Department of Economic and Social Affairs

CURRENT ECONOMIC DEVELOPMENTS

World Economic Survey 1967 — Part Two

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NOTE

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

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FOREWORD

Part Two of the *World Economic Survey, 1967* deals with the salient features of current world economic developments. Chapter I provides a broad review of world production and trade as well as the principal developments in the three major groups of countries of the world—the developed market economies, the centrally planned economies and the developing countries. Chapter II analyses recent international monetary and trade developments including, *inter alia*, the devaluation of sterling, reform of the international monetary system, implications of the Kennedy Round and trends in regional integration. Chapter III deals with changes in the methods of planning and management in the Union of Soviet Socialist Republics and eastern Europe.

The survey of the current situation of the world economy incorporates information provided by Governments in response to the Secretary-General's questionnaire on economic trends, problems and policies, circulated in December 1967. The data presented in the *Survey* are those available to the Secretariat in May 1968.

For purposes of this report, the developed market economies comprise North America, western Europe, Oceania, Japan and South Africa; the centrally planned economies comprise eastern Europe, the Union of Soviet Socialist Republics and mainland China, and the developing countries comprise Latin America, the West Indies, Africa, West Asia and southern and south-eastern Asia. Where, because of statistical exigencies, it has been necessary to depart from these definitions of coverage, the nature of the deviation has been noted.

The *Survey* is prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat.

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Explanatory notes

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

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

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

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

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

A full stop (.) is used to indicate decimals

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

A slash (/) indicates a crop year or financial year, e.g., 1960/61

Use of a hyphen (-) between dates representing years, e.g., 1961-1963, signifies the full period involved, including the beginning and end years.

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

The term "billion" signifies a thousand million.

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

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

The following abbreviations have been used:

CACM	Central American Common Market
CMEA	Council for Mutual Economic Assistance
EEC	European Economic Community
EFTA	European Free Trade Association
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
LAFTA	Latin American Free Trade Association
OECD	Organisation for Economic Co-operation and Development
SDR	Special drawing rights

Where statistical presentation has rendered it necessary, the term "South Africa" has been used to designate the Republic of South Africa, Botswana, Lesotho, Namibia and the High Commission territory of Swaziland.

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

Chapter I

RECENT DEVELOPMENTS IN THE WORLD ECONOMY

Summary of recent developments

The pace of growth

In terms of world output the year 1967 saw a mixed performance. The over-all rate of growth receded from nearly 5 per cent between 1965 and 1966 to about 4 per cent between 1966 and 1967. World industrial production slowed down rather sharply—from a gain of 7 per cent to one of 4.5 per cent—reflecting the sluggish conditions in the major developed market economies. Agricultural production registered a considerable increase, however, in the wake of favourable weather in some of the principal developing countries (table 1).

The general deceleration in world growth was magnified in trade developments. The growth of world exports between 1966 and 1967 was less than 5 per cent, not much more than half the rate achieved in the previous interval (table 2).

For the developed market economies the slowdown in the over-all rate of economic growth represented a continuation of the braking process—following periods of rapid growth in the early 1960's—with its restraining policies for restoring external or internal balance. The major exception to this pattern was Japan where economic activities had accelerated since 1965.

There were signs of a resumption of faster growth in the developed market economies in the latter part of 1967 and early 1968, especially in the Federal Republic of Germany and the United States, where deceleration between 1966 and 1967 had been marked.

Although the export receipts and industrial activity of the developing countries were unfavourably affected by the slowdown in the developed market economies, a dramatic improvement in the harvests in southern and south-eastern Asia raised the rate

Table 1. World production: annual growth rates, by country group, 1964-1967
(Percentage change from preceding year)

Item and country group	*1964*	*1965*	*1966*	*1967*[a]
Gross domestic product at constant prices				
World[b]	6	5	5	4
Developed market economies[c]	6	5	5	3
Centrally planned economies[d,e]	8	7	8	7
Developing countries[f]	5	4	3	5
Industrial production				
World[b]	8	7	7	4.5
Developed market economies[c]	8	6	7	2
Centrally planned economies[e,g]	8	9	8	10
Developing countries[f]	9	7	5	4
Agricultural production				
World[b]	3	1	3	4
Developed market economies[c]	4	1	5	2
Centrally planned economies[e,g]	11	2	9	1
Developing countries[f]	2	2	—1	8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on estimates of the Statistical Office of the United Nations and United States Department of Agriculture and other national sources.

[a] Preliminary, based on incomplete coverage.

[b] Average of the groups listed.

[c] North America, western Europe, Australia, Japan, New Zealand, South Africa.

[d] Net material product.

[e] Eastern Europe (other than Yugoslavia) and Soviet Union.

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

[g] Based on gross values.

Table 2. World trade in 1967 and rate of increase, by country group, 1963-1967

(Billions of dollars; percentage)

Country group and item	Exports to: Developed market economies[a]	Centrally planned economies[b]	Developing countries[c]	World[d, e]
Developed market economies[a]				
Value in 1967	112	6	30	149
Percentage change from preceding year:				
1963	11	10	5	9
1964	16	23	13	14
1965	10	8	7	9
1966	10	15	9	10
1967	6	9	3	6
Centrally planned economies[b]				
Value in 1967	6	15	3	25
Percentage change from preceding year:				
1963	13	6	18	8
1964	16	7	7	8
1965	14	4	11	7
1966	20	1	9	6
1967	5	9	3	7
Developing countries[c]				
Value in 1967	29	2	8	40
Percentage change from preceding year:				
1963	10	7	7	10
1964	9	16	9	10
1965	5	23	4	5
1966	8	—2	5	7
1967	3	—4	1	2
World[d, e]				
Value in 1967	147	24	42	214
Percentage change from preceding year:				
1963	11	7	7	9
1964	15	11	12	12
1965	9	7	7	8
1966	10	4	8	9
1967	6	7	2	5

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

Note: Because of lack of information on origin and destination of all trade, and minor differences in geographical coverage, the figures in this table do not always conform precisely with those indicated elsewhere in this *Survey*.

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

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

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

[d] Excluding trade among mainland China, Mongolia, North Korea and North Viet-Nam.

[e] Special category exports from the United States are included in exports to the world, but are not included in exports to any of the regions.

of over-all growth in these countries to about 5 per cent between 1966 and 1967. In contrast to the experience in earlier years, this rate exceeded that achieved by the developed market economies.

In the European centrally planned economies, the rate of growth between 1966 and 1967 was slightly lower than that recorded in the previous years but it surpassed the planned target. This growth reflected an acceleration in industrial growth combined with a deceleration in agricultural growth. The performance of agriculture in 1967 was, nevertheless, satisfactory since it followed an excellent harvest in the previous year and the sector continued to exert a favourable impact on the economy as a whole. In mainland China, activities associated with the "cultural revolution" tended to disrupt operations in industry and communications, although in 1967 grain output was 10 per cent higher than in the previous year.

Preliminary data and projections[1] suggest that the rate of world growth between 1967 and 1968 is likely to be somewhat higher than that between 1966 and 1967, especially in the developed market economies as a group. The signs of renewed upswing have been clearest in the countries in which the slowdown in 1967 was most pronounced. There has already been a sharp recovery in the Federal Republic of Germany. Even in the United Kingdom, where policies of restraint have continued to be severe, the rate of growth is almost certain to increase. A faster pace of growth in the United States is also apparent, though the recently enacted 10 per cent surtax, combined with large cuts in the budget, will tend to hold down the rate of increase. In France, earlier expectations of a faster pace of growth for 1968 have not been materially revised downwards.

In the centrally planned economies the planned growth rates of national income for 1968 are very similar to the actual achievement of the previous year. Most of the countries are expecting a higher increase of agricultural output, under normal climatic conditions, and a small deceleration in industrial growth as compared with 1967.

The combination of better prospects in the world market as well as the good agricultural performance in 1967/68 should place the developing countries as a group in a better position than they were in 1967. The food situation is likely to be much easier and the combination of higher agricultural output and improved export earnings should facilitate a recovery in industrial production and in investment.

The pattern of world production and trade[2]

World industrial production increased by 4.5 per cent between 1966 and 1967 as compared with 7 per cent between 1965 and 1966. The deceleration reflected mainly the slowdown in the market economies, especially in the more developed among them (table 1). In the centrally planned economies the growth of industrial production accelerated to almost 10 per cent from 8 per cent.

The deceleration in the market economies was accompanied by a shift in the pattern of production. This was most pronounced in manufacturing. The pace of expansion slowed only moderately in mining. Among the various branches of manufacturing, although the slowdown was general, clothing and textiles, wood and basic metals registered the poorest performance, especially in industrialized countries. In contrast, the expansion of food and other light industries in the centrally planned economies was very rapid, reflecting a growing attention to the raising of consumption levels.

While the pace of world industrial expansion was dominated by trends in the developed market economies, the acceleration in the rate of world agricultural expansion from 3 per cent between 1965 and 1966 to 4 per cent between 1966 and 1967 resulted chiefly from the performance of the developing countries. For the first time in the Development Decade, the annual rate of increase in world agricultural production approached that of industry. Moreover, the rise in food production outpaced the rise in population, especially in countries with relatively low levels of *per capita* consumption. Large increases in the output of rice, maize, coffee and jute were only partially offset by declines in wheat, oats, cocoa and hard fibres.

The world production of unmilled rice in 1967/68 rose by 9 per cent over the reduced crop level of 1966/67. Substantial increases were achieved by most of the major producing countries (India, Japan, Pakistan, United Arab Republic) despite less favourable conditions in some exporting countries in Asia. Record yields per acre are being reported from many countries, reflecting significant increases in the use of high-yield seeds, along with fertilizers. World maize production increased by 10 per cent between 1966 and 1967. Record crops were reported from Argentina, Brazil, Mexico, South Africa and United States.

The coffee output of 1967/68 is estimated to be about 10 per cent higher than the low figure of 1966/67. Large increases are expected for Brazil, Ivory Coast and Indonesia. Colombia, the second largest producing country, is expected to produce the same amount as in 1966/67.

World production of jute, which has been rising steadily, increased by about 10 per cent between 1966 and 1967. Offsetting these major increases were reductions in the production of wheat, oats, cocoa and hard fibres. Wheat output in 1967 dropped about 3 percentage points from the level of 1966 despite major increases in Europe, Asia and South America. In North America, notwithstanding a 12 per cent increase in acreage, adverse weather in Canada and, to a less extent, in the United States kept crops below the preceding year's record level. Wheat output of the Soviet Union—producer of nearly one-fourth of the world crop—was above average but substantially below the record level of 1966.

The 1967/1968 world cocoa-bean crop is estimated to be slightly below that of the previous season. The increase in the Ghanaian output is expected to be offset by decreases in the production of Brazil, Ivory Coast and Nigeria.

[1] Based in part on replies received from Governments to the United Nations questionnaire of December 1967 on economic trends, problems and policies.

[2] For background information, see tables 11 to 22 in the annex.

The deceleration in world trade between 1966 and 1967 was even more marked than that of output. Total trade in 1967 reached a level of $214 billion, a 5 per cent increase over that of 1966, compared with a 9 per cent rise between 1965 and 1966. While this deceleration was widespread among various groups of countries, the centrally planned economies were an exception, in the wake of a significant increase in intra-trade.

The acceleration of trade of the developed market economies also reflected the predominance of intra-trade and the slowing down in the pace of domestic activities in these countries. By contrast, the trade of Australia, New Zealand, South Africa and Japan expanded at a very rapid rate between 1966 and 1967.

The slackening of trade of the developing countries was sharper than that of the developed market economies. This again reflects the slowdown in economic activity in the latter. However, despite the increase in production in the centrally planned economies their imports from the developing countries were smaller than in 1966.

The acceleration in the trade of the centrally planned economies was greater for imports than for exports. The growth in exports was unfavourably affected by the slowdown in economic activity in the developed market economies while imports from them were less affected. Trade of mainland China was sluggish; its exports to the world suffered an absolute decline in 1967, reflecting principally a reduction in shipments to south-eastern Asia.

Policy problems raised by the slowdown in the developed market economies[3]

Among the policy problems highlighted by the slowdown in the developed market economies is the relationship between domestic activity and external balance. With a few crucial exceptions, deceleration in a country's economy has again been associated with an improvement in the trade balance and *vice versa*. The most conspicuous examples in 1967 were the sharp increases in the payments surplus of the Federal Republic of Germany and in the deficit of Japan. At the same time, the need to improve the external account of the United Kingdom and the United States has drawn attention to the inadequacy of a short-term counter-cyclical policy in dealing with persistent payments problems. To the extent that the beneficial payments impact of a slowdown derives from the running down of stocks and thus imports, the effect is likely to be short-lived. As soon as revival sets in, stocks have to be replenished and the payments position deteriorates.

This is at the root of the frustrating experience of the stop-go pattern of economic activities which results in underutilization of capacity in the long run without, however, curing the fundamental payments problem. The very nature of the short cycle reinforces the predominant role of stocks in the payments picture since longer-run factors in the trade performance, such as improvement in capacity, design and market penetration, can hardly take effect within a short span of time. It is for this reason that, over and above the emergency measures that have been adopted for restraining economic activities in the United Kingdom, attention has been directed towards structural improvements and long-term increases in productivity, *inter alia,* through the rationalization of industries.

To the extent that the payments problem is strongly influenced by capital items and extraordinary expenditures, such as direct foreign investment abroad and foreign military expenditures, as in the case of the United States in recent years, reductions of domestic expenditure would have only a limited effect in improving the external balance. Attention has therefore been directed to special measures governing these flows, as in the case of voluntary or direct controls of private investment abroad and arrangements for German purchases of United States bonds to offset the latter country's military expenditures in the Federal Republic of Germany.

Even if the link between domestic activity and external balance is a close one, the cost (in terms of the sacrifice of domestic production) of restraints imposed in the interest of external balance may be extremely heavy, as is the case with the United States, where the share of trade in the economy is small. This has attracted increased attention to the role of equilibrating capital movements. Except in the case of official operations, there is no assurance that capital movements will be equilibrating, especially when a confidence factor is involved. How free capital movements should be is therefore a matter for policy judgement. Restrictions on the capital market hamper its efficient functioning and thereby reduce its equilibrating role. On the other hand, a more liberal policy may facilitate large-scale speculative movements and accentuate the payments disequilibrium.

Another set of questions raised by recent developments relates to the responsiveness of price levels to domestic activity. Here recent experience is varied and complex. On the whole, the response has tended to be sluggish. Thus, the initial acceleration of activities in 1961-1965 was not accompanied by any pressure on prices and, conversely, the slowing down in 1966 frequently coexisted with an acceleration in the rise in prices. This was partly the result of favourable developments in productivity and costs during the upswing and adverse developments dur-

[3] For background information, see tables 23 to 30 in the annex

ing the downswing. However, the long-run relationship may not be a simple one. If cost considerations are more important than demand pressures in the determination of prices, a prolonged slackening may fail to curtail an upward surge in cost when wage rises are not offset by productivity improvements. At the same time, a prolonged slackening in the activities has rarely failed to be reflected in prices. Here the question of "trade-off" between growth and stability arises. Increasing interest has, therefore, been manifested in incomes and price policies. The practical implementation of such a policy has, however, encountered serious difficulties in most countries mainly because, in the final analysis, the issue becomes a political one. In countries where moral suasion has been relied on, official guidelines for wages and prices have tended to be ineffectual. More strenuous efforts in scrutinizing wages and prices not only raise difficult administrative problems of enforcement but also court political difficulties. As the market-place gives way to policy decision, grievances and inequities of particular groups become a direct responsibility of the Government. Moreover, wage drifts—i.e., rises over and above negotiated increases—elude the most careful control. Furthermore, wage restraint unmatched by comparable action in respect of profits is likely to raise questions of equitable distribution of income; yet a squeeze on profits might well hamper efficiency and growth. The search for a workable incomes and price policy, in the context of growth with stability, has thus become more urgent, but recent experience has not pointed a way to a speedy solution.

A third set of questions relates to the basic problem of growth in the developed market economies. The slackening of growth rates—and in some cases absolute declines, even though only brief—have served warning that sustained growth is not to be taken for granted. It is not sufficient to be assured that policy instruments exist to stimulate economic growth. It is also necessary to know the cost of applying these instruments in terms of such goals as external and internal balance. The fact that the recent slackening of activities and below-capacity operations in the developed market economies have been strongly influenced by restraining measures indicates that goals other than growth have played an important role. At the same time, recent experience does not necessarily reveal the precise preference of policy makers with respect to the weights attached to the various objectives. Economic calculations, however exact in a formal sense, remain crude and uncertain. Thus, a policy of moderate restraint may have been adopted because it was believed to be effective in restoring balance of payments equilibrium. When it proved to be less than adequate, restraint may have been tightened, not because a lower priority had been attached to growth in the first place, but because there was little choice in an atmosphere of crisis.

These questions raise the issue of appropriate policy mix. Apart from uncertainty regarding the precise impact of (and therefore the need for) specific policies, there is always likely to be a difference between what is theoretically correct and what can be implemented. Recent experience provides many examples of the difficulty of arriving at an appropriate mix of monetary and fiscal policy. The inflexibility of fiscal policy in many instances does not stem from a lack of appreciation of the fiscal role in the economy, rather it is a consequence of political considerations and procedural difficulties that stand in the way of major budgetary changes. Consequently, reliance has often had to be placed on monetary policy. Though the lopsidedness of the policy mix has in many cases been partially corrected—by selective controls and compensating measures such as favourable treatment of export credit, government financing of mortgages and pegging of differentials between short-term and long-term rates of interest—the policy measures have been more blunt and, paradoxically, also more complex than need be.

Developments in income and consumption in the centrally planned economies[1]

The rate of growth of the European centrally planned economies continued to be high in 1967. The rise in national income between 1966 and 1967 amounted to 6.9 per cent as against 7.5 per cent in the preceding interval. The slight deceleration in over-all growth was entirely due to a slower rise in agriculture after bumper crops in 1966; industrial production accelerated in 1967 in every country except Czechoslovakia and even there it exceeded the planned rate.

The high rate of growth reflected substantial gains in productivity. There was a 7 per cent increase in output per man in the centrally planned economies in Europe as a group. In some countries, notably Czechoslovakia, Eastern Germany and the Union of Soviet Socialist Republics, this increase was connected with the faster introduction of new technology and with reforms in planning and management. In Czechoslovakia, the 7.1 per cent growth in industrial output was achieved by a 1.1 per cent increase in employment. In Eastern Germany, the growth of output was more than accounted for by an increase in productivity. Productivity also increased markedly in Romania and Hungary. Only in Poland, where the rise in employment was significantly higher than planned, did it contribute more to expansion of output than improvement in productivity.

[1] For background information, see tables 31 to 36 in the annex.

There was a rapid rise in the levels of consumption between 1966 and 1967, made possible by previous high rates of investment but also reflecting current priorities relating to consumption. This represented a shift in policy and it was accompanied by a relatively fast expansion of light industries and facilitated by the good harvest as well as by additions to capacity. In Hungary, the increase in the output of light industries was greater than that in producer goods. In the Soviet Union, light industry production rose at almost twice the planned rate.

In most of the centrally planned countries retail sales expanded at a considerably higher rate than national incomes. In the Soviet Union, the rate of growth in retail sales surpassed that in fixed investment for the third consecutive year. Current indications point to a continuation of this trend: a substantial acceleration in the growth of living standards is the main feature of the national economic plan for 1968, 1969 and 1970.[5]

The main exceptions to this development in 1967 were Czechoslovakia and Eastern Germany. In the former country, the large increment in national income went mainly into accumulation, especially of stocks, which increased several times more than intended in the plan. This rise in stocks was largely attributable to discrepancies between the forces of supply and demand. In Eastern Germany the tendency for the national income to increase considerably more than personal consumption continued.

While the growth of consumption was accompanied by a general rise in incomes, in most countries the average income of farmers rose faster than that of urban workers and employees. As a result, the difference in the levels of living between these two groups of population was reduced.

Although the growth in incomes and consumption was met to a great extent by expanding output in consumer goods industries and services, it was also supported by larger imports of consumer goods. On the whole, the equilibrium on consumer markets was maintained. However, the rapid expansion of incomes and the shifts in demand patterns did impose pressure on supply, particularly in respect of certain types and qualities of goods offered to consumers. Though there have been substantial improvements in both the quantity and the quality of consumer goods during the past few years, factories have encountered difficulties in making adequate and prompt adjustments of output to changing requirements. In some countries, modifications of retail prices were used to balance the demand and supply of particular commodities. It is the intention to eliminate the remaining tensions in the consumer market mainly by a faster expansion of consumer goods industries and an increase in flexibility in supply, made possible by economic reforms now under way.

In mainland China in 1967, consumption also increased faster than in preceding years, in relation to investment. In contrast to the experience in the European centrally planned economies, however, this can not be attributed mainly to a deliberate shift in priorities. The high rate of increase in agricultural production in 1967, which provided the bulk of consumption, could be traced in part to past policy efforts and in part to the relatively slight involvement of peasants in the "cultural revolution". Moreover, there is some evidence that the rise in consumption was influenced by the manner in which central authority gave way to local decisions in an atmosphere of change. There were unplanned increases in wages, and sometimes wages, and even bonuses, were paid despite stoppages in production. The fact that working capital was sometimes diverted for consumption for "revolutionary purposes" also contributed to the increase in consumption at the expense of accumulation.

Cross-currents in the developing countries[6]

Perhaps the most important development in the developing countries in 1967 was the recovery in agriculture, after two years of virtual stagnation occasioned by drought in southern and south-eastern Asia and parts of Africa. The excellent crops of food-grains in several Asian countries reflect the turn in the weather; but also contributing was a sharp rise in yield in a number of areas where new seed varieties had been used. Offsetting this gain, however, was the less favourable external stimulus, in the wake of the slowdown in developed market economies. The substantial deceleration in the growth of export earnings and of import capacity limited industrial expansion.

Political and military disturbances in various parts of the developing world had an important impact on several of the countries directly or indirectly affected. Diversion of resources for military purposes was harmful to the development efforts of a number of countries. Others, however, reaped some benefit from the reallocation of demand as a result of the conflicts.

In spite of relatively stagnant exports, the developing countries as a whole managed to increase their imports yet accumulate international liquidity. This reflects in part an increased flow of resources from the rest of the world and the international agencies.

[5] *Pravda* (Moscow), 11 October 1967, cited in *Economic Survey of Europe in 1967: The European Economy in 1967* (United Nations publication, Sales No.: E.68.II.E.1), chap. II, p. 76.

[6] For background information, see tables 37 to 46 in the annex.

The gain in total supplies was large enough to provide a moderate increase in *per capita* consumption and substantially expanded capital formation—including an exceptionally large swing in inventory movements—in the developing countries.

The over-all rate of growth in developing countries accelerated appreciably between 1966 and 1967. This reflects the improved performance of agriculture. Industrial production continued to decelerate, reaching the lowest growth rate in the 1960's. At 4 per cent it was lower than that of agriculture for the first time in the 1960's. Preliminary estimates indicate that after rising 4 per cent between 1964 and 1965, the combined gross domestic product of the developing countries increased about 3 per cent in 1966 and between 5 and 6 per cent in 1967.

The loss of momentum in industrial activity was apparent in most of the major developing countries. In India and Pakistan industrial expansion was held back by the low agricultural output of 1965 and 1966 which limited industrial inputs and caused high food prices, with a negative effect on consumer demand for industrial products. In Latin America, an industrial slowdown in Argentina and Brazil was offset by significant advances in Mexico and Venezuela. Economic activities in some of the principal countries of Africa and the Middle East were seriously disrupted by military conflict.

The slowdown of world production and demand affected the exports of developing countries. The increase in their export earnings was less than 3 per cent between 1966 and 1967, compared with 7 per cent in the previous interval. This deceleration in export activities was common to all the regions. Among the countries that registered a reduction in exports between 1966 and 1967 were exporters of copper (Zambia), wool (Argentina, Uruguay), coffee (Brazil, Costa Rica, Guatemala, Kenya) and rubber (Malaysia); countries suffering as a result of political and military disturbances (Iraq, Jordan, Nigeria, Syria, Republic of Viet-Nam and United Arab Republic); and those with serious structural problems (such as Burma, Ceylon, Indonesia and Sierra Leone). Those registering large increases in exports in 1967 were the petroleum-producing countries not involved in the Middle East crisis (Iran, Saudi Arabia, Libya), and exporters of rice (Cambodia), cocoa (Ghana, Cameroon, Ivory Coast), cotton (El Salvador, Nicaragua, Sudan), sugar (Dominican Republic) and manufactured products (China (Taiwan), Hong Kong, Israel, Republic of Korea). Exports of China (Taiwan) and the Republic of Korea were stimulated by the surge in demand from the Republic of Viet-Nam.

Deceleration in the growth of imports occurred in all developing regions. In general, countries in which exports slackened or declined cut back their imports.

For the developing countries as a group, the main changes in the pattern of resource availability stemmed from the relatively large increase in the supply of agricultural commodities and the rather modest increase in the supply of imported goods. Stocks of agricultural commodities, which had been drawn down for two successive years to sustain consumption and exports, seem to have been substantially increased. Small increases in the volume of imports and in the output from local heavy industries indicate modest expansion in fixed investment in 1967. In addition, the slow rate of export growth suggests a rate of increase in the resources available for domestic use greater than the rise in total supply. In the aggregate, therefore, the rate of increase in gross capital formation, as well as in consumption, was probably higher than in 1966.

Reflecting the gains in total supplies in 1967, there were indications of a general improvement in the internal balance of the developing countries. Deceleration of price increases was significantly more frequent, and acceleration rather less frequent, in 1967 than in 1966. The proportion of countries registering high rates of increase in the cost of living (10 per cent or more) also declined in 1967.

Chapter II

INTERNATIONAL MONETARY AND TRADE DEVELOPMENTS

INTERNATIONAL PAYMENTS AND MONETARY PROBLEMS

The payments disequilibrium

The year 1967 saw a worsening in the payments situation of the reserve currency countries. A crisis of confidence developed and this led to a massive attack on these currencies and a run on gold. The United Kingdom was forced to devalue in November 1967 and the gold pool countries suspended the supply of gold to the private market several months later. The crisis necessitated various defensive measures, but it also induced some further steps along the road of international monetary reform.

The imbalance in the payments position of the United Kingdom and the United States was not a new phenomenon. The United Kingdom had experienced chronic payments difficulties in the post-war period and had remained in deficit ever since the payments crisis of 1964. There was a temporary improvement in 1966 but it proved to be short-lived: the surplus registered in the fourth quarter of 1966 when the balance of payments responded to the restrictive measures undertaken in the middle of that year, did not last. In 1967 imports rose again, while export expansion came to a halt. Although the imbalance was attributable at least in part to short-run developments—such as the slack in economic activity in western Europe, the closure of the Suez Canal following the outbreak of hostilities in the Middle East in June 1967, and the prolonged dock strikes—the cumulative erosion of confidence in sterling raised serious questions about its strength. This was a matter of public discussion, especially in connexion with the British application for membership in the European Economic Community (EEC). Although it was widely known that the United Kingdom balance of payments had been in fundamental disequilibrium for some time, when the crisis occurred it had a severe immediate impact. There was a massive onslaught on the pound that left the Government little recourse but to devalue.

Although the underlying strength of the dollar has been much greater than that of sterling, the imbalance in the United States payments position has also been persistent. The cumulative effect of prolonged deficits was a decline in total reserve assets from about $23 billion at the end of 1958 to less than $15 billion towards the end of 1967 (see table 3). In the same interval United States liquid liabilities rose from about $17 billion to $33 billion.

While the United States balance of payments deficit was welcomed in the early post-war years, as it resulted in replenishment of European reserves depleted by the war and post-war reconstruction, by the late 1950's concern regarding dollar shortage began to give way to doubts about the impregnability of the dollar. The turning point coincided with the gathering strength of the continental European currencies after return to convertibility in 1958, and the mounting reserve losses suffered by the United States. Although intermittent improvements in the payments situation gave rise to hopes of approaching equilibrium, the deficits have persisted throughout the ten-year period that has elapsed. In 1967 the deficit of $3.6 billion was one of the largest of the whole period. Restrictive measures designed to correct the imbalance grew more severe over the years. By 1968 some restrictions on the outflow of capital were made mandatory.

Under the circumstances, a gold crisis became the logical counterpart of the crisis of the reserve currencies. For, under the gold-exchange standard of the post-war years, official holdings of dollars are redeemable in gold at the fixed price of $35 an ounce. By the end of 1967 the official gold holdings of the United States had declined to $12 billion from almost $23 billion at the end of 1957, while liquid liabilities to official institutions reached almost $16 billion as compared with $9 billion a decade earlier. It thus became increasingly evident that unless confidence was restored, a run on gold of massive proportions might develop.

Nor was the source of attack limited to official institutions, for gold became a favourite vehicle for private hoards as confidence in the reserve currencies weakened. In addition, the demand for industrial uses, especially in connexion with defence, increased dramatically. As a result, private absorption accounted for about $3 billion in 1967 in contrast to a range of between $0.9 billion and $1.8 billion during the period 1960-1966 and less than $0.6 billion in 1958. The surge in demand for gold, moreover, coincided with a slackening in its supply. World

Table 3. United States and United Kingdom reserve assets, liquid liabilities and balance of payments position, 1958-1968

(Billions of dollars)

	United States					United Kingdom				
			Liquid liabilities[c]					Liquid liabilities		
Year[a]	Total reserve assets	Gold stock[b]	Total	To central banks and Governments	Balance of payments on liquidity basis	Total reserve assets	Gold stock[b]	Total	To central monetary institutions	Balance of current and long-term capital transactions
1958	22.54	20.58	16.85	9.65	—3.37	3.11	2.81	9.39	6.70	0.42
1959	21.50	19.51	19.43	10.12	—3.87	2.80	2.51	9.82	6.97	—0.30
1960	19.36	17.80	21.03	11.09	—3.90	3.72	2.80	10.87	6.32	—1.26
1961	18.75	16.95	22.94	11.83	—2.37	3.32	2.27	9.93	6.44	0.20
1962	17.22	16.06	24.07	12.71	—2.20	3.31	2.58	10.69	6.22	0.08
1963	16.84	15.60	26.32	14.35	—2.67	3.15	2.48	11.40	6.53	—0.11
1964	16.67	15.47	29.00	15.42	—2.80	2.32	2.14	11.76	6.86	—2.17
1965	15.45	13.81[d]	29.12	15.37	—1.34	3.00	2.27	11.87	6.75	—0.96
1966	14.88	13.24	29.78	13.66	—1.36	3.10	1.94	12.50	7.46	—0.37
1967	14.83	12.07	33.14	15.69	—3.57	2.70	1.29	11.74	7.49	—1.41[e]
1968:										
January	14.62	12.00	33.08	15.25		2.75		..	..	..
February	14.79	11.90	33.30	15.36		2.77				
March	13.93	10.70				2.72				
April	13.84	10.55			..	2.77				

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin* (Washington, D.C.), May 1968, and International Monetary Fund, *International Financial Statistics* (Washington, D.C.), June 1968.

[a] End of period.

[b] Including gold sold to the United States by the International Monetary Fund with the right of purchase, and gold deposited by the IMF to mitigate the impact on the United States gold stock of foreign purchases for the purpose of making gold subscriptions to the IMF under quota increases.

[c] Because of changes in reporting coverage, figures shown from 1960 onwards are not comparable with those shown for earlier years.

[d] Excluding $259 million gold subscription to the IMF in June 1965 for a United States quota increase which became effective on 23 February 1966.

[e] Estimate.

production of gold had remained static since 1964 and actually declined slightly to $1.4 billion between 1966 and 1967. Furthermore, sales from the USSR, which rose from about $200 million to $500 million annually in the first half of the 1960's ceased completely in 1966 (table 4).

The translation from crisis of confidence to gold crisis had occurred in 1960 when a run on gold developed as a result of the United States payments deficit coupled with various political and economic uncertainties. The price of gold had surged above $40 per ounce in the London market. It was in response to this challenge that the gold pool was organized in 1961. Confidence was soon restored with the help of favourable developments elsewhere. Although the gold market had to be supported by the pool from time to time, the combined strength of the world's principal financial powers proved to be adequate for calming speculative fevers. The situation deteriorated rapidly in 1967, however; in the middle of the year France ceased to take active part in the pool operations. The assault on the gold market gathered strength after devaluation of sterling, as the pressure on sterling was extended to the dollar. As a result, the loss of gold by the members of the pool amounted to about $1 billion in the first month after devaluation.

The determination to hold the price of gold proved to be unconvincing as the prospects for a rapid elimination of the United States payments deficit worsened. The rate of gold loss reached extreme proportions in the final stages of the crisis in March, when the United States alone suffered a loss of several hundred million dollars in a single day.

Events thus made it clear that existing international monetary arrangements could not be maintained. Three main alternative courses of action seemed to be open: a rise in the price of gold, the severance of the link between the dollar and gold, or a compromise combining elements of both. While the merits of the various alternatives had been the subject of extended discussion in both official and unofficial circles, the dominant considerations governing the choice were fairly evident.

If gold were revalued, the benefit would accrue to a few major producers and countries which had converted a large part of their reserve holdings into gold. In contrast, those which had refrained from the rush into gold, either voluntarily or in response to persuasions, would be penalized. Furthermore, it was felt that raising the price of gold would only prolong the life of a system which was inherently unstable, and thus hinder efforts at reforms aimed

Table 4. New gold supply and use of gold, 1958-1967
(Millions of dollars)

Year	Gold production	Sales by USSR	Total gold supply[a]	Increase in monetary stock[b]	Private absorption[c]
1958	1,051	220	1,271	683	588
1959	1,127	250	1,377	746	631
1960	1,178	200	1,378	310	1,068
1961	1,215	300	1,515	607	908
1962	1,300	215	1,515	372	1,143
1963	1,356	550	1,906	825	1,081
1964	1,406	450	1,856	712	1,144
1965	1,440	550	1,990	213	1,777
1966	1,440	—	1,440	—56	1,496
1967	1,416	—	1,416	—1,630	3,046
1967:					
First quarter	355	—	355	—63	418
Second quarter	360	—	360	—142	502
Third quarter	357	—	357	—13	370
Fourth quarter	344	—	344	—1,412	1,756

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, *International Financial Statistics*, May 1968.

[a] Based on gold production, excluding that of USSR, eastern Europe, mainland China and North Korea, plus sales of gold by the USSR.

[b] Including gold holdings of the International Monetary Fund, Bank for International Settlements and European Development Fund, as well as gold reserves of countries other than the centrally planned economies.

[c] Estimate of private absorption includes gold for artistic and industrial uses and private holdings. The estimate of private absorption includes some gold acquired by monetary authorities but not reported in official holdings compiled by the IMF. Private absorption should be revised upwards for 1966 and 1967 to the extent of gold sales, if any, by the USSR.

at making the creation of reserves independent of the haphazard and inadequate growth in the supply of gold. In addition to these basic considerations, there was the practical difficulty posed by the inability of the Government of the United States to revalue the dollar in terms of gold without congressional authorization. A full public debate on the issue would undoubtedly have had an unsettling effect on the world's financial markets, especially if the debate had been a prolonged one.

Despite these considerations, it was technically feasible for the United States to change the long-established practice of free dollar-gold convertibility. The obligation of the United States as a member of the International Monetary Fund could be fulfilled, as in the case of other nations, by operations on the foreign exchange market. The demonetization of gold would, however, have had serious repercussions on the international monetary system in which the role of gold remained central. There would have been problems of the adequacy of foreign exchange reserves to maintain exchange stability. There would also have been problems of relations with countries which normally settle accounts by transfers of gold. These problems could have been dealt with only if strong international co-operation in the new international monetary system was forthcoming.

The actual solution to the gold crisis was a compromise. On 15 March 1968, the London gold market was closed. During the following week-end, the Governors of the Central Banks of the gold pool members decided at a meeting in Washington that officially held gold should be used only to effect transfers among monetary authorities; they also decided not to supply gold to any gold market, and in view of the prospective establishment of a new reserve facility the existing stock of monetary gold was deemed sufficient, rendering further purchase of gold from the market unnecessary. The immediate effect of this action was to establish a two-price system for gold, one being the old price of $35 an ounce for official settlements and the other a free market price for private purchases.

It is as yet too early to assess the workings of the two-price system. The free market price of gold has risen considerably above the level of $35 an ounce, and has penetrated the previous highs around $40 per ounce. The question arises whether a widening of the gap between the two prices might not endanger the system. In the first place, there might be reluctance on the part of central banking institutions to settle accounts by sales of gold at a price much below that on the private market. As a consequence, official gold holdings might be largely immobilized as a part of international liquidity. Inasmuch as the United States continues to maintain convertibility of the dollar into gold, it could lose more gold even if its payments balance were restored, since foreign official holdings of dollars remain substantial.

Reform of the international monetary system

In the final analysis, the long-term viability of the two-price system will depend on the outcome of the evolving international monetary system. The need for reforming the gold-exchange standard had been debated for a long time, but it took several more years of discussions and negotiations before a new reserve facility was finally conceived.

On 26 August 1967 the Ministers of Finance and the Governors of the Central Banks of the Group of Ten agreed in London on the outline of a contingency plan for the establishment of a new reserve facility. In September of the same year the Board of Governors of the International Monetary Fund at their meeting in Rio de Janeiro adopted a resolution which requested the Executive Directors to complete their work on the establishment in the Fund of a facility for special drawing rights (SDR). On 29 and 30 March 1968 the Ministers and Central Bank Governors of the Group of Ten met again in Stockholm and gave their approval (with France dissenting) for the immediate presentation of the proposed amendment to the Articles of Agreement of the Fund, which was to be attached to a resolution and submitted by correspondence for a vote to the Governors of the Fund. The Governors have since adopted the resolution. The proposed amendment will go into effect after it has been accepted by sixty-five members having at least 80 per cent of the total voting power. It is expected that ratification will take about a year.

The plan, if adopted and activated, would be the most significant extension of the functions of the IMF since its inception. The key feature of the establishment of a new facility based on special drawing rights is the deliberate creation of a supplement to existing reserve assets as the need arises. Since the special drawing rights are intended to be reserve assets rather than reserve credits, they are unconditional in character. The new rights contrast with the bulk of the Fund's credit tranches which are conditional; they also differ from the automatic drawing rights since they will be deliberately created. For these reasons the special drawing account will be separate from the general account which will continue the present operations and transactions of the Fund.

At the same time, provisions are made to ensure that reserve creation will be decided upon with an affirmative vote of 85 per cent as contrasted with the present 80 per cent applicable to quota increase, and the simple majority for all other decisions.[1] Furthermore, provision has also been made for a member of the Fund to "opt out" as well as to "opt back in". Once the new reserve asset is created its acceptability is assured by obligations of participants to accept it for settlement of payments. Measures for discouraging participants from using up the new reserve assets as fast as possible have been devised, though their adequacy remains to be demonstrated.

The extent to which the new asset might supplement the existing international liquidity will depend on the willingness of the principal Powers to create the asset. A creation of between $1 billion and $2 billion annually for five years would amount to an addition of $5 billion to $10 billion as compared with the total world liquidity of about $70 billion at present. Compared with the average deficit in the past ten years, the possible country allocation would be sizable in such countries as the United Kingdom, but relatively small in the case of the United States (see table 5).

While the precise relation between the new reserve facility and the reserve requirements obviously varies from country to country, there is no doubt that the facility is designed to meet the long-term needs of international liquidity rather than as a short-term remedy for payments imbalances. Indeed, major imbalances in the world's payments could impede the orderly activation and smooth functioning of the new facility. There is, therefore, an understanding that both the United Kingdom and the United States will endeavour to eliminate their payments deficits. Inasmuch as the United Kingdom has accumulated external debts, especially in connexion with the recent sterling crisis, it is envisaged that it will move to a position of substantial surplus.

Table 5. United Kingdom and United States: hypothetical allocation of special drawing rights as a percentage of balance of payments deficit, five-year averages, 1958-1967

Period	*United Kingdom*	*United States*
1958-1962	47 6	5.4
1959-1963	29 3	5.7
1960-1964	12 4	6.1
1961-1965	13.7	7 5
1962-1966	11 4	8 2
1963-1967	8 1	7 3

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from national sources

Note: The hypothetical allocation of special drawing rights is based on a total annual allocation of $1 billion to all members of the International Monetary Fund in proportion to their existing quotas in the Fund, taking into account the reconstitution requirements for a five-year period. The payments deficit for the United Kingdom refers to balances on current and long-term capital account, while that for the United States refers to liquidity balance.

[1] See, however, amendments on voting requirements in International Monetary Fund, *Proposed Amendment of Articles of Agreement* (Washington, D.C., 1968).

International credit and the debt problem

This raises the question of the adequacy and appropriateness of international co-operation as well as of domestic policies. The immediate question is whether the international credit so speedily provided during the crisis days has posed a serious problem of repayment. While full information is not available on the precise amount of credit actually utilized by the United Kingdom, the almost $3 billion of external credit announced at the time of devaluation consisted of a $1.4 billion stand-by agreement from the International Monetary Fund and $1.5 billion from central banks. The central bank credits were short-term in character, and although they could normally be renewed there was inevitably some uncertainty. A funding operation would thus relieve the pressure. For this reason, the United Kingdom decided to draw the $1.4 billion stand-by credit from the Fund and use the proceeds to repay part of the central bank credits. It is significant that this withdrawal occurred immediately after the drawing from the Fund of $745 million[2] by France in June 1968 in face of pressures against the franc. The combined result of the two drawings has been to deplete further the resources of the Fund. Even before these massive drawings, only about $3 billion (other than the dollar and the sterling) of the Fund's holdings of currencies totalling $18 billion were available for lending. The drawings thus necessitated activation of the General Agreement to Borrow as well as sales of gold from the Fund to obtain the needed currencies. At the same time, the Fund's holdings of currencies readily available for lending have been further reduced.

[2] Subsequently, a further drawing of $140 million was made by France

A far greater repayment problem for the United Kingdom than the central bank credits stems from the almost $12 billion of sterling balances. There have been indications that a part of the balances has become volatile, especially after the devaluation of sterling. Thus a number of countries with sterling balances have diversified their holdings by converting sterling into gold or other currencies. In the case of Hong Kong, agreement has been reached to give a limited exchange guarantee on the value of the London balances. While such a guarantee might provide an incentive for keeping sterling balances, it could also establish a precedent. To some extent, the problem of the sterling balances had been recognized by the Basel arrangements; part of that credit was explicitly granted for the purpose of offsetting fluctuations in sterling balances. In February 1968, a $1 billion credit was again made for that purpose; this was for a year as contrasted with three months normally applicable to swap facilities made earlier. Discussions are currently under way for a possible broadening of funding arrangements, the desirability of which has been recognized by a number of central bankers in Europe.

In the case of the United States, central bank swap arrangements rose markedly from about $700 million in 1962 to over $7 billion in March 1968 (table 6). During this period the duration of these arrangements had been extended from the usual

Table 6. United States: amount of swap arrangements under Federal Reserve reciprocal currency agreements, 1962-1968[a]

(Millions of dollars)

Institution	*1962*	*1963*	*1964*	*1965*	*1966*	*1967*	*1968*
Austrian National Bank	—	50	50	50	100	100	100
National Bank of Belgium	50	50	50	100	150	150	225
Bank of Canada	250	250	250	250	500	500	750
National Bank of Denmark	—	—	—	—	—	100	100
Bank of England	50	500	500	750	1,350	1,350	1,500
Bank of France	50	100	100	100	100	100	100
German Federal Bank	50	150	250	250	400	400	750
Bank of Italy	—	150	250	450	600	600	750
Bank of Japan	—	—	150	250	450	450	750
Bank of Mexico	—	—	—	—	—	130	130
Netherlands Bank	50	50	100	100	150	150	225
Bank of Norway	—	—	—	—	—	100	100
Bank of Sweden	—	50	50	50	100	100	200
Swiss National Bank	100	100	150	150	200	250	400
Bank for International Settlements:							
Swiss francs/dollars	100	100	150	300	200	250	400
Authorized European currencies/dollars	—	—	—	—	200	300	600
Total	700	1,550	2,050	2,800	4,500	5,030	7,080

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, various issues.

[a] Data refer to 31 August of year stated, except for 15 September for 1966 and 8 March for 1968

three to six months to as long as a year in some cases. At the same time, the United States had reinforced this swap network with longer term treasury issues of special certificates and bonds denominated in the European currencies (table 7).

Impact of sterling devaluation

The expressions of international co-operation called forth by the recent monetary crisis were not limited to the extension of credit facilities and the reform of the world's monetary system. They were also evident in the reaction to sterling devaluation.

The fundamental problems of sterling had long been in evidence. One of the reasons why devaluation had been resisted was apprehension about possible adverse international reaction. Since sterling remained a major trading and reserve currency of the world, there was uncertainty as to whether the beneficial impact on the external position of the United Kingdom might not be offset by competitive devaluation in other countries. There was also fear that the forces unleashed by widespread devaluation might be unsettling in their impact on the world economy as a whole.

The reaction of the nations of the world bore testimony to a high sense of concern for the stability of the international monetary system. Unlike after the devaluation of 1949, none of the major industrial countries followed suit in 1967 (table 8). Those which did devalue were on the whole smaller countries, accounting for about 6 per cent of world trade (table 9). This reflects the general consensus that exchange rates of sterling had been out of line. But it also reflects some international harmonization of policies. Indeed, had not the United Kingdom been reasonably sure of the reaction pattern of other major countries, the magnitude of the devaluation might have been closer to the 1949 figure of 30.5 per cent rather than the 14.3 per cent that was in fact adopted. When account is taken of the differing adjustments made by other countries, the "effective rates" of the two devaluations were in fact remarkably close (table 8).[3]

The non-sterling countries which devalued in the wake of the United Kingdom were Denmark, Israel and Spain (not counting countries such as Brazil, whose action was not attributable to the British move). In all these countries the decisions were influenced by payments problems encountered prior to the sterling devaluation. Furthermore, although the share of trade of these countries with the United Kingdom ranged from about a tenth to nearly a quarter, the United Kingdom was more important to these countries (except in the case of Israel) as an export market than as a source of imports (table 10).

The decision for Israel was, in fact, a difficult one. Devaluation was chosen in spite of an opposite recommendation by an economic study group. It is likely that the prospects of gains of Israeli exports in other markets weighed more in the decision than the avoidance of losses in the United Kingdom market. Moreover, devaluation as an export assistance spared the Government from the need to offer to exporters financial assistance, and was thus more acceptable from the budgetary point of view. It was also in line with the reflationary policy recently adopted by Israel.

Whether to follow the lead of the United Kingdom was a choice open to the sterling countries also.

[3] For a comparison of the effective rates of the two devaluations, see International Monetary Fund, *International Financial Statistics*, January 1968.

Table 7. United States: utilization of selected credit facilities, 1962-1968
(Millions of dollars equivalent)

Year	*United States drawing of foreign currencies from the International Monetary Fund*	*Transactions by Federal Reserve System under reciprocal currency arrangements*				*United States treasury securities—foreign currency series amount outstanding*[a]
		Drawings	*Repayments*	*Net drawings*	*Net outstanding*	
1962	—	421	191	230	230	299
1963	—	768	614	154	384	760
1964	525	475	564	—89	295	1,086
1965	435	690	850	—160	135	1,208
1966	680	710	565	145	280	860
1967	—			1,278	1,791	1,200
1968[b]	200			—1,234	557	1,490

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, various issues.

[a] Amount outstanding as of 31 December of year stated or 1 January of following year. Non-marketable United States treasury bonds and notes issued to official institutions payable in foreign currencies.

[b] Up to 8 March 1968.

Table 8. Selected countries: effective depreciation or appreciation of currency as measured by the country distribution of exports and imports, average 1965-1966

(Percentage)

Group and country	*Devaluation relative to gold*	*Effective depreciation or appreciation measured by distribution of*	
		Exports	*Imports*
Selected industrial countries that did not devalue			
Canada	—	2.1	1.3
France	—	1.4	1.2
Germany (Federal Republic of)	—	1.4	1.2
Italy	—	1 3	0 9
Japan	—	1.0	0.7
Sweden	—	3 0	2.5
United States	—	1.7	1 8
Non-sterling area countries that devalued			
Denmark	—7.9	—4 2	—4 8
Israel	—14.3	—12.0	—10 2
Spain	—14.3	—12.1	—11.3
Sterling area countries that did not devalue			
Australia	—	4.1	4 4
Burma	—	4 0	1 8
Ghana	—	3.7	4.5
India	—	3 8	1.8
Kenya	—	3 8	4.9
Kuwait	—	3 2	2.6
Libya	—	3 0	2 6
Malaysia	—	1.8	3.7
Nigeria	—	5.7	5.0
Pakistan	—	3 2	2.4
Singapore	—	3 8	3 3
South Africa	—	5.4	4 6
United Republic of Tanzania	—	4 9	5 2
Uganda	—	3.5	5.9
Zambia	—	5 2	3.2
Sterling area countries that devalued			
Aden	—14.3	—10.4	—10 8
Bahamas	—14.3	—13 3	—11 2
Barbados	—14 3	—6.5	—8.3
Bermuda	—14 3	—10.7	—10.7
Ceylon	—20 0	—16.4	—14 3
Cyprus	—14.3	—7.9	—8.1
Fiji	—8.9	—2.1	—3.6
Gambia	—14.3	—7.4	—6.3
Gibraltar	—14.3	—6.1	—7.4
Guyana	—14.3	—8 8	—7.3
Hong Kong	—5.7	—3.4	—3 8
Iceland	—24 6	—21 9	—17.5
Ireland	—14 3	—4.1	—6.2

Table 8. Selected countries: effective depreciation or appreciation of currency as measured by the country distribution of exports and imports, average 1965-1966 (*continued*)

Group and country	*Devaluation relative to gold*	*Effective depreciation or appreciation measured by distribution of*	
		Exports	*Imports*
Jamaica	—14 3	—9 8	—9.0
Malawi	—14.3	—6.2	—8.3
Malta	—14.3	—9 1	—6 1
Mauritius	—14 3	—3.1	—9 5
New Zealand	—19.4	—13 8	—10.9
Sierra Leone	—14.3	—4 8	—7.9
Trinidad and Tobago	—14.3	—10.6	—10.2
United Kingdom	—14 3	—12 1	—10 6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund and International Bank for Reconstruction and Development, *Direction of Trade* (Washington, D.C.), annual issues for the years 1962-1966, and International Monetary Fund, *International Financial Statistics*, January 1968

Note: Minus sign signifies depreciation, and no sign appreciation. Devaluation took place in November 1967.

This option reflected the informal nature of the relationship that prevails among the countries of the sterling area. It is significant that virtually all the major countries of the sterling area chose not to devalue, although they were outnumbered by those that did.

A crucial factor in the decision of these countries was that the United Kingdom was not a major export market, although it was important as a source of supply for most of these countries. The main

Table 9. Share of exports and imports in world[a] trade, by country group, average 1966-1967

(Percentage)

Country group	*Total trade*	*Exports*	*Imports*
Countries that devalued[b]	14.3	12.9	15.8
United Kingdom	8.3	7.8	8.8
All other countries that devalued	6.0	5.1	7.0
Sterling	2.9	2.7	3.1
Non-sterling	3.1	2.4	3.9
Countries that did not devalue	85.7	87.1	84 2
Sterling	8 3	8.1	8 4
Non-sterling	77.4	79 0	75 8
World[a]	100 0	100.0	100.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, *International Financial Statistics*, June 1968, and table 8 above.

[a] World total trade excludes that of centrally planned economies and Cuba.

[b] Devaluation took place in November 1967.

Table 10. Selected countries: share of exports to and imports from world, by group and country, average 1965-1966

(Percentage)

Group and country	Share of exports to			Share of imports from		
	United Kingdom	Other countries that devalued[a]	All countries that devalued	United Kingdom	Other countries that devalued[a]	All countries that devalued
Selected industrial countries that did not devalue	5.8	6.2	12.0	5.8	4.5	10.3
Canada	12.1	2.4	14.5	6.8	2.2	9.0
France	4.6	5.7	10.3	5.0	3.1	8.1
Germany (Federal Republic of)	3.9	7.1	11.0	4.4	4.8	9.2
Italy	4.7	5.2	9.9	4.7	2.8	7.5
Japan	2.4	6.7	9.1	2.1	2.4	4.5
Sweden	13.0	12.1	25.1	15.0	8.9	23.9
United States	5.9	6.3	12.2	6.8	6.2	13.0
Non-sterling area countries that devalued	18.6	4.6	23.2	13.5	1.8	15.3
Denmark	22.9	4.5	27.4	16.6	1.5	18.1
Israel	12.1	7.2	19.3	19.2	1.3	20.5
Spain	12.1	3.6	15.7	9.2	2.2	11.4
Sterling area countries that did not devalue	20.4	7.4	27.8	21.1	3.4	24.5
Australia	16.4	11.4	27.8	25.6	4.0	29.6
Burma	6.0	19.7	25.7	10.0	2.5	12.5
Ghana	22.7	3.0	25.7	27.1	3.9	31.0
India	17.6	7.1	24.7	10.1	1.4	11.5
Kenya	21.5	5.8	27.3	31.2	2.4	33.6
Kuwait	17.4	5.6	23.0	16.0	3.0	19.0
Libya	17.2	4.7	21.9	15.1	3.1	18.2
Malaysia[b]	8.3	4.3	12.6	21.4	7.0	28.4
Nigeria	37.4	3.1	40.5	30.8	3.0	33.8
Pakistan	12.5	11.0	23.5	15.0	1.8	16.8
Singapore[b]	17.5	17.2	34.7	17.1	11.6	28.7
South Africa	33.4	5.3	38.7	27.7	2.7	30.4
United Republic of Tanzania	28.3	10.9	39.2	31.8	4.6	36.4
Uganda	17.6	8.2	25.8	37.3	3.8	41.1
Zambia	34.7	1.8	36.5	21.2	0.9	22.1
Sterling area countries that devalued[c]	33.5	4.7	38.2	25.4	3.8	29.2
Aden	21.6	5.5	27.1	11.4	4.2	15.6
Bahamas	6.0	1.3	7.3	9.3	2.4	11.7
Barbados	43.8	11.0	54.8	30.3	5.2	35.5
Bermuda	23.6	1.1	24.7	12.8	2.7	15.5
Ceylon	25.4	5.6	31.0	17.2	2.5	19.7
Cyprus	32.9	12.3	45.2	32.4	6.6	39.0
Fiji	42.2	8.6	50.8	21.5	10.8	32.3
Gambia	48.0	—	48.0	52.8	—	52.8
Gibraltar	57.1	—	57.1	42.5	2.6	45.1
Guyana	23.3	15.3	38.6	31.8	13.7	45.5
Hong Kong	13.7	3.6	17.3	10.3	1.3	11.6
Iceland	18.5	9.8	28.3	13.6	9.1	22.7
Ireland	69.9	1.5	71.4	51.2	3.2	54.4
Jamaica	26.9	4.6	31.5	23.1	5.1	28.2
Malawi	54.4	2.9	57.3	35.4	2.7	38.1
Malta	30.3	6.3	36.6	38.2	3.5	41.7
Mauritius	78.5	0.4	78.9	25.8	2.6	28.4
New Zealand	45.0	3.6	48.6	36.9	5.8	42.7
Sierra Leone	64.7	1.5	66.2	30.7	7.9	38.6
Trinidad and Tobago	15.0	10.9	25.9	16.7	3.7	20.4
United Kingdom	—	17.0	17.0	—	16.6	16.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund and International Bank for Reconstruction and Development, *Direction of Trade*, annual issues for the years 1962-1966.

[a] All areas listed plus other British territories and Faroe Islands.

[b] 1966 only.

[c] Excluding United Kingdom

exceptions were India and South Africa. In the case of India, devaluation had taken place as recently as 1966. For Ghana, a devaluation occurred earlier in 1967. In the case of South Africa, the effect of its relatively heavy dependence on the United Kingdom market was lessened by the fact that its major export, gold, had a ready world market. At the same time, a devaluation would have resulted in increased earnings of the export sector in terms of rands as well as higher costs for imports. Such a development was to be avoided at a time when the domestic economy was buoyant and the payments position strong.

In the case of Malaysia, in spite of the declining price of rubber and the British withdrawal from military bases there, the balance of payments position remained strong. In addition, owing to the regional ties with Singapore and Brunei, a unilateral decision would have disrupted the recently established system of interchangeability of national currencies among them.

Regional considerations were also present in the case of the East African countries. Kenya, Uganda and the United Republic of Tanzania made a common decision not to devalue, in the framework of the recent East Africa Treaty. The decision of Zambia not to devalue was apparently also influenced by the similar choice in neighbouring countries.

For several British territories such as Bermuda, British Honduras, Fiji, Gibraltar, Mauritius and Seychelles, the devaluation was apparently considered automatic. An important exception was Hong Kong, which followed devaluation to the full extent but quickly revalued to reach a new rate only 5.7 per cent below the pre-devaluation rate. The latitude permitted in the case of Hong Kong illustrates further the great flexibility of the sterling area. The decision to revalue was apparently influenced by the very strong external position of the territory as well as considerations of price stability.

Most of the independent sterling countries that did devalue were faced with a difficult choice. Opinion was often divided as to the appropriate policy course. Yet the decision had to be made almost instantaneously, as uncertainty would have caused confusion in the market. Indeed, a major factor in the decision to devalue was the fear that doubts about the ability of the currency to maintain the rate might trigger a flight of capital and an attack on the currency. Such a flight might have reached alarming proportions in a very short time, especially as the banking institutions of those countries were often closely linked with major financial centres abroad.

Implications of the Kennedy Round

The fact that the payments difficulties of recent years have not, on the whole, led to the adoption of defensive trade restrictions reflects in part the success in dealing with the international financial crisis. In part, it also reflects the momentum in trade liberalization. Quantitative restrictions of trade were rejected as an instrument of payments policy not only because they were in conflict with the provisions of the General Agreement on Tariffs and Trade but also because they could rarely be implemented within a short period of time for lack of administrative machinery. In addition, there was apprehension that retaliatory measures might be adopted. As to tariff measures, the completion of the Kennedy Round negotiations in mid-1967 made their adoption very unattractive: the achievements of four years of negotiations could hardly be lightly nullified.

The outcome was especially noteworthy in view of the obstacles. In the first place, there was the question of the principle of linear cuts. Secondly, whether linearity was accepted or not, there was the question of equivalent concessions at different levels of tariff rates, and the size of the exceptions list. Furthermore, it had become increasingly clear that tariffs could not be isolated from non-tariff barriers, including disguised subsidies, and methods of customs valuation, which touched on important areas of domestic policy and anti-dumping measures. The significance of a complex set of policies in the negotiations was especially evident in the case of the European Economic Community whose position depended in part on the progress of community affairs, such as the agreement on a common agricultural policy.

The actual negotiations demonstrated that linear cuts could not replace the traditional product-by-product approach. Complex package deals had to serve the purpose of balancing mutual concessions.

Though the result of the negotiations was less than originally envisaged, it amounted to a further major liberalization. In aggregative terms, average duties would ultimately be cut by almost a third (those for industrial products by 38 per cent). The participants together account for about 75 per cent of total world trade, and the concessions would affect trade valued at just over $40 billion. The main developed countries conceded tariff reductions on about 70 per cent of their dutiable imports (other than cereals, meat and dairy products). Two-thirds of these imports would be affected by cuts of 50 per cent or more, while almost one-fifth would be in the range of 20-50 per cent tariff reduction. On a further 15 per cent there would be cuts of less than 20 per cent. Most of these tariff reductions would be staged in accordance with either of the two alternative procedures: (1) reductions in five equal annual instalments beginning from 1 January 1968 and ending 1 January 1972; (2) a two-fifths reduction on 1 July 1968 and subsequent one-fifth reductions on 1 January 1970, 1971 and 1972. Canada and the United States were among the major trading countries to follow the first procedure, while the European Economic Community and the United Kingdom followed the second. An exception was made in the case of some tropical products and a few other items on which full concession would be made effective in one stage. For some of these, the entire duty reduction would become effective on 1 January 1968.

While the chief outcome of the Kennedy Round negotiations was undoubtedly this liberalization of tariffs, agreement was also reached in several non-tariff areas. The negotiation on cereals covered international pricing policy as well as food aid and resulted in the subsequent International Grains Arrangement. Specific provisions were made to bring about modification in such practices as the American Selling Price system of valuation for certain imports of chemicals and the taxation of automobiles by certains European countries. Anti-dumping rules were clarified to provide a clearer guide for implementation and to guard against abuses.

The significance of tariff reductions on such a scale can be assessed by a comparison with the rate of internal tariff cutting in the European Economic Community and the European Free Trade Area (EFTA). A reduction of about 8 per cent per year for industrial products under the Kennedy Round approximates the 10 per cent rate achieved in the two regional groupings. The pace of tariff reductions in the five-year period after the Kennedy Round was therefore comparable to that of the first phase of EEC and EFTA. The one important difference was that the impact of the first would tend to stimulate trade among the developed countries as a whole, while the regional grouping had the effect of liberalizing intra-trade and at the same time increasing the degree of discrimination against non-members. A consequence of the Kennedy Round was thus not only the expansion of world trade but also the cushioning of the impact of discrimination of the regional groupings, which had progressively increased as the final stages of integration were reached.

The removal of trade barriers and the implicit reduction in trade restriction by the continental western European countries should in themselves facilitate the process of adjustment of the deficit countries. Consideration has in fact been given for an acceleration of the tariff reduction on the part of continental western European countries as a partial solution to the balance of payments problems of the United States and, to some extent, also of the United Kingdom. In April 1968 the EEC proposed to advance the one-fifth reduction scheduled for 1 January 1970 by one year. Furthermore, the EEC indicated that it would not oppose United States postponement of the second instalment cut of one-fifth from 1 January 1969 to 1 January 1970. It has been estimated that this EEC acceleration of tariff cuts would be worth $80 million in trade terms and that the United States postponement would mean an additional $70 million benefit for the United States balance of payments in 1969. This concession was conditional on the abolition by the Congress of the United States of the American Selling Price valuation system for chemicals by the end of 1968 and on the assurance that no border tax, export subsidies or other protectionist measures would be enacted by the United States. Several other countries have also indicated willingness to accelerate the Kennedy Round reductions, subject to certain conditions.

While the conclusion of the Kennedy Round negotiations and current discussions of possible acceleration in the EEC have reaffirmed the broad trend towards trade liberalization, the impact on the developing countries is less certain. While the developing countries, without reciprocal concessions, would be able to benefit from tariff reductions negotiated primarily among the developed countries, the extent of this benefit is likely to be limited. An examination of the tariff profile indicates that the rate of tariff reduction for a list of products of interest to developing countries was lower than that for the developed countries.[4]

A comparison of the treatment of products in which the developed countries dominate world exports with other products confirms the heavy concentration of tariff cuts for the former category. Moreover, non-tariff barriers remained the chief obstacle to exports of many primary products. For domestically supported food-stuffs such as grains and sugar, the EEC variable levies and the corresponding agricultural support measures in the non-EEC countries remain high in terms of *ad valorem* tariff equivalents. It is still not clear to what extent the agreement on the grain prices and on food aid would affect the conditions of market access for grains. A number of vegetable oils, apart from being subject to relatively high tariffs, continue to be affected by non-tariff barriers. Cotton textiles remain subject to quantitative restrictions under the Long-Term Cotton Textile Agreement and tariff reductions of these products were contingent upon the renewal of the Long-Term Agreement.

It is evident that much remains to be done in the trade relations between developed and developing

[4] While the precise result might have been influenced by incompleteness of the sample as well as the degree of disaggregation, it is clear that the major concessions negotiated affect products not exported to any great extent by the developing countries. See United Nations Conference on Trade and Development, "The Kennedy Round: preliminary evaluation of results, with special reference to developing countries" (TD/6 and TD/6/Supp 1-4)

countries. A first step towards broadening the benefits of the Kennedy Round to developing countries would be advance implementation of concessions in favour of developing countries and reduction or elimination of tariffs on products of export interest to them. Although a number of developed countries have made some progress towards this goal, the pace has so far been slow.

Trends in regional integration

During 1967 a surge of interest in regional integration was evident around the world. This reflects the growing appreciation of the significant progress made in a number of well-established regional groupings, such as the European Economic Community. It also reflects the awareness of problems of development posed by relatively small States. In many parts of Africa for example, the political and economic fragmentation concomitant with the achievement of independence, is most evident. The combined domestic product of thirty-nine developing independent African States (excluding South Africa) is equivalent to less than two-thirds of that of Italy. Six African States have populations of less than 1 million each and another twenty have less than 5 million inhabitants. The very small size of the typical national markets constitutes an obstacle to the formulation of an effective strategy for development. The diseconomies resulting from industries of small size or limited potentialities have already caused concern; duplicate facilities in neighbouring countries competing for small markets have emphasized the need for some kind of regional co-operation.

While the increasing interest in regional integration was accompanied by a general movement towards that goal, the pace of progress was uneven and the objectives and forms of the regional groupings were varied. In some cases, the conditions for meaningful integration were totally lacking as an atmosphere of antipathy or even hostility prevailed. In others the traditional and ethnic ties or similarities in outlook formed a basis for closer co-operation. However, there was also some appreciation of regional grouping as a vehicle for removing deep-rooted conflict or rivalry, a possibility of which the European Economic Community has given a notable demonstration.

Nor did the increasing trend towards regional grouping always have the same effect on neighbouring countries. In 1967 the United Kingdom Government, which had reversed its earlier stand, sought entry again into the European Economic Community. While this move in turn stimulated a similar one among the members of the European Free Trade Area, the position of EEC members continued to be divided and little progress was made towards the merger of the two groups in Europe. In Africa, progress in the East African Common Market had induced many countries to apply for membership.

The diversity of conditions in the various regions gave rise to a variety of regional groupings, ranging from full-fledged common markets, through free trade areas to looser forms of co-operation (see table 47 in the annex). This is especially the case with the recent proliferation of regional groupings among the developing countries. Some of the characteristics and the problems posed are examined below.

Africa

While subregional groupings in Africa were a legacy of the colonial period, the new groupings were not to be limited to either the former British or French territories. Three meetings were held, one in May 1967 at Accra, another at Dakar in December 1967 and the other in Monrovia in April 1968, in an attempt to bring into closer economic co-operation, perhaps through a common market or customs union, the various English-speaking and French-speaking West African countries. The extent to which the conferences could lead to concrete action would depend on how some of the difficulties could be solved. A major difficulty involved in the formation of a West African Economic Community is the reluctance of the French-speaking African States to abandon the preferential trading arrangements they have with the industrial countries of the EEC. Moreover, the terms of association of these French-speaking West African States with the EEC tend to inhibit preferential treatment of commerce between franc-zone States on the one hand and sterling and dollar neighbours on the other.

In Central Africa, the subregional meeting of Governments held in 1966 endorsed the principle of subregional co-operation. Thus far, however, no concrete action has been taken to establish links between the existing Central African Economic and Customs Union (UDEAC), a closely knit trading group established in 1966 on the basis of pre-independence relationships, and the Democratic Republic of the Congo, the only subregional country outside the UDEAC.

The East African Common Market, embracing Kenya, Uganda and the United Republic of Tanzania, provides a barely viable basis for many branches of industry. For this reason, there appears to be a real possibility for its enlargement to include a number of the neighbouring countries, such as Ethiopia, Malawi, Somalia and Zambia, which also need to associate with the Common Market in order to break out of their own economic isolation and the constriction of their economic progress caused by their small size.

In North Africa, the four Maghreb countries—which had established in 1964 a system of joint institutions with a view to the co-ordination of their development—agreed in 1966 with the Sudan and the United Arab Republic to explore jointly the possibilities for extending co-operation within the framework of the Maghreb institutions to all six countries of the subregion.

Another difficulty common to many regional groupings was the tendency for the benefits of integration to concentrate on the more developed members of the group. The relatively advanced stage of industrialization of Kenya in East Africa was a source of uneasiness on the part of Uganda and United Republic of Tanzania, and at one time quota restrictions were imposed by them on imports from Kenya. A solution was finally arrived at by means of a "transfer tax" under the Treaty of East African Co-operation. This provision permitted less industrialized members to impose a tax on their intra-Common Market imports of manufactures under narrowly defined conditions and for a limited period. The tax can be imposed only by countries with an over-all deficit in their intra-Common Market trade in manufactures, namely, Uganda and the United Republic of Tanzania. Furthermore, it can be imposed only on imports from the partner country with which the importing country has a deficit.

Besides the transfer tax, the Treaty contains other provisions intended to redress the industrial imbalance prevailing among the three member countries. The new jointly financed Development Bank is to give priority in its lending operations to Uganda and the United Republic of Tanzania. In addition, the corporations that administer the common services of the three countries, chiefly railworks, harbours and communications services, are required to give priority in their own investment programmes to projects in Uganda and the United Republic of Tanzania.

Similar problems of industrial imbalance have arisen in the Central African Economic and Customs Union, signed in 1966, and in the West African Economic and Customs Union (UDEAO), also signed in 1966. The Central African Economic Union (UEAC), established in April 1968, is based on "equal sharing of benefits", and whether it will in fact be implemented will almost certainly depend on whether this principle can be given practical effect.

This concern for equitable sharing of benefits has drawn attention to harmonization of development policies in some African regional groupings The UDEAC Treaty provides specifically for the harmonization of national development plans as an essential part of the integration programme. So does the Organization of Senegal River States (OERS), newly established in March 1968. Finally, the Maghreb institutions aim primarily at the co-ordination of development plans and programmes, while general trade liberalization is not envisaged for the time being.

Asia

In southern and south-eastern Asia, regional co-operation has been hampered by political difficulties, although the need for closer integration has been increasingly felt.

The Association for South-East Asia, inaugurated between Malaysia, the Philippines and Thailand as early as 1961 for the purpose of promoting economic and cultural co-operation, had been suspended for several years. In 1967 it was revived as the Association of South-East Asian Nations, consisting of Indonesia, Malaysia, Philippines, Singapore and Thailand. Its activities are spread over economic, social, cultural, scientific and administrative fields, with emphasis mainly on trade liberalization in which initial exploration of the possibility of a free trade zone is being undertaken.

Though its full potential has yet to be tested, the Association of South-East Asian Nations is faced with the problems of a limited variety of exports, non-convertible currency and lack of a common language. All the member countries export roughly the same commodities—tin, rubber, rice and timber. Less than 21 per cent of the member nations' trade is with one another, and their economies are competitive rather than complementary. These factors, together with the free-port tradition of Singapore, cast shadows over prospects for a customs union.

In West Asia, a common cultural and linguistic tradition has long favoured an Arab Common Market. Recent events have tended to reinforce the common interest and objectives. At a meeting in December 1967, the Arab Economic Unity Council decided to reduce customs tariffs among members to 80 per cent on agricultural products and to 40 per cent on industrial products. The meeting also reviewed final measures for the implementation of a unified identity card system for nationals of member States (to induce free movement of labour among member countries).

Trade agreements concluded in 1967 between Iraq and Syria, and Iraq and Jordan (three members of the Arab Economic Unity Council) provide for the elimination of customs duties among these countries. These countries have also agreed to work out and complete the unification of their tariffs vis-à-vis the outside world and to intensify trade among themselves, trade barriers between Iraq and the United Arab Republic having already been removed. The free trade agreement between Iraq and Syria provides for the establishment of a joint permanent organization to co-ordinate foreign trade, customs, financial and monetary policies, development planning and industrialization with the aim of achieving the economic integration of the two countries. Following upon closer trade relations with the United Arab Republic, Syria and Jordan, Iraq has concluded an agreement with Kuwait to facilitate the movement of goods. Kuwait will give financial aid to Iraq for a paper mill or a power station. The possibility of establishing joint industrial projects —steel mills, petrochemical plant—is being considered.

Latin America

Latin American integration was given a further impetus in 1967 when the Presidents of the American Republics agreed on a plan of action for the economic and social development of Latin America, including the creation of a Latin American Common Market, scheduled to commence in 1970 and to be substantially in operation by 1985. This goes beyond the existing groupings, namely, the Latin American Free Trade Association (LAFTA), established by the Montevideo Treaty of 1960, and the Central American Common Market (CACM), created by the Managua Treaty in the same year.

Progress towards an all-embracing Latin American Common Market would depend on the progressive convergence of the existing groups and other Latin American States. Thus far, the pace of integration of LAFTA towards regional economic integration is less rapid than that of CACM. Since 1961 there have been six rounds of negotiations within LAFTA and concessions have been granted on some 9,000 items that are traded within the region. About 80 per cent of these concessions were granted in the first few years of LAFTA and few have been made on manufactured goods which were conceived to be the basis for a dynamic regional industrial development. The concessions involved are those on raw and semi-processed materials that have traditionally comprised the bulk of Latin American intra-regional trade. Since the formation of LAFTA in the early 1960's, the intra-regional trade of this group of countries has regained the proportion of fifteen years ago but has not increased beyond that.

On the other hand, the progress achieved by CACM from its inception in 1961 has been encouraging. More than 95 per cent of the tariff items have been freed, though it should be pointed out that trade in such important products as coffee, cotton and sugar —representing 20 per cent of the group's total trade —have not yet been liberalized.

The long gestation period for the attainment of the goals of a Latin American Common Market and the many intermediate steps contemplated in the Action Programme are a recognition of the formidable obstacles that remain in the way of integration of the region. Trade among the Latin American States remains meagre. It accounts for only 10 per cent of the total foreign trade—most of primary products —of those countries. The greatest share of the trade is accounted for by three countries—Argentina, Brazil and Venezuela. In view of the long distances between countries in this region and geographical barriers to land transport, sea transport remains the dominant factor in the foreign trade of these counties. Moreover, the lack of diversification which is characteristic of the economies of Latin America, has led, especially in agriculture, to several countries concentrating on the same product, such as coffee and meat—a poor basis for intra-regional trade. Chronic monetary instability and steep inflation have also inhibited intra-regional trade and co-operation and may upset the balance of benefits that these countries expect to gain by regional economic co-operation.

A Caribbean Free Trade Area was formed in mid-1968 with a view to evolving into a customs union, partly in recognition of the role of subregional groups in the move towards broader integration. A joint Caribbean Development Bank has also been established. Several major countries of the region were, however, conspicuously absent from the group.

Chapter III

PROGRESS IN ECONOMIC REFORMS IN THE SOVIET UNION AND EASTERN EUROPE

The year 1967 and the early months of 1968 saw a continuation of the changes in the methods of planning and management initiated earlier in the Union of Soviet Socialist Republics and other socialist countries of eastern Europe. In some of those countries —Bulgaria, Eastern Germany and the Soviet Union —these changes have been under way for some years, and further changes were introduced and additional branches of the economy were covered. In Poland the efforts for improving the efficacy of economic planning and management continued, while in Romania a set of measures for improving the management and planning of the national economy was approved at the end of 1967. In Czechoslovakia, a more comprehensive reform in methods of planning and management was implemented at the beginning of 1967, while in Hungary the implementation of the major principles of a new system of management was begun in January 1968.[1]

It is now widely recognized that both the theoretical ideas that provide the justification for the economic reforms currently under way in the centrally planned economies in Europe and the practical experience with these reforms are of major importance to the future development of the countries concerned.

THE CONCEPTUAL BACKGROUND

The discussions that have been taking place in recent years among economists in eastern Europe and the USSR have subjected the strictly centralized system used previously to critical scrutiny. It has been pointed out that the central organization of production and the strict distribution of the bulk of the output have served the Soviet Union well, raising it to a major industrial Power.[2] With the growth in wealth and the increase in complexity of the economy, earlier methods of planning and management have become less appropriate. It has become necessary to evolve economic management techniques that are better suited to the greater size and diversity in output, able to cope more effectively with the acceleration in technological progress and adapt the production process more rapidly to the needs of the more complicated and changeable market.

Similar needs have been felt in the eastern European countries. New planning methods have been sought in order to improve the over-all efficiency of economic performance and to make production more responsive to changes in demand emanating from both domestic and foreign sources. The early system of planning and management were proving too rigid.

Among the common features of the current reforms are efforts to improve both the scientific basis and the methodology of national planning and to increase the use of electronic computers for achieving plan optimization. These efforts will reduce what has been called "voluntaristic planning"—that is, planning which does not take real possibilities adequately into account—thereby improving the realism and effectiveness of national plans. In this connexion, all countries assign a major role to medium-term (mostly five-year) plans, which are fast becoming the most important component in the planning system.

Another common feature is the increase in the authority of individual enterprises and associations of enterprises in both the planning of development and the decision-making process. This has been accompanied by a continuous decline in the number of centrally determined targets. The range of products subject to rigid central allocation is being reduced substantially, while direct contractual delivery relationships among trading partners are allowed to expand.

[1] For discussions of the earlier phases of these economic reforms see *World Economic Survey, 1964, Part Two: Current Economic Developments* (United Nations publication, Sales No.: 65.II.C.2), chapter 4; *World Economic Survey, 1965, Part Two: Current Economic Developments* (United Nations publication, Sales No.: 66.II.C.2), page 18; *World Economic Survey, 1966, Part One: Implementation of Development Plans: Problems and Experience* (United Nations publication, E/4363/Rev.1-ST/ECA/99), section B; *World Economic Survey, 1966, Part Two: Current Economic Developments* (United Nations publication, E/4396/Rev.1-ST/ECA/100), pages 41-44.

[2] For a recent discussion of the evolution of central planning in the Soviet Union, see L. Pekarskiy, V. Tabelev and B. Tsvetkov, "Sovershenstvovanie upravlenia i planirovania v usloviyakh ekonomicheskoy reformy" (Improving management and planning under the economic reform), *Voprosy Ekonomiki*, No. 11, 1967 (Moscow).

As a corollary to this, there has been an enlargement of the degree of financial independence as well as of the responsibilities of individual enterprises. Both the current expenditures and the investment outlays of enterprises are now more strictly tied to their earnings. As a result of assigning a greater role to enterprise funds and bank credits in investment financing, a direct incentive is provided for enterprises to achieve greater economy in capital spending as well as better utilization of existing fixed assets. This tendency is further strengthened by a tax on employed capital which has been imposed in most of the countries. The emphasis of these reforms is on influencing the behaviour of enterprises and employees towards raising economic efficiency and improving over-all economic performance. The general aim is to link the financial activities of enterprises more closely with their own profit. In most countries, in addition to the regular wage fund, a premium fund has also been set up to provide a system of rewards as a further inducement to higher efficiency on the part of managers and employees. As a result of the stress placed on the financial interest and responsibility of enterprises, financial tools such as prices, taxes, credit and interest are assuming increasing importance as instruments of economic planning and management.

In addition to these common features, certain distinctive characteristics in both theoretical outlook and practical measures are beginning to emerge among the eastern European countries. While it is too early to say if these differences will result in several distinct models of economic development, present evidence indicates the emergence of at least two different approaches. Broadly speaking, one of them relies primarily on directive planning of the economy from the centre, improving and supplementing it by an extensive range of measures, including those summarized above as common features of the reforms. The other method departs from the principle of implementing national plans through administrative orders passed on to individual enterprises by central organs, and in its place assigns primacy to indirect methods of government intervention through the use of various instruments of financial and fiscal policy designed to induce planned development.

The differences between the two models reflect different approaches to the role of the market in a socialist economy. By and large, the advocates of the more decentralized model consider the influences emanating from the market as decisive for the determination of the volume and composition of output of enterprises, making directive targets prescribed for enterprises in the central plan superfluous. In this view, the continuous impact on enterprises of the influence of the normally functioning market constitutes the most effective means of bringing about the complete fulfilment of the needs of the national economy as well as of ensuring the most efficient performance of all enterprises. At the same time, this approach accepts the legitimacy and desirability of government intervention in the market through financial and investment policy measures in order to influence the development of the economy in the planned direction. Thus, the purpose of the national plan would be to lay down the broad direction in which the economy is expected to advance and to serve as a directive to central economic organs and those in charge of government economic policy. It is this kind of economic model which, in principle, has been accepted as the basis of the latest economic reforms in Czechoslovakia. Basically, the same model underlies the reforms instituted in Hungary at the beginning of 1968, though the nature and extent of the economic tools used would be different, and would probably involve a higher degree of central regulation.[3]

The other, more centralized, economic model is based on the assumption that the composition of output and its growth must be centrally determined by means of a system of balance-sheets and efficiency calculations. The output directives, together with a limited number of other important indexes, are passed on to individual enterprises in the form of obligatory plan targets. Within this central direction, it is intended to introduce measures to increase the rights, responsibilities and material interests of individual enterprises. All enterprises would operate within the frame provided by the plan and the incentives would be linked with the fulfilment of the planned targets.

Some advocates of this model minimize the role of the market in the development of the socialist economy, seeing a contradiction between the imperatives of central planning and the tendencies of the fully functioning market. For instance, some Eastern German economists have argued that the sheer complexity of modern technology and production makes such a contradiction inevitable and that the market economy with full autonomy of enterprises is outdated.[4] Another contradiction is pointed out by a Polish author who argues that the unrestrained use of the market mechanism would focus the attention of producers on consumers in the high-income brackets to the detriment of the basic needs of the people. He explains that

> "the employment of the market mechanism in the running of factories means in practice a change in the aim of production, at least on the factory

[3] "The characteristic of the Hungarian reform is that the market, controlled with the help of the central plan, has a relatively bigger role, and the task of the enterprises is a flexible satisfaction of the demands of would-be buyers on the market." See Dr. J. Wilcsek, "Reforms of the economic mechanism in the socialist countries," *Magyar Nemzet* (Budapest), 3 March 1968.

[4] See *Neues Deutschland* (Berlin), 18 May 1968, p. 13.

level. The direct motivation is no longer the supply of mass needs, it is the consideration of how much profit the factory will make by supplying those needs."[5]

The concept of profit as the main criterion of efficiency of enterprises and the right of enterprises to decide the disposition of their net profits are characterized by the Soviet economist S. Strumilin, as "ignoring the dialectics of social accumulation and consumption".[6]

Other commentators on the reforms accept the positive influence of the market on economic development but stress its secondary role. Thus, in their review of the process of economic reform, Soviet economists Pekarskiy, Tabelev and Tsvetkov state:

"While maintaining centralized planning, it became necessary to take fuller account of the action of the market mechanism. This mechanism strengthens the influence of the consumer on the producer and performs the function of controlling a correspondence between the production of output and national economic needs: this means that it serves as an effective means for increasing the efficiency of social production.

"A fundamental difference between the socialist market and the capitalist market consists in the fact that monetary relations in the former are based not on private but on public ownership of the means of production. It is this which makes it possible to develop them not in a spontaneous way but under the controlling influence of the plan. Consequently, at their basis, market relations are capable of being controlled under socialism. The old reform of such categories as price, profit and credit are filled with new social and economic content. Money exchange relations like all economic relations under socialism, reflect the community of interests between each producer and the entire people".[7]

The discussion regarding the concepts and models most appropriate for each economy is still continuing vigorously in all the countries of eastern Europe. The economic reforms at present under way do not fall neatly into the two categories discussed above for purposes of exposition. Most of them embody elements of both approaches, adapted in each case to the particular structure of the economy concerned.

Salient features of recent economic reforms

Economic changes of a far-reaching nature, including a radical price reform, were introduced in *Czechoslovakia* at the beginning of 1967. The new incentives succeeded in raising the rate of growth of industrial output much above the planned level, largely as the result of increased labour productivity. Other components of production costs, especially material costs, declined substantially. On the other hand, the high rate of inventory accumulation provided evidence of the inability of enterprises to adapt the assortment, quality and technical level of their products to the consumers' requirements. The economy has not yet become fully responsive to the pressures and influences radiating from the market mechanism and this has been a matter of continuing concern to economists studying the first phase of this experiment.

It is believed that a major cause of this insufficient responsiveness lay in the imperfections of the price reforms. Because of shortcomings in the groundwork for the preparatory stage of the reform and because enterprises tended to exaggerate their costs submitted for the computation of the new prices, the profits of enterprises after the price reform exceeded their anticipated levels. This provided little incentive for restraint on enterprise spending and contributed to inflationary demand-supply imbalances. The authorities responded by setting limits on wage outlays, introducing restrictive clauses in the provision of investment credits and adopting measures restraining the start of new projects. These anti-inflationary measures inhibited the proper functioning of the new system and eventually resulted in certain restrictions on the rights of enterprises proclaimed in the reform. The inflationary situation made it difficult to achieve planned improvements in the demand-supply relationships aimed at strengthening the influence of buyers on the production process.

One of the principal features of the Czechoslovak reform was a uniform rate of tax, especially on employed capital and on the gross income of industrial enterprises. However, the chief purpose of this reform—namely, the establishment of uniform and objective measures of the efficiency of enterprises—was not attained. Existing price relationships, differences in the level of technical equipment and other conditions beyond the control of individual enterprises, made it necessary to "individualize" tax obligations indirectly by a system of subsidies and additional payments set for individual enterprises. The temporary character of these exemptions was stressed, and lagging enterprises were exhorted to increase their efficiency in a specified period of time or face the prospect of eventual liquidation. The scale of the exemptions that were granted has been criticized by some economists on the ground that it lowered the effectiveness of the reforms by continuing the practice of higher taxation of more efficient enterprises and lower taxation of poor per-

[5] Mieczyslaw Krajewski, "Demokracja socjalistyczna a 'socjalizm rynkowy'" (Socialist democracy and market socialism), *Trybuna Ludu* (Warsaw), 29 March 1968.

[6] Academician S. Strumilin, "An acute question", *Komsomolskaia Pravda* (Moscow), 16 February 1968, p. 2.

[7] L. Pekarskiy, V. Tabelev and B. Tsvetkov, "Improving management and planning under the economic reform," *Voprosy Ekonomiki*, No. 11, 1967.

formers. The planning authorities, however, claimed that the subsidies were necessary concessions in the transitional period.

The abolition of direct targets for enterprises in the national plan was not fully reflected in increased independence of individual concerns, because the associations in which enterprises are grouped often imposed targets and interfered in the activities of their constituents. Some of the interference by central organs in the activities of enterprises was doubtless made necessary by the persistent imbalances in the structure of demand and supply as well as by bottle-necks in essential imports. The lack of experience of managers at all levels in their essentially new role of socialist entrepreneurs was an additional factor slowing down the full implementation of the new system. Most of the difficulties seem to have been problems typical of transition, when shortcomings of both the old system and the new combined and reinforced one another.

Progress in the implementation of the Czechoslovak reform received a new impetus at the beginning of 1968, as part of the economic policy of the new Government. The drive to increase the efficiency of the production process is continuing, and the necessity of weeding out inefficiency by the gradual elimination of subsidies has been explicitly recognized. Further reform of the price system is also considered to be an essential requirement for the proper functioning of the new system. The prices reconstructed in 1967 in accordance with the new system of taxes, but without regard to the market, are to be adapted to the requirements of demand-supply relationships of individual commodities. The Government has indicated its intention to take steps to establish a proper relationship between domestic wholesale prices and domestic retail prices on the one hand and foreign prices on the other, thereby strengthening the influence of the market on the production process. The Government hopes to establish free convertibility of the Czechoslovak crown in five to seven years.

Most Czechoslovak economists recognize the competitive process as a powerful stimulus to improvement and innovation in production. In encouraging competition, a distinction is drawn between monopolies resulting from the concentration of production made necessary by economic or technological facts and monopoly created administratively by subordination of individual enterprises in the same industrial branch to an association. The latter is believed to be an obstacle impeding the initiative of individual enterprises in competition with others in the same line of production. According to this view, competition should be induced wherever the organizational structure of production makes it possible, as in light industry, services and trade. Similarly, actual or potential competition from foreign-made products, on both the domestic and world markets, should be encouraged as a dynamic supplement to the competition of domestic producers. It is recognized, however, that the revival of the market makes it necessary to create or strengthen the legal protection of the consumers against the possibility of undesirable or harmful practices on the part of producers.

If these views are acted on, the role of the individual enterprise in the economy will tend to increase in importance. According to the prevailing view, the enterprise should be entirely independent of the ministries or other administrative organs, subject only to the accepted restraints of legal provisions and regulations. The enterprise would have full responsibility not only for the discharge of its day-to-day activities but also for long-term developments, including investments. These powers would be vested in each case in an "enterprise committee" newly created as the highest organ in the enterprise, taking decisions on the most important problems concerning the development of the enterprise, including the appointment of directors. Opinions differ regarding the composition of these enterprise committees. Some economists stress the independence of enterprises and feel that most of the committee members should be elected by the employees while others would prefer a more important representation of organs outside the enterprise—banks, central organs, research institutes and consumers, for example. As far as the associations of enterprises are concerned, the individual enterprise would have the right to decide whether to become a member or not. The enterprises themselves might create different kinds of associations or common undertakings whenever the need arose.

While the new system of management in *Hungary* was officially inaugurated on 1 January 1968, certain planning and management reforms were made in 1967. There was a reduction in obligatory targets prescribed in the plan, the investment system was simplified, the wage system and employment policy were made more flexible, their incentive character increased, and a new system of service contracts was introduced. These and other measures increased the independence of individual economic units, and set the stage for the reforms introduced in January 1968.

In the new system, the fulfilment of the plan will not be regulated by obligatory targets set at the centre, but by the use of indirect methods or "economic regulators". Within the framework and conditions set by central authorities, enterprises will be allowed to prepare their own plans, without any central direction regarding form and content.

The central distribution of commodities has, in general, been abolished. Material balances no longer play an operative administrative role in the commodity circulation. Since the beginning of 1968, sales of most commodities have taken place as the result of direct negotiations between producers, the wholesale and foreign trade enterprises and consumers. In some exceptional cases, however—where there were abnormal shortages in the market, for example, or because of balance of payments problems—the system of central allocation has been retained.

A price reform has been introduced whose main purposes are to bring prices and costs closer together, to make prices reflect more accurately the market forces of demand and supply (in harmony with the requirements of economic policy expressed through economic regulations) and to bring the domestic price relationships closer to those on world markets. The effect will be a more flexible price control. Prices will be fixed centrally only for the most important basic materials and consumer goods. The movement of the prices of other commodities will be either governed by official regulations—through price change limits, for example—or entirely free. In 1968, according to some estimates, the system of free prices will cover about 28 per cent of the output in raw material industries, 85 per cent in manufacturing industries and 23 per cent in consumer goods industries (including services). There are, however, some temporary regulations limiting excessive price increases during the initial period.

In Hungary, as in other countries, the method of distributing profits by enterprises has been one of the most important objects of the reform. Individual enterprises had been allowed to use for their own purposes only a small proportion of their profits; in 1968 they will be able to use, by their own decisions and for their own needs, up to four times the previous amount. This should increase the direct interest of enterprises in their own performance.

The remaining profit of the enterprise will be used according to central regulations for three purposes: development, additional remuneration of employees and as a reserve fund. There will be a flat tax (60 per cent in 1968) on that part of profit that goes to development; what is left will be put by the entrepreneurs into their development fund to be used at their own discretion for investment for fixed or circulating capital. The development fund is also fed from amortization, of which the enterprise can retain an average of 60 per cent.

Enterprises are to be taxed progressively on that part of their profit which is devoted to raising personal income. The rates of taxation—ranging from 0 to 70 per cent in 1968—have been fixed by the Government in proportion to wages. Sharp progression is considered necessary to avoid wide disparities in personal income arising from the favourable facilities of certain enterprises rather than from superior performance of the staff. In spite of this progressive taxation, it is expected that some enterprises will be able to provide abnormal wage increases. Therefore, the Government introduced additional temporary regulations setting a ceiling for annual wage increases. Enterprises are to put that part of the profit left over after taxation into a separate fund, called the shares fund. From this they may pay out premiums, bonuses and other awards—such as end-of-year profit shares and non-monetary social benefits—and maintain their social, cultural and sporting institutions.

A part of the new enterprise income policy is the obligatory setting up of minimum reserves out of both development and share funds. Under the new economic system, the risks and responsibility of enterprises will be greater and so will be the chances for temporary imbalances. State subsidies on production in certain fields, particularly in mining, synthetic material industries and in the agricultural machinery industry, have been made necessary by the existing production and marketing conditions.

The new Hungarian system has reduced the proportion of investments that are centrally planned and financed from the state budget, and expanded the proportion financed directly from the development fund of enterprises or by means of bank credit. However, the share of the centrally planned investment is considered to be one of the most important tools of the Government in guiding long-term economic development, and will exceed 50 per cent of total industrial investment in 1968. The volume of investment credits is determined by the plan in accordance with the investment requirements of the main sectors and of certain special branches. It is presumed that demand for credit will exceed its availability: it is to be granted according to the rule of competitive bidding on the basis of efficiency criteria. An innovation in the credit system is the effort of the Government to induce the enterprises to deposit their temporary surpluses in the bank.

The system of central limits and regulations in price, income and investment policy adopted for the initial year of the reform, as well as the limits placed on enterprise funds, indicates the cautious approach of Hungarian economists to the introduction of the new system. The aim is to minimize the danger of inflationary tendencies, in both investment and consumer markets, and thereby facilitate the transition to a new model of management relying more on the indirect tools of financial policy.

In the *Soviet Union*, the process of economic reform started in 1966 and continued in 1967. By the end of 1967, 7,000 industrial enterprises—producing about 40 per cent of the total output of the country—had been transferred to the new system of management. This process is expected to be completed in 1968.

The economic results of the reforms so far seem to have confirmed the soundness of the principles on which they were based. The growth rates experienced by these enterprises have been substantially higher than those for industry as a whole. Higher levels of profit and output have also made possible a faster rise of workers' salaries.

The evaluation of experience with the reform so far has brought to light certain shortcomings, mostly connected with the initial stages. As long as the majority of industrial enterprises still operated under the old conditions the effectiveness of the new tools of planning and financial incentives was restricted: conditions in material supply and commodity circulation did not correspond fully to the new system, and stable trade relations between the enterprises were not established. Another cause of imperfection in the functioning of the reform was the inability of some managers immediately to overcome habits and patterns of conduct practised under the old administrative system of management. It has been pointed out, for example, that some ministerial central organs were to blame for arbitrary assignment of plan indexes, for imposing unnecessary additional targets on enterprises and for changing the approved plans several times during the year.

Soviet economists have proposed various measures to improve the performance of the new system. Among these, the improvement of the material supply system has received special attention. Some economists[8] believe that one of the major prerequisites of success in carrying out the economic reform is the transfer of the functions of the administrative supply system to the mechanism for regular trade and to direct economic ties between suppliers and buyers. According to this view, the planning of distribution of output should involve only centralized global balances to ensure the over-all proportionality in the development of all branches; it should not require centralized allocation of deliveries through administrative rationing. It is argued that rationing reduces the effectiveness of the reform by restricting the opportunities to use the incentive funds in the hands of individual enterprises, generated by these very reforms.

The introduction of new wholesale prices as part of the reform was completed on 1 July 1967. The new prices are expected to ensure the establishment of a profitability level sufficient for introducing autonomous financing for every normally operating enterprise. It is believed that the new prices, which brought the profitability of individual branches closer to the average, will make it possible to impose uniform standards for allotments to incentive funds for groups of enterprises instead of for individual ones. This change should create better conditions for the objective evaluation and rewarding of economic progress in individual enterprises of the same branch.

In *Eastern Germany*, the reform of prices was completed at the beginning of 1967. At the same time, gradual introduction of additional changes in the economic system continued. New regulations in investment financing, experimentally applied in previous years, were put in general operation on 1 January 1968. All industrial enterprises are now responsible for their own reconstruction, modernization and expansion, which are to be financed from depreciation reserves, net profits and new credits. In April 1968, a further stage in the introduction of the new economic system was approved in broad outlines. New measures are intended to bring together previously accepted changes into a comprehensive system. This includes improvements in central planning, particularly in the field of structural changes in the national economy and in new regulations for distributing the income of enterprises. Long-term norms have been set for taxes on capital and on net profit, for centralized depreciation allowances as well as for premium funds. These are designed to create conditions for increasing the independence, responsibility and financial interest of enterprises.

The reforms in *Bulgaria* have been introduced gradually. By the end of 1967, the bulk of the industrial enterprises were operating under the new system and the remaining enterprises are to be shifted to the new conditions before the end of 1968. The Bulgarian reform is at present characterized by an increase in the rights of enterprises (for example, in the field of wages), within the framework of central directive planning of the main indexes such as output in physical terms (expressed as government orders), volume of investment and of material inputs, and foreign trade targets and limits. The application of the new methods has given rise to a number of problems, and in 1967 these engaged the attention of Bulgarian economists. One difficulty relates to the implementation of new prices. As these are to be based on world prices, they may be lower than the costs in some branches of domestic industry. A system of budget subsidies to cover the losses of individual enterprises has been suggested in cases where it is in the national interest to produce the commodity, despite its relatively high cost.

In *Romania*, directives on "Perfecting of management and planning of the national economy" were approved at the end of 1967. Suggested changes are to be implemented gradually in the course of several years. Special emphasis is placed on changes in the structure of industrial management and on the rights and responsibilities of individual enterprises. Industrial associations, grouping enterprises either on a vertical or on a horizontal basis, are to become relatively independent units, with a decisive role in

[8] See Ye. Liberman and Z. Zhitnitsky, "Ekonomicheskie i administrativnye metody Khozayistvendvo rukovodstva" (Economic and administrative methods of management), *Planovoie Khoziaistvo*, No. 1, 1968 (Moscow).

the management of industry. The directives provide for the establishment of collective management in enterprises as well as for improvements in economic incentives. Methods of central planning are to be improved and some of the powers exercised centrally so far are expected to be transferred to industrial associations. There will also be an expansion in the share of the income of enterprises remaining at their own disposal.

In *Poland*, the introduction of various measures aimed at improving the existing system of planning and management continued in 1967. The number of directives given by the central planning bodies to the enterprises was further reduced. The aggregated targets of output are still maintained as the directives to the enterprises, but they are used exclusively as an instrument to control the movement of the wage-bill. The obligatory limits covering employment have been abolished for the majority of enterprises, and by 1968 experiments with abolishing the obligatory limits of the wage-bill were well advanced. In view of the existing conditions of persistent labour scarcity and pressures for wage increases, this measure is being implemented with a good deal of caution.

Table 11. World production of selected commodities, 1963-1967

(Millions of tons, except as indicated)

Item and region	*Amount in 1963*	*Index (1963 = 100)* 1964	1965	1966	1967
Coal[a]					
World[b]	1,947	103	105	105	105
Developed market economies[c]	1,052	103	104	103	102
Centrally planned economies[d]	800	104	107	108	109
Developing countries[e]	95	98	103	105	109
Petroleum, crude					
World[b]	1,298	108	116	126	135
Developed market economies[c]	425	102	105	111	119
Centrally planned economies[d]	223	108	117	127	138
Developing countries[e]	649	112	122	134	145
Natural gas (billions of cubic metres)					
World[b]	602	110	116	126	136
Developed market economies[c]	465	107	111	119	127
Centrally planned economies[d]	107	119	139	155	172
Developing countries[e]	30	115	122	130	141
Electricity (billions of kilowatt-hours)					
World[b]	2,812	109	117	125	133
Developed market economies[c]	2,065	108	116	124	131
Centrally planned economies[d]	580	111	122	132	142
Developing countries[e]	166	114	124	128	131
Pig iron[f]					
World[b]	264	113	120	124	129
Developed market economies[c]	175	117	124	126	130
Centrally planned economies[d]	77	107	113	120	128
Developing countries[e]	12	104	105	111	108
Steel, crude					
World[b]	375	113	118	123	128
Developed market economies[c]	253	116	121	123	129
Centrally planned economies[d]	108	106	113	121	128
Developing countries[e]	13	108	114	123	127
Cement					
World[b]	367	110	115	123	127
Developed market economies[c]	224	111	113	120	122
Centrally planned economies[d]	94	108	118	129	137
Developing countries[e]	49	109	119	127	132

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

[a] Including lignite (as coal equivalent).

[b] Sum of regions shown.

[c] North America, western Europe, Australia, Cyprus, Japan, New Zealand, South Africa, Turkey.

[d] Eastern Europe, Soviet Union, North Korea, North Viet-Nam.

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

[f] Including ferro-alloys.

Table 12. Market economies: changes in industrial production, by country group, 1963-1967

(Percentage change from preceding year)

Group[a] and year	Mining	Manufacturing: Total	Light[b]	Heavy[c]	Food	Textiles	Clothing	Wood	Paper	Chemicals	Non-metallic mineral products	Basic metals	Metal products
All market economies													
1963	3	5	4	6	3	4	5	4	6	9	5	7	5
1964	5	8	6	9	4	5	5	7	8	9	11	14	8
1965	4	7	5	8	3	3	5	6	6	8	4	5	9
1966	4	7	5	8	4	4	3	4	7	10	5	4	10
1967[d]	3	2	1	3	2	—	—1	—	2	7	2	—	2
Industrialized countries													
1963	2	5	4	6	3	4	4	3	5	10	5	6	5
1964	4	8	5	9	4	4	5	7	8	10	10	14	7
1965	2	7	5	8	3	3	5	5	6	8	4	5	9
1966	3	7	5	8	4	5	3	4	7	10	4	3	10
1967[d]	2	2	1	3	3	—1	—2	—	2	7	1	—	2
Less industrialized countries													
1963	5	5	4	6	3	4	7	9	10	7	4	13	3
1964	9	9	8	12	6	9	8	9	8	8	11	10	17
1965	7	7	6	9	6	2	7	11	11	7	8	6	11
1966	7	6	5	7	6	1	5	4	9	9	8	11	6
1967[d]	5	4	3	4	2	5	5	5	3	6	4	4	2

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, May 1968.

[a] The country groups are those made in the source. The classification of countries as "industrialized" or "less industrialized" is made according to whether *per capita* value added in manufacturing during 1958 was above or below $125. The groups correspond broadly to those used elsewhere in the *Survey*: "industrialized countries" comprise all the countries classified as developed market economies, plus Israel, minus Greece, Portugal, Spain and Turkey; correspondingly, "less industrialized countries" comprise all the countries classified as developing market economies, plus Greece, Portugal, Spain, Turkey and Yugoslavia, minus Israel

[b] Food, beverages and tobacco; textiles and clothing; wood products; leather, rubber and related products; printing and publishing.

[c] Paper; chemicals; non-metallic mineral and metal products.

[d] Preliminary.

Table 13. Selected countries: recent change in industrial production, 1966-1967

(Percentage change)[a]

Country	1966 First quarter	1966 Second quarter	1966 Third quarter	1966 Fourth quarter	1967 First quarter	1967 Second quarter	1967 Third quarter	1967 Fourth quarter
Austria	15	4	—4	7	—10	7	—7	7
Belgium	—	—4	4	—	7	—4	—7	15
Bulgaria	17	16	8	9	12	12	17	14
Canada	10	3	3	7	—3	3	6	6
Eastern Germany[b]	8	5	5	8	5	7	8	10
Finland	3	4	2	7	4	8	2	—
France	4	7	11	—	—	—3	7	7
Germany (Federal Republic of)	11	—	—7	—7	—7	—	11	18
Greece	13	20	15	16	13	5	10	5
Hungary	6	7	7	7	—	5	5	5
Italy	15	11	11	7	17	3	—9	21
Japan	14	21	23	22	14	17	25	21
Luxembourg	—10	—4	—	—	8	—7	—4	4
Netherlands	3	7	3	10	—	3	10	16
Norway	4	7	7	7	10	—6	—	17

Table 13. Selected countries: recent change in industrial production, 1966-1967 (*continued*)

Country	1966 First quarter	1966 Second quarter	1966 Third quarter	1966 Fourth quarter	1967 First quarter	1967 Second quarter	1967 Third quarter	1967 Fourth quarter
Poland	6	8	8	7	10	9	8	7
Portugal	26	13	—33	—	7	18	—21	11
Romania	10	11	13	14	14	10	14	11
Senegal	13	11	12	15	—	7	2	—6
Spain	19	16	10	11	3	7	4	—2
Sweden	7	3	—3	7	3	7	—	10
Switzerland	16	—	—4	15	—4	—4	—4	15
USSR[c]	8	8	9	9	11	11	10	9
United Kingdom[d]	4	—4	—	—7	—	—	—	7
United States	18	7	7	3	—6	—3	7	3
Yugoslavia	5	5	5	3	2	—	—1	—1
Zambia	2	—8	—14	—18	—25	2	17	22

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

[a] For OECD countries, percentage change of seasonally adjusted data from preceding quarter at annual rate; for other countries, percentage change from corresponding quarter in preceding year.

[b] Including fishing.

[c] Including fishing, logging, waterworks, steam heat and power; excluding publishing.

[d] Including construction.

Table 14. World production of major agricultural commodities, 1963-1967[a]

Commodity	Production (millions of tons) 1963-1965 average	Production (millions of tons) 1966	Index, 1967 (1966 = 100)
Wheat	242.7	285.5	97
Rice (unmilled)	248.0[b]	262.0	109
Maize[c]	187.0[b]	227.0	110
Barley	85.3	106.3	105
Oats	43.0	44.3	97
Sugar[d]	58.9	64.8	101
Coffee	4.0	3.6	110
Cocoa	1.3	1.3	98
Tea	0.9	1.0	100
Vegetable fats and oils	35.6	37.7	101
Cotton	11.2	10.4	99
Wool	2.6	2.7	101
Jute	2.3	2.7	110
Hard fibres[e]	0.9	0.9	94
Rubber:			
Natural	2.3	2.4	102
Synthetic	2.8	3.4	102

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States Department of Agriculture, *World Agricultural Production and Trade* (Washington, D.C.); International Rubber Study Group, *Rubber Statistical Bulletin* (London).

[a] Data refer either to calendar years or to crop years beginning in the year shown. For rice, maize, tobacco, tea, jute, hard fibres and rubber, the data refer to calendar years. For coffee and cocoa beans, the data refer to crop years beginning July to October of the year shown; for sugar, 1 May of the year shown to 30 April of the following year, and for cotton beginning 1 August of the year shown. For other commodities, harvests in the northern hemisphere beginning in the year shown are combined with southern hemisphere harvests that immediately follow.

[b] 1964-1965 average.

[c] Excluding mainland China.

[d] Centrifugal only, raw value.

[e] Sisal, abaca and henequen.

Table 15. Major food crops: production in selected developing countries, 1964/65-1967/68

(Millions of tons)

Crop and country	1964/65	1965/66	1966/67	1967/68[a]
Wheat				
Algeria	1.1	1.3	0.7	1.4
Argentina	11.3	6.2	6.4	7.4
Chile	1.2	1.2	1.1	1.2
India	12.3	10.4	11.5	. .
Mexico	1.8	2.0	1.6	2.2
Morocco	1.2	1.3	0.8	1.1
Pakistan	4.6	4.0	4.3	. .
Tunisia	0.4	0.5	0.3	0.3
United Arab Republic	1.5	1.6	1.5	1.5
Rice (unmilled)				
Brazil	6.3	6.6	6.8	7.0
Burma	8.2	8.1	7.4	7.5
Ceylon	1.1	0.9	1.0	. .
China (Taiwan)	2.9	3.1	2.9	3.4
Colombia	0.6	0.7	0.7	0.7
India	58.6	46.0	46.4	62.3
Indonesia	13.0	13.7	14.1	14.3
Pakistan	17.8	17.7	16.4	18.0
Philippines	4.0	4.1	4.2	4.4
Republic of Korea	5.4	4.8	5.3	. .
Thailand	9.6	9.2	11.8	10.0
United Arab Republic	2.0	1.9	2.0	2.3
Barley				
Latin America	1.1	1.0	1.2	. .
North Africa	1.8	1.9	0.8	1.4
India	2.5	2.4	2.4	. .
Republic of Korea	1.4	2.0	1.9	. .
Other grains and pulses				
India	35.1	28.6	33.3	. .

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States Department of Agriculture, *World Agricultural Production and Trade* and *World Agricultural Situation*, Foreign Agricultural Report No. 38 (Washington, D.C.); Commonwealth Secretariat, *Rice Bulletin* (London).

[a] Preliminary.

Table 16. Annual changes in consumption and investment, by country group, 1964-1967

(Percentage change from preceding year)

Country group	Personal consumption				Fixed investment			
	1964	1965	1966	1967[a]	1964	1965	1966	1967[a]
Developed market economies[b]	4	6	5	3	9	6	5	2
Centrally planned economies[c]	5	9	8	9	9	8	7	9
Developing countries[d]	5	3	3	5	10	4	5	4

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Yearbook of National Accounts Statistics*; replies of Governments to the United Nations questionnaire of November 1967 on economic trends, problems and policies; reports on plan fulfilment, and other national sources.

[a] Preliminary; based in the case of the developing countries, on partial data, estimates and indicators.

[b] North America, western Europe, Australia, Japan, New Zealand and South Africa.

[c] Eastern Europe and the Soviet Union; personal consumption is based on retail sales; country indices have been combined by weighting them by coefficients derived from estimates of relative value of retail sales and gross fixed investment, respectively, as indicated in *Sopostavlenie Urovnia Ekonomicheskovo Rasvitia Socialisticheskikh Stran* (Moscow, 1965).

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

Table 17. World trade: indices of export and import quantum, 1964-1967

(1963 = 100)

Region and group	Export quantum 1964	1965	1966	1967[a]	Import quantum 1964	1965	1966	1967[a]
World	110	118	127	134	110	118	128	136
Developed countries	111	120	130	138	110	120	130	139
North America[b]	114	115	127	132	108	123	143	156
Western Europe	109	120	129	135	110	118	126	130
EEC	111	124	136	145	109	118	127	131
EFTA	106	113	118	118	111	116	121	127
Rest of western Europe								
North[c]	106	110	118	124	118	126	129	127
South[d]	118	125	138	154	106	127	146	147
South Africa	101	101	112	131	127	140	127	145
Japan	124	159	184	193	115	116	136	171
Australia and New Zealand	106	108	110	126	115	126	122	125
Developing countries	107	113	119	121	109	113	121	126
Latin America[e]	102	106	111	115	108	106	116	123
Africa[f]	112	121	126	124	109	114	117	117
West Asia[g]	114	122	133	141	112	123	132	136
Southern and south-eastern Asia[h]	105	109	114	121	107	112	121	130

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

[a] Preliminary; based for some countries on less than twelve months' returns.

[b] United States and Canada.

[c] Finland, Iceland and Ireland.

[d] Greece, Spain, Turkey and Yugoslavia.

[e] Twenty republics.

[f] Continental Africa (other than South Africa).

[g] Aden, Bahrein, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, Syria.

[h] Rest of Asia (other than mainland China, Japan, Mongolia, North Korea, North Viet-Nam and Turkey).

Table 18. World exports, by provenance and destination: value, 1965, and percentage change, 1966 and 1967

(Millions of dollars; percentage)

Exporting region and item	World[a]	North America	Western Europe[b]	Other developed market economies[c]	USSR and eastern Europe[d]	China (mainland)[e]	Latin America[f]	Africa[g]	West Asia[h]	Southern and south-eastern Asia	Other developing countries[i]
World[a]											
Value in 1965	186,420	28,730	84,560	13,250	19,030	2,120	9,320	8,170	4,450	12,890	2,750
Percentage change from preceding year:											
1966	9.2	17.2	8.5	6.5	3.3	8.0	11.7	—0.2	13.0	10.2	7.3
1967	5.2	5.9	4.0	15.3	7.5	4.4	1.4	2.2	0.4	2.8	7.1
North America											
Value in 1965	35,300	10,230	11,060	3,950	420	97	4,030	813	844	3,235	608
Percentage change from preceding year:											
1966	12.0	20.4	5.5	3.9	33.3	75.3	11.9	17.7	11.8	12.5	11.8
1967	5.7	12.6	3.0	18.5	—34.8	—50.0	—2.6	—20.1	—4.2	4.1	9.6
Western Europe[b]											
Value in 1965	79,030	7,400	50,840	3,710	3,310	370	2,700	4,490	2,060	2,960	820
Percentage change from preceding year:											
1966	9.2	19.3	8.9	1.1	13.0	35.1	13.3	—2.7	13.1	3.4	8.5
1967	5.3	4.6	4.8	11.5	16.8	28.0	4.9	3.0	1.3	—3.9	1.1
Other developed market economies[c]											
Value in 1965	13,850	3,427	3,660	1,448	342	445	453	912	339	2,513	243
Percentage change from preceding year:											
1966	12.7	20.3	7.7	8.8	7.3	—5.8	10.2	—1.6	19.8	20.3	16.5
1967	7.0	—	1.3	20.2	—15.8	20.5	13.4	14.9	4.7	13.6	17.3
USSR and eastern Europe[d]											
Value in 1965	19,710	185	3,690	234	12,460	700	590	610	235	650	6
Percentage change from preceding year:											
1966	6.1	31.4	17.1	31.2	0.8	8.6	23.7	—	34.0	—9.2	—83.3
1967	9.1	6.6	4.4	51.1	9.4	6.6	12.3	18.0	17.5	—6.8	—
China (mainland)[e]											
Value in 1965	2,020	15	305	245	600	—	125	78	30	620	—
Percentage change from preceding year:											
1966	9.9	40.0	24.6	32.7	—13.3	—	—36.0	34.6	66.7	16.1	[j]
1967	—9.9	19.0	—7.9	—8.6	...	—	—12.5	14.3	—16.0	—15.3	—
Latin America[f]											
Value in 1965	11,060	3,850	3,630	513	730	205	1,080	91	51	66	840
Percentage change from preceding year:											
1966	5.1	8.6	6.3	9.7	—4.1	—12.2	7.4	—56.0	23.5	37.9	—4.8
1967	0.6	—1.4	3.1	10.7	—4.3	—38.9	—	25.0	—9.5	1.1	3.8

Africa[g]											
Value in 1965	7,750	605	5,280	290	455	115	35	600	120	160	6
Percentage change from preceding year:											
1966	9.4	17.5	8.5	31.3	4.4	—28.7	34.3	—6.7	12.5	15.6	83.3
1967	0.5	—5.2	1.0	18.2	3.2	—12.2	—38.3	—7.2	—	—8.1	190.9
West Asia[h]											
Value in 1965	6,510	464	3,160	1,195	120	22	99	235	550	400	65
Percentage change from preceding year:											
1966	9.5	4.5	10.8	12.7	4.2	18.2	25.3	14.9	—3.6	15.0	—1.5
1967	5.6	—20.6	8.3	13.5	4.0	3.8	—8.0	—	—3.8	8.7	4.7
Southern and south-eastern Asia											
Value in 1965	9,310	1,800	2,200	1,544	570	170	125	310	230	2,280	54
Percentage change from preceding year:											
1966	4.9	5.6	3.2	7.4	5.3	—11.8	—12.0	—	8.7	6.1	68.5
1967	4.2	8.4	—0.9	12.4	—1.7	3.3	9.1	6.5	—2.0	2.1	9.9
Other developing countries[i]											
Value in 1965	1,880	755	710	95	1	—	87	37	4	20	115
Percentage change from preceding year:											
1966	5.9	16.6	—4.2	10.5	100.0	—	—11.5	—32.4	—25.0	70.0	17.4
1967	2.0	5.7	—2.9	5.7	—	—	5.2	—	66.7	5.9	11.1

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

[a] The figures for total exports include certain eports which are not included elsewhere in the table because their regions of destination could not be determined.

[b] Including Turkey and Yugoslavia.

[c] Australia, Japan, New Zealand and South Africa.

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

[e] Estimates are based in part on import data of trade partners. Where exports to China (Taiwan) could not be distinguished from exports to mainland China, they are shown as exports to mainland China. Exports of and to Mongolia, North Korea and Viet-Nam are included under the heading. Trade among these countries and their trade with mainland China are excluded.

[f] Twenty republics.

[g] Continental Africa and associated islands, excluding South Africa.

[h] Middle East countries in Asia, including Cyprus and Iran.

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

[j] Estimate for 1966 trade is $1 million and the rate of increase from no trade in 1695 is not calculated.

Table 19. World trade: indices of value of exports and imports, 1963-1967

(Value in billions of dollars)

Group and region[a]	Exports, f.o.b. Value, 1963	Index (1963 = 100) 1964	1965	1966	1967[b]	Imports, c.i.f. Value, 1963	Index (1963 = 100) 1964	1965	1966	1967[b]
World	135.4	112	122	133	140	143.4	112	122	134	141
Developed countries	104.0	113	123	136	144	110.8	113	124	137	144
North America[c]	29.9	115	119	134	141	25.1	111	127	151	160
Western Europe	63.7	112	124	136	143	73.7	112	122	132	136
EEC	37.6	113	128	140	150	40.4	111	122	133	136
EFTA	22.1	109	118	126	130	26.5	114	120	126	133
Rest of western Europe:										
North	1.8	113	121	130	134	2.2	120	129	134	135
South	2.2	117	130	154	167	4.6	110	132	156	155
South Africa[d]	1.4	104	106	121	136	1.7	127	145	135	158
Japan	5.5	122	155	179	192	6.7	118	121	141	173
Australia and New Zealand[e]	3.6	111	105	111	116	3.6	117	129	127	131
Developing countries	31.5	110	116	124	127	32.7	111	116	125	130
Latin America	9.7	109	114	120	120	8.7	111	111	123	126
West Indies[f]	1.6	101	102	108	110	2.1	109	113	118	122
Africa	6.2	116	124	136	137	6.7	111	118	122	123
West Asia	5.3	115	123	135	142	3.6	115	128	140	143
Southern and south-eastern Asia	8.4	105	110	116	121	11.2	109	114	123	132

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

[a] As defined in table 17.

[b] Preliminary; based for some countries on less than twelve months' returns

[c] Imports f.o.b.; United States includes special category exports.

[d] Imports f.o.b.

[e] Australia: imports f.o.b.

[f] Consisting mainly of Barbados, British Honduras, Guadeloupe, Guyana, Jamaica, Martinique, Netherlands Antilles, Surinam and Trinidad and Tobago.

Table 20. World trade: recent changes in exports and imports, 1967-1968

(Value in billions of dollars)

Region and group	Exports, f.o.b. Value, 1967	Index (corresponding period in preceding year = 100) 1967	1968, first quarter	Imports, c.i.f. Value, 1967	Index (corresponding period in preceding year = 100) 1967	1968, first quarter
North America[a]	43	106	106	40	106	115
Western Europe[b]	90	105	109	99	103	107
Japan	10	107	115	12	122	115
Australia, New Zealand and South Africa	6	108	101	8	107	98
Developed market economies[c]	150	106	108	159	105	109
Developing countries[d]	39	103	101	42	104	98
Total, above	189	105	107	200	105	107

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, *International Financial Statistics*, June 1968.

[a] United States and Canada.

[b] Austria, Belgium-Luxembourg, Denmark, Federal Republic of Germany, Finland, France, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom.

[c] Total of the preceding countries.

[d] Latin America and the Caribbean (excluding Cuba), Africa (other than South Africa), Asia (other than mainland China, Cyprus, Japan, Mongolia, North Korea, North Viet-Nam and Turkey).

Table 21. World trade: changes in unit value of exports and imports, 1964-1967

(1963 = 100)

Group and region[a]	*Unit value of exports*				*Unit value of imports*				*Terms of trade*[b]			
	1964	*1965*	*1966*	*1967*[c]	*1964*	*1965*	*1966*	*1967*[c]	*1964*	*1965*	*1966*	*1967*[c]
World	102	103	105	104	102	103	104	104				
Developed countries	102	103	105	105	102	103	105	104	100	100	100	100
North America	101	104	105	107	102	103	104	103	99	101	101	103
Western Europe	102	104	105	105	102	103	105	104	100	101	100	101
EEC	102	103	103	103	102	103	104	104	100	100	99	99
EFTA	102	105	107	110	103	103	105	105	100	101	102	105
Rest of western Europe:												
North	106	111	110	110	102	103	104	107	105	107	106	103
South	100	104	112	108	105	105	108	106	95	99	104	102
South Africa	103	105	107	104	101	106	108	109	102	99	99	95
Japan	99	97	97	99	102	105	104	102	96	93	94	97
Australia and New Zealand	105	97	101	94	101	102	104	105	103	95	97	90
Developing countries	103	102	104	103	101	102	103	103	102	100	101	101
Latin America	107	107	108	105	102	106	105	105	105	102	103	100
Africa	104	103	107	110	102	103	105	104	103	100	102	105
West Asia	100	100	101	101	103	103	105	106	98	98	97	96
Southern and south-eastern Asia	100	101	101	100	101	102	101	102	99	100	99	97

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

[a] As defined in table 17.

[b] Unit value of exports, divided by unit value of imports.

[c] Preliminary, based for some countries on less than twelve months' returns.

Table 22. Export price indices of primary commodities and non-ferrous base metals, 1964-1967 and first quarter, 1968

Commodity and group	*Index, 1963 = 100*				*Index (corresponding quarter of preceding year = 100) first quarter*	
	1964	*1965*	*1966*	*1967*	*1967*	*1968*
Primary commodities	103	103	105	102	98	98
Food	105	103	106	105	101	98
Cereals	103	99	105	108	109	96
Wheat	104	95	102	103	110	93
Rice	100	103	116	136	121	107
Maize	101	104	105	99	103	93
Beverages	121	111	113	111	96	98
Coffee	133	124	120	112	90	100
Tea	102	100	104	104	99	88
Cocoa	91	66	94	110	126	103
Meat	121	126	125	117	93	102
Beef	128	135	130	120	91	102
Mutton and lamb	117	127	119	114	97	115
Dairy products	102	113	112	117	104	99
Sugar	79	53	53	55	93	119
Other food	96	104	105	102	100	95
Agricultural non-food	102	103	104	96	95	97
Fats, oils and oil-seeds	104	114	111	102	92	100
Olive oil	64	72	72	75	104	101
Copra	106	118	99	105	89	143
Coconut oil	110	126	107	115	85	155
Ground-nuts	109	118	110	103	98	70
Ground-nut oil	108	109	105	102	100	92
Palm kernels	99	121	103	103	85	122
Palm kernel oil	107	139	139	127	82	97
Palm oil	107	116	107	104	96	92
Linseed oil	111	100	90	95	93	125

Table 22. Export price indices of primary commodities and non-ferrous base metals, 1964-1967 and first quarter, 1968 (*continued*)

Commodity and group	*Index, 1963 = 100*				*Index (corresponding quarter of preceding year = 100) first quarter*	
	1964	*1965*	*1966*	*1967*	*1967*	*1968*
Linseed	99	97	92	99	98	117
Soya beans	100	105	115	105	98	97
Soya bean oil	103	123	132	109	87	89
Cottonseed oil	103	114	132	111	89	99
Textiles	102	92	92	88	97	98
Wool	103	86	90	77	89	90
Cotton	100	97	94	100	103	107
Jute	105	112	123	116	108	84
Sisal	89	62	56	49	92	89
Wood and wood-pulp	105	108	108	107	101	98
Other agricultural non-food	91	94	109	97	81	96
Minerals	102	104	104	103	97	101
Metal ores	108	114	115	109	90	105
Iron ore	98	99	100	95	92	104
Bauxite	99	100	100	108	100	125
Copper ore	141	184	230	169	67	122
Lead ore	158	175	147	129	77	101
Zinc ore	147	145	129	127	94	96
Tin ore	134	154	142	132	87	94
Nickel ore	100	100	101	111	108	110
Manganese ore	103	115	116	107	100	90
Chrome ore	99	99	109	116	107	86
Fuels	100	101	101	101	100	100
Petroleum	100	100	100	100	100	100
Coal	102	103	104	104	100	99
Crude fertilizer	103	109	115	111	100	99
Non-ferrous base metals	119	135	156	142	95	112
Aluminium	105	109	108	111	102	100
Copper	120	145	192	166	95	119
Lead	159	183	152	132	76	101
Tin	140	155	142	132	86	94
Zinc	153	147	135	130	93	94

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

Table 23. Developed market economies: industrial production and gross national product, by region, 1965-1967

(Percentage change from preceding year)

Region and group	*Percentage share in combined gross national product, 1966*	*Industrial production*			*Gross national product*[a]		
		1965	*1966*	*1967*	*1965*	*1966*	*1967*
Developed market economies[b]	100	6	7	2	5	5	3
North America	53	8	9	1	6	6	3
European Economic Community	22	4	5	2	4	4	3
European Free Trade Area	12	4	2	—	3	2	2
Other western Europe	4	11	9	3	7	7	4
Japan	6	3	13	19	4	11	12
Oceania[c] and South Africa	3	4	4	3	7	3	5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations, *Yearbook of National Accounts Statistics*; Organisation for Economic Co-operation and Development, *Main Economic Indicators* (Paris), and official national sources.

[a] At constant prices and 1966 exchange rates.

[b] For country coverage, see table 11.

[c] For Australia, fiscal years ending 30 June, and for New Zealand, fiscal years beginning 1 April of years indicated.

Table 24. Developed market economies: gross national product and its main components, by region, 1965-1967

(At constant prices and 1966 exchange rates; percentage change from preceding year)

Region and year	Gross national product	Personal consumption	Public consumption	Fixed investment	Foreign trade in goods and services: Exports	Foreign trade in goods and services: Imports	Change in inventories[a]
Developed market economies[b]							
1965	5	6	4	6	6	10	1.4
1966	5	5	8	5	9	12	1.3
1967	3	3	8	2	5	7	
North America							
1965	6	7	3	8	3	11	1.2
1966	6	5	11	5	9	16	1.4
1967	3	3	11	-1	5	7	0.7
European Economic Community							
1965	4	5	5	3	11	8	1.0
1966	4	4	3	3	9	8	0.8
1967	3	3	4	1	7	5	
European Free Trade Area							
1965	3	3	3	4	6	5	1.3
1966	2	2	4	2	4	3	0.9
1967	2	2	5	4	-1	4	
Other western Europe							
1965	7	5	13	8	2	22	3.4
1966	7	7	9	9	17	13	3.3
1967	4	5	5	4	11	—	
Japan							
1965	4	6	2	2	24	7	1.7
1966	11	8	8	10	16	12	2.6
1967	12	10	5	20	5	25	3.3
Oceania[c] *and South Africa*							
1965	7	5	10	14	—	16	3.9
1966	3	4	9	5	3	—	1.2
1967	5	4	5	1	12	7	2.9

Source: As for table 23.

[a] At current prices, as percentage of gross national product at current prices.

[b] For country coverage, see table 11.

[c] For Australia, fiscal years ending 30 June, and for New Zealand, fiscal years beginning 1 April of years indicated.

Table 25. Developed market economies: gross national product and its main components, by country; actual 1965-1967 and forecast for 1968

(At constant prices; percentage change from preceding year)

Country[a] and year	Gross national product	Personal consumption	Public consumption	Fixed investment	Foreign trade in goods and services: Exports	Foreign trade in goods and services: Imports	Change in inventories[b]
Australia[c]							
1965	7	5	10	13	—	18	3.5
1966	2	3	13	6	1	4	1.0
1967	6	4	6	-1	12	1	2.0
1968							
Netherlands							
1965	5	7	—	5	8	7	1.6
1966	3	3	3	7	6	8	1.4
1967	5	5	5	7	7	4	
1968	3.5	3.5	3.5	1	7.5	7	
Ireland							
1965	2	1	3	10	2	4	2.3
1966	2	2	1	-5	7	2	0.9
1967	4	2	2	6	11	6	0.4
1968	5						

Table 25. Developed market economies: gross national product and its main components, by country; actual 1965-1967 and forecast for 1968 (*continued*)

Country[a] and year	Gross national product	Personal consumption	Public consumption	Fixed investment	Foreign trade in goods and services: Exports	Foreign trade in goods and services: Imports	Change in inventories[b]
Portugal							
1965	7	6	7	10	13	13	1.5
1966	3	4	5	11	5	3	1.5
1967	5	6	7	DD	5	—4	
1968				...			...
Denmark							
1965	4	4	4	5	8	7	1.5
1966	2	4	4	3	3	6	1.2
1967	3.5	4	6	7	6	7	0.7
1968	3	—					
Japan							
1965	4	6	2	2	24	7	1.7
1966	11	8	8	9	16	12	2.6
1967	12	10	5	20	5	25	3.3
1968	8	6	5	8			...
Luxembourg							
1965	2	3	0	—18	5	—1	1.3
1966	1	3	6	—3	1	1	
1967	2	0	2	—16	3	—3	
1968	2.5	2	1	2.5	3	2	
Finland							
1965	7	5	4	9	5	9	3.4
1966	2	4	4	1	7	5	2.9
1967	3	4	4	—2	5	—2	2.5
1968	3	3.5	3	—1	7	—1	
Norway							
1965	4	3	10	7	7	9	1.4
1966	4	5	4	6	8	8	1.6
1967	5.5	4	5	10	11	12	—
1968	4	3.5	4.5	—0.5	5.5	—	—0.5
Belgium							
1965	4	4	7	3	8	8	0.5
1966	3	3	7	6	4	8	0.8
1967	3.5	2	4	—3	6	3	—
1968	4	2	3.5	2	5.5	6.5	
Sweden							
1965	4	4	6	4	4	11	1.9
1966	3	2	7	4	6	4	0.7
1967	3.5	3	10	3	6	3	0.3
1968	3.5	2.5	6	2	6.5	6	
South Africa							
1965	5	5	10	17	—	11	4.7
1966	6	6	2	4	6	—9	0.6
1967	7	5	4	4	10	18	5.1
1968	5	5	6	6			
Italy							
1965	4	2	4	—8	21	2	0.7
1966	6	6	4	4	13	13	1.2
1967	6	6	3	10	6	14	1.6
1968	5.5	5.5	4	9	7	11.5	...
United Kingdom							
1965	2	2	3	4	5	2	1.2
1966	1	2	3	1	2	1	0.6
1967	1	2	4	5	—2	4	0.2
1968	2.5	—	3	4	12.5	1	...
France							
1965	4	4	4	5	11	4	0.3
1966	5	5	3	6	7	11	0.9
1967	4	4	5	8	4	6	0.8
1968	4.5	4	5.5	6.5	7	9.5	

Table 25. Developed market economies: gross national product and its main components, by country; actual 1965-1967 and forecast for 1968 (*continued*)

Country[a] and year	*Gross national product*	*Personal consumption*	*Public consumption*	*Fixed investment*	*Foreign trade in goods and services*		*Change in inventories[b]*
					Exports	*Imports*	
Switzerland							
1965	4	4	1	—1	12	3	0.8
1966	3	2	5	—	6	4	0.7
1967	1.5	3	3	1	2	4	0.7
1968	2.5		.	.	..		..
Austria							
1965	2	5	—1	5	6	12	1.4
1966	5	5	4	7	7	10	3.1
1967	2	3	3	—	6	3	1.8
1968	2.5	3	2	.	..	..	..
Turkey							
1965	5	4	2	10	13	6	.
1966	9	8	6	20	6	26	.
1967	6	7	7	7	6	—5	.
1968		.		.	..		..
Germany (Federal Republic of)							
1965	5	6	7	6	7	15	1.8
1966	2	3	1	—	11	3	0.3
1967	—0.5	—	4	—10	10	—	—0.8
1968	4	1.5	1.5	5.5	7	10	..
Greece							
1965	8	7	17	13	10	21	3.7
1966	8	5	5	16	31	4	1.0
1967	5	D	A	D	24	4	
Canada							
1965	7	6	3	12	5	13	1.8
1966	6	5	7	11	13	13	1.7
1967	3	5	3	—2	10	5	0.4
1968	4	4.5	3	1	.		
United States							
1965	6	7	3	8	2	11	1.2
1966	6	5	11	4	9	16	1.4
1967	3	3	11	—1	4	7	0.7
1968	5	4	7.5	4	5.5	8.5	
Spain							
1965	8	5	21	5	—6	35	3.5
1966	8	8	15	8	20	15	4.3
1967	3.5	D	D	DD	11	—1	
Iceland							
1965	5	5	8	—2	11	9	2.0
1966	4	8	5	17	10	16	—
1967	—3	—	5	15	—7	7	0.3
1968	2.5	—3	D	D	25	—3	
New Zealand[d]							
1965	6	8	11	10	3	16	3.8
1966	5	4	8	1	3	—	3.7
1967	—2		..				2.1
1968							..

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations, *Yearbook of National Accounts Statistics*, and official national sources.

Note: Where the direction—but not the magnitude—of a change is known or predicted, the symbols *A*, *D* and *DD* are used:

A refers to an acceleration; *D* to a deceleration; *DD* to an actual decline.

[a] Countries are arranged in descending order according to the degree of acceleration in the rate of growth of gross national product between 1966 and 1967.

[b] At current prices, as percentage of gross national product at current prices.

[c] Fiscal years ending 30 June of years indicated.

[d] Fiscal years beginning 1 April of years indicated.

Table 26 Developed market economies: personal consumption and its main components, 1965-1967

(At constant prices; percentage change from preceding year)

Country[a] and year	Total	Food, beverages, tobacco	Clothing	Dwelling	Durables: Household goods	Durables: Passenger cars[b]
Australia[c]						
1965	5	3	4	4	9	6
1966	3	4	2	4	—	—11
1967	4	5	2	4	2	2
Netherlands						
1965	7	7	6	3	14	24
1966	3	2	—	3	6	—21
1967	5					15
Ireland						
1965	1	1	5	4	—1	4
1966	2	1	—	3	—	—8
1967	2					—
Denmark						
1965	4	3	5	6	8	—15
1966	4	5	5	3	1	19
1967	4	4	4	2	6	—4
Japan						
1965	6	3	5	4	9	9
1966	8	8	5	3	11	44
1967	10	5	8	8	11	25
Finland						
1965	5	3	—2	4	4	22
1966	4	4	10	4	2	—21
1967	4	5	4	4		—13
Norway						
1965	3	3	1	5	—2	2
1966	5	4	4	5	8	7
1967	4	3	4	4	3	8
Belgium						
1965	4	2	3	2	5	16
1966	3	3	2	2	5	—1
1967	2					3
Sweden						
1965	4	2	2	5	3	17
1966	2	2	—	4	1	—26
1967	3	2	2	2	1	—11
South Africa						
1965	5	7	5	3	4	10
1966	6	5	7	6	5	—8
1967	5	3	4	4	4	24
Italy						
1965	2	2	—	3	—4	7
1966	6	5	7	3	5	15
1967	6	4	6	3	6	17
United Kingdom						
1965	2	—1	4	4	1	—6
1966	2	2	—	3	—2	—5
1967	2	1	—	3	2	5
France						
1965	4	3	1	5	1	1
1966	5	3	4	4	6	14
1967	4					2
Switzerland						
1965	4	5	1	3	2	4
1966	2	2	2	3	1	5
1967	3					5

Table 26. Developed market economies: personal consumption and its main components, 1965-1967 (*continued*)

Country[a] and year	Total	Food, beverages, tobacco	Clothing	Dwelling	Durables	
					Household goods	Passenger cars[b]
Austria						
1965	5	2	6	3	7	16
1966	5	2	5	5	6	9
1967	3	3	1		1	—2
Germany (Federal Republic of)						
1965	6	5	7	5	5	13
1966	3	2	2	5	4	—1
1967	—	—	1	7	—	—10
Greece						
1965	7	4	11	7	6	
1966	5	6	8	8	1	
1967	D					
Canada						
1965	6	4	4	6	8	3
1966	5	2	2	6	8	—1
1967	5	5	5	3	1	—3
United States						
1965	7	4	7	6	9	16
1966	5	3	9	4	11	—3
1967	3	2	4	3	6	—8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations, *Yearbook of National Accounts Statistics*, and official national sources.

[a] Countries are arranged in descending order according to the degree of acceleration in the rate of growth of gross national product between 1966 and 1967.

[b] Registration of new passenger cars.

[c] Fiscal years ending 30 June of years indicated.

Table 27. Developed market economies: gross domestic fixed investment and its main components, 1965-1967

(At constant prices, percentage change from preceding year)

Country[a] and year	Total	Housing	Manufacturing	General government[b]
Netherlands				
1965	5	11	2[c]	1
1966	7	7	10[c]	2
1967	7	14		
Ireland				
1965	10	20	11	1
1966	—5	—8		—13
1967	6			
Denmark				
1965	5	8	9	15
1966	3	3	—4	
1967	7	12		
Japan				
1965	2	17	—5	10[d]
1966	9	7	8	13[d]
1967	20	7	19	—[d]
Finland				
1965	9	9	5	13
1966	1	5	2	—5
1967	—2	5		—2
Norway				
1965	7	5	7	—
1966	6	5	19	3
1967	10	5	8	

Table 27. **Developed market economies: gross domestic fixed investment and its main components, 1965-1967** (*continued*)

Country[a] and year	*Total*	*Housing*	*Manu-facturing*	*General government[b]*
Belgium				
1965	3	—	11	—9
1966	6	—8	6	27
1967	—3	—4	...	.
Sweden				
1965	4	3	11	6
1966	4	—2	10	6
1967	3	16	1	—1
South Africa				
1965	17	14[e]	19	23
1966	4	7[e]	2	18
1967	4	12[e]	—7	...
Italy				
1965	—8	—6	—20[c]	1
1966	4	—1	10[c]	4
1967	10	4	12[c]	13
United Kingdom				
1965	4	2	10	3[f]
1966	1	—3	—	6[f]
1967	5	9	—5	15[f]
France				
1965	5	9	1[g]	13
1966	6	—	4[g]	16
1967	8	3	4[g]	...
Switzerland				
1965	—1	—	1	..
1966	—	—2	1	
1967	1	.	1	...
Austria				
1965	5	1	5[h]	—
1966	7	1	—[h]	2
1967	—	1	—[h]	...
Germany (Federal Republic of)				
1965	6	3[e]	9	...
1966	—	4[e]	—2	...
1967	—10	—7[e]	—12	...
Greece				
1965	13	17	34	11[d]
1966	16	9	—	10[d]
1967	D	..	...	...
Canada				
1965	12	—	17	14
1966	11	—3	20	12
1967	—2	—	—	4
United States				
1965	8	—3	20	7
1966	4	—12	18	6
1967	—1	—5	—2	7
Iceland				
1965	—2	5	—1[h]	10
1966	17	11	37[h]	18
1967	15	..		...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations, *Yearbook of National Accounts Statistics*, and official national sources.

[a] Countries are arranged in descending order according to the degree of acceleration in the rate of growth of gross national product between 1966 and 1967.

[b] Excluding government enterprises.

[c] Including mining, quarrying, construction, electricity, gas and water.

[d] Including public corporations and government enterprises.

[e] Including non-residential buildings and other construction and works

[f] Including government enterprises.

[g] Including construction.

[h] Including mining and quarrying.

Table 28. Western Europe and North America: changes in production in selected manufacturing industries, 1963-1967

(Percentage change from corresponding period in preceding year)

Period	Western Europe[a]					North America				
	All manufacturing	*Food*	*Textiles*	*Chemicals*	*Metal products*	*All manufacturing*	*Food*	*Textiles*	*Chemicals*	*Metal products*
1963	5	4	5	10	4	5	3	2	9	5
1964	7	5	2	13	6	7	3	5	7	6
1965	4	2	—2	9	5	9	3	9	7	13
1966	4	3	4	10	4	9	4	6	10	13
1967[b]	1	2	—4	7	—	1	2	—	5	1
1966:										
First quarter	5	3	8	9	5	9	3	7	10	15
Second quarter	5	3	6	11	4	10	4	8	11	13
Third quarter	4	3	3	9	5	10	5	5	10	14
Fourth quarter	2	3	—1	10	1	8	4	2	9	11
1967:[b]										
First quarter	—	1	—6	8	—2	3	3	—3	6	4
Second quarter	1	6	—4	7	—	—	4	—3	5	1
Third quarter	—	3	—6	6	—4	—	2	—1	4	—1
Fourth quarter	3	—1	—1	8	4	—	2	6	6	—3

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, November 1967 and May 1968.

[a] Including Yugoslavia.

[b] Preliminary.

Table 29. Developed market economies: prices and earnings, 1965-1967

(Annual average; percentage change from preceding year)

Country[a] and year	*Wholesale prices*	*Consumer prices*	*Export unit value*	*Import unit value*	*Implicit deflation of gross national product*	*Wage earnings in manufacturing*
Australia						
1965	3	4	—7	2	2.8[b]	4[c]
1966	4	3	4	2	3.7[b]	4[c]
1967	2	3	—5	1	3.0[b]	5[c]
Netherlands						
1965	4	5	1	—	6.0	11[c]
1966	5	5	—1	1	6.2	13[c]
1967	1	3	1	—	4.1	7[c]
Ireland						
1965	4	5	1	3	4.4	5
1966	2	3	2	—	3.3	10
1967	3	3	1	—	4.1	7
Portugal						
1965	3	3		1	3.3	..
1966	4	5		4	5.5	
1967	4	6	..	2	..	..
Denmark						
1965	3	7	1	1	7.4	12
1966	3	7	4	1	7.7	12
1967	1	7	—3	—1	5.9	10
Japan						
1965	1	7	—1	—2	5.9	9
1966	2	5	1	4	3.9	12
1967	2	3	1	—4	3.9	12
Finland						
1965	4	5	4	1	2.6	9[d]
1966	2	4	—1	1	4.8	8[d]
1967	3	6	—1	6	6.8	8[d]

Table 29. **Developed market economies: prices and earnings, 1965-1967** *(continued)*

Country[a] and year	*Wholesale prices*	*Consumer prices*	*Export unit value*	*Import unit value*	*Implicit deflation of gross national product*	*Wage earnings in manufacturing*
Norway						
1965	3	4	5	—	6.2	9[d]
1966	2	3	—	1	3.6	7[d]
1967	2	4	—1	—1	4.0	7[d]
Belgium						
1965	1	4	—	—1	5.1	9
1966	2	4	3	1	4.2	9
1967	—1	3	—1	—1	3.3	4
Sweden						
1965	5	5	3	2	6.1	11[d]
1966	3	6	—	1	5.6	9[d]
1967	—	4	—2	—2	5.3	10[d]
South Africa						
1965	3	4[e]	—	2	3.7	6[c]
1966	4	4[e]	5	4	2.8	
1967	2	3[e]	—5	1	2.1	
Italy						
1965	2	5	—3	—1	4.9	3
1966	2	2	—1	2	2.3	4
1967	—	4	1	1	2.5	6
United Kingdom						
1965	1	5	1	—	4.7	4[c]
1966	3	4	4	2	4.1	5[c]
1967	—1	2	2	—1	3.7	4[c]
France						
1965	2	3	1	2	2.5	6[c]
1966	2	3	4	1	2.7	6[c]
1967	—1	3	1	—1	2.6	7[c]
Switzerland						
1965	1	3	1	1	3.5	7
1966	2	5	6	3	4.5	7
1967	—	4	3	2	4.1	
Austria						
1965	4	5	3	1	6.2	5[d]
1966	1	2	—2	1	3.7	12[d]
1967	2	4	—	—2	3.6	8[d]
Turkey						
1965	9	4			2.8	17
1966	5	8			3.4	10
1967	5	15				
Germany (Federal Republic of)						
1965	2	3	2	3	3.7	10
1966	2	3	2	1	3.7	7
1967	—1	1	—1	—2	0.7	4
Greece						
1965	2	3	—2	1	4.4	9
1966	3	5	2	2	3.0	13
1967	1	2	—2	1		9
Canada						
1965	2	3	1	1	3.0	5
1966	4	4	4	1	4.5	6
1967	2	4	2	—	3.9	6

Table 29. Developed market economies: prices and earnings, 1965-1967 (*continued*)

Country[a] and year	*Wholesale prices*	*Consumer prices*	*Export unit value*	*Import unit value*	*Implicit deflation of gross national product*	*Wage earnings in manufacturing*
United States						
1965	2	2	3	—	2.0	3
1966	3	3	1	2	2.7	4
1967	—	3	—1	—1	3.0	4
Spain						
1965	10	13	7	—2	11.2	17
1966	3	6	7	3	6.7	17
1967	1	6	—3	—1		...
New Zealand						
1965	1	3	—2	1	1.0[f]	6
1966	1	3	—2	2	0.8[f]	5
1967	—	6	—8	—	..	5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from Statistical Of-Office of the United Nations, *Monthly Bulletin of Statistics*; International Monetary Fund, *International Financial Statistics*, and official national sources.

[a] Countries are arranged in descending order according to the degree of acceleration in the rate of growth of gross national product between 1966 and 1967.

[b] Fiscal years ending 30 June of years indicated.

[c] Wage rates.

[d] Including mining and quarrying.

[e] White population.

[f] Fiscal years beginning 1 April of years indicated.

Table 30. Developed market economies: employment and unemployment, 1965-1967

Country[a]	*Estimated civilian labour force in 1966 (millions)*	*Percentage change from preceding year in total civilian employment*			*Percentage unemployed[b]*		
		1965	*1966*	*1967*	*1965*	*1966*	*1967*
Australia	4,225[c]	5	3	2	0.3	0.5	0.6
Netherlands	4,187[d]	1	1		0.9	1.1	2.2
Ireland	1,106	—1	—1	2[e]	5.6	6.1	6.7
Denmark	2,094[d]	2	1	1	2.4	2.6	3.2
Japan	48.910	2	2	2	0.8	0.9	0.9
Finland	2,033[d]	1	—	—2	1.4	1.6	2.8
Norway	1,406[d]	1	1	2	1.2	1.1	1.0
Belgium	3,512[e]	3	—	—	2.4	2.7	3.7
Sweden	3,244[d]	1	1	—1	1.1	1.4	1.8
South Africa	5,692[d]	11[e]	5[e]	4[e]		..	..
Italy	19,653	—2	—2	1	3.6	3.9	3.5
United Kingdom	24,617[c]	1	1	—2	1.5	1.6	2.5
France	20,269[f]	—	—	—	1.3	1.4	..
Switzerland	2,691[g]	1	—	—	—	—	..
Austria	3.370[c]	1	1	—1	2.7	2.5	2.6
Germany (Federal Republic of)	27,161	1	—	—3	0.6	0.7	2.1
Canada	7,383	4	4	3	3.9	3.6	4.1
United States	80,164	3	3	2	4.5	3.8	3.8
New Zealand	1,022	3	4	2	0.1	—	0.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from United Nations, *Monthly Bulletin of Statistics*; International Labour Office, *Yearbook of Labour Statistics, 1967* (Geneva), and official national sources.

[a] Countries are arranged in descending order according to the degree of acceleration in the rate of growth of gross national product between 1966 and 1967.

[b] Annual figures are generally computed as arithmetic averages of the twelve monthly figures. Data are not necessarily comparable between countries.

[c] 1961.

[d] 1960.

[e] Manufacturing only.

[f] 1967.

[g] 1965.

Table 31. Centrally planned economies: changes in national income,[a] 1964-1968

(Percentage change from preceding year)

Country	1964	1965	1966	1967 Actual	1967 Planned	1968, planned
Bulgaria	9.6	7.1	11.0	9.0	8.6	10.5
Czechoslovakia	0.6	3.4	10.8	8.1	6.0	5.3
Eastern Germany	4.5	4.6	4.4	5.0	5.0	5.4
Hungary	5.0	1.0	6.0	8.0	4.0	5.0-6.0
Poland	7.0	7.0	7.0	7.0	3.4	4.8
Romania	11.5	9.5	7.9	7.5		...
USSR	9.4	7.2	7.5	6.7	6.6	6.8
Total, above[b]	8.4	6.8	7.5	6.9	..	.

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on reports of fulfilment of plans, national statistical yearbooks and statistical bulletins, and replies of Governments to the United Nations questionnaire of December 1967 on economic trends, problems and policies.

[a] Net material product at constant prices.

[b] Weighted by coefficients derived from the estimates of relative value of net material product of various centrally planned economies, as indicated in *Sopostavlenie Urovnia Ekonomicheskovo Razvitia Socialisticheskikh Stran* (Moscow, 1965).

Table 32. Centrally planned economies: changes in gross agricultural output, 1964-1968

(Percentage change from preceding year)

Country	1964	1965	1966	1967 Actual	1967 Planned	1968, planned
Bulgaria	11.4	1.8	15.0	1.3	5.0	10.0
Czechoslovakia	2.5	—3.9	10.5	3.5	2.9	1.7
Hungary	4.7	—5.3	6.0	1.0	3.0	3.0-4.0
Poland	1.3	7.7	5.5	2.3	4.2	—1.5
Romania	6.3	6.7	11.2	1.0	5.8	7.5-8.5
USSR	14.4	2.0	10.0	1.0	3.0	7.4
Total, above[a]	11.0	2.3	9.4	1.1	3.4	5.9

Source: See table 31.

[a] Weights are derived from data on the relative value of agricultural production in various centrally planned economies, as indicated in the source quoted in table 31, foot-note *b*.

Table 33. Centrally planned economies: changes in industrial production, 1964-1968[a]

(Percentage change from preceding year)

Country	1964	1965	1966	1967 Actual	1967 Planned	1968, planned
Bulgaria	10.0	15.0	12.2	13.4	11.3	10.6
Czechoslovakia	4.1	7.9	7.3	7.1	5.3	6.0
Eastern Germany	6.7	6.3	6.4	6.8[b]	6.0[b]	6.4[b]
Hungary	9.0	5.0	7.0	9.0	6.0	6.0-7.0
Poland	9.4	9.0	7.0	8.0	6.2	7.1
Romania	14.0	13.0	11.7	13.8	11.3	12.3
USSR	7.3	8.7	8.6	10.0	7.3	8.1
Total, above[c]	7.5	8.6	8.2	9.6	7.1	7.9

Source: See table 31.

[a] Gross value of output, unless otherwise stated.

[b] "Commodity production" equivalent to gross output less work in progress. During recent years, the differences between the rates of change of commodity production and of gross output have not been significant.

[c] Weights are derived from data on the relative value of industrial production in various centrally planned economies, as indicated in the source quoted in table 31, foot-note *b*.

Table 34. Centrally planned economies: changes in gross fixed investment, 1964-1968[a]

(Percentage change from preceding year)

Country	1964	1965	1966	1967 Actual	1967 Planned	1968, planned
Bulgaria[b]	10.2	8.1	24.0	15.6	13.9	10.0
Czechoslovakia	11.9	7.8	9.8	2.6	4.2	5.4
Eastern Germany[b, c]	9.8	9.4	7.1	9.0	9.0	10.7
Hungary	4.2	0.8	6.0	15.0	4.7	1.0–2.0
Poland	3.6	10.4	9.0	11.0	8.1	5.8
Romania	10.7	8.7	10.2	17.1[d]	17.0[d]	8.6[d]
USSR	9.0	8.2	6.0	8.0	7.9	5.7

Source: See table 31.

[a] Unless otherwise stated, the data are expressed at constant prices and refer to total investment in the case of Czechoslovakia, Eastern Germany and the Soviet Union, and to the socialized sector only in the case of Bulgaria, Hungary, Poland and Romania.

[b] At current prices.

[c] Not including capital repairs.

[d] State investment only.

Table 35. Centrally planned economies: changes in volume of retail trade, 1964-1968

(Percentage change from preceding year)

Country	1964	1965	1966	1967 Actual	1967 Planned	1968, planned
Bulgaria	5.8	7.8	8.4	11.5	9.0	8.5
Czechoslovakia	2.8	5.6	5.2	6.5	..	..
Eastern Germany[a]	3.3	4.3	4.1	4.0	4.5	3.9
Hungary	7.5	3.7	8.0	10.0	3.4	7.0
Poland	4.7	8.6	6.8	7.7	7.4	6.8
Romania	7.8	7.9	9.9	9.8	9.0	8.0
USSR	5.3	10.1	8.7	9.4	7.4	7.8

Source: See table 31.

[a] At current prices.

Table 36. Centrally planned economies: external trade, 1963-1967

(Millions of dollars)

Country	1963	1964	1965	1966	1967
Bulgaria					
Exports	834	980	1,176	1,305	1,458
Imports	933	1,062	1,178	1,478	1,572
Balance	—99	—82	—2	—173	—114
Czechoslovakia					
Exports	2,462	2,576	2,689	2,745	3,013
Imports	2,160	2,429	2,672	2,736	2,680
Balance	302	147	17	9	333
Eastern Germany					
Exports	2,713	2,932	3,070	3,205	3,456
Imports	2,331	2,634	2,810	3,215	3,279
Balance	382	298	260	—10	177
Hungary					
Exports	1,206	1,352	1,510	1,594	1,702
Imports	1,306	1,496	1,521	1,566	1,776
Balance	—100	—144	—11	28	—74
Poland					
Exports	1,770	2,096	2,228	2,272	2,527
Imports	1,979	2,072	2,340	2,494	2,645
Balance	—209	24	—112	—222	—118

Table 36. Centrally planned economies: external trade, 1963-1967
(*continued*)

Country	1963	1964	1965	1966	1967
Romania					
Exports	915	1,000	1,102	1,186	1,396
Imports	1,022	1,168	1,077	1,213	1,546
Balance	—107	—168	25	—27	—150
USSR					
Exports	7,272	7,683	8,175	8,841	9,649
Imports	7,059	7,736	8,058	7,913	8,536
Balance	213	—53	117	928	1,113
Total					
Exports	17,172	18,619	19,950	21,148	23,201
Imports	16,790	18,597	19,656	20,615	22,034
Balance	382	22	294	533	1,167

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on reports on fulfilment of plans, national statistical yearbooks, United Nations, *Monthly Bulletin of Statistics*, May 1968, and information from Council for Mutual Economic Assistance Secretariat, Statistical Department, March 1968.

Table 37. Developing countries: indices of agricultural and food production, 1960-1967[a]

(1963 = 100)

Item and region	1960	1961	1962	1963	1964	1965	1966	1967[b]
Total agricultural production								
Total developing countries	91	95	96	100	102	103	102	109
Latin America[c]	90	95	97	100	99	110	105	109
Africa[d]	93	91	98	100	103	103	103	105
West Asia[e]	80	92	97	100	102	106	103	113
Southern and south-eastern Asia[f]	93	97	95	100	103	98	99	110
Per capita *agricultural production*								
Total developing countries	99	100	99	100	100	99	94	99
Latin America[c]	97	100	99	100	96	104	96	97
Africa[d]	100	95	101	100	100	98	96	96
West Asia[e]	86	97	100	100	99	100	95	100
Southern and south-eastern Asia[f]	100	101	97	100	101	93	91	99
Total food production[g]								
Total developing countries	92	94	97	100	103	103	102	111
Latin America[c]	89	92	96	100	103	110	108	114
Africa[d]	93	90	98	100	102	101	101	104
West Asia[e]	79	91	98	100	101	105	103	113
Southern and south-eastern Asia[f]	94	97	95	100	103	97	97	110
Per capita *food production*								
Total developing countries	100	99	99	100	101	98	94	101
Latin America[c]	96	97	98	100	100	104	99	102
Africa[d]	99	94	100	100	99	96	93	95
West Asia[e]	87	97	101	100	98	99	95	101
Southern and south-eastern Asia[f]	101	101	97	100	101	92	90	99

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on communications from the Foreign Regional Analysis Division, United States Department of Agriculture.

[a] Calendar years; production is credited to the year in which the bulk of the crop is harvested.

[b] Preliminary.

[c] Twenty-three countries.

[d] Continental Africa, excluding South Africa.

[e] Iran, Iraq, Israel, Jordan, Lebanon, Syria.

[f] Burma, Cambodia, Ceylon, China (Taiwan), India, Indonesia, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, West Malaysia, Thailand.

[g] Cereals, pulses, root-crops, fruit, vegetables, sugar, oilseeds and cocoa (excluding coffee and tea).

Table 38. Developing countries: rate of growth in food production, 1966 and 1967[a]

Annual rate of growth of food production	*1966*	*1967*
Less than or equal to 2.9 per cent (*per capita* food production declined or rose negligibly)	Jordan	Thailand
	Syria	Uruguay
	Tunisia	Jamaica
	Morocco	Nigeria
	Algeria	Bolivia
	Cuba	Republic of Korea
	Senegal	Haiti
	Upper Volta	El Salvador
	Uruguay	Guatemala
	Republic of Viet-Nam	Congo (Democratic Republic of)
	Liberia	Ivory Coast
	Brazil	Nicaragua
	Lebanon	Sierra Leone
	Israel	Uganda
	Iraq	Mali
	Guinea	Iraq
	Guyana	Peru
	Pakistan	Colombia
	Panama	Madagascar
	Paraguay	United Arab Republic
	Burma	Cambodia
	India	Indonesia
	Trinidad and Tobago	Dominican Republic
	Angola	China (Taiwan)
	Ghana	Dahomey
	Ethiopia	United Republic of Tanzania
	Honduras	Togo
	Chile	Burundi
	Colombia	Chile
	Ecuador	Trinidad and Tobago
	Sierra Leone	Niger
	Sudan	Rhodesia, Malawi and Zambia
	Jamaica	
	United Arab Republic	
	Uganda	
	Congo (Democratic Republic of)	
	Madagascar	
	Dominican Republic	
	Peru	
	Bolivia	
	Rhodesia, Malawi and Zambia	
3.0 to 4.9 per cent (*per capita* food production increased moderately)	Togo	Philippines
	Haiti	Panama
	Cameroon	Liberia
	Burundi	Mexico
	Cambodia	Cameroon
	Guatemala	Republic of Viet-Nam
	Philippines	Angola
	China (Taiwan)	West Malaysia
	Venezuela	Burma
	Rwanda	Rwanda
	Mexico	
5.0 to 7.9 per cent (*per capita* food production increased significantly)	Iran	Ecuador
	Nicaragua	Honduras
	Indonesia	Ghana
	Nigeria	Venezuela
	West Malaysia	Costa Rica
	United Republic of Tanzania	

Table 38. Developing countries: rate of growth in food production, 1966 and 1967[a] (*continued*)

Annual rate of growth of food production	*1966*	*1967*
5.0 to 7.9 per cent (*per capita* food production increased significantly) (*continued*)		Brazil Paraguay Iran Guinea Ethiopia Argentina
8.0 per cent or over (*per capita* food production increased substantially)	Republic of Korea Kenya Ceylon Argentina El Salvador Costa Rica Ivory Coast Niger Mali Dahomey Thailand	Syria Pakistan Kenya Ceylon Upper Volta Guyana Morocco Tunisia Sudan Israel Cuba India Algeria Lebanon Senegal Jordan

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on communications from the Foreign Regional Analysis Division of the United States Department of Agriculture.

[a] Countries are arranged in ascending order of increase in food production over the previous year.

Table 39. Developing countries: indices of industrial production, 1964-1967

Item	*Developing countries[a]* 1964	1965 (Preceding year = 100)	1966 (Preceding year = 100)	1967[c] (Preceding year = 100)	1967[c] (1963 = 100)	*Southern and south-eastern Asia[b]* 1964	1965 (Preceding year = 100)	1966 (Preceding year = 100)	1967[c] (Preceding year = 100)	1967[c] (1963 = 100)
Total industrial production[d]	109	107	105	104	127	109	108	105	105	130
Mining	109	107	106	105	130	110	109	105	113	143
Manufacturing	109	107	105	103	125	108	107	106	102	126
Light[e]	107	106	104	103	121	106	107	106	101	122
Heavy[f]	111	107	106	104	130	110	108	106	105	132
Food, beverages and tobacco	104	107	106	102	119	107	107	110	95	121
Textiles	110	102	100	105	117	108	103	99	105	116
Paper and paper products	108	109	106	103	129	107	107	110	104	131
Chemicals, petroleum and coal products	107	106	107	105	128	109	106	108	108	134
Non-metallic mineral products	109	107	106	105	130	107	112	103	109	135
Basic metals	108	103	108	103	124	100	104	106	100	110
Metal products	117	109	103	102	135	116	113	103	103	139
Electricity and gas	113	111	109	107	146	114	112	109	114	159

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

[a] Latin America, including Caribbean countries and territories; Africa, excluding South Africa; West Asia, excluding Israel; and southern and south-eastern Asia as defined in foot-note *b*.

[b] Afghanistan, Brunei, Burma, Ceylon, China (Taiwan), Hong Kong, India, Indonesia, Iran, Malaysia (excluding Sabah), Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Singapore, Thailand.

[c] Preliminary.

[d] Mining, manufacturing, electricity and gas.

[e] Food, beverages and tobacco; textiles and clothing; wood products; leather, rubber and related products; printing and publishing.

[f] Paper, chemicals, non-metallic mineral and metal products.

Table 40. Selected developing countries: indices of industrial production, 1964-1967[a]

Country	Industrial production 1964	1965	1966	1967 (Preceding year = 100)	1967 (1963 = 100)	Mining 1964	1965	1966	1967 (Preceding year = 100)	1967 (1963 = 100)	Manufacturing 1964	1965	1966	1967 (Preceding year = 100)	1967 (1963 = 100)	Electricity 1964	1965	1966	1967 (Preceding year = 100)	1967 (1963 = 100)
Algeria[b]	...	...	...	...	...	115	112	...	...	...	...	...	...	...	...	103	98	102	106	109
Chile	...	...	...	...	...	106	98	108	102	114	105	105	107	100	117	...	...	...	...	...
China (Taiwan)	127	114	113	117	192	108	106	105	105	127	131	115	113	118	201	118	108	114	115	168
El Salvador	...	...	...	...	...	...	...	...	...	...	130	122	102	117	189	...	...	...	...	...
Ghana	104	100	108	108	120	98	101	111	90	99	108	96	104	113	122	116	116	125	136	222
Guatemala	105	111	104	102	124	...	...	...	...	...	104	109	104	98	116	113	118	114	110	167
India	107	106	103	102	118	96	109	103	101	107	107	106	102	101	116	115	110	109	111	151
Israel[c]	114	110	102	93	123	121	124	102	96	150	113	110	102	93	122	...	...	...	...	...
Mexico	113	105	111	108	142	105	100	104	106	115	114	107	111	108	146	115	110	110	110	153
Morocco	...	...	...	...	...	113	101	97	97	107	...	...	...	...	...	...	...	...	...	...
Philippines	...	...	...	...	...	101	109	109	113	136	108	103	109	104	130	...	...	...	...	...
Republic of Korea	108	118	117	121	181	110	104	111	108	137	107	121	118	174	186	122	120	120	127	223
Senegal	106	102	113	102	125	125	126	113	114	203	103	99	114	100	115	113	103	109	106	134
Tunisia	...	...	...	...	...	111	114	106	84	112	...	...	...	...	...	...	...	...	...	...
Venezuela	110	105	99	104	119	108	103	97	104	112	114	108	101	104	129	112	110	115	110	155
Zambia	111	109	90	99	114	111	107	86	99	107	117	130	116	116	207	95	93	92	95	83

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

[a] The coverage of industries varies widely from country to country. For 1967, based on data covering less than twelve months in some cases.
[b] Electricity includes manufactured gas.
[c] Industrial production excludes electricity and manufactured gas.

Table 41. Developing countries: distribution of changes in exports and imports, 1964-1967

(Billions of dollars; exports, f.o.b.; imports, c.i.f.)

Index (preceding year = 100)	Exports								Imports							
	Number of countries				Export receipts				Number of countries				Import expenditures			
	1964	1965	1966	1967[a]	1964	1965	1966	1967[a]	1964	1965	1966	1967[a]	1964	1965	1966	1967[a]
Less than																
90	6	6	9	12	3.7	0.6	1.2	3.0	4	6	5	13	2.8	2.3	2.3	4.3
95	9	12	13	23	4.0	1.4	1.9	8.6	8	12	13	18	4.2	3.0	6.2	6.3
100	13	27	22	36	4.8	7.3	8.5	13.4	12	19	18	26	5.9	6.4	10.4	11.8
100 or more	60	46	51	37	26.2	23.0	23.4	19.2	61	54	55	47	24.0	25.2	23.4	25.1
More than																
105	49	33	42	25	17.2	14.4	18.1	12.1	51	44	45	38	20.8	15.1	18.9	21.3
110	35	25	30	16	9.4	8.9	10.7	7.2	43	34	28	24	18.9	11.5	13.2	13.4
120	21	7	11	5	6.2	1.4	2.9	3.0	24	13	16	11	9.8	4.1	7.3	8.5
130	12	4	5	3	3.5	0.4	0.6	2.3	10	5	9	6	2.8	1.0	5.6	3.8
Total	73	73	73	73	31.0	30.3	31.9	32.6	73	73	73	73	29.9	31.6	33.8	36.9

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

[a] Preliminary; for some countries based on less than twelve months' returns.

Table 42. Developing countries: indicated change between 1966 and 1967 in gross domestic product, volume of imports and total supplies[a]

Country[b]	Gross domestic product	Imports[c]	Total supplies[d]
India	D	—B	D
Republic of Korea	D	G	D
China (Taiwan)	C	F	D
Iran	C	—C	C
Panama	C	C	C
Costa Rica	C	C	C
Thailand	C	G	D
Mexico	C	C	C
Ecuador	C	D	C
Pakistan	C	F	C
Venezuela	C	C	C
Bolivia	C	C	C
Philippines	C	F	C
United Republic of Tanzania	C	C	C
Paraguay	C	E	C
Peru	C	—C	B
Kenya	C	B	C
Brazil	C	D	C
Malaysia	C	—B	B
Ethiopia	C	—D	B
Ceylon	B	—E	A
Morocco	B	D	C
Colombia	B	—F	A
Trinidad and Tobago	B	—D	A
Uganda	B	B	B
Nicaragua	B	D	C
Guyana	B	E	C
Honduras	B	E	C
El Salvador	B	B	B
Guatemala	B	D	C
Ghana	B	—F	—B
Jamaica	B	C	C
Dominican Republic	B	B	B
Chile	B	C	B
Argentina	B	—B	B
Israel	B	—E	—B
Barbados	A	C	B
Kuwait	A	F	C
Tunisia	A	B	A
Haiti	A	A	A
Uruguay	—C	B	—B
All developing countries (percentage change)	5–6	4	5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*, *Yearbook of National Accounts Statistics* and *The Latin American Economy in 1967* (Sales No.: 68.II.G.12); International Monetary Fund, *International Financial Statistics*; United States, Agency for International Development, *AID Economic Data Book* (Washington, D.C.), various issues; replies of Governments to the United Nations questionnaire on economic trends, problems and policies, and national sources.

[a] Based on preliminary estimates of the national accounts of "indicators" derived from official or semi-official statistics of production, trade and transport. The indicated changes are necessarily tentative, being based in some cases on less than a full year's figures for some of the components of the gross domestic product. The symbols indicate the percentage range of increase or decrease (—): A = —1 to 1; B = 2 to 4; C = 5 to 9; D = 10 to 14; E = 15 to 19; F = 20 to 29; G = 30 or over.

[b] Countries are arranged in descending order of change in gross domestic product between 1966 and 1967.

[c] Quantum index of imported goods; in some cases it refers to goods and services.

[d] Weighted aggregate of gross domestic product and imports; the weight attached to imports was derived from national accounts for 1964.

Table 43. Developing countries: changes in cost of living,[a] 1966-1967

Item	*1966*	*1967*
Percentage of countries in which the rise in the cost of living index was		
1 per cent or less	23	29
2 to 5 per cent	39	48
6 to 9 per cent	16	10
10 to 20 per cent	14	2
21 per cent or over	8	11
Total	100	100
Percentage of countries in which, in relation to the preceding year, the upward movement		
Continued	32	21
Accelerated[b]	31	26
Decelerated[c]	32	47
Was negligible[d]	5	6
Total	100	100

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

[a] Based on sixty-two countries; changes are measured from December to December.

[b] Including countries in which the movement of the index changed from downward to upward.

[c] Including countries in which the movement of the index changed from upward to downward.

[d] Including countries in which the index declined at a faster or a slower pace.

Table 44. Developing countries: changes in the supply of money,[a] 1966-1967

Item	*1966*	*1967*
Percentage of countries in which the rise in the money supply index was		
3 per cent or less	23	30
4 to 10 per cent	35	28
11 to 17 per cent	20	17
18 per cent or over	22	25
Total	100	100
Percentage of countries in which, in relation to the preceding year, expansion of money supply		
Continued	15	10
Accelerated[b]	40	40
Decelerated[c]	42	43
Was negligible[d]	3	7
Total	100	100

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

[a] Based on sixty countries; changes are measured from December to December.

[b] Including countries in which the movement of the index changed from downward to upward.

[c] Including countries in which the movement of the index changed from upward to downward.

[d] Including countries in which the index declined at a faster or a slower pace.

Table 45. Developing countries: changes in government budgetary position,[a] 1966-1967

Item	*1966*	*1967*
Percentage of countries in which the change in government indebtedness during the indicated year, as percentage of government expenditure in the preceding year, was		
5 per cent or less	61	44
6 to 10 per cent	7	30
11 to 15 per cent	17	9
16 per cent or over	15	17
Total	100	100
Percentage of countries in which, in relation to the preceding year, the rise in government indebtedness		
Continued	13	13
Accelerated[b]	31	39
Decelerated[c]	41	41
Was negligible[d]	15	7
Total	100	100

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

[a] As measured by net change—claims minus deposits—in government dealings with the banking system; based on forty-six countries.

[b] Including countries in which the movement changed from fall to rise.

[c] Including countries in which the movement changed from rise to fall.

[d] Including countries in which the movement was downward in the two successive years.

Table 46. Developing countries: balance of trade and changes in liquidity, 1961-1967

(Millions of dollars)

Group and Item	*1961*	*1962*	*1963*	*1964*	*1965*	*1966*	*1967*[a]
Developing countries[b]							
Balance of trade[c]	—3,337	—2,429	—626	—1,049	—1,323	—1,724	—2,116
Change in total reserves[d]	—586	—215	981	175	1,232	611	779
Net change in other balance of payments items	2,751	2,214	1,607	1,224	2,555	2,335	2,895
Selected petroleum-exporting developing countries[e]							
Balance of trade[c]	2,787	3,515	4,114	4,342	4,370	4,758	5,176
Change in total reserves[d]	—18	—7	465	129	261	178	236
Net change in other balance of payments items	—2,805	—3,522	—3,649	—4,213	—4,109	—4,580	—4,940
Developing countries excluding selected petroleum-exporting countries							
Balance of trade[c]	—6,124	—5,944	—4,740	—5,391	—5,693	—6,482	—7,292
Change in total reserves[d]	—568	—208	516	46	971	433	543
Net change in other balance of payments items	5,556	5,736	5,256	5,437	6,664	6,915	7,835

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

[a] Preliminary, including estimates based on less than twelve months' returns for some countries

[b] Latin America (excluding Cuba), Africa (excluding South Africa) and Asia (excluding Japan, mainland China, Mongolia, North Korea and North Viet-Nam).

[c] Exports, f.o.b minus imports, c.i.f.

[d] Gold, convertible foreign exchange and reserve position in the International Monetary Fund.

[e] Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, Venezuela.

Table 47. Regional economic groupings: objectives, status and main features

Name of grouping and member countries	Principal objectives and status	Principal action	Area (thousands of square kilometres)	Population, 1966[a] (millions)	Population density 1966[a] (persons per square kilometre)	Gross domestic product, 1965[b]		Trade (exports), 1966[c]	
						Total (millions of dollars)	Per capita (dollars)	Total (millions of dollars)	Intra-trade (percentage of total)
Council for Mutual Economic Assistance (CMEA) Bulgaria Czechoslovakia Eastern Germany Hungary Mongolia Poland Romania USSR	*Objectives* Expansion of trade and economic co-operation through co-ordination of economic plans, specialization and standardization of products Co-operation in production and in scientific and technological research *Status* Economic co-operation	Machinery for co-ordinating economic plans of member countries set up. Medium-term plans of member countries co-ordinated in 1960 and 1966 Agreements signed on multilateral settlements in transferable roubles, and the creation of an International Bank for Economic Co-operation (1963) Discussions on long-range questions of co-operation during 1971-1975 already started (1967-1968)	24,957	332.6	13.6	390,000	1,173	20,910.0	60.1
European Economic Community (EEC)[d] Belgium Federal Republic of Germany France Italy Luxembourg Netherlands	*Objectives* Immediate: common market Ultimate: common market of Europe *Status* Final stage of implementation	Treaty creating European Coal and Steel Community (ECSC) signed 1951. Rome treaties creating European Economic Community and the European Atomic Energy Community (Euratom) signed 1957, came into force in January 1958 The EEC Council agreed (1966) to complete the Customs Union by 1 July 1968, when all tariffs on trade between the member States would be removed, a common external tariff would come into effect, and a common farm policy would be completed The executive branches of ECSC, EEC and Euratom were merged into a single Council of Ministers (July 1967)	1,163	181.2	155.8	259,000	1,430	50,627.4	45.9

Area (EFTA) Austria Denmark Finland[e] Norway Portugal Sweden Switzerland United Kingdom	Immediate: free trade area Ultimate: common market of Europe *Status* Final stage towards achievement of free trade	brought EFTA into existence Removal of tariffs and quotas achieved on 31 December 1966 (except for Finland) EFTA members informed by EEC Council that agreement could not be reached on their applications to join (December 1967) Kennedy Round: Austria and Switzerland put into effect in January 1968 one-fifth of the tariff reductions they had agreed to make over the next five years. The other EFTA members will make two-fifths' reduction on 1 July 1968							
Central American Common Market (CACM) Costa Rica El Salvador Guatemala Honduras Nicaragua	*Objectives* Initial: free trade area with common external customs tariffs Ultimate: the possibility of a merger between CACM and LAFTA into a Latin American common market by 1985 *Status* Final stage in achievement of free trade area	Talks on a Central American Common Market began (1951) and several agreements were made on trade, roads and industrial integration (1956-1959) Common Market came into existence in 1960. In December 1960 the General Treaty of Central American integration was signed. The main treaties were in operation in all five countries in 1964 By the end of 1967, 95 per cent of internal tariffs were removed. Complete uniformity of external tariffs is expected to be achieved by 1970 A co-ordination committee has been set up to examine the possibilities of closer relations between CACM and LAFTA	432	13.6	31.4	3,619	284	843.4	20.3
Latin American Free Trade Area (LAFTA) Argentina Bolivia Brazil	*Objectives* Immediate: free trade area Ultimate: merger of LAFTA and CACM and Latin American countries not belonging to any system into a Latin American common market by 1985	Montevideo Treaty of 1960 established LAFTA Declaration adopted by Latin American Presidents at Punta del Este (April 1967) agreed on	19,301	212.2	11.0	79,595	386	10,032.5	8.7

Table 47. Regional economic groupings: objectives, status and main features (*continued*)

Name of grouping and member countries	*Principal objectives and status*	*Principal action*	*Area (thousands of square kilometres)*	*Population, 1966*[a] *(millions)*	*Population density, 1966*[a] *(persons per square kilometre)*	*Gross domestic product, 1965*[b] *Total (millions of dollars)*	*Gross domestic product, 1965*[b] *Per capita (dollars)*	*Trade (exports), 1966*[c] *Total (millions of dollars)*	*Trade (exports), 1966*[c] *Intra-trade (percentage of total)*
Latin American Free Trade Area (LAFTA) (continued) Chile Colombia Ecuador Mexico Paraguay Peru Uruguay Venezuela	*Status* Preliminary stages of implementation. About 50 per cent of regional tariffs have been lowered	establishment of a Latin American common market beginning in 1970 and becoming substantially operative within fifteen years. This trade grouping would include LAFTA, CACM and Latin American States belonging to neither system							
Andean Group Bolivia Chile Colombia Ecuador Peru Venezuela	*Objectives* Immediate: financing of projects of industrial complementarity, and integration within region *Status* Preliminary stage of implementation of joint projects	This group originated in a "Declaration of Five" subscribed to at a Bogotá Presidential Meeting (1966) Andean Development Corporation created (February 1968) with headquarters in Caracas The Andean Group's achievements include a complementary treaty for the automobile industries of Chile, Colombia, Peru and Venezuela; also cellulose, wheat, sugar and meat trade agreements between Chile and Colombia	5,452	57.4	10.5	22,152	398	5,239.2	2.5
Caribbean Free Trade Area (CARIFTA)[f, g] Antigua Barbados Guyana Trinidad and	*Objectives* Immediate: free trade area Ultimate: economic integration of CARIFTA area *Status* Initial stage of negotiation	The Caribbean Free Trade Area agreement was formally signed in Antigua on 30 April 1968 Agreement on the establishment of Caribbean Development Bank signed in March 1968	220	2.0	8.6	92.7	471	575.3	4.9

East African Economic and Social Community Kenya Uganda United Republic of Tanzania	*Objectives* Initial: common market within East Africa Ultimate: common market of a wider economic grouping in eastern Africa *Status* Preliminary stage of implementation	The Treaty of East African Co-operation became operative 1 December 1967. It incorporated the East African Common Market and the Common Services Organization. Headquarters to be in Arusha	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Central African Economic and Customs Union (UDEAC)[h] Cameroon Central African Republic Chad Congo (Brazzaville) Gabon	*Objectives* Initial: harmonization of industrial development policies and economic co-operation Long-term: common market member countries *Status*[h]	Treaty of UDEAC came into force at the beginning of 1966. Heads of State Meeting, which took place in Bangui in December 1967, discussed harmonization of industrial plans	2,985	11.5	3.8	1,164	101	317.7	5.9
West African Economic Community (WAEC) Dahomey Gambia Ghana Guinea Ivory Coast Liberia Mali Mauritania Niger Nigeria Senegal Sierra Leone Togo Upper Volta	*Objectives* Ultimate: common market General: encouragement of maximum exchange of goods and services; elimination of trade and customs barriers and promotion of co-ordinated development of industry, agriculture, transportation, manpower, energy and other resources *Status* Preliminary-stage draft treaty being drawn up	Idea of economic integration accepted in 1966 Articles of agreement establishing the Community signed by twelve of the fourteen States, and preliminary draft treaty considered (1967) Meeting of Heads of Government of member countries approved the principle of a West African economic union and the choice of Bamako (Mali) as the seat of the secretariat (April 1968)	6,064	95.5	15.7	10,110	107	2,075.0	2.7[i]
West African Economic and Customs Union (UDEAO) Dahomey Ivory Coast Mali Mauritania Niger Senegal Upper Volta	*Objective* Common external tariff and harmonization of customs legislation *Status* Agreement reached on rates of duty on various products exchanged among some countries	Customs union formed to replace arrangement of free trade and common tariff maintenance while countries were colonies (1959) Agreement on new rates of duty on goods exchanged between Senegal and Ivory Coast reached in 1966 and came into effect in 1967	4,405	22.8	5.2	3,862	169	615.1	...

Table 47. Regional economic groupings: objectives, status and main features (*continued*)

Name of grouping and member countries	Principal objectives and status	Principal action	Area (thousands of square kilometres)	Population, 1966[a] (millions)	Population density, 1966[a] (persons per square kilometre)	Gross domestic product, 1965[b] Total (millions of dollars)	Gross domestic product, 1965[b] Per capita (dollars)	Trade (exports), 1966[c] Total (millions of dollars)	Trade (exports), 1966[c] Intra-trade (percentage of total)
West African Economic and Customs Union (UDEAO) (continued)		Agreement on co-ordination of fiscal legislation concluded between Senegal and Mauritania (1967)							
Organization of Senegal River States (OERS) Guinea Mali Mauritania Senegal	*Objectives* Immediate: economic integration and joint development Ultimate: formation of a wider West African economic community *Status* Implementation of joint plans	OERS replaces Inter-State Committee for the Development of the Senegal River Basin set up in 1965 with $5.8 million from United Nations Special Fund to study agricultural and irrigation projects in the river basin In 1967 member Governments agreed on five joint projects costing $16 million	1,729	12.9	7.4	1,243	97	305.4	...
Permanent Consultative Committee of the Maghreb Countries Algeria Libya Morocco Tunisia	*Objectives* Immediate: economic co-operation based on special Maghreb trade arrangements, unification of tariff policies, co-ordination of policies concerning exports to third countries, and the co-ordination and unification of industrial development and infrastructure policies Ultimate: common market *Status* Preliminary stage of co-ordination of industrialization	Permanent Consultative Committee consisting of President and Minister for Economic Affairs of each country established to study problems of economic co-operation in the area and propose measures (1964) Plan for a trade relations committee drawn up; draft multilateral agreement relating to trade exchanges prepared and Tunis chosen as seat of secretariat (1966) Maghreb Ministers for Economic Affairs agreed to general economic co-ordination (1967)	3,102	31.2	10.1	6,782	217	2,322.4	...
Arab Economic Unity Iraq Jordan Kuwait Morocco Syria	*Objectives* Ultimate: common market General: economic co-operation—unification of tariffs, customs procedures, trade policies and economic legislation and co-ordination of monetary, fiscal and	Trade and payments conventions signed in 1953 Final agreement setting up the Unity adopted in 1957 and signed in 1963; ratified by six of the seven States in 1963 and 1965	2,380	60.6	25.5	9,961	164	2,358	...

United Arab Republic Yemen	economic policies among signatory States *Status* Customs tariffs among members reduced on certain products	Arab Economic Unity Council composed of full-time representatives of signatories established in 1963							
Regional Co-operation for Development (RCD) Iran Pakistan Turkey	*Objective* Cultural and economic co-operation, especially in the field of industrial development *Status* Ministerial Council set up to consider and decide upon measures for cultural and economic co-operation	Summit meeting of leaders of State of the three countries established grouping and set up Ministerial Council composed of Foreign Ministers (1964) Regional Planning Council, composed of leaders of planning agencies in the three countries, set up to study development plans and production potentialities of the region and make recommendations on joint projects and long-term purchase agreements (1964) Teheran (Iran) chosen as seat of scretariat Joint enterprises for producing aluminium, carbon black and bank-note paper approved for implementation on joint equity participation and production-sharing basis. Others, such as for iron and steel, electronics and machine tools being studied	3,375	158.6	42.5	22,465	142	2,398.2	1.5
Association of South-East Asian Nations (ASEAN) Indonesia Malaysia Philippines Singapore Thailand	*Objectives* Economic and cultural co-operation to promote peace and prosperity in the region Collaboration for the utilization of the agriculture and industries of the member countries and the study of the problems of international commodity trade *Status* Preliminary stage. Grouping created in 1967	Organization meeting held in 1967	2,639	178.9	67.7	22,836	128	3,493.6	. . .

(Source and foot-notes to table on following page)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Statistical Yearbook, 1966* (Sales No.: 67.XVII.1), *Monthly Bulletin of Statistics*, October 1967 and May 1968, "Economic co-operation in West Africa" (E/AC.54/L.26/Add.2); International Monetary Fund, *International Financial Statistics*, May 1968, and International Monetary Fund and International Bank for Reconstruction and Development, *Direction of Trade*, annual issues for the years 1962-1966.

[a] Mid-year estimates. For the following groupings the years are different: West African Economic and Customs Union and West African Economic Community, 1964; Arab Economic Unity, 1963; Regional Co-operation for Development, Association of South-East Asian Nations, and Maghreb countries, 1965.

[b] At factor cost. For CMEA, rough estimate by the United Nations Secretariat, based on the official exchange rates. For West African Economic Community, at market prices for 1964. For Arab Economic Unity, 1963 except 1958 for United Arab Republic and Yemen. For Association of South-East Asian Nations, 1965 except 1963 for Indonesia. For Maghreb grouping, 1964 for Algeria. For Regional Co-operation for Development and West African Economic and Customs Union, 1964.

[c] Exports, f.o.b. For Arab Economic Unity, excluding petroleum and data for Kuwait (including petroleum and data for Kuwait, exports are $3,504 million and the intra-trade ratio is 2.0 per cent). For CMEA, excluding Mongolia but including Albania.

[d] The following countries are Associated States: Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Democratic Republic of the Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo and Upper Volta. Greece and Turkey are Associated European States.

[e] Finland is an associate member enjoying all the privileges of full membership.

[f] Statistical indicators exclude Antigua.

[g] Jamaica's application to join CARIFTA was accepted unanimously by a meeting of the CARIFTA Council in June 1968. Jamaica, along with the Leeward and Windward Islands, was admitted on the same terms and conditions as if it had been a member when the agreement was signed. With the admission of Jamaica to membership of CARIFTA, the socio-economic indicators assume the following magnitude: area, 232,000 square kilometres; population, 3.8 million; persons per square kilometre, 16.4; gross domestic product, total, $1,737 million; gross domestic product *per capita*, $463; trade, total, $800.4 million; intra-trade (as a percentage of total trade), excluding trade between Barbados and Jamaica, 4.3. (There are no relevant data for the Leeward and Windward Islands).

The West Indian associate States announced that they would sign the agreement on 1 July 1968.

[h] The Central African Republic and Chad, two of the original members of UDEAC, withdrew from the organization in April 1968. With their withdrawal from the organization, the socio-economic indicators assume the following magnitude: area, 1,085,000 square kilometres; population, 6.7 million; persons per square kilometre, 6.2; gross domestic product, total, $846 million; gross domestic product *per capita*, $127; trade, total, $263.1 million.

The Central African Republic, Chad and the Democratic Republic of the Congo have formed a new economic grouping, Central African Economic Union (UEAC), with almost the same aims as UDEAC—regional co-operation and an eventual common market and an investment policy to favour the landlocked member States (Central African Republic and Chad). The socio-economic magnitudes of UEAC are: area, 4,252,000 square kilometres; population, 20.8 million; persons per square kilometre, 5.0; gross domestic product, total, $1,477 million; gross domestic product *per capita*, $71; trade, total, $568.8 million.

[i] Share of intra-subregional imports in total imports.