1975. Over the quinquennium the growth rate averaged only 2.3 per cent a year, against an average of almost 25 per cent a year achieved by the petroleum exporters.

A similar upswing and downswing occurred in the growth of developing country income. For the group as a whole the average annual rate of increase in gross product was over 8 per cent, well above the Strategy target. The petroleum-importing countries, however, exceeded the 6 per cent target only once - in the peak year of 1973; the rate of growth started at about 4 per cent in 1971 and tailed off to less than 3 per cent in 1975, averaging just below 5 per cent over the quinquennium.

The swings in developing country performance - upward in 1971-1973 and downward in 1974-1975 - were closely related to the demand cycle in the developed market economies, examined in chapter I. The changes were transmitted chiefly through the prices of primary commodities which rose steeply in 1972 and 1973, levelled off in 1974 and then declined. In many cases, especially during the boom, these movements were accentuated by parallel changes in the volume of the commodity traded; although in the case of some of the key commodities the rise in price was in part the result of a shortfall in supplies from the exporting countries. In the aggregate, the growth in export volume accelerated from 7 per cent in 1971 to 10 per cent in 1973 before falling to 1 per cent in 1974 and becoming negative in 1975. The export earnings of the petroleum-importing countries followed the same pattern: their expansion, measured in dollars, peaked at 45 per cent in 1973, eased off to 40 per cent in 1974 and turned into a contraction in 1975.

In varying degree these trade movements were affected by the changes that were taking place in the international monetary system. The break-up of the Bretton Woods régime introduced a new element of uncertainty into developing country trade. Part of the demand for commodities in 1972 and 1973 came not from end-users but from precautionary and speculative purchases occasioned by uncertainty regarding currency values. Moreover, each developing country was confronted by the need to make new decisions regarding the nominal value of its own currency and these decisions influenced the way in which export proceeds were distributed within the domestic economy and hence the process of development itsel

The fluctuations generated by the trade cycle were also affected by two major exogenous factors - the weather and its impact on agriculture and the decisions of the producers regarding the international price of crude petroleum.

The quinquennium had more than a normal share of bad weather - drought, flood frost, lack of snow cover - affecting many parts of the world. The most serious and widespread of these climatic shocks occurred in 1972 when every continent was affected and world agricultural production was actually reduced. This set in motion a rapid rise in food prices, aggravating inflationary pressures everywhere and posing awkward problems for many developing countries not only in respect of internal price policy but also in adjusting agricultural and trade policies. Conditions in 1973 permitted a strong recovery but 1974 was another poor agricultural year in the developing countries and 1975 brought more crop failures in the Soviet Union. This run of unfavourable weather prevented any rebuilding of cereal stocks and made the world grain market far more sensitive to short-term impulses than at any time since the early post-war period.

The raising of crude petroleum prices by the Organization of Petroleum Exporting Countries (OPEC) in 1973 helped to swing the terms of trade against the petroleum-importing countries. It greatly boosted the resources available to the 13 developing countries members of OPEC and effectively removed the foreign exchange constraint on their economic growth. By the same token the large increase in the cost of a major and essential import seriously aggravated the foreign exchange constraint on the other developing countries.

The impact of changes in the international monetary system

Between mid-1971 and mid-1973 the developing countries were subjected to a number of shocks generated by the transformation of the international monetary system from one of fixed exchange rates linked to gold to one of freely floating exchange rates with links not to gold but to various combinations of currencies managed by national monetary authorities with the object of preventing unduly disruptive changes. This transformation was not a planned process. It started with unilateral action by the United States suspending the convertibility of the dollar in August 1971. It followed with an attempt in December 1971 by the Governments of the 10 major currencies to fix new exchange rates based on a devalued dollar ($38 per ounce of gold instead of $35) 1/ and a wider margin for permissible fluctuations around the new parities. These new relationships - known as the Smithsonian realignment - proved impossible to maintain and though the members of the European Economic Community (EEC) created a mechanism for stabilizing the rates among their own currencies, in June 1972 the United Kingdom allowed the pound to float downwards and in January 1973 Italy set a separate exchange rate for capital transactions. Largely as a result of the movement of funds from Italy, the Swiss Government decided to let the franc float upwards. In February 1973 the United States announced a further devaluation of the dollar (of 10 per cent against the special drawing rights (SDR) of the International Monetary Fund (IMF)). 2/ This was followed by decisions by the monetary authorities of Italy and Japan to let the lira and the yen float. In March the Federal Republic of Germany upvalued the deutsche mark by 3 per cent (in terms of SDR) and the six members of EEC - Belgium, Denmark, France, the Federal Republic of Germany, Luxembourg and the Netherlands - joined by Norway and Sweden, while strengthening their interrelationships, decided not to maintain their joint relationship with the dollar. Thus by mid-1973 all the major trading currencies were floating and the price of gold on the London market was in excess of $120 an ounce.

In the meantime the International Monetary Fund had set up a Committee (of the Board of Governors) on Reform of the International Monetary System and Related Issues. This body - known as the Committee of Twenty - met for the first time in September 1972. This gave representatives of developing countries their first opportunity to participate in the making of international decisions regarding the emerging monetary system. By the time it was dissolved in mid-1974 the Committee had met six times and its deputies 12 times and it had commissioned a number of studies. Events, however, had tended to overtake it: the early restoration of a system of fixed, though more flexible, exchange rates became increasingly unlikely as inflation intensified in the major developed market economies and at widely differing rates; and when the price of petroleum was quadrupled the problem of

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1/ This became effective in May 1972.

2/ The new par value of the dollar became effective in IMF in October 1973.

restoring international equilibrium was completely transformed. The recommendations of the Committee that were of most immediate relevance related to guidelines for the management of floating exchange rates and to efforts of th international community to avoid trade-destroying measures to restore severely unbalanced current accounts. Further work on the reform of the international monetary system was handed over to a new Interim Committee of the Board of Governors.

The break-up of the Bretton Woods system of fixed exchange rates exposed the developing countries to a number of unfamiliar problems. The value of external assets and liabilities denominated in foreign currencies suddenly becam less certain and each developing country was faced with a new need to decide the value of its own currency and to devise ways and means of maintaining that value The circumstances for making such decisions, moreover, were particularly unfavourable: the real value of every currency was being eroded by the general inflation, though at very different rates. Like the smaller developed market economies, the developing countries tended to feel victims of the changing monetary system rather than shapers of it.

The effect of changes in the parity of major currencies

The value of external assets

Since a large proportion of the international reserves of many developing countries take the form of bank deposits, treasury bills, government securities and similar claims of high liquidity traditionally held in dollars and pounds, the two reserve currencies of the Bretton Woods régime, the devaluations of 1971 and 1973 represented a nominal loss in terms of other currencies. Against SDR the dollar lost almost 8 per cent in 1971 and 10 per cent in 1973 and by the end of 1974 it was over 18 per cent below the 1970 level, though it recovered about 4 percentage points in the course of 1975. The pound appreciated against the dollar in 1971 and 1972 but lost ground in 1973 and continued to weaken afte floating became general so that by the end of 1975 it had lost about 28 per cent of its 1970 value in SDR.

In 1971, just over three fourths of the international reserves of the developing countries consisted of foreign exchange, but the proportion ranged from less than 40 per cent in Afghanistan, Argentina, Egypt, Lebanon, Mali, Uruguay and Zaire to over 95 per cent in Chad, Indonesia, the Libyan Arab Republ Singapore, Sri Lanka, the Sudan and Tunisia (see table III-2). Valued at $38 per ounce, gold comprised about 15 per cent of developing countries' total reserves, but the proportion ranged from nil in Jamaica, Sri Lanka and a number of African countries to over 40 per cent in Algeria, Egypt, Lebanon and Uruguay.

The relative importance of any change in the value of foreign exchange holdings also differed markedly from country to country. Total developing count holdings at the end of 1971 amounted to rather more than 4 per cent of the combined gross domestic product of the developing countries but the ratio ranged from less than a fourth of the average in Argentina, Chile, Egypt, India, Mali, Pakistan, Panama and Uruguay to over four times the average in the Central Afric Republic, Jordan, the Libyan Arab Republic, Mauritius, Saudi Arabia and Singapor

The impact of the 1971-1973 changes in exchange rates on the foreign assets of the developing countries thus differed considerably from case to case. In general, in 1971 the countries that gained most in dollar terms (or lost least in terms of SDR) were those that had the highest proportion of non-dollar assets. In 1973, by contrast, the value of sterling assets - measured again in terms of SDR - declined more than that of dollar assets. Under an arrangement 3/ made after the devaluation of sterling in 1967, however, the 64 monetary authorities that had agreed to hold varying proportions of their reserves in London were protected in respect of 90 per cent of those reserves against any deterioration in the dollar/pound rate below $2.376 per pound for more than 30 consecutive days. The arrangement, which was extended from September 1973 to the end of 1974, cost the United Kingdom Government £140 million in compensatory sterling payments for the loss in dollar-equivalent sustained between mid-1972 and March 1974. The total sterling balances of the developing countries - commercial as well as monetary - were well maintained in 1971 and 1972 but, in the face of a sharp rundown of East Asian holdings, they declined in 1973 (see table III-3).

In the aggregate, the December 1971 realignment raised the nominal dollar value of developing country foreign currency holdings by just under $0.9 billion or about 5 per cent. The second realignment, after the devaluation of the dollar announced in February 1973, had a very similar effect: it raised the dollar value of developing country international reserves by a further 5 per cent, or about $1.4 billion. 4/

Such estimates of the change in the nominal capital value of reserve assets take no account of either the earning power or the purchasing power of the assets in question, both of which are affected by exchange rates. In general, the earning power of the assets held as international reserves tends to vary inversely with their capital strength as perceived by the market. At the one extreme, foreign assets denominated in a weak currency usually earn the highest rate of

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3/ This involved enlarging the so-called Basle Facility (set up in co-operation with the Bank for International Settlements and certain member countries in 1966) from $1 billion to $2 billion in order to offset the effects on the United Kingdom's reserves of fluctuations in the sterling balances. The arrangement was completed in September 1968 to operate for five years. In the face of the change in the nature of the monetary inflow after the dramatic rise in petroleum prices, the arrangement was allowed to expire in 1974. In December 1974, Saudi Arabia declined to accept sterling in payment for petroleum and in 1975 the sterling holdings of the petroleum-exporting countries, which had trebled in 1974, began to decline. The exchange rate of the pound against its trading partners depreciated steadily in 1975 and a number of the countries that had used it as an intervention currency switched to the dollar.

4/ See International Monetary Fund, Annual Report, 1972, p. 22, and 1973, p. 30. These estimates of the over-all effects of changes in the exchange relationships among the major currencies are based on unpublished information regarding the composition of the reserve assets of individual countries.

interest payable on securities of requisite liquidity. 5/ The magnitude of such earnings represents an offset to the nominal gains or losses in the capital value of assets.

The changes in the exchange rate affecting these capital values also affect the purchasing power of the assets concerned. Thus, both the 1971 and the 1973 realignments raised the dollar cost of the basket of developing country imports by about 7 per cent. While the nominal dollar value of developing country reserves rose by 5 per cent, therefore, their real value - in terms of command over imports - was reduced by about 2 per cent. The higher the proportion of a country's imports denominated in an appreciating currency, the greater is likely to have been the loss in the purchasing power of its reserve assets.

Though by comparison with the stability of the Bretton Woods system, the alterations in exchange rates in 1971-1973 rank as major upheavals, their immediate effect on the world economy was overshadowed by those flowing from the inflationary forces generated in some of the major developed market economies during this period and from the change in key commodity prices induced by supply problems or administrative decisions. It was largely as a result of these that, in the aggregate, the international reserves of the developing countries rose from SDR 18.9 billion at the end of 1970 to SDR 75.1 billion at the end of 1975. The proportion of foreign exchange in these reserves increased steadily from 75 per cent in 1970 to 89 per cent in 1974. Over half these foreign exchange reserves consisted of claims against the United States, plus a rapidly increasing volume of dollar claims on the Euro-currency market.

Rapid as was this upsurge in foreign assets, developing country trade rose even faster. Thus, after regaining the level of the early 1950s in 1972, the ratio of international reserves to imports slipped back in 1973 and ended 1975 at well below the peak figure. Since a high proportion of the increment in reserves accrued to the petroleum-exporting countries, moreover, the falling off in the average reserve/imports ratio of the rest of the developing countries was extremely sharp: from over 30 per cent in 1972 and 1973 - the highest figure since the early 1950s - the ratio had dropped to a record low, below 23 per cent, in 1975. The illiquidity was most severe in the petroleum-importing countries of Africa and the western hemisphere (see table III-4).

The value of external liabilities

The realignment of exchange rates in December 1971 and early 1973 also affected the dollar value of the external liabilities of the developing countries. As in the case of their assets, there was an increase in the value of debt denominated in the appreciating currencies and a reduction in the value of sterling and lira debt.

Of the $77 billion owed by the 79 principal debtors among the developing countries in 1971 about a third was due to the United States - 21 per cent to the

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5/ The average annual yield, to maturity, on long-term (over 12 years) United Kingdom government bonds, for example, rose from 9.2 per cent in 1970 to 14.8 per cent by the end of 1975.

Government, 6 per cent to identified private creditors and a large share of the 8 per cent of the developing country external public debt arising in the Euro-currency market or from other sources not readily allocated to national lenders. Denominated in dollars, this debt was unaffected by the realignment. About 9 per cent of the developing country debt was owed to the United Kingdom - rather more than half of it to private creditors - and the dollar value of this portion was raised slightly by the higher value of the pound in 1972 and then reduced by the subsequent depreciation of sterling. Another third of the 1971 developing country debt was owed to countries whose currency appreciated against the dollar both in 1971 and in 1973 - about 10 per cent to the Soviet Union and other centrally planned economies, 8 per cent to the Federal Republic of Germany, and about 5.5 per cent each to France and Japan (see table III-5).

In the case of most developing countries the principal creditor was the country whose currency was being used for market intervention for exchange rate stabilization and hence the currency in which most of the country's external assets were denominated. By affecting assets and liabilities simultaneously much of the impact of the exchange rate realignments of 1971-1973 was neutralized. In some instances, however, developing countries linked to the dollar or the pound had more than the average share of debt due in appreciating currencies. The Federal Republic of Germany, for example, was a major creditor of Argentina ($543 million out of $2,978 million, mostly from the private sector), Israel (also 18 per cent but mostly from the Government) and Venezuela (12 per cent, almost all from private lenders). Japan was a major creditor of Indonesia (holding almost a fifth of its debt) and the Republic of Korea (almost a fourth). And the centrally planned economies were major creditors of Algeria (29 per cent), Egypt (47 per cent), Indonesia (25 per cent) and Iran (21 per cent).

Almost a fifth of the external debt of the developing countries was owed to international institutions in 1971; the proportion was highest in the case of Colombia and Malaysia (42 per cent) and Nigeria (39 per cent) but it was also high (around 30 per cent) in the case of Mexico, the Philippines and Venezuela. In general this debt was repayable in the currencies in which it was borrowed.

In the aggregate, the Smithsonian realignment added about $2 billion, or 3.5 per cent, to the dollar value of the external public debt of the developing countries: the increase was least (1.7 per cent) in Latin America, whose debt has the largest dollar component, and greatest (5 per cent) in Africa where Governments had borrowed relatively more from EEC sources. The second devaluation of the dollar resulted in a further, though generally somewhat smaller relative increase - under 3 per cent - in the over-all dollar equivalent of this external debt. 6/

Of the publicly guaranteed developing country debt outstanding at the end of 1971 (including undisbursed), about 28 per cent was due to the United States as a result of bilateral loans. There is no indication that the devaluation of the dollar affected the subsequent flow of loans. The United States share of the net amount of official and private lending disbursed in the ensuing period

6/ These estimates of the change in the dollar equivalent of the external public debt of the developing countries were made by the International Bank for Reconstruction and Development in its Annual Report for 1972 and 1973.

actually declined: it was 26 per cent in 1972, 20 per cent in 1973 and 18 per cent in 1974. 7/ The United Kingdom share in net disbursements of post-Smithsonian loans was also below the figure (8.5 per cent) for its end-1971 share of developing country debt: it was around 6 per cent in 1972 and 1974 and only 2 per cent in 1973 (see table III-6).

In contrast to these reductions, some of the countries whose currency appreciated during this period contributed a larger proportion of developing country borrowing. France, for example, which held 5 per cent of developing country debt at the end of 1971, accounted for an increasing share of net loan disbursements: 6 per cent in 1972 and nearly 10 per cent in 1973 and 1974. In the case of Japan the increase was much greater: accounting for less than 6 per cent of the outstanding debt at the end of 1971, it was responsible for 17 per cent of the net disbursements in 1972, 28 per cent in 1973 and 10 per cent in 1974.

These increases were largely the result of changes in the flow of private credit. In France private lending was much greater than public, and between 1971 and 1974 it grew fourfold. In Japan private lending increased to the level of public lending in 1972 and far surpassed it in 1973. And, in the case of the Federal Republic of Germany, whose currency appreciated most sharply after 1971, it was the repayment of private credits by developing countries that reduced the country's share of net loan disbursements below 3 per cent in 1972 and to virtually zero in 1973, before it recovered in 1974 to the 8 per cent figure that represented the share in outstanding debt at the end of 1971.

It is clear that the continuing build-up of developing country debt was not greatly affected by the changing relationships among the currencies in which that debt was denominated. The availability of the credit was a much more important factor, followed by its price and by the price and quality of the goods whose purchase was to be financed.

International trade

Though of some consequence to those developing countries that had borrowed extensively from countries whose currencies had appreciated but whose international reserves were denominated largely in the depreciating currencies, the net over-all effect of the 1971 and 1973 realignments on external assets and liabilities was evidently not very large. Of potentially much greater significance was the impact of the new relationships among the major currencies on the pattern of trade, particularly on the cost of imports. Even this effect, however, was overshadowed by that emanating from the domestic inflation in the countries chiefly concerned. Thus there was no widespread switching of orders from the appreciating to the depreciating currencies. Prices in the latter were rising more rapidly than in the former.

Between 1971 and 1972, for example, the range of appreciation of the major currencies against the dollar was from just under 3 per cent in the case of the

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7/ In the first half of the 1970s an increasing proportion of borrowing from non-United States sources - notably the Euro-currency market and members of OPEC - was denominated in dollars.

pound to 6 per cent in the case of the lira to 9 per cent for the deutsche mark, 10 per cent for the franc and 11 per cent for the yen. In national currencies, however, the rise in export unit values showed a reverse pattern: it averaged over 5 per cent in the United Kingdom, about 3 per cent in Italy and the United States of America, about 1 per cent in France and the Federal Republic of Germany and -2 per cent in Japan. This narrowed appreciably the spread of increases in export unit values measured in dollars: compared with 3 per cent in the United States, it was 8 per cent in the United Kingdom, over 9 per cent in Italy and Japan, 10 per cent in the Federal Republic of Germany and 11 per cent in France (see table III-7).

The Smithsonian realignment raised the dollar cost of developing country imports from all sources by about 7 per cent and export prices by about 6 per cent, thus resulting in a 1 per cent deterioration in the over-all terms of trade. The changes in the local currency prices of developing country trade flows may have been responsible for a 2 per cent expansion in the volume of their exports and a contraction of almost the same proportion in imports. 8/

A similar effect was recorded in 1973: the developed market economy currencies that appreciated against the dollar had significantly lower rates of increase in their export prices (less than 4 per cent in the Federal Republic of Germany, 8 per cent in Japan and 10 per cent in France) than did the United Kingdom (13 per cent) or Italy or the United States (17 per cent). This pattern of change was repeated in 1974 and 1975 with only one deviation, namely, the upsurge in domestic prices in Japan in 1974 (38 per cent) - greater than any of the other major developed market economies except Italy (42 per cent).

The realignment of exchange rates induced by the second dollar devaluation raised over-all developing country export prices by about 7 per cent in dollar terms and import prices by slightly more. This meant a further, though smaller, decline in the average terms of trade of the developing countries and, as before, a minor (1 per cent) expansion in exports and contraction in imports. 9/

Averaged over the four years 1970-1974, the rate of increase in the export prices of the six developed market economies that bulk largest as suppliers of manufactured goods to the developing countries ranged from 5.4 per cent a year in the Federal Republic of Germany to 16.8 per cent a year in Italy. Appreciation of the deutsche mark and depreciation of the lira brought these rates of price increase to virtual equality - at about 15 per cent a year - in dollar terms. And, expressed in dollars, the rate of increase in the export prices of the other major suppliers were of much the same order of magnitude: the price of exports from the United Kingdom and the United States rose at rather more than 12 per cent a year, from France at 14.4 per cent a year and from Japan at 16.6 per cent a year (see table III-8).

8/ Estimates cited in International Monetary Fund, Annual Report, 1972 (Washington, D.C.).

9/ Estimates cited in International Monetary Fund, Annual Report, 1973. In the event, these changes were overshadowed by the effects of the expansion in demand in the developed market economies and the upsurge in commodity prices.

Among the relatively few developing countries in which there was a measurable switch in import source between 1970 and 1974 - from a major supplier whose currency was appreciating to one whose currency was depreciating - contrachanges were also apparent. Thus there was a switch from one or more of the suppliers with appreciating currency to the United States in the case of the Dominican Republic, Guinea, Haiti, Iran and Singapore, to the United Kingdom and the United States in the case of Mali and Oman, to Italy in the case of Tunisia, and to Italy and the United States in the case of Chad. But all these countries either reduced the share of their imports coming from other depreciating countries (as in the case of Chad, the Dominican Republic, Guinea, Haiti, Singapore and Tunisia) or increased the share from one of the appreciating countries - the Federal Republic of Germany in the case of Mali, Japan in the case of Iran and Oman (see table III-9).

A considerably larger number of developing countries switched their imports from suppliers with depreciating currencies to those with appreciating currencies. Thus between 1970 and 1974 there was a swing from the United States to Japan in several Latin American countries including Argentina, Brazil, Colombia and Ecuador and to Japan or the Federal Republic of Germany in Afghanistan, the Central African Republic, Israel and Mauritania. There was a marked reduction in the proportion of imports moving from the United Kingdom to a number of sterling area countries - including Fiji, Kenya, Malaysia, Mauritius, Qatar, Sri Lanka and Zambia - as well as to Kuwait, Nepal and Togo, and a corresponding increase in the proportion coming from the Federal Republic of Germany or Japan, or both. Both the United Kingdom and the United States lost ground in Ghana (to the Federal Republic of Germany), Nigeria (to France and Japan) and Venezuela (to Japan). And Italy was also among the losers in the case of imports into Gabon, Nicaragua and Somalia.

With the rise in petroleum prices, the proportion of developing country import expenditure going to the industrial market economies 10/ declined from over 69 per cent in 1970 to under 66 per cent in 1974. 11/ Within this trade flow there was a perceptible swing from the supplying countries with depreciating currencies to those with appreciating currencies: the proportion of developing country imports coming from Italy, the United Kingdom and the United States declined from almost 49 per cent in 1970 to not much more than 45 per cent in 1974 and the proportion coming from France, the Federal Republic of Germany and Japan rose from 38 per cent to 41 per cent.

The proportion of imports coming from Italy oscillated around 5 per cent of the industrial country total and the proportion from France remained close to 9 per cent. The proportion coming from the United States fell sharply in 1971 and 1972 and then recovered much of the lost ground in 1973 and 1974 when most

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10/ North America, Western Europe and Japan.

11/ The value of developing country imports from the petroleum-exporting countries averaged around 6 per cent of the total up to 1973 and then jumped to nearly 12 per cent in 1974.

food prices were relatively high. The proportion coming from the United Kingdom declined steadily from over 12 per cent in 1971 to about 8 per cent in 1974. The proportion coming from the Federal Republic of Germany and Japan made corresponding gains - the former from less than 11 per cent to over 12 per cent and the latter from 18 per cent to over 20 per cent. The pattern was similar for the petroleum-exporting developing countries and for the rest of the group (see table III-10).

The changes in exchange rate relationships seem to have had no more effect on the growth of developing country trade than it did on its distribution. The quantum of developing country exports increased by 7 per cent in 1971, 9 per cent in 1972 and 11 per cent in 1973 before the collapse of demand in the major developed market economies reduced it to a mere 1 per cent in 1974. In value terms the gains reflected the accelerating rise in prices: they increased from 14 per cent in 1971 and 19 per cent in 1972 to 50 per cent in 1973 and 106 per cent in 1974. This last expansion was strongly influenced by the rise in petroleum prices, but even the export earnings of the petroleum-importing developing countries increased by 39 per cent in 1974.

Except for a slackening in 1972, developing country imports registered more or less parallel growth: successive increases amounted to 14 per cent, 12 per cent, 39 per cent and 62 per cent in dollar value and 8 per cent, 3 per cent, 13 per cent and 17 per cent in quantum. It was not until 1975, in the face of the recession in the industrial market economies and the consequent reduction in export earnings and shrinking of international liquidity, that the petroleum-importing developing countries were forced to cut back the volume of their imports.

Apart from their contribution to the increase in the cost of imports, the changing relationships among the major currencies brought before the developing countries a new set of problems in regard to their own currencies. This came to a head in 1973 with the advent of a generalized system of floating exchange rates: new decisions were called for, both in respect of the immediate value of the developing country currency and in respect of the modalities of adjusting it in the light of future changes in relationships among the currencies of trading partners and sources of capital.

Exchange rate policy adjustment in developing countries

With the rates of exchange between their major trading partners no longer fixed, the developing countries faced new and unfamiliar problems in formulating their own exchange rate policies. In the first instance, most of them tended to maintain the link between their own currency and that of their principal partners, thus moderating the impact of changes in the relationships among the major currencies. For most developing countries the chief concern was for rates affecting imports: their traditional exports were sold on a world market on which the price was denominated in one of the leading currencies, generally the dollar but for some commodities the pound or one of the European currencies. Countries promoting non-traditional exports, however, were also anxious about the export rate and the handicap that an over-valued currency might constitute. Thus a link to a depreciating currency soon came under scrutiny: its advantages in respect of exports not sold on an international market had to be assessed against its disadvantages as a transmitter of inflationary impulses.

In December 1971, after the Smithsonian realignment, about half the developing countries left their rates unchanged. A few - including the southern African countries linked to the South African rand - devalued their currencies to a greater extent than the dollar. The remainder followed the dollar. As a result the average effective, import-weighted rate of exchange between the currencies of the developing countries as a group and those of the major industrial countries as a group depreciated by 4.5 per cent. The depreciation was least (2.3 per cent) in Africa where imports from France, Italy and the United Kingdom tend to bulk largest, and greatest (6.5 per cent) in Asia where relatively more goods come from the Federal Republic of Germany and Japan (see table III-11).

In mid-1972, 14 developing country members of the sterling area followed the pound into its floating status. After the second dollar devaluation, Botswana, Lesotho and Swaziland switched to a dollar link through the rand. Jamaica also linked to the dollar and in November 1973 Malawi adopted a dollar-pound peg, weighted in accordance with imports from the United States and the United Kingdom. Guyana and Sri Lanka, which had devalued their currencies with the dollar in December 1971, reverted to a pound peg (see table III-9).

With the exception of the Philippines which reverted to a free market for its peso, all the developing countries that aligned their currency with the dollar in December 1971 retained the dollar peg through the second devaluation, though almost half the group designated SDR as their formal par value. The effective exchange rate of the developing countries as a group depreciated by about 2 per cent against the major currencies, about half the over-all change resulting in the first realignment.

Most of the developing countries that did not change their currency parities in 1971 and 1972, adopted a peg in 1973, chiefly the dollar or the French franc, either formally or de facto while designating SDR as the central value. Democratic Yemen, Guinea and Oman maintained a formal link with gold at its new SDR value, and Euqatorial Guinea pegged its currency to the Spanish peseta which was in turn linked to SDR. Malaysia, Singapore and Yemen opted for a floating rate while keeping a de facto link with the dollar. Morocco followed a similar course, with the franc as its informal link. Like the Philippines, Lebanon retained its free market.

In the period that followed, several other countries unpegged their currency: Afghanistan, Nigeria, Qatar and Saudi Arabia 12/ all had floating rates by 1975. Guyana switched its peg from the pound to the dollar and Oman from gold to the dollar. With all the major currencies floating, there was a widespread tendency for developing countries that had previously linked their currency with one of them to shift to a composite peg more representative of trade patterns. In many cases it was found convenient to adopt a currency basket made up in the same way as SDR. 13/ By the end of 1975 Burma, Iran, Jordan, Kenya, Uganda and the United Republic of Tanzania had all moved from a dollar peg to an SDR-basket peg; Malawi moved from a pound peg, through a pound-dollar peg to an SDR-weighted peg. There was a similar movement from a single-currency peg to a composite peg combining the major currencies in proportion to their weight in the country's own trade: in the case of Algeria, Mauritania and Tunisia the movement was from the franc; in Fiji and India from the pound (by way of the dollar in the case of Fiji); in Guinea from gold; and in Kuwait and Western Samoa 14/ from the dollar. Malaysia, Morocco and Singapore, after a period of free floating, moved their currencies to a trade-weighted peg.

At the end of 1975, however, three fourths of the developing countries still maintained a link with one of the major currencies - two thirds of them with the dollar, about a sixth with the franc. 15/ Trading patterns were clearly a major determinant of these currency links. In 60 per cent of the countries whose currency was pegged to the dollar, for example, the United States was the leading source of imports and either the main or, in a few cases, the second or third export market. And in all 13 of the developing countries linked to the franc, France was by far the most important trading partner, providing between 30 and 60 per cent of all imports and purchasing between 15 and 50 per cent of all exports.

In some cases - Iraq, the Libyan Arab Republic and Oman, for example - the dollar link reflected payment practices in the petroleum trade rather than the trade pattern as such. Trade flows had little to do with the choice of a dollar peg by a number of other countries, including Somalia, Zambia and Zaire, whose currency had a gold parity in the Bretton Woods system, and Democratic Yemen, the Syrian Arab Republic and Yemen which established a dollar link only in 1973. Other countries with a similarly diversified trading pattern opted for a multicurrency link.

12/ The riyal was pegged to SDR but, after September 1975, with an unusually wide margin (7.25 per cent) of permissible variability. The floating afghani was used only for certain exchange transactions; for other purposes it was pegged to the dollar.

13/ The percentage weights of the 16 currencies embodied in the SDR basket are: United States, 33; Federal Republic of Germany, 12.5; United Kingdom, 9; France, 7.5; Japan, 7.5; Canada, 6; Italy, 6; Netherlands, 4.5; Belgium, 3.5; Sweden, 2.5; Australia, 1.5; Spain, 1.5; Norway, 1.5; Denmark, 1.5; Austria, 1; South Africa, 1.

14/ The currency basket used by Western Samoa was based on the weights of New Zealand's trade.

15/ The number of countries maintaining a sterling link was further reduced in the first half of 1976: in January Mauritius switched to an SDR peg and in May Sri Lanka and Trinidad and Tobago also switched, the former to a trade-weighted basket of currencies, the latter to the dollar.

In the case of Kuwait, Malaysia and Singapore, Japan was the leading partner but it accounted for less than a fifth of total trade. India's leading partner, the United States, accounted for only 15 per cent of total trade, but it was not until September 1975 that India switched from the traditional link with sterling to a multicurrency link. In the case of Algeria, Mauritania, Morocco and Tunisia, France provided almost a third of all imports but export patterns were much more diversified. These were among the countries opting for a peg consisting of a combination of currencies weighted by their importance in their own trade. 16/ Burma and several West Asian countries - Iran, Jordan, Qatar and Saudi Arabia 17/ - whose trade was similarly diversified chose a common basket reflecting the composition of the SDR designated in July 1974. And in 1975 Malawi and later Kenya, Uganda and the United Republic of Tanzania also pegged their currencies to the SDR combination. A few countries - notably Lebanon, Nigeria and the Philippines - had not pegged their currencies by the end of 1975. In the case of Lebanon the free market for foreign exchange represents a continuation of its traditional role as a regional financial centre. In Nigeria, whose exports all tend to be priced in foreign currencies and sold on world markets, the predominance of government purchases and the inadequacy of the local financial infrastructure would seem to rule out a free foreign exchange market; since the naira was unpegged in April 1974, however, it has maintained a fairly stable relationship with the dollar. In the Philippines the desire to promote the sale of goods that do not have firm prices on international markets makes the peso exchange rate a key variable for exports as well as imports. The country has therefore continued its traditional system of managed floating, trying to maintain a stable but adjustable rate against the dollar without any official designation of a par value.

A system of this nature has long been followed by some of the South American countries - Brazil, Chile, Colombia and Uruguay, for example - where within a general policy of maintaining a stable exchange rate with the dollar, the main partner currency, no particular parity has in fact been declared or defended. The fact that the dollar itself now fluctuates in value in relation to the currencies of other trading partners has made such exchange rate management more complicated. Since stability is a major objective - not only in support of trade policy but also as part of efforts to maximize gains from direct foreign investment and to minimize the flight of domestic capital - single-currency pegs have become less adequate for the informally managed exchange rates no less than for those that have been formally linked to SDR- or trade-weighted currency combinations.

Generally lacking the financial machinery necessary for conducting an e efficient market in foreign exchange, most developing countries have sought stability through pegging, either to a single major currency - when one predominated in trading or financing arrangements - or to a basket of currencies, particularly the SDR basket for which the advantage of ready and frequent

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16/ The link maintained by these countries with a trade-weighted basket of partner country currencies was an informal one and no margins had been specified to IMF.

17/ As indicated above, in September 1975 Saudi Arabia weakened the SDR link by widening the permissible margin of fluctuation from the common 2.25 per cent to 7.25 per cent.

computation may offset the disadvantage of a less accurate match against trade and payments patterns. In choosing a peg and a rate at which to peg, most developing countries have had to assign top priority to balance-of-payments criteria: thus they have avoided links with currencies likely to appreciate and rates likely to encourage imports and discourage the export of goods for which there is a domestic market.

A policy aiming at defence of the external balance, protection of domestic industries, support of the local currency incomes of exporters and maintenance of the credibility of the exchange rate in order to attract foreign capital and investment and discourage speculation and capital flight had one serious disadvantage during the first half of the 1970s: it exposed the developing countries to the full effects of the rising costs of imports in the wake of the general developed market economy inflation, the increase in some administered prices and the appreciation of the stronger currencies. The maintenance of internal equilibrium and the achievement of an equitable distribution of income within the economy thus tended to become formidable problems in many of the developing countries and a severe challenge to fiscal policy, especially during the commodity boom when domestic inflation was also being aggravated by the rise in exporters' incomes and the expansion in foreign assets.

Most developing countries have thus tended to back up the pegging arrangement governing their exchange rate with quantitative controls over various elements of their foreign trade and sometimes over the allocation of foreign exchange as well. Efforts have also been made to develop facilities for reducing exchange risks either through guarantees or through a market for forward exchange. Such markets, though often limited in respect of the currencies dealt in and in respect of the length of cover obtainable, have grown rapidly in the developing countries since mid-1973 when floating became general. While in many cases the role of the Government as trader or the rudimentary nature of the financial infrastructure, or both, have thrown the task into the hands of the central bank, many of the larger developing countries now have the institutions necessary for the conduct of an independent foreign exchange policy both as an instrument of internal economic development and as part of the wider international monetary system.

As implied above, there is little evidence that the changes in exchange value that occurred among the developed market economy currencies in the first half of the 1970s had a serious effect on the international trade of the developing countries. Their export earnings were determined by large changes in quantum and unit values resulting from other, largely exogenous, factors on both the demand and the supply side, and their import expenditure was in turn determined chiefly by their export earnings. The direction of their trade does not seem to have been influenced very greatly by the changes in developed market economy parities, though the depreciation of the dollar or the pound did accentuate the effect of the inflationary forces that became one of the dominant economic features of the period, both in the 1971-1974 upswing in real demand and in the 1974-1975 downswing.

The impact of fluctuations in demand for developing country exports

The Second United Nations Development Decade opened with several of the major developed market economies still emerging from the recession in growth that had begun in 1969. Between 1970 and 1971 developing country exports other than petroleum increased from $37 billion to $38 billion or barely 3 per cent in dollar value, fractionally less in volume. With industry operating at well below rated capacity, there was virtually no expansion in developed market economy imports of fibres and oil-seeds from the developing countries, and the value of developing country exports of metals and ores was almost a fifth lower in 1971 than in 1970. Apart from petroleum exports - which increased from less than $18 billion to more than $24 billion - the main expansion in developing country exports in 1971 was in manufactured goods: chemicals by about 15 per cent to over $1 billion, machinery, transport equipment and metal products by 28 per cent to over $2 billion and textiles and clothing by 40 per cent to over $4.5 billion (see table III-12).

The succeeding two years saw a sharp acceleration in demand in the major developed market economies. The effects of this on the developing countries were complicated by a number of supply difficulties and accentuated by an intensification of inflationary pressures in general and a tendency for commodity holdings to be increased in the face of new uncertainties regarding the value of some of the principal currencies. As a result, the price index of basic commodities exported by developing countries (excluding petroleum but including non-ferrous metals) after falling by 2 per cent between 1970 and 1971, climbed steeply: by 13 per cent in 1972 and 45 per cent in 1973 (see table III-13).

In the 1972-1973 upswing, developing country export earnings rose sharply: in dollar terms by about a fifth in 1972 and almost a half in 1973. Manufactures continued to lead: with increases of about 30 per cent and 50 per cent, the amount realized approached $16 billion in 1973. Earnings from non-ferrous metals and ores recovered from the 1971 decline and at about $8 billion in 1973 were almost a fourth above the 1970 level. Earnings from agricultural raw materials, which had stagnated in 1971, increased by a sixth in 1972 and, under the influence of an upsurge in oil-seed prices, by over half in 1973 to more than $12 billion.

The 1972 crop failures reduced developing country earnings from cereals but, with the consequent rise in prices, there was a sharp increase in export proceeds in 1973. Earnings from other food-stuffs rose more modestly: from around $12 billion in 1970 and 1971 they increased by 22 per cent in 1972 and 28 per cent in 1973 to reach about $19 billion. Earnings from fuels - by far the largest single category of developing country exports - rose by 25 per cent in 1972 and 44 per cent in 1973 to reach $43 billion or 40 per cent of total develoing country export proceeds.

The weakening in demand for raw materials for developed market economy industry in 1974 brought the upswing in export prices to an end: by the first quarter of 1975 the index of agricultural raw material prices had receded by over a fourth from the peak of a year earlier and there was a further decline of 6 per cent during 1975. And the price index of non-ferrous metals exported by developing countries was halved between mid-1974 and the end of 1975. Food prices continued to rise in 1974, however; and under the influence of an upsurge in the price of sugar they reached a peak in the fourth quarter, 75 per cent above the corresponding 1973 figure, before declining in 1975 to an end of the year figure about twice the 1970 average.

In the third quarter of 1973 the price index for crude minerals stood about two thirds above the 1970 average, having risen slightly less than the rest of the primary commodities. A series of price increases decreed by the major exporters of petroleum and rock phospates then caused the index to bound upwards: by the third quarter of 1974 it was over three times the figure of a year earlier and after rising a further 10 per cent in 1975 it stood over six times the 1970 average. The export earnings of the petroleum-exporting countries doubled between 1973 and 1974 to reach $136 billion, 60 per cent of the developing country total. Contraction in demand outweighted the continuing rise in price in 1975 and earnings were reduced by 11 per cent.

The magnitude of these swings in prices and earnings made them one of the most powerful influences on the course of economic development in most of the developing countries in the first half of the 1970s. Variations in the flow of funds into the export sector affected the incomes of traders, farmers and mining enterprises, the revenue accruing to Governments, the volume of savings, the volume and pattern of investment, expenditure on imports and the state of external balance. Moreover, as two of the commodities concerned - cereals and petroleum - are imports rather than exports of most developing countries, the upsurge in prices necessitated major adjustments in economic policy both in respect of external payments and in respect of the use of resources within the economy.

The most common instrument for effecting the internal adjustment to the external change was the fiscal system: some taxes were rebated to encourage exports, others were increased to capture a share of higher export prices, subsidies were paid to compensate for higher import prices. But credit policies were also used to influence production, and exchange control and quantitative control of exports and imports were enlisted by some countries to regulate supplies going to domestic or external markets. In some instances Governments exerted their influence directly through participation in the production process. In general, developing countries found domestic adjustment easier to make to rising prices on the world market for their exports than to falling prices, especially when the latter coincided with increasing import prices and a consequent deterioration in the terms of trade and squeeze on international liquidity.

Adjustment in the tropical products sector

As in the case of virtually all other primary commodities the prices of the major tropical products rose steeply between 1972 and 1974, then levelled off and weakened before rallying again in the second half of 1975 or the first half of 1976 (see figure III-1). These price swings were in part a reflection of changing demand as the growth in income accelerated and decelerated over the business cycle in the developed market economies, supplemented in the early stages by an increase in the desire to hold inventories of goods rather than currencies whose value - cut loose from the anchorage of the gold-exchange system in 1971 - had become suspect.

The market for the food items among them, however - particularly sugar, the beverage crops and, in a less direct way, the edible oil-seeds - was affected more strongly by changes on the supply side. 18/ The coffee crop was a small one

18/ For a more detailed discussion of the source and influence of changes in the world market for food-stuffs in the first half of the 1970s, see chap. I of World Economic Survey, 1975, particularly tables 8-10.

in 1970 and again in 1973, for example, and there were two successive declines in the cocoa crop - in 1972 and 1973 - while the Sahelian drought cut deeply into the West African ground-nut crop in 1972. In such cases the impact of higher prices on the export earnings of some producing countries was moderated in varying degree by reductions in the volume of shipments. In the case of sugar, on the other hand, the reduction in world supply that occurred in 1974 was largely the result of poorer beet harvests in Europe and the Soviet Union, so that most developing country cane producers gained from both volume of exports and price.

The coffee-exporting countries

Coffee prices, which had risen sharply in 1970 in the wake of the poor crop, dipped in 1971 before beginning the climb that peaked in mid-1974 at about 42 per cent above the 1970 level. The export earnings of the 13 developing countries in which coffee is the principal export 19/ declined slightly in 1971 before beginning their upswing - by 17 per cent in 1972, 34 per cent in 1973 and 28 per cent in 1974, decelerating to 4 per cent in 1975 (see table III-14). Import expenditure followed a similar pattern with about a year's lag; though with cuts in imports into Colombia, Costa Rica, Kenya and Uganda in 1975, there was an unexpectedly sharp deceleration in the wake of the 1974 upsurge in import prices and the liquidity squeeze stemming from the recession in developed market economy demand.

The group, whose trade was more or less in balance in 1970, ran a large deficit in 1971 ($0.5 billion, measuring imports as well as exports on an f.o.b. basis) and then swung into surplus; this almost reached $0.6 billion in 1973 but with a large increase in the deficits of Costa Rica and Kenya and the re-emergence of a deficit in Colombia and several smaller countries, 1974 found the group out of balance again (see table III-15). Despite the cutback in imports referred to above, the deficit would have been much larger in 1975 had there not been an upsurge in petroleum earnings by Angola.

The coffee industry being largely in indigenous hands, there was little tendency for the outflow of direct investment income to conform to the swings in export revenue. Over the period investment income payments, originating for the most part in other sectors, rose moderately in Guatemala and on a smaller scale in the Central African Republic, Costa Rica, El Salvador and Ethiopia, but showed little change in Colombia and Haiti, and declined in Madagascar and Uganda. Apart from Angola, for which information is lacking, the largest increase was in Kenya in 1974 - from $59 to $101 million - and this raised the group total to about $289 million, almost a third above the average for the previous four years (see table III-16).

Reflecting the swings in the balance of trade, modified in varying degree by the net inflow of external funds, the international reserves of the coffee group delcined fractionally in 1971 and then rose steeply in 1972 (37 per cent) and 1973 (43 per cent). There was a general drawing on reserves in 1974 - except in El Salvador, Ethiopia and Haiti - but a recovery in 1975 to a group total

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19/ During the first half of the 1970s coffee accounted for about a fifth of the export earnings of Kenya, a fourth of those of Central African Republic, Costa Rica and Madagascar, around a third in El Salvador, Ethiopia, Guatemala and Haiti, around a half in Colombia and Rwanda, two thirds in Uganda and over 80 per cent in Burundi.

of $1.6 billion (see table III-17). This was well over double the 1970 level, but as trade had also doubled the group's reserves/imports ratio, after rising from 24 per cent in 1971 to 39 per cent in 1973, dropped back to near the 1970 level of 28 per cent in 1975 (see table III-18).

The expansion in the export earnings of the coffee group affected the growth in its members' money supply. Most of the countries recorded the highest rate of increase in money supply in 1972-1974 and the lowest in 1971 or 1975. This was also true in respect to the contribution of foreign assets to the money supply: it was generally highest in the period of export upswing, though in the Central African Republic and Kenya it declined from a peak in 1971 and in Burundi and Rwanda it was greatest in 1975.

Most of the Governments of the coffee-exporting countries exercise control over the distribution of the revenues generated by the industry. Prices received by growers are generally well below world market levels though, given the great differences in coffee types and quality, the range of producer prices is very wide. At the beginning of the decade, for example, when the unit value of world exports of coffee beans was $0.94 per kilogram, robusta growers in Uganda were paid the equivalent of 15 cents a kilogram while arabica growers in Kenya received $1.05 (see table III-19).

In 1971 some countries - Kenya, for example - reduced the local producer price in line with the 12 per cent decline in coffee prices on the international market. Though world prices rose in 1972 they did not regain the 1970 level and some countries cut the price paid to the farmer - Guatemala, for example, effected a 2 per cent reduction. 20/ With world prices continuing to rise, most local producer prices were increased substantially in 1973 and again, though less generously, in 1974. 21/ In 1975 the effective producer price in Colombia was raised by about a fourth - rather more than the increase in the international price - but, in accordance with current stabilization policy the increment was paid in the form of savings bonds, bearing an 18 per cent interest rate and redeemable only in three years.

Though most coffee growers thus benefited considerably from the upswing in world prices, their real incomes depended on the volume of their sales and the movement in local prices. The former was down sharply in 1974, particularly in Brazil but also to a less extent in El Salvador, Gabon, Guinea, Haiti, Mexico, Sierra Leone and Togo. 22/ The extent to which producer prices were kept in line with other local prices differed markedly from country to country. Real

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20/ In dollar terms much greater reductions were made in producer prices in Brazil and Mexico, which having a more diversified export structure are not included in the coffee group. In Brazil, however, the producer price in cruzeiro was fully maintained and the coffee growers were exempted from certain taxes, including the taxes on export profits. They were also the main beneficiaries of a major expansion in the supply of credit for the financing of modern inputs.

21/ In Brazil producer prices were almost doubled in 1973, and in 1974 the quota of beans to be sold to the Government at relatively low prices was reduced, thus further raising the effective price to growers. The support level followed the world price upwards in 1975, though the increase did not keep pace with the rise in local prices. After the destructive frost of July, the domestic retail price for coffee was raised 50 per cent.

22/ Of these countries only in El Salvador and Haiti is coffee the leading export.

values were best maintained in Brazil, El Salvador and Guatemala. In Colombia, Ivory Coast and Mexico the purchasing power of the coffee price barely maintained the level of 10 years earlier. In Angola, Uganda and the United Republic of Cameroon the coffee grower was receiving substantially less in real terms in 1971-1975 than in the early 1960s.

There is no indication that coffee pricing policy has had a major impact on national savings performance. In some countries holding down the grower's price and diverting to government revenue all foreign earnings in excess of a certain minimum has had the effect of transferring resources from consumption to investment. Much, however, depends on the institutional setting, as well as on the level of growers' incomes and the rest of the Government's fiscal policy. In some cases, moreover, the country's saving performance has been influenced much more strongly by events outside the coffee sector. In the 1971-1974 period the coffee-exporting countries were more or less equally divided between those whose savings ratios rose (most notably Angola and Colombia, but also the Central African Republic, Haiti and Kenya) and those whose saving ratios declined (Burundi, El Salvador, Rwanda and Uganda). In the case of Madagascar, savings remained at about 11 per cent of gross product (see table III-20). While the swings in coffee revenue clearly affected the flow of funds in both public and private sectors, the changes in savings probably owed more to foreign investment and disinvestment.

The cocoa-exporting countries

In 1970 the price of cocoa in international trade stood about a fourth higher than in the first half of the 1960s. After declining sharply during the 1970/71 recession, prices turned upwards in 1972 and under the influence of smaller crops and the upswing in demand, they had quadrupled by mid-1974. After three years of rapid increase the earnings of the developing countries that rely largely on cocoa exports 23/ levelled off in 1975. Lagging about a year behind, imports dipped in 1972 and then surged upwards. As a result, the group swung from a passive trade balance in 1971 to an active one in 1972 and a large surplus in 1973. This vanished in 1974 and was converted to a sizable deficit in 1975 (see table III-15).

Cocoa being, like coffee, an indigenous crop, these swings had little effect on the outflow of investment income from the group: this remained more or less stable in 1971-1973 and then rose slightly (to about $35 million) in 1974. They did affect the group's international reserves, however: these almost doubled in the course of 1972 and 1973 but, in the wake of surging imports into Ghana, declined steeply in 1974. As a proportion of import expenditure, they rose from 19 per cent in 1971 to 29 per cent in 1973 and then dropped below 12 per cent in 1975 - one of the lowest figures among the developing country groups.

Among the cocoa-exporting countries of West Africa the prices paid to producer by the official marketing boards had tended to lag behind the rising world price in

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23/ In the first half of the 1970s cocoa accounted for about a fifth of the export earnings of Benin, a fourth of those of the United Republic of Cameroon and over half of those of Equatorial Guinea and Ghana.

the second half of the 1960s: on average the ratio of local to world price had fallen from over 80 per cent in 1965 to around 40 per cent in 1970. This ratio rose in 1971 and 1972 as the average unit value of cocoa shipments declined while producer prices were maintained or increased. 24/ There were further advances in producer prices in 1973 and 1974 but they were much smaller than the gains on the world market and the ratio dropped to or below the 1970 level. It rose again in 1975, however, as further increases in local prices were granted in the face of lower international prices (see table III-21).

The rise in producer prices, while tending to lessen the disparities between contiguous West African countries in proportionate terms, widened them in absolute terms in some cases. Thus smuggling continued on a considerable scale. In 1971 as much as a fifth of the Ghanaian output of cocoa beans was shipped clandestinely to Togo and Ivory Coast. In 1972/73 Nigeria is thought to have lost 22,000 tons - about 9 per cent of the year's production - in the same way, chiefly to Benin. The price increase, combined with stricter policing of the borders by the new military Governments, reduced this traffic but even in 1974 it is estimated at 12 per cent of Ghana's crop, and 2 per cent of Nigeria's was exported illegally. 25/

In terms of national currencies the 1973-1975 increases raised real producer prices above the 1970 level in Brazil and Ivory Coast and, less markedly, in Nigeria. 26/ In the case of Ghana and the United Republic of Cameroon, on the other hand, the price received by growers did not keep pace with the rise in local consumer prices. The gains implicit in the high 1973-1975 international prices were diverted, through the official marketing system, to government revenue. In both countries, however, the effects of the price increase were moderated by poorer crops - in 1972 and 1973 in the United Republic of Cameroon and in 1973 and 1974 in Ghana, despite a cocoa rehabilitation programme launched in 1971 to replace 87,000 diseased trees and supported by improved credit facilities for pesticide and fertilizer and tax rebates to stimulate exports. In the United Republic of Cameroon and also in Benin, domestic savings rates edged upwards during the period, reaching 16 per cent of the gorss product in 1974. In Ghana, however, the rate was barely maintained at 11 per cent up to 1973 and it was substantially down in 1974.

24/ In Ghana local currency prices were raised, but as a result of the devaluation of the cedi the dollar equivalent was reduced in 1972. This was also the case in Brazil which, though a major cocoa producer, has not been classified as a member of the cocoa-dependent group.

25/ The problem is not solely the result of differences between the local producer prices. Also involved is the return flow of goods in payment. Those tend to be items in short supply or subject to much higher duties in the country from which the cocoa is smuggled. Other clandestine trade is known to take place in ground-nuts (from Senegal to Gambia), diamonds (from Ghana to Togo) and various food-stuffs (from Ghana to Togo and the Upper Volta and from Guinea to Liberia and Sierra Leone).

26/ Though cocoa is an important crop in these three countries, it is not their major export.

The tea- and jute-exporting countries

Tea and jute - the staple exports of South Asia - were among the least affected by the swings in income and over-all demand in the first half of the 1970s. The world price of tea was about one sixth lower in 1970 than in 1960 and it did not begin to advance until 1974 - when most primary commodity prices were levelling out or receding from a peak - and its highest point (in the first quarter of 1975) was only 40 per cent above the 1970 average. In the case of jute, prices at the beginning of the decade were slightly above the level of 10 years earlier but they advanced very little until 1974 and, like those of tea, peaked in the first quarter of 1975, about 60 per cent above the 1970 figure.

Despite this tendency for the price of their leading export to lag, 27/ the export earnings of the three countries in this group conformed to the general pattern: after dipping in 1971, they accelerated in 1972-1974 and then rose by about 8 per cent to $5.2 billion in 1975. As in the other groups, import expenditure moved in a similar fashion, with about a year's delay: the rise in 1973 and 1974 was very vigorous and the trade deficit, which had been reduced below $0.2 billion in 1972, surged to $1.3 billion in 1974 and $2.2 billion in 1975 (see table III-15).

This deficit was financed chiefly by foreign loans and grants, and the group added to its international resources in all years except 1973. At the end of 1975 these reserves stood at $1.6 billion, compared with $1.1 billion at the beginning of the decade. As a proportion of imports, however, they had seriously shrunk: after rising from 34 per cent to 44 per cent in the first two years of the decade they had dropped below 20 per cent at mid-decade.

Prices paid to local tea growers tended to parallel those established on the international market, changing little in the 1970-1973 period and increasing significantly in 1974 - by an eight in India, a fifth in Kenya and a fourth in Sri Lanka. In dollar terms the local price averaged about half the world price in India and Kenya, about a third in Sri Lanka. In real terms, allowing for the movement in consumer prices in these countries, the grower was paid about a fourth less in 1974 than in 1970 in India and an eighth less in Kenya. In Sri Lanka, however, the growers' price was better sustained (see table III-22).

Notwithstanding the decline in the real price, production continued to expand in India and - on a much smaller scale - in Kenya. In India this reflects in part the steady increase in the local market: in the second half of the 1960s almost half the crop was exported, by 1974 the proportion had fallen to 40 per cent. In Kenya, whose tea crop is almost all exported, the expansion reflects the encouragement provided by the Tea Development Authority which strongly supported smallholders, with credit as well as technical assistance. In Sri Lanka, on the other hand, tea production - also virtually all exported - tended to languish: in no year in the first half of the 1970s did it reach the average of the preceding quinquennium.

27/ Together tea and jute accounted for about a fifth of export earnings of India during this period, half those of Sri Lanka and almost 90 per cent of those of Bangladesh.

Contributing to this was the breaking up - under a 1972 reform programme - landholdings of over 50 acres and, later, in 1975, the nationalization of tea estates and the repatriation to India of many of the labourers who traditionally manned them.

In Bangladesh, where the new Government took control of domestic jute mills in 1972 and nationalized the export of raw fibre setting up the Bangladesh Jute Export Corporation to buy and sell the crop, the price paid to producers was set at 50 taka per maund for the 1972/73 season and again for 1973/74. This was rather less than half the average unit value of world exports, in dollar terms. With an 11 per cent increase in the international price in 1975, domestic production lagging and rice competing strongly for the available crop land, the support price was raised to 90 taka per maund - about two thirds of the world level - and more or less in line with the minimum price (135 rupees per quintal) being paid in India. 28/

In both countries jute lost ground to rice during the first half of the 1970s, particularly after 1972 when cereal prices rose steeply on the world market. By 1974 rice prices were over three times the 1970 level on the world market and around twice the 1970 level on national markets in South and East Asia. In India jute production surpassed the 1965-1969 average only once (in 1973/74) in the 1971-1975 quinquennium, while in Bangladesh, after equalling the earlier average in 1972/73, production dropped to below two thirds of that level in 1974/75 and 1975/76.

The relatively poor production and price experience of these major export industries contributed to the lag in savings that characterized all three of the tea-jute group. The reduction in the savings ratio was steepest in Bangladesh where civil war and natural disasters played the major role. In Sri Lanka reinvestment by foreign-owned estates tended to dry up as nationalization proceeded and although the outflow of investment income declined from $8 million in 1970 to less than $2 million in 1974, the over-all domestic savings ratio dropped from about 17 per cent of the gross national product to about half that figure. In India the savings ratio began to slide downwards after the monsoon failure of 1972.

The sugar-exporting countries

The world price of sugar experienced one of the most violent swings during the first half of the 1970s: climbing from a record low in 1968, it entered the decade at a rather depressed level and between mid-1972 and end-1974 soared to an all-time high, nine times the 1970 average. In so far as this upsurge reflected lags in supply, these were largely in the industrial countries; most of the developing country exporters were able to gain from both the high prices and reasonably good cane production. The export earnings of the five countries 29/ that are especially

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28/ Sizable amounts of jute, perhaps as much as 10 per cent of the crop, are thought to have been smuggled across the border to India in 1973 and 1974. In September 1974 the Government took steps to improve its record-keeping of farmland within 10 miles of the border and a joint Bangladesh-India ministerial committee was set up to control illegal transactions as part of a more general scheme of collaboration with a view to improving the status of jute in world trade.

29/ Sugar accounted for more than a fourth of the exports of Swaziland in 1970-1975, over half of those of Barbados, the Dominican Republic and Fiji and about 90 per cent of those of Mauritius.

dependent on sugar rose at an accelerating pace till 1974 - when they increased by two thirds - and by a further one third in 1975, trebling in the course of the quinquennium, from under $0.5 billion in 1970 to almost $1.8 billion in 1975.

Imports of the group also increased vigorously, though rather more uniformly over the period (see table III-14). The trade deficit thus oscillated around the 1962 figure of $162 million between 1970 and 1974, swinging into a small surplus in 1975. The group's international reserves expanded steadily, approaching $0.4 billion by the end of 1975. At 21 per cent this was a somewhat lower proportion of imports than in 1972 (26 per cent) but above the ratio at the beginning of the decade (19 per cent).

Since most sugar enters world trade in the so-called "raw" state (96 degrees polarity), the increase in income accrued first not to the growers but to the factories that mill and refine the cane. 30/ The rapid rise that occurred in 1974 caused a number of Governments - that of El Salvador, for example - to enact or adjust export taxes to divert to the national Treasury part of the windfall profit. Where foreign-owned companies play a large role in the industry, there was a marked increase in the outflow of investment income: in the case of the Dominican Republic, for example, such payments rose from $19 million in 1970 to $64 million in 1974.

In general, cane growers shared in the upsurge in prices, but it was only in 1974 that the increase in the domestic producer price brought a significant gain in terms of local purchasing power (see table III-23). There were thus marked differences in the way the higher sugar prices affected the distribution of income between growers, factory and Government. This in turn affected the course of domestic savings. These rose rapidly and considerably in Mauritius, reaching about a third of gross national product in 1974. There was also an increase in the Dominican Republic - from about 10 per cent of gross national product in 1970-1971 to about 16 per cent in the next three years. No such effect occurred in Swaziland, however, and between 1970 and 1973 there was an even steeper decline in the savings ratio in Fiji and, more erratically, in Barbados.

The cotton-exporting countries

The upsurge in cotton price took place in 1973; 1974 saw a loss of much of the previous year's gain and 1975 brought a recovery. At its peak, the average price of cotton moving in international trade stood at almost three times the 1970 level; in the first quarter of 1976 it stood at about twice that level.

The foreign exchange earnings of the eight developing countries that rely heavily on cotton exports dropped slightly in 1971, accelerated to a gain of 32 per cent in 1974 and then levelled off in 1975 at about $3.7 billion, compared with $2 billion in 1970. 31/ Imports followed a similar pattern with some delay

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30/ In Mauritius, for example, the industry, producing around 700,000 tons of raw sugar a year, is controlled by a Sugar Syndicate which consists of 21 estates employing 70,000 workers. The mills also draw cane from 29,000 small-scale planters

31/ The average proportion of total export earnings contributed by cotton was about a seventh in Mozambique and Pakistan, a fourth in Nicaragua, a third in Mali and the Syrian Arab Republic, a half in Egypt and the Sudan and two thirds in Chad.

and greater vigour and by 1975 were well over three times the 1970 figure. As a result, the trade deficit, which hovered around $1 billion between 1970 and 1973, jumped to over $3 billion in 1974 and nearly $5 billion in 1975. The group's international reserves rose by $1 billion in 1973 to a new plateau: the end-1975 total of $1.6 billion was about four times the amount on hand when the decade began (see table III-14). It represented about two months' imports at the current rate, less than half the figure achieved in 1973 but greater than the six weeks' total in hand in 1970 and 1971.

There was little tendency for the price swings to be reflected in the profits of foreign companies. There was a rise in the outflow of investment income from Nicaragua and the Syrian Arab Republic in 1973 and 1974 but the amounts were not large: from about $23 million to $31 million and $37 million in the case of Nicaragua and from $3 million to $6 million and $18 million in the case of the Syrian Arab Republic. The greatest payments were from Pakistan, but they did not regain the peak figure of $120 million registered in 1970. Outflows from the other countries in the group were insignificant.

Prices paid to the growers of the extra long-staple cottons of Egypt and the Sudan were above the average unit value of cotton in world trade at the beginning of the decade and were raised to a greater degree in 1973 and 1974. In the case of Egypt, indeed, the price received by growers in 1974 was double the 1970 figure in real terms (see table III-24). Growers of some of the shorter cottons, as in Nigeria and Uganda, received less at the outset and lagged in subsequent increases. Where there was no domestic support system - in some of the Central American countries, for example - growers enjoyed the accelerating rise in world prices in the 1970-1974 period. In the face of rising costs, the weakening of the international market came as a disappointment; and in some areas cotton farms were rented for food-growing which in some countries was the object of greater official encouragement.

In the wake of the 1973 upswing in world prices, however, many cotton-exporting countries acted to stimulate production - by providing additional credit facilities to growers (as in Nicaragua) by extending irrigation to cotton areas (as in Mexico), by allocating more foreign exchange for imports of fertilizer, pesticide and other inputs (as in Egypt, where acreage was held down to about 1.6 million in order to devote more land to food crops). 32/ Brazil, also faced with declining production - from a 1971/72 peak of 3.1 million bales - was impelled to restrain exports in order to protect supplies for the local textile industry: consumption rose to a record 1.7 million bales in 1973/74 and exports fell below 0.7 million bales, half the 1971/72 figure.

Notwithstanding the higher prices earned in 1973 and 1974 there was little indication of any increase in the rate of domestic savings among the cotton-exporting countries. Only in the Syrian Arab Republic was the 1973 savings ratio

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32/ The average area planted to cotton in the 1960s was 1.8 million acres. Production reached its peak of 2.5 million bales in 1969/70; by 1974/75 it was not much more than 2 million bales. Since domestic consumption continued to rise, exceeding 1 million bales for the first time in 1973/74, exports were reduced: compared with 1.5 million bales in 1969/70, they had declined to a bare 1 million bales by 1974/75.

significantly higher than the 1970-1972 figures (at 18 per cent of the gross national product), though the 1972-1973 ratios were marginally higher in Egypt and Mozambique. Elsewhere, other events determined the economic outcome. In Mali and the Sudan, affected by the Sahelian drought, savings ratios were more than halved. In the aftermath of the civil war they were also sharply reduced in Pakistan, while in Nicaragua they were cut by the 1972-1973 earthquake.

Adjustment in the minerals sector

The fluctuations in demand that characterized the international market for tropical products in the first half of the 1970s also affected the situation in the minerals sector of the developing countries. In some ways the impact of the 1972-1973 upswing and the recession that began early in 1974 was greater. This is partly because there is more formal employment in the minerals sector than in the tropical products sector, which is based largely on peasant cultivation, and there is thus a more complicated pattern of income distribution. An expansion in demand is generally reflected in a series of consequential increases - in the price of the mineral, in the income of the mining enterprise, in the profits of the enterprise, in the tax revenue derived from the enterprise by the Government and, as more overtime is worked and more workers taken on, in the payroll. A contraction in demand tends to set in motion the opposite effect but in the same sequence. A severe recession may cut corporate income to the point at which mines or sections of mines have to be closed. If workers lose their jobs, the effect - on their incomes and economic status - is generally more serious than that occasioned by a reduction in the income derived by peasants from a cash crop.

In most developing countries the minerals sector tends to be more import-dependent than the agricultural sector, especially that concerned with tree crops. Thus, during the first half of the 1970s the minerals sector was particularly exposed to the rapid rise in external prices both of capital equipment and, even more, of energy. In many cases the quinquennium witnessed a threefold increase in mining costs, measured in dollars, and as a result the working of some of the lower-grade ore deposits became uneconomic. In some of the older mines - tin dredging in Malaysia, for example, there was retrenchment. And development of a number of new mines - in Botswana, Mauritania and Zaire, for example - was brought to a halt and effective ore reserves underwent a reduction.

To a considerable, though in many countries diminishing, extent the minerals sector involves direct foreign investment. Where this is the case the main impact of changes in the net revenue of the mining enterprise is absorbed by profits remitted abroad: there was a tendency for such remittances to expand during the 1972-1973 upswing and then contract during the 1974-1975 recession. The outcome was sometimes clouded, however, by changes in the degree of participation in the enterprise by the host country or by changes in exchange controls regulating the outflow of funds.

In the context of international trade, the minerals sector also differs from the agricultural sector in the processes of price formation. In several cases the smallness of the number of exporters, the peculiar nature of the products - sometimes a unique ore concentrate - or the degree of integration between the mining enterprise in the developing country and a parent smelting and refining concern in one of the developed market economies combine to preclude a competitive market. In these circumstances prices may be determined administratively, in conjunction with tax policy where a foreign company is involved (as in the case of iron ore and bauxite in some developing countries) or unilaterally by the resource country where its position as producer is sufficiently dominant (as in the case of rock phosphate in 1974).

The copper-exporting countries

At the beginning of the decade the international price of copper was in a downswing from a peak attained early in 1970. The trend turned in 1972 and a two-year upswing carried the price to twice the 1970 average in the second quarter of 1974. Then followed another decline which ended early in 1976 when the price was about 15 per cent below the 1970 average (see figure III-2). These swings were reflected in the export earnings of the four developing countries which are particularly dependent on their copper sales: 33/ they fell by a fifth in 1971, levelled out in 1972, rose vigorously in 1973 (30 per cent) and 1974 (58 per cent) and then dropped sharply (by a third) in 1975 (see table III-14).

Imports followed a similar pattern, with a lag that resulted in a sizable increase in 1971 and an even larger one in 1975. The group's traditional trade surplus, which amounted to $1.3 billion in 1970, had almost disappeared by 1972. It recovered in 1973 with the rise in copper prices but with serious strikes preventing the expansion of production in Chile and new difficulties in getting Zambian copper to the market, 34/ the continued expansion in imports greatly reduced the trade surplus in 1974 and turned the balance passive in 1975 (see table III-15).

These swings in the trade balance were reflected in movements in the group's international reserves. These had reached a high level in 1970 - 54 per cent of the value of imports in that year - but declined sharply in 1971 and 1972. They recovered most of the lost ground in the course of the 1973-1974 upswings but fell away precipitously in 1975, to a mere 13 per cent of imports - a record low for these countries and indicative of a severe squeeze of external liquidity (see table III-18).

In efforts to moderate the price gyrations, the group, acting through the International Council of Copper Exporting Countries (CIPEC), set a minimum export price in 1972 and agreed to the curtailment of production in 1974 and 1975. Neither action seems to have had any immediate effect. The minimum price - 53 cents per pound, which was roughly equivalent to the 1968-1971 average - was soon overtaken by the upswing and the 1973 average was about 79 cents per pound. The cutback - 10 per cent of normal production at the end of 1974, increased to 15 per cent in April 1975 - did not prevent the accumulation of stocks: these rose to a record level on the London Metal Exchange and the price dropped below 50 cents per pound before there was a turnaround early in 1976.

33/ In the period under review copper accounted for about a fourth of the export earnings of Peru, 60 per cent of those of Zaire, three fourths of those of Chile and over 90 per cent of those of Zambia.

34/ Zambian production was reduced initially by the flooding of the Mufulira mine in 1970 and it did not regain the 1969 level in the first half of the 1970s. After the closing of the Southern Rhodesian border in January 1973 exports were diverted to Dar-es-Salaam in the United Republic of Tanzania. This outlet was improved by the opening of the Tan-Zam railway in 1975. By this time, however, the civil war in Angola was hampering deliveries through Lobito Bay, another major outlet for copper from Zaire as well as Zambia. Zaire then began to move some of its exports through the longer route to East London in South Africa; its mine production increased by a third between 1969 and 1974. In Peru there was virtually no expansion in copper production in this period, while in Chile, mine output inched up at about 1 per cent a year until 1974 when there was a major increase (of about 20 per cent).

The rise in price in the second half of the 1960s had set in motion a series of actions designed to reassert the control of host Governments over their natural resources. The copper mines in Zaire were nationalized in 1966, 35/ and in Chile a majority shareholding was acquired by the Government in 1967-1969, and the same thing happened in Zambia in 1970. In Chile, the Government took over the rest of the equity of major mines - Cerro, Anaconda and Kennecott - in 1971 while in Peru a revision of the mining law in 1971 was premised on the establishment of a state monopoly and the "fading out" of the foreign companies as owners if not as contractual operators of the mines. One result of this was a reduction in the outflow of investment income. In Chile, where remittances had totalled $148 million in 1970, payments were at an insignificant level in 1972-1973 and in Zaire and Zambia they remained at about two thirds of the 1970 level despite the upswing in price. 36/ Only in Peru did the outflow rise again after 1972, but here in 1974 the largest of the copper companies (Cerro de Pasco) was expropriated.

The removal of the company buffer exposed the national treasury more directly to the vagaries of the international market. The 1971-1972 decline in the copper price was thus the occasion for cutting back public expenditure in Zaire and Zambia and increasing taxes as well as tightening control over imports and the use of foreign exchange. Zambia also increased tax rates in 1975 when copper earnings dropped to about half the 1974 level. The rapid rise in the price of copper between 1972 and 1974, on the other hand, made possible not only a 10 per cent cut in income tax rates but also the repayment of much of the debt incurred for the acquisition of the controlling shareholding in the mining companies in 1969.

Strongly influenced by the fortunes of the mining industry, savings rates declined in all four countries in the 1970-1972 downswing. Except in Peru, where savings continued to shrink, there was a recovery in the 1973-1974 upswing - to about 15 per cent of the gross national product in Chile, 17-20 per cent in Zaire and about 40 per cent in Zambia. Though data are not yet available for 1975, other evidence suggests that the recession in price and earnings caused another reduction in savings.

The iron ore-exporting countries

The average price of iron ore in international trade, being influenced more by contractual arrangements than by a volatile daily market, rose fairly steadily in the first half of the 1970s, slowly between 1970 and 1973, rather more rapidly in 1974 and 1975, when a number of concessions were renegotiated, levelling out at

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35/ In an effort to diversify the ownership of the mining industry, the Government of Zaire subsequently entered into several joint ventures with foreign companies, taking only a minority shareholding. One of these concerns, SODIMIZA (owned jointly with interests from Japan), began production of copper concentrates in 1972, and a second, SMTF (in partnership with a multinational consortium of private developed market economy interests) is scheduled to begin production of refined copper in 1978.

36/ In Zambia, where foreign owners continued to hold a minority interest in the mining companies, controls were imposed on the remittance of profit in 1968; they were lifted in 1970 when the external balance was more favourable and reimposed in 1972 after it had deteriorated.

just over double the 1970 average. Compared with the unit value of manufactures, iron ore kept pace in 1971 and 1972, lagged somewhat in 1973, caught up in 1974 and surged ahead in 1975 when its purchasing power was about a fifth above the 1970 level.

The export earnings of the three countries most dependent on iron ore 37/ rose at an accelerating pace in 1970-1974 and then declined slightly as the recession in the developed market economy steel industry reduced the volume of shipments. Import expenditure followed essentially the same pattern (see table III-14).

The group's combined trade surplus widened somewhat between 1970 and 1973, but with a sizable deficit opening up in Sierra Leone, it shrank considerably in 1974 and 1975. This movement was reflected in the group's international reserves: these grew rapidly between 1970 and 1974, both in absolute terms and as a proportion of imports, and then receded in 1975 to the equivalent of three months' imports - as they were at the beginning of the decade.

A 1970-1973 upswing followed by a decline also characterized the development of the savings ratio in Liberia and Mauritania. In Sierra Leone, where the mining industry plays a smaller role, the savings ratio was substantially lower and it showed little change during the first half of the 1970s.

The bauxite-exporting countries

Reflecting modifications in the arrangements between host Governments, on the one side, and operating, mining and processing companies, on the other, the average price of bauxite in world trade - which had risen in steps at an average rate of about 3 per cent a year in the 1950s and 1960s - jumped by almost a fourth in 1971 and, after two years with little change, by about a half in 1974. The rapid rise in 1974 carried on into 1975 and, though there was a decline in the last quarter, the average price over the year as a whole was double the 1974 figure and almost four times the 1970 average.

The countries chiefly involved in and affected by these changes were Guyana (about 40 per cent of whose export earnings came from bauxite and alumina in the 1971-1975 period), Jamaica (where the proportion was almost two thirds) and Guinea where bauxite accounted for nearly three fourths of total exports. 38/ In Guyana both the major mining companies were nationalized in this period, the first in 1971, the second in 1974. In Jamaica the structure of the industry and the status of the foreign-based companies that ran it began to change in 1972 with the setting up of a National Bauxite Commission charged with raising the development potential

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37/ Sierra Leone, one eighth of whose export earnings came from iron ore in the first half of the 1970s, Liberia (two thirds) and Mauritania (three fourths).

38/ The contribution of bauxite to exports from Guinea is still rising: two new joint mining ventures began shipments in 1973 and 1974 and with the completion of alumina-processing plants the value of these exports will rise. In 1975 two more joint ventures, involving Arab, Swiss and Yugoslav interests, in co-operation with the local Government, were worked out and bauxite production, which rose from 2 million tons in 1973 to 8 million in 1975, is expected to double by the early 1980s.

of the resources and their exploitation. In 1974 the terms of the concessions under which the companies operated were altered: the land was nationalized and leased back to the former companies involved, control of which passed into the hands of the Government through the acquisition of a majority of the shares.

In Jamaica, the royalty payable on the volume of ore removed was raised by up to 55 per cent in 1971 and again (to the equivalent of 55 United States cents per ton) in 1974. At the same time, in the absence of a free market for bauxite, a production levy was imposed on the mined output of bauxite equivalent to 7.5 per cent of the price of the aluminium it would ultimately make. The new Commission also laid down a minimum rate of exploitation equal to the industry's rated capacity of 14 million tons of ore a year. One of its early actions in 1972 was to set up a training programme for workers with a view to raising the quality and income of local employees in the industry. It also pressed for increased processing of the local ore: the proportion exported as alumina rose from not much more than a fourth at the beginning of the decade to about a half in 1975. By then arrangements were under way for participation in a 120,000-ton Mexican aluminium smelter to be fed with alumina and caustic soda from Jamaica.

The export earnings of the bauxite group increased slowly from $0.5 billion in 1970 to $0.6 billion in 1973 and then, under the influence of the increase in price and the raising of value added, they almost doubled to $1.1 billion in 1974 and, despite the recession, a somewhat higher figure in 1975. Imports followed a similar pattern, but, rising rather more rapidly, there was a threefold expansion in the trade deficit between 1970 and 1973 39/ and although the gap was virtually eliminated in 1974 it began widening again in 1975.

Following the nationalization there was a marked reduction in the outflow of direct investment income from Guyana: it averaged $15 million in 1970-1971 and less than $9 million in 1972-1974. The outflow from Jamaica, by contrast, increased in 1972 and again in 1974, reaching $153 million or almost 50 per cent more than in 1970.

With the increase in its trade deficit Jamaica's international reserves were drawn down in 1972 and 1973 and import controls were tightened. The expansion in export receipts in 1974 reversed these movements, but the change was short-lived: 1975 brought a further widening of the trade gap, another drawing down of reserves and a renewal of the import restraints. The group's combined reserves oscillated between $150 million and $250 million for most of the period, but as a proportion of imports they declined - from nearly 27 per cent in 1971 to the low figure of 11 per cent in 1974, recovering somewhat to the equivalent of two months' imports in 1975 (see table III-18).

Since the corporate sector was responsible for much of the savings in these countries, the events of the quinquennium had a direct impact on savings rates. In Guyana they fell away sharply from the 1970-1972 average of about 15 per cent of the gross national product. In Guinea, the expansion in corporate activity, on the other hand, swung the ratio from negative in 1970-1972 to positive thereafter, though at about 3 per cent, it remained one of the lowest among the developing

39/ The combined trade deficit of Guinea, Guyana and Jamaica was $69 million in 1970 and $230 million in 1973, measuring imports and exports f.o.b. No later figures are available for Guinea.

countries. In Jamaica the ratio declined from 16 per cent in 1970 to 12 per cent in 1972 and then recovered to 17 per cent in 1974.

The phosphate-exporting countries

The price of crude fertilizer in international trade fluctuated within relatively narrow limits in the period 1970-1973 and then, under the influence of successive increases in the selling price of rock phosphates, it rose rapidly and in 1975 it averaged more than five times the 1970 level. The increases originated in Morocco, the leading exporter, where the phosphate price, more or less static for many years at just over $14 a ton, was raised to $42 in January 1974, $63 in July 1974 and $68 in January 1975. Other exporters followed the Moroccan lead.

The fourfold increase in price had little immediate effect on demand. It came at a time when the rise in the price of petroleum - of a similar order of magnitude - was inducing a parallel increase in the cost of nitrogenous fertilizer and when the upsurge in the price of cereals and other food-stuffs was causing farmers to extend their planted acreage and take various steps to increase yields. By the end of 1974, however, with cereal prices beginning to weaken and the recession-inflation combination affecting the liquidity of many farmers in the developed market economies, fertilizer consumption turned downwards. The amount of phosphate used in 1974/75 was about 15 per cent below the 1973/74 level.

A further announced price increase - to $81 per ton - in July 1975 was cancelled. At the same time the higher prices had encouraged a general expansion in production. In the face of this, some of the major exporters sold less than expected in 1975. Morocco, for example, had planned for sales of over 21 million tons but actually sold less than 17 million. Partly as a result of this shrinkage, the export earnings of the four countries in which phosphates is a major item, 40/ having almost doubled between 1973 and 1974 - to $2.4 billion - declined by 4 per cent in 1975 (see table III-14).

Imports, which had accelerated markedly between 1970 and 1974, continued to expand - from under $3 billion in 1974 to over $4 billion in 1975 - and consequently there was a notable increase in the trade deficit: from around $0.4 billion a year in the 1970-1973 period it had been cut to $0.2 billion in 1974 only to rise to a record $1.3 billion in 1975 (see table III-15).

The outflow of investment income - generated for the most part outside the phosphate industry 41/ - rose steadily during this period: by 1974 it had reached $18 million, about double the 1970 figure. The inflow of financial resources was sufficient to accommodate this, however, as well as the trade gap and, although there was a dip in international reserves in Jordan in 1971, in Togo in 1972, in Senegal in 1973 and 1974 and in Morocco in 1975, the group as a whole achieved a fairly steady increase. In absolute terms, their combined reserves doubled over the five years - from less than $0.5 billion to nearly $1 billion. Relative to

40/ Senegal, in which phosphates contributed almost a sixth of total exports in 1971-1974, Jordan where the phosphate contribution was a fourth, Morocco (about a third) and Togo (nearly half).

41/ In Morocco, which was responsible for about two thirds of rock phosphate exports during this period, the mines are owned and operated by a state monopoly.

imports, however, they lagged after 1972, the ratio dropping from 41 per cent to 23 per cent (see table III-18).

In all four countries the expansion in income in 1974 had a favourable impact on domestic savings. Up to that point the savings ratio had been declining in Togo (from 10 per cent in 1970 to 3 per cent in 1973) and in Senegal where under the influence of the long Sahelian drought the ratio had fallen from 7 per cent in 1970 to -3 per cent in 1973. In Jordan the economy had continued to consume more than it produced. In Morocco, on the other hand, the 1970-1973 period was one of steadily increasing savings rates, the 1974 gain carrying the figure to a record high of 22 per cent.

Adjustment in countries with a diversified export structure

The growth in export earnings among the developing countries with a more diversified trade in the first half of the 1970s was somewhat smoother than that experienced by those that were strongly influenced by a single commodity. The effect of the upswing in developed market economy demand in 1972-1973 and the general upsurge in primary commodity prices, however, tended to impose an essentially similar pattern. There was an acceleration in the first three years of the period and a deceleration in the next two.

In the case of the 11 countries exporting a range of primary products, total earnings rose from under $7 billion in 1970 to over $18 billion in 1974 before slipping back by 1 per cent to just under $18 billion. In the case of the five exporters of manufactured products 42/ the expansion was even more vigorous - from $7 billion in 1970 to nearly $22 billion in 1974, followed, here too, by a 1 per cent decline in 1975.

The parallel was not quite as close in the movement of imports. In both groups import expenditure followed the course of export earnings, but instead of decelerating in 1974 the imports of the diverse primary commodity exporters surged upwards by about 86 per cent. This was largely the result of a doubling of the import expenditure of Brazil and the Philippines. Thus, while the imports of the manufactures group expanded from $12 billion in 1970 to $35 billion in 1975, those of the diversified primary group rose from $7 billion to $25 billion.

The consequence of this upsurge in imports was a marked increase in the trade deficit. After oscillating around $4 billion a year in 1970-1972, the deficit of the manufactures group rose to $6 billion in 1973 and $10 billion in 1974 and 1975, all members of the group contributing to it. Thanks largely to the active balance of trade of Brazil, Ivory Coast and Malaysia, the diversified primary group began the decade in surplus. Though Brazil moved into deficit, its place was taken by the Philippines in 1973 when the group again achieved a surplus (of $1 billion). Ivory Coast and Malaysia continued to maintain an active balance, but extremely large deficits opened up in the trading accounts of the Philippines (3 per cent of gross domestic product in 1974) and, even more, Brazil (almost 5 per cent of gross domestic product in 1974) and this swung the group as a whole into a passive balance of nearly $5 billion (see table III-25).

In the face of these deficits, several countries drew on their international reserves - Ivory Coast and the United Republic of Tanzania in 1974, Bolivia, the Congo, Malawi, Malaysia and the Philippines in 1975, and Brazil in both years. Thus for the group as a whole, the vigorous growth in reserves in the first three years of the decade - from $2.5 billion at the beginning of 1971 to $9.3 billion at the end of 1973 - was followed by two years of decline. This reduced the ratio of reserves to exports from the record 68 per cent reached in 1973 to less than 32 per cent in 1975 - below the 1970 ratio (see table III-18).

42/ Manufactures (other than food-stuffs and beverages) contributed rather more than 40 per cent of the exports of Mexico and Singapore, three fourths of those of Israel, over 80 per cent of those of the Republic of Korea and over 90 per cent of those of Hong Kong.

The international reserves of the manufactures group followed a similar pattern, though their growth in the 1971-1973 period was steadier and less dramatic and after the 1974 dip they recovered somewhat. At $7.3 billion, however, their end-1975 level was a smaller proportion of current import expenditure (26 per cent) than the reserves held at the beginning of the decade (31 per cent).

Though the diversified nature of the export basket of these countries offered some defence against the extreme fluctuations of individual commodities, their economies were clearly affected by the general swings which in the 1970-1975 cycles were not only of unusual amplitude but also almost all-embracing. In many instances, moreover, even the swings of particular commodities were sufficiently important, from the point of view of employment and incomes or even public revenue, to invite stabilization measures.

The fluctuations in the world tin market, for example, brought forth a number of responses from Bolivia and Malaysia. 43/ The 1970-1971 recession lent urgency to the efforts being made to increase the value added to the raw material before export. In 1971 Bolivia opened a smelter capable of refining about a fourth of its current tin ore output and in Malaysia 1973 saw the completion of a steel plant with a facility for making tin-plate. The instability of the major currencies, culminating in the floating of the pound - in which the principal price of tin had long been denominated - precipitated the opening in July 1972 of a new international market on which tin was quoted in Malaysian dollars per picul. The upsurge that raised the tin price two and a half times between the end of 1972 and the middle of 1974 led to the imposition of higher export duties in Malaysia in December 1973 to divert some of the additional income into the Treasury. This process had to be reversed when, between mid-1974 and mid-1975, the price dropped by more than a third. Export quotas were introduced in terms of the International Tin Agreement, and stockpiling arrangements were set up to obviate the closing of mines. This involved a heavy burden on the budget, particularly in Bolivia, and hardship for the small miners in Malaysia. The problem was accentuated by the continuing rapid rise in costs. The erosion of mine profits had been one of the main factors leading to the devaluation of the Bolivian peso (from 11.88 to 20.00 to the dollar) in 1972. And in 1974 it was a factor in the Malaysian decision to invite various foreign mining groups to join in new prospecting ventures in a search for more payable ore bodies.

A similar sequence of events and policies was set in motion by the fluctuations that occurred on the world market for rubber. The 1970-1971 recession led to stockpiling and efforts to increase domestic usage. The trebling of price between mid-1972 and early 1974 led to a sharp increase in export duty. The halving of price between early 1974 and mid-1975 led to a halt in lactation stimulation, reduced tapping of the trees and renewed stockpiling plus efforts to co-ordinate the control of supply through an Association of Natural Rubber Producing Countries. The contribution of rubber to Malaysian export earnings, after having risen to 35 per cent in 1973, fell sharply to 22 per cent in 1975.

43/ The contribution of tin to total export earnings fluctuated between 12 and 19 per cent in the case of Malaysia, while in Bolivia it declined steadily from 59 per cent in 1971 to 43 per cent in 1975.

The 1972-1974 upswing in tin and rubber prices, along with those of palm kernels and oil, 44/ was reflected in the incomes of Malaysian mines and estates, many of which are foreign-owned. One consequence of this was a doubling in the outflow of investment income - from around $170 million a year in 1971 and 1972 to $305 million in 1973 and $374 million in 1974. This was accompanied by a decline in the rate of domestic saving between 1970 and 1972, followed by higher rates in 1973 and 1974. There was a comparable, though smaller-scale, increase in dividend payments from the Philippines: from $25 million a year in 1970-1971 to $60 million in 1973 and $81 million in 1974. Here, domestic savings rates rose - from 19 per cent of gross domestic product in 1970-1972 to 22 per cent in 1973-1974. Payments from Brazil also increased sharply - from around $100 million a year in 1970-1972 to $131 million in 1973 and $173 million in 1974 - while the savings ratio was maintained at about 20 per cent of the gross domestic product throughout the period.

Among the other countries in this diversified export group, the changes in the outflow of investment income were more modest - downward in the case of Bolivia, upward in the Congo and without direction in the case of Malawi, Paraguay and the United Republic of Tanzania. Savings rates rose quite sharply in Malawi (from around 6 per cent of gross domestic product to nearly double that figure in 1973-1974) and Paraguay (from 19 per cent in 1970-1972 to 22 per cent in 1973-1974) but declined in the Congo in the wake of changes in the level of activity of foreign-based minerals companies and in the United Republic of Tanzania (from 18 per cent in 1970 to 15 per cent in 1973 and a drought-induced 5 per cent in 1974) Between 1970 and 1973 there was a steep decline in savings rates in Bolivia too, but this was reversed by the improvement in tin earnings. A downward-upward sequence also characterized the movement of savings rates in the Ivory Coast. In Honduras, by contrast, both domestic savings rates and overseas divident payments increased steadily between 1970 and 1973, only to fall back in 1974 when a disastrous hurricane destroyed a large proportion of the country's banana plantations and cattle herds. 45/

Among the countries exporting a large proportion of manufactured goods there was a general upward movement in the outflow of direct investment income. In absolute terms this was least in the Republic of Korea where such dividend payments rose from $5 million in 1970 to $30 million in 1974. In Mexico, where this flow was largest, there was a doubling - from just under $0.5 billion a year in 1970-1971 to almost $1 billion in 1974. In Singapore, a rapidly industrializing economy, there was a tenfold increase - from about $30 million a year in 1970-1971 to $236 million in 1973 and $317 million in 1974.

This notable expansion in investment income payments was accompanied by a significant, if sometimes erratic, rise in savings rates between 1971 and 1974 - in the Republic of Korea from 14 per cent of gross domestic product to 19 per cent, in Mexico from 17 per cent to 21 per cent and in Singapore from 21 per cent to

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44/ There was a fivefold rise in the world price of palm kernel oil between end-1972 and early 1974. Malaysian palm oil earnings rose almost fourfold between 1971 and 1975 by which time they were contributing more than tin exports.

45/ Capital losses were estimated at $150 million, rather more than the total amount invested in the previous year, and there was virtually no growth in gross product in 1974 or 1975.

26 per cent. The exception in this group was Israel where, after the October war, domestic savings became negative in 1973 and 1974 and the outflow of dividends oscillated around $30 million a year. The savings ratio also declined in Hong Kong, from the high figure (28 per cent) it reached in 1972, in the wake of the general slowing down of the economy.

Given the particularly close connexions that exist between the developed market economies and most of the countries with a more diversified export structure, both through direct investment and through special marketing arrangements, the 1974-1975 recession in the former necessitated major policy adjustments. The 1972-1974 upswing had generated an unusually large import demand and, since most of these countries are heavily dependent on imported petroleum, its impact on the balance of payments was greatly intensified by the fourfold price increase that occurred at the end of 1973. Although international reserves had been built up in 1973, in some cases to record levels, defensive action soon became necessary. Import and exchange controls were tightened and the combination of decelerating exports and rapidly rising import prices exerted a depressing squeeze on domestic incomes and activity. Thus 1975 found many of these countries with markedly lower growth rates and severe external imbalance.

The impact of changes in the food and energy situation

Changes in the world food and energy situation were affected only indirectly by the business cycle in the developed market economies. And, in contrast to the changes that occurred in the situation of the commodities discussed in the preceding sections of the chapter, their effect on developing countries was exerted not only or primarily through exports but, in a large majority of cases, through imports.

In the case of food-stuffs the main problem during the first half of the 1970s was to increase production in order to offset the effect of poor harvests in a number of major countries. These shortfalls had a severe impact on the world market, drawing on internationally available supplies, reducing stocks to dangerously low levels and raising prices to extraordinarily high levels. Because of the importance of food-stuffs in the consumption basket, most developing countries sought to hold down the local prices of at least the basic items - particularly cereals - in order to protect levels of living and prevent the rise in world food prices from intensifying domestic inflation. Since price increases were often required to stimulate local production in the face of rising costs of purchased farm inputs, many developing countries were impelled into dual or multiple price systems. Many Governments became involved in various forms of quantitative control - limitation of exports, quotas for delivery from domestic farms, rations for urban populations - and systems of subsidized distribution, sometimes through State-run shops.

The changes in the energy situation came more suddenly, entailed much greater price increases and created a much sharper cleavage between the small number of exporters and the rest of the developing countries for which imported petroleum was the main source of mechanical heat and power. The main problem for the petroleum exporters after 1973 was how to make the most effective use of the new and greatly enlarged stream of foreign exchange flowing into their economies. This involved not only the acquisition and deployment of the flow of goods and services for domestic investment and consumption but also the handling and placement of foreign assets on an unprecedented scale. For the petroleum importers, on the other hand, the problem was the sudden and serious deterioration in their terms of trade and how to alleviate the resultant imbalance in their external accounts by conserving energy and developing alternative domestic sources. Because the original difficulty was the result of a sudden and large increase in price, many importing countries felt inhibited in using the price weapon to provide further discouragement to internal consumption. Though the cost of energy is far less important than the cost of food, its pervasiveness throughout the modern production system and its vital role in transportation made many Governments reluctant to add to the inflationary forces by any price-raising tax.

Though adjustments have been made, the food and energy problems remain acute. Though better harvests in some of the major food deficit countries eased the situation in 1974 and 1975, world stocks have not been rebuilt and, with the continuing rise in population and income in the developing countries, supplies are barely keeping up with demand. While cereal prices have declined from their early 1974 peak, substantially in absolute terms and even more in relation to the prices of many developing country exports which have been rising again since mid-1975, the cost of cereal imports still constitutes a heavy burden on a number of low-income countries. In the case of energy, both conservation and substitution have proved difficult. While new resources are being developed, dependence on imports remains as great as ever. The trade deficit has been financed, but only by a considerable increase in external debt. And the price of petroleum has continued to creep upwards: by the end of 1975 it was approaching seven times the 1970 average whereas the price index of all the other basic commodities exported by the developing countries had receded from its end-1974 peak to about 60 per cent above the 1970 average (see figure III-3).

Adjustment in the food-exporting countries

The price index of cereals exported by developing countries, after a slight dip in 1971, rose slowly in 1972, doubled in the course of 1973, reached a plateau about 2.7 times the 1970 average in the first half of 1974 and then receded steadily to about double the 1970 average by the end of 1975. The price index of meat exported by developing countries rose somewhat earlier - in 1971 and 1972 - reaching a peak about 2.2 times the 1970 average in mid-1973, declined sharply in the second half of 1974 but recovered in 1975, ending the year at much the same level as cereals, that is, about double the 1970 average.

These price movements lie behind the accelerating growth in the export earnings of the seven developing countries most dependent on trade in cereals and meat: 46/ these exports increased by 2 per cent in 1971, 15 per cent in 1972 and as much as 56 per cent in 1973 before slackening to a 33 per cent increase in 1974 and a reduction of 15 per cent in 1975. The expansion carried total proceeds from less than $3 billion in 1970 to over $7 billion in 1974.

46/ Food-stuffs, chiefly cereals and meat, contributed about half the export earnings of Burma, Democratic Kampuchea, Thailand, the Upper Volta and Uruguay during the first half of the 1970s and even higher proportions in the case of Argentina (about two thirds) and Somalia (approaching 90 per cent).

Import expenditure followed the same pattern with a delay of about a year: the greatest increase (54 per cent) was in 1974 and the expansion continued in 1975, bringing the import bill to about $9 billion, as against $3.5 billion in 1970 (see table III-14).

On the basis of f.o.b. prices, the group's trade swung from a $0.3 billion deficit in 1971, through a rough balance in 1972 to a $1 billion surplus in 1973. The surplus shrank to $0.2 billion in 1974 and was transformed to a record deficit of $1.4 billion in 1975 (see table III-15).

Foreign-owned enterprises did not play a large part in these swings in trade. In most of the countries in the group direct investment payments dipped in 1971 and 1972, recovered in 1973 and increased to a new high point in 1974 about a third above the 1970 level in the aggregate, the largest outflows coming from Argentina ($84 million), Uruguay ($47 million) and Thailand ($23 million).

After declining to $1.5 billion in 1971, the group's international reserves climbed to over $3.7 billion in 1974 before being drawn down by about $1 billion to help meet the 1975 merchandise deficit. This lowered the ratio of reserves to imports to about 30 per cent, less than half the high figure attained in 1973 and well below the ratio obtaining at the outset of the decade. At the end of 1975 the relative volume of reserves ranged from over nine months' imports at current rates in the case of Burma and six months in Thailand to less than four months in Uruguay and barely six weeks in Argentina.

The impact of these external developments on the savings performance of the group differed markedly from country to country. There were significant increases in the early years of the decade in Somalia, Thailand and Uruguay but the trend was reversed in 1973 in Somalia and in 1974 in Uruguay, whereas Thailand achieved a savings ratio of 25 per cent of gross domestic product in 1974, the highest in the group. Savings oscillated around 10 per cent of gross domestic product in Burma and about 20 per cent of gross domestic product in Argentina. In the Upper Volta, afflicted by drought for most of the period, more resources were used than were produced. And, with the spread of the Indo-Chinese war, savings also became negative in Democratic Kampuchea.

The only significant developing country exporter of grain during this period was Argentina where production ranged from 19 million tons in 1972 to 24 million in the following year (see table III-26). Net exports declined in the opening years of the decade, from 10 million tons in 1970 (earning $515 million) to less than 6 million tons in 1972 (earning $346 million) and then recovered to over 11 million tons in 1974 (earning $1.3 billion). The income accruing to wheat farmers increased rapidly in the early period: production rose from less than 5 million tons in 1970 to nearly 8 million in 1972 while the local support price was more than doubled, to appreciably above the average unit value in world trade. The producer price was raised sharply in 1973 and 1974, more or less in line with world prices but crops were smaller so that the resultant wheat farm revenue, which had amounted to about $750 million in 1972 remained at about $850 million in 1973 and 1974.

The maize production cycle in Argentina was the reverse of the wheat cycle, declining from near 10 million tons in 1970-1971 to below 6 million in 1972 and back to near 10 million in 1973-1974. But, as in the case of wheat, the support price, starting well below the world unit value, was raised rapidly, equalling the world figure in 1973 and exceeding it in 1974. Thus maize farm earnings rose more than fourfold between 1970-1972, when they averaged less than $0.3 billion a year, and 1974 when these were over $1.3 billion.

In the case of rice, producer prices in the two main exporting countries, though only about a third of the average unit value in world trade in absolute terms in 1970-1972, were raised more or less in line with it in the 1973-1974 upswing (see table III-27). In Burma, where production dipped in 1972 and recovered to around 5.5 million tons a year in 1973 and 1974, this increased the farmers' rice income from the $0.2 billion level of 1970-1973 to over $0.5 billion in 1974. In 1970 purchasing power, the gain was from a low level of $170 million in 1972 to over $300 million in 1974. In Thailand production ranged from 8.1 million tons in 1972 to 9.7 million in 1973 and the farmers' real income from rice sales, after falling drastically in 1971 to $0.3 billion, rose rapidly to $0.8 billion in 1973 and $1.2 billion in 1974, facilitating the high savings rates attained in those two years.

The failure of rice production to increase in Burma meant a considerable reduction in the country's net exports of cereals: they averaged about 0.7 million tons a year in 1970-1971 but fell to less than a third of that in 1973-1974, though because of the increase in world price net earnings were better maintained. Net cereal exports from Thailand ranged from 3.9 million tons in 1972 to 2.2 million in the following year (see table III-28). Earnings from these exports rose fairly steadily, however, from $0.2 billion in 1970 to over $0.3 billion in 1973 before jumping to nearly $0.8 billion in 1974.

The only other developing countries to record a consistent net export position in respect of cereals in the first half of the decade were Uruguay (on a small but increasing scale) and Nepal (on a larger but diminishing scale). Kenya and the Niger were net exporters in four of the five years 1970-1974, Angola, Guyana and Malawi for three, Southern Rhodesia and Surinam for two and Democratic Kampuchea, Mexico, Mozambique and Pakistan for a single year. All other developing countries were net cereal importers throughout the quinquennium.

In general, cereals are not primarily export crops in any developing country; it is only after domestic requirements have been satisfied that the remainder is available for sale abroad. There is thus a competitive relationship between internal and external demand, shaped in varying degree by the local distribution of income and nutrition policies and by the desire for foreign exchange, the state of the world market and the import policies of partner countries. A similar set of circumstances governs the export of meat from developing countries.

In Argentina, for example, policies underwent frequent adjustment in the first half of the 1970s. In 1971, with export earnings lagging in the face of the developed market economy recession and meat production substantially below the 1968-1970 level, efforts were made to curb domestic meat consumption and encourage sales abroad. In 1972, in the face of a two-thirds increase in local consumer prices, the policy was reversed and efforts were made to retain more meat for the domestic market. In the event, the proportion of production exported rose to 31 per cent and local supplies were reduced (see table III-29). Because of the intensification of inflation and the failure of production to increase, this policy was reinforced in 1973: export quotas were reduced and, in response to the rise that had occurred in international meat prices, export taxes were raised, and in

June price controls were introduced into local cattle sales. In 1974 these measures were relaxed: export taxes were reduced and exchange rates modified in order to improve exporters' margins and in August the price controls on cattle were ended. However, because of the rapid rise in feed costs, the livestock industry was in difficulties in some of the major developed market economies and with slaughtering at record levels, restrictions were placed on imports. As a result, exports from Argentina dropped to 13 per cent of production. Though production was appreciably higher in 1975, exports declined again: export taxes were further reduced, the policy of fostering the domestic consumption of fish and poultry was reversed and alternative markets explored. 47/ With most of the increment in output moving on to the domestic market, the annual *per capita* consumption of beef and veal rose to a record figure of nearly 200 pounds.

47/ The most important result of this was a contract for the supply of 100,000 tons of meat a year for the Soviet Union.

Adjustment in the food-importing countries

In 1972 almost half the developing countries experienced a reduction in food production. As this group included some of the largest countries - Mexico and Nigeria, for example, and most of South and East Asia - over two thirds of the total population were affected. The proportion of countries recording reduced output declined in subsequent years: by 1975 it was not much above a fifth and the affected population was only 7 per cent of the developing country total (see table III-30). But 1974 was another disappointing year in which, as a result of crop failures in such countries as Bangladesh and India, Egypt and Ethiopia, almost half of the total developing country population faced smaller domestic food supplies.

Thus, despite the favourable outturn in 1975, the first half of the decade was generally unsatisfactory in respect of food production. Less than a fourth of the developing countries achieved a rate of increase above 4 per cent a year and they accounted for less than a fifth of total population. In almost two thirds of the developing countries food production failed to keep up with the growth of population (see table III-31).

Except in West Asia where food crops were exceptionally good in 1972, most of the developing countries thus entered the period of major international adjustment - subsequently labelled the world food crisis - in a relatively weak position. The dependence of most of the agricultural subregions on food imports was greater than in earlier years. This was particularly so in the case of cereals: almost everywhere the degree of self-sufficiency was lower in 1972 than it had been 10 years earlier. Only in South America did cereal production exceed domestic consumption, thanks largely to the net export position of Argentina and Uruguay (see table III-32).

Among the rest of the developing countries the production of cereals - the key to food supply and nutrition - was far from buoyant in the first half of the 1970s. At just under 306 million tons the 1971 and 1972 crops were about 4 million tons short of the 1970 level. There was a recovery to 317 million tons in 1973 but no further advance in 1974. Between 1970 and 1974 the combined populations of the countries concerned 48/ increased by about 10 per cent, from 1,560 million to 1,720 million. The *per capita* production of cereals thus fell from about 200 kilograms in 1970 to about 185 kilograms in 1974.

In order to maintain supplies at around the 216 kilograms *per capita* available in 1970, imports were increased considerably - from 28 million tons in 1970 and about 31 million tons in 1971 and 1972 to 43 million tons in 1972 and almost 45 million in 1973 and 1974. The cost of doing this rose rapidly after 1972: it doubled to about $5.4 billion in 1973 and though purchases were only marginally higher in 1974 the cost approached $9.3 billion (see table III-33). The major importers included the Republic of Korea (a net intake averaging 3.3 million tons a year), India (2.9 million tons), Bangladesh and Egypt (1.9 million tons), Brazil (1.6), Indonesia (1.5), Cuba and Mexico (1.4),

48/ All the developing countries other than the net exporters of cereals, Argentina, Burma, Nepal, Thailand and Uruguay, whose combined population in 1970 was rather more than 101 million.

Algeria and Iran (1.3), Israel and Venezuela (1.2) and Chile and the Philippines (1 million tons a year).

Very few countries achieved an increase in per capita cereal consumption in the 1970-1974 period. The only significant gains among the net importers of the western hemisphere were in Brazil, Colombia and Venezuela. In Africa the gains were confined very largely to the Mediterranean belt; in Asia to Iran, Iraq and the Syrian Arab Republic.

The poor crops of 1972 and the related upsurge in food prices caused most developing countries to increase their efforts to improve the functioning of the agricultural sector. Many countries set self-sufficiency in basic food-stuffs as an explicit objective of policy for the short or medium term. Long-range programmes such as land reform continued in many countries with the extension of cadastral surveys, the purchase or expropriation of areas above a designated maximum, the distribution of titles to small landholders, the modification in tenancy laws, and the establishment of co-operative or collective farms. The development of water resources also continued, with the building of new dams and the extension - or in some cases rehabilitation - of reticulation systems and on-farm works. The improvement of extension services was also pressed, with the institution of better training facilities for field workers and the rationalization of their dealings with the farmers.

Efforts were also made to extend and improve the use of high-yield seeds. New varieties were developed to increase resistance to local diseases and pests or to incorporate desirable cooking or taste qualities. New systems for multiplication of seeds, control of their quality and their distribution to the farmer were inaugurated.

The problems of mechanization also received attention - through the establishment of tractor-hire services, for example, and the improvement of maintenance facilities. In East Africa ox-training centres were established as a means of raising the standards of cultivation.

More immediate adjustments to the international food situation were made through price and credit policies. In general, efforts were directed to holding down the cost of inputs and bringing output prices if not into line with world prices then at least up to the level necessary to stimulate farmers into taking steps to raise the productivity of the land.

The policy of holding down fertilizer prices was based in part on the desire to modernize methods of cultivation, particularly in conjunction with the use of high-yield seeds whose growth depends in large measure on the availability of appropriate nutrients. While, in 1974, the prices of phosphates and petroleum-based nitrogenous fertilizer rose precipitously - in the face of widespread hoarding and of increased usage, especially in some of the developed market economies where it seemed likely to yield a quick increment to food supply - the budgetary burden of subsidies grew extremely onerous. As a result, a number of Governments, particularly among those whose revenues were not benefiting from the rise in prices, felt impelled to reduce or even eliminate these subsidies, at least temporarily.

Subsidized credit was more successfully maintained during this period. Indeed, in many countries steps were taken to extend the scope of official credit -

by establishing new rural or agricultural banks, by streamlining or extending existing institutions or by inaugurating new programmes, to reach low-income farmers, for example, or to provide longer-term loans, or to link credit lines with input sales or technical assistance.

As far as output prices are concerned, support systems are common for cereal crops in the developing countries, for stabilization purposes. In general, local prices have been commensurate with the purchasing power of urban wage earners, and well below those obtaining on the world market. With the rise in world prices in 1972-1974 adjustments were widespread.

In India the price of rice was raised sharply (by 16 per cent) in 1972 and again (by almost 50 per cent) in 1974; though it had fallen from half to a third of the world price, the support level was raised somewhat faster than the local cost of living in 1974 and 1975. The purchasing power of the local rice price was raised to a much greater extent in Sri Lanka where increasing the degree of self-sufficiency was a major policy goal (see table III-27).

In the wake of the price upswing, Bangladesh launched an "accelerated cereal production programme" in 1974. Part of this involved an official procurement system to channel rice into the Government's "fair price shops". The price offered in 1975, however, was not high enough to yield adequate supplies and the shops had to depend on imports of about 2.3 million tons of cereals. In India also, where the official procurement system with its guaranteed minimum price co-existed with private traders and a free market, the shortages of 1972/73 and the subsequent rapid rise in domestic prices made it difficult to supply the Government's fair price shops. In 1972/73 only two thirds of the 2.9 million tons target was actually acquired. Procurement also fell short of the target in Indonesia. In India in the 1973/74 crop year, when the wheat price was raised to the equivalent of $140 per ton, traders were brought into the system and required to deliver to the State Food Corporation half the amount they purchased from the farmers.

In Madagascar the producer price of rice was raised in 1973 for the first time in 12 years. In Venezuela high support prices were partly responsible for raising rice production to the point where net exports were possible in three of the first five years of the decade, in the face of large net imports of other cereals. Egypt, an even larger net importer of grains, also remained a net exporter of rice for which the domestic support price was relatively high. High producer prices tend to characterize countries that are intent on attaining self-sufficiency in basic food-stuffs. Even after 1973, however, there were still many developing countries in which domestic support levels were much lower than prices on the outside market - as in the case of maize in Kenya, for example, and wheat in Morocco and rice in Pakistan. 49/

While the most widespread approach to the 1972-1974 change on the international food markets was the raising of the support or guaranteed prices underpinning the domestic producer, this sometimes involved the strengthening or

49/ Like Egypt, Pakistan, though a net importer of cereals, is a net exporter of high-price rice and in four out of the first five years of the decade it earned more from its rice exports than it paid for its imports of other cereals.

streamlining of marketing machinery, and this in turn was sometimes linked to the institution or improvement of storage depots, retail outlets or other components of the physical distribution system. The effort to maintain or enhance the profitability of food-growing also took the form of reducing or holding down input costs: duties on farm tools, fertilizer and pesticide were lowered or removed by some countries and, where budgetary circumstances permitted, such inputs were provided on concessional terms (see table III-34).

With the prices of imported food-stuffs rising rapidly, Ghana launched "Operation Feed Yourself" to stimulate local production. As part of this the 1974/75 budget continued fiscal incentives to encourage the investment of foreign-owned funds, blocked by exchange controls, in domestic agricultural enterprises. In Kenya encouragement of agricultural production was provided not only through a marketing board system administering minimum guaranteed prices for various commodities, including the basic food-stuffs - maize, wheat and rice and milk and sugar - but also through an insurance programme operated by an Agricultural Finance Corporation. In return for a premium of KSh 4 per acre (about 55 United States cents) the Corporation has provided assurance of a guaranteed minimum value for the output of any landholding of 15 acres or more. In the case of maize and wheat planting, the assured return was raised from KSh 180 per acre in 1973 to KSh 250 in 1974 and KSh 350 in 1975.

With the world market prices rising rapidly between 1972 and 1974, both for food-stuffs and for farm inputs, and price incentives being widely used to stimulate production, most developing countries had to face the inflationary consequences. The proportion of countries in which retail food prices rose by less than 5 per cent a year declined from nearly half in 1971 to a mere 5 per cent in 1973 and 7 per cent in 1974. And the proportion in which food prices rose by more than 15 per cent a year increased correspondingly - from an eighth of the total in 1971 to almost three fourths in 1974. There was a significant acceleration in the rise in food prices in a majority of developing countries in 1972 (61 per cent), 1973 (70 per cent) and 1974 (55 per cent). It was not until the relatively good harvests of 1975 began to exert their influence that food prices began to decelerate in the majority (69 per cent) of countries (see table III-35).

To slow down the rise in food prices to the consumer, many Governments instituted or extended subsidy programmes. Trinidad and Tobago, for example, used $13 million in 1974 to bring the retail price of flour down from 35 cents to 24 cents per pound and $9 million to bring the price of rice down from 42 cents to 31 cents per pound. Guyana also subsidized basic foods and Peru spent $120 million in 1974 in holding down the price of imported food-stuffs. In Egypt, the bill for a similar programme reached $0.4 billion in 1974 and $0.5 billion in 1975. Venezuela, in addition to placing restraints on the export of food-stuffs - an action taken by many developing countries - opened 54 distribution centres in 1975 from which subsidized food was made available to an estimated 1.5 million persons of low income. In Morocco, about a fifth of the 1974 current budget was absorbed by consumer subsidies. In Algeria over $0.8 billion - about a seventh of current expenditure - was provided for price subsidies in 1975. In Senegal the profits made by the agency handling ground-nut exports were used to subsidize the price of imported food-stuffs, especially rice and sugar. Madagascar spent $30 million to hold down the consumer price of rice in 1973/74. In 1974/75 Saudi Arabia devoted the equivalent of $230 million to the subsidization of basic food-stuffs.

Though world food prices declined in 1975 50/ and the need for subsidy diminished, the burden on government revenue remained high in many countries. Where food costs had become far out of line with other prices, it was politically difficult to attempt a rapid restoration of earlier relationships by sudden reductions in subsidy. 51/

Less than a third of the developing countries were able to hold the rise in retail food prices below an average of 10 per cent a year during the first half of the 1970s. Over a sixth registered increases averaging more than 20 per cent a year. The good crops of 1975 eased the situation somewhat and, with the price of rice moving in international trade declining by nearly a fifth in the course of the year, some countries - including Bangladesh, India, Malaysia and Singapore as well as Panama and the United Republic of Tanzania - enjoyed an absolute reduction in retail food prices. And the proportion of developing countries holding the advance in food prices below 10 per cent rose to over 40 per cent (see table III-36).

Despite the improvement in the food situation in some of the major areas - notably South and South-East Asia 52/ - supply problems persisted in many countries and, because of financial stringency or a desire to mitigate the consequence of price distortions, a number of Governments reduced the effective degree of food subsidization. Thus in as many as a third of the developing countries food prices rose in 1975 at more than the 1970-1974 average rate. The position of some of the food-deficit countries was still difficult: to the effects of the general liquidity squeeze resulting from the decline in developed market economy demand for their exports and the continuing rise in both the unit value of imports of manufactures and their debt service obligations was added a marked reduction in the cereal purchasing power of their primary exports. Relative to a 1970 base of 100, the international price of the cereals they needed to import stood at 233 in 1975, whereas the prices of the commodity groups they exported were all appreciably lower: mineral ores (buoyed by bauxite) stood at 211, meat at 202, fibres at 197, oils and oil-seeds at 170, beverage crops at 157 and non-ferrous metals at 109.

Adjustment in the petroleum-exporting countries

The price of crude petroleum moving in international trade, after a decade of

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50/ Between the last quarter of 1974 and the last quarter of 1975 the price index of the food basket exported by the developed market economies declined by about an eighth and that exported by the developing countries - affected much more by the gyrations of the sugar price - by over a third. At the beginning of 1976 both indices stood at about double the 1971, pre-boom, average.

51/ Budgetary stringency had forced some countries to moderate their subsidy programmes earlier in the upswing period. Sri Lanka, for example, reduced the ratio of subsidized flour in 1973, raising the price of bread from 0.47 to 0.76 rupees per pound. Ghana ended its subsidies on milk and rice in July 1974.

52/ In India, for example, the 1975/76 harvest of food grains reached an estimated 116 million tons - well above the previous (1971) record of 108 million. Government-owned stocks expanded from less than 5 million tons in mid-1975 to 15 million in mid-1976 and the problem of storage capacity had again become serious.

little change, began a sharp ascent early in the 1970s: the average was up 18 per cent in 1971, 15 per cent in 1972 and 35 per cent in 1973. These increases reflect the results of negotiations between host Governments and operating companies regarding so-called posted prices and cost-determining tax arrangements. Following a joint decision of the Organization of Petroleum Exporting Countries at the end of 1973, the average price in 1974 was raised to over three times the previous year's level. A further small advance carried the price at the beginning of 1976 to almost seven times the 1970 average (see figure III-3).

The volume of petroleum exports increased vigorously in 1970 and 1971, despite the slowdown in the developed market economies, and even more strongly in 1972 and 1973 as demand expanded almost everywhere. With the upsurge in the petroleum price and the onset of recession in the developed market economies, however, the volume of exports declined in 1974 and again in 1975. The export earnings of the petroleum group of the developing countries 53/ thus rose rapidly in the first three years of the decade reaching $44 billion in 1973. They jumped to $123 billion in 1974 before receding to $113 billion in 1975. The only countries to increase their export earnings further in 1975 were Algeria and the United Arab Emirates (marginally) and Iraq which recorded a notable 20 per cent gain.

The imports of the group grew progressively - by 17 per cent in 1971, 21 per cent in 1972, 44 per cent in 1973 and 72 per cent in 1974. Being under no international liquidity constraint, this group of countries, unlike all the other developing country groups, continued to expand its imports in 1975 - by 51 per cent (see table III-14).

The margin between the export earnings and import expenditure of the petroleum group widened from about $7 billion in 1970 to almost $22 billion in 1973 before bounding to $90 billion in 1974 (both exports and imports being valued f.o.b.). The continued expansion in imports in the face of reduced exports narrowed the trade surplus to $56 billion in 1975 (see table III-15). Most of the countries in the group were in surplus throughout the period. But Ecuador had a trade deficit in 1970 and 1971 before it began exporting petroleum on any scale and Bahrain, where petroleum production has been declining slowly since 1970, had a deficit in 1971 and 1972. Tunisia was in deficit in all six years and Algeria in all except 1974, the year of the price boost, when its earnings exceeded its expenditure by almost $1 billion.

Though information is not available for all the countries in the group, it is clear that the outflow of investment income followed the course of export earnings (and the trade surplus) upwards. Payments from the 10 (of the 15) countries for which data are available 54/ rose steadily from less than $4 billion

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53/ Included in this group are Ecuador and Tunisia (in which petroleum accounted for around a third of export earnings in the 1971-1975 period), Gabon and Indonesia (between 50 and 60 per cent), Algeria, Bahrain and Nigeria (around 80 per cent) and Iran, Iraq, Kuwait, the Libyan Arab Republic, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela (over 90 per cent).

54/ The countries for which data are lacking are Algeria, Bahrain, Kuwait, Qatar and the United Arab Emirates.

in 1970 to over $10 billion in 1973 and then jumped to $26 billion in 1974 (see table III-16). Though increasing rapidly in absolute terms, however, this outflow absorbed a diminishing proportion of the trade surplus - 68 per cent in 1970, around 62 per cent in 1971 and 1972, 58 per cent in 1973 and 36 per cent in 1974. The proportion of these payments coming from the three major sources - Saudi Arabia, Iran and Venezuela - rose steadily in this period: it was less than 60 per cent in 1970 but over 80 per cent in 1974. Offsetting these outflows to an increasing extent was an incoming stream of interest earned on overseas investment: less than $0.3 billion at the beginning of the decade, this had risen to over $2.3 billion by 1974.

With a smaller share of the trade surplus going into foreign company profits, the international reserves of the petroleum group grew rapidly - from $5 billion at the end of 1970 to $15 billion at the end of 1973 and then, with large accretions following the 1974 price rise, to over $57 billion at the end of 1975 (see table III-17). The increases were general and continuous; the only occasions on which reserves were drawn down were in Ecuador in 1971, Algeria, Bahrain and Nigeria in 1972, Bahrain and the Libyan Arab Republic in 1973, Qatar in 1974 and Algeria, Ecuador, Iraq, the Libyan Arab Republic and Tunisia in 1975.

For most of the period, reserves rose faster than imports: the group's reserves/imports ratio increased from 49 per cent in 1970 to 78 per cent in 1972, dropped slightly in 1973 and then soared to 134 per cent in 1974, receding in 1975, in the face of the sharp reduction in the trade surplus, to slightly less than the equivalent of one year's imports (see table III-18).

Closely linked to developments in these exporters of crude petroleum is a small group whose principal industrial activity is petroleum refining. The leading import of this group is crude petroleum and its growth in the 1971-1975 period conformed to the pattern of exports of the petroleum group - decelerating in 1972 and rising to record heights in 1974. The group's exports - dominated by petroleum products 55/ - also followed the pattern, increasing greatly in value in 1971 and 1973 and between two and three times in 1974, before receding in 1975. With imports and exports so closely related, the trade balance did not change much, though the distribution of the price increases caused the deficit to widen in 1974 and 1975. As in the case of the petroleum exporters, there was a steady rise in the stream of direct investment payments though on a completely different scale - reaching $0.4 billion in 1975. The group's international reserves climbed steadily during the period, but not quite as fast as imports in 1973 and 1974, so the reserve ratio dipped, rising again in 1975 when the combined reserves approached $1 billion.

Compared with the rest of the developing countries the petroleum-exporting group enjoyed a high rate of economic growth all through the first half of the 1970s. Though appreciably higher, however, it followed a similar cycle, accelerating from 6.7 per cent in 1971 to 8.9 per cent in 1973 and then - under the influence of the reduction in demand for petroleum after the big price rise and the developed market economy recession - decelerating to 4.8 per cent in 1975. Because

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55/ In the first half of the 1970s, petroleum products constituted almost 30 per cent of the exports of Panama, three fourths of those of the Democratic Yemen and around 80 per cent of those of the Bahamas, the Netherlands Antilles and Trinidad and Tobago.

of the extraordinary price changes in this period, movements in the group's income - that is, its gross product adjusted for change in the terms of trade - were quite different: the first year of the decade saw a greater increase (nearly 12 per cent) and there was a much steeper rise thereafter - from 8.4 per cent in 1972 to almost 74 per cent in 1974. And in 1975 the increase in the combined national income of the petroleum exporters (about 2.4 per cent) was actually less than that of the rest of the developing countries (see table III-1).

This upsurge in income showed up immediately in public revenue, most of which is derived directly from the petroleum industry - by way of royalties or taxes on incomes or profits or, increasingly, from sales of the national share of petroleum output to the operating companies at so-called "buy-back" prices. 56/ Central government revenue increased considerably in 1973 in most countries but the main upsurge came in 1974 when a doubling or trebling of receipts was common and in the case of Saudi Arabia a gain of more than fourfold. In Gabon the rise was deferred till 1975 while in Ecuador and Indonesia, where the bulk of public revenue continued to come from non-petroleum sources, the expansion was spread more uniformly over the 1973-1975 period. Except in Gabon, the 1975 increases were modest compared with those of the previous year and in a few countries - Algeria and Venezuela, for example - government receipts were below the 1974 level (see table III-38).

The rapid expansion in national income was also reflected in a notable and general increase in savings and savings rates. The ratio of savings to gross national product, already high by comparison with most other developing countries, rose fairly steadily throughout the first half of the decade. In 1974 it was approaching 40 per cent in Algeria, Nigeria and Venezuela, 50 per cent in Gabon and the Libyan Arab Republic and 70 per cent in Kuwait and Saudi Arabia. Even in the countries in which petroleum plays a less dominant role, the expansion in income made possible a notable, if less dramatic, rise in savings rates. In Ecuador, for example, the ratio reached 21 per cent of gross national product in 1974, almost double the 1970 figure; in Tunisia it reached 23 per cent and, though at a lower level, it also rose sharply in Indonesia. In half of the 20 developing countries in which the savings rate showed a clearly rising trend in the 1970-1974

56/ Where they are applicable, these buy-back prices apply to the sales of crude petroleum accruing to the host Government by virtue of its ownership of equity shares in the operating company. Where the Government does not have its own distribution organization, the operating company tends to be the purchaser of this "participation" petroleum, the cost of which has generally been appreciably higher than the cost of its own product the great bulk of which consists of taxes. Indonesia and Venezuela have maintained a single price; since 1973 Iran has based its price on the weighted average of "equity" and buy-back petroleum in Saudi Arabia; at the beginning of 1975 Kuwait switched to a single price (see table III-37). In general, the margin between the two prices has been narrowing and as host Governments take over complete ownership of the operating companies the difference will disappear. The movement away from tax payments towards straight purchasing of crude petroleum has little financial significance for the host countries but it has had major implications for companies with headquarters in countries in which taxes paid to foreign Governments by subsidiaries can be deducted from the tax liability of the parent.

period, the upsurge in petroleum earnings was largely responsible 57/ (see table III-20).

The increases in public revenue were paralleled by increases in expenditure. Between 1972 and 1975 budgetary outlays more than trebled in Indonesia, Kuwait and Venezuela and expanded fivefold in Iran, sixfold in Iraq and ninefold in Saudi Arabia. Current spending tended to rise _pari passu_ with captial spending, most of the latter being devoted to the enlargement and improvement of the military and civilian infrastructure.

Much of the increased income of the petroleum exporters was used for strengthening the hold of the Governments concerned over the petroleum industry. Between 1970 and 1975, for example, the 13 members of OPEC expanded their refinery capacity from under 3 million barrels per day to over 4 million, with an additional 6 million under construction. When these new refineries come on stream towards the end of the 1970s, the capacity of exporters in West Asia and Africa is expected to exceed a fifth of the world total, compared with less than 7 per cent in 1975.

At the end of 1975 the tanker fleets of these countries amounted to rather less than 5 million deadweight tons - less than 2 per cent of the world total - with another 5 million dwt on order for delivery to Arab petroleum producers in the second half of the decade. 58/

The declared objective of virtually all the petroleum exporters is to diversify their economies. This involves, _inter alia_, making better use of petroleum resources themselves. Besides raising value added through expanding refinery capacity, most of the countries in the group have launched plans to intensify the use of petroleum - and the natural gas often associated with it - either as fuel for energy-intensive industries such as metal smelting or as feedstock for the chemical industry, including both nitrogenous fertilizer and plastics. Some $40 billion has been earmarked for over 70 petrochemical complexes under negotiation with contractors at the end of 1975.

These investments have called for a major expansion in infrastructure. To accommodate the enlarged tanker fleet, for example, new dock and handling facilities are under construction. A 400,000-dwt capacity dry dock is due to be completed in Bahrain in 1977 and a second dock - capable of handling tankers up to 1 million dwt is being built in Dubai, while Iran is constructing a shipyard in which vessels of up to 40,000 dwt can be built and vessels of up to 400,000 dwt repaired. To support the refineries, liquefaction plants and petrochemical complexes, new pipelines have been and are being laid from the oil fields. In Iraq a pipeline linking the northern oil fields with the Gulf terminals was opened in 1975 and work began on a 600-mile pipeline from Kirkuk to the Mediterranean, through Turkey. In Iran over 700 miles of pipeline were being laid early in 1976

57/ This count includes Trinidad and Tobago whose major exports are the products of petroleum, and Angola and the Congo where petroleum had not yet become the leading export.

58/ In the light of the depressed state of the tanker market in the wake of the petroleum price increase, the developed market economy recession and the reopening of the Suez Canal, delivery of this tonnage seems likely to double the OPEC share of world tanker capacity.

in three separate projects. In Saudi Arabia 800 miles of pipeline are involved in delivering crude petroleum from eastern fields to processing plant on the Red Sea. In the aggregate, at the beginning of 1976, some 4,000 miles of pipeline were being constructed in the Middle East.

The tremendous upsurge in activity in the petroleum-exporting countries since 1973 has imposed severe strains on existing infrastructure. All transportation systems, for example - including, in particular, the ports and the routes to and from them - have been heavily overloaded. Despite the introduction of multiple shifts, rapid mechanization, the diversion of cargoes to less used facilities - even in neighbouring countries - and the development of overland transport routes, port congestion has added greatly to delay, waste and cost. Weaknesses in the existing administrative and managerial structure have also been exposed in both the public and the private sectors and their effects aggravated by the speed and intensity in the growth of decision-making requirements. At the root of this difficulty lie not only the inadequacy of traditional procedures but also the grave shortage of appropriately trained personnel.

To some extent the bottle-necks caused by shortages of skilled labour and technical know-how are being overcome by means of immigrants and hired consultants. Local education and training programmes - which have been greatly expanded in recent years - are also helping to narrow the gap between requirements and availabilities. But the scale of the expansion has made it unlikely that dependence on foreign participation will be greatly reduced in the immediate future. Iran and Saudi Arabia alone expect to be deploying well over a million foreign workers at the end of the decade.

The influx of immigrants and consultants has in its turn added to the strain on other facilities, notably housing and consumer amenities. Though the availability of foreign exchange has made it possible to expand the supply of most consumer goods, including food-stuffs, and thus overcome the potential constraints of local agriculture and manufacturing, housing, communications and various other non-traded goods and services have remained in seriously short supply. And the bidding up of their prices has added to local inflation.

In the aggregate, as measured by the basket of goods and services in the local consumer price indices, inflation in the petroleum-exporting countries has not been noticeably greater than in the rest of the world: retail prices rose by 5 per cent in 1972, 11 per cent in 1973 and 17 per cent in 1974. In 1975, however, when there was a perceptible moderation in most countries and the unit value of manufactured goods entering international trade rose by 12 per cent, 59/ compared with 22 per cent the previous year, there was a further acceleration - to 18 per cent in the petroleum countries. There were particularly sharp increases in Gabon, Nigeria and Saudi Arabia, and acceleration at a lower level in Iraq, the Libyan Arab Republic and Venezuela.

The rise in rents and labour costs and in many of the prices not incorporated in the consumer price index remained disturbingly high. In Iraq, for example, the

59/ The average increase between 1974 and 1975 in the price of goods moving from the developed market economies to members of OPEC has been estimated at 15 per cent. See The Chase Manhattan Bank, International Finance (New York), 26 January and 9 February 1976.

wholesale price of building materials, which increased by 32 per cent between 1973 and 1974, rose by only slightly less than that (26 per cent) in 1975. In Nigeria the effect of the massive expansion in public spending on infrastructure and defence was aggravated by the award of large - 30 per cent to 100 per cent - retroactive increases in the wages and salaries of public employees. This set in motion a general upsurge in labour costs as well as a rise in personal incomes that ran far ahead of the supply of most consumer goods, port congestion making it very difficult to augment the output of local industry with an adequate stream of imports.

In Saudi Arabia labour costs doubled in the course of 1974 and construction costs increased even more. Though non-agricultural rents were frozen in 1975, housing availability and cost became an acute social problem despite the establishment in 1974 of a Real Estate Development Fund, with an initial capital of $70 million, to help finance the building of houses for private use. In Iran, on the other hand, the wholesale price of building materials which was rising at the rate of 26 per cent a year in 1974 and the first half of 1975, was halted and reversed in the second half of the year by a combination of anti-inflationary measures, increases in supply and a spreading out of some development expenditures.

Another factor making for the spreading out of new investment projects was the emerging external balance. The countries capable of absorbing large and rapid increases in imports - Algeria and Ecuador, for example, and, at a higher level, Iran and Nigeria - experienced a sharp reduction in their trade surpluses in 1975. Algeria, Iran and Iraq even found it expedient to enter the international market as borrowers. With the decline in petroleum consumption and exports the surpluses of the countries with relatively low absorption capacity also declined. The volume of funds flowing on to external financial markets, after a substantial increase in the second half of 1974, diminished significantly in 1975.

The main reduction was in the flow to the United Kingdom: this accounted for 37 per cent of the total flow in 1974, most of it going into foreign currency deposits, but as a result of a reverse flow in the third quarter of 1975, it was not much more than 10 per cent of the smaller total in the second half of the year. The most notable increase was in the proportion of the total outflow going not into the money market to be held in a fairly liquid form but into longer-term loans and investments: this was only 18 per cent in the first half of 1974 and 28 per cent in the second half and it rose to 43 per cent of the smaller amount deployed in the first half of 1975 and over half the $14 billion moving out in the second half (see table III-39).

Adjustment in the petroleum-importing countries

Petroleum furnished over 60 per cent of the mechanical energy used by the etroleum-importing developing countries in 1973 and its consumption had been ncreasing at 6.5 per cent a year. In about a third of these countries petroleum as the sole source of commercial energy and in three fourths it accounted for ver 80 per cent of primary energy consumption. In only a handful of countries id petroleum provide less than half of commercial energy requirements - in fghanistan, Bangladesh and Pakistan where natural gas is important and in India, outhern Rhodesia and Zambia where coal is important - and even in these countries s contribution was over a fifth of the energy consumed.

Petroleum and its products constituted a major import of many of the developing ountries. In almost 60 per cent of the petroleum-importing countries, the amount ent on petroleum in 1973 exceeded 5 per cent of total import value. In 72-1973, India and Thailand devoted 10 per cent of their import expenditure to troleum, Brazil, Guyana, the Philippines and Uruguay about an eighth and Chad out a fifth. To such countries the trebling of petroleum costs between 1973 and 74 was an extremely disruptive event, aggravating domestic inflationary forces raising costs, particularly in transportation and in metallurgical and other ergy-intensive industries, and upsetting an external balance that was already coming precarious as export prices levelled off and the unit value of nufactured imports continued its rapid increase.

In varying degree, all countries reacted to the new price relationships by forts to conserve energy and to obtain and use alternative sources. Nowhere re changes easily made, however. Economic and technical factors stood in the y of all but marginal savings in petroleum consumption and it proved difficult increase production of substitute energy carriers already in use and even more fficult to discover and exploit new substitutes.

Compared with the developed market economies, the developing countries devote ery little of their commercial energy to space heating or personal automobile riving - the two end-uses in which significant economies could be made. evertheless a number of developing countries took steps to discourage the purchase and more particularly the importation - of energy-consuming consumer durables: eginning in 1974 duties and excise taxes were raised substantially on such roducts as automobiles and electrical appliances and in some cases quantitative mport controls were instituted.

In January 1974, for example, Jamaica adopted a series of so-called "survival easures", including import licensing for consumer durables, sharp cuts in the xchange allocated for motor vehicles (60 per cent) and petroleum (equivalent to ver a third in physical quantity) and steep increases in the sales taxes on otor-cars, water heaters and air conditioners. This was followed up in 1975 by a rogramme of voluntary conservation and a further cut (of a fourth) in the supply f petrol. Early in 1974 the Republic of Korea enacted a number of emergency easures for "the stabilization of the national life" which included increased evies on motor-cars (customs duties up from 150 to 250 per cent and sales tax up y two thirds) and on electrical goods (up 40 per cent) and gasoline (up 0 per cent). Similar increases were enacted in El Salvador and Kenya and many ther countries in the course of the year.

Whether to use the price weapon to discourage consumption was as much a problem in the developing countries as in the developed market economies. In most cases the desire to moderate the rise in import expenditure took precedence over the fear of adding to the already serious inflationary impact of the rise in the cost of crude petroleum. Even before the end of 1973 India raised the duty on kerosene by 30 per cent and the excise tax on gasoline to the equivalent of 95 United States cents per gallon. Almost everywhere the price of fuels outran the general price index, by a significant margin at the retail level and by even more at the wholesale level. 60/ As a result, in most countries, transport costs also rose to a much greater extent than prices in general.

As in the case of food-stuffs, however, many Governments found that the upsurge in energy costs ran counter to social policies and attempts were made to shield at least low-income consumers from the effects of the increase. In the Dominican Republic, for example, the entire 1973-1974 increase was absorbed by the budget, and petrol and electricity prices were held constant. Brazil and Zaire held local energy prices down in the first quarter of 1974 to soften the initial impact of the rise in the price of imported petroleum, but thereafter reduced the subsidies and let petrol and electricity prices rise. The Republic of Korea softened the impact of the increase in fuel prices on the cost of public transport by means of tax adjustments. Pakistan was among the countries that considered it expedient to subsidize kerosene - a vital fuel in rural areas - and in 1974 the price was held at about half its cost.

A number of Governments followed the example of those developed market economies that lowered highway speed limits with a view to reducing the use of petrol per mile of travel. Brazil actually wrote such lower limits into its second national development plan, approved in September 1974. In Chile a similar purpose underlay a massive (more than twofold in real terms) increase in highway tolls in 1974.

Parallel to these efforts to reduce energy consumption in ways that interfered least with the operation of the productive economy, most petroleum importers sought to increase the output of indigenous energy sources. Two of the most successful countries in this respect were India and Mexico which expanded their production of all three of the main fuels - coal and natural gas, as well as petroleum - by substantial proportions in 1974 and again in 1975. Chile achieved a sizable increase in coal production in both years but this was counterbalanced by a continuation of the decline in petroleum production that set in earlier in the decade. Further major increases in coal production were recorded in the Republic of Korea and, on a smaller scale, in Morocco and Mozambique. Argentina expanded its output of natural gas in 1974 and 1975 but this was offset by contractions in petroleum production, while coal production - which is much less important as a local energy source - recovered from a 1973 decline in 1974 but dipped again in 1975 (see table III-40).

Brazil more than doubled its small output of natural gas over the two years,

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60/ In Bangladesh and Pakistan, however, the increase in kerosene prices between 1972 and 1974 was less than the increase in the consumer price index and in Nepal it was more or less the same. In Western Samoa gasoline prices averaged only 35 per cent above the 1972 level though wholesale prices in general had increased by 48 per cent.

but significant gains in coal and petroleum production in 1974 were not sustained in 1975. The same pattern obtained in Pakistan - where natural gas is a more important source of domestic fuel - and also in Peru, where a reduction in petroleum output in 1975 prevented the country from becoming a net exporter. Cuba increased its small petroleum output in both 1974 and 1975, but in Afghanistan, Israel and Southern Rhodesia gains in energy production in 1974 were not repeated in 1975.

Information concerning hydroelectric output is lacking for 1975, but 1974 brought increases to many of the developing countries with pre-existing plants. The gains were greatest, in absolute terms, in Chile and Zambia and, on a smaller scale, Costa Rica and the Republic of Korea. Only four of the 20 countries for which data are available registered lower hydro output in 1974 (Madagascar, Mauritius, Southern Rhodesia and Uganda) though in several countries in which there were increases 1974 output was below the level of earlier in the decade (Jamaica and Surinam, for example, as well as Lebanon, Morocco, Bangladesh and New Caledonia). The outturn for the year was clearly less a reflection of needs and policies than of rainfall and river conditions, and the inauguration of new facilities.

In the aggregate, the petroleum-importing countries boosted their local production of energy carriers in 1974 and 1975 by about 10 per cent and 11 per cent respectively in the case of coal, by 5 per cent and 8 per cent in the case of natural gas and by 10 per cent and 6 per cent in the case of crude petroleum. In the first three years of the decade, the combined gross product of these countries increased at an average rate of 5.5 per cent a year and their commercial energy consumption at an average rate of 6.8 per cent. In 1974 the over-all growth rate receded to 4.9 per cent while, under the influence of the price rise and the official effort to economize, energy consumption rose by little more than 4 per cent (see table III-41). The consumption of petroleum products for energy, which had been rising even faster in the first three years of the decade (about 8 per cent a year) increased by barely 2 per cent in 1974.

The increase in consumption was met almost entirely from domestic production. Imports of crude petroleum, which had risen by an average of over 13 per cent a year in the first three years of the decade, registered virtually no expansion in 1974. 61/ The cost of these imports, however, more or less doubled: of the $46 billion increase in developing country imports between 1973 and 1974, about a third was accounted for by the rise in the price of petroleum and its products. Developing country petroleum imports from other developing countries rose from $13 billion in 1973 to $26 billion in 1974. And in most of the petroleum-importing countries the ratio of petroleum to total imports in 1974 was about double the 1973 figure.

Preliminary data suggest that there was a further $2 billion increase in the petroleum bill of the importing countries in 1975: there was a small expansion in volume, to support a 4 per cent growth in over-all production, and another - though relatively modest - rise in price. As the developed market economy recession resulted in a decline in export earnings, many of the countries that had

61/ The petroleum-importing group of developing countries was in approximate over-all balance in respect of petroleum energy products: marginal net imports in the 1970-1973 period changed to marginal net exports in 1974.

reached the limits of their borrowing capability found it necessary to curtail other imports. Where import controls had already reduced the range and volume of consumer goods to minimal proportions, cuts had to be made in capital goods - to the detriment of investment and economic development.

The fact that the great change in price relationships affected not only domestic costs but also the sensitive external balance of so many countries, ensured energy questions of the highest priority among the desiderata of economic policy formulation. Thus, for the first time in most developing countries, energy inputs and outputs began to be taken explicitly into account both in short-term economic management and in longer-term economic planning. Technological and other rigidities tended to rule out sudden and drastic changes in most cases: even the substitution of coal or other solid fuel for petroleum in the generation of power - one of the most common ways of saving imported energy in many of the industrial countries - was difficult in developing countries lacking, as most do, both an expandable coal mining sector and an adequate engineering underpinning. 62/

Perhaps the most significant type of action in the 1974-1975 period, therefore, bears on the future supply of energy carriers. Almost everywhere plans were laid to reduce the degree of import-dependence, and in some countries target dates were set for the achievement of self-sufficiency. In small and resource-poor countries development strategies were revised with a view to placing greater emphasis on export-oriented activities so that the foreign exchange necessary to acquire fuels from abroad might be better assured. In many countries new emphasis has been laid on labour-intensive techniques and industries or sometimes, negatively, on the avoidance of unduly energy-intensive technology. In this respect there has been some mutual reinforcement of energy strategies and employment strategies in the development planning context.

Among the most ambitious exploration programmes is that of Brazil whose expenditures are planned to rise from the equivalent of $280 million in 1974 to nearly $1 billion in 1979. Self-sufficiency is the main objective but in the meantime Braspetro - the international subsidiary of the state petroleum company - is assisting with exploration and development in net-exporting countries under production-sharing arrangements.

India has also set a self-sufficiency target. In 1974 its exploration budget was trebled and surveys are under way on shore, in the Bay of Bengal and on the west coast in the promising region of the so-called Bombay High. The work is divided between the country's own Oil and Natural Gas Commission and international contracts.

In order to speed up the exploration process many countries have revised their mining codes to make it possible to harness foreign expertise and facilities without losing control over the natural resources concerned. Chile has thus been able to invite foreign participation, as has Guatemala, under "association" contracts which give operating rights in return for a prescribed share of the output plus an option on the purchase of additional quantities. Bolivia has also negotiated product-sharing contracts with foreign concerns at present operating in

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62/ Thailand was one of the few developing countries that managed to convert some power stations from oil to coal in the 1974-1976 period. India also managed to substitute indigenous coal for imported oil in some end-uses.

the country in return for an undertaking that they spend a minimum of $50 million a year on further exploration in the first three years of the contracts. Towards the end of 1973 Zaire arranged with a foreign consortium an extensive (500,000-square kilometre) petroleum survey in the central part of the country.

Exploration for natural gas has also been stepped up as has production from deposits that are already known. Colombia, for example, is investing the equivalent of $600 million - in a joint venture with a foreign company - to quadruple its gas output. Pakistan is investing heavily both in new exploration and in improved transportation from existing fields for which the equivalent of $100 million is being spent on pipelines. Thailand has intensified exploration in the Gulf where the discovery of commercial quantities of natural gas in 1974 has led to expectation of early production. Chile is planning a major increase in production from present facilities for sale to neighbouring countries.

Most of the countries with significant known deposits of coal have set in motion programmes for expanding production. In Pakistan the plan of the Mineral Development Corporation involves the early doubling of the 1974 output. Swaziland intends trebling its 1974 output in the second half of the decade, largely for export. Colombia and the Republic of Korea also visualize the export of part of the planned increment in their production. Even Mexico, which achieved self-sufficiency in petroleum in 1975, is increasing its investment in coal mining with the intention of using more coal in thermal power stations.

Hydroelectric investment has also been stepped up. Major projects have been included in the 1975-1979 national development plans of Brazil, Liberia, Peru and Sierra Leone as well as of Nepal where 90 per cent of the funds allocated to the power sector will be spent on hydro facilities, 10 of which will involve relatively small dams in remote areas. Colombia plans to invest the equivalent of $300 million a year in hydro development over a period of eight years. In Costa Rica two hydro plants (Rio Macho and Cachin) will add 60 megawatts of capacity by mid-1977, permitting the replacement of thermal stations, and a third plant (Arenal) due to start operation in 1979 will increase total capacity by almost a third. A much larger expansion (about 80 per cent of 1975 capacity) is under way in Kenya where the Gitaru Hydroelectric Project - half of whose $120 million cost is being financed by the International Bank for Reconstruction and Development - is to be completed in 1978.

Liberia is co-operating in the construction of two major hydro-projects, one on the Cavalla River with the Ivory Coast and the other on the Mano River with Sierra Leone. The Sudan is adding 60 megawatts to capacity by 1978, 70 per cent of which will be hydro-electric, the rest standby diesel capacity to service peak loads and compensate for diminished river flow in dry seasons. Over the 1976-1982 period Panama will build six hydro-plants with a combined capacity of 552 megawatts, as well as an additional 75-megawatt thermal plant.

In Pakistan hydroelectric development is expected to add 2,500 megawatts to installed capacity by 1981; in the meantime steps are being taken to reduce transmission losses, partly by the interconnexion of existing generating facilities. Similar interconnexion programmes, designed to optimize capacity utilization, are under way in a number of other countries, including Guatemala and India, where a Central Electric Authority has interstate power co-ordinating functions. Some countries are expanding railway electrification schemes to substitute hydropower for diesel fuel for traction.

Non-conventional sources of energy are also being developed. Nuclear plants are under construction in Argentina, India, Pakistan, the Philippines and the Republic of Korea as well as in Brazil where the equivalent of $70 million a year has been allocated during the second half of the decade, to step up the search for uranium and other fissionable minerals. Geothermal energy is being harnessed in Guatemala, Panama and Peru as well as in El Salvador where 60 megawatts of generating capacity will be in operation by the end of 1976 and in the Philippines where 100 megawatts will be in place by 1980. Solar energy - a significant potential asset in the tropics - is also being explored and promoted, particularly in Chile, Israel and Peru as well as in Brazil whose second national development plan makes provision for systematic research in this field.

Table III-1. Developing countries: a/ changes in production and trade, 1971-1975

(Percentage)

Item	Average, b/ 1971-1975	1971	1972	1973	1974	1975 c/
	Change from preceding year					
Gross domestic product d/ . .	5.5	5.4	5.5	6.8	5.3	4.2
Petroleum exporters e/ . . .	7.0	6.7	8.2	8.9	7.0	4.8
Others	5.0	5.1	5.0	6.3	4.9	4.0
Agricultural production f/ . .	2.2	0.8	0.8	3.1	1.5	5.0
Manufacturing production g/ .	7.5	6.6	9.2	10.0	6.4	5.0
Gross domestic income h/ . . .	8.1	5.5	5.6	9.2	18.4	2.6
Petroleum exporters e/ . . .	19.7	11.6	8.4	14.1	73.6	2.4
Others	4.9	4.2	5.1	8.0	4.4	2.7
Quantum of exports i/	3.6	6.9	9.9	10.3	1.0	-10
Petroleum exporters e/ . . .	3.5	9.1	9.3	14.3	-1.0	-13
Others	4.0	5.5	10.3	7.4	2.6	-5
Quantum of imports i/	9.5	7.5	2.4	12.9	18.2	7
Petroleum exporters e/ . . .	20.2	12.6	9.8	15.6	28.8	37
Others	6.1	5.9	0.5	12.1	14.8	-2
Unit value of exports i/ . . .	26.4	5.8	9.1	35.5	99.7	4
Petroleum exporters e/ . . .	40.8	20.7	9.3	36.8	184.1	6
Others	14.9	-1.8	9.0	35.0	36.0	2
Unit value of imports i/ . . .	16.5	5.5	8.6	22.8	38.9	10
Petroleum exporters e/ . . .	16.1	5.0	8.6	22.8	37.0	10
Others	16.8	6.0	8.6	22.8	40.0	10
Terms of trade i,j/	8.5	0.3	0.5	9.9	43.8	-5
Petroleum exporters e/ . . .	21.3	15.0	0.6	11.4	107.4	-4
Others	-1.6	-6.8	0.4	9.9	-2.9	-7
Purchasing power of exports i,k/	11.9	7.2	10.4	21.7	42.3	-15
Petroleum exporters e/ . . .	24.6	25.4	10.0	27.4	105.3	-16
Others	2.3	-2.3	10.7	18.1	-0.4	-12
Exports, f.o.b. l/	27.6	13.1	19.9	49.4	97.7	-6.0
Petroleum exporters e/ . . .	44.7	31.7	19.5	56.3	181.3	-8.1
Others	19.5	3.6	20.2	45.0	39.5	-3.0
Imports, c.i.f. l/	27.6	13.4	11.2	38.6	64.2	18.1
Petroleum exporters e/ . . .	39.6	18.2	19.2	41.9	76.4	50.3
Others	23.9	12.3	9.1	37.7	60.7	7.9
International reserves m/ . .	36.2	28.0	33.4	37.5	81.2	10.5
Petroleum exporters e/ . . .	60.2	66.4	29.0	33.1	221.5	20.9
Others	17.2	13.1	35.9	39.9	8.8	-5.5

(Source and foot-notes on following page)

(Source and foot-notes to table III-1)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; "Evolution of the Latin American economy in 1975" (E/5825/Rev.1); "Survey of economic conditions in Africa, 1975, Summary" (E/5806); "Economic and social survey of Asia and the Pacific, 1975" (E/CN.11/L.437); Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics (Rome); and national sources.

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

b/ Annual average compound rate of change.

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

d/ Measured at constant market prices.

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

f/ Based on index of gross output and hence not comparable with the national accounts measure of production.

g/ Based on index of value added of International Standard Industrial Classification (ISIC) 3. The data are for the organized manufacturing sector and exclude small-scale and handicraft production.

h/ Gross domestic product adjusted for change in terms of trade.

i/ Based on data for trade valued in United States dollars. Estimates of quantum and unit values of trade and of the associated changes in the terms of trade are always subject to considerable uncertainty, but because of the extraordinary changes in prices of most commodities in the 1971-1975 period, the margin of possible error is exceptionally large.

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

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

l/ Original data in terms of United States dollars.

m/ Gold, SDR, convertible foreign exchange and reserve positions in the International Monetary Fund, measured in United States dollars.

Table III-2. Developing countries: External assets and liabilities, 1971

Country	Intervention currency a/	Gross domestic product (millions of dollars)	Exports of goods and services: Millions of dollars	Exports of goods and services: Percentage of GDP	Imports of goods and services: Millions of dollars	Imports of goods and services: Percentage of GDP	International reserves b/: Total: Millions of dollars	International reserves b/: Total: Percentage of imports of goods and services	International reserves b/: Foreign exchange: Millions of dollars	International reserves b/: Foreign exchange: Percentage of Total reserves	International reserves b/: Foreign exchange: Percentage of GDP	External public debt c/: Millions of dollars	External public debt c/: Percentage of GDP
Petroleum-exporting countries d/. . . .		77 727	25 303	33	16 310	21	8 422	52	6 718	80	9	37 306	48
Algeria	F	4 869	916	19	1 337	28	507	38	233	46	5	2 414	50
Ecuador	$	1 586	275	17	454	29	65	14	41	63	3	404	26
Gabon	F	369	184	50	136	37	25	19	19	76	5	141	38
Indonesia	$	13 962	1 866	13	2 234	16	187	8	185	99	1	4 462	32
Iran	$	14 453	4 349	30	2 797	19	621	22	478	77	3	5 001	35
Iraq	$	4 166	1 674	40	882	21	600	68	432	72	10	570	14
Kuwait	$	3 780	2 689	71	661	18	288	44	171	59	5	-	-
Libyan Arab Republic	$	4 571	2 740	60	1 225	27	2 665	218	2 566	96	56	-	-
Nigeria	£	10 069	2 010	20	1 863	19	429	23	362	84	4	889	9
Saudi Arabia . . .	$	6 293	4 423	70	1 404	22	1 444	103	1 291	89	21	-	-
Trinidad and Tobago	£	923	641	69	746	81	69	9	54	78	6	113	12
Venezuela	$	12 687	3 537	28	2 573	20	1 522	59	886	58	7	1 312	10
Western hemisphere d/		160 423	15 822	10	17 941	11	4 730	27	3 302	70	2	22 729	14
Argentina	$	28 942	2 465	9	2 530	9	290	11	70	24	-	2 978	10
Barbados	£	185	106	57	148	80	19	13	15	80	8	...	...
Bolivia	$	1 106	197	18	229	21	54	24	37	69	3	623	56
Brazil	$	54 140	3 292	6	4 178	8	1 746	42	1 450	83	3	5 863	11
Chile	$	10 569	1 141	11	1 247	12	221	18	129	58	1	2 947	28
Colombia	$	7 658	954	13	1 242	16	203	16	179	88	2	2 123	28
Costa Rica	$	1 077	294	27	405	38	30	7	27	91	3	247	23
Dominican Republic	$	1 667	292	18	410	25	56	14	53	94	3	279	17
El Salvador	$	1 082	266	25	288	27	65	23	44	68	4	139	13
Guatemala	$	1 985	343	17	371	19	94	25	63	67	3	190	10
Guyana	£	282	165	58	154	55	26	17	24	91	8	194	69
Haiti	$	452	61	14	77	17	11	14	7	62	1	...	...
Honduras	$	758	211	28	218	29	22	10	19	85	3	154	20
Jamaica	£	1 436	521	36	614	43	179	29	151	84	11	230	16
Mexico	$	36 192	2 995	8	3 263	9	952	29	550	58	2	4 252	12
Nicaragua	$	898	218	24	236	26	59	25	54	92	6	224	25
Netherlands Antilles	...	300	253	84	269	90	56	21	36	64	12	...	...
Panama	$	1 157	432	37	477	41	22	5	14	65	1	393	34
Paraguay	$	670	90	13	107	16	21	20	11	52	2	159	24
Peru	$	6 823	1 085	16	1 028	15	424	41	350	83	5	1 349	20
Surinam		326	180	55	155	48	...	...	...	...	...	...	...
Uruguay	$	2 722	262	10	297	11	181	61	20	11	1	385	14

Table III-2 (continued)

Country	Intervention currency a/	Gross domestic product (millions of dollars)	Exports of goods and services: Millions of dollars	Exports of goods and services: Percentage of GDP	Imports of goods and services: Millions of dollars	Imports of goods and services: Percentage of GDP	International reserves b/: Total: Millions of dollars	International reserves b/: Total: Percentage of imports of goods and services	International reserves b/: Foreign exchange: Millions of dollars	International reserves b/: Foreign exchange: Percentage of Total reserves	International reserves b/: Foreign exchange: Percentage of GDP	External public debt c/: Millions of dollars	External public debt c/: Percentage of GDP
Africa d/		43 558	9 411	22	10 990	25	1 991	22	1 497	75	4	10 976	30
Angola	...	1 762	447	25	402	23	...	...	...	...	...	...	...
Benin	F	244	99	41	110	45	25	22	19	77	8	59	24
Burundi	$	261	23	9	28	11	18	63	16	89	6	10	4
Central African Republic	F	206	46	22	56	27	118	210	94	79	46	...	...
Chad	F	287	44	15	73	26	11	15	11	100	4	46	16
Congo	F	298	81	27	96	32	11	11	8	70	3	223	75
Egypt	...	7 674	1 039	14	1 437	19	149	10	49	33	1	2 074	27
Ethiopia	$	1 885	188	10	223	12	68	30	52	77	3	310	17
Gambia	£	52	23	45	25	48	11	44	9	82	17	14	26
Ghana	£	2 431	431	18	521	21	48	9	38	79	2	622	26
Guinea	G	331	74	22	84	25	...	...	...	...	...	...	...
Ivory Coast	F	1 608	496	31	443	28	90	20	67	75	4	542	34
Kenya	£	1 798	479	27	596	33	171	29	145	85	8	454	25
Lesotho	R	76	4	5	43	56	...	...	...	...	...	8	11
Liberia	$	430	247	57	162	38	...	...	...	...	...	173	40
Madagascar	F	969	179	19	232	24	46	20	34	74	4	146	15
Malawi	£	404	86	21	128	32	32	25	27	83	7	186	46
Mali	F	301	58	19	65	22	2	3	1	33	-	325	108
Mauritania	F	216	98	45	76	35	8	10	6	77	3	90	42
Mauritius	£	209	108	52	106	51	52	49	44	84	21	48	23
Morocco	F	3 708	787	21	847	23	174	21	148	85	4	1 076	29
Mozambique	...	2 284	235	10	351	15	...	...	...	...	...	...	...
Niger	F	369	58	16	85	23	34	40	28	83	8	100	27
Rwanda	$	234	24	10	36	16	8	21	6	79	3	12	5
Senegal	F	793	150	19	243	31	29	12	23	78	3	176	22
Sierra Leone . . .	£	433	125	29	130	30	38	29	30	77	7	95	22
Somalia	$	268	49	18	67	25	27	40	20	74	7	188	70
Southern Rhodesia .	£	1 733	495	29	531	31	...	...	...	...	...	...	...
Sudan	$	2 160	361	17	385	18	28	7	28	100	1	350	16
Swaziland	£	140	89	64	74	53	...	...	...	...	...	38	27
Togo	F	286	74	26	93	32	41	44	35	85	12	55	19
Tunisia	F	1 645	406	25	440	27	148	34	141	95	9	982	60
Uganda	£	1 451	276	19	336	23	...	...	...	...	...	190	13
United Republic of Cameroon . . .	F	1 177	209	18	260	22	74	28	59	80	5	257	22
United Republic of Tanzania . . .	£	1 372	331	24	453	33	60	133	46	76	3	630	46
Upper Volta	F	341	21	6	65	19	43	66	37	86	11	38	11
Zaire	$	2 065	772	37	953	46	146	15	43	30	2	649	31
Zambia	£	1 650	701	43	736	45	284	39	236	83	14	812	49

Table III-2 (continued)

Country	Intervention currency a/	Gross domestic product (millions of dollars)	Exports of goods and services: Millions of dollars	Exports of goods and services: Percentage of GDP	Imports of goods and services: Millions of dollars	Imports of goods and services: Percentage of GDP	International reserves b/ Total: Millions of dollars	International reserves b/ Total: Percentage of imports of goods and services	International reserves b/ Foreign exchange: Millions of dollars	Foreign exchange: Percentage of Total reserves	Foreign exchange: Percentage of GDP	External public debt c/: Millions of dollars	External public debt c/: Percentage of GDP
West Asia d/		10 616	2 231	21	5 034	47	16 251	32	1 139	70	11	3 760	42
Israel	$	6 287	1 999	32	3 402	54	737	22	676	92	11	3 311	53
Jordan	$	626	58	9	260	42	253	97	211	83	34	181	29
Lebanon	...	1 753	782	45	875	50	547	62	195	36	11	...	...
Syrian Arab Republic	...	1 950	391	20	497	26	88	18	58	66	3	267	14
South-East Asia d/ . .		120 076	16 180	14	19 363	16	5 988	39	4 873	81	5	22 484	21
Afghanistan	$	957	151	16	162	17	62	39	24	38	3	745	78
Bangladesh	£	5 970	435	7	483	8	...		...	...	...	...	...
Burma	$	2 189	123	6	179	8	72	40	49		2	234	11
Democratic Kampuchea	$	1 166	19	2	97	8	...	...	...	...	...	...	...
Fiji	$	244	122	50	141	58	40	28	37	94	15	39	16
Hong Kong	£	3 445	3 427	100	3 610	105	...	...	...	...	...	...	...
India	£	57 740	2 383	4	2 909	5	1 206	4	699	58	1	10 574	18
Malaysia	£	4 084	1 718	42	1 672	41	818	49	665	81	16	779	19
Pakistan	£	11 224	824	7	993	9	189	19	115	61	1	4 650	41
Philippines	$	7 765	1 348	17	1 400	18	382	27	309	81	4	957	12
Republic of Korea .	$	9 115	1 489	16	2 508	28	571	23	535	94	6	3 000	33
Republic of South Viet-Nam	$	4 732	397	8	732	16	269	37	212	79	5	71	2
Singapore	£	2 235	2 180	98	2 666	119	1 452	54	1 442	99	65	354	16
Sri Lanka	£	2 294	373	16	397	17	50	13	50	100	2	544	24
Thailand	$	6 918	1 192	17	1 415	21	877	62	736	84	11	538	8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics; International Monetary Fund, International Financial Statistics; International Bank for Reconstruction and Development, Annual Report.

a/ The currency used by the national monetary authority concerned in trading designed to influence the exchange rate of the national currency.

b/ Gold (valued at $38 per fine ounce), convertible foreign exchange, SDR, and position in IMF at end of 1971.

c/ Including undisbursed, at end of 1971.

d/ Regional ratios are for the countries for which the relevant data are available.

Table III-3. Developing countries' sterling assets, 1971-1973

(Millions of pounds)

Type of holding and region	Balance at end of quarter											
	1971				1972				1973			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Exchange reserves												
All developing countries.	1 737	1 791	1 732	1 635	1 641	1 550	1 561	1 708	1 865	1 849	1 607	1 763
Western hemisphere a/	83	91	87	98	107	116	99	93	91	99	94	114
Africa b/	362	360	301	305	276	222	243	262	312	356	255	320
West Asia c/. . . .	411	443	450	315	338	288	310	404	524	479	517	611
South Asia d/ . . .	159	139	150	133	135	182	211	189	207	203	178	151
East Asia e/. . . .	722	758	744	784	785	742	698	760	731	712	563	567
Other money market assets												
All developing countries.	843	886	988	1 152	1 162	1 123	1 119	1 041	975	938	902	783
Western hemisphere a/	200	206	215	235	265	275	259	214	213	211	215	215
Africa b/	162	169	173	187	189	186	193	203	222	222	267	256
West Asia c/. . . .	151	144	168	229	201	106	108	136	142	129	127	149
South Asia d/ . . .	44	44	44	47	48	56	57	61	60	70	68	67
East Asia e/. . . .	286	323	388	454	459	500	502	427	338	316	225	96
All sterling assets												
All developing countries.	2 580	2 677	2 720	2 787	2 803	2 673	2 680	2 749	2 840	2 787	2 509	2 546
Western hemisphere a/	283	297	302	333	372	391	358	307	304	310	309	329
Africa b/	524	529	474	492	465	408	436	465	534	578	522	576
West Asia c/.	562	587	618	544	539	394	418	540	666	608	644	760
South Asia d/	203	183	194	180	183	238	268	250	267	273	246	218
East Asia e/.	1 008	1 081	1 132	1 238	1 244	1 242	1 200	1 187	1 069	1 028	788	663

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Bank of England, Quarterly Bulletin, June 1974, March and June 1975, March 1976 (London).

a/ Barbados, Guyana, Jamaica, Trinidad and Tobago, Caribbean dependencies and certain Latin American countries whose sterling assets rose from £30 million at the beginning of 1971 to £112 million by the end of 1973.

b/ Gambia, Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Uganda, United Republic of Tanzania and Zambia.

c/ Democratic Yemen, Jordan, Kuwait, Persian Gulf States. The 1971 figures include about £150 million belonging to Libyan Arab Republic, withdrawn at the end of that year.

d/ Bangladesh, India, Pakistan and Sri Lanka.

e/ Brunei, Hong Kong, Malaysia and Singapore.

Table III-4. Developing countries: ratio of international reserves to imports, 1951-1975

Region	Ratio of end-year reserves a/ to the year's imports b/ (percentage)								
	Average								
	1951-1955	1956-1960	1961-1965	1966-1970	1971	1972	1973	1974	1975
Developing countries . .	41.5	34.1	29.1	32.0	37.7	45.2	44.7	49.2	46.1
Petroleum-exporting countries	47.2	50.1	41.8	45.9	66.9	72.4	67.9	123.7	99.6
Other developing countries	40.3	29.9	26.2	28.8	30.3	37.6	38.0	25.8	22.6
Western hemisphere	31.7	26.6	22.7	25.3	28.4	43.5	47.5	25.9	19.5
Africa	42.2	30.5	20.1	22.2	20.8	22.9	24.9	17.6	12.4
Western Asia	16.6	26.3	43.4	48.5	43.6	53.5	54.3	44.5	44.7
South and East Asia	51.4	33.3	29.0	30.5	32.3	35.1	31.9	24.7	25.0

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

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

b/ Merchandise imports valued c.i.f.

Table III-5. Developing countries: distribution of outstanding external public debt, by creditor, end-1971

Country	Intervention currency	Total external public debt a/ (millions of dollars)	Percentage of total owed to								
			International organizations	France	Federal Republic of Germany	Japan	United Kingdom	United States of America	Other DAC countries b/	Centrally planned economies	Other countries and unallocated
Total, 82 developing countries c/		77 552	19.0	5.4	8.0	5.5	8.5	27.5	8.1	9.9	8.0
Petroleum-exporting countries		15 192	11.6	8.2	7.5	8.1	8.5	20.0	9.0	21.2	5.8
Other developing countries		62 360	20.8	4.7	8.2	4.9	8.5	29.4	7.9	7.2	8.4
Major debtors:											
Algeria	F	2 414	0.6	30.8	6.8	8.4	7.4	3.6	10.8	27.8	3.9
Argentina	$	2 978	23.3	1.7	18.2	0.8	7.0	24.9	11.6	-	12.5
Brazil	$	5 863	21.4	3.0	4.7	4.8	14.1	33.7	7.2	2.6	8.5
Chile	$	2 947	7.9	5.4	4.7	2.3	9.6	44.3	7.9	6.8	11.1
Colombia	$	2 123	42.0	3.7	3.7	0.4	1.4	41.8	4.7	0.3	1.9
Egypt	$	2 074	2.0	0.9	7.7	1.3	1.3	9.8	16.1	46.9	13.9
India	£	10 574	22.1	2.5	9.3	6.2	11.0	33.8	7.6	5.8	1.7
Indonesia	$	4 462	6.3	3.3	6.0	18.9	2.3	23.8	11.2	25.2	3.0
Iran	$	5 001	10.5	4.4	8.8	2.3	15.8	24.4	6.5	21.2	6.2
Israel	$	3 311	4.6	0.9	18.1	0.1	1.6	33.8	2.7	0.3	37.9
Malaysia	£	779	41.9	0.3	4.3	4.9	19.2	14.8	9.9	-	4.7
Mexico	$	4 252	29.1	7.9	2.1	3.4	10.6	28.6	6.0	-	12.4
Morocco	F	1 076	18.1	31.1	13.9	-	0.2	20.3	2.2	4.0	10.2
Nigeria	£	889	39.0	0.2	9.8	3.4	23.0	11.1	13.0	-	0.6
Pakistan	£	4 650	20.7	2.5	9.6	6.5	7.5	33.8	9.6	8.4	1.4
Peru	$	1 349	15.4	2.3	9.2	2.6	1.1	25.3	18.8	1.2	24.1
Philippines . . .	$	957	27.7	0.1	4.1	9.8	1.2	47.3	6.9	-	3.0
Republic of Korea	$	3 000	12.9	4.4	6.9	23.6	6.7	37.0	4.9	-	3.7
Tunisia	F	982	15.7	24.1	10.6	-	0.6	23.6	18.2	1.6	5.4
Venezuela	$	1 312	30.8	2.6	11.8	1.0	0.2	32.1	7.9	-	13.5
Zaire	$	649	10.0	6.3	9.6	4.0	2.8	33.7	33.2	-	0.5

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

a/ Including undisbursed.

b/ Australia, Austria, Belgium, Canada, Denmark, Finland, Italy, Netherlands, New Zealand, Norway, Sweden and Switzerland.

c/ Including Cyprus, Malta and Portugal whose combined external public debt at the end of 1971 totalled $711 million.

Table III-6. Less developed countries: Source of borrowing, 1971-1974

Source of funds	Debt outstanding a/ end-1971	Net increase in outstanding debt a/		Net disbursements of official and private loans b/ in		
		1972	1973	1972	1973	1974
International organizations	14 759	3 100	3 957	1 540	1 763	1 978
France:						
Total	4 159	254	982	588	1 236	1 694
Public	1 723	13	234	86	299	388
Private	2 436	241	748	502	937	1 306
Germany, Federal Republic of:						
Total	6 236	515	1 798	268	21	1 439
Public	3 919	496	1 288	413	611	642
Private	2 317	19	510	-145	-590	797
Japan:						
Total	4 263	1 117	2 027	1 669	3 580	1 806
Public	2 379	758	1 018	838	1 369	1 488
Private	1 884	359	1 009	831	2 211	318
United Kingdom:						
Total	6 606	763	888	565	275	1 115
Public	2 967	172	78	168	222	300
Private	3 639	591	810	397	53	815
United States of America:						
Total	21 350	3 810	4 734	2 614	2 620	3 182
Public	16 554	2 301	2 000	1 332	1 376	1 638
Private	4 796	1 509	2 734	1 282	1 244	1 544
Other DAC countries:						
Total	6 299	1 001	1 369	1 154	1 472	2 159
Public	2 347	609	926	589	846	662
Private	3 952	392	443	565	626	1 497
Other market economies and unallocated	6 166	1 167	1 586	401	536	3 000 c/
Of which developing countries	2 198	501	731	394	529	2 990 c/
Centrally planned economies .	7 713	1 124	704	1 200	1 300	1 400
Total	77 552	12 851	18 042	10 000	12 803	17 773
Public	53 865	8 814	10 497	...	...	...
Private	23 686	4 037	7 563	...	...	...

(Source and foot-notes on following page)

(Source and foot-notes to table III-6)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data furnished by the International Bank for Reconstruction and Development, Organisation for Economic Co-operation and Development, Development Co-operation, 1975 Review (Paris), and national sources.

a/ Publicly guaranteed debt of 79 developing countries plus Cyprus, Malta ar Portugal; including undisbursed debt.

b/ To all developing countries plus Cyprus, Greece, Malta, Spain, Turkey and Yugoslavia.

c/ Estimated.

Table III-7. Major developed market economies: changes in exchange rates and export prices, 1970-1973

Country	Percentage change from preceding year in: Dollars per unit of currency					Export price index (in dollars)					Export price index in national currency				
	1971	1972	1973	1974	1975[a]	1971	1972	1973	1974	1975[a]	1971	1972	1973	1974	1975[a]
Australia	1.3	5.1	19.3	1.3	-9.1	2.0	20.6	52.8	19.2	-4.9	1.0	14.9	27.6	18.2	4.0
Belgium	2.3	10.3	13.3	-	6.0	-1.0	13.1	24.1	25.9	8.6	-3.0	2.1	9.1	25.9	2.9
Canada	3.3	2.0	-1.0	2.3	-3.9	3.4	5.2	13.2	35.7	5.8	-0.3	3.2	14.3	32.7	10.1
Denmark	1.3	6.1	15.7	-0.9	6.1	4.0	11.5	29.3	18.0	15.8	3.0	4.9	12.0	19.0	9.0
France	0.3	9.2	13.6	-7.8	12.5	6.0	10.9	24.7	15.8	18.7	5.7	1.0	10.1	25.0	5.7
Germany, Federal Republic of . . .	4.9	9.0	20.4	2.4	5.4	7.5	10.1	23.6	18.5	12.9	2.5	0.7	3.5	15.0	7.2
Italy	1.4	6.0	0.1	-10.6	-	6.3	9.5	16.8	27.3	12.9	5.4	3.0	16.9	41.9	13.3
Japan	2.8	13.2	13.3	-6.9	-1.7	3.1	11.7	22.7	28.9	-	0.4	-1.8	8.4	38.0	1.8
Netherlands	3.6	8.8	15.4	3.5	6.4	5.0	10.5	22.4	33.8	10.5	2.0	1.0	6.8	28.2	4.3
Norway	1.6	6.8	14.7	4.0	6.0	5.0	6.7	25.0	36.4	20.9	4.0	-0.1	9.7	31.0	14.2
Sweden	1.5	7.2	9.3	-1.7	7.0	6.0	11.3	20.3	25.4	25.2	5.0	3.8	10.1	27.5	17.4
Switzerland	4.9	7.6	21.2	6.1	15.1	10.0	13.6	24.0	20.0	19.4	4.0	4.8	2.8	13.4	3.2
United Kingdom . .	2.0	2.4	-1.9	-4.6	-5.0	7.1	7.9	11.1	22.4	16.3	5.6	5.2	13.2	28.3	22.9
United States of America	-	-	-	-	-	3.3	2.8	16.9	27.0	12.5	3.3	2.8	16.9	27.0	12.5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), April and May 1976.

a/ Preliminary, based in the case of Sweden on less than 12 months' returns.

Table III-8. Selected developed market economies: average annual change in exchange rates and export prices, 1970-1974

(Percentage)

Country[a]	Average annual change in		
	Export prices in national currency	Dollars per unit of national currency	Export prices in dollars
Italy	16.8	-1.4	15.0
United Kingdom	13.1	-0.6	12.1
United States of America	12.5	-	12.5
France	10.5	4.0	14.4
Japan	11.3	5.5	16.6
Germany, Federal Republic of	5.4	9.3	14.9

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

a/ Selected on the basis of contributions to developing country imports of manufactures; listed in ascending order of appreciation of national currency against the dollar.

Table III-9. Developing countries: trade with major developed market economies and status of currency, 1970-1975

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Petroleum-exporting countries											
Algeria:											
Exports 1970	53.6	12.9	4.2	0.3	4.1	0.8	/	N	N	S	TB
1974	19.5	22.2	5.5	0.7	1.7	24.5	F			F	
Imports 1970	42.4	10.0	7.3	1.2	3.3	8.0					
1974	34.5	12.8	8.6	4.1	3.4	8.4					
Bahrain:											
Exports 1970	0.1	0.3	0.4	14.2	2.1	4.8		N	N	S	$
1974	0.7	1.0	-	38.9	4.9	6.9	£			$	
Imports 1970	1.4	1.7	1.2	5.7	22.6	4.6					
1974	1.8	4.6	3.3	14.5	14.4	17.8					
Ecuador:											
Exports 1970	1.6	8.4	3.0	16.1	0.2	38.4	C	D	D+	S	$
1974	0.8	5.2	2.0	1.8	0.4	40.9	M			$	
Imports 1970	1.6	11.1	3.1	9.3	4.2	43.4					
1974	2.3	10.2	3.2	14.1	4.0	40.6					
Gabon:											
Exports 1970	42.1	6.7	0.8	1.3	2.4	3.9	/	N	N	F	F
1974	29.8	9.2	5.2	0.6	6.2	16.7	F,M				
Imports 1970	56.6	8.9	2.4	0.8	3.4	11.2					
1974	53.5	8.2	0.2	2.1	0.2	9.6					
Indonesia:											
Exports 1970	0.6	4.7	0.8	39.0	1.2	12.4	/	D	D	$	$
1974	0.3	2.1	0.3	53.1	0.3	20.5	$,M				
Imports 1970	1.7	9.2	1.4	29.4	3.5	17.8					
1974	1.9	8.4	1.2	30.4	4.0	16.0					
Iran:											
Exports 1970	3.3	8.4	4.1	37.9	6.2	2.5		D	N	S	SB
1974	3.6	6.2	5.6	23.9	6.0	11.8	$			$	
Imports 1970	4.3	20.8	5.2	11.8	10.3	20.0					
1974	3.7	16.2	4.0	14.4	9.3	24.6					
Iraq:											
Exports 1970	15.3	3.7	28.5	-	3.5	1.9					
1974	19.1	4.7	18.0	3.1	3.8	-	$	N	N	S,$	$
Imports 1970	5.9	3.6	3.0	3.1	12.1	3.6					
1974	6.8	15.0	3.4	15.7	5.3	10.4					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Kuwait:											
Exports 1970	8.4	3.3	11.2	14.6	18.8	1.3	C	N	N	S	TB
1974	9.8	3.7	5.0	22.2	13.9	0.2	$			$	
Imports 1970	4.8	8.4	4.8	15.3	11.9	13.3					
1974	4.2	10.4	4.4	17.1	9.0	14.1					
Libyan Arab Republic:											
Exports 1970	13.5	17.5	25.9	0.3	15.1	2.7					
1974	5.0	20.9	31.5	4.3	11.5	-	$	N	N	S,$	$
Imports 1970	6.3	9.1	21.6	5.6	9.4	13.8					
1974	11.1	12.4	27.0	0.2	4.6	4.2					
Nigeria:											
Exports 1970	8.5	6.7	14.5	4.3	28.3	0.8					
1974	8.1	10.2	3.3	4.1	7.9	33.3	£	N	D	S,$	fl
Imports 1970	3.3	13.0	4.8	6.3	30.7	14.5					
1974	7.2	14.2	5.4	11.7	21.4	11.7					
Oman:											
Exports 1970	21.9	22.4	6.1	14.0	4.1	...					
1974	11.6	0.6	7.2	30.6	6.3	2.0	G	N	N	G,$	$
Imports 1970	58.3	6.3	3.7	1.8	14.0	-					
1974	4.3	9.6	4.6	10.9	24.5	9.0					
Qatar:											
Exports 1970	14.0	2.6	15.9	-	32.2	-					
1974	11.4	4.0	9.0	1.0	16.8	3.8	£	N	N	S,$	SB
Imports 1970	3.9	5.6	2.1	9.3	24.3	10.1					
1974	2.6	6.2	2.9	17.9	14.0	10.2					
Saudi Arabia:											
Exports 1970	6.3	2.0	10.8	21.3	7.6	0.9	C	N	N	S	fl
1974	10.4	7.0	10.4	18.0	9.5	6.3	$			$	SB
Imports 1970	2.8	9.8	4.5	9.8	7.2	17.8					
1974	3.2	7.7	3.6	18.2	7.6	22.5					
Trinidad and Tobago:											
Exports 1970	0.3	0.3	0.5	0.6	9.6	50.8		N	fl	fl	fl
1974	0.6	0.3	0.5	1.0	2.2	67.2	£		£	£	£
Imports 1970	0.8	1.3	0.6	2.5	13.3	16.4					
1974	0.4	0.8	0.2	1.7	5.5	10.9					
Venezuela:											
Exports 1970	1.6	1.8	1.3	0.8	4.8	37.9	X	D-	D-	A	$
1974	1.3	2.3	1.0	0.4	3.0	48.9				$	
Imports 1970	3.0	8.9	4.9	7.9	5.1	48.5					
1974	3.7	8.6	5.5	10.4	3.1	46.2					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/ Status, b/ 1970	Action c/ December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Western hemisphere											
Argentina:											
Exports 1970	3.9	5.9	15.3	6.2	6.9	9.0	C	D	D	$	$
1974	2.6	5.1	13.2	5.1	5.1	8.8	M				
Imports 1970	3.8	11.0	7.2	5.0	5.5	24.9					
1974	3.8	11.7	5.5	13.5	3.4	17.5					
Bahamas:											
Exports 1970	0.6	0.9	0.2	-	7.5	72.3	G	D-	D+	$	$
1974	-	0.2	0.1	0.4	1.4	90.5	£				
Imports 1970	1.2	1.0	7.1	0.9	13.6	54.2					
1974	0.2	0.2	1.1	0.2	2.4	12.3					
Barbados:											
Exports 1970	-	0.1	-	-	39.1	20.0		N	fl	fl	$
1974	0.8	0.1	-	-	15.9	25.9	£		£	£	
Imports 1970	1.4	2.4	1.4	3.1	30.1	20.7					
1974	1.5	2.3	0.7	1.9	20.6	19.5					
Bolivia:											
Exports 1970	0.1	2.7	0.1	9.5	38.0	32.6	C	D	D	S	$
1974	5.0	5.3	0.8	9.0	5.9	29.5	X			$	
Imports 1970	1.4	12.4	1.4	16.4	5.0	31.1					
1974	1.3	8.5	1.0	13.9	2.5	26.3					
Brazil:											
Exports 1970	4.0	8.6	7.2	5.3	4.7	24.7					
1974	4.0	8.9	5.2	7.2	5.4	21.6	X,M	D	D-	$,A	$,A
Imports 1970	3.1	12.6	3.1	6.2	5.7	32.2	A				
1974	2.6	12.4	2.8	9.9	2.6	24.5					
Chile:											
Exports 1970	5.5	10.8	7.4	12.0	12.3	14.1	X	D	D	$	$
1974	3.5	13.6	6.5	16.4	8.8	11.5	M,A			A	A
Imports 1970	3.4	12.4	2.7	3.0	6.2	36.9					
1974	2.1	7.5	1.1	3.2	4.6	24.0					
Colombia:											
Exports 1970	0.9	14.3	0.7	2.8	2.0	36.3	X	D	D+	$	$
1974	2.2	13.3	3.1	2.7	2.2	42.8	M,A			A	A
Imports 1970	2.1	8.5	2.5	6.3	4.0	47.8					
1974	4.6	9.6	2.6	11.3	3.8	43.6					
Costa Rica:											
Exports 1970	0.9	8.0	2.8	5.0	0.3	42.0	C	D	D	$	$
1974	0.7	12.7	3.2	1.9	0.2	31.2	$,M				
Imports 1970	1.3	8.4	1.8	9.0	4.9	34.8					
1974	1.5	6.3	1.2	10.3	2.7	34.2					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Dominican Republic:											
Exports 1970	0.4	0.8	0.6	2.6	0.4	84.0	C	D	D	S	$
1974	1.8	1.0	0.1	1.9	2.8	71.2	$			$	
Imports 1970	0.9	6.6	3.5	9.6	3.3	47.1					
1974	1.0	4.0	0.8	6.6	2.0	54.1					
El Salvador:											
Exports 1970	0.1	23.9	0.2	10.6	0.1	20.7	C	D	D	$	$
1974	1.8	15.7	0.8	9.5	0.3	30.8	$				
Imports 1970	0.9	7.9	1.8	10.4	3.0	29.7					
1974	1.1	7.2	1.5	9.3	1.9	35.9					
Guatemala:											
Exports 1970	0.4	11.3	2.6	6.9	0.6	28.3	C	D	D	$	$
1974	0.8	10.7	2.0	4.4	1.3	29.6	$				
Imports 1970	1.5	9.6	1.7	10.3	3.7	35.3					
1974	1.4	7.7	1.2	8.5	2.4	31.1					
Guyana:											
Exports 1970	1.1	1.0	0.9	1.9	19.0	27.7					
1974	1.9	3.5	1.0	3.0	22.9	28.5	£	D	fl,£	fl,£	$
Imports 1970	1.0	3.6	0.7	4.1	31.0	23.9					
1974	1.5	2.8	0.7	4.4	19.6	26.6					
Haiti:											
Exports 1970	7.0	1.6	6.0	3.1	0.6	60.0	C	D	D	S	$
1974	6.7	1.4	3.0	0.5	0.3	77.3	$			$	
Imports 1970	5.1	4.7	5.2	9.1	4.1	46.4					
1974	4.2	3.3	1.4	5.3	2.3	62.4					
Honduras:											
Exports 1970	0.6	10.9	5.4	1.4	0.4	54.1	C	D	D	$	$
1974	0.8	11.0	2.1	3.4	0.3	49.6	$				
Imports 1970	0.6	5.5	0.9	8.1	2.7	41.5					
1974	1.0	4.0	1.2	6.8	2.2	44.9					
Jamaica:											
Exports 1970	0.1	0.5	-	0.4	15.5	52.8	C	N	D	S	$
1974	0.1	1.3	0.1	1.2	19.5	45.6	£			$	
Imports 1970	1.6	3.1	1.5	2.6	19.1	43.1					
1974	1.4	2.7	0.7	3.6	14.6	41.9					
Mexico:											
Exports 1970	0.4	1.7	1.4	4.8	0.7	59.8	C	D	D	$	$
1974	1.2	2.0	1.5	5.1	0.7	62.2	$				
Imports 1970	4.2	7.5	1.6	3.5	2.9	63.6					
1974	2.2	7.1	1.1	4.1	1.9	65.8					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Nicaragua:											
Exports 1970	0.2	11.6	1.3	13.7	0.9	33.1	C	D	D	$	$
1974	0.9	11.2	4.4	8.7	0.2	18.1	$				
Imports 1970	0.3	5.8	3.4	6.4	3.5	36.4					
1974	1.5	6.8	1.5	7.5	2.8	32.3					
Panama:											
Exports 1970	0.1	15.4	0.3	0.3	0.4	63.6	C	D	D	S	$
1974	-	6.3	5.5	0.2	-	51.6	$			$	
Imports 1970	0.8	3.1	1.2	6.6	2.5	40.1					
1974	0.7	2.8	1.3	5.9	1.5	27.0					
Paraguay:											
Exports 1970	5.3	5.5	0.6	1.8	7.3	14.2	X	D	D	$	$
1974	4.2	13.1	1.5	1.1	8.7	11.4	M				
Imports 1970	2.2	14.5	2.0	6.8	8.6	23.4					
1974	1.7	9.4	0.9	3.6	6.6	10.0					
Peru:											
Exports 1970	1.8	15.0	2.4	13.5	2.5	33.2	C	D	D	$	$
1974	2.9	8.4	2.5	15.6	4.4	35.1	X,M				
Imports 1970	1.9	12.2	2.9	7.9	4.3	32.2					
1974	2.6	10.6	2.0	11.3	2.9	36.9					
Uruguay:											
Exports 1970	2.6	13.1	9.8	0.7	8.4	8.6	X	D	D+	$	$
1974	2.6	9.4	3.8	1.5	4.1	4.5	M,A			A	A
Imports 1970	1.9	10.9	2.5	1.5	6.9	12.9					
1974	1.5	6.4	2.5	1.5	3.3	8.2					
<u>Africa</u>											
Benin:											
Exports 1970	39.4	8.9	4.4	9.8	4.2	4.9	≠	N	N	F	F
1974	36.6	8.5	10.1	5.6	1.5	7.1	F,M				
Imports 1970	42.2	5.2	3.1	-	5.4	5.4					
1974	30.6	7.6	1.7	4.3	6.0	6.7					
Burundi:											
Exports 1970	0.8	-	1.2	-	-	57.2					
1974	7.8	13.1	6.0	0.8	3.9	28.6					
Imports 1970	8.5	9.9	2.7	13.0	4.5	4.9					
1974	11.1	9.5	3.5	5.2	5.1	2.5					
Central African Republic:											
Exports 1970	46.5	3.8	2.8	4.0	1.6	0.2	≠	N	N	F	F
1974	41.7	0.7	6.8	2.1	1.8	15.1	F,M				
Imports 1970	55.7	7.7	2.5	2.1	2.8	5.6					
1974	54.0	11.4	3.5	2.1	1.7	2.0					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Chad:											
Exports 1970	72.8	0.1	-	-	0.4	0.1	/	N	N	F	F
1974	16.3	8.2	2.0	10.7	2.9	-	F,M				
Imports 1970	38.9	3.3	3.4	0.9	2.2	3.9					
1974	34.7	2.6	4.9	0.9	0.5	5.2					
Congo:											
Exports 1970	12.6	14.2	4.8	0.3	4.6	2.4	/	N	N	F	F
1974	27.6	5.8	12.5	1.7	3.1	0.9	F,M				
Imports 1970	55.2	8.8	3.4	1.7	2.6	6.3					
1974	38.9	5.5	5.1	1.2	1.3	3.4					
Egypt:											
Exports 1970	1.9	2.7	3.3	3.2	1.8	0.8	/	D	N	$	$
1974	3.1	4.3	5.6	11.2	5.8	5.3	$,M				
Imports 1970	7.4	7.8	6.6	1.5	3.9	5.8					
1974	14.3	8.6	7.6	3.0	5.0	18.7					
Ethiopia:											
Exports 1970	2.2	7.3	6.2	5.4	1.9	48.6	$	N	N	S	$
1974	6.1	6.6	6.1	8.0	3.4	21.1				$	
Imports 1970	2.9	13.7	16.9	14.8	7.5	8.5					
1974	4.1	12.1	15.5	13.9	7.8	5.7					
Gambia:											
Exports 1970	20.4	0.1	8.1	-	48.3	-	£	N	fl	£	£
1974	16.0	10.0	9.1	0.1	32.0	0.1			£		
Imports 1970	4.1	2.8	1.5	16.4	30.0	2.5					
1974	5.3	4.0	2.6	4.2	24.8	2.6					
Guinea:											
Exports 1970	3.5	18.4	2.4	0.5	5.4	16.0	G	N	N	G	TB
1974	5.6	12.5	3.7	1.0	0.8	12.9					
Imports 1970	37.4	8.0	14.4	0.7	6.0	13.3					
1974	22.3	3.5	10.4	0.9	4.8	17.2					
Ghana:											
Exports 1970	0.5	9.8	3.2	6.5	23.4	18.0	G	D+	N	S	$
1974	0.7	8.4	2.2	8.3	17.7	13.5	£			$	
Imports 1970	3.7	10.7	2.4	6.2	23.6	18.1					
1974	4.0	13.4	1.9	5.5	14.5	9.5					
Ivory Coast:											
Exports 1970	32.7	9.6	8.6	1.7	3.4	18.7	/	N	N	F	F
1974	28.4	13.1	11.8	1.4	3.6	8.1	F,M				
Imports 1970	46.2	8.6	6.5	2.5	2.5	7.9					
1974	45.1	7.7	4.6	3.9	1.9	6.1					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Kenya:											
Exports 1970	0.5	6.3	1.4	1.1	14.3	6.2	G	D	D	S	SB
1974	0.9	8.3	2.1	2.5	8.7	3.7	£			$	
Imports 1970	3.3	7.1	3.9	9.6	26.2	7.5					
1974	3.5	9.8	3.4	11.0	17.5	5.7					
Liberia:											
Exports 1970	6.7	17.8	10.3	7.5	6.6	23.1					
1974	7.5	29.3	11.8	5.9	2.5	17.2	$	D	D	$	$
Imports 1970	2.5	14.5	2.5	8.2	7.4	31.0					
1974	3.2	9.4	2.0	5.4	9.5	28.4					
Madagascar:											
Exports 1970	34.2	4.1	1.2	3.2	1.9	22.7	⨍	N	N	F	F
1974	32.9	5.9	2.7	6.6	3.0	22.3	F,M				
Imports 1970	54.7	9.1	5.9	2.7	1.8	5.7					
1974	40.8	8.6	2.1	7.7	1.8	6.5					
Malawi:											
Exports 1970	1.2	2.5	-	-	39.6	2.4		N	fl	£	SB
1974	1.6	1.4	-	0.8	30.5	8.7	£		£	$	
Imports 1970	-	3.8	-	5.3	26.6	5.2					
1974	0.8	4.6	0.8	5.5	23.2	3.1					
Mali:											
Exports 1970	17.1	1.3	2.8	3.9	2.6	-	⨍	N	N	F	F
1974	25.4	3.7	1.9	0.8	8.3	-	F,M				
Imports 1970	38.4	2.8	1.8	1.4	1.7	3.7					
1974	35.8	7.4	1.5	0.3	2.8	13.4					
Mauritania:											
Exports 1970	19.4	11.5	14.4	-	16.3	0.7	⨍	N	N	F	TB
1974	16.0	12.3	8.3	16.0	12.9	-	F,M				
Imports 1970	33.9	3.0	-	0.1	6.7	13.4					
1974	30.2	5.5	1.1	4.0	6.1	6.2					
Mauritius:											
Exports 1970	0.3	-	-	-	64.7	5.3	⨍	N	fl	£	£
1974	2.5	1.0	0.1	0.4	35.3	7.9	£		£		
Imports 1970	7.3	5.1	1.1	5.4	21.8	6.0					
1974	7.6	6.3	1.2	5.7	14.4	5.0					
Morocco:											
Exports 1970	37.0	9.3	6.7	1.8	5.6	1.6	F	N	F	fl	TB
1974	23.3	7.5	7.8	2.4	6.1	1.2					
Imports 1970	31.0	8.8	5.4	2.0	4.6	11.3					
1974	28.4	10.0	4.4	1.4	2.8	9.9					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Niger:											
Exports 1970	46.7	0.5	14.9	0.2	0.4	0.3	₣	N	N	F	F
1974	36.3	8.3	4.5	-	3.6	-	F,M				
Imports 1970	45.8	7.8	1.4	-	2.3	5.3					
1974	31.3	6.3	0.8	5.6	5.1	21.1					
Rwanda:											
Exports 1970	-	-	-	-	2.0	0.4	$	G	G	S	$
1974	3.0	4.6	1.0	0.5	3.2	50.5				$	
Imports 1970	3.8	8.7	1.7	13.5	5.2	8.3					
1974	6.1	4.6	5.7	5.6	1.5	3.0					
Senegal:											
Exports 1970	54.6	2.2	2.5	1.4	2.2	0.4	₣	N	N	F	F
1974	41.5	1.3	1.5	1.6	4.5	0.7	F,M				
Imports 1970	51.9	6.5	3.3	-	1.4	4.8					
1974	30.8	4.9	2.6	0.3	1.3	5.0					
Sierra Leone:											
Exports 1970	0.1	3.2	-	3.9	71.3	4.2	£	N	fl	£	£
1974	0.5	4.0	-	4.7	61.3	5.6			£		
Imports 1970	3.8	6.9	1.5	9.1	28.8	8.5					
1974	8.5	10.9	3.2	15.6	34.5	14.7					
Somalia:											
Exports 1970	-	0.4	25.7	-	0.3	0.7	$	D-	N	S	$
1974	0.2	0.9	15.3	2.2	5.1	-				$	
Imports 1970	-	9.1	29.5	7.4	6.2	7.9					
1974	1.1	2.3	23.9	12.7	3.3	1.1					
Sudan:											
Exports 1970	2.3	10.2	10.3	8.1	5.9	3.6	$	D	D	$	$
1974	11.4	8.3	8.8	5.2	3.8	5.8					
Imports 1970	2.2	7.8	2.0	5.9	20.1	3.1					
1974	3.4	9.2	6.8	9.6	15.4	11.7					
Togo:											
Exports 1970	28.0	19.9	4.0	2.6	2.4	0.2	₣	N	N	F	F
1974	45.8	10.0	4.0	2.8	0.6	2.8	F,M				
Imports 1970	28.4	7.8	3.6	5.7	13.0	5.5					
1974	33.3	11.7	4.1	3.4	7.3	5.2					
Tunisia:											
Exports 1970	24.3	9.7	20.6	1.7	2.6	1.0	F	N	N	S	TB
1974	21.7	5.1	24.9	0.1	1.2	5.2				$	
Imports 1970	34.6	8.5	7.2	0.2	2.8	16.9					
1974	30.9	8.0	10.9	0.5	3.6	8.1					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Uganda:											
Exports 1970	0.1	4.0	1.0	9.4	18.0	18.2	G	D	D	S	SB
1974	2.5	5.2	4.1	9.2	17.5	23.4	£			$	
Imports 1970	2.6	6.4	3.7	8.1	22.7	4.2					
1974	2.1	8.5	5.2	5.6	16.7	2.8					
United Republic of Cameroon:											
Exports 1970	31.3	12.0	2.1	2.8	1.9	9.5	ƒ	N	N	F	F
1974	29.1	12.8	5.3	2.8	1.2	5.1	F,M				
Imports 1970	50.7	7.9	5.0	2.4	3.7	7.7					
1974	45.0	8.4	4.6	2.6	3.4	4.7					
United Republic of Tanzania:											
Exports 1970	1.1	4.3	2.5	5.2	20.1	8.8	G	D	D	S	SB
1974	0.7	5.2	2.0	3.1	13.5	6.8	£			$	
Imports 1970	2.8	8.0	4.8	6.3	18.1	7.4					
1974	2.6	8.3	2.3	8.6	10.4	6.8					
Upper Volta:											
Exports 1970	11.9	1.3	8.7	14.9	3.0	-	ƒ	N	N	F	F
1974	46.4	6.5	8.3	4.1	2.1	-	F,M				
Imports 1970	44.7	6.0	2.1	1.4	0.6	4.5					
1974	50.6	6.6	1.1	1.2	1.0	10.4					
Zaire:											
Exports 1970	7.0	2.6	11.5	0.1	7.3	1.7	$	D	D	S	$
1974	7.1	6.4	13.6	6.4	5.0	4.4				$	
Imports 1970	8.1	10.4	5.4	6.7	7.3	10.7					
1974	10.4	14.1	7.4	6.5	4.7	14.2					
Zambia:											
Exports 1970	8.2	11.8	10.9	23.3	22.4	0.2	G	D	N	S	$
1974	11.6	13.6	14.2	25.3	13.9	0.8	£			$	
Imports 1970	2.4	4.8	3.3	6.4	23.6	9.7					
1974	1.9	8.7	6.2	13.3	18.3	8.3					
<u>Asia</u>											
Afghanistan:											
Exports 1970	1.1	13.7	0.5	0.2	13.1	3.7	X	D	D	$	fl
1974	1.8	11.0	1.7	1.3	16.8	3.6	M			M	
Imports 1970	1.6	7.5	0.8	19.7	3.7	9.3					
1974	2.1	6.4	1.2	37.4	4.4	5.9					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Bangladesh:											
Exports 1970	-	-	-	-	-	-	£	N	fl	£	£
1974	5.2	3.9	5.2	5.0	12.0	24.8			£		
Imports 1970	-	-	-	-	...	-					
1974	1.9	8.7	0.7	9.2	3.3	29.2					
Burma:											
Exports 1970	0.6	4.6	0.9	7.6	7.9	0.3	$	D+	N	S	SB
1974	1.7	3.5	1.2	12.4	3.9	1.3				$	
Imports 1970	2.7	7.7	0.5	26.2	9.5	5.9					
1974	4.5	5.6	0.5	23.4	3.8	2.0					
Democratic Kampuchea:											
Exports 1970	9.3	1.9	1.7	5.9	2.5	0.7	₣	D	D+	$	$
1974	7.2	1.7	1.7	11.7	3.0	8.6	$,M			A	A
Imports 1970	23.8	7.4	2.0	26.1	4.2	5.6	A				
1974	2.5	0.3	0.1	1.4	0.8	72.3					
Democratic Yemen:											
Exports 1970	0.6	0.7	1.6	14.4	24.6	1.1	G	N	N	G	$
1974	-	0.5	0.2	5.2	6.8	2.7				$	
Imports 1970	1.2	2.7	1.3	10.5	5.5	1.7					
1974	1.9	3.5	1.6	6.6	6.3	5.6					
Fiji:											
Exports 1970	0.1	0.7	-	4.2	31.4	15.7	£	N	£	£	TB
1974	-	0.6	-	1.9	48.3	-					
Imports 1970	0.8	1.2	0.4	15.1	17.3	4.4					
1974	0.7	0.9	0.2	18.2	10.2	-					
India:											
Exports 1970	1.2	2.2	0.8	13.9	11.6	13.5	£	N	fl	£	TB
1974	2.8	3.5	2.2	13.1	10.9	13.9			£		
Imports 1970	1.1	6.5	1.8	4.6	6.7	29.3					
1974	2.1	6.1	1.7	9.8	5.5	14.9					
Israel:											
Exports 1970	4.9	8.5	1.9	4.1	10.5	19.1	$	D+	D	$	$
1974	5.0	7.5	3.6	3.6	8.7	16.8					A
Imports 1970	2.9	8.3	3.7	3.0	10.7	15.5					
1974	2.9	12.2	4.3	2.4	10.0	14.0					
Jordan:											
Exports 1970	-	-	-	0.1	-	-	$	D	N	S	SB
1974	-	0.1	-	7.6	-	-				$	
Imports 1970	2.5	9.1	3.4	5.9	13.4	11.3					
1974	2.4	9.3	3.8	4.7	7.7	11.3					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Lao People's Democratic Republic:											
Exports 1970	2.5	-	-	0.2	-	3.4					
1974	75.4	-	0.1	1.9	-	1.1					
Imports 1970	7.9	2.1	0.7	14.2	2.4	24.1					
1974	6.6	3.2	0.9	12.3	2.5	24.1					
Lebanon:											
Exports 1970	2.1	1.6	2.1	0.2	2.4	4.0	X	fl	fl	fl	fl
1974	14.7	2.3	4.2	0.3	6.8	3.3					
Imports 1970	8.4	10.6	8.1	4.7	7.4	12.1					
1974	10.0	9.5	10.4	4.3	6.5	13.1					
Malaysia:											
Exports 1970	2.2	3.1	3.3	18.3	6.6	13.0	C	N	N	fl	TB
1974	2.0	3.9	2.3	16.9	6.6	14.1	$,£			$	
Imports 1970	1.4	4.9	1.1	17.5	13.5	8.6					
1974	1.8	6.2	1.4	22.0	9.3	9.6					
Nepal:											
Exports 1970	2.9	0.5	-	4.8	5.3	9.7	$	D	N	S	$
1974	0.3	2.5	-	7.1	3.4	9.9	I			$,I	I
Imports 1970	0.2	1.9	-	10.0	8.3	2.1					
1974	2.1	4.2	-	18.6	4.8	2.9					
Pakistan:											
Exports 1970	2.0	3.6	2.9	5.9	10.4	11.8	X	D	N	S	$
1974	2.4	4.4	3.5	5.7	5.9	4.6				$	
Imports 1970	1.6	10.5	3.9	10.9	10.9	28.4					
1974	2.0	8.4	2.8	9.8	6.6	23.1					
Philippines:											
Exports 1970	0.4	2.4	0.3	40.1	0.9	41.6	X	D	D	fl	fl
1974	0.7	2.6	0.3	34.9	2.1	42.4	M,A				
Imports 1970	1.6	5.4	1.3	30.6	3.9	29.4					
1974	1.4	3.9	0.6	26.8	4.0	24.1					
Republic of Korea:											
Exports 1970	0.2	3.3	0.9	28.1	1.6	47.3	/	D+	D	$	$
1974	0.6	5.4	0.6	30.9	2.4	33.5	$				
Imports 1970	2.6	3.4	1.0	40.8	1.7	29.5					
1974	0.5	2.1	0.4	38.2	1.3	24.8					
Republic of South Viet-Nam:											
Exports 1970	52.3	6.8	2.9	10.5	10.5	2.0	/	D	D	$	$
1974	7.5	1.5	7.2	19.7	0.5	6.6	$,M			A	A
Imports 1970	7.1	1.8	1.3	17.8	1.2	51.8	A				
1974	2.0	0.8	0.6	8.7	0.3	56.0					

Table III-9 (continued)

Country, item and year	Percentage of trade taking place with: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Currency a/: Status, b/ 1970	Action c/: December 1971	Mid-1972	Second quarter 1973	Status, d/ end-1975
Singapore:											
Exports 1970	2.0	2.9	1.5	7.6	6.8	11.1	C	N	N	fl	TB
1974	1.8	2.8	1.2	11.6	3.9	14.2	$,£			$	
Imports 1970	1.2	3.4	1.2	19.4	7.6	10.8					
1974	1.1	3.3	1.1	17.8	4.7	13.2					
Sri Lanka:											
Exports 1970	0.9	4.1	2.0	3.3	22.8	7.2	£	D	fl	£	£
1974	2.1	6.3	3.2	5.0	11.4	8.2	M	fl,£	£		
Imports 1970	2.7	6.0	1.2	8.4	14.3	5.7					
1974	8.7	5.1	1.4	9.8	4.2	3.9					
Syrian Arab Republic:											
Exports 1970	5.1	2.2	21.5	7.0	0.4	0.4	X	D	D	$	$
1974	4.2	10.6	4.8	0.2	6.2	0.3	M				
Imports 1970	4.7	6.8	6.5	5.8	3.9	3.4					
1974	9.8	13.0	8.6	4.3	3.4	2.8					
Thailand:											
Exports 1970	1.0	3.6	2.0	25.5	2.1	13.5	$	D	D	S	$
1974	1.2	2.8	1.4	25.6	1.5	7.6				$	
Imports 1970	1.4	8.5	1.8	37.4	7.5	14.9					
1974	2.5	7.1	1.7	31.4	4.4	12.6					
Yemen:											
Exports 1970	0.5	-	0.1	11.8	-	-	†	N	fl	$	$
1974	3.9	2.0	7.0	15.1	2.9	4.4				A	
Imports 1970	11.9	1.1	3.3	5.7	8.5	0.7					
1974	4.4	7.0	2.3	17.9	6.9	4.3					

(Source and foot-notes on following page)

(Source and foot-notes for table III-9)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund/International Bank for Reconstruction and Development, Direction of Trade Annual Report, 1970-1974; "Developing countries faced with new policy questions with rates floating", International Monetary Fund, Survey, 2 February 1976; Annual Report, 1972 and 1973; Annual Report on Exchange Restrictions, 1973 and 1974 (Washington, D.C.); and national sources.

a/ The major currency used for intervention and reserve purposes before August 1971, or, subsequently for purposes of pegging. The currencies are: $ (United States dollar); £ (pound sterling); F (French franc); R (South African rand); P (Spanish peseta); G (gold); I (Indian rupee).

b/ C: convertible under article VIII of the IMF agreement

≠: no par value established

M: multiple rates

X: transactions were effected at other than par value of currency.

c/ N: No change in value relative to SDR

D: devalued with the dollar

D-: devalued less than the dollar

D+: devalued more than the dollar

fl: float

S: SDR

A: adjusted pegging rate.

d/ SB: basket of currencies weighted as in SDR

TB: basket of currencies weighted in accordance with the trade pattern of the country concerned.

Table III-10. Developing countries: proportion of exports to and imports from six major trading partners, 1970-1974

Country group	Share of industrial countries a/ in total exports of developing countries	Proportion of developing country exports to industrial countries going to						Share of industrial countries a/ in total imports of developing countries	Proportion of developing countries imports from industrial countries coming from					
		France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America		France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America
Total developing countries														
1970	68.3	9.0	9.1	8.5	16.1	12.4	27.1	69.4	9.1	10.9	4.7	18.2	11.5	32.6
1971	69.1	8.8	9.7	8.4	16.3	12.1	27.6	69.3	9.0	11.0	4.8	19.8	12.4	30.3
1972	69.3	9.1	9.9	7.8	16.6	10.9	28.3	68.5	9.2	11.2	5.4	19.9	11.6	29.5
1973	69.7	8.5	9.9	8.1	19.4	10.5	26.7	67.2	9.4	11.9	4.8	20.1	10.0	30.7
1974	69.8	8.9	10.0	8.7	20.0	9.4	27.9	65.5	8.6	12.4	5.2	20.4	8.2	31.8
Petroleum-exporting countries														
1970	73.1	12.8	8.8	12.5	17.6	13.5	15.2	75.1	11.8	13.6	6.8	12.7	14.1	27.9
1971	75.5	11.9	10.5	12.0	18.1	13.6	14.8	76.3	10.7	13.0	7.0	14.7	15.5	26.7
1972	75.2	12.0	10.2	10.6	20.1	11.6	15.5	75.7	9.7	13.1	7.8	16.3	14.3	25.5
1973	75.6	11.4	10.4	11.3	21.2	11.2	16.7	73.8	10.6	14.6	7.3	17.7	12.6	23.7
1974	74.0	10.2	10.4	10.8	22.5	9.9	20.7	74.7	10.7	14.7	8.1	18.3	10.2	25.4
Other developing countries														
1970	65.8	6.8	9.3	6.1	15.2	11.8	34.2	68.0	8.4	10.1	4.2	19.7	10.8	33.9
1971	65.0	6.4	9.1	5.6	15.0	10.9	37.3	67.4	8.5	10.3	4.2	21.3	11.4	31.4
1972	65.6	6.9	9.7	5.7	14.2	10.4	37.5	66.3	9.1	10.6	4.5	21.1	10.7	30.8
1973	65.8	6.3	9.6	6.4	18.0	9.9	34.2	65.3	9.0	10.9	3.9	20.9	9.2	33.1
1974	64.8	7.1	9.4	5.8	16.4	8.7	37.8	62.3	7.9	11.5	4.1	21.2	7.5	34.4

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

a/ North America, Western Europe and Japan.

Table III-11. Developing regions: distribution of trade with major partner countries, 1970-1974

Region	Share of industrial countries a/ in total exports of developing countries	Proportion of developing country exports to industrial countries going to: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America	Share of industrial countries a/ in total imports of developing countries	Proportion of developing country imports from industrial countries coming from: France	Federal Republic of Germany	Italy	Japan	United Kingdom	United States of America
Western hemisphere														
1970	74.0	3.8	10.8	7.3	8.3	8.3	42.8	74.3	5.6	11.4	3.9	7.1	8.1	49.9
1971	72.6	3.7	10.7	7.0	8.3	8.2	45.4	71.8	5.5	12.4	3.8	8.7	8.7	46.2
1972	72.6	4.4	11.5	6.6	7.7	7.4	46.1	71.7	5.9	13.0	4.3	8.7	8.2	44.6
1973	69.4	4.2	11.1	7.0	9.0	7.3	44.2	70.7	5.9	12.3	3.7	9.3	6.4	47.7
1974	70.2	3.9	9.2	6.2	8.6	6.2	53.0	66.5	4.8	12.4	3.1	11.3	4.8	49.0
Africa														
1970	64.3	19.0	11.1	9.8	9.8	17.5	12.0	65.6	27.3	12.3	7.2	7.0	16.5	13.8
1971	62.4	20.0	11.0	9.4	9.9	15.4	13.9	65.8	26.3	11.3	7.6	8.0	16.9	13.9
1972	63.8	20.6	10.8	11.2	9.2	16.0	12.1	65.7	30.0	11.6	7.9	7.6	15.1	12.1
1973	67.9	18.7	11.0	10.8	9.8	14.4	13.1	67.6	30.4	12.8	6.8	7.1	12.6	14.4
1974	66.5	20.4	12.1	11.9	9.8	12.1	12.5	66.7	25.9	14.2	7.8	7.3	10.9	14.0
West Asia														
1970	53.2	7.7	10.3	9.1	9.6	17.3	22.1	54.9	7.2	14.9	8.2	7.6	17.0	22.8
1971	53.7	6.8	12.3	10.2	7.7	14.3	23.8	52.5	8.0	15.5	7.9	6.1	16.3	25.2
1972	51.7	7.1	11.8	6.6	8.8	14.0	25.8	61.9	8.1	14.8	11.1	5.8	18.6	20.6
1973	53.0	6.9	12.4	6.8	7.8	13.5	23.0	56.7	8.6	19.8	8.7	4.7	16.9	20.3
1974	49.3	13.2	12.6	7.5	5.0	14.6	17.4	68.5	8.0	16.3	9.0	5.3	11.8	17.3
South and East Asia														
1970	60.3	2.9	6.4	2.2	26.7	11.9	38.9	65.6	3.4	7.4	2.2	38.2	10.0	29.7
1971	61.1	2.6	6.3	1.9	24.6	11.0	41.7	65.6	3.5	7.3	2.0	40.4	10.6	27.2
1972	62.2	2.9	7.4	2.2	22.9	10.3	42.3	62.5	3.4	7.2	1.8	41.2	9.7	27.9
1973	63.4	2.8	7.5	2.3	29.6	9.9	36.0	61.7	3.2	7.4	1.8	39.0	8.7	30.3
1974	61.1	3.3	8.1	2.2	28.3	9.1	36.7	58.1	2.9	7.9	1.9	39.3	7.4	31.4

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

a/ North America, Western Europe and Japan.

Table III-12. Developing countries: composition of exports, 1970-1973

Commodity category	Value of exports, f.o.b. (millions of dollars) 1970	1971	1972	1973	Percentage increase from preceding year 1970	1971	1972	1973
Total a/	54 900	62 350	75 040	108 790	13	14	20	45
Food-stuffs	13 070	13 270	15 750	20 640	12	2	19	31
Cereals	1 110	1 180	1 010	1 750	-1	6	-14	73
Raw materials	10 010	10 140	11 700	17 120	4	1	15	46
Oil-seeds	560	560	660	1 170	-10	-	18	77
Fibres	2 180	2 170	2 770	3 200	1	-1	28	16
Crude minerals . . .	425	790	970	1 370	-2	86	23	41
Metallic ores . . .	2 870	2 470	2 780	3 710	30	-14	13	34
Oils and fats . . .	760	850	940	1 330	27	12	11	42
Fuels	17 720	24 060	29 970	43 040	12	36	25	44
Chemicals	880	1 010	1 330	1 720	10	15	32	29
Machinery and transport equipment	1 420	1 860	2 790	4 600	37	31	50	65
Other manufactures . .	10 780	10 940	13 220	20 630	15	2	21	56
Textiles	1 910	2 700	2 900	4 050	9	41	7	40
Clothing	1 330	1 850	2 540	3 860	20	39	37	52
Iron and steel . . .	570	475	670	1 010	48	-17	41	51
Non-ferrous metals .	3 530	2 710	2 730	4 130	-5	-23	1	51
Other metal products	225	247	310	465	18	10	26	50

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

a/ These figures represent the sum of the commodity components and they differ slightly from figures for total developing country exports cited in other tables in this Supplement.

Table III-13. Developing countries: price indices of basic commodities, 1970-1975

(1970 = 100)

Period		Food-stuffs	Agricultural raw materials	Non-ferrous metals	Total, basic commodities a/	Crude minerals b/
1971	I	103	100	79	98	117
	II	103	101	85	99	122
	III	103	101	82	99	123
	IV	103	102	79	98	123
1972	I	118	109	85	109	136
	II	117	113	84	109	136
	III	121	113	81	111	136
	IV	129	119	79	115	135
1973	I	148	143	95	134	142
	II	167	170	116	156	153
	III	179	208	140	175	167
	IV	179	225	155	178	261
1974	I	213	253	174	192	546
	II	239	242	204	207	549
	III	256	219	144	202	552
	IV	313	199	119	223	548
1975	I	269	185	114	201	556
	II	214	177	110	169	556
	III	218	176	105	172	554
	IV	203	174	103	159	603
1976	I	213	183	108	166	604

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

a/ All primary commodities (except petroleum) plus non-ferrous metals.

b/ Including petroleum.

Table III-14. Developing countries: annual changes in export earnings and import expenditure, 1970-1975

Country group a/ whose principal export is	Exports f.o.b.					Imports c.i.f.				
	1971	1972	1973	1974	1975 b/	1971	1972	1973	1974	1975 b/
	Percentage change from preceding year									
Cereals and meat (7) . . .	3	16	57	32	-15	6	6	26	55	17
Sugar (5)	7	32	26	65	36	16	15	30	48	11
Cocoa (4)	-17	16	50	23	1	5	-21	52	60	21
Coffee (13)	-1	17	34	28	4	17	-5	23	46	2
Tea and jute (3)	-4	15	21	30	8	-3	-4	44	52	18
Cotton (8)	-1	10	28	32	3	6	1	20	100	37
Iron ore (3)	3	12	24	20	-2	4	11	26	35	2
Bauxite (3)	-1	11	3	90	13	5	10	9	43	22
Phosphates (4)	-3	35	28	98	-4	7	18	37	54	38
Copper (4)	-21	1	30	58	-32	14	1	16	53	29
Petroleum (15)	33	20	57	180	-8	17	21	44	72	51
Various (11)	4	19	56	38	-1	16	18	42	86	-4
Petroleum products (5) . .	24	9	51	156	-3	12	3	40	128	5
Manufactures (5)	15	26	56	35	-1	13	13	54	45	2

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

a/ The figures in parentheses indicate the number of countries in the group. Countries are grouped according to their exports, as follows:

Cereals and meat: Argentina, Burma, Democratic Kampuchea, Somalia, Thailand, Upper Volta, Uruguay

Sugar: Barbados, Dominican Republic, Fiji, Mauritius, Swaziland

Cocoa: Benin, Equatorial Guinea, Ghana, United Republic of Cameroon

Coffee: Angola, Burundi, Central African Republic, Colombia, Costa Rica, El Salvador, Ethiopia, Guatemala, Haiti, Kenya, Madagascar, Rwanda, Uganda

Tea and jute: Bangladesh, India, Sri Lanka

Cotton: Chad, Egypt, Mali, Mozambique, Nicaragua, Pakistan, Sudan, Syrian Arab Republic

Iron ore: Liberia, Mauritania, Sierra Leone

Bauxite: Guinea, Guyana, Jamaica

Phosphates: Jordan, Morocco, Togo, Senegal

Copper: Chile, Peru, Zaire, Zambia

Petroleum: Algeria, Bahrain, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Qatar, Saudi Arabia, Tunisia, United Arab Emirates, Venezuela

Various: Afghanistan, Bolivia, Brazil, Congo, Honduras, Ivory Coast, Malawi, Malaysia, Paraguay, Philippines, United Republic of Tanzania

Petroleum products: Bahamas, Democratic Yemen, Panama, Netherlands Antilles, Trinidad and Tobago

Manufactures: Hong Kong, Israel, Mexico, Republic of Korea, Singapore.

b/ Preliminary: in some groups 1975 rates have been computed on the basis of less than complete coverage.

Table III-15. Developing countries: balance of merchandise trade, 1970-1975

(Millions of dollars)

Country group[a/] whose principal export is	Exports f.o.b. - imports f.o.b.					
	1970	1971	1972	1973	1974	1975
Cereals and meat (6)	-234	-329	-	890	205	-1 381
Sugar (5)	-150	-195	-162	-192	-153	7
Cocoa (4)	56	-49	78	245	9	-162
Coffee (13)	21	-499	202	591	-16	289
Tea and jute (3)	-549	-771	-161	-628	-1 341	-2 184
Cotton (8)	-1 052	-1 022	-868	-989	-3 147	-4 760
Iron ore (3)	122	121	143	150	75	56
Bauxite (3)	-98	-105	-136	-201	-18	-107
Phosphates (4)	-305	-385	-328	-492	-214	-1 259
Copper (4)	1 327	358	45	650	189	-1 386
Petroleum (15)	7 164	11 281	13 225	21 890	89 900	55 976
Various (11)	547	-262	-201	944	-4 596	-4 630
Petroleum products (5)	-706	-742	-642	-750	-1 104	-1 200[b/]
Manufactures (5)	-4 117	-4 459	-3 940	-6 189	-10 393	-9 943

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

a/ For composition of country groups see table III-14. Because of lack of relevant data, Democratic Kampuchea has been omitted from this balance of trade table.

b/ Estimated.

Table III-16. Developing countries: outflow of direct investment income, 1970-1974

(Millions of dollars)

Country group[a/] whose principal export is	1970	1971	1972	1973	1974
Cereals and meat (7)	127	99	113	138	170
Sugar (4)	34	39	58	74	86
Cocoa (4)	19	27	23	26	35
Coffee (11)	216	202	219	238	287
Cotton (7)	154	118	136	155	189
Bauxite (2)	119	132	133	131	165
Phosphates (4)	34	42	54	67	68
Copper (4)	366	258	219	307	521
Petroleum (10)	3 830	5 290	6 281	10 147	26 023
Various (9)	309	349	371	579	672
Petroleum products (4)	150	125	136	195	413
Manufactures (4)	540	564	755	1 024	1 342

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.).

a/ The figures in parentheses indicate the number of countries in the group. The composition of the groups is as follows:

Cereals and meat products: Argentina, Burma, Democratic Kampuchea, Somalia, Thailand, Upper Volta, Uruguay

Sugar: Barbados, Dominican Republic, Fiji, Mauritius

Cocoa: Benin, Equatorial Guinea, Ghana, United Republic of Cameroon

Coffee: Central African Republic, Colombia, Costa Rica, El Salvador, Ethiopia, Guatemala, Haiti, Kenya, Madagascar, Rwanda, Uganda

Cotton: Chad, Egypt, Mali, Nicaragua, Pakistan, Sudan, Syrian Arab Republic

Bauxite: Guyana, Jamaica

Phosphates: Jordan, Morocco, Senegal, Togo

Copper: Chile, Peru, Zaire, Zambia

Petroleum: Ecuador, Gabon, Indonesia, Iran, Iraq, Libyan Arab Republic, Nigeria, Saudi Arabia, Tunisia, Venezuela

Various: Bolivia, Brazil, Congo, Honduras, Malawi, Malaysia, Paraguay, Philippines, United Republic of Tanzania

Petroleum products: Democratic Yemen, Netherlands Antilles, Panama, Trinidad and Tobago

Manufactures: Israel, Mexico, Republic of Korea, Singapore.

Table III-17. Developing countries: international reserves of selected export groups, 1970-1975

(Millions of dollars)

Country group[a] whose principal export is	International reserves[b] at the end of					
	1970	1971	1972	1973	1974	1975
Cereals and meat (6)	1 905	1 489	1 846	3 057	3 707	2 675
Sugar (5)	122	167	227	262	372	395
Cocoa (4)	157	149	181	276	209	196
Coffee (12)	719	713	977	1 393	1 362	1 584
Tea and jute (3)	1 144	1 351	1 380	1 373	1 541	1 579
Cotton (8)	391	431	545	1 508	1 442	1 608
Bauxite (3)	159	205	200	143	257	230
Iron ore (2)	42	46	60	94	172	91
Phosphates (4)	453	497	582	628	828	944
Copper (4)	1 425	1 074	975	1 175	1 382	858
Petroleum (15)	5 114	8 618	11 215	15 076	47 813	57 327
Various (11)	2 455	3 585	6 151	9 335	9 008	7 624
Petroleum products (5)	183	241	277	280	631	991
Manufactures (4)	2 815	3 712	4 874	6 550	6 463	7 273

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

a/ For composition of country groups see table III-14. Because of lack of relevant data, the following countries have been omitted from this table: Angola, Democratic Kampuchea, Hong Kong, Liberia.

b/ Based on the dollar value of holdings of gold, SDR, convertible foreign exchange plus the country's position in IMF.

Table III-18. Developing countries: ratio of international reserves to import expenditure, 1970-1975

Country group a/ whose principal export is	Percentage ratio of international reserves at end of year to imports during the year					
	1970	1971	1972	1973	1974	1975
Cereals and meat (6)	55	41	48	63	49	28
Sugar (5)	19	22	26	23	22	21
Cocoa (4)	21	19	25	29	15	12
Coffee (12)	28	24	33	39	25	29
Tea and jute (3)	34	41	44	30	23	20
Cotton (8)	12	13	16	37	20	17
Bauxite (3)	22	27	24	15	11	17
Iron ore (2)	24	27	32	35	47	25
Phosphates (4)	40	41	41	33	28	23
Copper (4)	54	36	32	34	26	13
Petroleum (15)	49	71	78	72	134	97
Various (11)	36	45	65	69	36	32
Petroleum products (5) . . .	8	9	10	7	7	63 b/
Manufactures (4)	31	37	43	37	24	26
Average, all developing countries	37	43	51	51	56	50

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

a/ For composition of country groups see table III-14. Because of lack of relevant data, the following countries have been omitted from this table: Angola, Democratic Kampuchea, Hong Kong, Liberia.

b/ Estimated.

Table III-19. Coffee: movements in international and domestic prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
World market prices						
Price index (1970 = 100)	100	87	98	125	132	147
Export unit value (US cents per kg)	94	83	92	115	131	...
Percentage change from preceding year		-12	10	25	14	...
Producer prices						
US cents per kg:						
Ivory Coast	38	40	44	50	62	...
Kenya	105	89	109	130	...	...
Uganda	15	17	17	17	...	...
Percentage change from preceding year: a/						
Angola	...	...	13	22	-2	...
Colombia	...	...	10	19	3	...
El Salvador	...	...	14	16	7	...
Guatemala	...	...	-2	48	14	...
Ivory Coast	...	5	8	15	25	...
Kenya	...	-15	21	19	...	...
Mexico	...	...	-21	39	32	...
Uganda	...	13	-	1	3	...
United Republic of Cameroon	...	...	10	13	9	...
Index of real price b/ (1962 = 100):						
Angola	97	77	76	76	71	...
Brazil	141	97	113	143	136	...
Colombia	105	93	97	102	96	86
El Salvador	96	95	105	115	105	171
Guatemala	119	111	108	141	139	...
Ivory Coast	95	105	102	92	90	95
Mexico	133	114	85	101	103	...
Uganda	63	57	59	47	30	26
United Republic of Cameroon	88	91	85	79	69	59

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome); Commodity Research Bureau, Inc., Commodity Yearbook, 1974 and 1975 (New York); Commonwealth Secretariat, Tropical Products Quarterly (London), December 1975, January-February 1976; and information provided by the International Coffee Organization.

a/ Calculated from producer prices in local currency, converted into United States dollars at current rates of exchange.

b/ Producer price in local currency deflated by the local consumer price index.

Table III-20. Developing countries: trends in gross domestic savings, 1970-1974

Countries a/ in which the ratio of savings to production was				
Clearly rising	Rising erratically	Without trend	Declining erratically	Clearly declining
Kuwait	Gabon	Zambia	Hong Kong	Sri Lanka
Saudi Arabia	Libyan Arab Republic	Southern Rhodesia	Malaysia	United Republic of Tanzania
Venezuela	Algeria	Argentina	Panama	Peru
Angola	Mauritania	Brazil	Zaire	Namibia
Mauritius	Singapore	Sierra Leone	Swaziland	Fiji
Iran	Thailand	Madagascar	India	Mali
Iraq	Philippines	Burma	Guyana	Israel
Nigeria	Kenya	Mozambique	El Salvador	Chad
Ivory Coast	Tunisia	Egypt	Pakistan	Comoros
Mexico	Liberia		Uganda	Democratic Kampuchea
Colombia	Republic of Korea		Uruguay	Réunion
Botswana	Lebanon		Netherlands Antilles	Cape Verde
Trinidad and Tobago	Central African Republic		Ghana	Lesotho
Morocco	United Republic of Cameroon		Sudan	
Surinam	Jamaica		Nicaragua	
Ecuador	Dominican Republic		Burundi	
Congo	Honduras		Bangladesh	
Paraguay	Indonesia		Rwanda	
Syrian Arab Republic	Chile		Somalia	
Benin	Guatemala		Gambia	
	Ethiopia		Senegal	
	Bolivia		Afghanistan	
	Niger		Republic of South Viet-Nam	
	Togo		Jordan	

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

a/ Countries are listed in descending order of average 1971-1974 savings ratio.

Table III-21. Cocoa: movements in international and domestic prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
World market prices						
Price index (1970 = 100)	100	87	99	166	251	219
Export unit value (US cents per kg)	76	62	57	85	135	...
(Index, 1970 = 100)	100	81	74	112	177	...
Producer prices						
US cents per kg:						
Brazil	50	53	49	82	118	...
Ghana	29	29	26	34	42	50
Ivory Coast	30	31	34	42	52	82
Nigeria	43	47	47	52	76	101
United Republic of Cameroon	31	32	36	42	45	57
Index of current price a/ (1970 = 100):						
Brazil	100	106	98	165	237	...
Ghana	100	100	91	116	147	174
Ivory Coast	100	104	113	141	176	275
Nigeria	100	111	111	122	179	236
United Republic of Cameroon	100	103	116	136	145	187
Index of real price b/ (1970 = 100):						
Brazil	100	104	93	142	179	...
Ghana	100	98	99	104	77	86
Ivory Coast	100	105	104	102	117	147
Nigeria	100	94	84	88	110	106
United Republic of Cameroon	100	99	96	93	92	90

Source: Centre for Development Planning, Projections and Policies of the United Nations, Monthly Bulletin of Statistics; Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome); Gill and Duffus, Cocoa Market Report, No. 268 (London, April 1976); INSEE, Le Cacao et ses derives dans les pays de la zone franc (Paris, September 1975).

a/ Based on local prices converted into United States dollars at current exchange rates.

b/ Based on local prices deflated by the local consumer price index.

Table III-22. Tea: movements in international and domestic prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
World market price						
Price index (1970 = 100)	100	101	97	100	130	133
Export unit value (US cents per kg)	93	93	95	96	111	...
(Index, 1970 = 100)	100	100	102	103	119	...
Producer prices						
US cents per kg:						
India	44	45	43	45	50	...
Kenya	46	47	47	47	57	...
Sri Lanka	30	34	30	32	40	...
Index of current price a/ (1970 = 100):						
India	100	102	99	102	113	...
Kenya	100	102	101	102	123	...
Sri Lanka	100	112	98	107	134	...
Index of real price b/ (1970 = 100):						
India	100	99	91	82	75	...
Kenya	100	98	93	84	88	...
Sri Lanka	100	110	92	96	111	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on information provided by the Statistical Office of the United Nations; Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome); Commonwealth Secretariat, Tropical Products Quarterly (London), December 1975 and January and February 1976.

a/ Based on local prices converted into United States dollars at current exchange rates.

b/ Based on local prices deflated by the local consumer price index.

Table III-23. Sugar: movements in international and producer prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
Price index in world trade (1970 = 100)	100	112	162	205	579	410
Export unit value:						
US cents per kg	12	13	15	19	39	...
Percentage change from preceding year		9	16	36	110	...
Producer price for cane						
Percentage change from preceding year						
In US cents:						
Barbados		-	13	10	155	...
Dominican Republic		-	11	23	113	5
Jamaica		...	9	4	142	...
In domestic currency, deflated: a/						
Barbados		-8	-2	-4	92	...
Dominican Republic		-4	3	7	88	-8
Jamaica		8	-	-1	92	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Monthly Bulletin of Statistics; International Monetary Fund, International Financial Statistics (Washington, D.C.); Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome); Banco Central de la Republica Dominicana, Boletin Mensual (Santo Domingo), January-March 1975 and July-September 1975.

a/ Based on local prices deflated by the local consumer price index.

Table III-24. Cotton: movements in international and producer prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
Price index in world trade (1970 = 100)	100	109	122	197	241	192
Export unit value:						
US cents per kg	63	70	77	88	129	...
Index (1970 = 100)	100	110	123	139	204	...
Producer prices						
US cents per kg:						
Lint a/						
Egypt	68	78	90	156	187	...
Sudan	71	76	89	142	190	...
Seed a/						
Nigeria	20	20	22	24	...	...
Uganda	17	18	18	19	...	...
Index in current dollars (1970 = 100):						
Egypt	100	114	132	229	274	...
Sudan	100	106	124	199	267	...
Nigeria	100	104	112	121	...	...
Uganda	100	105	105	114	...	...
Index in local currency, deflated b/ (1970 = 100):						
Egypt	100	111	126	190	203	...
Sudan	100	106	110	155	165	...
Nigeria	100	86	85	87	...	...
Uganda	100	91	94	79	...	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from the Statistical Office of the United Nations; Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome); Commodity Research Bureau, Inc., Commodity Yearbook, 1974 and 1975 (New York).

a/ 2.5-3 kilograms of cotton-seed is equivalent to 1 kilogram of ginned lint.

b/ Price in local currency deflated by the local consumer price index.

Table III-25. Developing countries with diversified exports: economic developments in 1974-1975

Country	Percentage change from previous year in: Agricultural production		Industrial production a/		Gross domestic product		Balance of trade as percentage of gross domestic product		
	1974	1975 b/	1974	1975 b/	1974	1975 b/	1973	1974	1975 b/
Bolivia	1.3	3.8	2.6	-0.4	5.7	6.8	3.2	11.7	-1.5
Brazil	8.8	0.7	7.1	3.7	9.6	4.0	-0.1	-4.7	-3.0
Honduras	-3.9	0.7	2.3	6.0	0.1	-	1.7	-9.1	-7.9
Hong Kong	...	...	...	...	1.5	-	-10.1	-12.2	-5.9
Israel	2.7	-1.1	4.7	2.2	3.3	-1.5	-26.7	-25.0	-22.1
Ivory Coast	16.7	-	...	...	6.4	2.5	6.8	10.7	1.6
Malawi	3.7	-8.0	...	...	4.2	6.1	-4.8	-7.4	-10.8
Malaysia	4.1	0.5	10.9	-0.7	6.3	3.5	11.1	5.5	5.8
Mexico	3.7	-0.7	5.7	3.8	5.9	3.9	-2.5	-3.6	-3.6
Paraguay	3.6	7.4	9.0	7.2	8.3	8.0	0.1	-1.9	-2.5
Philippines	2.8	7.1	5.7	-5.1	5.1	5.9	2.6	-3.0	-7.6
Republic of Korea . .	3.5	6.0	28.5	16.5	8.6	7.4	-4.6	-11.5	-8.4
Singapore	...	...	4.2	-2.3	6.2	4.1	-31.5	-42.8	-42.7
United Republic of Tanzania	-2.9	1.5	...	...	2.2	3.0	-4.6	-12.5	-10.7

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

a/ Manufacturing only in the case of Brazil and Singapore; including construction in the case of Mexico.

b/ Preliminary.

Table III-26. Selected developing countries:[a/] production of cereals, 1970-1974

(Millions of tons)

Country and item		1970	1971	1972	1973	1974
Argentina	Total	19.9	22.2	18.9	23.9	23.2
	Wheat	4.9	5.7	7.9	6.6	5.6
	Maize	9.4	9.9	5.9	9.7	9.9
Burma	Total	8.3	8.4	7.5	8.7	8.6
	Rice	5.3	5.3	4.8	5.6	5.5
Democratic Kampuchea	Total[b/]	4.0	2.9	2.0	1.1	0.7
Somalia	Total[c/]	0.3	0.2	0.3	0.3	0.3
Thailand	Total	15.3	16.2	13.8	17.4	15.9
	Rice	8.6	8.9	8.1	9.7	8.6
	Maize	2.0	2.3	1.3	2.3	2.4
Upper Volta	Total[d/]	1.0	0.9	0.9	0.8	0.7
Uruguay	Total	0.9	0.8	0.6	1.0	1.2
	Wheat	0.4	0.3	0.2	0.3	0.5
	Maize	0.2	0.2	0.1	0.2	0.2

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 (Rome).

a/ Countries whose major export comprises basic food-stuffs (cereals and meat).

b/ Mainly rice.

c/ Mainly maize and millet.

d/ Almost entirely millet and other sorghums.

Table III-27. Rice: national and international prices, 1970-1975

Item	1970	1971	1972	1973	1974	1975
Price index in world trade (1970 = 100)	100	98	110	200	322	231
Average export unit value:						
US cents per kg.	14	13	14	23	37	...
Index (1970 = 100)	100	91	100	163	268	...
<u>Producer prices</u>						
US cents per kg:						
Burma.	4	4	4	4	10	...
India.	7	6	8	7	11	13
Sri Lanka.	12	12	11	14	23	25
Thailand	6	4	5	10	20	...
Index (1970 = 100)						
Current prices:						
Burma.	100	103	105	119	260	...
India.	100	99	115	114	169	200
Sri Lanka.	100	98	96	119	196	206
Thailand	100	56	75	151	314	...
Constant prices: a/						
Burma.	100	103	110	89	154	...
India.	100	96	107	92	112	129
Sri Lanka.	100	102	95	116	175	183
Thailand	100	55	70	126	211	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations; "Economic and social survey of Asia and the Pacific, 1975" (E/CN.11/L.437); Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 and Monthly Bulletin of Agricultural Economic and Statistics (Rome).

a/ Prices in national currency deflated by the local consumer price index.

Table III-28. Selected developing countries: a/ net exports of cereals, b/ 1970-1974

(Thousands of tons)

Country	1970	1971	1972	1973	1974
Argentina	10 217	9 822	5 754	9 592	11 292
Guyana.	20	41	29	-10	-23
Mexico.	-740	194	-633	-1 923	-2 850
Surinam	-15	5	5	-	-5
Uruguay	60	56	81	98	159
Angola.	76	12	-9	18	-51
Kenya	76	-27	10	184	65
Malawi.	-111	-17	16	27	25
Mozambique.	-98	-110	48	-107	-119
Niger	50	52	31	4	-167
Southern Rhodesia	-30	90	137	-45	-61
Burma	615	781	507	124	204
Democratic Kampuchea.	192	-14	-109	-123	-223
Nepal	250	231	198	231	43
Pakistan.	365	-121	-579	-526	-559
Thailand.	2 437	3 449	3 907	2 193	3 547

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Trade Yearbook, 1974 (Rome).

a/ All developing countries that recorded a net export of cereals in any year in the period 1970-1974.

b/ Rice has been added in as milled (65 per cent of paddy).

Table III-29. Argentina: beef and veal production and trade, 1970-1975

(Thousands of tons, carcass weight equivalent)

Year	Production	Domestic supply	Exports: Amount	Exports: Percentage of production
1970	2 624	1 911	713	27
1971	2 001	1 544	457	23
1972	2 191	1 517	674	31
1973	2 152	1 652	500	23
1974	2 145	1 856	289	13
1975[a/]	2 500	2 235	265	11
1976[b/]	2 700	2 300	400	15

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States of America, Department of Agriculture, Foreign Agriculture Circular, Livestock and Meat (Washington, D.C.), January and July 1975 and April 1976.

a/ Preliminary.

b/ Forecast; the output is equal to the annual average achieved in 1968-1970.

Table III-30. Developing countries: instability in food production, 1970-1975

Year	Countries in which food production was less than in the preceding year			
	Number	Percentage of total[a/]	Population affected[b/]	
			Millions	Percentage
1971	28	31	400	22
1972	42	47	1 200	67
1973	33	37	342	19
1974	22	24	841	47
1975	19	21	119	7

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, *Monthly Bulletin of Statistics*; and Food and Agriculture Organization of the United Nations, *Monthly Bulletin of Agricultural Economics and Statistics* (Rome).

a/ Ninety developing countries for which food production indices are available.

b/ Based on mid-1973 estimates.

Table III-31. Developing countries: distribution according to growth in food production, 1970-1975
(Percentage of countries)

Average annual change in food production	Average 1970-1971 Countries	1970-1971 Population	1970-1972 Countries	1970-1972 Population	1970-1973 Countries	1970-1973 Population	1970-1974 Countries	1970-1974 Population	1970-1975 Countries	1970-1975 Population
Negative	31	22	31	47	28	13	22	44	20	8
0-0.9	9	38	17	13	13	10	11	7	8	6
1.0-1.9	7	3	4	5	12	44	18	15	20	46
2.0-2.9	10	4	16	18	17	14	13	5	18	10
3.0-3.9	10	5	8	4	8	6	10	13	11	11
4.0-4.9	6	10	6	8	8	8	10	12	12	17
5 and over	28	18	19	4	14	6	16	4	11	3

Source: See table III-30.

Table III-32. Food: self-sufficiency ratio[a/] in developing regions, 1970-1972

(Percentage)

Region	Food[b/]			Cereals			
	1970	1971	1972	Average 1961-1963	1970	1971	1972
Central America	108	99	100	98	100	102	95
Caribbean[c/]	...	...	...	44	39	38	38
South America	119	118	113	113	114	113	108
North-East Africa[d/] . . .	88	88	87	86	84	84	83
North-West Africa[e/] . . .	100	96	100	86	85	86	95
West Africa	85	84	81	98	97	88	89
Central Africa	...	...	...	95	88	85	80
East Africa	95	103	...	99	95	94	98
Southern Africa[f/]	92	100	92	82	67	78	63
West Asia	87	87	95	94	87	84	97
South Asia	102	95	92	96	101	94	92
East and South-East Asia.	112	112	103	101	96	95	89

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, "Self-sufficiency in food and food commodities" (C75/LIM/1, October 1975).

a/ Indigenous production divided by apparent domestic consumption.

b/ Excluding fish and alcoholic beverages, calculated in calories.

c/ Barbados, Cuba, Dominican Republic, Haiti, Jamaica.

d/ Egypt, Libyan Arab Republic, Sudan.

e/ Food of vegetable origin only; Algeria, Morocco, Tunisia.

f/ Food of vegetable origin only; Botswana, Lesotho, Swaziland.

Table III-33. Cereal-importing developing countries: a/ production and imports of cereals, b/ 1970-1974

Item	1970	1971	1972	1973	1974
Production					
(millions of tons)	309.6	305.7	305.3	316.8	317.0
Net imports					
(millions of tons)	27.8	31.7	31.2	42.7	44.5
(millions of dollars)	2 391	2 757	2 680	5 358	9 253
Total supply					
(millions of tons)	337.4	337.4	336.5	359.5	361.5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Production Yearbook, 1974 and Trade Yearbook, 1974 (Rome).

a/ All developing countries other than Argentina, Burma, Nepal, Thailand and Uruguay which were net cereal exporters throughout the period.

b/ Including rice measured as milled (65 per cent of paddy).

Table III-34. Selected developing countries: a/ actions affecting food crops, 1973-1974

Country	Date	Crop	Type of action
Bangladesh	1974	Cereals	Establishment of fair price shops and a government procurement system
Brazil	1974	Wheat	Producer price increased from $84 to $190 per ton
		Milk	Producer price increased 47 per cent
Chile	1974	Cereals	System of guaranteed minimum prices introduced
Colombia	1974	Food crops	Periodic adjustment in support prices
Costa Rica	1974	Food	Farm prices to be raised to world levels in the interest of increasing food production
Ecuador	1974	Basic foods	Support prices raised: maize by 17 per cent, rice by 42 per cent
Ghana	1973	Grain	Grain Development Board installed 30 rubber silos (31,000-ton capacity) and 50 aluminium silos (1,500-ton capacity)
		Rice	Price raised from $30.3 to $36.5 per 240 pounds
	1974/75	Food crops	Fiscal incentive to use blocked dividends for investment in local agriculture
Guatemala	1974	Basic foods	Guaranteed minimum prices introduced for maize, rice, sorghum and beans. Duties waived on fertilizer imports
India	1973/74	Cereals	Procurement price for rice raised 28 per cent. Traders required to sell half their wheat purchases to the Indian Food Corporation at $140 per ton
Ivory Coast	1974/75	Rice	Support price for first-grade paddy raised from 5.3 cents to 14.2 cents per pound

Table III-34 (continued)

Country	Date	Crop	Type of action
Kenya	1973 1974 1975	Cereal crops	Agricultural Finance Corporation raised guaranteed minimum return per acre: KSh 180 in 1973, KSh 250 in 1974 and KSh 350 in 1975
Madagascar	1973	Rice	Government monopoly created; price raised 6 per cent
	1974	Cereals	Maize price raised 15 per cent; paddy price raised to 12 cents per kilogram
Malaysia	1973	Rice	Government extended control over marketing
Mexico	1974	Cereals	Support prices raised: wheat to $2.61 per bushel, maize to $2.64 per bushel. Fertilizer provided at one third current world price
Morocco	1974	Cereals	Producer prices of wheat, barley and maize raised by 15-33 per cent
Nicaragua	1974	Basic foods	Guaranteed minimum prices introduced for maize, rice, sorghum and beans
Nigeria	1973	Food crops	Nigerian Produce Marketing Company created to fix farm prices and handle domestic sales, using the marketing boards as agents
Philippines	1973	Rice	$56 million credit on concessional terms to support high-yield rice project
Republic of Korea	1973	Rice	Procurement price raised from $309 to $344 per ton milled
Sierra Leone	1974	Rice	Guaranteed price raised from $3.84 to $6.00 per bushel
Sri Lanka	1973	Rice	Guaranteed price raised from 18 rupees to 25 rupees per bushel

Table III-34 (continued)

Country	Date	Crop	Type of action
Trinidad and Tobago	1974	Food crops	Central Marketing Agency fixed minimum producer prices for 27 food crops; fertilizer subsidy increased
Zaire	1974	Food crops	Creation of an agricultural stabilization fund and seven new marketing boards. Customs duties on agricultural inputs reduced
Zambia	1974	Cereals	National Agricultural Marketing Board raised rice price to three times the 1972 level; maize price below 1973 level

Source: Centre for Development Planning, Projections and Policies based on United States of America, Department of Agriculture, Foreign Agriculture, various issues, The Agricultural Situation in Africa and West Asia, The Agricultural Situation in the Far East and Oceania, The Agricultural Situation in the Western Hemisphere, 1973 and 1974 issues (Washington, D.C.); press reports and national sources.

a/ Selected to illustrate the nature of policy adjustments in the food production sector.

Table III-35. Developing countries: changes in retail food prices, a/ 1970-1975

	Number of countries in which in				
	1971	1972	1973	1974	1975
Food prices declined	15	9	2	2	7
Food prices rose by:					
Less than 5 per cent	27	19	2	4	11
5-9.9 per cent	25	25	11	9	17
10-14.9 per cent	10	16	21	10	16
15-19.9 per cent	3	3	14	20	14
20-29.9 per cent	5	8	15	22	11
30-39.9 per cent	1	2	15	11	6
40 per cent and over	2	6	8	10	6
Total	88	88	88	88	88
Changes in food prices accelerated b/ . . .		54	62	48	24
Changes in food prices were more or less the same as in the preceding year		11	9	9	3
Changes in food prices decelerated c/ . . .		23	17	31	61

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

a/ Based on movement in the food component of the consumer price index between successive December or last quarter averages, except in a few cases in which the comparison is between annual averages.

b/ Including the changes from decline to increase.

c/ Including the changes from increase to decline as well as continued decline.

Table III-36. Developing countries: distribution according to movement in food prices, 1970-1975

Rate of increase in food prices in 1975	Countries[a/] in which the average annual rate of increase in food prices between 1970 and 1975 was				
	Less than 5 per cent	5.0-9.9 per cent	10.0-14.9 per cent	15.0-19.9 per cent	20.0 per cent and over
Less than 5 per cent		Malaysia Panama Lebanon Sri Lanka Hong Kong Bahamas	India Singapore Madagascar Iran New Caledonia Thailand Guatemala Papua New Guinea	United Republic of Tanzania	Bangladesh Philippines Bolivia
5.0-9.9 per cent	Libyan Arab Republic	Somalia Congo Morocco Chad Iraq Surinam Venezuela Ivory Coast Honduras	French Guiana Tonga Guyana Mauritania Mozambique Reunion	Sudan	
10.0-14.9 per cent		Swaziland Botswana Egypt Tunisia Southern Rhodesia	Mexico United Republic of Cameroon Fiji Martinique Paraguay Mauritius Guadeloupe Burundi	Trinidad and Tobago Pakistan Kuwait	Barbados
15.0-19.9 per cent	Ethiopia	Zambia Niger El Salvador Kenya	Togo Dominican Republic Haiti	Jamaica Ecuador Netherlands Antilles Senegal Jordan	Seychelles Colombia
20.0-29.9 per cent		Gabon	Costa Rica Liberia Syrian Arab Republic Malawi Sierra Leone Nepal		Israel Indonesia Uganda Brazil
30.0 per cent and over			Peru Gambia	Zaire Republic of Korea Burma Nigeria	Republic of South Viet-Nam Ghana Uruguay Lao People's Democratic Republic Chile Argentina
Total, 90 countries	2	25	33	14	16

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

a/ Countries are listed in increasing order of the 1975 rise in food prices.

Table III-37. Selected petroleum-exporting countries: tax-paid costs and buy-back prices, 1975

(Dollars per barrel)

Period	Indonesia	Kuwait		Nigeria		Saudi Arabia		Venezuela
	Equity/buy-back price	Tax-paid cost	Buy-back price	Tax-paid cost	Buy-back price	Tax-paid cost	Buy-back price	Equity/buy-back price
1973								
January .	2.04	1.60	...	2.34	...	1.62	2.41	2.22
August . .	2.54	1.81	...	2.78	...	1.90	2.85	2.92
October .	3.21	2.95	...	4.92	7.73	3.15	4.76	3.41
1974								
January .	8.13	7.03	10.85	9.11	13.25	7.11	10.84	9.17
June . . .	8.91	7.03	10.85	9.11	13.09	7.19	10.84	9.17
December .	9.69	7.99	10.15	10.07	12.50	9.93	10.68	9.92
1975								
February .	9.69	10.15		11.31	11.79	9.93	10.46	10.30
October .	10.65	11.18		12.18 a/	12.75 a/	10.73	11.33	15.17 b/

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Monthly Energy Review (Washington, D.C.), June 1975; Petroleum Economist (London), April 1975 and March 1976.

a/ January 1976.

b/ Tax reference price.

Table III-38. Selected petroleum-exporting countries: budgetary revenue, 1972-1975

Country	Total receipts (millions of dollars)					Percentage change from preceding year			
	1971	1972	1973	1974	1975	1972	1973	1974	1975
Algeria	1 504	2 020	2 631	5 854	5 569	34	30	122	-5
Ecuador	189	256	371	660	686	35	45	78	4
Gabon	88	112	147	203	707	27	31	38	249
Indonesia . . .	1 421	1 770	2 806	4 767	6 617	24	59	70	39
Iran	3 459	3 988	6 139	20 614	26 078	16	54	236	26
Iraq	1 508	1 745	2 263	6 169	7 902	16	30	173	28
Kuwait	1 077	1 667	1 926	3 274	5 989	55	16	70	83
Libyan Arab Republic . .	1 783	1 821	2 465	...	...	2	35	...	...
Nigeria	1 832	2 117	2 403	7 205	...	15	14	200	...
Qatar	258	392	431	1 380	1 750	52	10	220	27
Saudi Arabia .	2 403	3 184	6 163	27 675	27 248	32	73	331	-1
United Arab Emirates . .	...	46	127	425	...	...	155	232	...
Venezuela . . .	2 694	2 852	3 818	9 988	9 463	6	31	160	-5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Statistical Yearbook, 1974; International Monetary Fund, IMF Survey (Washington, D.C.), August 1974; Middle East Economic Digest, Ltd., MEED (London), 5 September 1975 and 17 October 1975; The Economist Intelligence Unit, Quarterly Economic Review, Iran, Annual Supplement, 1975 and Iraq, 5 September 1975 (London); The Financial Times (London), 25 February 1975; Banques des Etats de l'Afrique centrale, Etudes et statistiques bulletin mensuel (Limoges), 21 avril 1975; Libyan Arab Republic, Ministry of Economics, Economic Trends, Problems and Policies (Tripoli), February 1976 (in Arabic); Central Bank of Nigeria, Annual Report and Statement of Accounts for the Year ended 31 December 1974 (Lagos); Saudi Arabia, Monetary Agency, Statistical Summary, 1974/75 (Jeddah); Banco Central de Venezuela, Revista del Banco Central de Venezuela (Caracas), enero-junio 1975.

Table III-39. Members of OPEC: deployment of external surpluses, 1974-1975

(Billions of dollars)

Use of funds	1974 First half	1974 Second half	1975 First half	1975 Second half
In United Kingdom, total . .	10.0	11.0	2.8	1.5
Government stocks.	0.5	0.4	0.3	0.1
Treasury bills	1.1	1.6	0.2	-1.1
Sterling deposits.	0.6	1.1	-0.1	0.3
Investments.	0.3	0.4	0.1	0.2
Foreign currency deposits	7.0	6.8	2.1	2.0
Other foreign currency lending.	0.5	0.7	0.2	-
In United States of America, total.	3.4	7.6	2.1	4.0
Government securities. . .	1.9	4.1	1.7	1.9
Bank deposits.	1.4	2.6	-0.7	0.7
Investments.	0.1	0.9	1.1	1.4
Other countries, total . . .	8.6	12.3	10.2	6.9
Foreign currency deposits	5.0	4.0	4.0	1.0
Loans and investments. . .	3.6	8.3	6.2	5.9
International organizations	0.5	3.0	2.1	1.9
All destinations	22.5	33.9	17.2	14.3

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Bank of England, Quarterly Bulletin (London), March 1976.

Table III-40. Petroleum-importing developing countries: production of energy, 1970-1975

Fuel and country	Production in 1970	Percentage increase from previous year				
		1971	1972	1973	1974	1975
Coal[a/]						
Afghanistan	0.2	-17.7	0.7	-	2.9	-
Argentina	0.6	2.6	6.8	-33.2	38.8	-4.2
Brazil	2.4	5.8	-	-8.1	12.5	-7.0
Chile	1.3	10.8	-12.2	-2.2	11.8	10.3
India	73.7	-2.5	5.3	2.1	8.6	13.0
Mexico	3.0	18.7	2.8	18.0	21.2	0.7
Morocco	0.4	9.7	15.2	3.3	1.6	16.7
Mozambique	0.4	-6.3	2.1	17.3	8.1	17.4
Pakistan	1.3	0.2	-5.0	-7.2	29.2	-26.7
Peru	0.2	-34.0	-17.5	-	-	-
Republic of Korea	12.4	3.2	-3.0	9.4	12.7	14.4
Southern Rhodesia	3.2	-2.5	-10.7	10.8	14.4	-
Swaziland	0.1	8.7	-4.7	-2.1	...	...
Zaire	0.1	9.8	14.3	-10.2	-23.5	-31.8
Zambia	0.6	20.3	15.3	0.4	-13.8	4.3
Natural gas[b/]						
Afghanistan	2.6	2.0	9.8	7.6	2.7	-
Argentina	6.0	8.0	-3.2	7.0	7.6	8.7
Brazil	0.2	2.2	2.1	5.8	96.1	12.4
Chile	2.3	43.6	12.3	-0.3	-6.4	8.1
India	0.5	16.4	12.0	-3.3	16.6	50.6
Israel	0.1	-7.5	-	-56.5	22.2	-9.1
Mexico	11.7	-1.0	3.9	9.0	6.5	8.4
Pakistan	3.5	-0.3	9.2	15.9	4.5	8.7
Peru	0.5	0.8	1.3	4.9	3.9	3.8
Petroleum[c/]						
Argentina	20.0	7.7	2.6	-3.0	-1.6	-4.0
Brazil	7.8	3.8	-1.9	1.4	4.2	-0.3
Burma	0.8	9.2	10.6	-	-8.3	16.0
Chile	1.6	3.6	-2.8	-7.6	-12.0	-9.2
Cuba	0.2	-24.5	-6.7	23.2	1.4	7.1
India	6.8	5.5	2.6	-2.4	4.1	10.1
Israel	4.6	36.8	-1.5	-8.4	6.9	-7.9
Mexico	21.5	-4.0	3.5	4.9	27.1	19.2
Pakistan	0.5	-7.8	-1.5	-10.1	5.6	-10.9
Peru	3.6	-14.0	4.9	8.7	7.9	-2.7

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Monthly Bulletin of Statistics and World Energy Supplies, 1950-1974 (United Nations publication, Sales No. E.76.XVII.5).

a/ Production in millions of tons. Small quantities of coal are also produced in Botswana, Burma, the Philippines and the United Republic of Tanzania.

b/ Production in millions of cubic metres. Small quantities of natural gas are also produced in Barbados, Burma, Morocco and Rwanda.

c/ Production of crude petroleum in millions of tons. Small quantities of crude petroleum are also produced in Morocco and Thailand.

Table III-41. Developing countries: consumption of commercial energy, 1970-1974

Country group and item	1970	1971	1972	1973	1974
<u>All developing countries</u>					
Millions of tons coal-equivalent . . .	578	618	659	713	752
Index, 1970 = 100	100	107	114	124	130
Major petroleum exporters: a/					
Millions of tons coal-equivalent . . .	103	110	121	136	151
Index, 1970 = 100	100	107	118	133	148
Other petroleum exporters: b/					
Millions of tons coal-equivalent . . .	45	47	51	54	56
Index, 1970 = 100	100	105	113	120	125
Net importers of petroleum:					
Millions of tons coal-equivalent . . .	430	461	487	522	545
Index, 1970 = 100	100	107	113	121	126

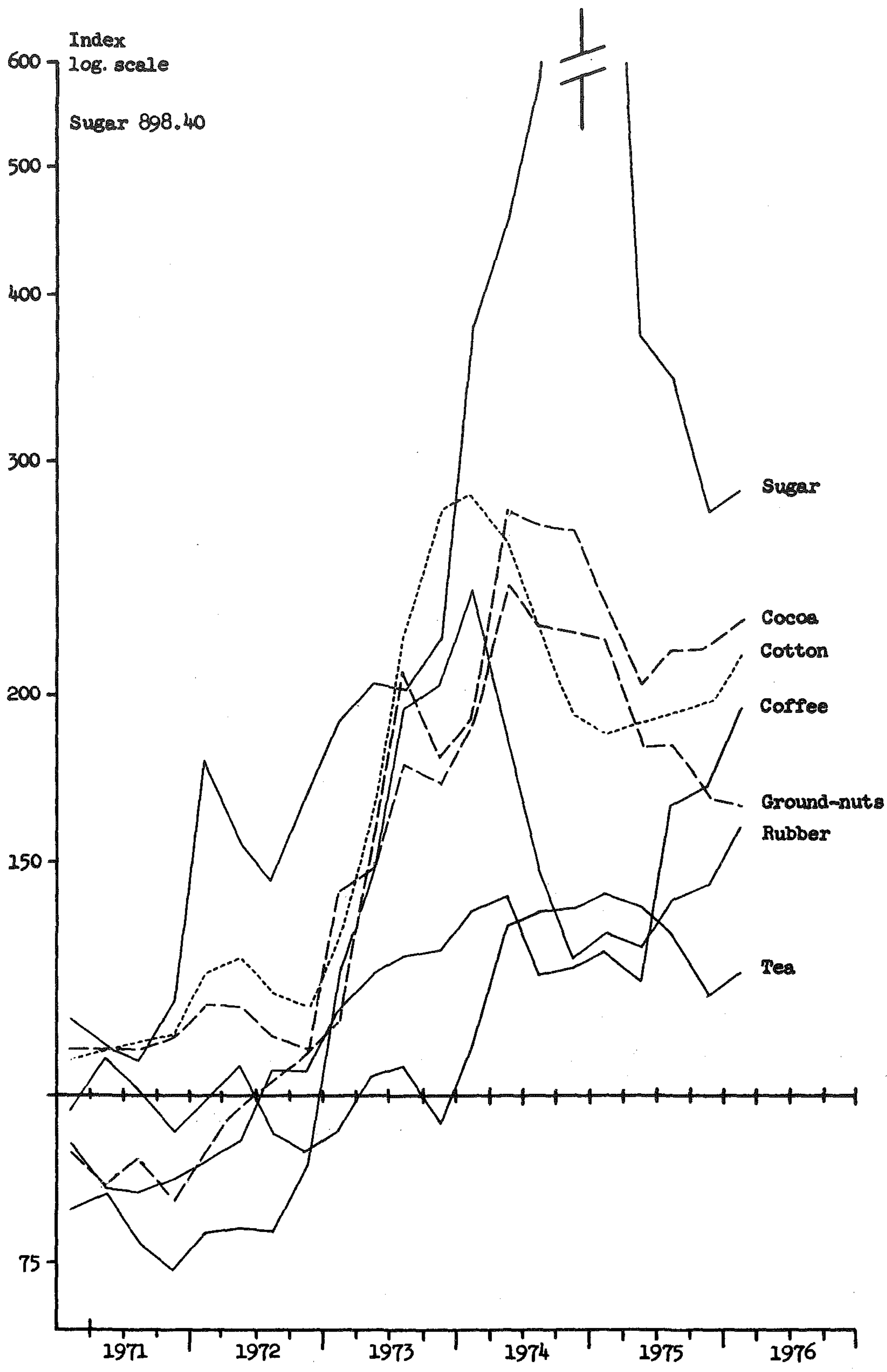
<u>Source</u>: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, <u>World Energy Supplies, 1950-1974</u> (United Nations publication, Sales No. E.76.XVII.5).

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

b/ Angola, Bahamas, Bolivia, Brunei, Colombia, Congo. Democratic Yemen, Egypt, Malaysia, Netherlands Antilles, Oman, Singapore, Syrian Arab Republic, Trinidad and Tobago.

Figure III-1. Price indices of selected tropical products in international trade, 1971-1976

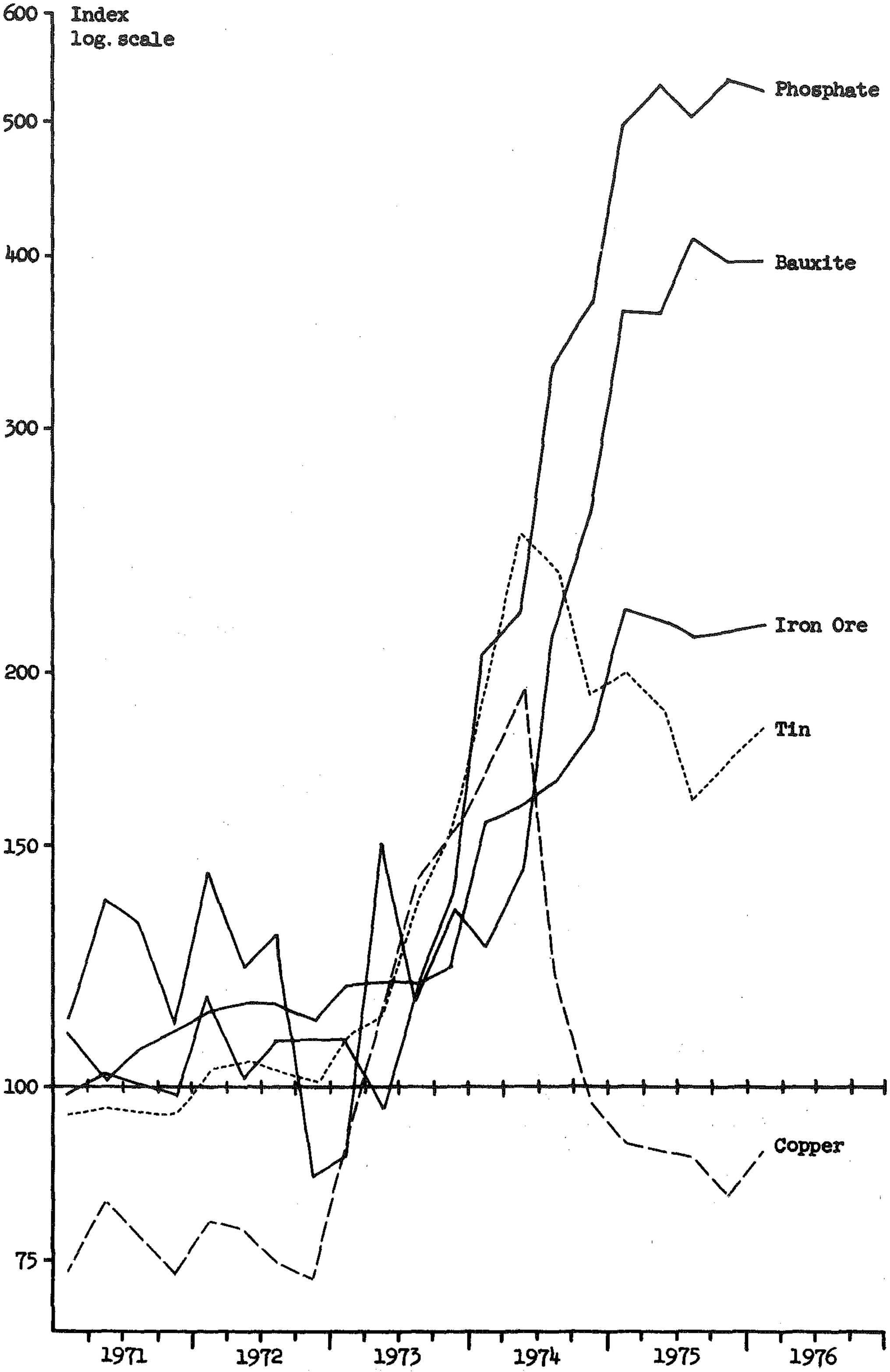
(1970=100)



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

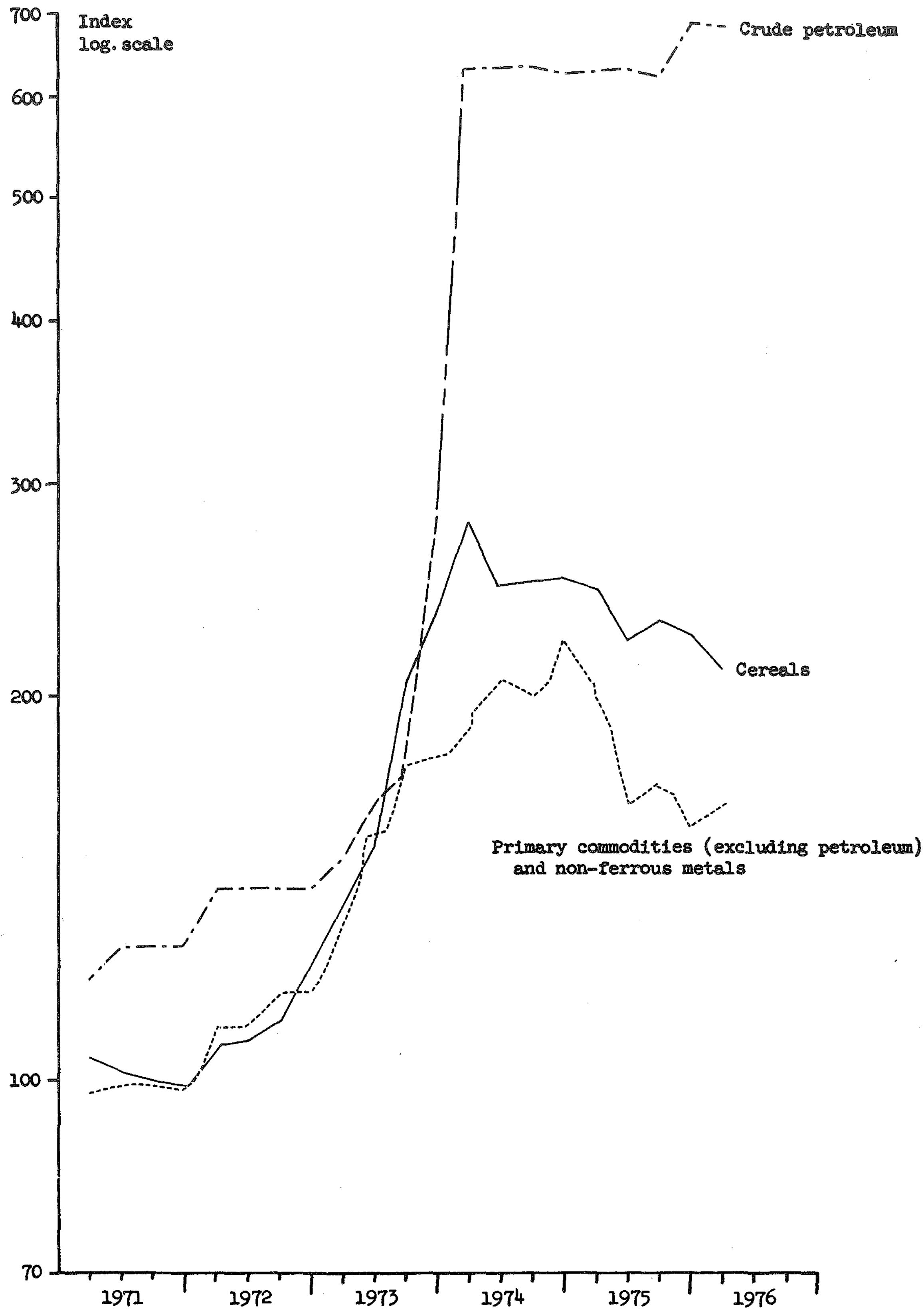
Figure III-2. Price indices of selected mineral products in international trade, 1971-1976

(1970=100)



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

Figure III-3. Price indices of basic commodities, 1971-1975
(1970=100)



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