E/5144
ST/ECA/159

Department of Economic and Social Affairs

WORLD ECONOMIC SURVEY, 1971

Current Economic Developments

UNITED NATIONS

New York, 1972

FOREWORD

This report is the twenty-third in a series of Surveys published yearly by the United Nations, in response to General Assembly resolution 118 (II) requesting the Secretary-General to prepare an annual review and analysis of world economic conditions and trends. The present report examines some salient features of current economic developments, taking into consideration the more detailed biennial reports on the world economy that are to be issued in connexion with the review and appraisal of the Second United Nations Development Decade, in response to General Assembly resolution 2626 (XXV).

In order to facilitate discussion of a number of major international economic issues, the main body of the present report has been kept compact and policy-oriented. Some detailed information and analyses of the world economy by regions and countries are annexed.

The World Economic Survey, 1971 was prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs and is based on information available in March 1972.

NOTE

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

E/5144
ST/ECA/159

UNITED NATIONS PUBLICATION

Sales No.: E.72.II.C.2

Price: $U.S. 3.00
(or equivalent in other currencies)

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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:

CMEA	Council for Mutual Economic Assistance
EEC	European Economic Community
EFTA	European Free Trade Area
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
SDR	special drawing rights

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

INTRODUCTION

In terms of production and trade, the performance of the world economy in 1971 was unspectacular. The rate of growth of aggregate production of goods and services remained at about 4 per cent in 1971, not much more than that of the previous year. Although this rate fell short of the First United Nations Development Decade's annual average of 5.3 per cent, a world-wide recession, which at times was considered to be a possibility, was averted.

The developed market economies, which weigh heavily on the global figures, displayed a high degree of resilience. The combined rate of growth of 3.4 per cent was significantly below the potential. At the same time, the continued slackening in the industrial sector was not accompanied by declining rates in other main economic activities. In a number of countries, a combination of unemployment, inflation and external imbalance posed new challenges calling for appropriate policy mixes. Their resilience amid disquiet reflected these economies' latent strengths, which had been kept under restraint but which could be released and re-energized when the risk of rekindling inflation appeared to be smaller than that of allowing recession to deepen. A variety of means, including monetary and fiscal measures and prices and incomes policies - a whole range of instruments, conventional and unconventional, built-in and discretionary - was used to bring about the desired effects.

Nor were the recessionary developments in some countries so powerful as to seriously affect the developing countries. In part this was due to differences in the phasing of economic activities in the developed market economies, so that stagnating conditions in some of these countries were offset, to a greater or smaller degree, by heightened activity in others. It also reflected a tendency towards greater self-reliance in the management of their national resources and less dependence on external determinants among the developing countries themselves. At a 5.4 per cent rate of growth in 1971, these countries maintained another year of relatively high growth in comparison with the developed countries and with their own performance in the First Development Decade. This augurs well for the long process of narrowing the gap between the developed and the developing countries, although an accelerated growth is required if the target of the Second Development Decade is to be attained. The achievement was the more noteworthy in that agricultural growth in the developing countries slackened, despite, in some cases, further progress in the green revolution. At the same time, the group average was affected by substantial improvements in a relatively few countries, including a number of large countries which exaggerated the average performance of many developing countries, including some of the least developed. Furthermore, in most of these countries, the longer-term process of fundamental structural and social transformation has yet to gather momentum.

The centrally planned economies, largely unaffected by the vicissitudes of the rest of the world, recorded another year of growth in 1971. The 6.4 per cent aggregate rate of growth of national income in eastern Europe and the USSR corresponded closely to the average planned rate. Although this rate was below both that of the previous year and the annual average rate of 6.7 per cent of the 1960s, there was in fact an acceleration in most countries of the group. The main exception was the USSR, where the bumper crops enjoyed in 1970 were not repeated, while eastern Europe experienced a gain in agricultural production.

The economic expansion in the USSR and eastern Europe was accompanied by a shift in priorities towards consumption, in line with most of the five-year plans. There was an increase in the share of consumption in the national income, a greater emphasis on investment in consumer goods industries and a redeployment of labour in favour of services.

The performance of the centrally planned economies of Asia was marked by a continuation of the high rates of growth achieved in China in recent years. Aggregate industrial and agricultural production increased about 10 per cent in 1971, as in the previous year. This sustained vigour was accompanied by mass participation on all fronts.

Compared with developments in world production, the rate of growth of world trade continued to be relatively high, although the exceptional buoyancy of earlier years was not maintained in 1971. The increase in volume in 1971 slowed down to about 6 per cent, well below the average of the 1960s. In terms of dollar value, despite a slackening in 1971 from the immediate past, the 11 per cent rate was in line with the average of the 1960s.

The relatively fast growth of the dollar value of world trade reflected substantial increases in export prices. The price index of manufactured goods in international trade increased 6 per cent, while the rise in prices of primary commodities averaged 5 per cent. The weakness in prices of a number of agricultural commodities and base metals exerted a moderating influence on the rise. In contrast, petroleum and petroleum products recorded a dramatic increase, largely a reflection of the improved bargaining position of the producers. The terms of trade of individual developing countries thus varied greatly, depending on the main exports involved, although there was no substantial change for these countries as a whole.

Developments in the world economy in the first quarter of 1972 kindled hopes for somewhat improved performance. The resumed expansion and simultaneous improvement in internal and external balance of the developed market economies as a whole was especially noticeable.

The main event of 1971, however, was not simply a matter of aggregate production and trade. Nor is the challenge for 1972 so confined. The international monetary crisis of 1971 signalled the transition from an old era to a new one. The measures unilaterally adopted by the United States of America in August ended the gold-exchange standard of the post-war years at a single stroke as the dollar ceased to be convertible and rates of exchange were no longer fixed. While the realignment of currencies in December 1971 restored some measure of order for the exchange markets, a new international monetary system has yet to be constructed.

With the passing of the old international monetary system, the basis for a steady expansion of world trade must also be rebuilt. The choice is not simply between mercantilist restrictions and a greater liberalization of trade relations, but one between more or less self-contained trade blocs and a truly interdependent world, and among different modalities of reconciling internal and international objectives. Indeed, seldom have so many fundamental issues demanded a simultaneous solution.

THE INTERNATIONAL MONETARY CRISIS

In retrospect, the workings of the international monetary system after Bretton Woods served the needs of an expanding world economy very well. The relative stability of the exchange rates of major currencies facilitated international commerce. The continuing deficit in the United States balance of payments provided the rest of the world with increasing liquidity. Despite the slow growth of monetary gold, world liquidity outside the United States, not including special drawing rights, trebled between 1950 and 1970. Although the increase was especially conspicuous in a few industrial countries, it was general and widespread. This liberal supply of liquidity formed the basis for domestic expansion in most parts of the world and for a steady liberalization of exchange controls and trade, which in turn facilitated growth.

The fundamental difficulties of the system had been widely recognized before the crisis of 1971. In fact, the very success of the system revealed its basic weaknesses since the increase in world liquidity was made possible by a steady decline in the liquidity of the United States and, with it, the key currency of the entire system.

As long as the relative shift was interpreted as a transient phenomenon of post-war recovery in western Europe and Japan, it was greeted with satisfaction by all parties concerned. The momentum of the relative shift proved, however, surprisingly enduring. As early as the beginning of the 1960s, signs of the vulnerability of the dollar began to appear even while fears of a post-war dollar shortage lingered on.

A foretaste of massive attacks on a reserve currency was provided by the repeated sterling crises of the early 1960s. Here it was evident that the basis of sterling as a reserve currency, inherited from the United Kingdom's past pre-eminence in world trade and finance, had changed fundamentally when the size of its empire was greatly reduced and its overseas investments mostly liquidated. While the relative decline of sterling meant the rise of the dollar as the undisputed reserve currency, an attack on sterling frequently also meant an attack on the dollar.

Responses to the strains and stresses of the system and to periodic attacks on the dollar had been largely palliative in nature. The upsurge in the price of gold, reflecting doubts about the contention that the dollar was as good as gold, was dealt with first by the major central banks, which pooled their operations, and subsequently by a two-tier system which severed the gold market from official monetary transactions. As the United States' gold stock fell far below its official liquid liability and United States' deficits continued, the collapse of the system was only postponed by great restraint on the part of the major central banks which refrained from massive conversion of their large dollar holdings into gold.

Periodic disquiet in the exchange markets was allayed by such devices as swap agreements, special bond issues to mop us excess official liquidity and forward exchange operations. Nevertheless, the inability of the central banks to maintain the fixed exchange rate of the dollar finally triggered the crisis of 1971. It began with a massive movement of short-term capital from the United States in 1970 after the reversal of an extremely stringent monetary policy in 1969. As the

European countries and Japan continued their restrictive policies at the beginning of 1971, interest differentials between these countries and the United States widened. A total of $12.5 billion left the United States during the first two quarters of 1971, as the effect of the interest differential was magnified by the sharp deterioration in the United States trade balance. Eventually, in May, the pressure on some European currencies became so heavy and the dollar accumulation so large that the Federal Republic of Germany and the Netherlands decided to float, and Austria and Switzerland to appreciate their currencies. These measures and official interventions in the exchange markets by the central banks of western Europe and Japan proved unable to stop the flight from the dollar. On one or two days in August, the outflow reached as high as $1 billion.

On 15 August 1971, the United States suspended the convertibility of the dollar into gold or currencies. Other emergency measures included a 10 per cent temporary surcharge on dutiable imports. Since the surcharge fell most heavily on manufactures and exempted many raw materials and products, it affected about 60 per cent of the developed market economies' exports to the United States and about a third of those from the developing countries.

These dramatic measures had important repercussions on the rest of the world. The countries of the European Economic Community (EEC) were for a time unable to adopt a common policy in response to the new situation. The floating of some currencies posed a threat to the Community's internal cohesion. In France, the imposition of capital controls and a two-tier exchange system reversed the trend towards liberalization of the European capital markets. In Japan, the initial reluctance to revalue the yen was overcome only when the Bank of Japan, in the course of a single month, accumulated over $4 billion, more than its entire international reserve of a year before. The developing countries whose reserves were mostly in dollars suffered a heavy loss, although their debt burden, also mainly expressed in dollars, was correspondingly reduced in terms of other currencies. Exporters of commodities largely destined for the United States market, such as coffee, wool and tin, were faced with a possible decline in the purchasing power of the proceeds in terms of other currencies. The application of the surcharge to the developing countries was considered unwarranted since the payments deficit of the United States was on the whole unrelated to trade relations with these countries. Moreover, the surcharge was counter to the commitment to introduce a general preferential scheme favouring imports from developing countries.

TRANSITIONAL ARRANGEMENTS

The currency realignment negotiated among the major trading nations at the Smithsonian Institute in December 1971 brought the immediate crisis to an end. The currencies of the world were in better balance after differential adjustments had been made in terms of gold or special drawing rights (SDR). The dollar depreciated by about 12 per cent in terms of the major currencies of the developed market economies, and about 7 per cent in terms of a composite of all other currencies (weighted by the pattern of United States trade), while the Japanese yen and German mark headed the list of currencies which appreciated. The widening of the margin to 2 1/4 per cent on either side of the central rate, permitted by a majority of countries, has provided greater flexibility in the exchange market.

The agreement is clearly a transitional arrangement to be followed by a more durable one. Even in the short run, the arrangement presupposes that countries with strong currencies will be prepared to bear the main responsibility of maintaining the value of the dollar, though at a wider margin of 2 1/4 per cent from the central rate. Unless the payments deficit of the United States is reversed, this can only be achieved by absorbing more dollars or by restricting or discouraging the flow of dollars into surplus countries. In the first few months of 1972, it was apparent that countries such as Japan had had to resort to both methods.

When the aggregate dollar outflow is continued, outright restriction of dollar inflow by some surplus countries tends to deflect the direction of the flow to other countries. This could trigger a cumulative process which would further erode confidence in the dollar and circumscribe its usability. On the other hand, certain short-term capital flows, occasioned by borrowing from United States commercial banks by enterprises in countries already burdened with dollar surpluses, or the shifting of deposits to these countries merely to take advantage of interest differentials, could be restrained by incentive measures with the aid of market forces. Such measures as requirements to deposit a portion of the proceeds of foreign borrowing with the central bank or suspension of interest payments on foreign deposits by the surplus countries and contrary measures by the United States, would make an important contribution to the improvement of the payments balance.

A more fundamental improvement in the situation would have to be effected through the trade balance, which was the intent behind the currency realignment. The effect of exchange depreciation on the trade balance, however, is expected to lag behind a year or more. There is, moreover, considerable uncertainty as to the degree of responsiveness of trade to changes in relative exchange values and prices. Where foreign costs are substantially lower, product differentiation is significant, and a taste for foreign produce has been developed, marginal changes in prices may fail to bring about the desired effect. Furthermore, the exchange rate effect may be offset, to a greater or lesser extent, by the relative buoyancy of the United States economy and home demand as compared with the situation in its major trading partners. There have, so far, been few signs of material improvement in the United States payments position substantial enough to stave off a renewal of disturbances on the international monetary scene.

On the other hand, the outflow of short-term capital can change direction very suddenly under the influence of changing interest differentials and speculative motives. As the United States economy becomes more buoyant, and Europe and Japan move towards monetary ease in the course of 1972, the interest differential, taking into account forward exchange premium or discount, may become more favourable to a reflow of short-term capital to the United States. Moreover, as long as the dollar rate is close to the lower limit, there is a considerable exchange risk in speculation against the dollar when further currency realignment is not imminent. As long as the widened margin makes the risk of holding any currency fairly substantial, and as long as forward cover is costly, there is an incentive to adjust the currency portfolio in order to minimize exchange risks. This consideration tends to work against the dollar when the dollar is dominant in the portfolio, but becomes favourable to the dollar when the holding is reduced below prospective trade and payments requirements.

There is, therefore, a great degree of potential volatility in the currency markets that may work in either direction. This uncertainty will not be removed unless the longer-term issues are settled. These issues go far beyond payments equilibrium; the whole international monetary system and régime of world trade ar at stake.

TOWARDS A NEW INTERNATIONAL ECONOMIC ORDER

Despite the proliferation of national, regional and international institutio concerned with various aspects of the international monetary and trade issues, th precise ways and means by which these issues are to be examined, the differences in approach reconciled and the various aspects integrated, are yet to be worked o

Inasmuch as the issues are of vital concern to all nations, it is imperative that each nation should examine its substance and streamline its own institutions with a view to evolving a national policy. In view of the complexity of the issues and the diffusion of responsibility among many ministries and financial institutions, a great degree of co-ordination will be necessary. This is essenti for serious international negotiations, especially if the negotiations are mainly conducted by representative groups of countries and the positions of individual countries are to be articulated indirectly through an intermediary. At the same time, the positions of countries should not be so solidified as to hamper give and take.

At the regional level, where a degree of intra-regional co-operation has already been attained through common tariffs or monetary unions, Governments will have to reconsider regional arrangements in light of the future international monetary and trade régimes. The question arises, for example, of the degree to which the European Economic Community may be enlarged and its precise relationshi with countries on the other side of the Atlantic, or in Oceania, and with developing countries now linked to it by various economic ties. Moreover, an explicit common position in respect to the nature of the future international régimes will have to be formulated.

While many urgent issues pertain especially to the pivotal countries, such as the United States, the members of the European Economic Community and Japan, so that a reconciliation of their views is central to the shaping of a new international economic order, the issues are too important to the world community as a whole to be left to a few countries. In contrast to the transitional arrangement, which was made almost exclusively by the Group of 10, a much broader representation of countries and interests is essential for a long-term solution.

It is true that many issues are extremely technical and complex, so that concrete solutions will be difficult to arrive at if the discussions are carried out within the framework of a general debate by a large number of participants. Careful preparation by specialized international institutions dealing with monetary or trade matters and consideration by relatively small groups are essential before large-scale negotiations can be fruitful. Yet there is no real substitute for an international endeavour that will encompass all nations.

There is, of course, no shortage of ideas and even of plans from various quarters. Nevertheless, on a number of central issues a consensus has yet to be developed, before being embodied and spelt out in operational plans and institutions for the future.

Monetary issues

On the central issue of the future international currency unit, few by now would return to the gold standard or the gold exchange standard. World liquidity is too important to be determined by the accident of gold supply or by the behaviour of one or two national currencies. Yet the precise role of gold in the future international monetary system remains to be settled. At the same time, even if it is assumed that the dollar will no longer be the centre-piece in the international reserve system, some arrangement will have to be made with regard to the $50 billion or more at present held by Governments outside the United States.

Both the gold and the reserve currency issues are closely related to the creation of a new international reserve unit. The 1969 decision of the International Monetary Fund (IMF) to establish special drawing rights and the subsequent creation of close to SDR 9.4 billion (equivalent to the same amount of pre-realignment United States dollars) have already established the principle that international reserves can be deliberately created by an international institution. The experience already gained has demonstrated the acceptability and practicability of this principle, at least within limits. On the other hand, there are important differences between the creation of money within a nation and internationally. Apart from the fact that international decision-making necessarily involves many sovereign nations, any one of which may withhold approval of a particular arrangement, the most obvious difference is that in the international case the degree of confidence in, and the authority of, the international monetary institution depends on the willingness of nations to delegate authority to it, and this in turn depends on the degree to which they have effective control over it.

A less obvious difference between national money creation and the creation of international money such as SDR, is that the central bank of a nation does not give newly created money to its citizens, whereas SDR are allocated to individual countries. While a formula for allocation, based on such criteria as existing quotas in IMF can be negotiated, other arrangements can be envisaged. The demand by the developing countries to be treated more favourably than they have been under the present system of IMF quotas, or for the provision of a link between the creation of reserve assets and development finance, is a case in point. The question of allocation will inevitably become more important as the creation of an international reserve is conceived of as a fiduciary issue which can be owned as a reserve rather than as a form of credit which debits the holder with an equivalent liability. The matter will come to the fore as the relationship between the future reserve asset and gold is weakened and the issuing authority of the international monetary institution is strengthened.

A balance has to be struck between the creation of a truly strong international monetary authority and the diffusion of power over its control among many nations. In fact, a number of countries, notably the centrally planned economies, have been reluctant to join even the present International Monetary Fund mainly because they have been unwilling to accept all the obligations of membership. One way of reconciling this basic conflict is to plan a series of phases during which a progressive process of integration takes place quite rapidly within groups of countries that are fairly homogeneous and more gradually among these groups, to form eventually a global superstructure.

While the manner in which adjustment is to take place is implicit in any international monetary system, there is general appreciation of the need for some degree of exchange rate flexibility and for stronger international supervision of surplus as well as deficit countries. A basic reason for the reluctance to alter exchange rates would be removed if the international reserve unit became less dependent on a single national currency. Yet opinions are still divided as to whether the flexibility should be achieved through wider exchange margins in a fixed-rate régime, through permission for temporary departures from fixed rates, or through constant minor "crawling" adjustments which resemble floating. The central consideration here is the degree to which countries are prepared to harmonize their domestic policies and to delegate some authority to international organizations. This is illustrated by the general acceptance of a fixed-rate or narrow-margin solution by members of a common market within which a degree of policy harmonization can be achieved.

Without a deliberate harmonization of policies, the expected adjustment process between surplus and deficit countries may fail to take place. The exist mechanism of international adjustment is directed almost exclusively to the deficit countries. The asymmetry in the treatment of deficit and surplus countries is a natural carry-over from the creditor-debtor relationship. There be an additional justification for this asymmetry in the reluctance of Governmen to pursue deflationary policies in a world aiming at full employment. It is conceivable, however, that the major source of disequilibrium may stem from the policies of surplus countries rather than those of the deficit countries. This possibility is all the more likely since a payments surplus may serve as a convenient stimulus to domestic expansion as well as a useful means of overseas investment and extension of economic power.

Trade issues

Thus, the international monetary issues are closely linked with the trade issues. Indeed, international reserves may be viewed primarily as instruments for the financing of potential trade deficits. Exchange rate and domestic economic activity adjustments may be viewed as a means of changing trade balance Yet, where there are trade restrictions the effect of these adjustments on the f of trade can be partly or wholly nullified.

There is a real danger that progress on the international monetary front wi not be matched by commensurate progress on the trade front. There is indeed apprehension that the post-war advances in trade liberalization, culminating in the Kennedy Round of tariff reductions just completed, may come to a halt or eve be turned back. In the post-war period, the cause of freer trade has been championed by the United States. Recent developments and the crisis of 1971, however, have led to a reappraisal of basic premises and to an upsurge of protectionist sentiment in certain important segments of that country's populat It is argued that the United States' persistent payments deficit has resulted n only from a steady shift of economic power away from the United States but also from numerous deviations from the principle of free trade by its main trading partners. The restrictions widely practised on agricultural trade are cited in this connexion. Devices such as quotas and border taxes can effectively block trade regardless of comparative advantages. In manufactures, the relative openness of the United States market and its freedom from hidden restrictions have contributed to a concentration of many foreign items in that market. Thus the dramatic expansion of Japanese exports has been highly concentrated in the United States market: while almost a third of Japan's exports in recent years has been absorbed by the United States, less than one tenth has gained entry into the European Economic Community. Despite official reassurances that the trade liberalization policy will continue, there is increasing pressure in the United States administration to extend quotas and voluntary restrictions to a large number of sensitive items.

Even in the field of tariffs which operate within the market framework, the principle of most-favoured-nation (MFN) treatment, which is the corner-stone of the General Agreement on Tariffs and Trade (GATT), has been seriously eroded by regional groupings. With the impending enlargement of the European Economic Community from the Six to the 10, it is expected that a major portion of world trade in manufactures will in fact take place under preferential arrangements. The extension of the Community's special arrangements to the rest of the European Free Trade Area (EFTA) and associated countries and territories in many parts of the world will further erode the MFN principle.

From the point of view of the developing countries, the recent adoption of the principle of general preference in their favour is a significant achievement. The international community has accepted the proposition that equity is not necessarily achieved by equal treatment for unequals. By the same token, the decline in the relative economic position of a pre-eminent power as a result of improvements in the position of the rest should in the final analysis form a basis for true equality and competition rather than for restraint of competition. A movement towards freer trade among the main developed nations may indeed make more sense now that competition among equals has virtually become a reality. The elimination of tariffs will automatically render preferential tariff arrangements ineffective. While trade relations among the developed countries will thereby be improved, the benefits of the preference in favour of developing countries will evaporate unless new schemes are introduced to compensate for the loss.

In the face of shrinking tariffs, it is the pervasive non-tariff restrictions that are becoming increasingly serious - for the developing as well as the developed countries. These restrictions raise a host of domestic policy problems, including agricultural production and price policies, and health and environmental codes. Most of them are likely to increase in importance on account of growing public concern for the well-being of particular social groups and apprehension about the hazards of rapid economic and technological development, even if they are not primarily intended to restrain trade. The international scrutiny, and in some cases orderly elimination, of non-tariff restrictions must be high on the agenda of future trade negotiations.

The importance of domestic policies to trade relations as well as international monetary relations is especially evident with respect to the centrally planned economies. By definition, the trade of these economies is planned and thus not necessarily determined by market forces. Freer trade between centrally planned and market economies thus involves more than the simple elimination of tariffs. Indeed, even within the framework of GATT, special arrangements such as assured rates of increase in imports into these countries have sometimes been made to allow for this complication. The explicit recognition by the market economies of the crucial importance to trade negotiations of at least some aspects of domestic policy should facilitate arrangements with the centrally planned economies.

At the same time, the greater interest in international relations and in multilateral approaches displayed recently by some of the centrally planned economies should also facilitate an increase in their role in world trade. The achievement of closer trade and other economic relations between countries with different economic systems would help to give concrete expression to the recent trend towards a political détente and pave the way towards a more coherent world.

Capital movements

The rules governing capital movements are closely related to international monetary and trade matters, and they too must be reconsidered. The unsettling effects of massive movements of short-term capital during the monetary crises have caused great concern. To the extent that these movements are interest-sensitive, a greater degree of co-ordination of interest policies among nations seems indicated. The problem is complicated by conflicts between internal and external considerations. Thus, when inflationary pressure coexists with a payments surplus in one country and unemployment with a deficit in another, there is a natural reluctance for the former to lower interest rates and for the latter to raise them in order to induce an equilibrating capital movement. An international code of conduct and mechanism for surveillance may be needed if disequilibrating measures and unilateral restrictions are to be avoided.

Such a code of conduct and supervisory machinery are no less necessary in respect of long-term capital movements. They are in any case desirable in order t reconcile national interests in the face of fears of foreign domination on the one hand and of arbitrary expropriation on the other. They are also necessary as a part of any payments arrangement. Irrespective of the question whether a private capital outflow will ultimately benefit the payments situation of the capital-exporting country, there is growing concern that when the source of capital is a deficit country the capital-importing country is involuntarily financing a "foreign takeover". The issue is thus related to the future disposition of dollar balances. Indeed, according to some proposals, the liquidation of a portion of th vast United States investment abroad or, alternatively, investment in United State assets by the holders of excess dollars may be a most useful way of funding dollar balances. These issues are also related to the operations of multinational corporations which have played an increasingly important part in both short-term and long-term capital movements. While these corporations are frequently effectiv agents for the transfer of technology as well as capital to developing countries, their role is sometimes viewed with awe since their size and power may surpass the host country's entire economy. The international community has yet to formula a positive policy and establish effective machinery for dealing with the issues raised by the activities of these corporations.

The interdependence and complexity of international monetary, trade and financial issues place a heavy burden on the international community. 1971's year of crisis will not have been endured in vain if 1972 becomes a year of intensive preparation for a new international economic order, so that serious negotiations may be started without undue delay, and the way paved for a more prosperous and less turbulent continuation of the Second United Nations Development Decade.

CONCURRENT DOMESTIC POLICIES

Emphasis on setting the stage for a new international economic order must not be allowed to overshadow needs on the domestic front. The interrelationship between national and international aspects of the economic nexus has already been underlined in connexion with the domestic adjustment processes implicit in an international monetary or trade régime. There is a need to bring many domestic issues, such as production and price policies, into the realm of international negotiations.

What should be emphasized here is that an international economic order, no matter how well-conceived, cannot work if nations fail to manage their own affairs effectively. This will be all the more true if the new international economic order achieves a degree of openness that implies heightened competition among nations. A weak nation will not only encounter domestic difficulties but may also undermine the entire international system by adopting beggar-thy-neighbour policies.

It should not be expected, however, that every nation will be highly competitive with the rest of the world in every industry and product. An intensification of the international division of labour means that even the strongest economic power may encounter external pressures in particular sectors and localities.

When the necessary adjustments must be made, it is not sufficient merely to assure the population groups adversely affected that their sacrifice represents a net gain for the nation as a whole. Deliberate measures, such as the retraining and relocation of workers and assistance to depressed industries or regions, such as those recently adopted by a number of developed countries, constitute an important counterpart to international policy.

An enlightened domestic adjustment policy in the advanced countries is especially relevant to the developing countries. For it is precisely those industries in which the developing countries have a competitive advantage that are relatively weak in the developed countries. It is ironic that as soon as they achieve some success in these industries, developing countries are faced with new barriers to their further development. Moreover, the products of these industries are often excluded from the preferential schemes for the developing countries. A shift of emphasis in the developed countries from trade restraint to adjustment measures would improve the export prospects of the developing countries and facilitate their growth.

Inasmuch as the pressure of international competition on the developing countries is likely to be widespread and severe, domestic adjustment policies in these countries must be viewed in a broader perspective. The entire development strategy is at issue. While there is no single strategy which will suit every developing country, experience has shown that the particular division of labour imposed on the developing countries by the exchange of primary products for manufactures has held back long-term modernization. On the other hand, more recent experience has also shown that neglect of the traditional sectors has deprived many nations of their main source of employment and of imports for the modern sector. Policies of rapid industrialization unsupported by a viable agricultural sector have often failed dismally. It is small wonder that a number of recent development plans have placed new emphasis on the importance of agricultural and rural development. At the same time, the dynamics of imbalance may be engendered by failings in the modern sector as well as by weaknesses in the traditional sector. Without constant improvements in irrigation, in the supply of fertilizers and other inputs and in infrastructures, there are severe limitations to sustained agricultural development. Without domestic industries to produce these inputs and enlarge and improve the facilities for producing them, the capacity for further growth will be seriously limited by the ability to import, which in turn will be limited by the structure of exports.

Even from the point of view of industrial development, it is not always advisable to concentrate on simple industries directed towards home consumption. The export potentials are often small, not because of the intrinsic limitations of natural endowment but because of cumulative policies of commission and omissio Thus, the nurturing of high-cost domestic industries tends to price exports out of the market. Unrestrained home demand often pre-empts export surpluses. When vested interests are strongly entrenched, structural transformation becomes increasingly difficult.

Such transformation is not, of course, always revealed in available quantitative information. The measurement of development by such macro-economic indicators as gross national product, frequently misses some of the most crucial factors. A most cogent illustration from recent experience is that in a number o developing countries a fairly high rate of economic growth has been accompanied by large-scale unemployment and mass poverty. Yet the precise number and characteristics in terms of age, sex, location, skill or duration of the unemploy has often eluded the policy-makers. Indeed, the apparent gain in aggregate growt may produce a false sense of security in a latently explosive situation. The strategic importance attached to measurable physical capital has tended to push human factors into the background. While economic growth may ultimately bring about more employment opportunities and a better distribution of income, it has i many instances accentuated the problem in the short run through shifts of population and differential rates of sectoral growth. Moreover, important developments, such as agrarian reform and social restructuring, may not be reflected in the current economic quantities either because their impact takes time to be felt or because the link is not direct.

Thus, the new emphasis on social objectives and the quality of life embodied in a number of current development programmes and policies is helpful in gaining a proper perspective. The pursuit of more and more material goods and services is envisioned as one of the instruments for promoting human well-being or at leas avoiding the most elementary forms of human misery, rather than as a good in itse At the same time, a redirection of priorities should not be confused with the unqualified endorsement of alarmist views regarding economic growth. The central aim for most countries, and rightly so, is growth with quality rather than qualit with zero growth. Today's problem of scarcity and want is too immense to be tackled merely by redistributing and improving existing quantities.

A significant and positive contribution of the current concern for the environment and for social objectives has been to focus attention on the fact that the earth is a small planet and that humanity must share a single fate. Yet, preoccupation with domestic problems has led many countries to neglect their roles in the international framework. For the rich and powerful nations, this is an untenable course, as has been forcefully demonstrated in the forums of the United Nations Conference on Trade and Development (UNCTAD). The current stagnant trend for the flow of aid from these countries to the developing world is a matter of particular concern, especially in view of the sizable debt of over $60 billion that the latter has already accumulated.

As far as the less developed countries are concerned, the task of nation-building is inevitably the most urgent, especially where internal cohesion cannot be taken for granted, but it must be more closely related to efforts on the international front. The vulnerability of the developing nations to external economic forces is readily recognized. More important and more positively, it has been increasingly recognized that a nation's development programme can be greatly aided by international arrangements. Apart from broad international monetary and trade arrangements, the existence of more limited agreements, on regional co-operation in industries, in transport and in energy, for example, can make a great deal of difference to the efficiency and viability of these activities for an individual country. In this connexion, the progress made among the developed countries affords a startling contrast to the tardiness of the developing countries, despite the interest many of the latter have expressed in regional co-operation and solidarity. At the same time, because of the intrinsic difficulty of co-operation among the developing countries, through lack of a common heritage, the paucity of existing trade, and the absence of complementarity in their economies, not to mention deep-rooted political divisions, a gradual approach towards practical co-operation has often been more fruitful than have ambitious grandiose schemes.

Advocating a practical approach, however, is not to advocate timidity, whether at the national, regional or global level. In the short run, practical measures for co-operation in the international monetary, trade and financial spheres must start from the existing realities. In the longer term, it is the change in the existing realities that will lay the foundation for further changes to bring about a more efficient and humane system.

Annex

A. AN OVERVIEW

Production

The aggregate rate of increase in world production of goods and services was about 4 per cent in 1971, slightly more than the 1970 rate but well below the average annual rate of 5.3 per cent in the First United Nations Development Decade The relatively low rate was chiefly a reflection of conditions in the developed market economies whose combined rate of growth was only 3.4 per cent. At the same time, the centrally planned economies, following a year of high growth in 1970, slowed down to more or less the average rate registered in the 1960s. The developing countries maintained a rate in excess of the 5 per cent achieved during the First Development Decade but below the target rate of 6 per cent.

As in the previous year, the rate of growth in industry continued to slacken. Agricultural production, however, increased at about 4 per cent as against the average rate of 2.6 per cent in the First Development Decade.

Industry

In the industrial sector, the slackening was again concentrated in the developed market economies, as the rate in western Europe decelerated from almost 6 per cent in 1970 to about 2 per cent in 1971, while North America registered a growth of less than 1 per cent as against a decline in output in 1970. In the centrally planned economies of Europe, the 1971 expansion was also somewhat below both the previous year's rate and the average rate of the 1960s. The developing countries, on the other hand, as in 1970, expanded industrial production well abov the average rate of the past decade.

The global deceleration of industrial growth was shared by most branches, witl the notable exception of textiles and chemicals. The rate of increase in textile production actually recovered from the low figure of the previous year (2.2 per ce to the average rate registered in the First Development Decade (4.3 per cent), despite a slight deceleration in the centrally planned economies.

In contrast, production of food manufactures slowed down from the average rat of growth of the 1960s (5 per cent) to 4 per cent in 1971. The rate decelerated i the centrally planned economies, reflecting a lack of growth in the agricultural production of the USSR in 1971 following the record harvest of 1970. In the developing countries the growth of the food industry slowed down moderately from the 1970 rate but remained somewhat above the rate of the previous decade. Altogether, the output of consumer goods industries maintained a more or less similar rate of growth in 1970 and 1971, moderately below the 4.6 per cent rate of the 1960s.

The global rate of growth in heavy industry remained at about 4 per cent in 1971, only half the average rate of the past decade. An increase in the rate of growth of the chemical industry was offset by the decline in output of the basic metals and metal product industries.

The principal source of this stagnation was the performance of the developed market economies, where the output of heavy industry expanded only 0.7 per cent as against a 1.3 per cent growth in the previous period. The developing countries accelerated the rate in 1971 to reach the average rate of 8.6 per cent of the previous decade.

In North America, the only category of heavy manufacturing that did not experience an absolute decline was the chemical industry - the branch that has maintained the highest rate of growth throughout the post-war period. In 1971, chemicals recorded a moderate recovery in the rate of expansion in North America from 0.6 per cent in 1970 to 4.7 per cent. In the centrally planned economies and developing countries, the rate of growth of the chemical industry was maintained at the level of about 12 per cent. This more than offset the deceleration in western Europe from 8 per cent to 5 per cent in 1971.

The output of the basic metal industry declined in 1971. The decline reflected the state of the industry in North America and western Europe. In the centrally planned economies, output continued to grow at a rate of 6 per cent in 1971, and the rate of growth in the developing regions recovered moderately from a mere 2 per cent in 1970.

The global rate of increase in the output of the metal products industry was again less than 4 per cent in 1971, half the average of the past decade. In the developed market economies, the output stagnated, while in the centrally planned economies it continued to grow at a rate of about 11 per cent.

Mining production also experienced some deceleration of growth, from 6 per cent in 1970 to about 5 per cent in 1971. High growth rates were maintained in the centrally planned economies (7 per cent) and in the developing countries (9 per cent), while the rate of growth in the developed market economies decelerated from 3 per cent in 1970 to 0.8 per cent in 1971. World production of petroleum increased by 5.4 per cent in 1971 as against 9.8 per cent in 1970 while coal production remained at the 1970 level.

Agriculture

Preliminary estimates for 1971 suggest that the growth rate of agricultural production accelerated from 2.7 per cent in 1970 to 3.9 per cent in 1971, well above the average rate of 2.6 per cent registered during the First Development Decade. This expansion reflects the combined effects of better weather, increased acreage in the case of some major crops and greater application of such inputs as fertilizer and improved seeds in most regions of the world. The substantial gain in output in the developed market economies more than offset a sharp deceleration in the centrally planned economies of Europe and a moderate slow-down by the developing countries in their rates of agricultural expansion, a complete reversal of the situation in 1970.

The 5.7 per cent increase in the developed market economies in 1971 (as against 0.1 per cent in 1970) was more than twice the average rate of the past decade, reflecting a remarkable recovery in North America, where an almost 1 per cent decline in output in 1970 was followed by an almost 10 per cent rise, and in western Europe where the rate rose from 2.1 per cent in 1970 to 5.4 per cent in 1971. On the other hand, the growth rate in the centrally planned economi slowed down substantially from a record rate of increase of 7 per cent in 1970 to mere 1.9 per cent in 1971. This is due to the fact that agricultural production i the USSR made no further increase from the record 1970 level, which had been 10.3 per cent over the 1969 figure. Agricultural production in eastern Europe, however, after setback in 1970, recorded an increase of 6 per cent. The developi countries as a whole maintained neither the rate of growth achieved in the previou year nor the average rate of the preceding decade.

The very large increase in output in the United States of America and Canada chiefly reflected the relaxation of constraints on grain acreages and, to some extent, favourable weather conditions. As a result, the two North American countries registered a sharp rise in the output of grains and other crops to a nev record level. In the case of western Europe, the sharp recovery reflected a substantial growth in grain crops due rather to higher yields than to any significant increase in acreage. Generally favourable weather conditions in the entire region made possible a recovery from the low rate of expansion recorded in 1970. With the exception of Greece, Italy, Portugal, Finland and Norway, almos all the countries contributed to the exceptionally high growth. The Federal Republic of Germany, the Netherlands and Sweden maintained a rate slightly below the high growth rate of the previous year.

Among the developing countries, southern and south-eastern Asia and the western hemisphere recorded a deceleration in agricultural expansion to a below-trend rate of growth, while output in west Asia recorded a sharp recovery from the decline experienced in the previous year. In Africa, the rate of growth in agriculture remained moderately above the rate achieved in 1970, which was slight above the average rate of the past decade. Production in the south and west Asia countries of Afghanistan, Iran, Iraq and West Pakistan was unfavourably affected by dry weather. India and Indonesia continued to show above-trend output. The expanded use of high-yield varieties, fertilizers and irrigation enabled cereal production to reach a record level. In Africa, dry conditions appear to have mov northward from Nigeria. In the southern part of the continent, generally increas production reflected a return to better weather conditions.

World production of wheat, barley and maize all recorded a recovery in 1971 from a below-trend rate of growth (wheat and barley) or an actual decline (maize) to well above the trend-rate. That the rice harvest did not grow as fast as in the previous several years is largely a reflection of a reduction in Pakistan and also in Japan, where output is being reduced through a government policy of land diversion.

World sugar production in 1971 increased marginally over the 1970 level to reach a record output: about 80 million short tons of centrifugally produced sugar and 11 million short tons of other types, usually for local consumption. Western Europe's production of sugar beet was large due to favourable weather conditions. Cuban sugar production experienced another decline, and the Soviet crop remained at the production level of the preceding year. Among major producers, smaller crops were reported in India, Indonesia, Mexico, Poland and the United States, while larger crops were harvested in Argentina, Australia, South Africa, the Philippines, Spain and Turkey.

World coffee production recovered sharply in the 1971/72 crop year from the 1970/71 setback, and at about 71 million bags (of 60 kilograms each), the largest crop since 1965/66, the total output remained well above the average for the 1960s. Brazil produced twice the amount recorded in 1970/71, reaching the early 1960 level. After allowance for domestic consumption, exportable production is estimated to be about 52 million bags, which is below the estimated world import requirements. Latin America's exportable production in 1971/72 rose to 31 million bags, which was above the average of the past decade and more than two thirds of the world total (against less than half in 1970/71).

The cocoa bean harvest, which increased for the third consecutive year, is expected to reach a record of 1.6 million tons in 1971/72. The gain was largely in Africa, where production is estimated to have increased by 7 per cent. Latin American production is also expected to be higher because of a record Brazilian harvest. Among African countries, high rates of growth were registered by Ghana and the Ivory Coast.

World cotton production, after stagnating for several years, rose by nearly 8 per cent to a record crop of 55 million bales (of 480 pounds) in 1971/72. The two major cotton producers, the USSR and the United States, registered less than average expansion. Production in the developing countries was up about 13 per cent to nearly 24 million bales (well above the 1965-1969 average of 22 million); larger crops were harvested by most of the major producers, including Brazil, India, Mexico and Pakistan, while there was a modest fall in output in Egypt.

Wool production fell by 0.5 per cent in 1971, registering a third annual decline from the record output of 1968. High production costs and low world market prices continued to affect world production adversely. Output in Australia and South Africa remained stationary but New Zealand and the United Kingdom registered a fractional decline. In the United States output was down by 5 per cent while in the USSR it rose by 2 per cent.

World tea production in 1971 seems to have repeated the record 1970 harvest of 1.1 million metric tons. Despite another record crop in India, Asian tea output fell slightly as a result of smaller crops in Pakistan. Drought conditions in the earlier part of 1971 in Kenya and Uganda resulted in a small reduction in African producing countries as a group. On the other hand, western hemisphere production increased substantially, reflecting a record harvest in Argentina.

Copra and coconut oil, of which southern and south-eastern Asia are the largest producers, fared much better as earners of foreign exchange in 1971 than in the early years, substantial gains in production more than counterbalancing the decline in price. This, however, was not the case with natural rubber, another of the region's major exports, though production increased at the decade average rate of 3.5 per cent in 1971. Total jute and kenaf production in the three main exporting countries (India, Pakistan and Thailand) declined in 1971 due to the substantial reduction in Pakistan, which more than offset the increase in India and Thailand.

Trade

There was a marked slow-down in the expansion of trade in 1971, reflecting the rather sluggish growth of world production. The quantum of trade rose by about 6 per cent, well below the annual average rate of increase registered duri the First Development Decade. In terms of dollar value, despite a sharp deceleration from the preceding year, the 1971 increase in trade (11 per cent) v more or less in line with the decade average.

The deceleration in world trade mainly reflected the slower economic growth in western Europe and Japan and the only modest recovery in North America. The international monetary crisis contributed to an atmosphere of uncertainty, althc its direct effect on the trade returns for 1971 appears to have been less severe than was at first feared.

The value of the foreign trade turnover of the centrally planned economies Europe decelerated, in line with the intentions of the intermediate-term develop plans. The increase of about 9 per cent in 1971 was lower than that of world tr as a whole but above the average target rate of 8 per cent in their 1971-1975 pl The rate of expansion in the value of foreign trade turnover for the People's Republic of China also decelerated from the high rate of 1970 to about 5 per cen in 1971.

The rise in export prices of goods moving in international trade decelerate somewhat from the exceptionally large increase in 1970, a deceleration in the developed market economies more than offsetting an acceleration in the rise in developing countries. Nevertheless, the price index of manufactured goods enter international trade rose by about 6 per cent between 1970 and 1971, only fractionally lower than in the previous interval. Among the developed market economies, the rise in export prices decelerated in North America and Japan while western Europe experienced a greater rate of price increase in 1971 than in 1970. Only in the case of the developed economies of the southern hemisphere - which exported a great deal of wool at lower prices as well as minerals under long-tern contract - did the average unit value decline fractionally.

As the bulk of exports from the developed market economies represented intra-trade, the rapid rise in their export prices had its counterpart in a corresponding rise in their import prices. Europe and Japan, however, since they imported relatively more food-stuffs and other primary products, experienced a smaller price increase for imports than for exports. Thus, the terms of trade improved by more than 3 per cent in the case of EFTA, and 2 per cent in the case of EEC and Japan, and deteriorated by about 5 per cent in the case of the souther hemisphere countries and by 1 per cent in the case of North America.

Imports of the developed market economies increased in value by about 11 per cent in 1971 as against about 15 per cent in the previous year. Over two fifths of the 1971 rise was accounted for by price changes, however, compared with rather more than a third in 1970. The increase in import quantum was about 6 per cent in 1971, well below the average expansion rate of the 1960s. The 1971 increase in import quantum was almost 10 per cent, however, in the case of North America, which recovered from the virtual stagnation of the previous year. On the other hand, sharp decelerations in import expansion were registered in all the other developed regions; Japan (from about 20 per cent in 1970 to about 2 per cent in 1971), the southern hemisphere countries (from about 13 per cent to 3 per cent), EEC (from about 12 per cent to about 6 per cent) and EFTA (from about 9 per cent to about 3 per cent).

In the developing countries, import prices tended to reflect changing conditions in the developed market economies which were their main trading partners. Between 1970 and 1971, there was a rise of almost 4 per cent on the average; the lowest rate (2.9 per cent) was recorded in southern and south-eastern Asia where intra-trade played a relatively greater part, and the highest rate (over 5 per cent) in the western hemisphere where more than two fifths of the import expenditure was accounted for by higher prices. For the developing countries as a whole, the increase in the volume of imports was about 7 per cent, although Africa registered a 13 per cent increase.

Export unit values in the developing countries tended to be affected less by inflationary forces of a general nature and more by conditions and expectations on the markets for particular commodities. Export prices were substantially higher in 1971 than in 1970. The price of primary commodities exported from the developing countries increased by about 5 per cent in 1971 as against 2.9 per cent in 1970. This was brought about by a remarkable increase in mineral prices and a moderate increase in the price of agricultural non-food products which more than offset a slight decline in food prices. The price of non-ferrous base metals exported from the developing countries experienced a sharp decline in 1971. The most significant increase was in respect of petroleum (18 per cent) following the agreements between the oil companies and the petroleum-producing countries. As a result, the average unit value of exports from west Asia increased by 20 per cent and from Africa by 7 per cent, while it declined by 5 per cent in the western hemisphere. In southern and south-eastern Asia, export prices increased at the same rate (about 3 per cent) as in 1970. For the developing countries as a group, the increase in the unit value of exports was 4.4 per cent in 1971 as against 2.8 per cent in 1970. The expansion in export quantum was greatest (about 11 per cent) in the western hemisphere, although export earnings increased less than 5 per cent due to a decline in unit value. In Africa, the volume of exports declined, but with higher prices export earnings rose nearly 5 per cent in 1971. In the case of west Asia, the 3 per cent increase in quantum yielded a substantial rise (almost 24 per cent) in export earnings due to favourable petroleum prices. In southern and south-eastern Asia, exports increased at about the same rate as in 1970 with respect to both price and quantum.

Though the terms of trade for the developing countries as a group improved fractionally in 1971, this conceals large regional differences. The terms of trade improved substantially for west Asia and Africa, deteriorated markedly for the western hemisphere, and for southern and south-eastern Asia remained unchanged.

Table A.1. World production: annual growth rates, by country group, 1961-1971

(Percentage)

Item and country group	Average annual rate, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 a/
Gross domestic product b/			
Sum of country groups	5.3	3.9	4.2
Developed market economies c/	5.0	2.6	3.4
Centrally planned economies d/	6.7	8.0	6.4
Developing countries e/	5.1	5.8	5.4
Industrial production f/			
Sum of country groups	6.7	4.4	3.8
Developed market economies g/	5.7	2.0	1.3
Centrally planned economies	8.3	8.5	7.7
Developing countries g/	7.4	7.6	8.2
Agricultural production h/ i/			
Sum of country groups	2.6	2.7	3.9
Developed market economies c/	2.5	0.1	5.7
Centrally planned economies	3.0	7.0	1.8
Developing countries e/	2.6	3.2	1.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics (Rome), and national sources.

a/ Preliminary.

b/ Measured at constant market prices; 1960 in the case of the 1961-1970 average, various years in the case of 1970 and 1971.

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

d/ Eastern Europe and USSR. Data refer to net material product and are not strictly comparable to those of the other country groups.

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

f/ Based on index of value added, except in the centrally planned economies for which the index is based on gross output at constant prices; in the case of the German Democratic Republic the index refers to the value of commodity production, and in the case of Hungary to output in physical units and other indicators.

g/ Israel is included with the developed market economies in the index of industrial production.

h/ Based on index of gross output.

i/ Average annual rate based on regression trend line.

Table A.2. World industrial growth, by country group, 1961-1971

(Percentage)

Country group	Average annual rate, 1961-1970	Change from preceding year 1970	1971 a/
Sum of country groups	6.7	4.4	3.8
Developed market economies	5.7	2.0	1.3
North America b/	5.0	-2.8	0.7
Europe c/	5.3	5.8	2.1
Asia d/	13.9	16.0	5.1
Southern hemisphere e/	6.1	5.3	3.3
Centrally planned economies of:			
Europe	8.3	8.5	7.7
USSR	8.5	8.5	7.8
Eastern Europe f/	7.8	8.4	7.4
Developing countries	7.4	7.6	8.2
Western hemisphere g/	6.4	6.7	...
Asia h/	7.6	7.5	10.6

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

Note: For method of calculating indices, see table A.1.

a/ Preliminary.

b/ Canada and the United States of America.

c/ Excluding eastern Europe.

d/ Israel and Japan.

e/ Australia, New Zealand and South Africa.

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

g/ Latin America and Caribbean area.

h/ Excluding Israel and Japan.

Table A.3. World industrial production: changes by country group and branch, 1961-1971

(Percentage per annum; 1971 index, corresponding period of 1970 = 100)

Country group and period	Mining	Light manufacturing[a/] Total	Light manufacturing[a/] Food	Light manufacturing[a/] Tex- tiles	Heavy manufacturing[b/] Total	Heavy manufacturing[b/] Chem- icals	Heavy manufacturing[b/] Basic metals	Heavy manufacturing[b/] Me- prod
Sum of country groups								
Average annual rate, 1961-1970	5.2	4.6	4.9	4.3	7.9	9.4	6.0	8
1970	5.9	3.7	6.0	2.2	4.3	5.0	2.7	4
Index 1971:								
First quarter . . .	106	104	107	103	104	106	101	1
Second quarter . .	105	102	103	104	103	107	101	1
Third quarter . . .	103	104	103	105	105	107	97	1
Developed market economies								
Average annual rate, 1961-1970	2.7	4.2	4.1	3.8	6.6	9.0	5.2	6
1970	3.4	1.5	3.9	-0.8	1.3	4.0	0.7	0
Index 1971:								
First quarter . . .	106	102	106	101	101	103	97	1
Second quarter . .	102	101	102	103	99	105	98	
Third quarter . . .	99	103	101	104	101	105	91	1
Fourth quarter . .	95	104	104	103	103	107	96	1
North America								
Average annual rate, 1961-1970	3.4	3.9	3.5	4.3	5.3	8.1	3.6	5
1970	4.1	-0.8	3.3	-5.7	-5.3	0.6	-5.9	-7
Index 1971:								
First quarter . . .	103	100	105	97	97	100	98	
Second quarter . .	102	102	102	103	98	106	101	
Third quarter . . .	98	103	99	104	99	106	83	
Fourth quarter . .	92	104	102	104	108	108	92	1
Western Europe								
Average annual rate, 1961-1970	1.0	4.0	4.4	2.1	6.1	9.3	4.1	[illegible]
1970	1.9	3.9	6.3	-	6.1	7.9	2.1	[illegible]
Index 1971:								
First quarter . . .	109	104	106	103	103	105	95	[illegible]
Second quarter . .	103	101	102	102	101	104	94	[illegible]
Third quarter . . .	102	102	105	104	101	103	96	[illegible]
Fourth quarter . .	102	103	104	103	100	106	98	

Table A.3 (continued)

Country group and period	Mining	Light manufacturing[a/] Total	Food	Tex-tiles	Heavy manufacturing[b/] Total	Chem-icals	Basic metals	Metal products
European Economic Community								
Average annual rate, 1961-1970	1.7	3.9	4.3	2.0	6.7	10.0	4.4	6.0
1970	2.7	3.2	5.5	-	6.7	7.0	2.0	8.7
Index 1971:								
First quarter . . .	112	104	106	104	103	105	96	104
Second quarter	103	102	101	103	99	104	93	99
Third quarter . . .	102	102	105	104	100	104	97	99
Fourth quarter	103	104	...	105	99	107	99	95
Centrally planned economies								
Average annual rate, 1961-1970	6.5	5.1	6.0	5.1	10.6	11.7	7.6	11.6
1970	7.0	6.6	6.3	7.2	10.0	6.5	6.5	11.4
Index 1971:								
First quarter . . .	108	105	106	105	110	110	107	111
Second quarter . .	108	103	104	106	110	111	105	111
Third quarter . . .	107	103	103	106	111	113	105	112
Developing countries								
Average annual rate, 1961-1970	8.5	5.3	5.3	5.0	8.6	7.9	7.2	9.8
1970	9.2	5.6	8.6	6.4	7.8	10.0	1.9	8.3
Index 1971:								
First quarter . . .	108	107	109	106	108	112	99	...
Second quarter . .	108	107	103	107	109	112	110	...
Third quarter . . .	111	106	107	108	109	111	101	...
Asia								
Average annual rate, 1961-1970	8.4	5.8	5.6	5.3	9.4	7.4	9.1	11.3
1970	10.3	5.4	7.4	9.4	9.2	8.1	-0.7	8.9
Index 1971:								
First quarter . . .	113	109	112	105	107	114	99	108
Second quarter . .	117	108	103	105	108	113	104	105
Third quarter . . .	118	109	109	107	111	114	108	108

Table A.3 (continued)

Country group and period	Mining	Light manufacturing[a] Total	Food	Tex-tiles	Heavy manufacturing[b] Total	Chem-icals	Basic metals	Metal product
Western hemisphere								
Average annual rate, 1961-1970	4.3	4.8	5.0	4.4	8.4	8.5	7.1	9.1
1970	2.4	5.0	6.6	3.6	8.1	10.6	3.1	7.3
Index 1971:								
First quarter . . .	103	...	...	...	...	...	99	...
Second quarter . .	100	...	...	...	...	...	114	...
Third quarter . . .	98	...	...	...	...	...	97	...

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

Note: For method of calculating indices, see table A.1; for definition of country groups, see table A.2.

a/ International Standard Industrial Classification (ISIC) 20-26, 28-30, 3

b/ ISIC 27, 31-38.

Table A.4. World[a] production of major commodities,[b] 1961-1971

Commodity	1970 (millions of tons)	Average annual rate, 1961-1970	Percentage change from preceding year 1969	1970	1971[c]
Coal d/	2,075	1.3	1.4	1.9	-
Petroleum, crude	2,254	7.9	7.6	9.8	5.4
Electricity (billions of kWh)	4,829	7.9	8.7	7.5	5.3
Cement	560	6.3	5.1	5.3	2.6
Pig iron	418	6.1	7.9	5.6	1.9
Steel, crude	573	5.7	8.0	3.2	-3.1
Copper, smelter e/	5.3	3.7	9.2	4.8	13.1
Zinc e/ f/	3.9	4.6	7.7	-3.7	-3.0
Lead e/ f/	2.6	3.5	12.4	2.4	1.1
Tin e/	0.2	1.9	-3.2	-1.1	3.0
Aluminium e/ f/	8.2	8.3	13.2	7.7	6.8
Merchant vessels g/ (millions of grt)	21.7	10.0	14.3	12.2	12.9
Passenger cars (millions)	22.4	5.8	4.7	-1.3	13.2
Commercial vehicles (millions)	6.0	5.0	4.5	-11.3	10.7
Nitrogenous fertilizer	29.2	5.5	12.0	5.5	8.5
Wheat	316	2.3	-5.7	0.3	7.1
Barley	139	4.1	5.1	1.4	8.6
Maize	260	1.7	5.3	-1.9	15.6
Rice (paddy)	306	2.2	3.4	3.6	1.0
Coffee	4.1	-0.5	12.3	-7.2	4.2
Cocoa beans	1.5	1.9	14.2	3.5	7.0
Tea	1.1	2.9	2.2	2.8	1.5
Sugar (raw)	74.2	3.0	1.3	8.6	0.9
Cotton (lint)	11.5	0.7	0.5	1.4	1.9
Wool (greasy)	2.7	1.0	1.9	-2.1	1.8
Jute and kenaf	3.2	2.5	31.0	1.1	-1.4
Oil-seeds h/	90.9	4.0	1.6	5.6	3.3
Natural rubber	2.9	3.5	8.8	0.8	3.5

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

a/ Excluding production of China.

b/ In the case of agricultural commodities, the data for any particular crop year refer to the calendar year in which the bulk of the crop was harvested.

c/ Preliminary.

d/ Including coal equivalent of brown coal and lignite.

e/ Excluding production of USSR.

f/ Excluding production of Czechoslovakia, Democratic People's Republic of Korea, German Democratic Republic and Romania.

g/ Tonnage launched outside USSR.

h/ Cotton-seed, linseed, ground-nuts in shell, rapeseed, soya beans, sesame seed, sunflower seed and castor beans.

Table A.5. World agricultural production, by country group, 1961-1971

(Percentage)

Country group	Average annual rate of change, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 a/
Sum of country groups	2.6	2.7	3.9
Developed countries:			
North America	1.5	-0.8	9.7
Western Europe	2.4	2.1	5.4
Oceania b/.	3.1	-0.6	-
Other developed countries c/. .	3.6	-	2.4
Eastern Europe	2.5	0.6	6.5
USSR	3.3	10.3	-
Developing countries:			
Western hemisphere	2.6	2.6	0.6
Africa	2.4	2.8	3.4
West Asia	3.1	-0.6	4.3
Southern and south-eastern Asia	2.6	3.9	1.9

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

a/ Preliminary.

b/ Australia and New Zealand.

c/ Israel, Japan and South Africa.

Table A.6. Exports of market economies, by country group, 1961-1971

(Percentage)

Country group	Quantum			Value f.o.b. in dollars			Unit value in dollars		
	Average annual rate of change, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 a/	Average annual rate of change, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 a/	Average annual rate of change, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 a/
Total	8.0	9.0	5.9	9.5	14.7	11.0	1.2	5.6	4.9
Developed market economies	8.4	9.2	6.0	10.1	15.5	11.5	1.5	5.6	5.3
North America	6.5	7.9	0.6	8.6	14.5	3.9	1.9	6.1	3.3
Europe	8.7	8.5	6.9	10.3	15.7	13.2	1.4	5.7	6.3
EEC	10.0	10.5	6.8	11.6	17.2	13.3	1.3	5.7	6.3
EFTA	6.3	5.3	4.2	8.1	12.5	11.6	1.6	6.5	8.8
Japan	16.3	14.0	19.7	16.9	20.8	24.6	0.4	5.7	4.8
Southern hemisphere . . .	6.6	9.0	6.1	7.2	7.1	6.7	0.4	-0.3	-0.5
Developing countries . . .	6.5	8.2	5.2	7.2	11.6	10.0	0.6	2.8	4.4
Western hemisphere . . .	3.7	2.4	10.9	5.5	10.2	4.7	1.7	5.5	-5.0
Africa	7.8	10.1	-2.0	9.1	11.6	4.8	1.2	0.9	7.0
West Asia	9.5	12.0	3.3	9.3	10.6	23.6	-0.2	-	20.0
Southern and south-eastern Asia	7.0	9.5	9.0	6.4	12.5	12.1	-0.4	2.9	2.8

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

a/ Preliminary, based in some cases on estimates.

Table A.7. Imports of market economies, by country group, 1961-1971

(Percentage)

Country group	Quantum: Average annual rate of change, 1961-1970	Quantum: Change from preceding year 1970	Quantum: Change from preceding year 1971 a/	Value c.i.f. in dollars: Average annual rate of change, 1961-1970	Value c.i.f. in dollars: Change from preceding year 1970	Value c.i.f. in dollars: Change from preceding year 1971 a/	Unit value in dollars: Average annual rate of change, 1961-1970	Unit value in dollars: Change from preceding year 1970	Unit value in dollars: Change from preceding year 1971 a/
Total	8.3	9.5	6.3	9.4	14.5	11.1	1.0	4.7	4.5
Developed market economies	9.1	9.8	6.2	10.3	15.3	11.2	1.1	5.7	4.6
North America	8.0	0.5	9.6	9.7	8.4	14.8	1.6	7.2	4.8
Europe	9.1	10.7	6.5	10.2	16.9	10.9	1.0	4.8	3.7
EEC	10.5	11.8	6.2	11.6	17.1	12.1	0.9	4.8	4.6
EFTA	6.3	8.7	3.4	7.6	16.1	9.2	1.2	5.7	5.7
Japan	14.7	19.9	1.8	15.5	25.7	4.1	0.6	4.9	2.2
Southern hemisphere	5.7	12.5	3.0	7.0	16.1	7.7	1.1	3.5	4.6
Developing countries	5.6	8.8	7.0	6.5	12.4	12.0	1.0	3.8	3.9
Western hemisphere	4.9	10.7	7.3	6.2	14.0	13.0	1.3	4.6	5.3
Africa	3.3	6.1	13.0	5.3	16.3	18.0	1.6	7.6	3.7
West Asia	6.7	4.1	...	8.4	3.4	6.1	1.7	2.8	...
Southern and south-eastern Asia	6.5	8.6	7.0	6.7	10.1	11.0	0.2	2.0	2.9

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

a/ Preliminary, based in some cases on estimates.

Table A.8. Export price indices of primary commodities and non-ferrous base metals, 1969-1971

Commodity group	Index (1963 = 100) 1969	1970	1971	Index (corresponding quarter of previous year = 100) 1971 quarters First	Second	Third	Fourth
Primary commodities	104	107	114	107	107	107	106
Food	106	111	116	106	105	104	104
Cereals	102	99	106	111	110	106	102
Wheat	94	90	98	113	111	109	105
Rice	130	115	113	98	99	98	99
Maize	97	110	112	121	110	93	89
Beverages	120	138	123	94	88	83	86
Coffee	118	153	134	97	85	83	86
Tea	88	98	96	99	102	94	98
Cocoa	172	124	105	83	93	83	82
Meat	126	134	137	104	101	101	101
Beef	133	145	156	113	108	105	104
Mutton and lamb	120	124	123	98	104	97	97
Dairy products	107	112	132	108	113	124	129
Sugar	66	70	75	113	106	103	105
Other food	102	103	119	115	114	117	116
Agricultural non-food	101	100	104	103	103	105	105
Fats, oils and oil-seeds	101	109	118	115	104	109	104
Olive oil	74	76	78	105	101	104	100
Copra	106	121	100	91	82	81	76
Coconut oil	119	137	119	93	85	91	78
Ground-nuts	105	110	131	124	98	134	122
Palm kernels	98	94	92	110	90	99	92
Palm kernel oil	95	104	115	101	99	128	115
Palm oil	79	78	116	159	141	145	149
Linseed oil	112	107	91	92	81	85	85
Linseed	101	94	91	99	98	96	96
Soya beans	97	107	117	115	109	108	107
Soya bean oil	100	100	148	138	133	159	161
Cotton-seed oil	118	118	149	125	121	128	130
Textile fibres	85	84	84	96	99	102	102
Wool	73	64	56	82	85	90	92
Cotton	97	103	109	104	106	109	109
Jute	121	112	110	98	96	100	100
Sisal	45	41	49	105	120	125	125

Table A.8 (continued)

Commodity group	Index (1963 = 100)			Index (corresponding quart of previous year = 100) 1971 quarters			
	1969	1970	1971	First	Second	Third	Four
Wood and wood pulp	106	117	124	107	103	105	10
Rubber	99	82	85	98	110	105	10
Other agricultural non-food	105	95	99	99	109	107	10
Minerals	104	109	126	109	118	116	11
Metal ores	114	122	125	101	102	103	10
Iron ore	93	98	102	108	101	101	10
Bauxite	126	145	181	116	147	123	11
Copper ore	220	215	166	66	74	84	9
Lead	165	168	142	82	86	89	8
Zinc ore	138	138	144	94	101	109	11
Tin ore	137	144	136	93	94	96	9
Nickel ore	134	164	169	104	104	104	10
Manganese ore	77	77	92	116	121	121	12
Chrome ore	102	113	136	104	104	136	13
Fuels	100	105	126	114	123	122	11
Petroleum	100	100	118	109	119	121	12
Coal	102	126	159	137	134	122	11
Crude fertilizer	114	115	115	101	100	101	10
Non-ferrous base metals . . .	168	175	160	84	89	96	9
Aluminium	120	127	127	103	100	100	9
Copper	205	207	180	75	83	93	9
Lead	166	175	143	79	82	86	7
Tin	137	145	137	92	96	96	9
Zinc	134	141	145	96	101	105	11

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

B. THE DEVELOPED MARKET ECONOMIES

The developed market economies experienced another year of slow growth in 1971: total output of goods and services increased by only 3.4 per cent. Although this rate represented an increase from the 2.6 per cent rate of 1970, it was below the long-term average. The performance of the group as a whole reflected the differences in the phasing of economic activities among the countries. In general, while North America entered a recovery phase in 1971, western Europe and Japan had yet to work themselves out of the deceleration phase. The process of recovery proved to be somewhat slower than expected, and the degree of deceleration was surprisingly severe in some major countries.

A major factor in this slow growth was the continuing threat of inflation. For a number of years the economic policies of most of these countries had been strongly influenced if not determined by attempts to contain inflation. Restraints on demand were widespread. It was not until the economies had been considerably dampened, sometimes beyond what was intended, that a shift in policy emphasis took place. A common feature of this shift was the relaxation of the restraints on, or even the active stimulation of, demand, concurrent with the introduction or strengthening of measures of direct price or income restraint as long as the threat of inflation remained. The differences in the timing and extent of these policies contributed to the international monetary crisis already discussed in the main body of the present report. The realignment of currencies following the crisis reduced a major source of imbalance in the trade relations among the developed market economies and to this extent enabled them to renew their economic expansion.

Production

The growth of the total output of goods and services in the developed market economies in 1971 was not only modest but uneven in respect of both rate of growth and its relationship to the previous year's change.

North America's significant contribution to the increase in the rate of growth came from both the United States and Canada. The upswing began somewhat earlier in Canada, where a 5.4 per cent rate of growth of GNP in 1971 was in line with the growth potential and in excess of the average rate of the past decade. This growth occurred in response to a policy of selective stimulation made possible by some success in moderating prices. In addition to strong consumer demand, both residential and non-residential construction and investment in natural resources provided the expansionary forces.

While over-all growth in the United States reversed the recessionary tendencies of 1970, it was still far below capacity and below the average performance of the 1960s. It was significant, however, that the recovery took place under adverse economic conditions. It was supported by exceptionally high rates of residential construction and expansion in private consumption, while public expenditure reversed its sharp decline. With a very low capacity utilization ratio, private fixed investment on plant and equipment was hesitant. The increase in inventories frequently associated with recovery did not materialize.

The developed market economies of Europe and Japan experienced a general deceleration of growth for the second year in succession. This deceleration was shared by the vast majority of countries. In a number of cases, notably the Federal Republic of Germany, Italy and Japan, the slow-down was more severe than had been expected in either official or unofficial circles. This sluggishness had a depressing effect on the smaller countries in the group.

While the deceleration of growth was common to almost all western European countries, it varied in magnitude and timing. Despite the slow-down in the Federal Republic of Germany and Italy, the EEC countries as a group achieved a 3.7 per cent rate of growth, moderately higher than the rate for North America. In the United Kingdom, output increased very little and the proportion of idle resources rose. Among the smaller countries, deceleration was especially marked in the Scandinavian countries, Norway being the sole exception.

The unevenness of the pattern of development is illustrated by the course of industrial production in 1971. In the United States, industrial production increased in the first half of the year, reflecting the return to work after the previous year's strikes, but this was not followed by steady growth in the latter half of the year. Favourable growth was also achieved in the first half of the year in Canada, the Federal Republic of Germany and France. In France, output was affected by strikes, as was the growth of industrial production in the United Kingdom. In Italy, production continued to fall throughout the year. In Japan, industrial production slowed markedly in spite of a continuing upward trend in exports and expansionary public consumption.

The second part of the year witnessed some recovery in the United Kingdom and further growth in Canada and France. By the end of the year there was an improveme in industrial production in the United States, though the 1969 level was not regained. Production levelled off and stagnated in the Federal Republic of German continued to fall in Italy and Sweden, and showed no definite signs of recovery in Japan, oscillating from month to month around a modest annual rate of increase of 6 per cent.

The use of resources

The major factor behind the slow growth of output in western Europe and Japan was the sluggish growth of total domestic demand throughout 1971. This was accompanied by a marked change in the composition of demand, under the influence of a series of expansionary fiscal and monetary measures.

Economic policies aimed at reviving private consumption were partially successful in most countries. In North America, private consumer demand rose faster than GNP. Although private consumption in the United States did not expand as rapidly as in the past decade, it did become one of the important factors behind the recovery in growth. The expansion in private consumption in Canada was accompanied by a decline in the household savings ratio, which was not the case in the United States. Private consumption also rose faster than GNP in several other major countries. On the other hand, household savings ratios reache rather high levels in the Federal Republic of Germany, France, Italy, and a number of smaller countries. This suggests a lag in consumer response to various stimulating actions.

On the whole, expenditure in the public sector, aimed in some cases at alleviating unemployment, exerted an expansionary effect in 1971. In the United States, public consumption started to rise in 1971 as contrasted with the marked decline in 1970. In western Europe, its expansionary role was particularly marked in Italy. In Japan, the rise in public consumption reflected important changes in public policy.

Parallel with the increase in public consumption, public investment also rose in most developed market economies. Total fixed investment generally rose faster than gross national product. There was no increase in fixed investment in the United Kingdom or Japan, however, and an absolute reduction in investment was recorded in some countries in 1971 (e.g., Denmark, Italy and Sweden). The growth was also slower than the average rate of the 1960s in countries outside North America, with the notable exception of Austria, Belgium, Iceland, Norway and Switzerland.

As indicated above, residential construction was among the outstanding elements supporting the recovery in North America, especially in the United States where the increase was particularly high. It was also a positive factor in several European countries (such as the Federal Republic of Germany and the United Kingdom), while there was a marked decline in a few cases, such as Denmark, Italy and Sweden.

Private fixed investment fell in many major countries in 1971, including Italy, the Netherlands and the United Kingdom, and stagnated in the Federal Republic of Germany, Japan and the United States.

The weakness in private fixed investment reflects the state of expectations. In the United States, capacity utilization was the lowest since 1958 and some deterioration in the utilization of capacity was apparent by the end of the year in the Federal Republic of Germany and Japan, where the weakness in business investment was concentrated in export-oriented industries in anticipation of a deterioration in exports. Both countries were affected by uncertainties in the currency markets.

Investment in stocks was generally smaller than in 1970. In the United States, the picture was complicated by moves in anticipation of a possible steel strike in the first part of the year. In western Europe, changes in inventories had a depressing influence in all four major countries - the Federal Republic of Germany, France, Italy and the United Kingdom - and in a number of smaller countries. In Japan, the reduction in investment in stocks was especially large.

The problem of policy mix

As far as the choice of policies was concerned, the events of 1971 posed a variety of challenges as regards direction, dosage and appropriate mix. A policy dilemma was created when countries were faced with unemployment as well as inflation. As domestic activities indicated a policy of ease while payments deficits called for an opposite policy (e.g., in the United States), or the reverse (e.g., in the Federal Republic of Germany and Japan), conflict arose between domestic needs and external requirements. Decisions had to be made on whether a given policy dosage was too hesitant to be credible or so abrupt as to be unsettling. The precise role to be assigned to each policy instrument, individually and in combination, needed to be most carefully balanced.

The background to this difficult choice lay in the inflationary tendencies that had existed for a number of years. By 1971, the significance of inflation as regards policies had become increasingly evident. In the first place, despite anti-inflationary measures adopted earlier, the pace of inflation remained at a relatively high level. For the developed market economies as a group, the rate of inflation - as indicated by the rise of consumer prices - was in excess of 5 per cent, as compared with 3.4 per cent in the past decade. Moreover, there were indications that the post-war tendency for the rate of inflation to quicken would continue, unless potent measures were adopted to reverse the trend. Indeed, the primary policy objectives of most Governments shifted from unreserved price stability to a more flexibly defined reasonable rate of price rise.

Even this more modest objective was difficult to attain with the familiar instruments of policy. It is true that demand management, by means of monetary policies especially, had been vigorously pursued for some time. Interest rates were pushed to new high levels in numerous countries at the beginning of 1970. Quantitative limitations were imposed in order to restrain the availability of credit. Although it was not always easy to disentangle deliberate fiscal policies from built-in changes resulting from past decisions, the restrictive intent was unmistakable in such countries as the United States and the United Kingdom in the latter part of the 1960s. Even in countries where fiscal restraint was not apparer there was discernible resistance to clamouring for expanded public expenditure by various interest groups.

Yet, the effect of demand restraint on prices was by no means straightforward. On the one hand, a reduction in the pressures of demand could moderate the rise in prices. Inflationary expectations could also be altered by an apparently convincing policy of restraint. On the other hand, the resultant dampening of economic activities could have an unfavourable effect on productivity and thus on unit costs. This was frequently aggravated by the tendency towards continued increases in wage rates, not only because periodic increases had become customary in the general framework of growth expectation but also because grievances needed to be redressed as prices rose faster than had been presumed in earlier wage negotiations. As a result, under conditions of collective bargaining where decisions were not made by atomistic units, the rise in wage rates showed little sign of a general slow-down in 1970 and 1971, even when the economy slackened.

In the meantime, unemployment increased in virtually all countries. Although the situation gave no cause for serious concern in those countries where the absolute level was still very low, where vacancies continued to exceed qualified applicants and where there were still a large number of immigrant workers, the rat exceeded 5 or 6 per cent in a number of countries. This was aggravated in some cases - the United States, for example - by demographic shifts and regional differences, so that the number of unemployed was especially high among the young and in depressed regions. Moreover, unemployment beyond a certain point tended to have a multiplier effect as members of the families of the unemployed - normally not in the labour force - sought to supplement family income by seeking employment but, in the end, joined the ranks of the unemployed in most cases.

It was the repeated demonstration of the limited effectiveness of demand management in counteracting inflation and the persistence and severity of unemployment that prompted a number of countries to reverse their monetary and fiscal policies.

It was admitted, however, that a time lag was to be expected before demand restraint produced its anti-inflationary effect. Moreover, a short-lived anti-inflationary measure might be interpreted as an admission of defeat. Furthermore, in a number of countries, such as the United Kingdom and the United States, an improvement in the payments balance was regarded as essential. Thus, the approach to a policy of active ease was at first mainly cautious.

The United States was one of the first to give signs of ease when recessionary tendencies became apparent. As early as the first half of 1970, monetary restraint was progressively removed. As United States borrowing on the European markets dropped, the easing of Euro-dollar rates exerted a downward pressure on interest rates in other financial centres. This impact was resisted in most countries, however. The lag in interest movements in such countries as the Federal Republic of Germany and Japan, for domestic purposes, in turn accentuated the payments imblance of the developed market economies.

A series of fiscal relaxations emerged more clearly in the course of 1971. Not only were large fiscal deficits officially accepted as appropriate in conditions of underemployment but they were frequently in excess of planned figures, reflecting the early caution and the need for progressive relaxation.

The conflict between domestic and external requirements was at least temporarily resolved by the August measures and the subsequent realignment of currencies which added a new dimension to policies. With differential adjustments to exchange rates the burden on other policy instruments became more manageable.

The fight against inflation, however, was far from over. Despite some signs of moderating prices in the course of 1971, there was a danger that a combination of monetary and fiscal ease might renew the threat of inflation. Consequently, a number of countries resorted to more direct restraints on prices and incomes. A temporary freeze of prices and wages and a voluntary freeze of dividends were imposed in the United States as a part of the August package. The aim was to achieve a shock effect as well as to gain a cooling-off period before a more flexible, and at the same time more complicated, machinery could be set up for considering specific cases. Similarly, a mandatory approach was observable earlier in a number of European countries, notably the Scandinavian countries.

A less rigorous intervention ensured in the United States as soon as the Pay Board and the Price Commission were set up. The degree of control generally varied with the size of the firms concerned. While general guidelines for pay increases and price rises were issued, a number of exceptions were also allowed.

In France, although freezes had also been introduced from time to time, the main development in 1971 was the contrat anti-hausse agreed upon between the Government and the Federation of Employers. While the aim was to impose a limit on the rise of prices, the precise conditions varied among sectors. In the United Kingdom, voluntary price restraint was agreed to by the Confederation of British Industry as well as the nationalized industries.

There is no doubt that the success of such prices and incomes policies could solve much of the dilemma of policy choice. It could permit an expansionary policy to ensure growth without inflation. Moreover, it could also avoid the dilemma of interest rate policies in situations where domestic and external requirements diverge. Nevertheless, recent experience has also demonstrated thε despite the short-term benefits, difficulties have tended to mount with prolongε application.

As far as direct price restraint is concerned, there has been a trend towa an increasing number of exceptions, as many items are subject to seasonal influ and exogenous factors. Moreover, in the longer run, incipient quality changes tended to skirt price regulations, and the flow of resources has tended to be redirected into relatively profitable channels. Restraint of incomes concentra on wages raises the question of equity. While some element of restraint on pro such as control of dividends and profit margins, has been introduced, it should be equated with effective restraint of profits since these are a residual and cannot always be anticipated. Moreover, there is the fundamental question of h entrepreneurial efforts are to be rewarded. Even the regulation of wages has tended to raise the question of equity among different groups and occupations, and attempts to consider every case on its merits not only impose a heavy burde on the administrative machinery but also tend to increase tension by politicizi the process of wage determination.

It is for these reasons that many Governments appear to have been oscillat in their positions with respect to prices and incomes policies. When other mea were judged inadequate or inappropriate, resort was had to direct restraint of prices and incomes. When difficulties mounted, this approach was again modifie or abandoned.

This pattern of experience should not suggest that sustained prices and incomes policies are inherently impossible in a primarily private enterprise economy. It does suggest, however, the need for new approaches going more dee into the entire process of price and income determination.

Outlook

The year 1972 has started with some signs of renewed, though moderate, expansion. The arrangements made after the international monetary crisis have improved the atmosphere, even though longer-term solutions are yet to be negotiated. As most economies are still operating below capacity, the emphasi of policies is likely to continue to be expansionary. This has been made poss by the apparently more moderate pace of inflation and less severe external imbalance.

Nevertheless, the expansion is as yet in its early stages. For 1972 as a whole, it is unlikely that the rate of growth will be such as to approach potential capacity. For the developed market economies as a group, the aggreg rate might be around 4.6 per cent as compared with 3.4 per cent in the previc year. This rate, on top of several years of slow growth, is not adequate to t about full capacity utilization, nor is it sufficient to absorb a sizable amou of the unemployed and the new entrants into the labour force.

Apart from some of the southern European countries, signs of expansion a most evident in North America. The expansionary phase in Canada is already relatively advanced. It is likely to be continued, at least in 1972, as dema continues to respond to tax cuts and better profits. In the United States, although some of the forecasts may appear to have been too optimistic, there hardly any doubt that the 1971 rate will be almost doubled. Here, also, substantial tax cuts will aid the expansion of demand, although active monetary ease may not continue for long.

The outlook for the western European countries is more uneven. The European Community as a group is still in the early stages of adjustment to recessionary tendencies. On the whole, the rate of growth is unlikely to be higher than the relatively low rate of 1971. In the Federal Republic of Germany, the floating of the mark in 1971 and the subsequent revaluation have dampened export expectations. Moreover, in the face of industrial unrest and strong pressure for higher wages, official policy for expansion has so far been cautious, although the required refunding of surcharge is likely to stimulate consumer demand in the second half of 1972. In France, the rate of growth, although expected to remain high, partly in response to increased public expenditures, may not equal that of the previous year. Italy appears to be the only member of the Community which should improve upon the unusually low rate of 1971, since public programmes are strongly stimulative.

The four countries which are expected to join the Community next year should better their performance of 1971. The recovery of the United Kingdom economy may be especially strong, as the April budget has greatly added to expansionary measures adopted earlier. The removal of uncertainty with respect to membership in the Community should also provide a better climate for investment.

Although the Japanese economy has regained its poise after the shock of 1971, its growth is unlikely to match the high rate of the 1960s, despite vigorous fiscal expansion for the improvement of infrastructures and welfare.

Among the expansionary factors in the developed market economies, consumer demand is likely to play a significant role, as fears of recession are allayed and consumer incomes are bolstered by deliberate fiscal policies. While fixed investment is also being stimulated by fiscal incentives in many countries, the low rates of capacity utilization will dampen the pace of recovery for some time. Leading indicators in residential construction suggest continued expansion in this sector in a number of countries, including Canada and the United States, the Federal Republic of Germany and the United Kingdom, and recovery in several other countries.

One result of the relatively high rates of expansion in North America and the lower rates in western Europe and continued moderate growth in Japan is the dampening of trade, since the economy of the former is less dependent on trade. This tendency is accentuated by relative exchange rate adjustments. While the rate of growth of trade is likely to remain somewhat higher than that of output, not much buoyancy is expected.

Table B.1. Developed market economies: growth of gross domestic product in constant market prices, 1961-1972

(Percentage)

Group and country	Average annual rate 1961-1970	Average annual rate 1968-1970	Change from preceding year 1969	1970	1971[a]	1972[b]
North America	4.1	2.4	2.7	-0.4	2.9	5.1
Canada	5.0	4.3	4.8	3.2	5.4	6.0
United States	4.0	2.3	2.6	-0.7	2.7	5.0
Western Europe	4.9	5.4	6.1	5.1	3.3	3.4
EEC	5.3	6.2	7.1	5.7	3.7	3.0
Belgium	4.9	5.4	6.7	6.1	3.8	3.3
France	5.8	6.1	7.7	5.9	5.5	4.5
Germany (Federal Republic of)	4.8	6.8	7.9	5.6	3.5	2.0
Italy	5.5	5.3	4.8	5.3	0.5	3.0
Luxembourg	3.4	5.5	7.5	3.5	2.0	1.5
Netherlands	5.2	6.2	5.7	6.0	5.6	2.0
Other	4.2	4.0	4.4	4.0	2.6	4.2
Austria	4.7	5.9	6.2	7.1	5.5	4.0
Cyprus	6.1	5.7	9.6	3.3	8.0	7.5
Denmark	4.9	5.2	8.3	3.1	2.0	2.5
Finland	5.4	6.9	10.4	7.8	1.4	3.0
Greece	7.4	6.7	8.0	7.5	7.0	7.5
Iceland	4.4	0.7	2.0	6.0	9.3	7.3
Ireland	3.9	4.4	4.1	1.5	3.0	4.0
Malta	5.4	11.2	13.1	10.4	9.0	9.0
Norway	4.8	4.1	4.7	3.6	5.1	4.7
Portugal	6.1	6.1	3.2	7.6	6.5	7.5
Spain	7.6	6.7	7.6	6.8	6.5	7.0
Sweden	4.4	3.7	5.2	4.6	0.3	3.7
Switzerland	4.3	4.5	6.1	4.2	4.4	4.0
Turkey	6.3	6.0	5.9	5.6	7.9	7.0
United Kingdom	2.7	2.3	1.6	2.0	1.0	3.5
Asia						
Japan[c]	11.1	12.3	11.9	10.5	6.1	6.0
Southern hemisphere	5.3	5.6	7.5	5.5	4.2	3.9
Australia d/.	5.2	6.1	8.4	5.7	4.3	3.6
New Zealand d/	3.9	3.7	5.5	4.0	3.5	4.5
South Africa	5.8	5.3	7.0	5.1	4.0	4.5
Total (27 developed market economies) . . .	5.0	4.4	4.8	2.6	3.4	4.6

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

a/ Preliminary.

b/ Projections.

c/ Gross national product.

d/ Fiscal years ending 30 June for Australia, 31 March for New Zealand.

Table B.2. Selected developed market economies: changes in major components of gross domestic product in constant prices, 1961-1971

(Average annual rate and percentage change from preceding year)

Country and period	Private consumption	Public consumption	Fixed investment	Changes in inventories a/	Exports	Imports	Gross national product
North America							
Canada							
1961-1970	4.7	4.2	4.8	1.1	9.2	6.9	5.2
1970	2.0	9.6	1.1	0.1	13.2	-	3.3
1971	6.1	4.5	6.2	0.2	5.0	9.8	5.4
United States							
1961-1970	4.2	4.2	3.7	0.9	6.6	7.6	4.0
1970	1.4	-4.3	-3.2	0.3	7.6	3.1	-0.7
1971	3.3	-0.1	6.4	0.2	-0.2	4.8	2.7
Western Europe							
Austria							
1961-1970	4.5	3.0	6.0	1.5	8.5	8.4	4.7
1970	5.8	2.8	10.5	2.5	15.5	15.4	7.1
1971	6.8	3.5	12.0	...	6.5	8.5	5.5
Belgium							
1961-1970	4.1	5.8	5.7	0.8	9.8	9.1	4.8
1970	3.9	4.4	4.2	0.6	14.0	9.8	6.1
1971	4.0	4.0	6.0	...	9.5	9.5	3.8
Finland							
1961-1970	5.0	5.8	4.0	3.9	7.6	8.3	5.4
1970	6.3	5.8	11.9	7.1	8.3	19.0	7.8
1971	2.3	5.0	0.5	7.3	-0.5	-0.2	1.4
France							
1961-1970	5.7	3.6	8.9	2.3	9.3	10.8	5.8 b/
1970	4.3	3.8	7.4	2.9	15.9	7.7	5.9 b/
1971	6.3	3.5	5.0	-0.3	8.7	7.3	5.5 b/
Germany (Federal Republic of)							
1961-1970	4.7	4.8	5.8	1.3	9.0	10.2	4.8
1970	6.8	4.3	11.5	1.8	8.1	15.1	5.5
1971	5.3	6.1	4.0	0.6	6.2	9.2	2.8
Iceland							
1961-1970	5.5	5.4	4.6	1.0	8.3	8.6	4.5
1970	12.2	4.5	8.6	-0.8	19.3	26.4	6.0
1971	15.5	6.4	34.0	3.0	-3.8	25.3	9.3
Ireland							
1961-1967	3.5	4.2	9.8	1.5	7.4	8.6	3.9
1970	1.9	3.8	-1.3	1.2	10.2	7.3	1.5
1971	2.1	5.5	5.7	...	5.5	4.3	3.0
Italy							
1961-1967	6.0	4.0	4.8	1.2	11.8	11.6	5.7
1970	8.0	3.2	3.8	1.6	5.1	15.6	5.1
1971	2.5	3.8	-5.5	...	4.0	-0.5	0.5

Table B.2. (continued)

Country and period	Private con-sumption	Public con-sumption	Fixed invest-ment	Changes in inven-tories a/	Exports	Imports	Gro[ss] natio[nal] prod[uct]
Western Europe (continued)							
Luxembourg							
1961-1970	4.2	2.2	2.5	0.3	4.9	5.4	3.[illegible]
1970	8.0	1.5	11.3	-	1.5	8.7	3.[illegible]
1971	4.5	1.5	3.0	...	2.0	3.4	2.[illegible]
Netherlands							
1961-1970	5.9	3.2	7.0	1.8	8.7	9.8	5.[illegible]
1970	7.4	5.5	7.2	2.1	13.2	13.8	5.[illegible]
1971	4.4	3.2	6.6	1.1	8.5	8.0	5.[illegible]
Norway							
1961-1970	4.1	6.4	5.4	1.0	7.7	8.1	4.[illegible]
1970	2.8	0.5	13.0	3.2	1.5	13.5	3.[illegible]
1971	5.0	4.8	11.2	1.6	2.1	3.8	4.[illegible]
Sweden							
1961-1970	3.8	5.4	5.1	1.3	7.6	7.3	4.[illegible]
1970	2.2	7.2	3.4	2.9	9.0	9.7	4.[illegible]
1971	-0.2	4.2	-2.4	0.8	5.5	-2.7	0.[illegible]
Switzerland							
1961-1970	4.7	4.6	6.0	1.3	7.6	9.0	4.[illegible]
1970	5.3	2.3	8.0	0.9	7.2	13.7	4.[illegible]
1971	5.5	3.7	7.9	...	2.6	5.0	4.[illegible]
United Kingdom							
1961-1970	2.4	2.1	4.5	0.8	4.9	4.0	2.7
1970	2.8	1.5	1.6	0.9	5.0	5.7	2.0
1971	3.0	2.2	-	0.2	5.1	5.8	1.0
Asia							
Japan							
1961-1970	9.1	6.6	14.9	4.1	14.8	14.0	11.1
1970	7.6	7.0	13.7	4.6	15.6	21.3	10.4
1971	7.9	7.4	7.5	1.5	18.3	3.1	6.1
Southern hemisphere							
Australia c/							
1961-1970	4.4	6.4	5.9	1.2	7.9	6.0	5.2
1970	5.5	2.7	4.9	1.4	19.2	10.2	5.8
1971	3.1	4.9	3.8	1.3	8.3	3.1	4.3
South Africa							
1961-1970	5.5	6.9	8.3	2.4	4.3	7.6	6.2
1970	7.1	6.0	12.7	4.3	-0.8	16.2	4.8
1971	4.4	9.6	7.0	3.1	6.4	8.0	3.7

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretar[iat] based on Statistical Office of the United Nations, Yearbook of National Accounts Statistics, and natio[nal] sources.

a/ At current prices, as percentage of gross national product.

b/ Gross domestic product.

c/ Fiscal years ending 30 June.

Table B.3. Developed market economies: rate of increase in consumer prices, 1961-1971

(Percentage)

Country[a]	Average annual rate		Change from preceding year			Change from corresponding quarter of 1970			
						1971 quarters			
	1961-1970	1968-1970	1969	1970	1971	First	Second	Third	Fourth
Turkey	6.0	6.3	4.8	7.9	19.0	11.3	15.4	24.4	25.0
Portugal	4.5	7.1	8.8	6.4	11.9	7.4	11.5	12.8	16.0
New Zealand	3.8	5.3	4.9	6.6	10.4	10.3	10.9	11.4	9.1
United Kingdom	4.1	5.5	5.4	6.4	9.5	8.6	9.8	10.1	9.2
Ireland	4.8	6.8	7.4	8.3	8.9	10.0	8.5	8.9	8.7
Spain	6.0	4.2	2.2	5.7	8.3	7.7	9.5	7.3	8.5
Netherlands	4.1	5.2	7.4	4.5	7.6	6.7	7.6	7.6	8.3
Sweden	4.0	3.9	2.7	7.1	7.4	8.6	6.9	6.9	7.2
Japan	5.7	6.1	5.2	7.7	6.7	6.6	7.2	8.4	4.8
Finland	5.0	4.6	2.2	2.7	6.6	4.0	5.5	7.8	8.6
Switzerland	3.3	2.8	2.6	3.5	6.6	6.2	6.8	6.7	6.6
Norway	4.5	5.7	3.1	10.6	6.3	7.2	6.7	5.9	5.5
South Africa	2.7	3.3	2.9	5.2	6.1	5.3	5.7	6.3	6.7
Australia	2.5	3.2	2.9	3.8	6.0	4.9	5.4	6.6	7.0
Iceland	11.9	16.8	21.8	13.0	6.0	11.8	9.7	4.2	0.8
Denmark	5.9	6.0	3.5	6.5	5.8	6.0	6.8	5.3	5.6
France	4.0	5.4	6.4	5.2	5.3	4.9	5.1	5.2	5.6
Germany (Federal Republic of)	2.8	2.7	2.7	3.8	5.1	4.2	4.9	5.6	5.7
Italy	3.9	3.0	2.7	4.9	4.8	4.9	4.7	4.8	4.7
Luxembourg	2.6	3.2	2.3	4.6	4.7	4.3	4.5	4.6	5.3
Austria	3.6	3.4	3.1	4.4	4.7	4.4	4.2	5.0	5.1
Belgium	3.0	3.5	3.7	4.0	4.4	3.5	3.9	4.6	5.4
United States	2.8	5.1	5.4	5.9	4.3	5.0	4.4	4.3	3.5
Cyprus	1.1	2.9	2.4	2.4	4.1	4.2	4.6	2.8	5.0
Greece	2.1	2.0	2.4	3.2	3.1	4.3	3.1	3.1	3.2
Canada	2.7	4.0	4.5	3.4	2.9	1.7	2.2	3.2	4.2
Malta	1.9	2.7	2.3	3.7	2.3	3.7	3.8	2.2	-0.3
North America	2.8	5.0	5.3	5.6	4.2	4.7	4.2	4.2	3.6
21 developed market economies of Europe . .	4.1	4.5	4.2	5.2	6.6	5.9	6.5	6.9	7.0
EEC	3.5	3.8	4.2	4.5	5.2	4.7	5.0	5.4	5.6
Japan	5.7	6.1	5.2	7.7	6.7	6.6	7.2	8.4	4.8
Australia, New Zealand and South Africa	2.7	3.4	3.1	4.5	6.5	5.5	6.0	7.0	7.1
Total, 27 developed market economies b/. . .	3.4	4.8	4.8	5.6	5.3	5.3	5.3	5.5	5.0

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

a/ Countries are arranged in descending order of percentage increase in consumer prices from 1970 to 1971.

b/ Weighted by private consumption in 1969.

Table B.4. Selected developed market economies: rate of increase in hourly earnings a/ in manufacturing, 1968-1971

(Percentage change from preceding year)

Country b/	1968	1969	1970	19
United Kingdom	8.6	7.9	12.7	11
Ireland	8.8	12.8	16.1	16
Netherlands d/ e/ f/	7.3	9.9	10.7	11
Sweden g/	6.5	8.1	13.1	7
Japan	15.8	8.7	21.8	9
Finland f/	11.8	6.8	8.1	12
Switzerland d/ f/	4.0	3.9	6.7	9
Norway e/ g/	7.5	9.7	12.0	13
Australia d/ e/	6.6	6.1	4.9	10
Denmark	12.2	11.4	10.8	15
France d/	12.4	11.3	10.5	11
Germany (Federal Republic of)	4.3	9.1	12.8	11.
Italy d/	3.6	7.5	21.7	13.
Austria d/ f/	6.9	5.8	10.1	11.
Belgium	5.6	7.9	11.0	12.
United States	6.1	6.6	5.4	5.
Canada	7.3	8.3	8.4	8.

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

a/ Unless otherwise stated, earnings data cover cash payments to manufacturing employees including overtime pay, incentive pay, earnings of piece workers etc. Social insurance contributions and family allowances are excluded.

b/ Countries are arranged in descending order of percentage increase in consumer prices from 1970 to 1971.

c/ Change in the first three quarters of 1971 from the corresponding peric of 1970.

d/ Hourly rates.

e/ Males only.

f/ Industry.

g/ Mining and manufacturing.

h/ Change in the first 11 months of 1971 from the corresponding period of 1970.

i/ Change in the first half of 1971 from the corresponding period of 1970.

Table B.5. Selected developed market economies: unemployment rates and changes in unemployment, 1969-1971

Country	Unemployment rate			Percentage change in number of unemployed in 1971 from 1970, and from corresponding quarter in 1970				
				1971	1971 quarters			
	1969	1970	1971		First	Second	Third	Fourth
New Zealand	...	...	...	95	-16	61	126	209
Sweden	1.9	1.5	2.5	71	43	47	82	94
Netherlands	1.4	1.1	1.6	34	2	21	46	76
United Kingdom	2.5	2.7	3.6	33	15	29	39	49
Spain	...	...	...	30	17	39	37	30
France	1.8[a]	2.0[a]	2.4[a]	28	36	28	26	25
Germany (Federal Republic of)	0.8	0.7	0.9	26	- 1	37	48	54
Denmark	3.9	2.9	3.7	25	-11	50	100	44
United States	3.5	4.9	6.0	22	47	26	17	4
Finland	2.8	1.9	2.2	20	-	13	34	45
Australia	1.5	1.4	1.6	17	8	16	16	31
Canada	4.7	5.9	6.4	12	28	11	3	3
Japan	1.1	1.2	1.2	8	11	11	2	7
Ireland	6.4	7.2	7.2	2	6	-10	- 2	15
Italy	3.4	3.1	3.1	-	- 2	5	- 5	1
Belgium	3.7	3.0	2.9	- 1	-12	- 6	-	9
Norway	1.0	0.8	0.8	- 2	-17	1	9	11
Austria	2.8	2.4	2.1	-11	-24	- 6	2	1

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

Note: Countries are arranged in descending order of percentage increase in number of unemployed in 1971. Unemployment rate refers generally to the ratio of registered applicants for work or persons reported unemployed in a survey to the civilian labour force. Because of differences in definitions, intercountry comparisons cannot in general be made. Changes in statistical methods affect inter-temporal comparison, especially for Italy.

a/ Estimate.

Table B.6. United States: balance of trade, by country group, 1965-1966 and 1970-1971

(Millions of dollars)

Group and country	1971 Exports, f.o.b.	1971 Imports, f.o.b.	1971 Trade balance	Change of trade balance, 1970 to 1971	Percentage share in deterioration of trade balance, 1970 to 1971	Trade balance, 1965-1966 (average)	Change of trade balance, 1965-1966 to 1971
World[a/]	44,137	45,602	-1,465	-4,729	100.0	5,127	-6,592
Developed market economies	29,464	33,683	-4,219	-4,239	89.6	2,424	-6,644
EEC	8,065	7,524	541	-1,109	23.4	1,378	-836
France	1,370	1,088	282	-258	5.5	283	- 1
Germany (Federal Republic of)	2,577	3,651	-1,074	-564	11.9	- 40	-1,033
Italy	1,285	1,406	-121	-136	2.9	193	-314
United Kingdom	2,350	2,459	-109	-418	8.8	9	-119
Japan	4,032	7,261	-3,228	-1,994	42.2	-498	-2,731
Canada	10,341	12,762	-2,421	-399	8.4	527	-2,947
Other developed market economies	4,676	3,678	998	-319	6.7	1,009	- 11
Developing countries	12,791	11,649	1,143	-617	13.1	1,520	-378
Centrally planned economies	384	227	155	28	-0.6	14	141
Unspecified[a/]	1,497	41	1,456	100	-2.1	1,167	288

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organization for Economic Co-operation and Development, Overall Trade by Countries, Series A (Paris); United States Department of Commerce, Bureau of Census, United States General Imports, United States Exports (Washington, D.C.), various issues.

a/ Including special category commodities which are not included in each individual country or region but are grouped as "unspecified".

Table B.7. United States: balance of trade, by commodity group, 1965-1966 and 1970-1971

(Millions of dollars, except as otherwise indicated)

SITC	Item	1970			Change of trade balance, 1970 to 1971	Percentage share in deterioration of trade balance, 1970 to 1971	Trade balance, 1965-1966 (average)	Change of trade balance, 1965-1966 to 1971
		Exports, f.o.b. a/	Imports, f.o.b.	Trade balance				
0-9	Total trade	43,497	45,602	-2,105	-4,735	100.0	4,993	-7,098
0 and 1	Food and live animals; beverages and tobacco	5,075	6,407	-1,332	- 149	3.1	551	-1,883
2 and 4	Crude materials except fuels; animal and vegetable oils and fats	4,941	3,556	1,385	- 245	5.2	96	1,289
3	Mineral fuels, lubricants and related materials	1,497	3,715	-2,217	- 731	15.4	1,280	- 937
5	Chemicals	3,837	1,612	2,225	- 150	3.2	1,670	556
6 and 8	Manufactured goods	7,147	14,933	-7,786	-2,143	45.3	-2,991	-4,795
7	Machinery and transport equipment	19,465	13,904	5,561	-1,143	24.1	6,705	-1,144

Source: Centre for Developing Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Yearbook of International Trade Statistics; United States Department of Commerce, Bureau of the Census, Foreign Trade Annual (Washington, D.C.), various issues.

a/ Not including foreign exports, which accounted for approximately 1.5 per cent of total exports.

Table B.8. United States: balance of payments, selected items, 1970-1971 a/

(Billions of dollars)

Item	1970	1971 b/	1970 quarters c/ First	Second	Third	Fourth	1971 quarters c/ First	Second	Third	Fourth b/
Balance on goods, services and remittances	2.18	- 0.77	0.54	0.68	0.64	0.32	0.81	-0.35	- 0.33	-0.89
Balance on current account	0.44	- 2.77	0.12	0.29	0.20	-0.16	0.38	-0.83	- 0.87	-1.45
Balance on current account and long-term capital	-3.04	- 9.28	-1.30	-0.57	-0.34	-0.83	-1.31	-3.26	- 3.19	-1.52
Net errors and omissions	-1.10	-10.88	-0.06	-0.37	-0.44	-0.23	-1.02	-2.31	- 5.28	-2.27
Official reserve transactions balance	-9.82	-29.77	-2.86	-1.40	-2.08	-3.48	-5.55	-5.75	-12.19	-6.29
Financed by changes in:										
Official reserves	2.48	2.34	0.26	0.80	0.58	0.82	0.68	0.66	1.19	-0.19
Gold	0.79	0.87	-0.04	0.01	0.39	0.42	0.11	0.46	0.30	-
Liabilities to foreign official agencies:										
Non-liquid	-0.27	- 0.20	-0.42	0.50	-0.24	-0.11	-0.21	-0.17	- 0.18	0.36
Liquid	7.62	27.62	3.02	0.10	1.74	2.77	5.08	5.26	11.17	6.11

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

a/ Positive figures are credits; negative figures are debits.

b/ Preliminary.

c/ Seasonally adjusted.

Table B.9. Developed market economies: international reserves,[a] 1970-1971
(End of period; millions of dollars, except as otherwise indicated)

Group and country	End 1970 Millions of dollars	End 1970 Percent-age distribution	Percentage change Dec. 1970-June 1971	Percentage change June 1971-Nov. 1971	Percentage change Dec. 1970-Dec. 1971	End 1971 Millions of dollars	End 1971 Percent-age distribution
North America							
United States	14,487	19.5	-6.8	-10.2	-9.0	13,189	12.3
Canada	4,679	6.3	3.7	8.7	21.8	5,699	5.3
Western Europe							
EEC	30,003	40.4	17.1	8.7	35.6	40,674	38.0
Belgium	2,847	3.8	12.3	4.2	22.0	3,473	3.2
France	4,960	6.7	14.0	32.5	66.0	8,235	7.7
Germany (Federal Republic of)	13,610	18.3	22.7	4.0	35.1	18,382	17.2
Italy	5,352	7.2	13.8	5.6	26.8	6,787	6.3
Netherlands	3,234	4.4	8.1	1.6	17.4	3,797	3.6
Other							
Austria	1,758	2.4	7.3	15.5	33.3	2,343	2.2
Cyprus	208	0.3	13.5	10.6	36.5	284	0.3
Denmark	484	0.7	-12.4	38.9	50.4	728	0.7
Finland	480	0.6	9.8	18.8	48.8	714	0.7
Greece	310	0.4	6.5	39.7	69.0	524	0.5
Iceland	54	0.1	24.1	-3.0	29.6	70	0.1
Ireland	697	0.9	15.2	20.3	42.9	996	0.9
Malta	158	0.2	20.3	-2.6	25.3	198	0.2
Norway	811	1.1	18.2	15.4	42.3	1,154	1.1
Portugal	1,504	2.0	2.9	15.2	29.3	1,945	1.8
Spain	1,817	2.4	29.8	31.6	78.9	3,251	3.0
Sweden	761	1.0	26.8	4.4	45.9	1,110	1.0
Switzerland	5,132	6.9	-1.0	28.5	35.7	6,966	6.5
Turkey	431	0.6	2.8	47.2	79.4	773	0.7
United Kingdom	2,827	3.8	28.1	53.9	132.8	6,582	6.2
Southern hemisphere							
Australia	1,692	2.3	21.4	19.9	96.0	3,316	3.1
New Zealand	126	0.2	7.1	10.0	150.0	315	0.3
South Africa	1,012	1.4	-15.6	-21.9	-29.7	711	0.7
Asia							
Japan	4,840	6.5	61.2	90.2	217.3	15,359	14.4
Total	74,271	100.0	13.6	17.9	43.9	106,901	100.0

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

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

Table B.10. Developed market economies: over-all balance of payments, a/ 1970-1971

(Millions of dollars)

Group and country	1970	1971 b/	1971 quarters c/ First	Second	Third	Fourth
North America						
United States	-9,821	-29,767	-4,718	-6,462	-12,704	-5,883
Canada	1,574	891	166	7	140	578
Western Europe						
EEC	9,628	10,107	3,908	1,453	2,906	1,840
Belgium-Luxembourg	308	325	192	126	87	-80
France	1,949	3,272	464	573	1,679	556
Germany (Federal Republic of)	6,168	4,534	2,265	800	414	1,055
Italy	496	1,425	680	6	620	119
Netherlands	707	551	307	-52	106	190
Other						
Austria	210	499	14	100	352	33
Denmark	38	219	111	-170	-15	293
Finland	116	200	78	-17	17	122
Greece	-7	204	-12	33	121	62
Iceland	24	18	9	6	6	-3
Ireland	6	293	104	2	95	92
Norway	102	341	73	85	163	20
Portugal	59	356	1	38	180	137
Spain	536	1,375	260	281	590	244
Sweden	65	318	106	98	33	81
Switzerland	707	1,524	-509	460	1,466	107
Turkey	149	342	4	-7	136	209
United Kingdom	2,991	6,260	2,101	887	1,400	1,872
Southern hemisphere						
Australia	417	1,567	388	469	285	425
New Zealand	13	182	42	93	36	11
South Africa	-423	-301	-69	-88	-59	-85
Asia						
Japan	1,130	10,336	931	1,992	5,570	1,843
Total, above d/	7,514	4,964	2,988	-740	718	1,998

(Source and foot-notes on following page)

(Source and foot-notes to table B.10)

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

a/ Over-all balance is measured by changes in official gold holdings, in special drawing rights, in reserve positions in the Fund, in foreign exchange assets, in other officially held foreign assets, in use of Fund credit and in liabilities to foreign monetary authorities. Positive figures indicate surplus; negative figures indicate deficit. See also foot-note b/.

b/ Figures for the fourth quarter and the full year 1971 are provisional, based on information on the financing items "below the line"; they have been adjusted as far as possible to exclude valuation changes arising from the currency realignment in December 1971; that is, for each individual country the increase in the United States dollar value of holdings of gold, special drawing rights and reserve positions in the Fund have been excluded but similar adjustments for increases in the value of holdings of currencies other than the dollar have been made only for those countries that have published full quarterly balance of payments data adjusted in such a manner.

c/ Not seasonally adjusted.

d/ The surpluses for these countries do not necessarily imply an equivalent amount of deficits for the rest of the world. While there are many reasons for "positive asymmetries", the large excess of surpluses recorded in 1970 and 1971 for these countries and for the world was due to the large amount of official placements of liquid funds in the Euro-dollar market. In the course of 1971 and especially during the fourth quarter, the surpluses were increasingly attributable to expansion of holdings of currencies other than the dollar.

C. THE CENTRALLY PLANNED ECONOMIES

Eastern Europe and the USSR

For the Union of Soviet Socialist Republics and the centrally planned economie of eastern Europe, 1971 was the first year of a new five-year plan period. This opening was, by and large, successful. National income growth rates were above thc prevailing in the 1960s in all the countries of eastern Europe, and the deceleratic in the USSR was almost in conformity with what was planned. Apart from the persistent problems of investment efficiency and industrial productivity, no major setbacks seem to have occurred.

The only significant shortfall in production was suffered by some countries i agricultural output other than grain, particularly sugar beet and potatoes, due to unfavourable weather conditions. Most affected were the USSR and the Germa Democratic Republic: a/ the USSR had to increase significantly its sugar purchase on the world market, thus contributing to the steep rise in the world price of sugar in the last quarter of the year.

Although not all the countries of the group have published the final versions of their five-year plans for 1971-1975, enough is known to be able to characterize them as being generally oriented towards increased emphasis on the growth of consumption. In the USSR, this tendency appears against the background of a sligh deceleration of output growth accompanying a reduction in the planned growth rate of investment. The eastern European countries, on the other hand, all aim at an acceleration of over-all growth; the fact that targets for gross industrial output do not reflect this aim shows the importance attached to more efficient utilizatio of material inputs. The shift towards consumption in the development strategy, admittedly not very marked in the aggregate indicators, resulted partly from the fact that the level of industrial development already achieved made it possible, and partly from a recognition of the role of private consumption in enhancing the growth of labour productivity. The latter is becoming increasingly important in most countries of the group due to the exhaustion of labour reserves.

This recognition of the need to allow for greater increases in consumption caused three types of shift in the allocation of resources in the five-year plans: increases in the share of consumption in the national income; the restructuring of investment in favour of consumer goods production, housing, communal services etc.; and the redeployment of labour in favour of consumer-oriented services. The last mentioned emphasizes the need to intensify efforts to accelerate growth of labour productivity in material production. The planned increase in consumption a associated investment lends stress to the importance of increasing the efficiency of productive investment. Hence, a strong emphasis on technological and organizational progress and on the need to infuse more modern technology into industry is also characteristic of the plans.

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a/ In Poland, a bad beet crop seems to have been largely compensated for by an increase in sugar content.

These basic features of the five-year plans were widely reflected in the annual plans of individual countries for the year 1971. The outstanding characteristic of the Soviet Union's plan for 1971 was its adoption of a rate of national income growth well below the average compound rate for the five-year plan period. This seems to have reflected two factors: the assumption of a relatively low rate of growth for agricultural output in the wake of the 1970 bumper crop; and an intention to reduce the rate of growth of industrial employment. The only other country which planned its 1971 growth well below the five-year average rate was Poland: in this case, the main reason was probably caution on the part of the planners resulting from uncertainty over the outcome of the policy revisions adopted early in the year.

In most cases, planned targets for the growth of gross industrial output were on the low side of the five-year averages, though the reasons for this probably varied. On the other hand, apart from the case of the USSR, agricultural targets were generally high, reflecting hopes for a recovery after the bad year in 1970.

Production

In terms of actual output performance, the year 1971, in global terms, came fairly close to what was planned. The rates of growth of national income did not differ substantially from plan targets and only Poland did much better than expected. In a sense, because of the swings in agriculture, 1971 reversed the picture of the preceding year. The 1970 results had been characterized by an acceleration of growth in the Soviet Union but a slow-down in all the other countries of the group, the difference being caused mainly by agricultural setbacks outside the USSR. In contrast, the year 1971 brought about an acceleration of growth of the net material product in all the countries of the group except for the German Democratic Republic and the USSR, the difference again being due largely to agricultural performance.

Table C.1. Eastern Europe and USSR: growth of national income, a/ actual and planned, 1961-1975

(Percentage)

Group and country	Average annual rate		Change from preceding year			
	1961-1970 actual	1971-1975, planned	1970, actual	1971 Planned	1971 Actual	1972, planned
Eastern Europe	5.7	6.7-7.0	5.6	6.9	7.3	6.6
USSR	7.1	6.8	9.0	6.1	6.0	6.2
Eastern Europe and USSR	6.7	6.7-6.8	8.0	6.3	6.4	6.3

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

a/ National income produced, except for the USSR where, in the case of plan figures and 1971 actual data, the reference is to national income domestically distributed.

As stated earlier, crop output in the USSR was lower than in the very successful 1970, while the German Democratic Republic suffered a third bad year in succession, with heavy losses in the production of fodder necessitating a crash import programme. Similar losses occurred in Czechoslovakia and Poland, but were offset by a good grain crop.

The longer-run plans in all the countries of the group envisage increased interest in animal husbandry. This is largely a continuation of policies started earlier. Both Poland and Romania made important changes of policy early in the year, with the introduction of new price and other incentives for farmers, and this brought about a rapid upswing in animal breeding and livestock production. Bulgaria is laying the groundwork for a rapid expansion of the pig-breeding indust In Hungary and the USSR, livestock production continued to rise, though the increa was less rapid than in 1970.

Hungary and Romania experienced a very satisfactory agricultural year in most respects. In Romania, this encouraging 1971 outcome (more than 18 per cent above the poor results of 1970) apparently gives some validity to the rather high five-y target, set at 36-49 per cent over the previous five-year period (implying an annu growth rate of 6.3 to 8.3 per cent b/ which would otherwise seem difficult to implement.

Table C.2. Selected countries of eastern Enrope and USSR: growth of agricultural output, 1970-1971

(Percentage change from preceding year)

Country	1970, actual			1971, plan	1971, actual		
	Total output	Crops	Animal husbandry	Total output	Total output	Crops	Animal husband
Czechoslovakia .	1.3	-3.3	5.8	4.1	2.8	...	...
Hungary	-5.8	-14.3	7.6	8.0	9.0	11.0	6.0
Poland	2.2	4.3	-1.1	4.0	3.7	1.5	6.5
Romania	-5.6	-11.5	5.3	10-11	18.2	...	...
USSR	10.3	11.8	8.6	1.8	0.0	-2.9	3.0

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

b/ This high target is backed by a greatly expanded programme of investment in agriculture, which includes land improvement, irrigation, mechanization and use of chemicals. Total investment in agriculture is to be augmented by about 60 per cent over the previous five-year period.

Gross industrial output in 1971 grew more slowly in general than in 1970 and, on the average, than during the 1960s. As mentioned earlier, a deceleration had been planned in most countries, for a variety of reasons, and the plan targets tended to be overfulfilled, except in Bulgaria, the German Democratic Republic c/ and Hungary. Acute shortages of manpower, together with unresolved power supply problems, created substantial difficulties for the German Democratic Republic. In other countries, power generation, machine-building (including transport equipment) and the chemical industry continued to enjoy the highest growth rates. In the USSR and possibly some other countries, consumer goods industries continued to expand somewhat more rapidly than capital goods industries.

Table C.3. Eastern Europe and USSR: growth of industrial output, actual and planned, 1961-1975

(Percentage)

Group and country	Average annual rate		Change from preceding year				
	1961-1970, actual	1971-1975, planned	1970 Planned	1970 Actual	1971 Planned	1971 Actual	1972, planned
Eastern Europe . . .	7.8	7.5-7.8	8.2	8.4	6.7	7.4	7.0
USSR	8.5	8.0	6.3	8.5	6.9	7.8	6.9
Eastern Europe and USSR	8.3	7.9-8.0	6.8	8.5	6.8	7.7	6.9

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

The apparent rates of increase in industrial labour productivity, as measured by the ratio of output to employment growth rates, d/ tended to be lower than in 1970 in all countries of the region. For the group as a whole, the 1971 rate was about 6 per cent compared with 7 per cent in 1970. The over-all increase in industrial employment in 1971 was about 1.6 per cent: slightly higher than in 1970, and - in most countries - higher than intended. Hungary was the only country where the increase in gross output was obtained with a reduced level of employment, so that the growth of productivity exceeded that of output. Czechoslovakia achieved a relatively high productivity increase on the gross measure, but material inputs are reported to have increased faster than output and accordingly value-added per employee must have grown at a lower rate.

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c/ The original plans of both Bulgaria and the German Democratic Republic were revised downward during the year; these revised plan targets were exceeded, by 1.6 per cent in both cases.

d/ $p = \frac{1 + r}{1 + n} - 1$

where p, r and n denote rates of growth of labour productivity, output and employment respectively.

Use of resources

One of the general features of all the five-year plans for 1971-1975 when compared with those for the previous five-year period is a slow-down in the rate of growth of gross investment in fixed assets. Following the rapid expansion of 1970, this intended slow-down was strongly reflected in the plans for 1971 of the German Democratic Republic, Hungary and the USSR. A number of other countries, however (Bulgaria, Poland, Romania), planned an acceleration of investment over the rates of 1970.

In the case of Romania, this planned acceleration was very marked, implying perhaps less preoccupation on the part of that country with the "new deal for consumers". The Polish plan, on the other hand, aimed at maintaining expansion in fixed asset investment at the expense of stock increases rather than of consumption.

In the course of the year, investment grew more rapidly than had been plannec almost everywhere. Only in Romania did the increase in investment, though high (10.8 per cent), fail to reach the target; in Poland it was at the planned level. A rapid expansion of investment continued in Hungary, where the actual rate of increase was about twice as high as planned. The German Democratic Republic succeeded in curbing investment only to the level of 1970, and not - as had been planned - below it.

In most countries, the increased investment in 1971 was also higher than the average increase in the 1971-1975 five-year plan. The rates of increase in investment were higher than those of net material product in Czechoslovakia, Hungary and the USSR, and close to them in Bulgaria and Poland. Though the available data do not permit an exact judgement to be made, it is probable that, in some countries at least, this caused an unintended increase in the share of accumulation in the national income.

Even if this were true, it would not necessarily imply a departure from the main five-year objectives, since an important and increased part of investment directly serves the needs of the consumers. For example, housing construction was stepped up considerably in most countries as compared with previous years.

On the other hand, over-expansion of investment obviously leads to imbalance particularly where - as is often the case - it reflects uncalled-for increases in the volume of work in progress; the resulting delays in the completion of project imply higher investment costs in terms of both labour and equipment, and difficulties in implementing market supply programmes dependent on starting up new productive apparatus. Also, the high level of investment demand causes strains in the market for building materials, in the labour market and in foreign trade.

The investment plans for 1972 reveal that most countries attach great significance to improving the balance of their economies in this respect, through further curbs on investment. Thus, with the exception of Poland (where, accordir to the five-year plan, the investment effort will increase to reach a peak in 1973), and the German Democratic Republic (which plans only a very modest increas the rate of increase of investment is to be slowed down. Hungary, where the imbalance was perhaps most acute in 1971, is seeking to maintain investment at the 1971 level, by using a combination of monetary and fiscal measures corresponding to its new economic mechanism: tighter credit, higher (though differentiated) interest rates, cuts in new projects financed from centralized funds etc. Certain direct controls, such as a ban on new office buildings and holiday houses built from enterprise funds, have also been introduced.

Difficulties over the rate of investment may create some problems of a longer-term nature. For some countries, the current slow-down would seem to imply the need to step up investment again in the later years of the five-year period. This appears to be the case with the German Democratic Republic, Hungary and the USSR. Bulgaria, Czechoslovakia and Poland, on the other hand, are about on an even course for achieving their five-year investment goals. Previous experience shows, however, that this may imply a certain danger of investment strains in the later years of the five-year period, with the emergence of new investment needs and ideas which may be difficult to accommodate within the available means.

At the end of March 1972, official data regarding the change in total consumption in 1971 are available for three countries only (Czechoslovakia, Hungary and Poland). However, information concerning retail trade, real wages and per capita real income makes it possible to conclude that despite the strong increase in investment and some shifts in favour of accumulation, the rise in living standards of the population throughout the region was considerable, and generally in line with the targets set in the 1971-1975 plans.

In accordance with the far-reaching changes in economic policy decided upon at the turn of 1970/71, Poland achieved especially high increases - in fact the highest within the group - in real wages, total consumption and retail trade turnover. This was an important reversal of the tendencies of the previous period.

In Hungary, the results of 1971 and the targets for 1972 are also somewhat above the path implicit in the goals of the current five-year plan. In most other countries they are more or less in line with the corresponding five-year targets, although real per capita income in the USSR tends to show a somewhat lower growth rate than that envisaged in the five-year plan.

There was a general improvement in the supply of consumer goods through retail trade. Especially important was the change for the better in the supply of food products, attributable to better harvests and increased animal production in countries which in the previous year had suffered serious agricultural setbacks. Sales of food-stuffs increased very markedly in Poland and Romania. Supplies of pork in Hungary attained the level set for 1975. Parallel to this improvement, the long-term shift in retail trade in favour of industrial products continued. The supply of household appliances increased substantially, and sales of passenger cars to the public increased very considerably in some countries: 82 per cent in the USSR and 66 per cent in Poland.

Foreign trade

The 1971 foreign trade of the countries in the group chiefly reflects the influence of domestic developments in the sphere of resource allocation, as well as the production results of the year.

The crisis in the international monetary system does not seem to have significantly affected the centrally planned economies. However, the recessionar tendencies displayed by many of the developed market economies may have contribut to a slow-down of imports from the centrally planned economies; e/ for example, Hungarian exports of rolled steel products were adversely affected, both in pric and volume.

The monetary crisis and the readjustment of exchange rates that ensued probably did exert some immediate but varied effects on the payments position of some of the countries. To the extent that the centrally planned economies had i past years relied on United States dollars for their transactions with the marke economies, there were some windfall gains resulting from the reduction of the re value of dollar debts. In countries which over the years had had persistent tra deficits with western Europe, these must have been quite substantial. On the other hand, there were also some losses resulting from the depreciation of dolla reserves. It is difficult to tell what the net outcome was and it may have differed from country to country. Increased activity by eastern European social countries in western money markets in 1971 may have helped to avert or reduce th negative effect on reserves. However, probably not all the countries were equal successful. For those which were not, the loss could have been quite substantia placing an extra constraint on purchases. For others, the situation could have resulted in a certain stimulus to imports from hard currency countries.

The devaluation of the dollar may have increased interest in importing fro the United States. At the same time, the revaluation of the yen was probably o of the reasons for increased Japanese interest in exporting to the eastern Euro market. Though these factors may play an increasingly significant role in 1972 is not likely that they greatly affected the pattern of foreign trade for the g as a whole in 1971. Some relevance, however, may be attached to changes in wor prices not directly related to the monetary situation.

After four successive years of accelerating growth, the value of foreign t turnover, both of the eastern European centrally planned economies and of the U in the first year of the new five-year plan period increased at a decelerating rate, mirroring in this respect the performance of world trade and conforming t the apparent intentions of the intermediate-term development plans. As this decelerating expansion took place against the background of a rapid increase in world market prices, f/ the growth rate in real terms must have been still lowe In value terms, the growth rate (for the group as a whole, though not for eastern Europe alone) was lower than that of world trade in general.

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e/ See table C.11.

f/ The world export price index seems to have increased 3-5 per cent be 1970 and 1971. It should be noted, however, that any deflation of the value d would probably affect the trade of the centrally planned economies less than i would world trade in general because of the relatively stable price level of transactions among the socialist countries, which make up about 60 per cent of trade volume of the centrally planned economies.

Table C.4. Eastern Europe and USSR: growth of foreign trade values, 1966-1975

(Average annual rate and percentage change from preceding year)

Group and country	1966-1970		1971-1975 plan, total trade turnover	1970		1971, total trade turnover
	Exports	Imports		Exports	Imports	
Eastern Europe . . .	9.0	9.7	9	12.2	14.9	10.9
USSR	9.4	7.8	5.9-6.2	9.8	13.7	6.0
Eastern Europe and USSR	9.2	8.9	8	11.2	14.4	8.9

Source: Data in table C.11.

In spite of the deceleration, both for eastern Europe and the USSR, trade increased at above the average rates of expansion envisaged for the five-year plan period as a whole. This comparison raises the question whether these rates are to be regarded as minimum targets or as expected limits of trade growth during the plan period. The second interpretation would carry the implication of an intended further slow-down in the near future, but this is not supported by the limited available data regarding 1972 plan intentions.

The basic approach adopted by most countries in their five-year plans was an acceleration of intra-trade accompanied by a deceleration of trade with non-socialist countries. On the over-all level, the five-year targets appear to indicate a more or less pronounced slow-down in the foreign trade of Czechoslovakia, Hungary, Romania and the USSR, and unchanged rates of expansion in Bulgaria and Poland. Czechoslovakia, the German Democratic Republic, Hungary and the USSR are planning to accelerate their trade within the group. In all of these cases (except for the German Democratic Republic where this comparison is not possible), the intra-trade is to grow faster than total trade, thus implicitly faster than non-socialist trade.

A comparison with the experience of the past decade indicates that these targets are intended to reverse the relationship between socialist and non-socialist trade expansion prevailing hitherto. During the 1960s, the only country whose trade within the group expanded more rapidly than its non-socialist trade was Poland, which is now giving increased emphasis to its trade with the market economies.

These changes apparently reflect, on the one hand, the growing importance attached to co-operation and specialization within the group and, on the other, caution in the setting of targets for trade with the outside world, coupled with a willingness to expand trade beyond the plan targets, depending on the success of exports and on the availability of suitable credit facilities.

Although the plans for 1971 reflected a slow-down in over-all trade expansion the target growth rates were mostly above those envisaged in the five-year plans. The same is true of the plans for 1972, as far as these are known. It seems, therefore, highly unlikely that the next years of the five-year plan period will bring significant reductions in trade targets to conform to the apparently cautiou minima adopted in the five-year plans.

In respect of the geographical breakdown, the plans for 1971, though diverse, tended to provide for a slower growth of intra-trade than would correspond to the five-year targets. This can be interpreted as reflecting the fact that the new provisions for co-operation within the Council for Mutual Economic Assistance (CMEA) (see below) could be expected to bring results only in the later years of the five year period. On the other hand, some tendency to expand non-socialist trade relatively more rapidly was also visible, though not in all countries (notably not Hungary, which had experienced a very high rate of growth of imports from the developed market economies in 1970).

The actual 1971 performance differed in some respects from the planned patter Exports and imports in most cases appear to have grown at less than the planned rates, with the exception of Poland on both sides of the commodity trade balance, Hungary on the import side (though imports expanded less rapidly than in 1970), an Czechoslovakia on the export side.

Data are not yet available which would permit analysis of the breakdown between intra-trade and trade with the market economies in 1971. From such data as are available for some countries, it would seem that the general deceleration of growth affected both parts of over-all trade. Soviet trade with the other socialist countries grew more rapidly than that with countries outside the group, though very high increases were experienced in trade with some developed market economies, particularly the Federal Republic of Germany. Of the other four countries for which the relevant data are available, only Poland showed markedly above-average flows in non-socialist trade, which is in line with the policy adopted in its five-year plan, but may also reflect a rather unexpectedly successfu performance in exports to the market economies (12.4 per cent increase in value). The latter was due largely to favourable price developments, especially in the world market prices for coal (in 1970, almost 60 per cent of Polish coal exports went to market economies). On the other hand, Hungary suffered a decline in its exports to market economies after a strong upturn in 1970, but exceeded its target in its exports to centrally planned economies.

International co-operation policies

Many of the trade developments of 1971, as regards both intra-trade and trade with the market economies, can probably best be interpreted in terms of the new emphasis laid by the centrally planned economies on the need to speed up the infusion of modern technology into industry. This technological drive, aimed at dealing with one of the persistent problems of the socialist economies - that of the low productivity of capital - can be regarded as one of the essential features of the new policies. The basic solution to the problem of operational inefficiencies, such as delays in the implementation of investment projects, or organizational weaknesses in the supply of materials, is being sought, naturally, in various measures intended to streamline the domestic systems of management and incentives in each particular country. However, closer international co-operation is regarded as a major precondition for success in raising the quality of industrial products and facilitating the expansion of exports, thus contributing to the raising of living standards.

This closer international co-operation means, first of all, closer co-operation between the socialist countries within the existing organizational structure (Council for Mutual Economic Assistance), which is expected to help by promoting industrial specialization within a broad community, with the prospective benefits of large-scale production. This issue attracted considerable attention during 1971. It was highlighted by the adoption of the Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries. g/ The Programme, based on the principle that no supranational bodies are to be established, lays down a large number of general and detailed guidelines and target dates for gradual implementation over the next two decades, with an eye to the elaboration of new forms and methods of co-operation to be introduced at a later stage.

Many of these guidelines refer to the creation of new machinery and new forms of co-operation in the fields of science and technology, including the expansion of the training of scientific personnel, and of industrial co-operation at the operational level. The Programme also formulates measures relating to the development of closer co-operation in planning at the national level, going beyond the previously established forms of bilateral consultation. Finally, a large part of the Programme is devoted to improvements in the machinery for intra-trade, including the price and payments systems. The objective is gradually to introduce an increasingly flexible trade-and-payments system, which is to accompany successfully intensified co-operation in production.

The decisions contained in the last-mentioned part of the Programme are important as regards mutual relations between countries in CMEA in that they confirm the earlier pronouncements of those countries on their intention to evolve towards multilateralization of trade and payments. The main points are as follows:

Trade will continue to be based on state monopolies of foreign trade with continued use of bilateral long-term (five-year) trade agreements and annual trade protocols. Efforts will be made, however, towards multilateralization of payments within the CMEA group through improvements in the monetary system. These improvements include the raising of the "transferable rouble" to the status of a fully international currency among the socialist countries, which presupposes ensuring its convertibility into the national currencies of the CMEA countries at realistic exchange rates, and fixing its parity with gold. Efforts will be made to transform the "transferable rouble" into a commonly acceptable tender of payment and means of reserve accumulation among the CMEA countries. Eventually, its acceptability to countries outside the group should also be ensured. Arrangements leading to a decisive extension of the multilateral payments system among the CMEA countries are to be implemented before the end of 1973. In the more distant future, efforts are to be made to extend this multilateral payments system so as to include countries from outside the group, particularly other socialist countries and developing countries. As part of the arrangements for the expansion of intra-trade, a category of "non-quota" trade in non-essential goods has been introduced, in which

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g/ See A/C.2/272.

trading enterprises will be free to enter into contracts, without quotas in trade agreements between countries. All countries are to promote the expansion of this part of their trade.

The approach to international co-operation with countries outside the group has been largely determined by an effort to help solve the productivity problem by importing technology from the industrially most advanced countries. The year 1971 witnessed important developments in the field of industrial co-operation in the shape of a growing number of operational agreements with western firms in various industries, leading to the expansion of trade. Prospects for a continuation of thi trend seem to be favourable. A large number of east-west co-operative ventures, some of considerable magnitude, have recently been concluded or are at present in the negotiating stage; various signs point to an upsurge of interest in the centrally planned economies in obtaining technological aid from the non-socialist world and in taking up lines of credit for this purpose. In this context, a new phenomenon - at least in respect of size and range - has been the appearance in western money markets of institutions controlled by individual centrally planned economies or by CMEA. Through one of these, for example, Hungary successfully plac a \$25-million issue of 10-year obligations in the Eurobond market at a nominal rate of 8 3/4 per cent and obtained a \$50-million loan from a London banking consortium for a five-year period. In addition, it extended a £6 million line of commercial credit originally negotiated late in 1970 with another United Kingdom banking group and towards the end of 1971 the International Bank for Economic Co-operation opened negotiations in Paris for a \$50-million unrestricted loan (i.e., one not tied to specific import obligations) with a western banking group.

The socialist countries showed interest in the negotiations which led to the decision to expand the European Economic Community to include some of the EFTA countries, a development likely to create new barriers to the entry of traditional eastern European exports, especially of agricultural commodities, into their customary markets. Some eastern European countries appear to have begun negotiatio with the Common Market authorities in order to counteract this threat. Thus, Romania is reported to have asked to participate in the tariff preferences formulated for developing countries, and Poland appears to be interested in negotiating a treaty covering its cotton textile exports. Although there have been long-standing relationships between eastern European countries and the Brussels authorities, primarily in the troubled field of trade in agricultural commodities, these overtures seem to be viewed as a new departure, induced in part by the impending centralization of the negotiations on east-west European trade treaties.

Late in 1971, Romania was admitted to membership in GATT, thus becoming the third socialist country in this international group, Czechoslovakia being a foundir member and Poland having been admitted in 1967. Hungary and Bulgaria participate i GATT meetings as observers, and the former country has also applied for membership. An interesting aspect of Romania's admission was that less stringent conditions wer imposed upon it than those which Poland had accepted on its accession; in particul the requirement to raise imports from other GATT members by a fixed percentage rat annually (7 per cent in Poland's case) was replaced by an agreement to raise such imports at the same rate as total imports were to grow under the new five-year pla In exchange, Romania obtained the agreement of other GATT countries to a gradual reduction in quantitative restrictions on Romanian exports, with 1974 as a target date for their complete elimination.

Some prospects for the future

Trade between the socialist countries and the developing countries increased very considerably during the 1960s. The total trade turnover of the USSR and the six countries of eastern Europe with the developing countries was almost four times higher in 1970 than in 1960, having increased at an average rate of about 14 per cent per annum. Estimates of prospects for the 1970s differ, but it is assumed by various parties that total turnover will more than double, implying an average rate of increase of both exports and imports of between 7 and 8 per cent per annum. This is hardly substantiated by the target figures included in the five-year plans for 1971-1975, which envisage a much slower rate of expansion. However, the newly concluded bilateral trade agreements with major trading partners would suggest that these five-year targets will eventually be revised upwards (e.g., USSR-India trade is to double over the next five years; the same is true of the USSR-Iran trade), reflecting particularly the growth of import demand for primary products (though the new arrangements also provide for steep increases in imports of manufactures).

Though the prospects for a very rapid expansion of this trade in the coming year or two, except in certain directions covered by specific agreements, do not seem very bright, the orientation of the plans towards consumption does provide a solid basis for a steady growth in demand for imports of most of the traditional commodity exports of the developing countries and for some manufactured consumer goods. The former can probably be directly related to general growth indicators, while the latter will depend on the further success of industrial co-operation agreements.

The growth indicators for 1972 confirm the generally cautious attitude towards setting targets for the national income and for industrial output. The targets for 1972 are below the rates achieved in 1971 and below the averages implied in the five-year plans of all the countries except Hungary and the USSR. This may be a reflection of caution rather than of a decision to decelerate further. In view of the shifts in strategy discussed earlier, as well as some related phenomena in 1971, such caution may be well advised. But it could also mean that there is an implied expectation that the results of the strategy changes will permit a renewed acceleration in the second half of the five-year period.

Perhaps, then, the years 1971 and 1972 may be regarded as a period of consolidation, preceding an expected new wave of accelerated growth. The major factors in this consolidation, on which further policies will have to depend, are to be sought in the development of co-operation within CMEA and in the development of trade with some of the industrially advanced countries leading to the increased absorption of new technologies and to an acceleration of the rate of industrial modernization.

Centrally planned economies in Asia

The year 1971 was quite successful for the centrally planned economies in Asia. Despite some climatic adversities, agricultural output increased satisfactorily in China, Mongolia and the Democratic People's Republic of Korea. The Democratic Republic of Viet-Nam, however, suffered from heavy floods in the autumn which affected the rice harvest. As a result, there was a continued need to import large quantities of rice, though efforts are being made to attain self-sufficiency by increasing the use of high-yield varieties.

China maintained the high rates of economic growth of recent years. Selected data relating to the economy as a whole were officially published for the first time in more than a decade, showing a growth rate of 10 per cent for the "combined production of industry and agriculture". The same rate was given for the growth of industry, implying a parallel increase in the output of agriculture. Although bad weather in some provinces caused local setbacks in grain production, the country's total grain output increased by 2.5 per cent (from 240 to 246 million tons); h/ and yields per hectare reached new record levels. i/ Non-grain output, including livestock and poultry production, vegetables and industrial crops must, by implication, have grown very rapidly.

Agricultural development policies in China have been guided in the past few years by an eight-point charter which enumerates the following priority areas: soil improvement; rational application of fertilizer; water control; use of improved seed strains; rational close planting; plant protection; improvement of farm implements; and improved field management. In implementation of the charter, the supply of chemical fertilizer was raised in 1971 by 13 per cent, and substantial increases were achieved in the supply of drainage and irrigation appliances, insecticides, oil for farm machinery, and farm tools. It should also be noted that prices paid by farmers for fertilizers, insecticides, diesel oil, kerosene and all farm machinery were substantially reduced, while those paid to farmers for some industrial crops, such as oil-seed and sugar-cane, were increased.

According to the basic formulation of development strategy in China, agriculture is the foundation of development, while industry is its leading sector. In the development of industry, major stress is laid on the production of iron and steel. Very high growth rates were achieved in this respect in 1971: production of iron ore increased by 26 per cent, that of pig iron by 23 per cent, of crude steel by 18 per cent and of rolled steel by 15 per cent. The output of crude steel has now reached the level of 21 million tons per annum, placing China between France and Italy in the list of world producers. The fact that, in contrast to the historical experience of other countries, the rates of increase tend to be lower at higher levels of processing is difficult to explain, though it may partly reflect the structure of demand for intermediate products.

The production of some other basic industrial products was also increased considerably: coal by 8 per cent (reaching about 300-350 million tons), crude oil by 27.2 per cent (reaching about 25.5 million tons), chemical fertilizers by 20.2 per cent (reaching nearly 17 million tons). According to official statements, in 1971 China became the world's largest producer of cotton cloth, the main manufactured item of popular consumption. j/

The characteristic feature of the Chinese process of industrialization is the emphasis laid on establishing small and medium-size mines and factories based on local supplies, in various lines of production. In 1971, about 60 per cent of the country's production of fertilizers and 40 per cent of cement came from such

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h/ The Chinese figures for grain output include a "grain equivalent" of potato production, computed by adopting a ratio of four tons of potatoes to one ton of grain.

i/ National targets for grain yields per hectare, exceeded in 1971, were three tons for the north and six tons for the south.

j/ For other data, see table C.13.

local plants. Much importance is attached to factories and workshops for making and repairing farm machinery and implements, in line with the needs of the programme for the mechanization of agriculture.

Though little is known about the processes of investment in fixed assets, one very important investment activity was work on extensive irrigation and water conservancy construction in which tens of millions of peasants participated.

In the field of foreign trade, the rapid expansion of 1970 (about 10 per cent) seems to have slowed down in 1971 to a rate of 4 to 5 per cent. China's foreign trade turnover in 1971 amounted to about $4.5-4.6 billion. Trade with China's main partner, Japan, which accounted for about 20 per cent of the total, increased by 9.4 per cent, and reached $900 million, as against $825 million in 1970. There was also some increase in the trade with certain of the European centrally planned economies; in the aggregate, trade with these countries approached a fourth of the total.

The year 1971 was highly successful for the economy of Mongolia, owing in part to a record grain crop of about 410,000 tons, i.e., some 44 per cent more than in 1970, with yields increased by 27 per cent. Crop output in Mongolia accounts for only about 15 per cent of total agricultural production, but the livestock element would also seem to have expanded quite satisfactorily. The livestock population reached a total of over 22 million.

Industrial output increased by 8.5 per cent, somewhat below the plan target. Employment in industry, however, must have been reduced by an estimated 1.5 per cent below the 1970 level, as labour productivity in industry is said to have been raised by 10.2 per cent.

Good production results made possible the introduction of a number of measures aimed at increasing the well-being of the population: income taxes were reduced, as well as retail prices on some consumer goods, and children's allowances paid to mothers of large families were raised. The average wage per worker increased by 2.3 per cent.

The total foreign trade turnover of Mongolia increased by about 19 per cent in 1971. This reflected the development of co-operation between Mongolia and the socialist countries of the CMEA group, of which Mongolia is a member. The CMEA co-operation programme referred to above assigns a special status to Mongolia, envisaging the introduction of a whole set of special measures to accelerate the development and increase the effectiveness of the Mongolian economy. These measures include: joint industrial projects with financial, material, technical and manpower participation by other CMEA countries; assistance in the absorption of new technologies; low-interest, long-term credits; application of special price incentives to foreign trade in respect of some agricultural and processed products; assistance in mining and development of forest resources. Under the 1971 plan, about 45 per cent of the total fixed investment of Mongolia was expected to be financed by other CMEA countries, chiefly by the USSR which provides more than 90 per cent of the total foreign aid.

Table C.5. Eastern Europe and USSR: growth of national income, a/ actual and planned, 1961-1975

(Percentage)

Country and group	Average annual rate		Change from preceding year			
	1961-1970, actual	1971-1975, planned	1970, actual	1971 Planned	1971 Actual	1972, planned
Albania	7.5	9.2-10	6.0	12	...	13.4 b/
Bulgaria	7.7	7.7-8.5	7.0	9.0	9.4	7.7-8.5 c/
Czechoslovakia	4.4	5.1	5.1	5.2	5.3	5.0
German Democratic Republic	4.3	4.9	5.2	4.9	4.5	4.6
Hungary	5.5	5.5-6.0	4.9	7.0	7.5 d/	5-6
Poland	6.1	7.0	5.2	5.3	7.5	6.1
Romania	8.4	11-12	7.1	13.9	12.5	12.0
Eastern Europe e/	5.7	6.7-7.0	5.6	6.9	7.3	6.6
USSR	7.1	6.8	9.0	6.1	6.0	6.2
Eastern Europe e/ and USSR	6.7	6.7-6.8	8.0	6.3	6.4	6.3

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

a/ National income produced, except for the USSR where, in the case of all plan figures and actual data for 1971, the reference is to national income domestically distributed.

b/ Increment over the planned target for 1971.

c/ Annual average for 1971-1975 plan.

d/ The rate is given in official sources at 7-8 per cent.

e/ Albania not included.

Table C.6. Eastern Europe and USSR: growth of industrial output, a/ actual and planned, 1961-1975

(Percentage)

Country and group	Average annual rate: 1961-1970, actual	Average annual rate: 1971-1975, planned	Change from preceding year: 1970 Planned	1970 Actual	1971 Planned	1971 Actual	1972, planned
Albania	10.3	10-10.5	7.5	7.7	7.5	...	12.5
Bulgaria	11.3	9.2-9.9	8.0	9.3	10.0	9.5	7.7
Czechoslovakia . . .	6.0	6.0-6.3	6.5	8.4	5.9	6.9	...
German Democratic Republic	6.2	6.0	8.4	6.4	5.6	5.4	5.5
Hungary	6.9	5.7-6.0	6.0	7.2	6.0	5.0	5-6
Poland	8.4	8.5	8.3	8.5	6.8	8.0	7.0
Romania	12.8	11-12	11.3	12.0	9.0	11.5	...
Eastern Europe b/ . .	7.8	7.5-7.8	8.2	8.4	6.7	7.4	7.0
USSR	8.5	8.0	6.3	8.5	6.9	7.8	6.9
Eastern Europe and USSR b/ . . .	8.3	7.9-8.0	6.8	8.5	6.8	7.7	6.9

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

a/ Gross value of output at constant prices, except in the case of the German Democratic Republic, where the data refer to the value of commodity production (i.e., gross output less work in progress), and Hungary, where the data are based on output in physical units and other indicators.

b/ Albania not included.

Table C.7. Eastern Europe and USSR: growth of gross value of agricultural output, 1961-1975

(Percentage)

Country and group	Average annual rate, 1961-1970, a/ actual	Average annual change from preceding five-year period: 1966-1970, actual	Average annual change from preceding five-year period: 1971-1975, planned	Change from preceding year: 1970, actual	Change from preceding year: 1971 Planned	Change from preceding year: 1971 Actual	Change from preceding year: 1972, planned
Albania	6.0 b/	...	8.4-9.2	17	25.8	...	9.2
Bulgaria	4.0	4.7	2.3-3.7	4.5	7.1	3.1	6.0
Czechoslovakia	2.7	3.5	2.7	1.3	4.1	2.8	5.0
German Democratic Republic	1.1 c/	1.5 c/	2.4	3.3	3.2	...	...
Hungary	2.6	3.0	2.8-3.0	-5.8	8.0	9.0	2-3
Poland	2.5	2.9	3.6-3.9	2.2	4.0	3.7	4.6
Romania	3.4	4.2	6.3-8.3	-5.6	10-11	18.2	7-8
Eastern Europe d/	2.5	3.1	3.5-4.0	0.6	5.9 e/	6.5 e/	5.0 e/
USSR	3.3	3.9	3.7-4.0	10.3	1.8	0.0	...
Eastern Europe and USSR d/	3.0	3.6	3.6-4.0	7.0	2.9 e/	1.8 e/	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plans, plan fulfilment reports, and Statistical Yearbook of the Council for Mutual Economic Assistance, 1971.

a/ Regression parameters from time-series (1960-1970) on simple index numbers, except for German Democratic Republic.

b/ 1961 to 1969.

c/ Average annual compound rate.

d/ Albania not included.

Table C.8. Selected countries of eastern Europe and USSR: labour productivity changes in industry, 1966-1975 a/

(Percentage)

Country	Average annual rate		Change from preceding year		
	1966-1970, actual	1971-1975, planned	1970, actual	1971, actual	1972, planned
Bulgaria	6.9	7.6	7.2	6.0	...
Czechoslovakia	5.5	5.4-5.7	8.3	6.5	...
German Democratic Republic	6.2	6.2	5.0	4.5	5.0 b/
Hungary	3.6	4.5-5.0	6.2	5.3	4.5-5.5
Poland	4.9	5.4	6.8	4.9	5.7
Romania	7.3	7.3	7.0	5.9	...
USSR	5.8	6.8	7.0	6.3	6.1

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

a/ Labour productivity is measured by the ratio between the value of gross output of industry and total industrial employment.

b/ Relates only to enterprises under the authority of industrial ministries.

Table C.9. Selected countries of eastern Europe and USSR: changes in gross fixed investment, 1966-1975

(Percentage)

Country	Average annual rate, 1966-1970		Change from preceding year					Average annual change, 1971-1975, a/ planned
			1970		1971		1972, planned	
	Planned	Actual	Planned	Actual	Planned	Actual		
Bulgaria	...	12.3 a/	-2.3	0.0 b/	2.9	9.4 b/	6.4	6-7
Czechoslovakia	...	8.3	4.0	6.1	4.3	7.4	5.0	6.2-6.5
German Democratic Republic	8.2-8.7	9.7	11.4	7.4	-1.5	0.0	2.0	5.2
Hungary	5.7 a/	8.4 a/	6-7	17	5-6	10	-	8.1-8.4
Poland	6.6 a/	8.3	2.8	4.3	7.3 c/	7.3 c/	9.6	7.7
Romania	10.7 a/	10.9	8.4	9.1	13.0	10.8	...	8.4
USSR	8.0 a/	7.4 a/	7.6	11.4	5.2	7.0	5.7	7.2

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

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

b/ Preliminary.

c/ Socialist sector only.

Table C.10. Selected countries of eastern Europe and USSR: growth of real incomes, retail trade turnover and total consumption, 1966-1975

(Annual average rate and percentage change from preceeding year)

A = *Per capita* real income

B = Real wage income per employed person

C = Retail trade turnover at constant prices

D = Total consumption at constant prices

Country		1966-1970	1970	1971 Planned	1971 Actual	1972, planned	1971-1975, planned
Bulgaria	A	6.0	5.0	5.4	5	4.2	4.6-5.4
	C	8.7	8.0	6.8	6.9	5.5	6.7-7.0
	D	8.2	...	8	...	...	8.4-9.4 a/
Czechoslovakia . . .	B	3.7-3.8 a/	1.4-1.5	...	4.0 a/	4.5 a/	2.5-3.0
	C	6.3 a/	1.0 a/	5.1	5.9 a/	5.2 a/	4.5-5.4
	D	5.5 a/	1.9 a/	6	5	6.2	...
German Democratic Republic	A	4.1	...	...	...	...	4.0-4.5 a/
	C	4.5	4.2 b/	2.4 b/	3.9 b/	4.0 b/	...
	D	4.6	4.1	3	4.0 a/	4.0 a/	4.2
Hungary	A	6.0	6.7	5.0-5.5	5.0-6.0	5.0	4.6-4.9
	B	3.4	4.0	2.5-3.0	2.5-3.0	3.0	3.0-3.4
	C	8.9	11.5	8.5	7	7	6.0-6.4
	D	6.0	6.6	...	6	5	5
Poland	B	2.5	1.8	...	5	3.5	3.4
	C	6	4	...	8.6	...	7.4
	D	5.5	4.1	...	8	7.2	6.9
Romania	A	4.1	5.4	...	...	...	7.0-7.4
	B	3.7	8.1	1.5	1.8	...	3.5-4.2
USSR	A	5.8	5.4	4.7	4.5	5.2	5.6
	B	4.8	4.4	2.8	3.3	...	4.1
	C	8.2	7.4	6.4	7.0	7.7	7.2
	D	7.0	7.5 b/	...	...	...	7.0 a/

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

a/ Estimated.

b/ In current prices.

Table C.11. Selected countries of eastern Europe and USSR: growth of foreign trade value,[a] by country group, 1961-1971

(Average annual rate and percentage change from preceding year)

Country and group	1961-1965		1966-1970		1971-1975		1970		1971, planned		1971, actual		1972, planne	
	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-port
Bulgaria														
Total	15.5	13.4	11.2	9.2	10.5[b]	9.8	11.7	4.7	18.0		8.8	15.2	13.6	
Centrally planned economies	13.7	9.7	11.3	10.1	...		11.4	-0.6	...		...		...	
Developed market economies	21.0	24.6	8.8	5.2	8.2		10.1	33.0	...		...		...	
Developing countries .	30.2	35.0	16.9	13.8	11.2		18.3	-3.2	...		...		...	
Czechoslovakia														
Total	6.9	8.0	7.1	7.4	6.3-6.7		14.2	12.2	6.8[c]	9.2[c]	9.9[c]	8.7[c]	5.7[c]	8.4
Centrally planned economies	6.5	7.8	6.1	6.6	7.4-7.8[d]		17.7	5.6	5.2	8.1	9.3	8.9	7.3	10.6
Developed market economies	8.4	8.7	11.7	12.2	...		10.8	31.4)	10.5	11.6	11.0	8.4	2.7	4.[illegible]
Developing countries .	6.6	7.9	4.3	1.4	...		1.7	10.8)						
German Democratic Republic														
Total	6.8	5.1	8.3	11.5	...		10.3	17.6	16	-	6.0		12.5	
Centrally planned economies	6.2	4.3	7.9	10.9	10-11		10.9	12.1	...	...	6.0[d]		11.2[d]	..
Developed market economies	7.7	6.3	9.4	13.4	...		8.3	31.2	...	...	...		12.4	..
Developing countries .	11.8	9.6	9.3	9.8	...		10.9	27.2	...	...	...		...	..
Hungary														
Total	11.6	9.5	8.9	10.5	7.0-8.5		11.2	30.0	9.0	7.0	7.9	19.3	13-14[c]	6-
Centrally planned economies	11.7	8.2	7.4	9.6	10.9[e]		6.5	24.7	11.0[e]	10.0[e]	13.5	20.5	13-15[e]	6-
Developed market economies	10.0	9.8	13.6	12.8	...		22.2	38.2)	5	2	(-3.0	21.1)	13	5-
Developing countries .	16.3	21.1	4.6	9.2	...		9.4	47.7)			(5.4	-2.6)		
Poland														
Total	10.9	9.4	9.8	9.0	9.2	9.8	12.9	12.4	5.8	11.9	9.2	12.2	4.9	16
Centrally planned economies	11.3	9.9	10.2	10.2	8.8[f]	7.6[f]	10.0	17.3	...	...	7.2	9.3	...	.
Developed market economies	9.8	6.3	9.2	9.1)	10	13.9	17.9	4.8)	5	...	12.4	18.4	...	.
Developing countries .	13.0	14.7	8.0	-(1.4))			18.3	-1.5)						
Romania														
Total	9.0	10.7	10.9	12.7	10-11		13.3	12.6	10		8.6		...	.
Centrally planned economies	7.4	6.7	6.6	9.4	...		12.7	18.9	...		...		...	.
Developed market economies	12.6	18.9	16.9	16.6	...		20.0	5.6	...		...		...	.
Developing countries .	12.0	21.5	20.8	14.5	...		-1.6	13.2	...		...		...	.
USSR														
Total	8.0	7.4	9.4	7.8	5.9-6.2		9.8	13.7	7.0		6.0		...	
Centrally planned economies	4.3	5.8	8.0	6.2	8.5[d]		8.6	10.4	...		7.0[d]		...	
Developed market economies	9.0	9.4	10.9	11.0	...		7.5	11.4	...)		4.7[f]		(...	
Developing countries .	29.7	12.5	12.1	9.1	...		16.3	34.9	...)				(...	

(Source and foot-notes on following page)

Source and foot notes to table C.11

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

a/ Growth rates are calculated from current values of exports and imports, both f.o.b. In some cases, information was available only on total trade turnover (i.e., the sum of exports and imports); these data are shown centred between the respective export and import columns.

b/ Mid-point of planned growth range, 9.9-11.2 per cent per annum.

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

d/ Refers to CMEA countries only.

e/ Growth relatives refer to "socialist countries", including Yugoslavia and Cuba.

f/ Residual. Growth rates estimated from residually obtained value estimates.

Table C.12. Selected countries of eastern Europe and USSR: apparent income elasticities a/ of exports and imports, 1961-1975

Country and item	1961-1970	1961-1965	1966-1970	Plan, 1971-1975	1970	19'
Bulgaria						
Exports	1.7	2.3	1.3	1.2-1.4	1.7	1
Imports	1.4	2.0	1.0	1.2-1.3	0.5	2
Czechoslovakia						
Exports	1.6	3.5	1.0)	1.2-1.3	(2.8	1
Imports	1.7	4.0	1.1)		(2.4	1
German Democratic Republic						
Exports	1.8	1.9	1.6	...	2.0)	1
Imports	1.9	1.5	2.2	...	3.4)	
Hungary						
Exports	1.9	2.9	1.3)	1.2-1.5	(2.3	1
Imports	1.8	2.4	1.5)		(6.1	3
Poland						
Exports	1.7	1.8	1.6	1.3	2.5	1
Imports	1.5	1.5	1.5	1.4	2.4	2
Romania						
Exports	1.2	1.2	1.3)	0.8-1.0	(1.5	1
Imports	1.4	1.4	1.5)		(1.4	1
USSR						
Exports	1.2	1.2	1.2)	0.9	(1.6)	0
Imports	1.1	1.1	1.0)		(2.3)	

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

a/ Ratios of average annual rates of increase in trade at current prices to average annual rates of increase of net material product at constant prices.

Table C.13. China: statistical indicators of economic development, 1960-1971

(Millions of tons, except as otherwise indicated)

Product	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Coal (thousands of tons)	425	250	250	270	290	299	327	227	299	277	280-320	300-350
Crude oil	5.5	6.2	6.8	7.5	8.5	10.0	13.0	11.0	15	14.0	20.0	25.5
Iron ore	30.3	19.3	16.5	19.3	20.4	21.4	22.0	15.4	20.9	...	...	27.0 a/
Pig iron	27.5	15.0	15.0	17.0	18.0	19.0	20.0	14.0	19.0	15.0	18.0	22.0
Crude steel	18.5	9.5	10.0	12.0	14.0	15.0	16.0	11.0	15.0	13.0	18.0	21.0
Aluminium (thousands of tons) . .	80.0	100.0	100.0	100.0	100.0	100.0	100.0	80.0	90.0	95.0	100-110	...
Cotton cloth	7.6	...	...	...	...	...	5.9	...	...	7.0	8.5	9.0 a/
Sugar	1.3	1.2	1.3	1.8	2.0	2.2	2.4	2.6	2.5	2.7	...	...
Chemical fertilizer	...	...	...	...	...	...	8.5	...	...	9.0	14.0	16.8
Cement	13.5	8.0	8.0	10.0	10.5	11.0	11.0	11.0	9.0	13.0	14-16	...
Electric power (billions of kWh)	58.5	...	...	...	...	...	70.0	...	...	65.0	73-75	...
Grain b/	157	155	166	170	180	188	187	196	194	202	240	246

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Economic Commission for Asia and the Far East, Statistical Yearbook of Asia and the Far East, 1970; China Trade Report, December 1971; Hsinhua Agency news reports.

a/ Estimates based on published information on growth rates.

b/ Including grain equivalent of the production of potatoes.

D. THE DEVELOPING COUNTRIES

For the developing countries as a group, preliminary data indicate that the rate of economic growth in the first year of the Second United Nations Development Decade was 5.4 per cent. Although this was somewhat below the target rate of 6 per cent, it was at least as good as the average performance in the First Development Decade and followed immediately upon fairly high rates of growth in th two previous years. Moreover, it was achieved in spite of sluggish economic conditions in the developed market economies and disruptions in the international monetary system. This performance should give hope of better prospects for the future if current efforts at self-reliance are vigorously pursued and if external conditions improve.

The growth of industry (manufacturing and mining) reached more than 8 per cer in 1971. In contrast, agricultural production increased by only 1.9 per cent, wel below the 3.2 per cent of the previous year and the trend rate of the 1960s, and below the growth of population. These domestic activities were accompanied by a moderate growth in the volume of exports and imports, about 5 and 7 per cent, respectively. In value terms, exports were up about 10 per cent, rather less thar in 1970, but far more than the average for the 1960s, while imports rose by 12 per cent.

Reflecting the relatively faster rate of increase in imports as compared to exports, the developing countries recorded a larger deficit in trade balance in 1971 than in 1970. However, the rise in trade deficit and in net payments of investment income was more than counterbalanced by an increase in net receipts of capital and donations from the more advanced countries and multilateral agencies. At the beginning of 1971, moreover, the developing countries received their seconc allotment of special drawing rights from the International Monetary Fund, amountiı to $745 million, following the first allotment of $850 million received at the beginning of 1970. The over-all balance of payments for the developing countries as a group registered a surplus of $3.5 billion in 1971 as against $3 billion in 1970. The resultant net gain in international liquidity was not equally distributed, however, and a number of countries experienced new or continued strains on their balance of payments.

On the whole, inflationary pressures in the developing countries tended to diminish in 1971, with over half the countries experiencing a deceleration in the: rates of inflation. Though the unweighted average rate rose to 6.9 per cent compared with 5.6 per cent in 1970, this outcome was strongly influenced by the soaring inflation in the Khmer Republic. Similarly, the higher average rate weig by gross domestic product - 9.4 per cent in 1971 as against 8.5 per cent in 1970 reflects the large weight attaching to the upsurge of prices in Argentina. Both averages conceal the fact, however, that several countries which had a history of hyper-inflation in the previous decade continued to make progress towards the goa of growth and price stability.

Production

Preliminary data suggest that over-all production in 1971 slowed down fractionally from the rate achieved in 1970. The deceleration was by no means uniform. Some countries registered an improvement in 1971, recovering from the results of unfavourable weather experienced in preceding years (as in the case of the Ivory Coast, Malawi, Mauritius, Morocco, Southern Rhodesia, Syria and Tunisia) or of past disruptions of their economic life (as in the case of Indonesia, Nigeria and Zaire). Others, in contrast, suffered from the vagaries of the weather (Afghanistan, Algeria, Argentina, Colombia, Kenya, Pakistan, Peru, Senegal, Uganda, United Republic of Tanzania and Uruguay) or from new or continued disturbances of their normal economic life (Ceylon, India, the Khmer Republic, Laos, Pakistan and the Republic of Viet-Nam). The target growth rate of gross domestic product (6.0 per cent) was achieved in 1971 in about 40 per cent of the 84 developing countries for which preliminary estimates are available, while in about 14 per cent, total output failed to keep up with the increase in population. On the whole, about 40 per cent of the developing countries registered an acceleration in their rate of growth in 1971 while 30 per cent recorded a decleration.

Looked at by regions, there was an acceleration in west Asia, offset by a slowdown in southern and south-eastern Asia, while Africa and the western hemisphere grew at more or less the same rate as in 1970. The modest acceleration in the west Asian countries reflected a continued high rate of growth in Iran, Israel and Saudi Arabia, while in Syria, agricultural production increased by 9 per cent as against a 17 per cent decline in the previous interval. The deceleration in southern and south-eastern Asia was largely a result of the slowdown in the major countries, India and Pakistan. In Africa, a relatively good harvest brought agricultural production 3.4 per cent above the 1970 level. However, there were cutbacks in output in a number of mineral-based economies. In the western hemisphere, Brazil continued to register a remarkable growth (11.3 per cent as against 9.5 per cent in 1970) and this, together with a recovery recorded in Chile, kept the over-all rate at about the 1970 figure in spite of some deceleration in Argentina, Colombia, Mexico and Peru.

One of the factors helping to maintain the rate of growth of total output was an acceleration in the rate of increase in industrial production. This increased from 7.6 per cent in 1970 to 8.2 per cent in 1971, above the average rate of 7.4 per cent recorded in the 1960s. The acceleration was greatest among the Asian countries - from less than 8 per cent to over 10 per cent, as compared with 7.6 per cent in the 1960s.

In the developing countries as a group, the chief increase in industrial production was in the manufacturing sector. Manufacturing production, which had increased by about 6.7 per cent a year during the First Development Decade, increased by 6.5 per cent in 1970 and by 8.4 per cent in 1971. The rate of growth declined from 8.6 per cent to 6.3 per cent in food manufacturing, from 8.2 per cent to 6.0 per cent in non-metallic minerals and from 8.7 per cent to 8.1 per cent in paper. On the other hand, growth in chemicals rose from 10 per cent to 12 per cent, in basic metals from 2 per cent to more than 3 per cent, and in textiles from 6.4 per cent to 7.0 per cent. Mining production, which rose by an average of 8.5 per cent a year in the 1960s, increased by about 9 per cent in 1970 and 1971.

Agricultural production

Preliminary estimates for 1971 suggest that agricultural production failed to maintain the rate of expansion achieved in the previous year, as well as the average rate of the preceding decade. Yearly fluctuations in agricultural output reveal the heavy dependence of performance on weather conditions despite progress in agricultural technology, and also point to the need for improved water supply and the adoption of new methods of dealing with pests and diseases. Southern and south-eastern Asia and the western hemisphere registered a deceleration in agricultural expansion, while output in west Asia experienced a sharp recovery from the decline in the previous year. In Africa, the rate of growth in agriculture remained moderately above the average of the past decade. Production in the Asian countries of Afghanistan, Iran, Iraq and Pakistan was unfavourably affected by weather conditions. India and Indonesia again enjoyed above-trend output: the expanded utilization of high-yield varieties, fertilizer and irrigation enabled cereal production to reach a new record.

Changes in the output of agricultural raw materials tend to exert their main impact on trade. Among them, the output of cocoa beans and cotton increased at an above-average rate in 1971, while wool and coffee recovered from a decline in production in 1970. On the other hand, jute and kenaf production declined from the 1970 level.

The total food production of the developing countries - most of which goes int domestic consumption - increased by 1.2 per cent in 1971, well below both the rate registered in 1970 (3.8 per cent) and the average rate recorded during the 1960s (2.8 per cent). This reduction was chiefly a reflection of a decrease (0.6 per cent) in the western hemisphere, and a sharp deceleration in the growth rate in southern and south-eastern Asia from 4.3 per cent in 1970 to 1.2 per cent i 1971. However, the other two regions, Africa and west Asia, showed a much better performance in 1971 than in 1970. West Asia, recovering from the 1970 loss, expanded its food production by more than 3 per cent. In Africa, food production again increased at more than the rate of population growth.

For the developing countries as a whole, <u>per capita</u> food production declined by 0.9 per cent in 1971, as the modest gain of 1.0 per cent recorded by Africa was more than counterbalanced by a substantial reduction in the western hemisphere (2.9 per cent) and a fall in southern and south-eastern Asia (0.9 per cent).

Since the annual performance of the agricultural sector depends so heavily on the weather, changes over a longer period are more significant than year-to-year variations in <u>per capita</u> food output. From this viewpoint, the performance of the developing countries during the past decade indicates that gains made in expanding food production were mostly offset by increases in population. As a result, the average growth rate of <u>per capita</u> food production was no more than 0.3 per cent. Although southern and south-eastern Asia, west Asia and the western hemisphere achieved modest gains in <u>per capita</u> food production, in Africa the level actually declined.

For the developing countries as a group, an encouraging feature was that whereas in the first half of the 1960s there was virtually complete stagnation, <u>per capita</u> food production accelerated in the second half of the decade.

Trade

The quantum of goods exported by the developing countries increased by about 5 per cent in 1971. This expansion was substantially below the rate achieved in the previous year (8.2 per cent) and short of the average of the past decade (6.5 per cent).

The slackening in 1971 was largely a reflection of demand conditions in the developed market economies. The slow-down was most pronounced in the case of Africa, where a 10 per cent expansion in 1970 was followed by a decline in 1971, and in west Asia, where annual growth decelerated from 12 per cent in 1970 to 3.3 per cent in 1971. The volume of exports from southern and south-eastern Asia again grew at 9 per cent, a rate well above the average of the past decade. With an expansion of 11 per cent, exports from the western hemisphere grew at a much higher rate than in 1970 (2.4 per cent) and the average rate of the past decade (3.7 per cent).

Export prices were substantially higher in 1971 than in 1970. The price of primary commodities exported from the developing countries increased by 4.6 per cent in 1971 as against 2.9 per cent in 1970. This increase was brought about by a remarkable increase in mineral prices (14.4 per cent) and a moderate increase in the prices of agricultural non-food products (3.1 per cent), which more than offset a slight decline in food prices (1.7 per cent). The price of non-ferrous base metals exported from the developing countries experienced a sharp decline (12 per cent) between 1970 and 1971. The most significant increase was in petroleum (19 per cent), reflecting the result of a series of agreements reached between August 1970 and June 1971, which led to posted price increases by a weighted average of 32.5 per cent, affecting chiefly the exports of Africa and west Asia. As a result, the average unit value of exports from west Asia was about 20 per cent above the 1970 figure and from Africa about 7 per cent.

In Africa, declines in the price of cocoa, coffee and copper more or less neutralized the increases in the price of cotton, ground-nuts, petroleum, rubber and sisal. The effect of higher export prices for palm kernel oil, palm oil, wood and wood pulp, rubber and petroleum on the unit value of exports from southern and south-eastern Asia was to a large extent offset by declines in the prices of other major commodities from that region - coconut oil, copra, tea and tin; thus the average unit value of exports increased by about 3 per cent. The substantial fall (5 per cent) in the unit value of exports from the western hemisphere in 1971, on the other hand, almost cancelled out the equally sizable gain registered in 1970. This turnabout was caused by a sharp drop in the export prices of coffee, copper, tin and wool, which more than counterbalanced increases in the export prices of beef, maize, petroleum, sugar and wheat.

The price index of manufactured goods entering international trade increased by about 6 per cent between 1970 and 1971, a fractionally lower rate than in the previous interval. This was the major factor in the continuation of the sharp rise (about 4 per cent) in the unit value of imports into the developing countries. All the regions recorded a moderate acceleration in the rise of import prices, except for Africa where the rate of increase decelerated from the high figure of 8 per cent in 1970 to 4 per cent.

With export prices rising slightly more than import prices, there was a fractional improvement in the terms of trade for the developing countries as a group in 1971, though it was not big enough to make up for the loss recorded in the previous year. For the developing countries as a group, the outstanding feature of the First United Nations Development Decade was the relative stability of the terms of trade: after declining by about 4 per cent between 1960 and 1961, the index moved within very narrow limits. However, this fractional improvement for the group as a whole between 1970 and 1971 conceals large regional differences. For instance, the substantial improvement in the terms of trade for west Asia (more than 15 per cent) more than made up for the loss sustained during the previous nine years, with the result that the region's terms of trade were much better in 1971 than at the beginning of the past decade. In Africa, however, the 1971 improvement in the terms of trade was equivalent to only half the loss incurred in the previous year, while in southern and south-eastern Asia, the terms of trade remained more or less unchanged between 1970 and 1971. On the other hand, in the western hemisphere, where a substantial decline in the price of exports was combined with a continued rise in the unit value of imported goods, the terms of trade declined sharply (about 10 per cent), to below the lowest point registered in 1962.

The combined changes in volume and price resulted in a slight deceleration in the growth of export earnings: the gain between 1970 and 1971 was about 10 per cent, which compares favourably with the 7.2 per cent average of the past decade. The highest rate - more than twice the average rate of 10 per cent - was recorded in west Asia. The sharp deceleration in the growth of the export earnings of Africa and of the western hemisphere in 1971 was caused mainly by a decline in the volume of exports from the former and a reduction in the prices received by the latter. In southern and south-eastern Asia, export earnings continued to grow at nearly twice the average rate of the past decade.

The proportion of countries earning less than in the previous year increased markedly in 1971 (32 per cent as against 17 per cent in 1970). There were fewer countries achieving increases in excess of 10 per cent (35 per cent as against 46 per cent) and more countries registering reductions of over 10 per cent (13 per cent as against 4 per cent).

On the import side, a modest declaration in the rate of volume expansion to about 7 per cent was recorded. This reflected the fact that the volume of imports into the western hemisphere and southern and south-eastern Asia, which had increased by almost 11 per cent and 9 per cent respectively in 1970, rose by only about 7 per cent in 1971. A remarkable acceleration in the expansion of imports was experienced in Africa, where the 1971 rate of increase was twice the 1970 rate and four times the average rate of the 1960s.

With import unit values generally 4 per cent higher than in 1970, expenditur on imports rose by about 12 per cent, as in 1970. There was deceleration in the growth of imports into the western hemisphere, while west Asia almost doubled its low 1970 rate of expansion. Africa and the southern and south-eastern Asian countries increased their imports at about the same rate as in 1970, while all th regions except west Asia recorded more than the average rate in the 1960s. Thoug the proportion of countries registering increases in expenditure on imports over preceding year was much higher in 1971 than in 1970 - 80 per cent as against 72 per cent - there were fewer countries achieving increases in excess of 10 per cent (44 per cent as against 57 per cent). Of the countries registering particularly large increases in imports between 1970 and 1971, most (three fifths experienced a continuation of previous high rates of growth. Most of those registering a decline had experienced a major expansion in the previous year.

Some policy developments

While significant policy changes were not always reflected in short-term trends in production and trade, several policy developments taking place in 1971 were noteworthy for their immediate impact, as well as for their long-term implications.

A most notable development was the success of the petroleum-producing countries in raising the price of their exports. From a stronger bargaining position than that enjoyed by most other primary producers, the oil-producing countries were able to reach a series of agreements with the international oil companies which raised posted prices by a weighted average of 32.5 per cent. Although in most cases the realized prices rose less steeply - being influenced by market conditions and sharp reductions in freight rates - the higher prices are used for tax assessment purposes. Thus, the dramatic rise in prices was accompanied by sharp increases in oil revenues accruing to the host Governments. These gains varied widely, but on the average, and as the full effect of the agreements was felt, revenues went up by 52.5 per cent. Thus, for the year beginning 1 June 1971, the flow of oil revenues to the producing countries will have increased by $4 billion. For the calendar year 1971, the increase amounted to approximately $3.3 billion, raising aggregate revenues of all oil-exporting developing countries from $7.6 billion to $10.9 billion. By 1975, this income could reach $40 billion if current trends in demand and cost structures prevail.

New financial resources on this scale will undoubtedly have important implications, both domestically and externally. Owing to limitations in absorptive capacity in many of the countries - Algeria and Iran appear to be the only major exceptions - it may not be possible to use all the oil revenues for domestic developmental expenditure. As a result, the already large liquid international reserves may reach embarrassing proportions. Decisions regarding the precise form of liquid assets and currencies in the portfolio may become an increasingly important factor on the international monetary scene. One possible response to an over-abundance of international reserves might be an attempt to curtail production and conserve natural resources for use over a longer period. This appears to be the case in one or two countries. Paradoxically, such a response, if sufficiently widespread, would further strengthen the bargaining position of the oil producers and generate pressure for higher oil revenues.

An alternative response would be the investment of a greater proportion of oil revenues in new real assets rather than in liquid money market securities. Recent negotiations for participation in the ownership of the oil companies reflects such an approach. Algeria and Iran have already gone a long way towards acquiring new oil industry assets by participating in refineries and pipeline distribution as well as in the exploration and production of oil. The newly established national oil company of Algeria, SONATRACH, has also moved into overseas transport by purchasing oil tankers as well as liquid gas carriers. Such penetration into the various phases of the oil industry could lead to the further development of industrial complexes based in the first instance on the processing of oil as well as on its production and distribution. Developments in a number of other oil-producing countries ranged from demands for majority control, as in the case of the Libyan Arab Republic and Nigeria, to negotiations in minority participation, as in the case of most of the Arabian Gulf countries.

The increased interest in gaining control over national resources was not limited to the oil producers nor was it mainly for the purpose of investing available funds. In the Andean group of countries, a new foreign investment code provided for the progressive liquidation of foreign control of all industries. Ir Chile, particularly, extensive nationalization of privately owned assets, including foreign-owned copper facilities, followed the change of Government in 1970. In Pakistan, a wave of nationalization followed the cessation of hostilities with India, although foreign investments were not primarily affected. In many other countries, although foreign investment continues to be welcome, national control of sectors regarded as highly important to economic development is being given new emphasis. In India, banks and insurance companies were nationalized in 1971. In Brazil, the steel, petroleum and electric energy industries have long been under national ownership and foreign interests are permitted to control only a small proportion of bank credit, while strict regulations govern their purchases of rural land and a high withholding tax is levied on dividends remitted abroad. Argentina is implementing policies to gain greater control of two of its major industries: motor vehicles and petro-chemicals. In 1971, the state oil company was granted exclusive rights to import the oil needed to meet domestic demand and new petro-chemical plants being set up were either to be state-owned or controlled by Argentine interests. In the motor vehicle industry, incentives and tax exemptions are to be granted to Argentine-controlled companies and new companies set up to manufacture automobile parts must be under Argentine-majority ownership. Similar trends are observable in a number of African countries. In Sierra Leone, for example, the Government h garnered a major share in the diamond mining operations and is in the process of extending its holdings to 51 per cent participation in rutile and iron ore mining Zambia, which has for a number of years vigorously pursued a policy of gaining majority state participation in the major sectors of the economy and has achieved this goal with respect to mining operations (through the state corporation MINDEC and largely also in the industrial sector (INDECO), broadened its participation t encompass the financial sector (through FINDECO) in 1971. The transitional phase is, however, not without its difficulties, such as those experienced in Uganda where the new Government has curtailed the broad nationalization programme begun in 1970 because of the climate of uncertainty evidenced by the sluggish rat of new investment and the rapid outflow of capital.

In 1971 several countries achieved relatively high rates of growth through m intensive utilization of resources. Among them were some of the larger developir countries - notably Brazil, Indonesia and Nigeria - all of which have a considera development potential.

Both Indonesia and Nigeria were aided by recovery from low economic activiti and by the increased exploitation of petroleum resources. Success in controlling inflation contributed to a favourable climate for development in Brazil and Indonesia. The Brazilian approach was gradual and thus avoided the unsettling effect of sudden stabilization: monetary expansion was kept under control with the assistance of open market operations introduced in 1970, and there was tight budgetary planning, together with a sharp increase in tax revenues and strict control of wage increases. In Indonesia, inflation was greatly reduced in 1969 a 1970 and virtually eliminated in 1971. This was achieved by a sharp increase in supply of basic consumers goods. It was also greatly helped by sizable budgetar surpluses, largely through a restructuring of the tax system and administrative improvements in tax collection, and rigorous limitation of spending to those are which most immediately supported the stabilization endeavour, such as rice production which was the recipient of considerable budgetary and credit support.

For both Brazil and Indonesia, 1971 was a year of change in development priorities. In Brazil, where recent high rates of industrial growth had relied heavily on the utilization of idle capacity, selective expansion has been directed towards strategic sectors such as steel, petrochemicals, shipbuilding and infrastructures. Various measures were adopted for stimulating business and encouraging competition: they included the strengthening of the capital market, a reduction of industrial protection and the easing of industrial credit. A new development plan approved in 1971, although including large investment programmes in industry, shifted priorities away from industry into the fields of education and health, and agricultural and regional development. In Indonesia, the immediate problem was to obtain adequate investment funds without rekindling inflation. While the main effort was through fiscal policy, the new confidence generated by the Government's stabilization policy encouraged the flow of private savings. Time and savings deposits held with commercial banks rose over 70 per cent during the first nine months of 1971 - and this trend was further encouraged by the institution of a National Development Savings Scheme and an Instalment Savings Scheme introduced in the middle of the year.

The growth rate of gross domestic product in Nigeria in 1971 (9.6 per cent), was double that postulated in the second national development plan (1970-1974). This reflects the concentration in the first two years of the plan of the bulk of reconstruction expenditures following the cessation of hostilities in early 1970. The rapid recovery was accompanied by a fairly high rate of inflation, however, partly because of sizable borrowing from the central bank to finance reconstruction activity and partly because of the inability of the local food supply to meet the demand. An attempt to control prices launched in mid-1970 appears to have been largely ineffective. The recovery was accompanied by increasing rates of industrial capacity utilization during 1970 and 1971. In 1971, as a result of the increasing revenues from oil exports, it was possible to relax the highly protective structure of trade restrictions and import more raw materials. This proved a major step towards easing the inflationary pressure, accompanied as it was by a programme of large-scale agricultural production to bring under cultivation the unused half of Nigeria's arable land.

With the scoring of short-term economic gains in all these countries, attention could be turned to the longer-term problem of resource utilization, with a view to avoiding the errors in the careless exploitation of natural resources that had been characteristic of many other countries, especially in the early stages of development.

For the vast majority of developing countries, the fundamental task of structural transformation is still in the beginning stages. While a number of recent development plans have stressed the need for such a transformation through such measures as agricultural reform, the eradication of large-scale unemployment and mass poverty, and better distribution of income, the precise steps by which these goals are to be attained must still be worked out as the Second Development Decade unfolds.

Outlook

In some ways the developing countries are better placed to face the future than they were a year ago. In the aggregate, their external liquidity stands in better relation to current levels of import expenditure than it did at the end of the First Development Decade. Internally, some success has been scored in reducin demand pressures in a few of the countries that have serious problems of inflation

On the other hand, the outlook for foreign exchange earnings in 1972 is rathe mixed. As far as the petroleum-producing countries are concerned, the large and dependable revenues that will be assured by the great increase in petroleum prices make the immediate future look very encouraging. Other countries will also benefi from the favourable situation in these oil-producing countries through increased trade in goods and services (for example, Lebanon).

However, the prospects for the growth of other exports are less certain. Though the total output of the developed market economies is expected to expand at a faster rate than in 1971, because of the geographical distribution of recovery (above-trend growth in North America and below-trend growth in western Europe and Japan), the stimulus to the expansion of exports from developing countries may not be appreciably stronger than was the case in 1971. In addition, the decision of the United States to impose quantitative limitations on man-made textile imports has had a severe effect on the export prospects of exporters such as Hong Kong, the Republic of Korea and Singapore, necessitating a revision of growth targets as well as changes in investment priorities.

Recovery in the developed market economies and the agreement on new currency rates reached in December 1971 point to stronger commodity markets, though much depends on 1971/72 crops. Among the commodities which enjoyed higher prices in the early months of 1972 than in the corresponding period of 1971 were sugar, coffee and cotton and other fibres. The prospect for export earnings by exporter of these commodities is thus promising. In contrast, market prospects are distinctly less promising for a number of other commodities, such as cocoa, rice, rubber, copper and tin.

On the whole, there is no intrinsic reason why the developing countries shou not improve upon the performance of the recent past and move towards the attainment of the target rate of growth for the Second Development Decade.

Table D.1. Developing countries: growth of total production, 1961-1971 a/

(Percentage)

Country group	Average annual rate, 1961-1970	Change from preceding year 1970	Change from preceding year 1971 b/
Developing countries total	5.1	5.8	5.4
Western hemisphere	5.2	6.8	6.5
Africa	4.4	4.5	4.5
West Asia	7.6	6.7	7.7
Southern and south-eastern Asia .	4.9	5.3	4.5

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

a/ Measured at constant market prices.

b/ Preliminary.

Table D.3. Selected developing countries: growth of agricultural production, 1961-1971

(Percentage)

Group and country	Average annual rate 1961-1965	1965-1970	1961-1970	Change from preceding year 1971	1971 a/
Western hemisphere					
Argentina	2.5	1.9	2.2	-4.6	-3.2
Bolivia	4.0	1.9	3.0	1.4	2.3
Brazil	4.1	1.0	2.5	1.7	4.8
Chile	1.2	3.0	2.1	4.5	4.3
Colombia	2.4	2.3	2.4	-	-
Costa Rica	4.4	7.3	5.9	8.0	6.1
Cuba	0.1	4.5	2.3	32.3	-21.3
Dominican Republic	-3.8	4.7	0.5	6.8	4.5
Ecuador	6.9	7.2	4.6	4.7	-
Guatemala	6.7	1.8	4.2	2.7	-1.4
Honduras	6.2	2.7	4.5	5.2	3.5
Mexico	5.4	1.6	3.5	2.1	1.5
Panama	4.2	4.5	4.4	-4.7	3.8
Paraguay	5.4	1.9	3.7	2.7	0.7
Peru	2.2	2.4	2.3	4.6	3.2
Uruguay	3.0	-0.6	1.2	-	1.9
Venezuela	5.5	4.7	5.2	4.7	2.5
Africa					
Algeria	-1.7	1.2	-0.3	7.4	3.1
Egypt	2.4	2.7	2.6	-0.6	4.5
Ethiopia	2.8	2.7	2.8	2.6	1.3
Libyan Arab Republic	9.4	0.3	4.8	-1.4	12.4
Morocco	2.8	2.6	2.7	6.6	7.9
South Africa	1.8	4.0	2.9	-0.6	9.2
Sudan	3.7	5.4	4.6	2.4	1.9
Tunisia	1.9	1.6	1.8	22.7	14.7
West Asia					
Iran	3.8	2.2	3.0	-0.6	-2.3
Iraq	3.1	3.4	3.3	-10.2	-7.3
Israel	7.3	4.9	6.1	2.1	3.2
Syria	8.7	-3.8	2.4	-16.6	9.0
Southern and south-eastern Asia					
Afghanistan	1.1	1.3	1.2	-2.9	-5.9
Burma	2.1	1.8	2.0	3.4	0.7
Ceylon	3.5	2.1	2.8	3.8	-
India	0.4	4.3	2.3	4.7	3.3
Indonesia	1.3	3.0	2.2	7.2	2.8

Table D.3 (continued)

Group and country	Average annual rate			Change from preceding year	
	1961-1965	1965-1970	1961-1970	1971	1971 a/
Southern and south-eastern Asia (continued)					
Malaysia	4.2	6.1	5.2	3.4	8.0
Pakistan	2.8	3.8	3.3	0.6	-4.9
Philippines	3.3	2.5	2.9	2.4	3.5
Republic of Korea	6.5	1.0	3.7	-	3.0
Thailand	6.6	3.4	5.0	2.7	3.9

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

a/ Preliminary.

Table D.4. Selected developing countries: changes in food production, 1961-1971

Group and country	Average annual rate 1961-1965	1965-1970	1961-1970	Percentage change from preceding year 1971	1971 a/
Western hemisphere	3.7	3.2	3.4	4.8	-0.6
Argentina	2.7	2.1	2.4	-6.0	-2.4
Bolivia	3.7	1.4	2.6	0.9	1.9
Brazil	5.1	3.4	4.2	7.0	1.5
Chile	1.2	2.1	1.7	5.2	4.3
Colombia	3.1	3.8	3.4	4.2	4.6
Costa Rica	5.4	7.4	6.4	9.3	7.5
Cuba	0.6	4.5	2.5	33.5	-22.2
Dominican Republic	-4.0	5.2	0.6	7.9	5.6
Ecuador	6.3	1.5	3.9	3.1	-0.4
Guatemala	3.5	3.8	3.6	1.6	4.1
Honduras	5.0	4.2	4.6	7.3	4.0
Mexico	5.6	3.5	4.5	3.7	0.5
Panama	4.3	4.7	4.5	-4.2	3.3
Paraguay	4.1	2.1	3.1	2.7	5.7
Peru	2.5	3.4	3.0	6.3	2.5
Uruguay	4.3	0.3	2.3	1.7	4.2
Venezuela	6.0	5.1	5.5	5.2	2.7
Africa	1.6	2.2	1.9	2.8	3.4
Algeria	-1.8	0.9	-0.5	7.5	3.1
Egypt	2.9	3.3	3.1	0.6	4.9
Ethiopia	2.3	2.1	2.2	2.8	1.4
Libyan Arab Republic	9.5	-0.3	4.6	-3.2	13.3
Morocco	2.8	2.5	2.7	6.5	8.9
Sudan	4.1	4.9	4.5	2.1	2.9
Tunisia	-2.1	1.6	-0.2	24.2	14.7
West Asia	2.8	2.5	2.7	-0.6	3.0
Iran	3.1	2.5	2.8	-0.6	-1.2
Iraq	5.4	1.7	3.6	-11.4	-8.1
Israel	6.8	4.5	5.9	3.6	3.5
Syria	8.5	-4.1	2.2	-23.8	13.2

Table D.4 (continued)

Group and country	Average annual rate 1961-1965	1965-1970	1961-1970	Percentage change from preceding year 1971	1971 a/
Southern and south-eastern Asia	2.0	3.7	2.8	4.3	1.2
Afghanistan	0.8	1.1	0.9	-2.9	-6.1
Burma	2.1	1.5	1.8	2.7	2.0
Ceylon	3.9	3.4	3.6	7.4	-1.1
India	0.3	4.1	2.2	5.3	2.6
Indonesia	1.1	3.2	2.1	7.7	3.4
Malaysia	4.6	5.3	4.9	6.7	8.5
Pakistan	2.5	3.9	3.2	1.2	-3.6
Philippines	3.5	2.3	2.9	1.8	4.1
Republic of Korea	6.3	1.5	3.9	-1.0	3.1
Thailand	6.3	3.8	5.1	4.3	3.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics, and national sources.

a/ Preliminary.

Table D.5. Selected developing countries: changes in per capita food production, 1961-1971

Group and country	Average annual rate 1961-1965	1965-1970	1961-1970	Percentage change from preceding year 1971	1971 a
Western hemisphere	1.0	0.2	0.6	1.0	-2.9
Argentina	1.3	0.6	1.0	-7.7	-3.1
Bolivia	1.3	-1.1	0.1	-2.1	-0.7
Brazil	2.2	-0.7	1.4	4.0	-1.6
Chile	-1.2	-	-0.6	3.3	2.2
Colombia	-	0.6	0.3	1.0	2.0
Costa Rica	1.9	3.9	2.9	6.6	3.6
Cuba	-1.5	3.0	0.7	31.9	-23.9
Dominican Republic	-7.5	2.1	2.7	4.6	1.1
Ecuador	3.1	-1.8	0.7	0.7	-3.7
Guatemala	0.7	1.0	0.8	-0.8	1.7
Honduras	1.9	1.0	1.5	4.4	-
Mexico	2.5	0.2	1.3	-	-3.1
Panama	1.2	1.6	1.4	-7.4	-
Paraguay	1.1	-0.8	0.2	-	2.0
Peru	-0.6	0.6	-	3.0	-1.0
Uruguay	3.0	-0.8	1.1	1.1	3.1
Venezuela	2.6	1.8	2.2	1.4	-0.7
Africa	-0.8	-0.4	-0.6	-	1.0
Algeria	-3.5	-1.5	-2.5	4.6	-
Egypt	-0.5	1.1	0.8	-1.7	1.7
Ethiopia	-0.6	-0.2	0.2	-	-
Libyan Arab Republic	6.2	-3.5	1.4	-6.3	10.5
Morocco	0.5	-	0.3	4.1	5.8
Sudan	1.3	2.4	1.8	-	-0.8
Tunisia	-3.4	-1.0	-2.4	18.5	13.2
West Asia	0.2	0.2	0.2	-2.8	-
Iran	0.5	-0.4	0.1	-2.8	-3.8
Iraq	2.2	-1.4	0.4	-14.6	-11.4
Israel	3.3	2.2	2.7	1.1	1.1
Syria	6.3	-6.8	-0.2	-27.1	10.3

Table D.5 (continued)

Group and country	Average annual rate 1961-1965	1965-1970	1961-1970	Percentage change from preceding year 1971	1971 a/
Southern and south-eastern Asia	-0.6	1.1	0.3	1.8	-0.9
Afghanistan	-0.9	-1.4	-1.2	-6.8	-0.8
Burma	-	-0.5	-0.3	-	-
Ceylon	1.6	1.2	1.4	5.0	-3.4
India	-2.1	1.8	-0.2	2.9	-
Indonesia	-1.2	0.8	-0.2	5.1	1.0
Malaysia	0.7	2.5	2.1	3.6	5.4
Pakistan	-0.4	1.0	0.3	-1.9	-6.7
Philippines	0.2	-1.0	-0.4	-2.0	1.0
Republic of Korea	3.9	-0.9	1.5	-3.1	-
Thailand	3.4	1.0	2.2	-0.8	0.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics, and national sources.

a/ Preliminary.

Table D.6. Developing countries: changes in terms of trade, 1969-1971

(Percentage change from preceding year)

Country, group and item	1969	1970	1971 a/
Western hemisphere			
Unit value:			
Exports	2.8	5.5	-5.0
Imports	1.9	4.6	5.3
Terms of trade	0.9	0.9	-10.0
Africa			
Unit value:			
Exports	4.5	0.9	7.0
Imports	1.0	7.6	3.7
Terms of trade	3.6	-6.3	3.1
West Asia			
Unit value:			
Exports	-	-	20.0
Imports	4.9	2.8	...
Terms of trade	-4.6	-2.7	...
Southern and south-eastern Asia			
Unit value:			
Exports	6.2	2.9	2.8
Imports	3.1	2.0	2.9
Terms of trade	3.0	0.9	-
Developing countries, total			
Unit value:			
Exports	2.9	2.8	4.4
Imports	2.9	3.8	3.9
Terms of trade	-	-0.9	0.3

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

a/ Preliminary, based in most cases on less than 12 months' coverage.

Table D.7. Selected developing countries: changes in consumer prices, 1961-1971

Country a/	Average annual rate of increase, 1961-1969 b/	Percentage change from preceding year	
		1970	1971 c/
A. Countries whose rate of inflation was less than 5 per cent in 1971			
1. Experiencing a decelerating rate of inflation			
Ivory Coast	3.3	8.6	-2.9
Ethiopia	4.4	10.2	0.3
Sierra Leone	3.7	7.6	-2.3
Indonesia	15.6	12.3	2.5
Hong Kong	2.1	7.6	3.1
Ceylon	2.6	5.9	2.7
Sudan	3.4	4.1	1.3
Libyan Arab Republic	6.1	-	-2.7
Honduras	2.5	2.8	0.2
Jordan	4.7	6.8	4.3
Cameroon	3.7	5.7	3.3
Surinam	4.2	2.6	0.2
Dominican Republic	1.5	5.2	3.0
Somalia	4.8	0.6	-1.3
Guatemala	0.7	2.4	0.6
India	6.4	5.1	3.3
Mexico	2.4	5.1	3.3
Costa Rica	2.2	4.7	3.0
Guyana	2.1	3.4	2.1
Mauritius	1.8	1.5	0.3
Panama	1.0	3.0	1.8
Bolivia	1.7	4.1	3.0
Gabon	3.4	4.3	3.4
Iraq	1.9	4.4	3.6
El Salvador	0.4	2.9	1.2
Pakistan	3.3	5.4	4.7
China	3.3	3.5	2.9
2. Experiencing a fairly steady rate of inflation			
Ghana	8.3	2.4	2.0
Netherlands Antilles	1.3	3.6	3.2
Liberia	5.3	0.7	0.2
Kenya	1.8	2.3	2.1
Egypt	3.2	3.8	3.7
Malaysia	0.7	1.3	1.5
Venezuela	1.6	2.1	2.6
Zaire	21.9	3.3	3.8

Table D.7 (continued)

Country a/	Average annual rate of increase 1961-1969 b/	Percentage change from preceding year	
		1970	1971 c/
3. Experiencing an accelerating rate of inflation			
Senegal	2.6	2.2	2.8
United Republic of Tanzania	2.0	3.0	3.7
Trinidad and Tobago	3.1	2.6	3.5
Laos	23.0	0.3	1.3
Southern Rhodesia	2.1	2.1	3.1
Thailand	2.2	0.8	2.0
Lebanon	2.5	-	1.6
Singapore	1.2	0.3	1.9
Iran	1.8	1.7	4.1
Congo	4.4	1.5	4.0
Morocco	2.4	1.3	4.2
Burundi	7.3	-0.2	3.9
B. Countries whose rate of inflation was more than 5 per cent in 1971			
1. Experiencing a decelerating rate of inflation			
Republic of Viet-Nam	19.3	36.6	18.3
Chile	26.0	32.3	20.1
Chad	4.4	8.9	6.0
Jamaica	3.5	9.8	6.9
Malawi	5.1	9.5	8.1
2. Experiencing a fairly steady rate of inflation			
Republic of Korea	13.6	15.6	15.2
Barbados	5.5	7.8	7.5
Mauritania	4.6	6.6	6.6
3. Experiencing an accelerating rate of inflation			
Peru	10.0	5.0	6.9
Brazil	47.0	19.1	21.1
Colombia	9.6	6.8	9.1
Fiji	2.6	4.1	6.5
Syrian Arab Republic	2.4	4.2	6.6
Madagascar	2.6	2.9	5.4
Zambia	4.4	2.6	5.9
Ecuador	4.2	5.2	9.4
Tunisia	3.0	1.0	5.9

Table D.7 (continued)

Country a/	Average annual rate of increase 1961-1969 b/	Percentage change from preceding year	
		1970	1971 c/
3. Experiencing an accelerating rate of inflation (continued)			
Israel	5.5	6.1	12.0
Paraguay	2.2	-0.9	5.0
Uganda	3.9	9.8	16.7
Uruguay	44.2	16.4	23.9
Philippines	4.0	11.0	19.0
Haiti	2.9	0.7	9.5
Mozambique	2.7	4.7	14.3
Argentina	22.0	13.4	32.1
Khmer Republic	3.6	11.9	72.0

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

a/ Countries are arranged in descending order of deceleration which is defined as an absolute difference between the rate of inflation in 1970 and that in 1971.

b/ 1961-1969 for Cameroon;
1962-1969 for Niger;
1964-1969 for Libyan Arab Republic, Madagascar, Paraguay and Zaire;
1965-1969 for Burundi and Gabon;
1966-1969 for Lebanon.

c/ Preliminary.

Table D.8. Developing countries: balance of trade and changes in international liquidity, 1969-1971

(Millions of dollars)

Country group	Balance of trade a/			Net change in reserves b/		
	1969	1970	1971 c/	1969	1970	1971 c/
Developing countries d/	-1,288	-1,370	-2,635	1,455	2,628	4,509
Oil-producing countries e/ .	5,585	6,357	8,822	311	740	3,356
Other developing countries	-6,873	-7,727	-11,457	1,144	1,888	1,153
Selected (developing) countries: f/						
Western hemisphere	-91	-496	-3,669	560	1,175	865
Venezuela	704	662	992	11	88	501
Rest of Latin America g/.	-795	-1,158	-4,324	549	1,087	364
Africa	2,179	1,966	1,261	562	1,097	1,294
Africa oil region h/ . .	1,612	1,745	2,065	309	687	1,418
Rest of Africa i/	567	221	-441	253	410	-124
West Asia	1,915	2,538	4,219	-272	31	1,855
West Asia oil region j/ .	3,269	3,950	5,765	-9	-35	1,437
Rest of West Asia k/. . .	-1,354	-1,412	-1,546	-263	66	418
Southern and south-eastern Asia l/	-3,531	-3,564	-3,933	615	355	380

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, *International Financial Statistics* (Washington, D.C.), March 1972; Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, March 1972, and national sources.

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

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

c/ Preliminary.

d/ Including estimates for countries omitted from the regional subgrouping for lack of adequate data.

e/ Africa oil region, west Asia oil region and Venezuela.

f/ Selected on the basis of availability of information regarding reserves.

g/ Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republi Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragu Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay.

(Foot-notes continued on following page)

(Foot-notes to table D.8) (continued):

h/ Algeria, Libyan Arab Republic and Nigeria.

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

j/ Iran, Iraq, Kuwait and Saudi Arabia.

k/ Israel, Jordan, Lebanon, People's Democratic Republic of Yemen and Syria.

l/ Afghanistan, Burma, Ceylon, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Republic of Korea, Republic of Viet-Nam, Singapore, Thailand; and IMF special drawing rights and reserve positions only of the Khmer Republic and Laos.

Table D.9. Selected developing countries: changes in international liquidity, 1961-1971

Group and country[a/]	International reserves,[b/] end 1971			International reserves,[c/] en of year, as percentage of			
	Millions of dollars	As percentage of reserves at		Gross domestic product in preceding year[b/]		Imports precedin year d	
		End 1970	End 1960[e/]	1961	1971	1961	19
Total of countries listed	20,303	112	243	5.0	6.6	41	5
Western hemisphere							
Total	6,341	112	232	3.8	4.6	34	4
Argentina	290	43	55	3.3	1.1	31	1
Brazil	1,744	147	506	2.2	5.0	32	6
Chile	306	72	250	1.9	3.7	14	3
Colombia	203	99	119	3.5	3.0	27	2
Dominican Republic . .	54	168	208	1.2	3.8	9	1
Ecuador	65	78	159	4.2	3.9	33	2
El Salvador	65	104	197	4.4	6.4	21	3
Guatemala	94	120	173	5.3	5.0	40	3
Honduras	22	108	169	3.2	3.1	17	1
Jamaica	206	125	299	11.5	17.1	35	4
Mexico	1,136	128	216	3.3	2.8	35	3
Panama	419	138	1,196	6.5	40.0	21	11
Peru	249	76	328	5.3	4.2	30	3
Uruguay	176	100	94	15.5	7.4	88	7
Venezuela	1,522	149	250	7.6	13.7	49	7
Asia							
Total	9,208	114	277	4.9	7.0	44	5
Burma	52	55	46	6.4	2.4	37	3
India	1,234	123	184	2.1	2.3	29	5
Iran	621	297	338	4.7	5.5	33	3
Iraq	599	130	232	13.0	17.4	56	11
Israel	737	164	346	11.0	13.8	56	5
Jordan	253	99	550	18.5	50.2	43	13
Kuwait	288	142	400	5.2	9.8	35	4
Lebanon	524	136	380	18.8	37.8	51	9
Malaysia	898	123	252	15.3	23.0	38	6
Pakistan	182	100	57	3.6	1.1	42	1
Philippines	382	152	301	0.9	5.9	88	3
Republic of Korea . .	571	94	364	5.6	7.1	60	2
Saudi Arabia	1,465	221	792	14.2	34.2	102	21
Thailand	877	97	236	17.6	12.9	100	6

Table D.9 (continued)

Group and country a/	International reserves, b/ end 1971: Millions of dollars	As percentage of reserves at: End 1970	End 1960 e/	International reserves, c/ end of year, as percentage of Gross domestic product in preceding year b/: 1961	1971	Imports in preceding year d/: 1961	1971
Africa							
Total	4,754	111	206	9.4	11.9	47	59
Cameroon	74	91	387	3.9	7.6	24	30
Central African Republic	2	121	170	-	0.9	-	35
Chad	10	430	92	4.4	4.5	32	18
Congo	11	124	220	2.7	4.8	4	17
Dahomey	22	142	244	5.8	10.0	36	4
Egypt	184	110	70	4.9	2.4	30	23
Ethiopia	68	96	128	5.9	3.8	66	40
Gabon	21	143	210	8.6	6.3	34	26
Ghana	57	98	15	14.3	2.2	53	14
Ivory Coast	79	75	231	6.0	5.3	20	20
Kenya	170	77	33	6.7	11.0	27	43
Libyan Arab Republic	2,633	166	3,211	34.8	75.1	52	475
Mauritania	7	206	110	7.7	3.4	19	14
Morocco	15	106	72	10.3	4.5	45	22
Niger	26	137	321	3.9	9.0	42	44
Nigeria	432	193	100	11.7	8.9	65	41
Senegal	36	164	47	12.9	4.5	49	19
Sudan	28	127	17	13.7	1.6	84	10
Togo	37	105	530	6.1	13.9	27	57
Tunisia	144	248	171	9.2	11.4	38	47
Uganda	47	83	96	11.2	4.0	66	39
United Republic of Tanzania	60	92	98	11.3	4.7	55	22
Upper Volta	40	110	334	6.5	16.4	43	86
Zaire	153	83	41	1.3	7.6	52	28
Zambia	264	51	132	27.2	15.0	81	47

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

(Foot-notes on following page)

(Foot-notes to table D.9)

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

b/ In current market prices converted at official exchange rates.

c/ Gold, convertible foreign exchange, special drawing rights and reserve position in the International Monetary Fund.

d/ Valued c.i.f.

e/ 1962 for Dahomey, Iran, Ivory Coast, Kenya, Mauritania, Niger, Senegal, Togo, Uganda, United Republic of Tanzania and Upper Volta; 1964 for Zaire, and 1965 for Zambia.

Table D.10. Major oil-producing developing countries: oil production and government oil revenue, 1971

Country	Output (tons)	Ratio of oil sector to GDP a/ (percentage)	Government oil revenue (millions of dollars)	Negotiated price increase, 1971 (percentage)	External reserves	Foreign assets
					At end of September 1971 (millions of dollars)	
Algeria	47,253 b/	18.0	320	35.8	432	391
Indonesia	44,000	9.2	337	...	...	174
Iran	227,000	13.9	1,076 b/	26.8	327	341
Iraq	83,000	45.8	924	42.5	522	514
Kuwait	145,000	57.0	897 b/	23.8	267	1,261
Libyan Arab Republic	159,201 b/	58.6	1,295 b/	54.2	2,483	2,494
Nigeria	74,000	11.8	322 c/	31.2	249	333
Saudi Arabia	222,000	40.0	1,200 b/	37.0	1,237	1,260
Venezuela	184,000	20.0	1,406 b/	23.1	1,401	1,290

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Statistical Office of the United Nations, Yearbook of National Accounts Statistics; International Monetary Fund, International Financial Statistics (Washington, D.C.), March 1972; and Petroleum Press Service (London), several issues.

a/ Latest year available.

b/ 1970.

c/ Fiscal year, 1970/71.