

Department of Economic and Social Affairs

WORLD ECONOMIC SURVEY, 1972

Current Economic Developments



UNITED NATIONS

New York, 1973

NOTE

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E/5310
ST/ECA/182

UNITED NATIONS PUBLICATION

Sales No.: E.73 II.C.1

Price: \$U.S. 3.50
(or equivalent in other currencies)

FOREWORD

The present report is the twenty-fourth in the series of Surveys published annually by the United Nations in response to General Assembly resolution 118 (II). As requested in the resolution, it reviews current trends in the world economy. The report is factual in nature and is intended this year to complement the documents prepared in connexion with the biennial appraisal of progress under the International Development Strategy. 1/ One of its main purposes is thus to bring up to date the information presented in the appraisal documents.

The report, which was prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs, is divided into four chapters. The first presents an overview of world production and trade. The other three examine the salient features of the current economic situation relating to the supply and use of resources and the state of internal and external balance in the developed market economies, the centrally planned economies and the developing countries. The analysis is based on the data available to the Secretariat in March 1973.

1/ These documents are the Secretary-General's report, The International Development Strategy: First Over-all Review and Appraisal of Issues and Policies (United Nations publication, Sales No. E.73.II.A.6) and the two volumes of supporting papers entitled, Implementation of The International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vols. I and II (United Nations publications, Sales Nos. E.73.II.A.2 and 3).

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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 |
| FAO | Food and Agriculture Organization of the United Nations |
| grt | gross registered tonnage |
| IBRD | International Bank for Reconstruction and Development |
| IMF | International Monetary Fund |
| ISIC | International Standard Industrial Classification |
| OECD | Organisation for Economic Co-operation and Development |
| OPEC | Organization of Petroleum Exporting Countries |
| SDR | special drawing rights |
| WFP | World Food Programme |

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

Chapter I

SALIENT FEATURES OF THE WORLD ECONOMY

An over-all view

Recent developments in the world economy present a picture of unusual contrasts. Notwithstanding the persistence of acute imbalances, both within most of the major countries and between some of them, an upsurge in production which got under way in the second half of 1971 has continued into the early months of 1973 and is projected to continue, at least through this year. In many of the market economies inflation emerged as the prime economic problem in the course of 1972, yet in very few cases were resources being fully utilized, and unemployment had either increased or remained unacceptably high. Despite the breakdown of the international monetary system in August 1971 and the uncertainty that has prevailed ever since, international trade expanded with great vigour in 1972 and seems likely to continue upward in 1973. While industrial production has increased strongly almost everywhere, agricultural performance has been extremely erratic: some important countries that had enjoyed several years of steady progress on the farms, experienced poor growing conditions in 1972 and hence disappointing harvests. And the conflict between the growth of material production and the enhancement of the quality of life began to assume tangible form in at least one area of economic activity, namely, the generation and use of energy. Although vast deposits of fossil fuels have been discovered in recent years and the means of transporting these fuels greatly improved, and although progress has continued in exploiting nuclear and other non-conventional sources of power, energy shortages have emerged in a number of places. In the face of a continuing high rate of increase in demand, there is now growing concern about an energy crisis.

The year was one of extensive experimentation that brought no assurance of solution to any of the principal problems. The expansionary policies that facilitated the rapid growth in demand did not succeed in fully harnessing the available capacity, and almost all the market economies entered 1973 with levels of unemployment that were regarded as unacceptably high. And coexisting with these relatively high unemployment rates were rates of price inflation that were also regarded as above tolerable limits. Among the developing countries this was generally recognized as a major structural problem and, as 1973 opened, its structural characteristics in many of the more advanced countries were coming under closer scrutiny. In the meantime, a large variety of policy mixes were being practised: most countries were supplementing their fiscal and monetary measures with wage and price administration of different degrees of severity. 1/

1/ See chapter II below for a discussion of the search for effective incomes policies in the developed market economies.

The widespread nature of this double form of internal imbalance and its manifest links to the unsolved problems of external imbalance led to a number of efforts to improve the co-ordination of domestic policies, first among the six members of the original European Economic Community (EEC) then, after October 1972, among the nine members of the expanded Community, and in December through a recommendation of the Council of the Organisation for Economic Co-operation and Development (OECD). The general approach included the setting of a target for the maximum increase in consumer prices in 1973, restraint on money supply and on public expenditure (to keep them in line with the real growth in total output), more intensive official consultation with the main interest groups (particularly labour and management), increased training efforts to improve labour mobility, and liberalization of imports to expand supplies (particularly of consumer goods).

On the international monetary front, the stability hoped for from the Smithsonian currency realignment of December 1971 did not last long. The initial effect of the dollar devaluation was more perverse than had been expected: with imports costing more and a strong upsurge in demand under way, the United States' trade deficit increased sharply and its current account deficit even more sharply. At the same time, slower growth in the Federal Republic of Germany and Japan combined with cheaper imports gave rise to a further build-up of their external surpluses. Given the large overhang of foot-loose funds, there was ample scope for doubts about the permanence of the new alignment to generate both precautionary and speculative movements from currencies thought to be weak and overvalued to those considered strong and undervalued. Sterling, which had been marked up by 8 per cent against the dollar, was the first victim of these doubts; with its trade account moving into deficit, the United Kingdom responded in June 1972 by floating the pound and its value drifted erratically downward until by the end of the year it was below its pre-Smithsonian relationship with the dollar. The tightening of monetary policy in some European countries and disappointing reports on trade and price movements in the deficit countries combined to induce larger capital movements in the second half of the year, and at times there was strong selling of the dollar and the lira. Early in 1973, Switzerland relieved the pressure on the franc by letting it float. February brought renewed capital flows - in the first 10 days the Bundesbank purchased \$6 billion in an effort to keep the mark under its Smithsonian ceiling - and these precipitated a further 10 per cent devaluation of the dollar and the floating of the lira and the yen. Even this did not stem the movement of funds, however, and with the free market price of gold fluctuating around \$90 an ounce, the exchange markets were closed for the first half of March while arrangements were made for a joint float of the six stronger EEC currencies, the Deutsche mark - valued upwards 3 per cent in relation to special drawing rights (SDR) - being linked with the guilder, the Danish krone, and the Belgian, Luxembourg and French francs. Subsequently, the Norwegian krone and the Swedish krona were also linked to this float.

With the major currencies floating, the risk in speculation is increased and this may serve to circumscribe the movement of short-term funds, even though sheer mass continues to pose a threat. In these circumstances exchange rates will depend much more on the impact of domestic policies on exports and imports and on the flow of long-term capital. If policy harmonization among the countries forming the EEC nucleus can maintain the conditions necessary for the joint float, realistic rates of exchange between all the major currencies should emerge in the

course of 1973. This should facilitate the process of devising a new international monetary system, negotiations for which were resumed, at the ministerial level, in March in the International Monetary Fund Committee of 20.

Notwithstanding all the uncertainties that characterized the international scene in 1972, there was a major expansion in world trade. The volume of exports from the developed market economies increased by about 9 per cent, above the average rate for the 1960s, which itself was a high figure by historical standards. Centrally planned economy exports were also about 9 per cent higher (measured in SDR) while the volume of exports from the developing countries was between 4 and 5 per cent above the 1971 level. And, swollen by the effects of the widespread inflation and of the currency adjustments, the dollar value of total trade was more than a sixth higher in 1972 than in 1971. It is clear that traders, who have been among the strongest advocates of an international monetary system based on fixed exchange rates between currencies, were able to surmount the difficulties posed by the ending of dollar convertibility.

The upsurge in trade reflects the recovery in the demand for industrial inputs and the rapid, and fairly general, rise in disposable incomes. It was magnified by some further liberalization of imports - in terms of the final stage of the Kennedy Round tariff cuts, for example, and the introduction of preferential schemes for imports of manufactures from developing countries and, in some cases, as a means of containing the rise in prices of particular commodities. A decline in agricultural production in a number of countries also gave rise to additional international trade: shipments of wheat, for example, reached the record level of 72 million tons in 1972 - over a fifth more than the average for the 1960s.

For many countries the agricultural outturn was the most disappointing feature of 1972. In the Union of Soviet Socialist Republics, a poor wheat and potato harvest had a negative effect on industrial production and was the main factor holding back the growth in national income to a modest 4 per cent, well below both the planned figure and the average achieved in the 1960s. Grain production was down 2.5 per cent in China and the cotton crop was also smaller. ^{2/} Poor rice, barley and maize crops in India and several other Asian countries also affected over-all growth: preliminary figures suggest that the increase in gross product in the developing countries of southern and south-eastern Asia was again below 4 per cent, as against a 5 per cent annual average for the 1960s.

As some of the major grain-exporting countries also reaped smaller crops in 1972 - notably Australia (barley and wheat), Canada (barley and maize) and the United States (wheat, barley and maize) - supplies were maintained only by drawing on stocks. There was a particularly sharp reduction in wheat stocks which by the end of the 1972/73 season had fallen below 30 million tons in the exporting countries, well below the 36 million tons to which they were reduced in the 1965/66 food-grain crisis. In view of the growth of population and incomes, world

^{2/} See chapter III below for a review of production in the centrally planned economies.

cereal stocks may have become seriously inadequate, given the continued scale of year-to-year fluctuations in the wake of weather changes and natural disasters.

The poor agricultural performance - in Latin America as well as in southern and south-eastern Asia - was a serious drag on the over-all growth of production of the developing countries. Under the influence of favourable developments in other sectors, however, this recovered somewhat from the deceleration experienced in 1971, though it still fell short of the 6 per cent rate set in the International Development Strategy as a target for the 1970s. With import demand rising rapidly in virtually all the more advanced countries, the developing countries again participated in the upsurge in trade. Early estimates suggest that, in current dollars, the increase between 1971 and 1972 exceeded 16 per cent, well above the 12 per cent gain recorded in the previous interval. Much more of the increase was attributable to price changes, however, and it is probable that in real terms the average gain in the first two years of the Second Development Decade was appreciably below the International Development Strategy target of rather more than 7 per cent a year. 3/

World production

World production in 1972 was about 5.5 per cent above the 1971 level. 4/ The increase was substantially above the average for the 1960s and reflects the vigorous recovery from the 1970-1971 recession staged in the developed market economies. A slight acceleration in growth was registered by the developing countries, where preliminary estimates indicate an increase of 5.4 per cent. The lagging group in 1972 was Eastern Europe and the Soviet Union where the combined output was not quite 5 per cent above the 1971 level, well below the previous year's gain and the longer-term growth rate (see table 1).

The main source of the differences among the three country groups in 1972 was agriculture: production declined in the developing countries and also in the Soviet Union - more than offsetting a 7 per cent gain in Eastern Europe - whereas there was a small over-all increase in the developed market economies. Thus, after an over-average expansion in 1971, world agricultural output was almost 1 per cent lower in 1972 (see table 2).

Industrial production

Industrial production expanded at a remarkably uniform rate of between 6 and 7 per cent. This was slightly below the longer-term growth in the centrally planned economies but fractionally above it in the market economies. In the case of the developed market economies it represents a notable increase from the depressed figure of 1971.

Among the developed market economies, the recovery was most marked in the United States where industry had stagnated in 1971. The increase in North America

3/ See chapter IV below for a discussion of the export performance of the developing countries in 1972.

4/ Excluding China, for which comparable data are not available.

industrial output in 1972 was 7.6 per cent. Though there was also a recovery in Western Europe, the gain was not quite 5 per cent in 1972, somewhat below the longer-term average. Among the centrally planned economies, the lag was in the Soviet Union where industrial growth decelerated to 6.5 per cent in 1972. In Eastern Europe there was a slight acceleration to a high 8.2 per cent increase over 1971 (see table 3).

In North America the recovery was general, but it was particularly striking in the heavy manufacturing industries, most notably basic metals and metal products, output of which had declined in 1970 and 1971. In the light industries, production, which had declined in 1970, increased by about 2.5 per cent in 1971 and by more than twice that amount in 1972. In Western Europe the recovery was also most marked in the heavy industries, particularly basic metals, output of which had declined in 1971. In the light industries, the rate of growth, which had dropped below the long-term average in 1970 and 1971, rose to nearly 5 per cent in 1972 (see table 4).

In Eastern Europe and the USSR, growth in the heavy industries recovered to more or less the longer-term average after a slight deceleration in 1971. In the case of light industries, however, the poor agricultural outturn in the Soviet Union exerted a negative influence: growth decelerated during the year, and for 1972 as a whole the increase in production was not much more than 1 per cent, compared with a longer-term rate of nearly 5 per cent.

The agricultural vicissitudes in the developing countries of the western hemisphere and south-eastern Asia were also reflected in the performance of light industries: the increase in production in the food branch between 1971 and 1972 seems to have been considerably less than in the preceding period and far below the 5 per cent longer-term average. The impact of this slowdown was softened, however, by the rapid growth of the textile branch in 1971 and 1972 at well above the longer-term rate. For light manufacturing as a whole, the gain in 1972 was below both the high 1971 figure and the longer-term average. The growth in heavy industry accelerated in 1972, however, particularly large increases being recorded in the output of basic metals and metal products. Thus for manufacturing as a whole, the developing countries seem to have maintained the rate of increase at about 7.5 per cent. ^{5/} Mining production was something of a drag on the industrial average, however: the rate of expansion dropped sharply in 1971 and again, slightly, in 1972.

Although, for the world as a whole, the output of metal products recovered strongly from the recession of 1970-1971, some of the component branches of the industry followed a different pattern.

Vehicle production and shipbuilding, for example, experienced their major upsurge in 1971 and there was a slowing down in the rate of increase in 1972, reflecting a reduction in automobile production in the Federal Republic of Germany and in shipbuilding in most of the European yards. Though, in the aggregate, a record number of cars were produced (26 million passenger cars and over 7 million commercial vehicles) and a record tonnage of merchant shipping was

^{5/} This estimate is based on fairly comprehensive data for the first half of the year and preliminary estimates for the second half.

launched (almost 27 million gross tons) the expansion between 1971 and 1972 was below the longer-term growth rate. This was true of electricity production, too, which increased by about 7 per cent in 1972.

Construction was one of the most active sectors in 1972 and the demand for lumber increased steeply. Production followed, but not rapidly enough to avert a considerable rise in prices. Cement production was also stimulated, world output expanding by about 6.5 per cent, somewhat above the longer-run trend (see table 5).

The deceleration in world mining production was fairly general in 1971: the output of gold, coal, iron ore and most of the non-ferrous metals was down in absolute terms and there was a marked reduction in the rate of increase in petroleum, aluminium and tin production. In 1972 there was a notable recovery in most of the metals and a small gain in coal production, but the growth in aluminium and petroleum production slowed down still further.

The increase in coal production was concentrated largely in the United States where there was a partial recovery from the sharp (9 per cent) dip that had occurred in 1971. There was also a partial recovery - towards the 1969 peak - in India. Expansion continued in two of the exporting countries - Australia and Poland - and also in Canada and, on a smaller scale, Argentina, Brazil, Norway and Zambia. In Japan and most of Europe, however, coal output continued to decline, though lignite production was higher in Czechoslovakia and the Federal Republic of Germany.

The increase in petroleum production was the smallest for many years and it was achieved in the face of sharp cutbacks in Iraq (a fourth), the Libyan Arab Republic (a fifth) and Venezuela (a tenth) and a further decline in Bahrain and Oman. There was a partial recovery in the United States and continued expansion in the Soviet Union, but the major gains were in Iran and Saudi Arabia and, on a smaller scale, Abu Dhabi, Indonesia, Qatar and Nigeria. Also contributing to exports was a further (but small) increase in Kuwait and a sharp recovery in Algeria.

Iron ore production continued to increase in some of the exporting countries, notably the Soviet Union as well as Australia and South Africa, offsetting a further reduction in Europe and the United States.

The main swing in copper production - down in 1971 and up in 1972 - was in North America, but after a two-year decline, Zambian production recovered to the 1969 level. The new mine in Papua-New Guinea made its first contribution - of about 121,000 tons - to world supply. Chile was one of the few producers to register a reduction in 1972. In the case of aluminium, the deceleration in growth reflects slightly lower production in Canada, the Soviet Union and a number of European countries; more developing countries are entering the industry in the wake of electric power development; the most recent facilities are those in Bahrain and Iran. The recovery in lead and zinc production was fairly general, though the output of lead declined in the Federal Republic of Germany and one or two smaller producers in Europe as well as in Argentina, Brazil and Morocco, and the output of zinc declined in the United Kingdom and the United States. The increase in tin supplies originated chiefly in south-eastern Asia.

Agricultural production

The range of agricultural performance was as diverse as ever in 1972. There was a sharp recovery from a 1971 decline in production in Japan and West Asia and the opposite swing - from an over-average expansion in 1971 to a contraction in 1972 - in Latin America and the southern hemisphere countries. After a major expansion in 1971 there was virtually no increase in 1972 in North America and Western Europe, and, on a reduced scale, a similar pattern was followed in the developing countries of Africa. Eastern Europe enjoyed a second significant gain while in the Soviet Union and the developing countries of southern and south-eastern Asia, a very modest increase in 1971 was followed by serious reduction in 1972.

Among the crops of particular significance to world trade and to the developing countries in particular, there were reductions in the case of cereals, cocoa and wool and increases in the case of cotton, jute and rubber among the raw materials and tea, oil-seeds, coffee and sugar among the food-stuffs. Most of the changes were appreciably smaller than those that had occurred in the previous crop year.

Most serious in its impact was the reduction in world grain production. The decline followed sharp increases in 1971/72 in the case of wheat, barley and maize, but it was the second contraction in the case of rice. In southern and south-eastern Asia, the 1972/73 rice crop was below the average for the second half of the 1960s. Maize production was also down in this region and in Africa. The effect of the reduction in cereal supply was aggravated by a second decline in the potato harvest in most parts of the northern hemisphere and also in South America. Another exacerbating feature was the further increase in the demand for meat in the higher-income countries and the consequent expansion in coarse grain requirements for livestock feed.

After three years of rapid increase, the cocoa crop reached a record 1.55 million tons in 1971/72. Dry weather in West Africa in mid-1972 was harmful to growth, however, and the 1972/73 crop is expected to be appreciably smaller. Industrial production - that is, cocoa grindings - increased less than the bean crop in 1972 but is expected to exceed the new crop in 1973, thus drawing down inventories and providing a firm market for the coming into effect of the International Cocoa Agreement in October.

The 1972/73 season is expected to end with the third successive decline in world wool production. The proportion of the total contributed by the two main developing country producers, Argentina and Uruguay, has been diminishing slowly: it dropped below 10 per cent in 1971/72, though their clip appears to be slightly higher in 1972/73.

In contrast to wool, cotton production has registered three successive increases. The gain in 1972/73, however, is concentrated very largely in the United States, where higher 1971/1972 prices encouraged a 15 per cent expansion in planting. There was also a record crop in the Soviet Union. Production in Africa and Latin America remained more or less at the 1971/72 level while unfavourable weather was responsible for an appreciable decline in output in China and India. There was a much sharper decline in jute production in India in 1972 but the effect of this on world supply was more than offset by recovery in Bangladesh.

There was also a significant increase in the kenaf crop, particularly in Thailand, though the combined output of the two fibres did not regain the 1966 peak.

There was a further small increase in the output of natural rubber, raising it above the 3 million-ton level in 1972. The production of synthetic rubber continued to increase faster, however, exceeding 5 million tons for the first time in 1971. In 1972, the natural product contributed only 36 per cent of the total supply, compared with over 50 per cent 10 years earlier.

Tea also continued its slow increase in production. There was another significant expansion in Africa, particularly Kenya, while in southern and south-eastern Asia - which still accounts for about 70 per cent of world supply - a small gain in India was partly offset by a reduction in Sri Lanka.

The production of oil-seeds continued its more vigorous expansion, the main contribution coming from soya beans (notably in the United States and, smaller in absolute terms but growing faster, in Brazil), copra, coconut oil and palm oil (particularly from Malaysia and the Philippines) and cotton-seed (in the United States). Sunflower seed production seems to have been at the low 1971 level and rapeseed production was sharply reduced (particularly in Canada). There was a marked increase in ground-nut oil output, from the 1971/72 crop, but the 1972/73 crop is appreciably smaller, because of poor growing conditions in India and West Africa.

The 1972/73 coffee crop is expected to be fractionally larger than the record out-turn of 1971/72, which exceeded 5 million tons for the first time since 1965/66. The only significant gains are in Colombia (recovering after two poor seasons), India and Indonesia (recovering after a dip in 1971/72) and Mexico and Venezuela (where slow expansion is continuing). With exportable supplies more or less in balance with consumption in 1972, there was a fairly steady rise in the dollar quotations for coffee in the wake of changes in exchange rate relationships. This exacerbated disagreement on quota policy under the International Coffee Agreement, and in December 1972 restrictions on coffee movements were eliminated for the remainder of the 1972/73 season.

After three seasons of virtually unchanged production, the output of centrifugal sugar increased by about 5 per cent in 1972/73. The gains came chiefly from the developing countries of the western hemisphere and Asia, notably Brazil, which was again the world's largest cane producer. Beet production was lower in both North America and Europe; it recovered somewhat from the poor 1971/72 harvest in the Soviet Union but was well below the average for the second half of the 1960s.

In 1972, tobacco production registered the first increase since 1967, and that only a marginal one. The expansion was chiefly in India, where a record crop was harvested, and in Eastern Europe, the Republic of Korea and Cuba, and it more than counterbalanced a sharp contraction in the Soviet Union and, to a less extent, Canada and the Philippines.

World trade

Measured in current United States dollars, world trade expanded by more than a sixth between 1971 and 1972. This was almost twice the average rate of increase recorded in the 1960s and well above the 12 per cent gain of the previous year. It raised the total value of world exports above \$400 billion for the first time. Preliminary information suggests that the combined effect of inflation and exchange rate changes was to raise the average unit value of traded goods by almost 10 per cent. This means that the quantum of world trade increased by about 8 per cent, slightly more than in 1971 when the increase was below the average rate of growth in the 1960s.

Exports from the developed market economies increased by about 18 per cent between 1971 and 1972; half of the increase reflects price and currency changes. A large quantum increase (between 11 and 12 per cent) was registered by the six-member European Economic Community whose current dollar earnings rose by over 22 per cent - almost double the longer-term rate of increase. The primary-exporting countries in the developed market economy group, benefiting from improved commodity prices, registered a similar gain, with an 11 per cent increase in quantum. There was a 13 per cent increase in the export earnings of North America, a fourth of which was due to higher prices. Japan, whose currency had been valued upwards to the greatest extent in the Smithsonian realignment of December 1971, raised its current dollar earnings by 19 per cent through a 6 per cent expansion in export quantum (see table 6).

The value of exports from the developing countries increased by about 16 per cent, appreciably more than in 1971 but less than the increase registered by the more advanced countries. There was a marked contrast between the results in Africa and those in West Asia, reflecting the reduction in oil shipments from the Libyan Arab Republic and the offsetting expansion in shipments from Iran and Saudi Arabia. The largest increase in volume was from southern and south-eastern Asia, where major increases in shipments from Hong Kong, India, Indonesia, the Republic of Korea, Singapore and Thailand far outweighed an indifferent export performance in most of the other countries in the region. In terms of value, the expansion was more than double the 1970-1971 rate. A similar improvement was achieved by Latin America where, with the exception of Chile, Jamaica, Uruguay and Venezuela, most countries shared in the expansion which was characterized by a new degree of diversification in a number of cases, particularly in Brazil and Ecuador.

With supplies of most primary commodities increasing only modestly and demand strengthening in the more advanced countries during 1972, markets were generally firm and prices tended to be pushed up to the full extent of the dollar devaluation and in many cases beyond it. On the average, export prices were between 11 and 12 per cent higher in 1972 than in 1971. The increase among the developing regions was more uniform than that of 1971 when the revision of petroleum prices had a special impact on West Asia. Thus the rise in prices played a much more important part in the increase in developing country export earnings in 1972. It is probable, indeed, that the volume of exports was less than 5 per cent above the 1971 level, well below the longer-run rate of expansion. Only Asia achieved an increase in line with the International Development Strategy target for the developing countries in the 1970s.

Exports from Eastern Europe and the Soviet Union increased to much the same extent as those from the developed market economies: they were about 18 per cent above the 1971 level in current United States dollars or - in the absence of data on volume - about 9 per cent in SDR (1971 dollars). The main increase was in shipments from Eastern Europe, which rose by about 23 per cent in current dollars, 13.5 per cent in SDR - well above the long-term rate. Exports from the Soviet Union were about 11 per cent higher in current dollars, only 2.5 per cent in SDR - not much above a fourth of the long-term rate. Trade with the centrally planned economies of Asia increased considerably: trade between China and the Soviet Union was about 50 per cent above the 1971 figure. China exported much more to the developed market economies also: shipments to the United States began to rise steeply and sales to Japan exceeded \$1 billion for the first time.

The expansion in imports between 1971 and 1972 was roughly in line with that in exports in the various regions. In the case of North America, however, imports increased appreciably more than exports, particularly in terms of current dollars, while in EEC, export growth exceeded import growth. These were changes tending to accentuate rather than alleviate the state of external imbalance. Imports also increased much less than exports in most of the primary-producing regions, notably southern and south-eastern Asia as well as the developed market economies of the southern hemisphere where they actually declined (see table 7).

Import unit values increased less sharply than export unit values in the industrialized regions other than North America. The contrast was greatest in the case of Japan where, though in dollar terms imports and exports expanded equally (19 per cent), in terms of quantum the rise in imports (13 per cent) was more than twice the rise in exports (6 per cent). In the developing regions, too, the rise in import unit values fell somewhat short of the rise in export unit values and there was probably an improvement in the terms of trade, around 2 per cent in most cases but less than that in southern and south-eastern Asia where the prices of some of the major exports - tea, copra and coconut oil and palm oil and, in the first half of the year, rubber - were below 1971 levels.

In the aggregate, in dollar terms, the unit value of manufactured exports increased by 8 per cent between 1971 and 1972 while the export price index of primary commodities increased by 13 per cent. Almost all the major primary commodities moving in international trade shared in this price increase: minerals were up 11 per cent, food-stuffs 13 per cent, and agricultural raw materials 15 per cent (see table 8).

With the exception of tea, all the principal food-stuffs were being traded at substantially higher prices in 1972 than in 1971. Averaged over the year, the increases were 13 per cent for coffee, 19 per cent for meat, and 28 per cent for sugar. There were steep upswings in the course of 1972 in the prices of cocoa and all the cereals; only the price of butter was lower at the end of the year than at the beginning.

Among the raw materials there was a marked contrast between the price movements of vegetable oils on the one hand, and vegetable seeds, on the other. With the exception of olive oil and linseed oil, the oils were in good supply in 1972 as a result of generally large seed crops in 1971; as indicated above, the seed crops were generally poorer in 1972 while the demand for oil-cake

increased considerably in the wake of the failure of fishmeal production in Peru ^{6/} and an upsurge in the feed requirements of the livestock industry. While ground-nuts and soya beans ended the year at a substantially higher price, most oil prices were below the corresponding 1971 level.

On average, textile fibre prices remained at about 30 per cent above the 1971 level throughout the year. In the case of cotton and jute there was a fairly steady deceleration in the rate of increase; in the case of wool and sisal, by contrast, the price rise accelerated from the low levels recorded in 1970 and 1971. There was a similar acceleration in the rise in the price of natural rubber, though for the year as a whole it averaged no more than in 1971 and less than half the high figure prevailing at the beginning of the 1960s.

The price of coal continued the slow climb that has characterized recent years. Petroleum prices rose more sharply in the wake of the 1971 agreement between the major international companies and the Organization of Petroleum-Exporting Countries (OPEC) which provided for higher posted prices, an annual increment in the posted price (2.5 per cent plus 5 cents per barrel) and an automatic adjustment to take account of changes in the exchange rate of the dollar in which prices are denominated. This adjustment amounted to 8.49 per cent for Persian Gulf crude in January 1972 and 6.4 per cent in April 1973.

Metal and ore prices were generally higher in 1972, in response to stronger demand, but changes in production capacity and supply also had some influence, reducing aluminium and copper prices (though not that of bauxite, which had more than doubled in the course of the 1960s) and also the price of manganese ore (which dropped to a new low). The price of chrome ore remained more or less stable in 1972, while in the case of zinc there was a clear deceleration in the rate of price rise in the course of the year.

Altogether, the mineral price index for developing country exports was 12 per cent higher at the end of 1972 than a year earlier, while that for the exports from the more advanced countries was 7 per cent higher. The developing country index also advanced more rapidly in the case of agricultural commodities, both food-stuffs (22 per cent as against 17 per cent) and raw materials (19 per cent against 17 per cent). In the case of the major non-ferrous metals, the diverse price movements tended to counterbalance one another and the over-all index showed relatively little change for exports from either the developing countries or the developed market economies.

^{6/} In mid-1972 a shifting of ocean currents prevented the anchovy from reaching Peruvian waters. Exports were maintained from inventories for a while, but they were halted at the beginning of October.

Table 1. World production: annual growth rates, by country group 1961-1972
(Percentage)

| Item and country group | Average annual rate of change, 1961-1970 | Change from preceding year | |
|---|--|----------------------------|----------------|
| | | 1971 | 1972 <u>a/</u> |
| <u>Gross domestic product b/</u> | | | |
| Sum of country groups | 5.4 | 4.1 | 5.5 |
| Developed market economies <u>c/</u> | 5.0 | 3.3 | 5.6 |
| Centrally planned economies <u>d/</u> , <u>e/</u> | 6.7 | 6.0 | 4.9 |
| Developing countries <u>f/</u> | 5.5 | 5.2 | 5.4 |
| <u>Industrial production g/</u> | | | |
| Sum of country groups | 6.7 | 4.4 | 6.6 |
| Developed market economies <u>c/</u> | 5.8 | 1.7 | 6.4 |
| Centrally planned economies <u>d/</u> | 8.3 | 7.7 | 7.0 |
| Developing countries <u>f/</u> | 7.1 | 7.0 | 7.2 |
| <u>Agricultural production h/</u> | | | |
| Sum of country groups | 2.6 | 3.2 | -0.8 |
| Developed market economies <u>c/</u> | 2.5 | 5.7 | 0.7 |
| Centrally planned economies <u>d/</u> | 3.0 | 2.6 | -0.8 |
| Developing countries <u>f/</u> | 2.8 | 1.6 | -1.6 |

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 Yearbook of National Accounts Statistics; Economic Commission for Africa, "Summaries of economic data"; Economic Commission for Asia and the Far East, "Economic Survey of Asia and the Far East, 1972, Part Two" (preliminary version) (E/CN.11/L.350/B); Economic Commission for Latin America, "Economic Survey of Latin America, 1972, Summary" (preliminary version) (E/CN.12/954); 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.

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

(Foot-notes on following page)

(Foot-notes to table 1)

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

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 the USSR.

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

f/ 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).

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

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

Table 2. World agricultural production, by country group, 1961-1972
(Percentage)

| Country group | Average annual rate of change, 1961-1970 | Change from preceding year | |
|--|--|----------------------------|----------------|
| | | 1971 | 1972 <u>a/</u> |
| Sum of country groups <u>b/</u> | 2.6 | 3.2 | -0.8 |
| <u>Developed market economies</u> | 2.5 | 5.7 | 0.7 |
| North America <u>c/</u> | 1.5 | 8.9 | - |
| Western Europe | 2.4 | 5.5 | 0.8 |
| Japan | 1.1 | -5.5 | 7.2 |
| Southern hemisphere <u>d/</u> | 2.8 | 5.5 | -1.8 |
| <u>Centrally planned economies</u> <u>of Europe</u> | 3.0 | 2.6 | -0.8 |
| Eastern Europe <u>e/</u> | 2.5 | 5.7 | 7.1 |
| USSR | 3.3 | 1.1 | -4.6 |
| <u>Developing countries</u> | 2.8 | 1.6 | -1.6 |
| Western hemisphere | 2.9 | 3.2 | -0.8 |
| Africa | 1.9 | 3.3 | 0.8 |
| West Asia | 4.2 | -4.1 | 9.9 |
| Southern and south-eastern Asia | 3.2 | 0.8 | -4.7 |

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

a/ Preliminary.

b/ See foot-note b/ to table 1.

c/ Canada and the United States of America.

d/ Australia, New Zealand and South Africa.

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

Table 3. World industrial growth, by country group, 1961-1972
(Percentage)

| Country group | Average annual rate, 1961-1970 | Change from preceding year | |
|--|--------------------------------------|----------------------------|----------------|
| | | 1971 | 1972 <u>a/</u> |
| Sum of country groups <u>b/</u> | 6.7 | 4.1 | 6.6 |
| <u>Developed market economies</u> | 5.8 | 1.7 | 6.4 |
| North America <u>c/</u> | 5.0 | 0.7 | 7.6 |
| Western Europe | 5.5 | 2.6 | 4.9 |
| Japan | 13.9 | 4.7 | 6.5 |
| Southern hemisphere <u>d/</u> | 6.4 | 3.9 | 1.3 |
| <u>Centrally planned economies</u> <u>of Europe</u> | 8.3 | 7.7 | 7.0 |
| USSR | 8.5 | 7.7 | 6.5 |
| Eastern Europe <u>e/</u> | 7.8 | 7.6 | 8.2 |
| <u>Developing countries</u> | 7.1 | 7.0 | 7.2 |
| Western hemisphere | 6.2 | 7.2 | 7.6 |
| Asia <u>f/</u> | 7.1 | 8.7 | 8.5 |

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

a/ Preliminary.

b/ See foot-note b/ to table 1.

c/ Canada and the United States of America.

d/ Australia, New Zealand and South Africa.

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

f/ Excluding Israel.

Table 4. World industrial production: changes by branch and country group, 1961-1972
(Percentage per annum; 1972, change from corresponding period for 1971)

| Country group and period | Mining | Light manufacturing ^{a/} | | | Heavy manufacturing ^{b/} | | | |
|---|--------|-----------------------------------|------|---------------|-----------------------------------|----------------|-----------------|-------------------|
| | | Total | Food | Tex- tiles | Total | Chemi- cals | Basic metals | Metal products |
| <u>Sum of country groups</u> | | | | | | | | |
| Average annual rate, 1961-1970 | 5.4 | 4.5 | 4.8 | 4.2 | 7.9 | 9.5 | 5.9 | 8.1 |
| 1971 | 3.3 | 3.5 | 4.5 | 4.5 | 4.2 | 6.8 | -0.5 | 4.2 |
| 1972: | | | | | | | | |
| First quarter . . . | 1.6 | 4.2 | 3.4 | 5.0 | 6.1 | 8.2 | 2.0 | 6.3 |
| Second quarter . . | 2.1 | 4.3 | 4.3 | 4.4 | 8.2 | 9.0 | 4.2 | 9.1 |
| Third quarter . . . | 3.0 | 4.4 | 3.8 | 4.2 | 8.5 | 8.6 | 10.8 | 8.2 |
| <u>Developed market economies</u> | | | | | | | | |
| Average annual rate, 1961-1970 | 2.8 | 4.3 | 4.0 | 3.8 | 6.6 | 9.1 | 5.1 | 6.4 |
| 1971 | - | 2.9 | 3.2 | 2.9 | 0.4 | 5.7 | -4.2 | -0.1 |
| 1972: | | | | | | | | |
| First quarter . . . | -3.4 | 4.5 | 1.7 | 3.5 | 3.5 | 8.0 | -1.0 | 2.4 |
| Second quarter . . | 0.2 | 5.8 | 4.0 | 4.0 | 6.8 | 8.8 | 3.3 | 7.0 |
| Third quarter . . . | 0.4 | 5.0 | 2.7 | 3.1 | 7.3 | 8.6 | 14.3 | 5.6 |
| Fourth quarter . . | 6.3 | 6.0 | 3.5 | 4.5 | 10.2 | 8.9 | 19.5 | 9.6 |
| <u>North America</u> | | | | | | | | |
| Average annual rate, 1961-1970 | 3.4 | 3.8 | 3.4 | 4.3 | 5.4 | 8.0 | 3.7 | 5.2 |
| 1971 | -1.5 | 2.5 | 2.6 | 2.5 | -0.3 | 5.5 | -5.6 | -1.8 |
| 1972: | | | | | | | | |
| First quarter . . . | -1.6 | 4.3 | -0.3 | 4.1 | 3.8 | 10.1 | -2.9 | 2.6 |
| Second quarter . . | 0.2 | 6.4 | 4.1 | 5.6 | 8.5 | 10.9 | 1.2 | 9.7 |
| Third quarter . . . | 2.0 | 6.4 | 3.7 | 5.3 | 10.2 | 11.1 | 24.3 | 8.2 |
| Fourth quarter . . | 9.6 | 7.1 | 3.3 | 6.9 | 12.7 | 10.9 | 26.9 | 12.2 |
| <u>Western Europe</u> | | | | | | | | |
| Average annual rate, 1961-1970 | 1.0 | 4.3 | 4.3 | 2.4 | 6.3 | 9.5 | 4.1 | 5.8 |
| 1971 | 2.7 | 3.2 | 3.9 | 3.2 | 1.8 | 5.3 | -3.8 | 1.3 |
| 1972: | | | | | | | | |
| First quarter . . . | -8.7 | 5.5 | 4.2 | 4.6 | 3.3 | 6.1 | -0.2 | 2.1 |
| Second quarter . . | 0.3 | 5.5 | 3.6 | 4.3 | 4.6 | 6.8 | 4.5 | 3.4 |
| Third quarter . . . | -2.3 | 3.5 | 1.1 | 2.3 | 3.4 | 6.5 | 6.4 | 1.0 |
| Fourth quarter . . | 3.1 | 5.1 | 3.1 | 3.7 | 7.0 | 8.0 | 11.8 | 5.5 |

(Table continued on following page)

Table 4 (continued)

| Country group and period | Mining | Light manufacturing ^{a/} | | | Heavy manufacturing ^{b/} | | | |
|------------------------------------|--------|-----------------------------------|------|----------|-----------------------------------|-----------|--------------|----------------|
| | | Total | Food | Textiles | Total | Chemicals | Basic metals | Metal products |
| <u>Centrally planned economies</u> | | | | | | | | |
| Average annual rate, | | | | | | | | |
| 1961-1970 | 6.7 | 5.0 | 6.1 | 5.1 | 10.7 | 11.7 | 7.6 | 11.6 |
| 1971 | 6.6 | 3.7 | 6.0 | 6.3 | 9.8 | 9.5 | 5.8 | 10.9 |
| 1972: | | | | | | | | |
| First quarter . . . | 6.0 | 4.1 | 6.8 | 6.1 | 10.2 | 9.4 | 5.5 | 11.8 |
| Second quarter . . | 4.6 | 2.4 | 6.9 | 3.6 | 10.4 | 9.4 | 5.2 | 11.9 |
| Third quarter . . . | 5.0 | 1.7 | 6.4 | 4.6 | 10.3 | 9.0 | 5.2 | 11.8 |
| Fourth quarter . . | 7.1 | -3.3 | 1.4 | 3.9 | 10.8 | 8.5 | 4.7 | 12.7 |
| <u>Developing countries</u> | | | | | | | | |
| Average annual rate, | | | | | | | | |
| 1961-1970 | 8.5 | 4.8 | 4.9 | 4.2 | 8.4 | 7.6 | 7.1 | 9.7 |
| 1971 | 3.9 | 6.6 | 5.4 | 7.0 | 8.7 | 8.4 | 6.3 | 9.4 |
| 1972: | | | | | | | | |
| First quarter . . . | 3.3 | 3.7 | 0.4 | 8.7 | 9.8 | 6.2 | 18.2 | 9.5 |
| Second quarter . . | 1.2 | 3.0 | -0.9 | 7.2 | 10.5 | 9.3 | 9.6 | 12.4 |
| Third quarter . . . | 3.9 | 4.6 | 1.8 | 7.1 | 9.0 | 6.5 | 9.8 | 26.6 |
| <u>Asia</u> | | | | | | | | |
| Average annual rate, | | | | | | | | |
| 1961-1970 | 8.5 | 4.5 | 4.7 | 4.1 | 9.2 | 7.2 | 9.5 | 11.2 |
| 1971 | 12.6 | 6.6 | 7.7 | 3.9 | 6.7 | 7.3 | -3.1 | 6.4 |
| 1972: | | | | | | | | |
| First quarter . . . | 14.0 | 6.1 | 2.7 | 11.5 | 8.3 | 8.2 | 11.8 | 5.4 |
| Second quarter . . | 8.3 | 2.9 | -5.6 | 9.2 | 9.3 | 11.0 | 17.2 | 5.6 |
| Third quarter . . . | 10.9 | 6.9 | -1.5 | 10.3 | 9.5 | 6.9 | 13.1 | 9.8 |

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.

a/ International Standard Industrial Classification (ISIC) 20-26, 28-30, 39.

b/ ISIC 27, 31-38.

Table 5. World^{a/} production of major commodities,^{b/}
1961-1972

| Commodity | 1970 (millions of tons, except as indicated) | Average annual rate of change, 1961-1970 (percentage) | Percentage change from preceding year | |
|--|---|--|--|---------|
| | | | 1971 | 1972 c/ |
| Coal d/ | 2,058 | 1.3 | -1.1 | 1.3 |
| Petroleum, crude | 2,424 | 7.9 | 5.4 | 4.1 |
| Electricity (billions of kWh) | 4,813 | 7.9 | 6.3 | 6.9 |
| Cement | 555 | 6.2 | 5.2 | 6.5 |
| Pig iron | 418 | 6.1 | -2.6 | 3.2 |
| Steel, crude | 573 | 5.7 | -2.8 | 4.3 |
| Copper, smelter e/ | 5.3 | 3.9 | -0.7 | 9.2 |
| Zinc e/, f/ | 3.9 | 4.6 | -4.1 | 11.4 |
| Lead e/, f/ | 2.6 | 3.9 | -5.0 | 9.7 |
| Tin e/, g/, h/ | 0.2 | 2.2 | 1.1 | 4.3 |
| Aluminium e/, f/ | 8.1 | 8.2 | 6.7 | 6.0 |
| Merchant vessels i/ (millions of grt) | 21.7 | 10.0 | 14.6 | 6.7 |
| Passenger cars (millions) | 22.4 | 5.8 | 13.2 | 2.4 |
| Commercial vehicles (millions) | 6.7 | 6.2 | 5.1 | 0.4 |
| Meat | 80 | 2.7 | 3.5 | 1.7 |
| Wheat | 319 | 2.4 | 9.8 | -3.8 |
| Barley | 139 | 3.8 | 7.8 | -1.5 |
| Maize | 261 | 1.8 | 14.7 | -0.8 |
| Rice (paddy) | 308 | 2.4 | -0.5 | -3.1 |
| Potatoes | 259 | 2.3 | -7.6 | -4.2 |
| Coffee | 3.9 | -0.2 | 23.0 | 0.8 |
| Cocoa beans | 1.5 | 2.4 | 4.7 | -8.0 |
| Tea | 1.3 | 2.8 | 1.5 | 3.0 |
| Sugar (raw) | 74.2 | 2.8 | - | 5.1 |
| Tobacco | 4.5 | 0.9 | -1.0 | 1.0 |
| Cotton (lint) | 11.5 | 0.6 | 11.3 | 2.6 |
| Wool (greasy) | 2.8 | 0.9 | -1.1 | -0.4 |
| Jute and kenaf | 3.6 | 3.3 | -8.7 | 7.1 |
| Oil-seeds j/ | 108.9 | 3.4 | 2.9 | 6.0 |
| Natural rubber | 2.9 | 3.6 | 2.0 | 1.6 |

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; Food and Agriculture Organization of the United Nations, Production Yearbook and Monthly Bulletin of Agricultural Economics and Statistics (Rome); information from World Bureau of Metal Statistics; United States of America, Department of Agriculture, World Agricultural Production and Trade (Washington, D.C.), March 1973.

(Foot-notes on following page)

Foot-notes to table 5)

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- a/ Not including production of China, except for agricultural products.
 - b/ In the case of agricultural commodities, the data 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 Democratic People's Republic of Korea and German Democratic Republic.
 - g/ Excluding production of German Democratic Republic.
 - h/ Excluding production of Czechoslovakia and Democratic Republic of Viet-Nam.
 - i/ Tonnage launched outside German Democratic Republic and USSR.
 - j/ Cotton-seed, linseed, ground-nuts in shell, rapeseed, soya beans, sesame seed, sunflower seed and castor beans.

Table 6. Exports of market economies, by country group 1961-1972
(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 1971 1972 b/ | Average annual rate of change, 1961-1970 | Change from preceding year 1971 1972 b/ | Average annual rate of change, 1961-1970 | Change from preceding year 1971 1972 b/ | Average annual rate of change, 1961-1970 | Change from preceding year 1971 1972 b/ |
| | | | | | | | | |
| Total | 8.0 | 6.9 | 7.6 | 9.4 | 12.0 | 18.1 | 1.3 | 4.4 9.8 |
| <u>Developed market economies.</u> | 8.5 | 7.3 | 9.1 | 10.1 | 12.0 | 18.4 | 1.5 | 4.4 9.2 |
| North America | 6.5 | 0.6 | 7.9 | 8.5 | 4.1 | 13.1 | 1.9 | 3.3 3.2 |
| Europe | 8.8 | 7.2 | 9.8 | 10.3 | 14.0 | 20.0 | 1.4 | 6.3 10.1 |
| EEC | 10.3 | 7.7 | 11.5 | 11.6 | 14.5 | 22.4 | 1.2 | 6.3 9.3 |
| EFTA | 6.4 | 2.8 | 5.5 | 8.1 | 11.9 | 15.2 | 1.7 | 8.8 10.5 |
| Other Europe | 9.0 | 15.3 | 8.1 | 11.0 | 21.3 | 19.4 | 1.9 | 5.1 10.5 |
| Japan | 16.4 | 17.5 | 5.8 | 16.8 | 24.4 | 19.2 | 0.4 | 5.8 12.6 |
| Southern hemisphere | 6.8 | 6.3 | 11.3 | 7.2 | 7.4 | 23.3 | 0.4 | 1.0 10.8 |
| <u>Developing countries</u> | 6.5 | 6.5 | 4.6 | 7.0 | 12.1 | 16.4 | 0.6 | 5.2 11.5 |
| Western hemisphere | 3.9 | 3.0 | 3.3 | 5.7 | 6.6 | 15.8 | 1.8 | 3.5 12.1 |
| Africa | 7.8 | 2.8 | 0.9 | 9.1 | 6.2 | 12.7 | 1.2 | 3.3 11.7 |
| West Asia | 9.2 | 17.7 | 7.3 | 9.1 | 32.5 | 19.0 | -0.1 | 12.5 10.9 |
| Southern and south-eastern Asia | 6.1 | 5.1 | 7.8 | 5.7 | 8.8 | 18.6 | -0.4 | 3.5 10.9 |

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 (Washington, D.C.).

a/ Based, in the case of the developed market economies, on the weighted average of individual country unit values; in the case of the developing countries, on the price index of selected commodity groups - food-stuffs, agricultural raw materials, petroleum and crude minerals, non-ferrous metals and manufactured goods - weighted for region in accordance with the composition of trade in 1970.

b/ Preliminary, based in some cases on less than 12 months' data and on estimates.

Table 7. Imports of market economies, by country group, 1961-1972
(Percentage)

| Country group | Quantum | | | Value c.i.f. in dollars | | | Unit value in dollars | | |
|---|--|----------------------------|---------|--|----------------------------|---------|--|----------------------------|---------|
| | Average annual rate of change, 1961-1970 | Change from preceding year | | Average annual rate of change, 1961-1970 | Change from preceding year | | Average annual rate of change, 1961-1970 | Change from preceding year | |
| | | 1971 | 1972 a/ | | 1971 | 1972 a/ | | 1971 | 1972 a/ |
| Total | 8.2 | 6.2 | 8.5 | 9.4 | 12.0 | 17.2 | 1.1 | 5.4 | 8.0 |
| <u>Developed market economies.</u> | 9.1 | 5.8 | 9.9 | 10.3 | 11.5 | 18.3 | 1.1 | 5.4 | 7.6 |
| North America | 8.1 | 10.9 | 13.7 | 9.7 | 16.6 | 22.0 | 1.5 | 5.1 | 7.3 |
| Europe | 9.2 | 6.1 | 8.3 | 10.2 | 11.9 | 17.6 | 1.0 | 5.5 | 8.6 |
| EEC | 10.5 | 8.2 | 9.8 | 11.6 | 13.1 | 19.4 | 0.9 | 4.5 | 8.7 |
| EFTA | 6.4 | 2.6 | 6.6 | 7.6 | 9.1 | 15.7 | 1.1 | 6.3 | 8.5 |
| Other Europe | 12.0 | 10.0 | 4.0 | 13.5 | 15.0 | 12.3 | 1.3 | 4.5 | 8.0 |
| Japan | 14.7 | 1.1 | 12.8 | 15.5 | 4.4 | 19.1 | 0.6 | 3.3 | 5.7 |
| Southern hemisphere | 5.8 | 0.9 | -11.3 | 7.0 | 7.7 | -3.0 | 1.1 | 6.7 | 9.4 |
| <u>Developing countries</u> | 5.3 | 7.6 | 3.0 | 6.4 | 14.2 | 12.7 | 1.0 | 6.1 | 9.4 |
| Western hemisphere | 4.9 | 7.2 | 1.9 | 6.3 | 14.1 | 11.5 | 1.3 | 6.4 | 9.4 |
| Africa | 3.7 | 10.7 | 0.5 | 5.5 | 17.4 | 9.7 | 1.7 | 6.1 | 9.2 |
| West Asia | 7.2 | 9.0 | 10.9 | 8.6 | 15.6 | 21.2 | 1.3 | 6.1 | 9.3 |
| Southern and south-eastern Asia | 6.1 | 5.8 | 2.5 | 6.3 | 11.8 | 12.3 | 0.2 | 5.7 | 9.6 |

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; International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Preliminary, based in some cases on less than 12 months' data and on estimates.

Table 8. Export price indices of primary commodities
and non-ferrous base metals, 1970-1972

| Commodity group | Index (1960 = 100) | | | Index (corresponding quarter of previous year = 100) | | | |
|--|--------------------|------|------|---|--------|-------|--------|
| | 1970 | 1971 | 1972 | 1972 quarters | | | |
| | | | | First | Second | Third | Fourth |
| <u>Primary commodities</u> | 109 | 116 | 131 | 111 | 111 | 114 | 116 |
| <u>Food</u> | 107 | 124 | 140 | 108 | 110 | 115 | 119 |
| Cereals | 104 | 108 | 117 | 97 | 100 | 110 | 132 |
| Wheat | 96 | 102 | 113 | 97 | 100 | 111 | 141 |
| Rice | 113 | 109 | 122 | 108 | 111 | 110 | 118 |
| Maize | 119 | 118 | 120 | 86 | 93 | 109 | 124 |
| Beverages | 128 | 113 | 125 | 96 | 107 | 120 | 122 |
| Coffee | 146 | 127 | 143 | 95 | 108 | 124 | 121 |
| Tea | 80 | 79 | 78 | 102 | 97 | 96 | 100 |
| Cocoa | 118 | 93 | 109 | 94 | 110 | 119 | 151 |
| Meat | 136 | 155 | 184 | 114 | 121 | 125 | 117 |
| Beef | 143 | 179 | 217 | 113 | 123 | 131 | 118 |
| Mutton and lamb | 127 | 131 | 143 | 107 | 106 | 109 | 115 |
| Dairy products | 114 | 136 | 151 | 132 | 123 | 102 | 92 |
| Sugar | 118 | 130 | 167 | 137 | 125 | 123 | 127 |
| Other food | 116 | 129 | 140 | 107 | 105 | 112 | 115 |
| <u>Agricultural non-food</u> | 97 | 100 | 115 | 112 | 114 | 115 | 119 |
| Fats, oils and oil-seeds | 119 | 119 | 117 | 91 | 99 | 96 | 104 |
| Olive oil | 119 | 124 | 160 | 114 | 124 | 143 | 133 |
| Copra | 104 | 88 | 66 | 65 | 58 | 74 | 92 |
| Coconut oil | 116 | 101 | 72 | 70 | 75 | 66 | 75 |
| Ground-nuts | 121 | 128 | 149 | 136 | 122 | 114 | 128 |
| Palm kernels | 103 | 87 | 74 | 77 | 89 | 83 | 93 |
| Palm kernel oil | 108 | 99 | 75 | 73 | 80 | 72 | 81 |
| Palm oil | 114 | 114 | 102 | 80 | 93 | 90 | 96 |
| Linseed oil | 74 | 68 | 79 | 111 | 107 | 120 | 133 |
| Linseed | 100 | 86 | 96 | 90 | 108 | 109 | 144 |
| Soya beans | 130 | 141 | 153 | 106 | 113 | 105 | 111 |
| Soya bean oil | 142 | 149 | 124 | 92 | 97 | 72 | 74 |
| Cotton-seed oil | 131 | 149 | 111 | 79 | 81 | 68 | 70 |
| Textile fibres | 89 | 91 | 119 | 130 | 132 | 130 | 131 |
| Wool | 75 | 67 | 95 | 121 | 134 | 151 | 161 |
| Cotton | 102 | 112 | 141 | 132 | 133 | 122 | 119 |

(Table continued on following page)

Table 8 (continued)

| Commodity group | Index (1960 = 100) | | | Index (corresponding quarter of previous year = 100) | | | |
|--|--------------------|------|------|--|--------|-------|--------|
| | 1960 | 1971 | 1972 | 1972 quarters | | | |
| | | | | First | Second | Third | Fourth |
| Jute | 93 | 91 | 98 | 117 | 110 | 102 | 100 |
| Sisal | 59 | 66 | 92 | 118 | 138 | 145 | 155 |
| Wood and wood pulp | 113 | 124 | 137 | 111 | 109 | 108 | 110 |
| Rubber | 51 | 41 | 41 | 92 | 90 | 101 | 125 |
| Other agricultural non-food | 75 | 72 | 87 | 113 | 115 | 125 | 131 |
| <u>Minerals</u> | 111 | 127 | 141 | 116 | 110 | 109 | 110 |
| Metal ores | 122 | 126 | 136 | 108 | 107 | 108 | 108 |
| Iron ore | 95 | 100 | 110 | 104 | 114 | 113 | 107 |
| Bauxite | 191 | 236 | 254 | 128 | 90 | 97 | 122 |
| Copper ore | 214 | 167 | 165 | 105 | 96 | 97 | 97 |
| Lead | 149 | 128 | 151 | 111 | 119 | 118 | 126 |
| Zinc ore | 120 | 128 | 157 | 140 | 131 | 116 | 107 |
| Tin ore | 168 | 161 | 172 | 107 | 109 | 109 | 103 |
| Nickel ore | 175 | 180 | 189 | 100 | 100 | 105 | 115 |
| Manganese ore | 65 | 79 | 75 | 104 | 94 | 94 | 88 |
| Chrome ore | 118 | 141 | 141 | 100 | 100 | 100 | 100 |
| Fuels | 109 | 127 | 143 | 118 | 111 | 110 | 110 |
| Petroleum | 98 | 115 | 133 | 122 | 114 | 112 | 112 |
| Coal | 153 | 179 | 186 | 107 | 102 | 103 | 105 |
| Crude fertilizer | 111 | 107 | 115 | 111 | 105 | 108 | 107 |
| <u>Non-ferrous base metals</u> | 170 | 146 | 145 | 105 | 98 | 97 | 98 |
| Aluminium | 110 | 110 | 100 | 99 | 88 | 86 | 87 |
| Copper | 207 | 160 | 156 | 104 | 95 | 95 | 96 |
| Lead | 152 | 124 | 147 | 108 | 119 | 119 | 132 |
| Tin | 168 | 160 | 172 | 107 | 108 | 108 | 106 |
| Zinc | 121 | 129 | 154 | 134 | 129 | 113 | 105 |

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

Chapter II

RECENT TRENDS IN THE DEVELOPED MARKET ECONOMIES

The recovery that began in the United States of America in 1971 continued throughout 1972, gathering strength not only in North America but also in Western Europe and Japan. As a result, the year-to-year growth in the developed market economies as a group - at 5.6 per cent - was well above the long-term average and, indeed, was the highest recorded since 1968. While the main impulse came from the United States, where gross production in 1972 was 6.4 per cent above the 1971 level, Japan and most of the countries of Western Europe regained much of the buoyancy that had been lost in 1971. Outside of North America, however, only a few of the smaller countries around the European periphery achieved a 1972 expansion above their longer-run growth rate.

Though the recovery in production implied a much better utilization of capacity in 1972 than in 1971, average unemployment rates were generally higher and in some countries there was an increase in the volume of unemployment in the course of the year. And many countries, including even some in which there was a decline, ended the year with unemployment figures that were regarded as unacceptably high.

Despite the persistence of unsatisfactory levels of unemployment, inflationary forces remained troublesome in virtually all the developed market economies. The year-to-year increase in consumer prices was well above the longer-term average in almost every country and in many, especially in Europe, the rate at which prices were rising accelerated during the year: in the last quarter of 1972 the combined index of consumer prices was almost 7 per cent above its corresponding 1971 level.

The coexistence of unemployment and inflation to this degree is a recent phenomenon and most countries have been seeking the appropriate mix of policies to deal simultaneously with these two opposite problems. The search has led beyond conventional monetary and fiscal measures to the institutions which influence the determination of both wages and prices. Though no definitive solution is in sight, the need for some permanent means of ensuring the equitable distribution of increments to the national income is now widely recognized.

The difficulty of internal management of economies subject to these manifestations of imbalance was accentuated in 1972 by the continuance of severe external disequilibrium. The realignment of currencies arranged in December 1971 at the Smithsonian meetings provided only temporary relief. By the middle of 1972 pressures had again begun to mount, partly from the continuing (and indeed even larger) current account deficit of the United States and partly from the great overhang of mobile funds capable of being deployed across the exchanges. Though strenuous efforts were made by several countries - notably the Federal Republic of Germany and Japan - to defend the new "central rates" and to discourage or even prevent the inflow of short-term capital, the period under review ended with a further 10 per cent devaluation of the United States dollar and most of the other currencies floating, jointly in the case of the EEC core currencies.

If 1972 brought no solution to the problems of imbalance - internal or external - it did accustom Governments and traders alike to operate fairly successfully in the imperfect environment. The international uncertainties were not allowed to immobilize decision-making in pursuit of such national objectives as economic and social development.

Production and use of resources

The current upswing began in North America where 1970 had seen an absolute decline in total output. Canada achieved an expansion of 5.5 per cent in 1971 and continued, though with some deviations, on more or less the same course in 1972. The United States began its recovery somewhat later and continued to expand production more vigorously in 1972, achieving a year-to-year increase of 6.4 per cent, well distributed among the various sectors. An upsurge in manufacturing investment stimulated production in heavy industry which had declined in the two preceding years.

After almost three years of deceleration, most Western European economies began to grow more rapidly in 1972. The year-to-year expansion was above the 1971 rate in all countries except Cyprus, Iceland, Ireland, the Netherlands, Norway and Turkey - countries that tend to be more dependent on the demand of major partner countries; it did not reach the longer-term average, however, except in Austria and Switzerland and some of the primary-exporting countries of the south. In the Federal Republic of Germany, though on a year-to-year comparison the gain over 1971 was minimal, production began to rise significantly as the year advanced.

In Italy, labour strikes and social unrest added to economic uncertainty and it was not until the last quarter of 1972 that industrial production exceeded the 1971 level. The increase in total output between 1971 and 1972 (3.0 per cent), though double the previous year's figure, was not much more than half the longer-term growth rate. The United Kingdom was also affected by strikes, especially in the first half of the year, and although manufacturing activity picked up later, the over-all expansion for the year as a whole was only a modest 2.5 per cent (see table 9).

Among the major countries, only France managed to maintain a rate of growth fairly close to the long-run trend during the recent cycle: on a year-to-year comparison it remained between 5 and 6 per cent. In Japan, industrial production, which had almost stagnated in 1971, began to surge ahead again in 1972 and the rate of increase in total output climbed to over 9 per cent. The southern hemisphere countries, more dependent on the export sector than most of the more industrialized developed market economies, had a year of slow growth in 1971/72, though as 1972 advanced production began to respond to favourable external developments as well as to internal stimuli.

In most of the developed market economies, the 1972 upswing reflects the growth of domestic demand, though in some, especially among the smaller economies - Denmark, Finland, Ireland, Italy, the Netherlands and South Africa, for example - the main stimulus came from abroad. In a few cases - notably Austria and Switzerland - all the principal components of demand were expansionary.

Under the influence of official policy, private consumption increased faster than total production in most countries, most markedly in Canada and the

United Kingdom. There was a particularly sharp increase in private consumption in Japan where the wage rise accelerated and the price rise decelerated. The exceptions were Denmark, where the stimulus came chiefly from the external sector, and Spain and the United States, where fixed investment played that role. In these countries, consumption, though increasing less than production, registered a larger gain than in 1971. This was not the case in Norway, however, where recessionary forces were still strong in 1972.

Public consumption generally increased in line with the growth in production. In Japan and the United States, it expanded less than other components but much more than in the previous period. In France, it was something of a restraining influence; in Sweden, its rate of increase was severely reduced, while in the Netherlands and South Africa, its role was contractionary.

Higher rates of investment played an important part in the upswing in Japan and the United States and in both cases residential construction was a major contributor. Active business investment helped to sustain the relatively high rates of growth in Austria, France and Switzerland, while a turnaround in investment was a significant factor in the recovery in Spain, Sweden and the United Kingdom. Elsewhere, investment was more hesitant and in general increased less than total production and less in 1972 than in the preceding period. In Canada this reflects a reduction in residential construction from the high levels of 1971. More generally, it reflects the continued existence of under-utilized capacity. In a few countries - Italy, Luxembourg, Netherlands and Norway, for example - there was actually a decline in fixed investment between 1971 and 1972 (see table 10).

Relatively little came from the accumulation of inventories in 1972: where they were increasing it was usually at a rate lower than in previous years and in a number of countries they were drawn down. As the year advanced, however, the state of business expectations improved and the pace of investment picked up in Europe, following the North American lead.

The state of internal balance

The 1970-1971 recession was induced in part by efforts to reduce the inflationary pressures that had emerged at the end of the 1960s. In general these efforts were far from successful. In the United States, the rate of increase in consumer prices was moderated - from nearly 6 per cent between 1969 and 1970 to 3.4 per cent between 1971 and 1972 - but with larger increases being registered in the early months of 1973 it was far from clear how permanent the improvement was. In Western Europe the price increase from 1971 to 1972 - measured by a consumption-weighted index - was virtually the same as in the previous interval and the year ended with the index almost 7 per cent above the corresponding 1971 figure, well above the long-run trend of about 4 per cent a year. Only in Japan was there a distinct slackening of the price rise - from 7.7 per cent in 1970 to 4.3 per cent in 1972, compared with a longer-term average of 5.7 per cent a year (see table 11).

One of the results of the disinflationary policies pursued in the early 1970s was a steep rise in unemployment, especially in North America but also in a number of European countries. Indeed, except for Austria, there was virtually no developed market economy in which the rate of unemployment had not increased

significantly between 1970 and 1972. While the number without jobs declined in the course of the year in some of the countries in which demand had swung upwards (Denmark, Sweden, the United Kingdom and the United States, for example), it continued to increase in others, including Belgium, the Federal Republic of Germany, Italy and the Netherlands (see table 12).

In most of the developed market economies the commitment to strive for full employment has proved a stronger policy determinant than the desire for price stability. But the recognition of the damaging impact of inflation not only on the fair distribution of real incomes but also on external equilibrium has prompted an earnest search for means of simultaneously meeting these opposite challenges.

Both problems were aggravated by special circumstances in 1972. The task of providing employment was made more difficult by an unusually large increment in the labour force. And the price level was affected - adversely in most countries - by the changes set in motion by the currency adjustments of August and December 1971.

The number of new entrants on the labour market was particularly large, reflecting in many countries the demographic consequences of the post-war "baby boom" and in some countries a significant rise in the participation rate in the wake of the new interest in feminist and other activist movements. In the United States, the running down of the conflict in Indochina, changes in the pattern of military conscription and the need to reabsorb returning servicemen all added to the total job requirements. In the event, the United States registered the largest increase in civil employment since 1955 - about 3 million or 3.5 per cent.

In Western Europe, the established patterns of labour migration also tended to complicate the problem. Notwithstanding the general increase in the number of registered unemployed, there was little evidence of any reduction in the inflow of migrant workers or in the number of jobs. In the Federal Republic of Germany, for example, the number of employed migrants (a fifth from Turkey and the rest from southern Europe) increased by 9 per cent between March 1971 and March 1972 and a further 6 per cent by September 1972. In Austria, the proportion of foreigners in the working force rose from under 7 per cent in September 1971 to over 8 per cent in September 1972. The proportion of migrants in the labour force was over 14 per cent in France, 26 per cent in Luxembourg and almost 30 per cent in Switzerland, which is one of the few countries to have taken steps to limit the further dilution of the indigenous labour force.

The continued absorption of foreign workers reflects one of the structural characteristics of the employment problem. The upsurge in migration in the past 15 years has been related to the growth of mass production industries. With the general rise in the level of education and in incomes and social security benefits over this period, indigenous workers seem to have become increasingly selective in their work choices. The great bulk of the 9 million "foreign" workers in Western Europe in 1972 were engaged in unskilled and semi-skilled occupations. The fact that in several countries in 1972 there was a simultaneous increase in the number of job vacancies and the number of unemployed is one sign of this structural problem. 1/

1/ In the Federal Republic of Germany, for example, unemployment in 1972 was a third higher than in 1971 and it was increasing slowly during the year; yet at the end of the year the job vacancies outnumbered the unemployed by about three to one.

The rise of both vacancies and unemployment reflects not only a skill and training problem but also one of geography and physical mobility. Not only do most of the developed market economies have "depressed areas" or regions of declining industries and high unemployment, but during the 1971-1972 recession unemployment in such areas often rose much more rapidly than the national average. While there has been a certain amount of out-migration from such areas, official policy has usually tended to avoid adding to the build-up of population in better favoured places, aiming rather to create more employment opportunities in situ by offering incentives to new investment in the region concerned.

Paradoxically, thus, 1973 opened with a call for greater harmonization among developed market economies of national measures to restore and maintain economic stability, and at the same time a move to differentiate more purposefully in the policies applied to problem areas. This dual development has been most explicit in EEC whose enlargement provides greater scope both for national harmonization of policies and for regional differentiation of measures to deal with lagging parts of the economy.

Because of the unsatisfactory employment situation, most countries pursued expansionary economic policies in 1972. Fiscal measures were designed to transfer purchasing power to consumers (as in the United Kingdom) to encourage business investment (by rapid capital write-off, for example), or to increase public expenditure (as in Japan where the first steps were taken to give substance to new social priorities). Money supply was not unduly constrained, though the United States began the year with a fairly high short-term interest rate (as befitted its external situation) and Western Europe ended the year with higher rates (as concern deepened over the continued rapid rise in prices).

Within this generally expansionary framework, however, most Governments attempted to influence the course of prices and wages with a view to restoring or at least improving internal stability. Many of the actions were patterned on the measures enacted in the United States which, starting with a wage and price freeze in August 1971, moved through successive phases of relaxation, supplemented by a number of specific, pragmatically determined, steps (extending price controls to unprocessed farm products and soft wood lumber and plywood in mid-1972, for example, and suspending import quotas for meat). By the beginning of 1973, the system had become largely voluntary, though the original guidelines for permissible wage and price increases remained in effect and powers for mandatory action were held in reserve - and indeed used in March when rapidly rising meat prices became a matter of public concern and ceilings were imposed at the wholesale and retail levels.

Despite the rise in the local price of imports consequent on the dollar devaluation, the expansion in United States production was sufficiently rapid to hold down the rise in the wholesale prices of manufactures to about 3 per cent in 1972. Other countries, with less favourable supply conditions, had greater difficulty in selecting and implementing effective stabilization measures. The degree of co-operation of business and labour groups also differed markedly from country to country. There was therefore a greater tendency to depend on the freezing of particular prices - food-stuffs, rents, public services and so on - for periods which, in the generally inflationary circumstances, could in most cases be only brief. In most of the Western European countries consumer prices rose between 5 and 8 per cent in 1972. Hourly earnings in manufacturing rose much more, however: 10 per cent in Italy, 12 per cent in France, 14 per cent in Sweden and 18 per cent in the United Kingdom. The lowest increase (9 per cent, not much

above that registered in the United States) was in the Federal Republic of Germany where the recession was deepest in 1972 and stabilization was sought through conventional fiscal and monetary policy.

Conventional measures were also stressed by EEC in urging a co-ordinated attack on inflationary forces by member Governments in 1973: the increase in public spending and in the money supply is to be held down to the expected rate of over-all economic growth. Improvements in training were recommended to raise labour mobility and help to meet job vacancy requirements. It was suggested that tariffs might be reduced and quotas augmented, if only temporarily, in order to increase supply through imports - especially of consumer goods. Recommendations on incomes policy concerned better consultation with management, labour and consumer organizations. The declared intention was to limit the rise in retail prices to 4 per cent in 1973.

The state of external balance

The revival of demand in the developed market economies, coupled with dissipation of some uncertainties by the Smithsonian agreement of December 1971 on new exchange rates, stimulated a rapid expansion in trade in 1972, beginning with an upswing in imports into North America. The increase was general, affecting the trade of the developed market economies among themselves and with the rest of the world, including the developing countries which, as indicated in the previous chapter, benefited from the strengthening of the markets for most primary commodities.

As 1972 opened, it was realized that the currency realignment that had just been agreed to would have an adverse effect on the United States terms of trade and hence aggravate the current account imbalance, at least in the first instance. It was hoped, however, that as the year advanced, the new currency relationships would exert an increasing effect on the flow of trade, encouraging the exports of the deficit countries and discouraging their imports.

In the event, the recovery in demand in the United States was too strong and too far in advance of that in the Federal Republic of Germany and Japan to permit equilibrating changes in trade. Imports into the United States, responding to consumer purchases, increased twice as much as exports; the merchandise deficit grew from \$1.5 billion to \$5.9 billion and the current account deficit from \$2.8 billion to nearly \$8 billion.

At the same time, the competitive position of the United Kingdom deteriorated much more rapidly than had been expected. With rising domestic demand drawing in more imports, the current account - which had achieved a \$2.5 billion surplus in 1971 - moved into deficit in the middle of 1972. Canada, too, swung into deficit in the wake of increasing domestic demand.

On the other side of the disequilibrium, expectations were also disappointed. Despite a domestic recovery, Japan increased its trade surplus to \$9 billion; though duties were cut by 20 per cent in the second half of the year, imports rose by less than 5 per cent in yen terms. Over \$4 billion of this surplus was with the United States - accounting for over 70 per cent of the latter's trade deficit and a fifth of the 1971-1972 deterioration (see table 13). The Federal Republic of Germany, where the recovery was later and slower and exports increased by

18 per cent in dollar terms, also increased its trade surplus in 1972. In both countries there was an increase in the deficit on invisible transactions, however - induced at least in part, by the upward valuation of the currency - so that the over-all current account surplus rose only modestly. There was an increase in the surplus in Italy, too, reflecting slack internal demand and expanding exports.

The counterpart of the increase in the current deficits of Canada, the United Kingdom and the United States was widely distributed and hence less disequilibrating than it might otherwise have been: there were not only larger surpluses in France, the Federal Republic of Germany, Italy and Japan but also reduced deficits or swings from deficit to surplus in Australia, the Benelux and Scandinavian countries and, as indicated in chapter I, a reduction in the combined deficit of the developing countries.

In the face of these trade and other current account developments, capital movements, which, in the wake of the December 1971 currency realignment, had been fairly normal in the early part of the year, began to grow more turbulent as 1972 advanced.

The early calm was reinforced by changes in capital market conditions. A rise in short-term interest rates in North America and the easing of monetary policy in some European countries, as concern over unemployment increased, materially narrowed the interest rate differential between the Euro-dollar and United States markets.

Sterling became the initial focus of trouble. It had been traded near its Smithsonian "central rate" while the principal European currencies were close to their upper limits, and as signs of the deterioration of the United Kingdom current account became evident, the pound began to be sold on a massive scale. In one week in mid-June the equivalent of \$2.5 billion left the United Kingdom and rather than defend the new exchange rate (which had been raised by the Smithsonian agreement) the Government decided to let the pound float, and by the last quarter of 1972 it had declined by 10 per cent. In the course of the year there was a large outflow of capital matching, more or less, the inflow that had occurred in 1971, much of it going to the Federal Republic of Germany, some to Australia and France.

The June disturbances revealed a lack of confidence in the new exchange rate structure and led to a tightening of capital controls which had been released under the Smithsonian arrangement. The United Kingdom extended its exchange control to the overseas sterling area, Italy sought to stem the outflow of funds from the lira, and several countries - Belgium, the Federal Republic of Germany, Japan and the Netherlands, for example - took further action to discourage the inflow of foreign funds. 2/ At the same time some of the surplus countries -

2/ These measures included the institution of a floating exchange rate for capital transactions, limitation of interest payments on non-resident deposits, the raising of reserve requirements on the foreign liabilities of financial institutions, control over foreign borrowing and restriction on non-resident acquisition of various forms of assets. Some were of long standing, many had been introduced in 1971 and were reinforced in 1972. One new measure in the Federal Republic of Germany was the call for a cash deposit against companies' foreign liabilities from whatever source.

France, Japan, the Netherlands and Switzerland, for example - took steps to increase the outflow of capital. Later in the year the German long-term capital account moved into deficit and for 1972 as a whole the increase in foreign investment and development assistance from Japan was such that, despite the inflow of short-term funds, that country's capital account showed a deficit of over \$2 billion.

By the autumn there were signs of greater stability: the stronger European currencies had dropped from their upper limits and, where dual exchange markets had been created, the free rate moved closer to the (controlled) trade rate. In these circumstances, several Governments felt less inhibited about using monetary policy to combat the rising inflation. Interest rates were raised in a number of countries, including Belgium, France, the Federal Republic of Germany and the United Kingdom.

Given the enormous overhang of mobile funds, however, the stability again proved fragile. Exchange dealings reacted strongly to each piece of evidence that the original disequilibria had not been overcome: news of the increase in the Japanese surplus, disappointing trade returns from the United States, signs of continued inflation in the United Kingdom and the United States, a report on the current balance in the Federal Republic of Germany for 1972. The price of gold, which had drifted erratically downward from about \$70 per fine ounce in mid-year to about \$60 in November, started rising again and stood at \$65 as 1973 opened. A new spate of turbulence was touched off on 20 January 1973 when a two-tier exchange system was introduced in Italy. There was a sudden outflow of lire for the purchase of Swiss francs - the currency that was at its Smithsonian ceiling at the time - and to protect domestic economic policy, the Government let the franc float. There was thus a massive movement from the weaker to the stronger currencies: in the first week in February, some \$6 billion was taken in by the Federal Republic of Germany and over \$1 billion by Japan, and the price of gold rose above \$75 an ounce.

On 12 February it was announced that the United States dollar would be devalued by 10 per cent and the next day the lira and the yen were allowed to float (thus joining the Canadian dollar, the pound sterling and the Swiss franc). In the next two weeks a number of other adjustments to exchange rates were made among the minor currencies, those with close trade links to the United States following the dollar down the full 10 per cent, others devaluing to a smaller extent. On 1 March, however, there was a further rush into the stronger European currencies with the German central bank absorbing no less than \$2.6 billion and the price of gold rising to \$90. The exchanges were closed and in the two weeks before they reopened the deutsche mark was upvalued slightly and it was linked with French, Benelux and Danish currencies in a joint float (which the Norwegian krone and the Swedish krona subsequently joined).

Compared with the Smithsonian structure, the currency relationships that emerged from this frenetic period reflect the changes in the external balance of the major trading countries. The pound was marked down slightly relative to the United States dollar, the lira and Canadian dollar were somewhat higher; the others had all appreciated considerably - the Dutch guilder and the Swedish krona by 10 percentage points, the stronger EEC currencies by about 15 points and the yen, the Australian dollar and the Swiss franc by over 20 points (see table 14).

For 1972 as a whole, the United States enjoyed a small net inflow of private long-term capital - reflecting changes in net direct investment - and the over-all deficit on long-term capital account was only a fifth of its 1971 figure. After a reversal in the direction of flow in the first half of the year, the improvement in short-term transactions was even more dramatic. The over-all deficit thus dropped to \$10 billion on an official settlements basis. This was a third of the 1971 figure and more or less in line with that of 1970, but whereas the deficit in that year was on capital account, in 1972 it was largely in current account, reflecting chiefly the deteriorating trade position (see table 15). This, in turn, represents the steady expansion, since the early 1950s, in net imports of non-agricultural primary products and the shrinking of net exports of manufactures.

The international reserves of the United States, after a reduction of \$1.3 billion in 1971 declined only marginally in 1972: losses in the second half of the year exceeded gains in the first half by about \$40 million. Italy and the United Kingdom were the only other countries among the developed market economies to lose reserves in 1972: the Italian losses were spread through the year, those of the United Kingdom were concentrated in the second half. The big gainers were the Federal Republic of Germany (\$5 billion), Japan (\$3 billion), Australia (\$2.8 billion), France and Spain (\$1.8 billion each) and the Netherlands (\$1 billion). Except in the case of Japan, whose reserves rose chiefly in the fourth quarter of 1972, these gains were made in the first three quarters of the year and, after a reversal in the fourth quarter, continued into the first quarter of 1973. Indeed, as a result of the hectic dealings of February, several of the European countries absorbed more foreign currency than during the whole of 1972: \$8.7 billion in the case of the Federal Republic of Germany and over \$1 billion in the case of Belgium, France and the Netherlands (see table 16).

In the aggregate, developed market economy reserves increased by \$32.7 billion in 1971 and \$18.7 billion in 1972. Very little of this was in gold: an increase of \$1.8 billion in 1971 was followed by a reduction of over \$0.3 billion in 1972. Borrowing rights in IMF were drawn down in both years, fractionally in 1972 but to the extent of \$0.8 billion in 1971. Holdings of SDR rose by \$2.8 billion in 1971 and \$2.5 billion in 1972. The great expansion was in foreign exchange - the equivalent of \$28.9 billion in 1971 and \$16.6 billion in 1972. Of the latter amount, the United States deficit contributed \$10 billion. At the end of 1972 almost half of total foreign exchange holdings - the great bulk of which consisted of United States dollars - were held, in more or less equal amounts, by the Federal Republic of Germany and Japan (see table 17). By the end of 1972, very few of the developed market economies (other than the former reserve currency countries) had less than the equivalent of three months' imports in their official holdings. The large dollar component of these holdings, however, was not convertible and represented something less than generalized purchasing power.

Outlook

Notwithstanding the unsolved problems of inflation and unemployment and the seeming lack of progress towards an agreed set of rules for a new international monetary system, 1972 trends and most economic indicators early in 1973 point to the continued rapid growth in production and trade in the period immediately ahead. Most of the developed market economies were still operating at less than full capacity at the end of 1972 and official policy, though alerted to the risk of an acceleration in the rise in prices, remained generally expansionary.

Even the countries that achieved a relatively high rate of growth in 1972 - Canada, France and the United States, for example - are expected to maintain, if not increase, their expansion in 1973. The EEC, benefiting from its enlargement from six to nine members, is likely to improve on its 1972 performance: higher rates of investment are foreseen in some of the smaller members (especially Denmark and Ireland) and higher rates of capacity utilization in some of the larger (especially the Federal Republic of Germany and Italy). The recovery staged by Japan in 1972, on the basis of a different demand pattern from that characterizing previous upswings, is expected to continue and perhaps accelerate to the higher rates of growth recorded in the 1960s under the influence of fiscal stimulation and monetary ease.

In Japan, the expansion seems likely to come chiefly from consumption (especially in the public sector), home building and investment outside the manufacturing sector. In most other developed market economies, the swing in demand is likely to be in the opposite direction: away from consumer expenditure and residential construction (whose high 1972 share may be cut by anti-inflationary policies) towards business investment, as existing capacity nears full utilization. Almost everywhere, stock building, which lagged behind in 1972, is expected to add to the expansionary factors.

The emerging pattern of demand and the vigorous over-all growth should provide powerful stimuli to international trade. Western Europe is likely to make a greater contribution to this than it did in 1972, not only in respect of intra-trade - especially within the enlarged Community - but also in respect of its imports from the rest of the world. The primary-producing countries should share fully in this expansion, not only as sources of the raw materials for increased industrial activity but also as importers having at their disposal not only a greater flow of current earnings but also the sizable increment in their international liquidity that accumulated in 1972.

Perhaps the biggest question hanging over the economic scene concerns the method of dealing with price inflation. This will almost certainly persist and may indeed become more acute. Tight supply conditions prevail in most primary commodity markets, and international prices seem likely to be pushed up to the full extent of the dollar devaluation and in many cases well beyond. In most developed market economies wage rates rose considerably in 1972 and hourly earnings increased by 6-7 per cent in North America and 10-12 per cent elsewhere. Though output was greater, labour costs also rose. The rise in consumer prices was accelerating in most of the Western European countries in 1972 and even in North America in the first quarter of 1973. Consequently, most countries were experiencing great difficulty in keeping wage settlements in line with growth and productivity norms, particularly as one of the most rapidly rising components of the price index was food, the cost of which had already increased by nearly 8 per cent in Western Europe in 1972.

While the problem of ensuring the equitable distribution of the annual increment in output has been more explicitly posed than ever before in a number of countries, formulae and institutions for achieving this had not yet been agreed to. Since there are often wide disparities among economic sectors and branches in personal income levels, in workers' bargaining power for wage negotiations and in productivity gains, as well as in the industry's ability to pass increases in cost on to its customers, compromises have been slow in coming. The risk remains therefore that, in the effort to cope with inflation, Governments may resort to more general monetary curbs or fiscal action that will slow down the growth in production, if not in 1973 then in 1974.

The second major question that remains unresolved in 1973 is the reconstitution of an international monetary system. This question appears somewhat less urgent than it did a year ago, satisfactory increases in production and trade having been achieved despite the currency upheavals of 1972. It can be expected, perhaps more reasonably than after the Smithsonian settlement, that the exchange rate adjustments that have now been effected, coupled with - and ultimately confirmed by - the floating of the major currencies, will begin to reduce both the deficit of the United States and the surplus of the Federal Republic of Germany and Japan. The recent food crisis and the strength of the United States agricultural sector may be expected to help in this regard, especially if the trade negotiations that are due to begin in the autumn of 1973 make some headway in devising other means than production constraints to maintain the incomes of those now engaged in farming.

The dialogue on the monetary problem has continued, notably in the IMF Committee on Reform of the International Monetary System and Related Issues, which met at the ministerial level for the first time in March 1973. While opinion appears to be converging in several areas - the desirability of stable but adjustable exchange rates, for example, the need for action by surplus as well as deficit countries, the increasing use of SDR as a major reserve asset and the need for IMF surveillance of exchange rate policies - there are still wide differences on other matters.

One such matter is the degree of symmetry - between deficit and surplus situations - and the degree of automaticity of required actions. At the one extreme are those who think that specific changes - in exchange quotations within the prescribed band or in official reserve ratios - should automatically set in motion designated defensive or remedial actions. At the other, are those who favour a more discretionary system such as would be appropriate for the regulatory function of a world central bank.

The extent to which various possible short-term defensive trade measures should be linked with the control of capital movements for the maintenance of exchange rates is also a matter of controversy. There is agreement, however, that if the use of defensive trade policies is accepted they should not be invoked against the developing countries.

Another unsolved problem is how to prevent the movement of short-term funds from disrupting the exchange rate nexus. In some ways this is the most urgent of the many questions connected with the setting up of a new monetary system, for the events of the past 18 months have provided ample evidence of the size and mobility of the funds that stand ready to move across the exchanges. Part of the danger of disruptive movements - for defensive purposes - will presumably disappear when a credible set of currency relationships is agreed to and cemented by an appropriate schedule of rules for monetary behaviour within a determined international institutional framework. But the risk of speculative movements will remain. Its reduction will depend on immobilizing the enormous overhang of non-resident dollars and curbing the United States deficit. The former is largely a technical problem linked to decisions regarding the role of the dollar among the reserve assets in the new system. The latter depends on the restoration of a better balance between some of the major trading countries: unless it is accomplished through action by surplus countries as well as deficit countries, it will exert a negative impact on world trade.

Table 9. Developed market economies: growth of gross domestic product in constant market prices, 1970-1973
(Percentage)

| Region and country | Average annual rate, 1970-1972 | Range of growth forecasts for | | | |
|--|--------------------------------|---------------------------------|------|----------------|----------------|
| | | Change from preceding year 1970 | 1971 | 1972 <u>a/</u> | 1973 <u>b/</u> |
| North America | 2.9 | -0.3 | 2.7 | 6.3 | 6.1-6.6 |
| Canada | 4.5 | 2.6 | 5.5 | 5.5 <u>c/</u> | 5.5-6.0 |
| United States | 2.8 | -0.5 | 2.5 | 6.4 <u>c/</u> | 6.2-6.7 |
| Western Europe | 4.1 | 5.2 | 3.2 | 3.8 | 4.9-6.0 |
| EEC | 4.3 | 5.8 | 3.3 | 3.7 | 5.0 <u>d/</u> |
| Belgium | 4.6 | 6.1 | 3.7 | 4.0 | |
| France | 5.5 | 5.9 | 5.1 | 5.5 | 5.8-6.2 |
| Germany, Federal Republic of | 3.8 | 5.9 | 2.7 | 2.8 <u>c/</u> | 4.5-6.0 |
| Italy | 3.2 | 5.0 | 1.5 | 3.0 <u>c/</u> | 4.3-6.0 |
| Luxembourg | 2.4 | 3.4 | 0.7 | 3.0 | |
| Netherlands | 4.8 | 6.3 | 4.5 | 3.5 <u>c/</u> | 4.0-5.0 |
| Other Europe | 3.7 | 4.2 | 2.9 | 4.0 | |
| Austria | 6.2 | 7.8 | 5.2 | 5.5 | 5.0-5.5 |
| Cyprus | 7.8 | 3.8 | 12.1 | 7.5 | |
| Denmark | 3.9 | 3.3 | 4.0 | 4.5 | 4.5-5.5 |
| Finland | 5.2 | 8.3 | 2.3 | 4.9 | 5.5-6.0 |
| Greece | 7.7 | 7.5 | 7.0 | 8.5 | 8.0 |
| Iceland | 7.8 | 6.1 | 9.9 | 7.3 | 5.0-6.0 |
| Ireland | 3.2 | 2.9 | 3.8 | 2.8 | 4.5-5.2 |
| Malta | 9.5 | 10.4 | 9.0 | 9.0 | |
| Norway | 4.2 | 3.5 | 5.0 | 4.0 | 4.0-4.6 |
| Portugal | 7.4 | 8.5 | 6.2 | 7.5 | |
| Spain | 5.8 | 6.0 | 4.5 | 7.0 <u>c/</u> | 6.0-7.0 |
| Sweden | 2.4 | 5.0 | 0.2 | 2.1 | 4.0-4.5 |
| Switzerland <u>c/</u> | 4.3 | 4.2 | 3.8 | 4.8 | 4.0-4.7 |
| Turkey | 6.8 | 5.6 | 7.9 | 7.0 | |
| United Kingdom | 2.1 | 2.2 | 1.6 | 2.5 | 5.0-6.3 |
| Asia | | | | | |
| Japan | 8.7 | 10.5 | 6.3 | 9.2 <u>c/</u> | 10.7-11.9 |
| Southern hemisphere | 4.2 | 5.4 | 4.0 | 3.4 | 5.0-6.5 |
| Australia <u>e/</u> | 4.4 | 5.8 | 4.3 | 3.2 | 5.0-7.2 |
| New Zealand <u>e/</u> | 3.3 | 4.0 | 3.5 | 2.5 | 3.5-4.0 |
| South Africa | 4.1 | 4.8 | 3.6 | 4.0 | 5.5 |
| Total, 27 developed market economies | 3.9 | 2.9 | 3.3 | 5.6 | 6.1-6.9 |

(Source and foot-notes on following page)

(Source and foot-notes to table 9)

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/ Forecasts for 1973 made since December 1972 by national authorities, EEC, OECD (in its Economic Outlook, No. 12, 1972) and the National Institute of Social and Economic Research in National Institute Economic Review (London), No. 63, February 1973).

c/ Gross national product.

d/ Including Denmark, Ireland and the United Kingdom.

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

Table 10. Selected developed market economies: changes in major components
of gross domestic product in constant prices, 1970-1972
(Percentage change from preceding year)

| Country and year | Private consumption | Public consumption | Fixed investment | Changes in inventories ^{a/} | Exports | Imports | Gross domestic product |
|-------------------------------|------------------------|-----------------------|---------------------|---|---------|---------|------------------------------|
| <u>Australia^{b/}</u> | | | | | | | |
| 1970 . . . | 5.8 | 2.6 | 5.4 | 1.7 | 18.9 | 10.2 | 5.8 ^{c/} |
| 1971 . . . | 3.2 | 5.5 | 3.4 | 1.3 | 8.4 | 3.4 | 4.3 ^{c/} |
| 1972 . . . | 3.4 | 2.5 | 0.7 | -0.1 | 8.6 | -2.1 | 3.2 ^{c/} |
| <u>Austria</u> | | | | | | | |
| 1970 . . . | 6.0 | 2.3 | 11.6 | 3.1 | 18.5 | 18.6 | 7.8 |
| 1971 . . . | 7.2 | 3.5 | 12.0 | 1.0 | 4.7 | 6.9 | 5.2 |
| 1972 . . . | 6.2 | 6.0 | 8.0 | -0.5 | 9.0 | 11.5 | 5.5 |
| <u>Belgium</u> | | | | | | | |
| 1970 . . . | 4.3 | 3.1 | 9.8 | 1.5 | 9.8 | 7.0 | 6.1 |
| 1971 . . . | 4.6 | 4.8 | -3.1 | 1.2 | 8.2 | 6.2 | 3.7 |
| 1972 . . . | 4.5 | 6.0 | 1.5 | ... | 5.0 | 6.5 | 4.0 ^{c/} |
| <u>Canada</u> | | | | | | | |
| 1970 . . . | 2.0 | 9.1 | 0.9 | 0.2 | 9.3 | -1.3 | 2.6 |
| 1971 . . . | 5.5 | 5.3 | 5.7 | 0.1 | 5.7 | 8.9 | 5.5 |
| 1972 . . . | 7.6 | 5.0 | 4.1 | 0.1 | 6.2 | 10.9 | 5.5 ^{c/} |
| <u>Denmark</u> | | | | | | | |
| 1970 . . . | 2.9 | 10.5 | 6.0 | 0.4 | 5.9 | 8.0 | 3.3 |
| 1971 . . . | 2.4 | 8.9 | 1.9 | -0.8 | 4.1 | -0.6 | 4.0 |
| 1972 . . . | 3.5 | 5.0 | 2.5 | -0.2 | ... | ... | 4.5 |
| <u>Finland</u> | | | | | | | |
| 1970 . . . | 6.7 | 5.6 | 12.9 | 7.1 | 7.7 | 19.0 | 8.3 |
| 1971 . . . | 3.0 | 4.5 | 2.7 | 6.5 | -1.1 | -0.4 | 2.3 |
| 1972 . . . | 5.2 | 5.4 | 2.9 | 3.7 | 15.1 | 4.1 | 4.9 |
| <u>France</u> | | | | | | | |
| 1970 . . . | 4.3 | 3.8 | 7.4 | 2.9 | 17.0 | 8.5 | 5.9 |
| 1971 . . . | 6.0 | 3.6 | 5.0 | -0.3 | 12.5 | 12.0 | 5.1 |
| 1972 . . . | 5.5 | 2.5 | 6.5 | 0.2 | 12.5 | 13.0 | 5.5 |

(Table 10 continued on following page)

Table 10 (continued)

| Country and year | Private consumption | Public consumption | Fixed investment | Changes in inventories ^{a/} | Exports | Imports | Gross domestic product |
|---|------------------------|-----------------------|---------------------|---|---------|---------|------------------------------|
| <u>Germany, Federal Republic of</u> | | | | | | | |
| 1970 . . . | 7.0 | 4.9 | 11.4 | 2.2 | 8.7 | 15.4 | 5.9 |
| 1971 . . . | 5.5 | 7.2 | 4.5 | 0.8 | 6.2 | 10.2 | 2.7 |
| 1972 . . . | 3.6 | 4.2 | 1.6 | 0.8 | 7.4 | 8.9 | 2.8 ^{c/} |
| <u>Greece</u> | | | | | | | |
| 1970 . . . | 7.6 | 4.8 | 2.0 | 1.3 | ... | ... | 7.5 |
| 1971 . . . | 8.4 | 5.3 | 10.0 | -0.5 | ... | ... | 7.0 |
| 1972 . . . | 8.6 | 6.0 | 8.4 | -0.5 | ... | ... | 8.5 |
| <u>Iceland</u> | | | | | | | |
| 1970 . . . | 12.2 | 4.5 | 8.0 | -0.7 | 17.7 | 27.8 | 6.1 |
| 1971 . . . | 14.0 | 6.4 | 44.5 | 3.0 | -3.4 | 24.4 | 9.9 |
| 1972 . . . | 11.8 | 5.6 | 2.4 | -0.9 | 9.4 | 9.4 | 7.3 |
| <u>Ireland</u> | | | | | | | |
| 1970 . . . | 3.0 | 7.0 | -1.3 | 2.1 | 4.4 | 2.4 | 2.9 |
| 1971 . . . | 3.3 | 3.3 | 8.9 | 1.1 | 5.0 | 4.1 | 3.8 |
| 1972 . . . | ... | ... | 2.0 | ... | 16.8 | 4.0 | 2.8 |
| <u>Italy</u> | | | | | | | |
| 1970 . . . | 7.8 | 1.9 | 3.4 | 1.6 | 5.9 | 16.3 | 5.0 |
| 1971 . . . | 2.6 | 4.2 | -4.9 | 0.4 | 6.8 | - | 1.5 |
| 1972 . . . | 4.0 | 3.5 | -2.5 | 0.5 | 11.5 | 8.5 | 3.0 ^{c/} |
| <u>Japan</u> | | | | | | | |
| 1970 . . . | 7.6 | 7.0 | 13.7 | 4.5 | 16.1 | 20.8 | 10.5 |
| 1971 . . . | 7.2 | 7.9 | 8.3 | 1.7 | 18.1 | 3.2 | 6.3 |
| 1972 . . . | 9.3 | 7.9 | 10.7 | 1.7 | 7.4 | 8.5 | 9.2 ^{c/} |
| <u>Luxembourg</u> | | | | | | | |
| 1970 . . . | 5.5 | 2.2 | 16.4 | - | 1.3 | 5.3 | 3.4 |
| 1971 . . . | 4.0 | 1.5 | 8.0 | 0.6 | -3.5 | 1.5 | 0.7 |
| 1972 . . . | 4.0 | 1.5 | -1.0 | ... | 1.0 | 2.0 | 3.0 |
| <u>Netherlands</u> | | | | | | | |
| 1970 . . . | 7.4 | 5.8 | 8.3 | 2.2 | 12.8 | 13.9 | 6.3 |
| 1971 . . . | 3.0 | 3.5 | 1.7 | 1.2 | 11.0 | 6.0 | 4.5 |
| 1972 . . . | 5.0 | -0.5 | -4.0 | ... | 10.0 | 2.0 | 3.5 ^{c/} |

(Table 10 continued on following page)

Table 10 (continued)

| Country and year | Private consumption | Public consumption | Fixed investment | Changes in inventories ^{a/} | Exports | Imports | Gross domestic product |
|-----------------------|------------------------|-----------------------|---------------------|---|---------|---------|------------------------------|
| <u>Norway</u> | | | | | | | |
| 1970 . . . | 2.0 | 4.0 | 16.0 | 3.1 | 1.5 | 13.3 | 3.5 |
| 1971 . . . | 5.4 | 4.5 | 11.9 | 1.8 | 3.5 | 4.1 | 5.0 |
| 1972 . . . | 2.0 | ... | -4.0 | ... | ... | ... | 4.0 |
| <u>South Africa</u> | | | | | | | |
| 1970 . . . | 7.1 | 6.0 | 12.7 | 4.3 | - | 16.4 | 4.8 |
| 1971 . . . | 4.4 | 9.6 | 7.0 | 3.1 | 5.2 | 6.3 | 3.6 |
| 1972 . . . | 3.8 | -2.9 | 0.6 | -2.3 | 10.8 | -13.9 | 3.1 |
| <u>Spain</u> | | | | | | | |
| 1970 . . . | 3.9 | 9.3 | 3.8 | 1.8 | 18.3 | 1.5 | 6.0 |
| 1971 . . . | 3.4 | 6.3 | -1.9 | 1.7 | 13.6 | 0.2 | 4.5 |
| 1972 . . . | 5.5 | 4.5 | 14.0 | 1.2 | 20.0 | 23.0 | 7.0 ^{c/} |
| <u>Sweden</u> | | | | | | | |
| 1970 . . . | 2.4 | 7.3 | 3.1 | 2.9 | 9.1 | 9.7 | 5.0 |
| 1971 . . . | -0.8 | 4.1 | -1.4 | 0.7 | 5.8 | -3.1 | 0.2 |
| 1972 . . . | 3.5 | 2.6 | 3.5 | ... | 4.8 | 4.6 | 2.1 |
| <u>Switzerland</u> | | | | | | | |
| 1970 . . . | 5.3 | 2.3 | 8.0 | 1.7 | 7.2 | 13.7 | 4.2 |
| 1971 . . . | 5.5 | 3.7 | 7.9 | 1.0 | 2.5 | 6.1 | 3.8 |
| 1972 . . . | 5.7 | 4.5 | 6.3 | ... | 4.2 | 6.5 | 4.8 |
| <u>United Kingdom</u> | | | | | | | |
| 1970 . . . | 2.7 | 1.1 | 2.5 | 0.7 | 5.5 | 5.3 | 2.2 |
| 1971 . . . | 2.6 | 3.6 | -0.6 | 0.1 ^{a/} | 4.9 | 4.6 | 1.6 |
| 1972 . . . | 6.2 | 3.2 | 2.6 | -1.2 ^{a/} | 1.5 | 9.3 | 2.5 |
| <u>United States</u> | | | | | | | |
| 1970 . . . | 1.7 | -3.7 | -3.5 | 0.4 | 8.6 | 3.8 | -0.5 |
| 1971 . . . | 3.9 | -1.4 | 5.1 | 0.4 | -0.7 | 7.5 | 2.5 |
| 1972 . . . | 5.9 | 3.8 | 12.7 | 0.5 | 8.0 | 11.8 | 6.4 ^{c/} |

(Source and foot-notes on following page)

(Source and foot-notes to table 10)

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 and Economic Surveys (Paris), and national sources.

- a/ At current prices, as percentage of gross domestic product.
- b/ Fiscal year ending 30 June.
- c/ Gross national product.
- d/ Three quarters comparison.

Table 11. Developed market economies: rate of increase in consumer prices, 1961-1972
(Percentage)

| Country ^{a/} | Average annual rate | | Change from preceding year | | | Change from corresponding quarter of 1971 | | | | |
|--------------------------|---------------------|-----------|----------------------------|------|------|---|--------|---------------|--------|--|
| | 1961-1970 | | 1970-1972 | 1970 | | 1971 | 1972 | 1972 quarters | | |
| | 1961-1970 | 1970-1972 | 1970 | 1971 | 1972 | First | Second | Third | Fourth | |
| Turkey | 6.0 | 13.4 | 8.1 | 16.3 | 15.8 | 17.5 | 14.2 | ... | ... | |
| Portugal | 4.5 | 9.7 | 6.4 | 11.9 | 10.7 | 14.2 | 12.4 | 9.7 | 6.9 | |
| Iceland | 11.9 | 9.5 | 13.0 | 6.4 | 9.2 | 2.4 | 10.0 | 13.8 | 12.8 | |
| Ireland | 4.8 | 8.6 | 8.3 | 8.9 | 8.7 | 9.3 | 8.0 | 8.9 | 8.2 | |
| Spain | 6.0 | 7.4 | 5.7 | 8.3 | 8.3 | 8.6 | 7.2 | 9.2 | 8.1 | |
| Netherlands | 4.1 | 6.6 | 4.4 | 7.6 | 7.8 | 8.0 | 8.0 | 7.1 | 7.0 | |
| Norway | 4.5 | 8.0 | 10.6 | 6.3 | 7.2 | 6.1 | 7.0 | 7.9 | 7.7 | |
| Finland | 5.0 | 5.4 | 2.7 | 6.5 | 7.1 | 6.7 | 7.9 | 6.9 | 7.2 | |
| United Kingdom | 4.1 | 7.7 | 6.4 | 9.5 | 7.1 | 7.9 | 6.2 | 6.5 | 7.7 | |
| New Zealand | 3.8 | 8.0 | 6.6 | 10.4 | 6.9 | 8.5 | 7.4 | 6.5 | 5.5 | |
| Switzerland | 3.3 | 5.6 | 3.5 | 6.6 | 6.7 | 6.6 | 6.5 | 6.6 | 7.0 | |
| Denmark | 5.9 | 6.3 | 6.5 | 5.8 | 6.6 | 6.4 | 6.3 | 6.4 | 6.9 | |
| South Africa | 2.7 | 5.9 | 5.2 | 6.1 | 6.5 | 6.7 | 5.5 | 6.4 | 7.1 | |
| Austria | 3.6 | 5.1 | 4.4 | 4.7 | 6.3 | 5.7 | 6.0 | 6.3 | 7.4 | |
| Sweden | 4.0 | 6.8 | 7.1 | 7.4 | 6.0 | 5.2 | 6.5 | 6.5 | 5.8 | |
| France | 4.0 | 5.5 | 5.2 | 5.5 | 5.9 | 5.7 | 5.5 | 6.1 | 6.8 | |
| Australia | 2.5 | 5.2 | 3.8 | 6.0 | 5.9 | 7.0 | 6.1 | 5.7 | 4.5 | |
| Germany, Federal | | | | | | | | | | |
| Republic of | 2.8 | 4.9 | 3.8 | 5.1 | 5.8 | 5.5 | 5.1 | 5.9 | 6.4 | |
| Italy | 3.9 | 5.1 | 4.9 | 4.8 | 5.7 | 4.8 | 5.0 | 6.0 | 7.2 | |
| Belgium | 3.0 | 4.6 | 4.0 | 4.4 | 5.4 | 5.3 | 4.9 | 5.5 | 6.1 | |
| Luxembourg | 2.6 | 4.9 | 4.6 | 4.7 | 5.3 | 4.8 | 4.3 | 5.8 | 5.9 | |
| Canada | 2.7 | 3.7 | 3.4 | 2.9 | 4.8 | 4.8 | 4.4 | 4.8 | 5.2 | |
| Cyprus | 1.1 | 3.8 | 2.4 | 4.1 | 4.8 | 6.4 | 4.4 | 4.4 | 3.9 | |
| Greece | 2.1 | 3.5 | 3.1 | 3.0 | 4.3 | 3.6 | 3.5 | 4.0 | 5.8 | |

(Table 11 continued on following page)

Table 11 (continued)

| Country ^{a/} | Average annual rate 1961-1970 1970-1972 | | | Change from preceding year | | Change from corresponding quarter of 1971 | | | |
|---|--|-----------|------|----------------------------|------|---|--------|-------|--------|
| | 1961-1970 | 1970-1972 | 1970 | 1971 | 1972 | First | Second | Third | Fourth |
| Malta | 1.9 | 3.1 | 3.7 | 2.3 | 3.4 | -0.6 | 1.3 | 5.3 | 7.5 |
| United States | 2.8 | 4.5 | 5.9 | 4.3 | 3.4 | 3.5 | 3.2 | 3.1 | 3.4 |
| North America ^{b/} | 2.8 | 4.4 | 5.7 | 4.2 | 3.4 | 3.6 | 3.3 | 3.2 | 3.5 |
| Europe, 21 developed market economies ^{b/} | 4.1 | 6.0 | 5.1 | 6.5 | 6.3 | 6.4 | 6.0 | 6.3 | 6.9 |
| EEC ^{b/} | 3.5 | 5.2 | 4.5 | 5.3 | 5.9 | 5.5 | 5.4 | 6.0 | 6.7 |
| Japan | 5.7 | 6.0 | 7.7 | 6.1 | 4.3 | 4.3 | 4.6 | 4.5 | 4.4 |
| Australia, New Zealand and South Africa ^{b/} | 2.7 | 5.7 | 4.4 | 6.4 | 6.2 | 7.0 | 6.0 | 6.0 | 5.3 |
| Total, 27 developed market economies ^{b/} | 3.4 | 5.1 | 5.6 | 5.2 | 4.6 | 4.7 | 4.4 | 4.5 | 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 and Yearbook of National Accounts Statistics, and on national sources.

^{a/} Countries are arranged in descending order of percentage increase in consumer prices from 1971 to 1972.

^{b/} Weighted by private consumption in 1970.

Table 12. Selected developed market economies: unemployment rates and changes in unemployment, 1969-1972
(Percentage)

| Country ^{a/} | Annual average unemployment rate ^{b/} | | | | Percentage change in average number of unemployed between 1971 and 1972 | |
|--|--|------|------|--------------------|---|---|
| | 1969 | 1970 | 1971 | 1972 ^{c/} | 1971 and 1972 | December 1971 and December 1972 ^{d/} |
| Netherlands | 1.4 | 1.1 | 1.6 | 2.7 | 74 | 17 |
| Australia | 1.5 | 1.4 | 1.6 | 2.2 | 46 | 52 |
| Germany, Federal Republic of | 0.8 | 0.7 | 0.8 | 1.1 | 33 | 4 |
| Belgium | 3.6 | 2.9 | 2.9 | 3.5 | 22 | 11 |
| Norway | 1.0 | 0.8 | 0.8 | 1.0 | 21 | 22 |
| Finland | 2.8 | 1.9 | 2.2 | 2.6 | 16 | 4 |
| Japan | 1.1 | 1.2 | 1.2 | 1.4 | 15 | 3 |
| Italy | 3.4 | 3.1 | 3.1 | 3.6 | 14 | 15 |
| Ireland | 6.4 | 7.2 | 7.2 | 8.1 | 14 | -1 |
| United Kingdom | 2.5 | 2.6 | 3.4 | 3.8 | 11 | -14 |
| Sweden | 1.9 | 1.5 | 2.5 | 2.7 | 6 | -6 |
| France | 1.8 | 1.7 | 2.1 | 2.4 | 5 | .. |
| Canada | 4.7 | 5.9 | 6.4 | 6.3 | 2 | 10 |
| Denmark | 3.9 | 2.9 | 3.7 | 3.6 | -2 | -44 |
| United States | 3.5 | 4.9 | 6.0 | 5.6 | -3 | -12 |
| Austria | 2.8 | 2.4 | 2.1 | 1.9 | -6 | -15 |

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 percentage increase in number of unemployed between 1971 and 1972.

b/ Unemployment rate refers to the number of registered applicants for work or persons reported unemployed expressed as a percentage of the civilian labour force. Because of differences in definitions, the data do not permit simple intercountry comparisons.

c/ Preliminary, average for 11 months in the case of Norway and Japan, 9 months in the case of Australia, and 6 months in the case of France.

d/ Change between December 1971 and December 1972 expressed as a percentage of the former, except for Denmark, Finland and Japan (November to November), Italy (October to October) and Australia (August to August change).

Table 13. United States: balance of trade, by country group, 1971-1972
(Millions of dollars)

| Partner group and country | 1972 exports, f.o.b. | 1972 imports, f.o.b. | United States trade balance | | | Percentage share in deterioration of trade balance, 1971 to 1972 | Percentage change ^{a/} in exchange rates between 1971 and 1972 |
|--|----------------------------|----------------------------|-----------------------------|--------|--|---|--|
| | | | 1971 | 1972 | Change in balance of trade 1971 to 1972 | | |
| World ^{b/} | 49,676 | 55,555 | -1,465 | -5,879 | -4,414 | 100.0 | |
| Developed market economies | 34,077 | 40,676 | -3,510 | -6,599 | -3,089 | 70.0 | |
| EEC | 11,859 | 12,491 | 760 | -632 | -1,392 | 31.5 | |
| France | 1,610 | 1,368 | 292 | 242 | -50 | 1.1 | -8.3 |
| Germany, Federal Republic of | 2,811 | 4,249 | -819 | -1,438 | -619 | 14.0 | -8.2 |
| Italy | 1,425 | 1,756 | -92 | -331 | -239 | 5.4 | -6.0 |
| United Kingdom | 2,658 | 2,986 | -87 | -328 | -241 | 5.5 | -1.5 |
| Japan | 4,941 | 9,064 | -3,206 | -4,123 | -917 | 20.8 | -12.3 |
| Canada | 12,415 | 14,909 | -2,396 | -2,494 | -98 | 2.2 | -1.9 |
| Other developed market economies. | 2,204 | 1,226 | 1,419 | 978 | -441 | 10.0 | |
| Developing countries | 14,716 | 14,475 | 1,921 | 241 | -1,680 | 38.1 | |
| Centrally planned economies | 879 | 353 | 156 | 526 | 370 | -8.4 | |
| Unspecified | 4 | 51 | -33 | -47 | -15 | 0.3 | |

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Over-all Trade by Countries, Series A (Paris); International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Based on averages of monthly rate, expressed as currency units per dollar.

b/ Including special category commodities which are not distributed by destination.

Table 14. Developed market economies: changes in exchange rates of selected countries against the United States dollar

| Country | Changes in exchange rates between 30 June 1971 and end of quarter (percentages) | | | | | | | | | |
|------------------------------|---|--------|--------|--------------|-------|--------|-------|--------|-------------|--------|
| | Exchange rates, end of period (US cents per currency unit) | | | | | | | | | |
| | 1970 | 1971 | 1972 | 1973 (March) | 1971 | | 1972 | | 1973, First | |
| | | | | | Third | Fourth | First | Second | Third | Fourth |
| Australia | 111.50 | 119.10 | 127.50 | 141.75 | 2.7 | 5.7 | 5.7 | 5.7 | 5.7 | 13.1 |
| Belgium | 2.01 | 2.23 | 2.27 | 2.53 | 5.8 | 11.2 | 13.2 | 13.5 | 12.6 | 12.9 |
| Canada | 98.98 | 99.80 | 100.44 | 100.09 | 1.4 | 2.1 | 2.7 | 3.9 | 4.1 | 2.8 |
| Denmark | 13.35 | 14.16 | 14.60 | 16.13 | 2.9 | 6.2 | 7.5 | 7.7 | 8.3 | 9.5 |
| France | 18.12 | 19.14 | 19.51 | 22.06 | -0.3 | 5.6 | 9.7 | 10.3 | 10.0 | 7.6 |
| Germany, Federal Republic of | 27.41 | 30.60 | 31.23 | 35.17 | 5.4 | 7.0 | 10.4 | 10.8 | 9.2 | 9.2 |
| Italy | 0.16 | 0.17 | 0.17 | 0.17 | 1.9 | 5.0 | 7.0 | 7.4 | 7.2 | 7.0 |
| Japan | 0.28 | 0.32 | 0.33 | 0.38 | 6.9 | 13.5 | 17.5 | 18.7 | 18.7 | 18.3 |
| Netherlands | 27.80 | 30.73 | 31.00 | 33.95 | 5.7 | 9.6 | 11.6 | 12.4 | 10.2 | 10.5 |
| Norway | 14.01 | 14.90 | 15.04 | 16.94 | 3.5 | 6.0 | 7.7 | 8.9 | 7.2 | 6.9 |
| Sweden | 19.34 | 20.55 | 21.06 | 22.25 | 2.6 | 6.2 | 8.0 | 9.5 | 8.7 | 8.8 |
| Switzerland | 23.17 | 25.54 | 26.50 | 30.80 | 3.7 | 4.6 | 6.7 | 8.6 | 7.8 | 8.6 |
| United Kingdom | 239.38 | 255.25 | 234.75 | 247.55 | 2.7 | 5.5 | 8.1 | 1.0 | 0.02 | -3.0 |
| | | | | | | | | | | 2.3 |

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), April 1973, and data from the International Monetary Fund.

Table 15. United States: balance of payments, 1970-1972
(Billions of dollars, seasonally adjusted)

| Item | 1970 | 1971 | 1972 ^{a/} | 1971 quarters | | | | 1972 ^{a/} quarters | | | |
|--|-------|--------|--------------------|---------------|--------|--------|--------|-----------------------------|--------|-------|--------|
| | | | | First | Second | Third | Fourth | First | Second | Third | Fourth |
| Merchandise trade balance ^{b/} | 2.16 | -2.67 | -6.82 | 0.15 | -0.89 | -0.39 | -1.53 | -1.83 | -1.78 | -1.53 | -1.68 |
| Balance on current account. | 0.36 | -2.82 | -7.98 | 0.20 | -0.69 | -0.77 | -1.57 | -2.29 | -2.32 | -1.77 | -1.61 |
| Balance on long-term capital account | -3.42 | -6.46 | -1.26 | -1.62 | -2.19 | -2.44 | -0.20 | -1.42 | 0.66 | -0.58 | 0.08 |
| Balance on short-term transactions ^{c/} | -7.64 | -21.20 | -1.76 | -4.18 | -3.77 | -8.90 | -4.36 | 0.32 | 0.66 | -2.51 | -0.24 |
| Allocation of SDR | 0.87 | 0.72 | 0.71 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 |
| Official reserve transactions balance . . | -9.84 | -29.77 | -10.30 | -5.42 | -6.47 | -11.93 | -5.95 | -3.22 | -0.82 | -4.67 | -1.58 |
| Settled by: | | | | | | | | | | | |
| Official reserve assets, net | 2.48 | 2.35 | .03 | 0.68 | 0.66 | 1.19 | -0.19 | 0.43 | -0.23 | -0.06 | -0.11 |
| Liabilities to foreign official agencies | 7.36 | 27.42 | 10.27 | 4.74 | 5.81 | 10.74 | 6.14 | 2.79 | 1.05 | 4.73 | 1.69 |

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

a/ Preliminary.

b/ Adjusted to balance of payments basis; excludes certain transactions by United States military agencies.

c/ Including errors and omissions.

| Group and country | Reserves, end of period | | | Change during quarters (millions of dollars) | | | | | Reserves, end of 1972, as percentage of imports, c.i.f., 1972 | |
|--|-------------------------|---------|---------|--|--------|-------|--------|--------|---|--------|
| | Millions of dollars | | | Millions of SDR, 1972 | | | | | | |
| | 1972 | | | 1971 | | | | | | |
| | 1970 | 1971 | 1972 | Third | Fourth | First | Second | Third | | Fourth |
| North America | | | | | | | | | | |
| Canada | 4,679 | 5,701 | 6,050 | 140 | 709 | 189 | 328 | 103 | -171 | 29 |
| United States | 14,487 | 13,190 | 13,150 | -1,374 | 1,060 | 113 | 36 | 1,216 | -67 | 22 |
| Western Europe | | | | | | | | | | |
| EEC | 30,006 | 40,707 | 48,184 | 2,900 | 2,704 | 2,204 | 3,788 | 11,266 | -1,368 | 40 |
| Belgium ^{b/} | 2,850 | 3,479 | 3,878 | 228 | 50 | 202 | 171 | 1,109 | -170 | 24 |
| France | 4,960 | 8,253 | 10,015 | 1,655 | 943 | 216 | 929 | 1,167 | -4 | 37 |
| Germany, Federal Republic of | 13,610 | 18,392 | 23,427 | 332 | 1,401 | 1,354 | 2,884 | 8,673 | -738 | 58 |
| Italy | 5,352 | 6,787 | 6,079 | 574 | 121 | -133 | -223 | 165 | -335 | 32 |
| Netherlands | 3,234 | 3,796 | 4,785 | 111 | 189 | 565 | 27 | 1,301 | -121 | 31 |
| Other | | | | | | | | | | |
| Austria | 1,751 | 2,343 | 2,719 | 352 | 112 | 27 | 116 | 228 | -219 | 52 |
| Cyprus | 209 | 285 | 319 | 22 | 27 | 7 | 12 | ... | - | 100 |
| Denmark | 484 | 722 | 797 | -2 | 300 | 135 | -71 | 277 | 81 | 16 |
| Finland | 480 | 715 | 758 | 52 | 136 | 94 | -4 | ... | -94 | 24 |
| Greece | 310 | 525 | 1,032 | 120 | 74 | 36 | 175 | ... | 188 | 48 |
| Iceland | 54 | 70 | 84 | 77 | -2 | 4 | -3 | ... | 1 | 36 |
| Ireland | 697 | 995 | 1,126 | 95 | 97 | 68 | -24 | ... | 141 | 53 |
| Malta | 158 | 198 | 275 | -15 | 23 | 39 | -5 | ... | 29 | 157 |
| Norway | 813 | 1,154 | 1,325 | 163 | 29 | 55 | 80 | ... | 63 | 30 |
| Portugal | 1,504 | 1,945 | 2,312 | 183 | 214 | 26 | 27 | ... | -27 | 44 |
| Spain | 1,817 | 3,268 | 5,014 | 590 | 320 | 368 | 468 | ... | 83 | 106 |
| Sweden | 761 | 1,110 | 1,575 | 33 | 112 | 225 | 59 | ... | 320 | 75 |
| Switzerland | 5,132 | 6,966 | 7,488 | 1,466 | 417 | -222 | 274 | ... | 173 | 20 |
| Turkey | 431 | 761 | 1,401 | 119 | 199 | 183 | -84 | 388 | 83 | 88 |
| United Kingdom | 2,827 | 6,583 | 5,645 | 1,395 | 1,568 | 491 | 650 | ... | 267 | 93 |
| | | | | | | | | 389 | -444 | 20 |
| Southern hemisphere | | | | | | | | | | |
| Australia | 1,693 | 3,316 | 6,141 | 287 | 475 | 564 | 698 | ... | 789 | 119 |
| New Zealand | 126 | 315 | 578 | 36 | 18 | 122 | 122 | ... | -2 | 38 |
| South Africa | 1,012 | 711 | 1,290 | -100 | -43 | 133 | 225 | ... | 52 | 32 |
| Asia | | | | | | | | | | |
| Japan | 4,840 | 15,300 | 18,365 | 5,583 | 1,976 | 1,304 | -820 | ... | 1,876 | 78 |
| Total | 74,271 | 106,940 | 125,628 | 12,050 | 10,525 | 6,165 | 6,047 | ... | 1,691 | 40 |

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), April 1973.

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

b/ Including Luxembourg holdings of SDR.

Table 17. Developed market economies: international reserves, by type, 1970-1972
(Billions of dollars)

| Type of reserve | Reserves, end of period | | | | | | Changes during quarters | | | |
|--|-------------------------|-------|-------|-------|--------|-------|-------------------------|-------|--------|------|
| | 1970 | | | 1971 | | | 1972 | | | |
| | 1970 | 1971 | 1972 | Third | Fourth | First | Second | Third | Fourth | |
| Gold | 33.8 | 35.5 | 35.2 | -0.2 | 2.7 | -0.6 | 0.1 | 0.1 | 0.1 | 0.1 |
| SDR | 2.6 | 5.4 | 7.8 | 0.0 | 0.5 | 2.5 | -0.4 | 0.4 | 0.4 | 0.0 |
| Reserve position in IMF | 6.7 | 5.9 | 5.9 | -0.6 | 0.6 | 0.1 | 0.1 | -0.3 | 0.1 | 0.1 |
| Foreign exchange | 31.2 | 60.1 | 76.7 | 12.8 | 6.7 | 4.1 | 6.3 | 4.7 | 1.5 | 1.5 |
| Total, above | 74.3 | 106.9 | 125.6 | 12.0 | 10.5 | 6.2 | 6.0 | 4.8 | 1.7 | 1.7 |
| Foreign exchange: | | | | | | | | | | |
| Australia | 1.1 | 2.7 | 5.4 | 0.3 | 0.4 | 0.5 | 0.7 | 0.8 | 0.8 | 0.8 |
| Belgium | 0.8 | 0.7 | 1.1 | 0.1 | -0.1 | 0.1 | 0.3 | 0.2 | -0.2 | -0.2 |
| Canada | 3.0 | 4.1 | 4.4 | 0.3 | 0.5 | 0.0 | 0.4 | 0.0 | -0.2 | -0.2 |
| France | 1.3 | 3.6 | 5.1 | 1.3 | 0.5 | 0.0 | 1.0 | 0.5 | -0.0 | -0.0 |
| Germany, Federal Republic of | 8.5 | 12.3 | 16.8 | 0.3 | 0.9 | 1.1 | 3.0 | 1.1 | -0.8 | -0.8 |
| Japan | 3.2 | 13.8 | 16.5 | 5.7 | 1.8 | 1.1 | -0.8 | 0.6 | 1.8 | 1.8 |
| Netherlands | 0.8 | 0.4 | 1.4 | -0.1 | -0.1 | 0.5 | 0.1 | 0.5 | -0.1 | -0.1 |
| Spain | 1.2 | 2.5 | 4.2 | 0.6 | 0.3 | 0.3 | 0.5 | 0.6 | 0.3 | 0.3 |
| Sweden | 0.4 | 0.7 | 1.1 | 0.0 | 0.1 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Switzerland | 2.4 | 3.8 | 4.3 | 1.4 | 0.2 | -0.2 | 0.3 | 0.4 | 0.1 | 0.1 |
| Total, above | 22.6 | 44.6 | 60.4 | 9.9 | 4.5 | 3.6 | 5.5 | 4.7 | 2.0 | 2.0 |
| United Kingdom | 1.2 | 5.1 | 4.1 | 1.4 | 1.4 | 0.2 | 0.3 | -1.0 | -0.5 | -0.5 |
| United States | 0.6 | 0.3 | 0.2 | -0.1 | 0.0 | -0.1 | 0.2 | -0.1 | -0.1 | -0.1 |
| Other developed market economies | 6.7 | 10.2 | 12.0 | 1.6 | 0.8 | 0.4 | 0.3 | 1.1 | 0.1 | 0.1 |

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), April 1973.

Chapter III

RECENT TRENDS IN THE CENTRALLY PLANNED ECONOMIES

Eastern Europe and the Soviet Union

The Union of Soviet Socialist Republics and the centrally planned economies of Eastern Europe showed important advances during the year under review. However, the economic performance of the group in 1972 was strongly influenced by the outcome of the agricultural season which, in the countries of Eastern Europe, contributed to a generally very satisfactory record but in the Soviet Union impeded production growth and necessitated large-scale grain imports with a significant impact on world markets.

In the majority of the countries of the area the directives for the medium-term plans for the first half of the 1970s are characterized by a greater emphasis on qualitative achievements - an aspect which, despite frequent appeals, has not enjoyed full priority in the past. Following this change in attitude, the plans of these countries generally gave more attention to closer adaptation of output to the requirements of domestic and foreign markets, to cost reductions, to more efficient use of resources and, increasingly, to a concern over factor productivity. A new concern was juxtaposed to these policies in 1972: the attainment or preservation of over-all domestic equilibrium. Increasing importance was assigned to the task of balancing the growth of demand and supply - especially in the consumer sectors - and of achieving a more harmonious development for all sectors of the economy.

Although decisive effects can be expected only in the long run, since the newly formulated objectives seem to require extensive changes in planning and management methods, these bolder attitudes in the field of development strategy, together with some shifts of emphasis in economic thinking, produced a number of positive results even during the implementation of the 1972 plans in several countries of the area.

In the sphere of production, growth rates were somewhat above those prevailing in the 1960s in most of the centrally planned economies of Eastern Europe, though not in the Soviet Union. While the performance of individual sectors varied from country to country, the main contribution to the expansion of the national income came in all cases from the increase of industrial output. A salient feature of industrial development in 1972 was a general narrowing of the gap between the growth rates of producer and consumer goods. In contrast with the uniformly satisfactory performance of the industrial sector, agricultural production showed a diversified pattern.

There is ample evidence that, induced by these developments, the drive to improve the technical basis of agriculture continues to gain momentum. There appears also to be a growing awareness that technical measures need to be supported by an improved system of incentives if the performance of the agricultural sector is to be strengthened significantly.

With respect to the pattern of final use, recent trends have varied widely. However, in several countries the shift towards consumption indicated by the annual plans was only partially maintained during their implementation, and the share of accumulation in national income seems to have increased in most countries.

Production and use of resources

The growth of aggregate output in the USSR and the Eastern European centrally planned economies, which, in national income terms, amounted to about 5 per cent in 1972, was disappointing primarily owing to the severe crop setback in the Soviet Union. This was caused by exceptionally unfavourable weather conditions and it retarded the development of the non-agricultural branches of the Soviet economy, resulting in a growth rate of only 4 per cent in the national income.

The production performance of the countries of Eastern Europe, by contrast, was considerably more satisfactory. The growth rate of national income was well in excess of the growth targets under both the annual and the five-year plans. Even though the expansion rate for the group was identical with that attained in 1971, it reflects an improved performance since it was achieved without the aid of "recovery" effects in the agricultural sphere of some countries which had raised the aggregate output growth measure for that year. Accelerated growth rates of national income (as compared with the performance of the previous year) were achieved by Czechoslovakia, the German Democratic Republic and Poland (for the third year in a row), while in Bulgaria the growth rate was the same as in the previous year, and in Hungary and Romania, where the 1971 growth rates had reflected the recovery from the severe agricultural downturns in 1970, national income growth decelerated by a few percentage points (table 22).

Table 18. Eastern Europe and USSR: growth of national income,^{a/}
actual and planned, 1966-1975
(Percentage)

| Country or country group | Average annual rate | | | Change from preceding years | | | |
|--------------------------------|----------------------|----------------------|-----------------------|-----------------------------|-----------------|-----------------|------------------|
| | 1966-1970, actual | 1971-1972, actual | 1971-1975, planned | 1971, actual | 1972 Planned | 1973, Actual | 1973, planned |
| Eastern Europe | 6.5 | 7.3 | 6.7-7.0 | 7.3 | 6.6 | 7.3 | 7.9 |
| USSR | 7.1 | 4.8 | 6.8 | 5.6 | 6.2 | 4.0 | 6.0 |
| Eastern Europe and USSR . . | 7.0 | 5.4 | 6.7-6.8 | 6.0 | 6.3 | 4.9 | 6.6 |

Source: Table 22.

^{a/} National income produced (net material product obtained as the sum of net value added in the sectors of material production), except for the USSR where this measure is not available and the reference is to national income distributed (the sum of final domestic uses of net material product). The two concepts differ mainly by the foreign balance.

Industrial production

Gross industrial output grew more slowly in 1972 than in 1971 under the impact of the deceleration in the Soviet Union, whereas in Eastern Europe it accelerated, all countries exceeding their industrial growth targets and all but Bulgaria and Czechoslovakia bettering their 1971 growth performance. In the Soviet Union, the slowdown caused by the shortage of agricultural raw materials for the food and light industries affected mainly the production of consumer goods (group "B"), which increased by 6 per cent - as against a planned rate of 7.1 per cent - while the output of producer goods (group "A") was augmented at the planned rate (6.8 per cent). The agricultural setback thus compelled the abandonment, at least temporarily, in the plan for 1973, of the original intention to accelerate the growth of consumer goods production beyond that of producer goods output.

The growth of industrial output was accompanied by continued improvement in the composition of industrial production, as evidenced by the rising share in total output of industries which are among the main carriers of technological progress, such as electrical power, metallurgy, machine-building, chemicals and petrochemicals. Thus, in Bulgaria, about 60 per cent of the total increment in 1972 industrial output was attained by enterprises of these branches (excluding electrical power), and their share in the gross industrial output rose from 36.7 per cent in 1971 to 38.4 per cent in 1972. In Czechoslovakia, three branches - rubber and plastics, other chemicals, and machine-building - contributed about one half of the increment in total industrial output. In the CMEA countries jointly, the 1972 increment in chemical industry output was about 10 per cent; in this branch, production of mineral fertilizers increased by approximately 7 per cent, plastics and synthetic resins by 9.5 per cent, and chemical fibres by 9 per cent. 1/

In a number of countries, producer goods showed a higher growth rate than consumer goods. However, in Hungary in recent years and in Poland in 1972 - for

Table 19. Eastern Europe and USSR: growth of industrial gross output,
actual and planned, 1966-1975

(Percentage)

| Country or country group | Average annual rate | | | Change from preceding year | | | |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------------|-----------------|-----------------|------------------|
| | 1966-1970, actual | 1971-1972, actual | 1971-1975, planned | 1971, actual | 1972 Planned | 1973, Actual | 1973, planned |
| Eastern Europe . | 7.9 | 7.9 | 7.5-7.8 | 7.6 | 6.8 | 8.2 | 8.6 |
| USSR | 8.5 | 7.1 | 8.0 | 7.7 | 6.9 | 6.5 | 5.8 |
| Eastern Europe and USSR . . . | 8.3 | 7.3 | 7.9-8.0 | 7.7 | 6.9 | 7.0 | 6.6 |

Source: Table 23.

1/ Informatsia o deiatel'nosti Soveta Ekonomicheskoi Vzaimopomoshchi v 1972g.
(Moscow), March 1973, p. 2.

the first time since the late 1950s - the output of consumer goods grew more rapidly than that of producer goods. In the case of Poland, this reflects a reversal of priorities which apparently is to be a continuing feature of the new economic policy, at least in the short run, as the same relationship prevails in the growth targets for 1973. Since the Polish five-year plan targets accepted last year had envisaged a slight growth advantage for the producer goods sector over the period as a whole, the entire development strategy may be under reconsideration.

In Eastern Europe and the USSR, about three quarters of the increments in industrial output came from increases in labour productivity. The apparent rates of increase in industrial labour productivity, as measured by the ratio of output to employment growth rates, were higher than in 1971 in all countries of the region except Czechoslovakia and the USSR (table 25).

The over-all increase in industrial employment in 1972 of about 1.6 per cent was slightly higher than in 1971 (1.5 per cent), and - in all countries except Hungary and Czechoslovakia - higher than planned. Hungary was again the only country of the region in which the increase in gross output was obtained with a reduced level of employment. Manpower shortages caused some difficulties in individual industrial branches in Czechoslovakia and the USSR.

Agricultural production

While the gross agricultural output of the region as a whole declined in 1972, the countries of Eastern Europe achieved very good results in this sector. Almost all of the Eastern European countries registered record grain harvests as well as very high output levels in other crops. Good results were generally achieved also in animal husbandry, with particularly impressive increases in the German Democratic Republic, Poland and Romania. In Poland, for example, cattle and pig herds, which after remaining constant in size through most of the last five-year plan period, had declined in the wake of the poor 1969-1970 harvests, increased considerably (cattle, 2.3 per cent, pigs, 13.8 per cent), and meat production after three years of stagnation, reached a record level of 2.3 million tons (13.7 per cent increase). Since, encouraged by increases in purchase prices, most of the production increments went into the marketable share, state procurements of some livestock products showed even more dramatic increases (meats, 21.0 per cent; milk, 20.9 per cent).

Table 20. Eastern Europe and USSR: growth of agricultural output, 1971-1973

(Percentage change from preceding year)

| Country or country group | 1971, actual | 1972 | | 1973, planned |
|---------------------------------|-----------------|---------|--------|------------------|
| | | Planned | Actual | |
| Eastern Europe | 5.4 | 7.1 | 7.1 | 5.6 |
| USSR | 1.1 | ... | -4.6 | 12.6 |
| Eastern Europe and USSR | 2.6 | ... | -0.8 | 10.4 |

Source: Table 24.

Soviet agricultural output suffered from the impact of an extraordinary combination of unfavourable climatic conditions, in which a cold and snowless winter was succeeded by an unprecedented drought in a considerable part of the country. Plantings of grains and other crops (especially potatoes and vegetables) were killed in large areas of the European part of the USSR which has the most fertile soils of the country (Ukraine, northern Caucasus, Volga basin). In spite of the resulting decrease in gross agricultural output, the 1972 production level was 4.2 per cent higher than the average annual output during 1966-1970. Separate data for crop and livestock sectors are not yet available, but incomplete data on individual items indicate that the output of livestock products remained roughly at the level of the preceding year while that of the crop sector fell by some 8 per cent.

The gross grain harvest in the Soviet Union totalled 168 million tons, somewhat above the 1966-1970 average but about 13 million tons below the output of 1971. State procurements amounted to 60 million tons, which met the minimum level fixed in the state plan but could not fully satisfy domestic requirements. To meet consumer needs and fodder quotas for the maintenance of animal herds, some 20 million tons were purchased in foreign markets.

According to Soviet calculations, the USSR would have harvested only about 90 million tons of grain from the current crop area if the severe 1972 weather conditions had occurred while the 1955 level of agricultural technology was still prevailing. 2/

Yields of potatoes and vegetables were below those of 1971 and below the average for the 1966-1970 period, as the drought had inflicted substantial damage on these crops, but state procurements were approximately similar to those of 1971. Despite the unfavourable weather conditions, production of industrial crops was rather good: the cotton crop was the largest in Soviet history (7.3 million tons) and topped the 1971-1975 plan target by more than 8 per cent; the production of sugar-beet (75.7 million tons) was also higher than in the preceding year.

Planned production

In most of the countries of the region, the 1973 plans of production envisage an acceleration of economic growth. This is reflected in an increase in the aggregate rate of planned national income growth for the region as a whole to 6.5 per cent (as against the 4.9 per cent increase in 1972), composed of a modest acceleration in the countries of Eastern Europe jointly and a much greater forceful step-up in the Soviet Union.

Most of the Eastern European countries plan to accelerate the growth rates of industrial production. The exceptions are Czechoslovakia and Poland, where slightly lower rates are planned, though there, too, the targets are higher than the planned growth targets of 1972. In the USSR, industrial output is planned to

2/ In this sense, L. Brezhnev, Secretary-General of the Communist Party of the Soviet Union, in his report on the fiftieth anniversary of the Soviet Union, considered the amount actually harvested in 1972 evidence of considerable achievement, a result of the assistance given the development of agriculture by the other branches of the national economy (Pravda (Moscow), 22 December 1972).

increase by 5.8 per cent, which is somewhat lower than both last year's growth and the five-year plan target for 1973. This reduction reflects delays in the commissioning of new production capacities in the ferrous metallurgy, chemical, oil-processing, gas and light industries, as well as shortages of various agricultural raw materials. In most of the countries, accelerated development is envisaged for such industries as chemicals, engineering, electric power and oil.

After the good agricultural year of 1972, the German Democratic Republic, Hungary and Poland are planning rather modest growth rates for agriculture, while other countries of the region envisage accelerated growth rates of agricultural production. In the USSR, gross agricultural output should be increased by 12.6 per cent as compared with 1972. The grain crop is to be 197.4 million tons, 17.5 per cent more than in 1972. The Soviet 1973 plan envisages a large increase in the flow of resources into agriculture.

At the beginning of the third year of the current medium-term planning period, all the Eastern European countries except Bulgaria appear well on the way towards satisfying the output targets of their five-year plans and some countries, notably Poland and Romania, have felt able to raise these targets in the wake of exceptionally strong output performance. In the USSR, which has fallen somewhat behind, the implementation of the 1973 plan targets will become decisive for the fulfilment of the ninth five-year plan of that country.

Use of resources

During the period under review, most countries in the region improved the balance between the production and the final use of available resources. Notable exceptions were the Soviet Union and Poland. In the former, owing to the poor performance of agriculture, the reduced growth rate of national income produced could not meet the growing requirements for consumption and fixed investment. The resulting imbalance was covered by a deficit in foreign trade and the running down of stocks (mostly of agricultural products). In Poland, by contrast, a similar discrepancy between production and utilization was intentional and was covered, as planned, by a considerable foreign trade deficit.

As regards the shares of consumption and accumulation in national income, in the majority of countries a shift in favour of the latter seems to have taken place. While data on the structure of final use are not yet available, the rate of growth of the main component of accumulation, gross fixed investment, was relatively high in most countries, and exceptionally high in Poland. The investment targets for 1972 were over-fulfilled everywhere with the exception of Hungary and Romania. However, in the German Democratic Republic, this indicator was quite low, as planned. In Hungary, a slight reduction of investment expenditures contributed to the elimination of the imbalance that had developed in that country in 1970-1971.

Simultaneously with the high growth rates in investment, the problem of discrepancy between fixed investment outlays, on the one hand, and the completion and commissioning of new productive capacities, on the other, seems to have persisted, causing the freezing of a considerable volume of resources in unfinished projects. This was the case especially in Hungary, Czechoslovakia and the Soviet Union.

During the first two years of the current medium-term plan period (1971-1975), the growth rate of investment expenditures was above the average annual targets of the five-year plans in Czechoslovakia, Poland, Romania and the Soviet Union, slightly below the planned average in Bulgaria and Hungary, 3/ and substantially below in the German Democratic Republic.

The investment plans for 1973 show that all those countries which "overshot" their investment outlay targets during the previous two years - Czechoslovakia, Poland, Romania and the Soviet Union - intend to slow down the rate of growth of fixed investments. In Poland, in spite of the lowering of this rate, the growth will still be higher than the average under the 1971-1975 plan. The most striking decrease in the growth rate of investment should take place in the Soviet Union, where the planned rate (2.3 per cent) is only about one third of the annual average implicit in the 1971-1975 plan. At the same time, however, investment in Soviet agriculture is to be stepped up very considerably (by 11.7 per cent for state investment). In Bulgaria, where the growth rate of fixed investment in 1971-1972 lagged considerably behind the planned average of the current medium-term plan, the 1973 outlays for investment are to remain at about the 1972 level. This reflects the shift in favour of consumption, in line with the decisions of the 1972 December Plenum of the Central Committee of the Communist Party of Bulgaria which stressed the task of raising living standards. In Hungary, 1973 will see only a slight step-up in investment though the absolute level of investment should be somewhat higher than envisaged in the current five-year plan. The German Democratic Republic, which during 1971-1972 had fallen very much into arrears in comparison with the five-year plan target, foresees a large increase in fixed investment outlays and, at the same time, a considerable shift in favour of consumer goods branches, as shown by the fact that investment in light industry and the food-processing industry will increase by 63 and 37 per cent, respectively, as compared with 1971.

As regards the development of consumption, in those countries for which data are currently available (Bulgaria, Czechoslovakia, Hungary and Poland), the results seem to be generally satisfactory, the rates of increase ranging from 3.5 to 9 per cent in 1972. The highest growth rate was achieved by Poland, in accordance with the policy changes introduced at the turn of 1970-1971. The 9 per cent rate was considerably higher not only than the planned one but also than that achieved in the previous year and higher than the average envisaged in the current five-year plan. Hungary had the lowest growth rate among the four: it was somewhat less than planned.

The improvement in living standards can be characterized by the only indicator so far available for all countries of the region, the change in retail trade turnover. This shows generally high growth rates ranging from 3.1 to 12.6 per cent, with Poland at the high and Hungary at the low end of the list. With respect to the former, however, it should be noted that owing to the overwhelmingly private character of Polish agriculture, the retail trade figure includes a considerable share (much higher than in the other countries) of sales of agricultural inputs

3/ In the case of Hungary, the comparison between planned and actual growth rate is deceptive, because in the base year (1970) the level of investment realized was actually considerably higher than assumed at the time of the establishment of the targets for the 1971-1975 period.

and building materials, in addition to sales of consumption goods. The plan for retail trade turnover was over-fulfilled not only in Poland but in the German Democratic Republic and Bulgaria as well. Czechoslovakia and the Soviet Union seem to have been exactly on target, while Hungary lagged behind the plan.

Per capita real incomes showed somewhat lower rates of growth and remained behind the planned target in Bulgaria, Hungary and Romania, and also in the Soviet Union, where this was clearly connected with the poor agricultural performance. From these incomplete data and from other indicators such as changes in real wages (see table 27), the conclusion might be drawn that in the majority of countries in the region (including the USSR), the rate of improvement in living standards slowed down somewhat. In the two countries which achieved the best results, Poland and Czechoslovakia, some imbalance seems to have developed between the increase in money income and the available supplies of consumer goods. The resulting inflationary pressure, however, was reflected not in an increase in prices but in a greater increase in the amount of money flowing into savings accounts.

Looking at the first two years of the current five-year plan period, the results in the field of raising living standards were generally in line with the averages implicit in the plans. Poland and Czechoslovakia performed better than planned, while the Soviet Union was lagging somewhat behind the planned target.

The targets in the 1973 plans in respect of consumption and living standards in general seem as a rule to involve an improvement on the 1972 performance, even in Poland, the country of the highest performance during 1971-1972. If the Polish plan is fulfilled, the level of real wages in 1973 will be higher than that originally planned for 1975. A noticeable acceleration in comparison with 1972 results is planned in Bulgaria, a consequence of the decisions of the 1972 Central Committee Plenum. In Hungary, one of the means of bringing about a similar change and simultaneously of eliminating certain discrepancies in income levels which had developed in recent years is a nominal wage increase for industrial workers of 6 to 12 per cent, which took effect on 1 March 1973. In the Soviet Union, the plan for 1973 envisages an increase in per capita real income higher than that achieved in 1972, while the increase in retail trade turnover should be less than in the previous year. The seemingly paradoxical behaviour of these two indicators might be explained by the fact that the consequences of the bad 1972 harvest will be strongly felt in the retail trade in 1973, affecting above all the sales of food products, while a normal agricultural year such as is expected in 1973 will greatly increase the income of the agricultural sector of the population and thus the general level as well.

Foreign trade

The foreign trade of the centrally planned economies of Eastern Europe and the Soviet Union, expressed as trade value measured in terms of special drawing rights (SDR) or "transferable roubles", the accounting unit of CMEA, grew at an exceptionally rapid pace in 1972, substantially above the planned rates, the growth experience of the recent past (excluding the abnormal trade spurt in 1970) and of the last quinquennium, and apparently also above the expansion rate of non-socialist world trade (though roughly at the same pace as trade of the

developed market economies). ^{4/} While information on price and quantum changes is lacking, it can be assumed, in view of the preponderant weight of intra-CMEA trade in the foreign transactions of the group, which is conducted at relatively fixed prices, that the share of value growth accounted for by inflation is significantly less than in the rest of the world markets.

Table 21. Eastern Europe and USSR: growth of foreign trade value, 1966-1975

| Country or country group | Average annual rates | | | Percentage change from preceding year | | | |
|--------------------------------|----------------------|--------------------|-------------------|---------------------------------------|------------------|------------------------------|---------------|
| | 1966-1970, actual | 1971-1975, planned | 1971-1972, actual | 1971, actual | 1972, actual SDR | 1972, actual current dollars | 1973, planned |
| <u>Eastern Europe</u> | | | | | | | |
| Exports . . . | 9.0) | 9.0 | (11.6 | 10.0 | 13.5 | 23.2) | 13.2 |
| Imports . . . | 9.7) | | (9.8 | 9.6 | 10.0 | 19.4) | |
| <u>USSR</u> | | | | | | | |
| Exports . . . | 9.4) | 5.9-6.2 | (4.9 | 7.9 | 2.5 | 11.3) | 7.9 |
| Imports . . . | 7.8) | | (11.5 | 6.3 | 18.4 | 28.6) | |
| <u>Eastern Europe and USSR</u> | | | | | | | |
| Exports . . . | 9.1) | 8.9 | (8.9 | 9.1 | 9.0 | 18.3) | 11.1 |
| Imports . . . | 9.0) | | (10.4 | 8.3 | 13.1 | 22.8) | |

Source: Data in table 28. The 1972 growth rate is shown both in terms of IMF special drawing rights (SDR), which corresponds to an aggregation in terms of "old" dollars or roubles, and - to secure comparability with other United Nations foreign trade series - in terms of current dollars at the official exchange rates of 1971 and 1972. The latter measure thus reflects the dollar devaluation of December 1971.

^{4/} See table 21 in the present chapter and tables 5 and 6 in chapter I. Because of the large share of intra-CMEA trade which is performed at unchanged exchange rates, and to ensure a modicum of comparability with the historical data shown in this and earlier Surveys, it was considered preferable to express growth rates of current trade values here in terms of an unchanged value numéraire, as is the reporting practice of the socialist countries. However, for comparisons with the trade value changes of non-socialist countries expressed elsewhere in this Survey in terms of current dollars, an adjustment (shown in table 21) to reflect the dollar devaluation is required, or, conversely, the 1972 aggregate trade value of non-socialist countries has to be expressed in terms of SDR (or "old" dollars) which would reduce its growth rates (exports, 17.6 per cent; imports, 16.9 per cent, as shown in tables 5 and 6) to roughly 8.3 per cent for exports, and 7.7 per cent for imports.

In the Eastern European countries, the export performance was especially strong with a growth rate exceeding both past performance and that of imports. By contrast, Soviet export growth lagged far behind the long-run trend while imports expanded at an unprecedented rate. The slower (though still substantial) import expansion of the Eastern European group reflects, in part, severe constraints imposed by Hungary (after the preceding year's record trade deficit) which resulted in a 3 per cent import contraction. Export drives, aided by favourable price developments, especially in agricultural goods, 5/ were particularly successful in Hungary (21 per cent growth) and Poland (17 per cent).

Information on the geographical distribution of foreign trade is at the moment available only for the Soviet Union and four of the Eastern European socialist countries (Bulgaria, Czechoslovakia, Hungary and Poland). 6/ As in past years, trade among centrally planned economies took the largest share of the socialist countries' foreign trade - about two thirds in the case of the Eastern European countries and a somewhat smaller proportion in the Soviet Union. The aggregate growth rates of this intra-trade conceal disparate but compensatory developments in the Eastern European countries (exports, 16 per cent; imports, 8 per cent) and the USSR (exports, 2 per cent; imports, 13 per cent) which can probably be attributed to sharp reductions in Soviet agricultural exports to other socialist countries.

Exports to trade partners outside the group expanded more slowly than total exports in Eastern Europe and at about the same rate in the Soviet Union, while imports from the outside increased much more rapidly than total imports in both cases. The bulk of this trade expansion with outside partners came in exchanges with the developed market economies, whereas trade with the developing countries in 1972 grew at much slower rates and significantly below the long-run trends. This deceleration is especially noticeable in imports from the developing countries, which were slightly below the preceding year's level in the USSR and grew by less than 5 per cent in the Eastern European countries for which data are available,

5/ In Poland, where the value of agricultural and food industry exports increased by 36 per cent, most available physical series (primarily of livestock products) showed relatively small if any increases; a similar observation can be made in the case of Hungary. In both countries agricultural exports constitute an important part of trade with the developed market economies. It should be noted, however, that in both cases the increment in absolute value was far greater for manufactured and semi-manufactured exports than for goods of agricultural origin.

6/ Selected Eastern European centrally planned economies and USSR:
growth of foreign trade value by region, 1972

(Percentage)

| | <u>Exports</u> | <u>Imports</u> |
|-------------------------------------|----------------|----------------|
| Total | 8.2 | 13.8 |
| Centrally planned economies | 9.3 | 12.7 |
| Developed market economies | 7.4 | 22.2 |
| Developing economies | 6.6 | 1.2 |

Source: Country data in table 28. Czechoslovak growth rates by regional groups are for 11 months only.

but also affected the growth of exports, especially in Eastern Europe (2.4 per cent growth), while Soviet exports (8.2 per cent), though significantly below the trend, appear to have been much less affected by the general slowdown in the USSR exports than its trade in other directions. 7/ The devaluation by most developing countries, which will have made imports from the centrally planned economies more expensive, and - in Eastern Europe - the good agricultural performance which might have kept down the demand for food imports that still constitute a large component of the imports from developing countries, may supply a partial explanation for this lagging development, though it should be noted that an analysis of growth rates in trade with individual developed market economy partners offers little support for the hypothesis that devaluations have affected short-term growth rates to any significant extent.

The future growth of trade between centrally planned and developing economies, which in the past few years has lagged behind past expansion rates, 8/ should be spurred by the April 1973 decision of the CMEA's International Investment Bank to create a special fund for the financing of economic and technical aid to developing countries. This is eventually to contain the equivalent of 1 billion roubles (\$1.2 billion) in transferable roubles and convertible currencies, and is to start operations with a first contribution by the Bank's member countries of 100 million roubles at the beginning of 1974.

In trade with developed market economies, exports of the Eastern European centrally planned economies grew by 16 per cent, much above the trend and at the same pace as intra-trade exports (though probably somewhat slower in real terms, since the intra-trade growth rate is likely to be much closer to a quantum rate than the growth rate for trade in external markets), while Soviet exports contracted by 2 per cent. Imports from the industrial market economies showed higher growth rates than total imports both in the USSR (22 per cent) and in the four Eastern European countries (15 per cent), with a particularly rapid expansion pace in Poland (47.5 per cent). The most spectacular advances occurred in Polish imports from the Federal Republic of Germany and France (which almost doubled in each case) and from Japan (which more than doubled), and in Soviet trade with the United States of America (which almost trebled), making that country the Soviet Union's sixth largest non-socialist trade partner (after the Federal Republic of Germany, Japan, Finland, the United Kingdom and France). The bulk of the immediate

1/ The estimate of Soviet export growth to developing countries is somewhat uncertain as it is strongly influenced by the allocation of an unexplained residual in Soviet export data; if this residual is ignored, USSR exports to developing economies decreased by 3.8 per cent in 1972.

8/ Cf. "Centrally planned economies and the International Development Strategy", Implementation of the International Development Strategy: Papers for the First Over-all Review and Appraisal of Progress during the Second United Nations Development Decade, vol. II (United Nations publication, Sales No.: E.73.II.A.3.

Soviet-United States trade spurt, however, may turn out to be somewhat ephemeral, as it was caused by the short-run exigencies of the Soviet crop calamity which induced large purchases of United States' grains and other crop products in 1972. ^{9/} Nevertheless, trade volume is scheduled to increase significantly under the provisions of the Soviet-United States trade agreements negotiated last year. Several important transactions have recently been reported in the industrial sphere. A similar effect may be expected from the settlement of outstanding issues in 1972 and early 1973 between the United States, Poland and Hungary, and the negotiations in process or concluded between the Federal Republic of Germany and several Eastern European centrally planned economies. Easier access for the socialist countries to Western financial markets and their increasing willingness to utilize foreign credit resources, ^{10/} the recent opening of several Eastern European countries to joint-venture investment arrangements, ^{11/} and the probable impending removal of a number of trade impediments and equalization of market entry conditions (such as the admission of Hungary and the Soviet Union to most favoured nation status in the United States), should all serve to expand the scope of trading possibilities between developed market economies and the centrally planned economies in the near future.

The commodity trade balances of the group for 1972 show a mixed picture, with surpluses in most of the Eastern European countries more than offset by large deficits in the Soviet Union and Poland. The group probably incurred a net deficit with developed market economies on commodity account of close to \$2 billion, very much larger than in any preceding year. ^{12/}

^{9/} According to United States data, about \$440 million (or roughly 80 per cent) of total 1972 United States exports to the Soviet Union is accounted for by deliveries of agricultural products, primarily wheat, corn and soy-beans (The New York Times, 9 February 1973, and Rynki Zagraniczne (Warsaw), 24 March 1973). Total United States exports to the Soviet Union are reported to have increased from \$161 million to \$547 million, while United States imports from the Soviet Union grew from \$57 million to \$95 million. Soviet data differ slightly, probably due to differences in the timing of the shipments and deliveries.

^{10/} During the period under review, United States trade with Poland and the USSR was made eligible for Export-Import Bank credits and credit guarantees, several socialist countries and one of their common institutions, the CMEA International Investment Bank, took up loans or floated bonds in European credit markets, and the network of financial institutions easing trade flows was further extended with the establishment of new Hungarian, Polish and Romanian trading banks in Western European centres and the opening of offices, mainly in Moscow, by several Western banks.

^{11/} Romania and Hungary now have operative regulations for joint-venture enterprises with a minimum of 51 per cent participation of the Eastern European partner, and Poland was reported (during the trade negotiations with the United States) to be contemplating a similar arrangement.

^{12/} The joint Soviet, Bulgarian, Hungarian and Polish passive balance with industrial market economies amounted to \$1.6 billion, and negative balances are likely to have been incurred also by the German Democratic Republic and Romania. On the basis of data for the first 11 months, Czechoslovakia seems to have run a small surplus with developed market economies.

The USSR incurred an over-all deficit in 1972 of almost \$690 million, the first since 1964, composed of negative balances with other centrally planned economies (\$774 million) and developed market economies (\$1,205 million) which were not fully offset by a large surplus with developing countries (\$1,293 million).

In Eastern Europe, most over-all trade balances were active by virtue of the strong export performance and, in some cases, deliberate efforts to restrain imports after deficits in previous years. Exceptions were Romania, which ran a small deficit on visible account, and Poland with a record deficit of some \$400 million, the bulk of which was incurred in transactions with developed market economies, in contrast to last year when Poland ran a surplus with non-socialist trade partners and a very large deficit with the socialist countries. The Polish passive balance, however, was in accordance with the planners' intentions and reflects the new willingness to utilize foreign borrowings to supplement the country's resources in both the investment and consumption spheres; an even larger deficit, of an estimated \$800 million, appears to be anticipated for 1973. Traditional over-all commodity account surpluses were attained in the German Democratic Republic (\$360 million), Czechoslovakia (\$230 million - perhaps against intentions, as the planned rate of import expansion was not realized), and also in Bulgaria (\$60 million).

In all countries of the group the rate of expansion of the foreign trade sector over the first two years of the 1971-1975 five-year plan period exceeded the target growth rates set in the medium-term plan, which had appeared to indicate an intended deceleration of trade growth compared with the preceding decade. Rather than slowing down, trade growth has accelerated - at least in value terms - and should continue to do so if the targets of the annual plan for 1973 are to be achieved.

International co-operation policies

The activities of the centrally planned economies seem to reflect increasing recognition of the importance of international co-operation as a major tool for raising the efficiency of industrial production through the infusion of modern technology and for expanding commodity exchange through wider use of comparative cost principles.

The cautious attempt to streamline and improve all available channels of international partnership was highlighted during the twenty-sixth session of the Council of Mutual Economic Assistance in July 1972 when Cuba became the first Latin American and first developing country to join the organization. At the same time, the list of countries to which some CMEA member States have granted preferential treatment was expanded, while draft agreements were signed with Finland, Chile and Iraq for the development of multilateral co-operation in the broad fields of production, trade, science and technology.

Even if it is not expected that these and other countries will actually join CMEA in the short run, broader international co-operation on the part of socialist countries members of the organization will probably ensue under the momentum gained

in 1971 when the Council's Comprehensive Programme was approved.^{13/} With its several platforms of action, complete with specification of targets, identification of intermediate steps and related time-tables, the Comprehensive Programme remains the basic guideline for the centrally planned economies' activities in the field. Within its framework, the issues of plan co-ordination and of currency problems received wide attention during 1972.

The establishment of suitable machinery for more effective co-ordination of the next round of five-year plans (1976-1980) has been successfully implemented.^{14/} The degree of harmonization to be reached in most productive sectors seems to have substantially increased since the second half of the 1960s, the last time this exercise was undertaken. Though no specific targets have been set as yet, the crucial questions, especially those concerning the specialization agreements in production, have been identified, and more talks on these matters may be on the agenda of the forthcoming twenty-seventh session of the Council.

At the same time, a serious investigation of policies for the improvement of the CMEA monetary system was carried out by the Council's organ, in an effort to implement one of the key provisions of the Comprehensive Programme which specified the obligation of working out before the end of 1973 all the necessary conditions and procedures to transform the CMEA collective currency, the transferable rouble, into a commonly accepted tender of payment and means of reserve accumulation among the member countries. In this area, however, no palpable progress appears to have been achieved, in spite of the recognition that the multilateralization of payments among the member States would greatly enhance the further expansion and efficiency of trade. Failure in this field is bound also to have a negative impact on any endeavour to include countries from outside the group, particularly developing countries, in a multilateralized payments system.

The above circumstances may have been a factor of some importance in the recent decision by Romania to join the International Monetary Fund and the International Bank for Reconstruction and Development as the first centrally planned economy since Czechoslovakia's membership was permitted to lapse in 1953. Both memberships, which took effect in December 1972, acquired a special significance since they showed that the long-standing hesitations about the participation of socialist countries in more flexible systems of trade and payments could be overcome quite successfully without major reforms in the statutes of the existing international bodies, and without massive changes in the domestic policies of the centrally planned economies concerned. The several Articles of Agreement of the Fund which socialist countries have in the past regarded as posing difficulties were apparently bypassed. These included such important issues as the supply of data on the country's official holdings of gold and convertible currencies, the transfer of part of the country's reserves to pay dues to the two agencies,^{15/} and, very

^{13/} See World Economic Survey, 1971: Current Economic Developments (United Nations publication, Sales No.: E.72.II.C.2), p. 59.

^{14/} Informatsia o deiatel'nosti Soveta Ekonomicheskoi Vzaimopomoshchi v 1972g (Moscow), March 1973, p. 2.

^{15/} Romania's quota in the Fund was set at 190 million SDR, while its subscription to the capital of IBRD amounted to \$162.1 million.

important indeed, the elimination of all restrictions on payments and transfers for current international transactions. On the other hand, more serious difficulties may have arisen in regard to the Fund's right to consult with members as to the policy they should pursue to restore equilibrium in the balance of payments and to withhold its credit line if agreement on appropriate policies is not achieved. To date no information is available on the terms granted to Romania in this respect; probably some interim provisions were negotiated, similar to those granted by GATT to Romania 12 months ago, which specified the gradual elimination of discriminatory and restrictive practices before the end of 1974.

What is most important is that mutual confidence has been established to the point at which countries belonging to different institutional groupings can agree on the terms of co-operation. This is a development which many members of the international community are likely to monitor closely.

Institutional changes

The growing concern of the centrally planned economies with the attainment or the preservation of domestic equilibrium during 1972 was also reflected on the institutional side. Here, the need to match changing development priorities with a suitable mechanism for efficient economic planning and management seems to have returned to the forefront.

A cautious mood of change is sensed and the growing uneasiness with many aspects of current planning techniques and policies appears to have been translated into a tendency for constant retooling. A few years after the implementation of the reforms adopted in the second half of the 1960s, each country appears to be investigating anew how unused capacities, hidden potentialities and resources could most effectively be activated by means, among other alternatives, of improved management at all levels. In a number of centrally planned economies the near future will witness the gradual implementation of potentially far-reaching institutional changes decided in 1972. Not all of these measures will necessarily survive the experimental stage and only a few bear upon the planning techniques of tomorrow. However, more of these ad hoc measures are probably going to be tested in the future, together with a few comprehensive schemes of reform apparently already under consideration.

The most important measures prepared during the year and introduced early in 1973 were the reforms of the industrial management systems in Poland and the USSR. A common feature of the two reforms is the significance imparted to "industrial associations" or "combinates", middle-level management units frequently of very large size, which are to take over some of the former planning and management functions of ministries in charge of the industrial branch as well as some of the prerogatives of the production enterprises. Both Polish and Soviet associations are constructed on branch principles, as horizontal super enterprises, and both are subject to "commercial accountability" (khozraschet), i.e., they are commercial rather than budgetary organizations.

The Polish reform is at this stage frankly experimental. The rights and duties of the management bodies of the associations are being elaborated at this time, they vary from case to case, and will be embodied in a separate statute for each unit. A common element appears to be the limitation of the number of compulsory plan indicators imposed upon these top management units, in particular the abolition

of an absolute limit on the wage fund in favour of a more flexible scheme making the wage fund dependent upon sales performance, and the substitution of a measure of value added for the previous gross production indicator as the prime indicator of plan fulfilment. Financial parameters, such as the availability of investment funding from profits earned, and interest rates as a rationing device, are being pushed to the foreground as regulators of the association managers' disposition powers, displacing decisions emanating from the ministry or planning agency. The significance of establishing a predictable environment for their decision-making - in the form of "rules of the game" which will remain stable for a fixed number of years - is strongly stressed. The association managers will also have a certain amount of price-setting authority, in most cases internally in the relationship between a common marketing agency and the component enterprises, but in at least one instance - that of the cosmetics industry - also with respect to retail prices. In some instances the possibility of purchasing specified amounts of foreign currency for investment appears to be included in the management board's authority.

The Polish experiment, which began to be implemented in January 1973 in some 35 pilot units reported to represent 20 per cent of the country's gross industrial output and 30 per cent of its exports, appears to indicate a desire to arrive at a more flexible system of economic management, in part by reducing the power heretofore accorded to centralized directives, in part by encouraging self-regulating independence on the part of the new management units. If, at the end of the present experimental period, the entire industrial sector adopts similar management principles, a far-reaching impact is assured in an economy faced with the dilemma of maintaining a good production performance while maintaining the rapid expansion of consumer benefits.

A similar far-reaching impact may be expected from the Soviet industrial reorganization, adopted after extensive and apparently successful testing in several pilot projects throughout the country involving both producer and consumer goods and approved by the Soviet Government in April 1973 for gradual implementation to be completed by the end of 1975. 16/

This institutional reform, which seems to be as comprehensive as the one approved in the mid-1960s, will subordinate the production units of a given branch to a production association or a hierarchy of such institutions. The associations are middle-level management units established as enterprises based on khozaschet and designed to mediate between the supervisory ministry and the production enterprise. The directors of the latter will become members of the corresponding production association's board of directors, whose chairman will relate directly to the ministry.

The associations will take over many functions previously performed by the ministries, such as enterprise planning, quality control, some export-import decisions and, most important, the task of accelerating the infusion of advanced technologies into productive processes. This objective will be made possible by combining - for the first time - within the same production association, industrial research and development units together with producing enterprises. Accordingly,

the role of the industrial ministries will shift towards such wider problems as long-term planning, investment policy for priority projects, and capital-intensive technological innovation.

On the other hand, individual production units will become operating divisions of the production associations, which will assume much of the decision-making power granted to factory managers in the 1965 reform. The Soviet associations will, however, have financial powers far greater than those granted in the mid-1960s to individual enterprises. In addition to the funds for local investments, incentive payments and housing construction that used to be under enterprise control, the associations will be able to set up funds for the development and introduction of new technologies which may be required for expanding exports.

On a more limited scale, changes in planning techniques have also been adopted in Bulgaria and Romania. In Bulgaria, annual plan targets were replaced, for the first time, by a set of indicators directly obtained from the current five-year plan (1971-1975). 17/ In Romania, the 1973 annual plan was expressed in terms of two sets of figures: minimal and maximal. The former represent the highly aggregated objectives set by the planning commission and maintain a mandatory character, while the latter figures, established at the enterprise level, include pledges by party organizations, trade unions, enterprise managers and collectives of agricultural co-operatives to contribute to the acceleration of the already high growth of the economy. Associated with these measures is a new and controversial system of incentives gradually introduced in the Romanian economy in 1972 and early in 1973, according to which workers' pay is to be tied closely to the productive performance of the production unit in relation to plan targets. 18/

Another institutional change of some importance which occurred in the centrally planned economies during the year under review is the nationalization, in the German Democratic Republic, of all the industrial enterprises which had remained privately owned after the nationalization of the 1940s and 1950s. 19/ The measure affected more than 11,000 enterprises which contributed 14 per cent of the total gross value of industrial production of the country. As a result, the nationalization of the German Democratic Republic's industrial sector was virtually complete (99.4 per cent of total output for 1972).

China and other Asia

As far as can be judged on the basis of very scanty information available, the pace of economic development in the centrally planned economies of Asia slowed down considerably in 1972 compared with the results achieved in the previous year.

17/ Rabotnichesko Delo (Sofia), 19 December 1972.

18/ Romania (Bucharest), 15 August 1972.

19/ Die Wirtschaft (Berlin), 6 September 1972.

As far as China is concerned, only limited official statistical information is available. It is reported that grain production in 1972 decreased by 2.5 per cent: it was 240 million tons as against 246 million tons in the previous year. The decrease was brought about by a very severe drought and flooding in many regions of the country. Despite this, most industrial crops (such as hemp, silk, sugar and tobacco) achieved increases of 10 to 40 per cent. The output of cotton was slightly below the 1971 figure. These data make it seem probable that agricultural production was somewhat below the 1971 level.

No data regarding the total production of industry or the net material product of the country have been published. However, some judgement regarding the results in industry may be formed on the basis of the following statistics. Steel production increased by 9.5 per cent, reaching a level of 23 million tons, while production of rolled steel was up by 10 per cent and that of pig iron by 12 per cent. The output of nitrogenous fertilizers increased by 23.4 per cent and that of phosphate fertilizers by 10.9 per cent. The output of crude oil went up by 16 per cent and reached a level of almost 30 million tons, while the production of processed crude oil products increased by 5 per cent. The textile and clothing industry over-fulfilled its plan targets.

Although data for the whole year are not yet available, it seems that the growth of foreign trade accelerated considerably, following the slowdown of the year 1971. The increase may be very roughly estimated at 6 to 8 per cent. Especially high rates of expansion in Chinese exports to developed market economies (estimated by British sources to be about 50 per cent over 1971) should have eliminated the trade deficit with these countries and perhaps even brought a small surplus. China's trade with its foremost trade partner, Japan, went up from \$0.9 billion to almost \$1.1 billion. Trade with the Soviet Union almost doubled compared with the previous year. There was a considerable increase in China's trade with other centrally planned economies, too. China-United States trade, starting from almost nil, showed a manifold increase.

A slowdown can be noted in the economic development of Mongolia - where national income in 1972 increased by 3.5 per cent - owing mainly to unsatisfactory results in agriculture. Industrial production increased by 11.4 per cent, a rate considerably higher than the 8.1 per cent achieved in 1971. The improvement in living standards was rather slow: the per capita real income of the population rose only by 2.8 per cent, and retail trade turnover by only 2.1 per cent (as against 7.4 per cent in 1971). In foreign trade, exports increased by 12 per cent and imports by almost 6 per cent.

The 1973 plan envisages a substantial acceleration of growth. National income and industrial output should both increase by 11 per cent, and agricultural output by 14 per cent. The planned target for foreign trade turnover is 6.8 per cent and for retail trade, 6.7 per cent, accompanied by an increase in per capita real income of the population of 4 per cent.

Table 22. Eastern Europe and USSR: growth of national income,^{a/}
actual and planned, 1966-1975

(Percentage)

| Country and group | Average annual rate | | | Change from preceding year | | | |
|--|---------------------|---------------------|----------------------|----------------------------|-----------------------|----------------|-----------------------|
| | 1966-1970 actual | 1971-1972 actual | 1971-1975 planned | 1971 actual | 1972 planned | 1973 actual | 1973 planned |
| Albania | 9.0 | ... | 9.2-10 | ... | ... | ... | ... |
| Bulgaria | 8.7 | 7.0 | 7.7-8.5 | 7.0 | 7.7-8.5 ^{b/} | 7.0 | 7.7-8.5 ^{b/} |
| Czechoslovakia . . | 6.9 | 5.4 | 5.1 | 5.2 | 5.0 | 5.7 | 5.0 |
| German Democratic Republic | 5.3 | 5.0 | 4.9 | 4.5 | 4.6 | 5.4 | 5.7 |
| Hungary | 6.8 | 6.0 | 5.5-6.0 | 7.0 | 5-6 | 5.0 | 4-5 |
| Poland | 6.0 | 8.6 | 7.0 | 8.2 | 6.1 | 9.0 | 7.9 |
| Romania | 7.7 | 11.4 | 11-12 | 12.9 | 12.0 | 10.0 | 16.1 |
| Eastern Europe ^{c/} . . | 6.5 | 7.3 | 6.7-7.0 | 7.3 | 6.6 | 7.3 | 7.9 |
| USSR | 7.1 | 4.8 | 6.8 | 5.6 | 6.2 | 4.0 | 6.0 |
| Eastern Europe and USSR ^{c/} | 7.0 | 5.4 | 6.7-6.8 | 6.0 | 6.3 | 4.9 | 6.6 |

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 the reference is to national income domestically utilized for consumption and accumulation.

^{b/} Annual average for 1971-1975 plan.

^{c/} Not including Albania.

Table 23. Eastern Europe and USSR: growth of industrial output,^{a/}
actual and planned, 1966-1975
(Percentage)

| Country and group | Average annual rate | | | Change from preceding year | | | |
|--|---------------------|---------------------|----------------------|----------------------------|-----------------|----------------|-----------------|
| | 1966-1970 actual | 1971-1972 actual | 1971-1975 planned | 1971 actual | 1972 planned | 1973 actual | 1973 planned |
| Albania | 12.9 | 10.5 | 10-10.5 | ... | 12.5 | ... | 10.4 |
| Bulgaria | 11.3 | 9.0 | 9.2-9.9 | 9.6 | 7.7 | 8.3 | 9.9 |
| Czechoslovakia . . | 6.8 | 6.6 | 6.0-6.3 | 6.9 | 5.1 | 6.4 | 5.8 |
| German Democratic Republic | 6.6 | 5.9 | 6.0 | 5.6 | 5.5 | 6.3 | 6.5 |
| Hungary | 6.1 | 5.3 | 5.7-6.0 | 5.0 | 5-6 | 5.6 | 5.5-6 |
| Poland | 8.4 | 9.5 | 8.4 | 8.3 | 7.0 | 10.8 | 9.7 |
| Romania | 11.8 | 11.6 | 11-12 | 11.5 | 11-12 | 11.7 | 14.7 |
| Eastern Europe ^{b/} . . | 7.9 | 7.9 | 7.5-7.8 | 7.6 | 6.8 | 8.2 | 8.6 |
| USSR | 8.5 | 7.1 | 8.0 | 7.7 | 6.9 | 6.5 | 5.8 |
| Eastern Europe and USSR ^{b/} | 8.3 | 7.3 | 7.9-8.0 | 7.7 | 6.9 | 7.0 | 6.6 |

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).

^{b/} Not including Albania.

Table 24. 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 | | Change from preceding year | | | |
|--|---|---|----------------------|----------------------------|-------------------|--------|-------------------|
| | | 1966-1970 actual | 1971-1975 planned | 1971 actual | 1972 | | 1973 planned |
| | | | | | planned | actual | |
| Albania | 6.0 ^{b/} | 5.8 | 8.4-9.2 | ... | ... | ... | 6.6 |
| Bulgaria | 4.1 | 4.7 | 2.3-3.7 | 3.1 | 6.0 | 4.8 | 7.4 |
| Czechoslovakia | 2.6 | 3.5 | 2.7 | 3.2 | 4.6 | 3.6 | 4.3 |
| German Democratic Republic | 1.1 ^{c/} | 1.5 ^{c/} | 2.4 | -1.1 | ... | 8.5 | 4.9 ^{d/} |
| Hungary | 2.6 | 3.0 | 2.8-3.0 | 9.6 | 2-3 | 5.0 | 1-2 |
| Poland | 2.5 | 2.9 | 3.6-3.9 | 3.7 | 4.6 | 8.1 | 2.1 |
| Romania | 3.3 | 4.2 | 6.3-8.3 | 18.4 | 21.0 | 9.0 | 20.0 |
| Eastern Europe ^{e/} | 2.5 | 3.1 | 3.5-4.0 | 5.4 | 7.1 ^{f/} | 7.1 | 5.9 |
| USSR | 3.4 | 3.9 | 3.7-4.0 | 1.1 | ... | -4.6 | 12.6 |
| Eastern Europe and USSR ^{e/} | 3.0 | 3.6 | 3.6-4.0 | 2.4 | ... | -0.8 | 10.3 |

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, 1972.

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

^{b/} 1961-1969.

^{c/} Average annual compound rate.

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

^{e/} Not including Albania.

^{f/} Not including German Democratic Republic.

Table 25. Eastern Europe and USSR: labour productivity
changes in industry, 1966-1975 a/
(Percentage)

| Country | Average annual rate | | | Change from preceding year | | | |
|---|---------------------|---------------------|----------------------|----------------------------|-------------------|----------------|-------------------|
| | 1966-1970 actual | 1971-1972 actual | 1971-1975 planned | 1971 actual | 1972 planned | 1973 actual | 1973 planned |
| Albania | 2.2 | ... | 4.6 | ... | ... | ... | ... |
| Bulgaria | 6.9 | 6.5 | 7.6 | 7.2 | 7.6 ^{b/} | 5.9 | 7.6 ^{b/} |
| Czechoslovakia . . | 5.3 | 6.1 | 5.4-5.7 | 6.4 | 4.5 | 5.8 | 4.8 |
| German Democratic Republic | 6.2 | 5.0 | 6.2 | 4.9 | 5.0 ^{c/} | 5.0 | 5.7 ^{c/} |
| Hungary | 3.6 | 5.9 | 4.5-5.0 | 5.3 | 5.0 | 6.5 | 5.5-6.0 |
| Poland | 4.9 | 5.4 | 5.4 ^{d/} | 4.9 | 5.7 | 6.0 | 6.3 |
| Romania | 7.3 | 6.5 | 7.3 | 6.3 | 8.5 | 7.1 | 9.1 |
| USSR | 5.8 | 5.7 | 6.8 | 6.3 | 6.1 | 5.2 | 5.1 |

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

a/ Labour productivity is measured as output per employee.

b/ Annual average for 1971-1975 plan.

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

d/ Including construction.

Table 26. Eastern Europe and USSR: changes in
gross fixed investment, 1966-1975
(Percentage)

| Country | Average annual rate | | | Change from preceding year | | | |
|---|---------------------|---------------------|-------------------------|----------------------------|-----------------|--------------------|-------------------|
| | 1966-1970 actual | 1971-1972 actual | 1971-1975 planned | 1971 actual | 1972 planned | 1973 actual | 1973 planned |
| Albania | 9.3 ^{a/} | ... | 11.2-11.8 ^{a/} | ... | ... | ... | ... |
| Bulgaria | 12.3 ^{a/} | 4.8 | 6-7 | -0.8 | 5.0 | 10.7 ^{b/} | 0.0 ^{b/} |
| Czechoslovakia . . | 7.2 | 7.0 | 6.2-6.5 | 5.7 | 5.0 | 8.3 | 6.8 |
| German Democratic Republic | 9.7 | 1.5 | 5.2 | 0.0 | 2.0 | 3.0 | 9.0 |
| Hungary | 8.4 ^{a/} | 3.8 | 8.1-8.4 | 9.9 | 0.0 | -2.0 | 3.0 |
| Poland | 8.1 | 14.4 | 8.3 | 7.7 | 9.6 | 21.5 ^{c/} | 12.9 |
| Romania | 10.9 | 10.7 | 8.4 | 10.8 | 13.4 | 10.5 | 10.4 |
| USSR | 7.6 | 7.1 | 6.7 | 7.3 | 5.7 | 7.0 | 2.3 |

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/} Estimated.

^{c/} State and co-operative sectors only.

Table 27. Selected countries of Eastern Europe and USSR: growth of real income, retail trade turnover and total consumption, 1966-1975

(Percentage)

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 | Average annual rate | | | Change from preceding year | | | |
|----------------------------|---------------------|---------------------|--------------------------------|----------------------------|-------------------|--------------------|-----------------------|
| | 1966-1970 actual | 1971-1972 actual | 1971-1975 planned <u>a/</u> | 1971 actual | 1972 planned | 1973 actual | 1973 planned |
| Bulgaria | | | | | | | |
| A | 6.0 | 4.5 | 4.6-5.4 | 5.0 | 4.2 | 4.0 | 6.5 |
| C | 8.6 | 6.8 | 6.8 | 6.9 | 5.5 | 6.7 | 7.4 |
| D | 8.2 | 5.2 | 8.4-9.4 ^{b/} | 5.5 | ... | 5.0 | ... |
| Czechoslovakia | | | | | | | |
| B | 3.6 | 4.3 | 2.5-3.0 | 4.2 | 4.5 ^{c/} | 4.4 | 2.3-2.7 ^{d/} |
| C | 6.3 | 5.3 | 5.1-5.4 ^{c/} | 5.5 | 5.5 | 5.2 | ... |
| D | 5.6 ^{e/} | 6.1 | 4.9 | 6.3 | 6.2 | 6.0 | ... |
| German Democratic Republic | | | | | | | |
| A | 4.1 | | 4.0-4.5 ^{b/} | | | | |
| C | 4.5 | 4.9 | 4.1 ^{f/} | 3.8 | 4.0 | 6.0 | 6.2 |
| D | 4.6 | | 4.2 | 4.0 | 4.0 | | |
| Hungary | | | | | | | |
| A | 6.0 | 4.8 | 4.6-4.9 | 6.0 | 5.0 | 3.5 | 4.5-5.0 |
| B | 3.4 | 2.5 | 3.0-3.4 | 3.0 | 3.0 | 2.0 | 2.0-2.5 |
| C | 8.9 | 5.3 | 6.0-6.4 | 7.5 | 7.0 | 3.1 | 6.4 |
| D | 6.0 | 4.9 | 5 | 6.2 | 5.0 ^{g/} | 3.5 ^{g/} | 5.0 |
| Poland | | | | | | | |
| B | 2.0 | 6.0 | 3.4 | 5.5 | 3.2 ^{c/} | 6.5 ^{h/} | 6.6 ^{h/} |
| C | 6.2 | ... | 7.4 ^{c/} | 8.1 | ... | 12.6 ^{h/} | ... |
| D | 5.5 | ca. 8.2 | 6.9 | 7.5 | 7.2 | ca. 9.0 | 9.1 |
| Romania | | | | | | | |
| A | 4.1 | 9.8 | 7.0-7.4 | 13.5 | 8.0 | 6.5 | 6.8 |
| B | 3.7 | 1.8 | 3.5-4.2 | 2.2 | ... | 1.4 | 3.8 |
| C | 7.2 | 7.7 | ... | 10.0 | | 6.3 | 7.3 |
| USSR | | | | | | | |
| A | 5.9 | 4.1 | 5.5 | 4.5 | 5.2 | 3.7 | 4.5 |
| C | 8.2 | 6.9 | 7.2 | 6.8 | 6.9 | 6.9 | 5.0 |

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.

(Foot-notes on following page)

(Foot-notes to table 27)

-
- a/ Average annual change from preceding five-year period.
 - b/ Estimated.
 - c/ May be nominal.
 - d/ Industrial construction only.
 - e/ 1967-1970.
 - f/ Fund of consumer goods for sale.
 - g/ Consumption by the population.
 - h/ Nominal.

Table 28. Centrally planned economies of Eastern Europe and USSR: growth of foreign trade value, by country group, 1966-1970 and 1971 through 1973, planned ^{a/}

| Country and partner group | Average annual rate | | Change from preceding year | | | | | |
|---------------------------------------|---------------------|---------|----------------------------|----------|----------|------------------------|------------------------|--------------------|
| | 1971-1975, planned | | 1971 | | 1972 | | 1973, planned | |
| | Exports | Imports | Exports | Imports | Planned | Actual | Exports | Imports |
| <u>Bulgaria</u> | | | | | | | | |
| Total | 11.2 | 8.4 | 10.5 ^{b/} | 9.8 | 8.9 | 15.8 | 10.1 | 11.0 |
| Centrally planned economies | 12.0 | 10.5 | 10.5 ^{c/} | | 9.2 | 18.0 | 12.4 | 15.9 |
| Developed market economies | 6.6 | -0.4* | 8.2 | | 5.2 | 3.2 | 7.3 | -1.2 |
| Developing economies | 15.3 | 17.9 | 11.2 | | 13.0 | 28.5 | 6.0 | 1.9 |
| <u>Czechoslovakia</u> | | | | | | | | |
| Total | 6.9 | 6.8 | 6.3-6.7 | | 10.2 | 8.5 | 7.4 | 6.7 |
| Centrally planned economies | 5.9 | 6.3 | 7.4-7.8 ^{d/} | | 10.0 | 8.8 | 12.7 ^{n/} | 10.2 ^{h/} |
| Developed market economies | 11.5 | 10.6 | 4.3 ^{e/} | (8.0) | (10.9) | (11.3 ^{n/}) | (0.5 ^{h/}) | ... |
| Developing economies | 3.9 | 0.7* | | (17.5) | (-2.7) | (4.4 ^{E/}) | (-3.7 ^{h/}) | 5.2 ^{h/} |
| <u>German Democratic Republic</u> | | | | | | | | |
| Total | 8.6 | 10.5 | ... | | 10.8 | 2.3 | 12.8 | 8.8 ^{i/} |
| Centrally planned economies | 8.3 | 10.5 | 10-11 | | 11.5 | 1.0 | 11.2 ^{d/} | ... |
| Developed market economies | 9.7 | 11.0 | ... | | 9.7 | 6.6 | 12.4 | 17.0 |
| Developing economies | 7.3 | 8.5 | ... | | 7.0 | -3.1 | ... | ... |

(Table continued on following page)

Table 28 (continued)

| Country and partner group | Average annual rate | | | | Change from preceding year | | | | | | | | |
|--|---------------------|---------|-------------------------------------|---------------------------------|----------------------------|---------|-----------------------------------|---------------------------------|------------------------------------|----------------------------------|---------|---------|------------------|
| | 1966-1970 | | 1971-1975, planned | | 1971 | | 1972 | | | | | | 1973, planned |
| | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | |
| <u>Hungary</u> | | | | | | | | | | | | | |
| Total | 8.9 | 9.4 | 7.0-8.5 | | 8.0 | 19.4 | 13-14 ^f / _f | 6.7 ^f / _f | 21.2 | -2.8 | | 7-8 | |
| Centrally planned economies | 8.0 | 9.2 | 10.9 ^e / _e | | 13.5 | 20.6 | 13-15 ^e / _e | 6-7 ^e / _e | 22.3 | -3.1 | | ... | |
| Developed market economies | 12.3 | 10.8 | | | (-2.9 | 21.8) | | | (22.3 ⁱ / _i | -1.2 ⁱ / _i | | ... | |
| Developing economies | 5.0 | 5.4* | 1.6 ^e / _e | | (4.7 | -3.1) | 13 ^g / _g | 5-6 ^g / _g | (6.7 ^k / _k | 1.6 ^k / _k | | ... | |
| <u>Poland</u> | | | | | | | | | | | | | |
| Total | 10.3 | 9.9 | 9.2 | 9.8 | 9.2 | 11.9 | 4.9 | 16.3 | 17.1 | 21.5 | 12.9 | 20.1 | |
| Centrally planned economies | 11.4 | 10.2 | 8.8 ^c / _c | 7.6 ^c / _c | 7.3 | 8.9 | ... | ... | 18.2 | 10.4 | ... | ... | |
| Developed market economies | 8.5 | 8.6 | 10.0 | 13.9 | (15.5 | 20.1) | ... | ... | 19.1 ^l / _l | 47.5 ^l / _l | ... | ... | |
| Developing economies | 8.3 | 0.3* | | | (-0.5 | 7.8) | ... | ... | 7.2 ^m / _m | 8.6 ^m / _m | ... | ... | |
| <u>Romania</u> | | | | | | | | | | | | | |
| Total | 10.8 | 12.5 | 10-11 | | 13.5 | 7.3 | 20.4 | | 13.7 | 14.5 | 21.5 | 15.6 | |
| Centrally planned economies | 7.2 | 9.0 | ... | | 9.9 | 5.8 | ... | ... | ... | ... | ... | ... | |
| Developed market economies | 15.8 | 16.2 | ... | | 21.6 | 8.8 | ... | ... | ... | ... | ... | ... | |
| Developing economies | 19.4 | 14.7 | ... | | -9.7 | 19.6 | ... | ... | ... | ... | ... | ... | |
| <u>USSR</u> | | | | | | | | | | | | | |
| Total | 9.5 | 8.3 | 5.9-6.2 | | 7.9 | 6.3 | ... | ... | 2.5 | 18.4 | | 7.9 | |
| Centrally planned economies | 8.5 | 7.1 | 8.5 ^d / _d | | 8.5 | 10.3 | ... | ... | 2.2 | 17.7 | | ... | |
| Developed market economies | 10.0 | 11.4 | | | (13.5 | 3.2) | ... | ... | -1.9 | 30.5 | | ... | |
| Developing economies | 11.8 | 7.7 | 2.0-2.6 ^c / _c | | (0.5 | -3.2) | ... | ... | 8.2 | -0.5 | | ... | |

(Source and foot-notes on following page)

(Source and foot-notes to table 28)

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

* See foot-note a/.

a/ Average annual rates were obtained as semilogarithmic regression trends. Cases of poor fit ($R^2 < 0.5$) are indicated by asterisks. Growth rates are calculated from current values of exports and imports, both f.o.b., except for Hungarian imports which are reported on a c.i.f. basis. 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/ Implicit planned growth rates estimated from the residuals in the value projections (i.e., total trade projected at the planned rate less components projected at planned rates). Obviously these estimates, which are bound to reflect any errors or differences in the interpretation of the underlying value data, should be treated with great caution.

d/ CMEA countries only.

e/ Including Yugoslavia and Cuba.

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

g/ "Capitalist economies", i.e., economic classes I and II, excluding Yugoslavia and Cuba.

h/ January through November 1972.

i/ Estimated residually.

j/ Ten developed market economies, including Yugoslavia, representing 83 per cent of Hungarian exports and 78 per cent of Hungarian imports in 1971.

k/ Twelve developing economies, including Cuba, representing 60 per cent of Hungarian exports and 74 per cent of Hungarian imports in 1971.

l/ Twenty-two developed market economies, including Yugoslavia, representing 96 per cent of Polish exports and 99 per cent of Polish imports in 1971.

m/ Twenty-three developing economies, including Cuba, representing 80 per cent of Polish exports and 88 per cent of Polish imports in 1971.

Chapter IV

RECENT TRENDS IN THE DEVELOPING COUNTRIES

In a year of marked contrasts, it is probable that the developing countries maintained their over-all average rate of growth in 1972, notwithstanding a disappointing agricultural outturn, a record increase in import prices and a great deal of uncertainty stemming from the international monetary situation. As indicated in the previous chapters, this uncertainty did not prevent an upsurge in demand in the more advanced countries, raising imports not only of manufactured goods but also of primary products. This was reflected in the prices of most commodities, and in most developing countries the export sector became the main stimulus of growth.

Measured in United States dollars, export prices rose more than import prices in most developing countries and there was consequently a generally favourable movement in the terms of trade, though in most cases it was a small one. The rise in import prices had a direct impact on domestic costs and prices and contributed to local inflationary pressures. These were generally stronger in 1972 than in 1971, especially in countries in which food crops were smaller and also in some where earlier balance of payments strains had dictated a cut in imports. For the developing countries as a group, imports expanded less than exports in dollar terms and there was a sharp reduction in the over-all trade deficit. There was also an increase in net receipts from tourism, migrant labour and other invisibles and in the inflow of capital. Combined with the allocation of SDR at the beginning of 1972, these changes resulted in a considerable and widely shared expansion in international liquidity.

Production and use of resources

Though preliminary returns indicate that the gross output of agriculture was less in 1972 than in 1971, vigorous expansion in most other sectors - stimulated by a rising external demand - sustained the over-all rate of growth in the developing countries. Except in the food branch, there was a substantial increase in manufacturing production, especially in the heavy industries. The composition of these increments in production plus a material rise in imports (always heavily weighted by capital goods) and in government revenue (derived in large measure directly or indirectly from foreign trade) would suggest that fixed investment rose to a much greater extent than private consumption in 1972.

The regional pattern of growth was similar to that registered in the previous interval: preliminary data indicate that the expansion in production again exceeded 10 per cent in West Asia and 6 per cent in the developing countries of the western hemisphere, while in southern and south-eastern Asia there was another year of below-trend growth. In Africa, thanks largely to the strengthening of the demand for export products, production recovered to near the longer term trend after the sharp decline of 1971. In the aggregate there was an estimated 5.4 per cent expansion in production between 1971 and 1972 (see table 29).

About a third of the developing countries for which estimates can be made, achieve an increase in production in excess of the 6 per cent designated as an over-all target for the 1970s in the International Development Strategy. At the other end of the scale, half the countries failed to reach the 5 per cent growth rate that had been set as an average target for the 1960s. In about a fifth of the total, production lagged behind population growth and there was thus a decline in per capita income. This low-growth group included India and accounted for about 40 per cent of the population of developing countries; the high-growth group, in which output increased by more than 6 per cent in 1972, also included some large countries - Brazil, Mexico and Nigeria, for example, as well as Colombia, Iran and the Republic of Korea - but it accounted for less than a fourth of the total developing country population.

Growth in the major petroleum-exporting countries (about 7.3 per cent) again exceeded that in the rest of the developing countries (about 5.1 per cent). But the petroleum group - which accounts for about a seventh of the over-all production of the developing countries - presented a far from uniform picture. It included a number of countries at the upper end of the 1972 growth spectrum (Algeria, Iran, Qatar and Saudi Arabia), some in the middle range (Kuwait, Nigeria and Venezuela) and some at the lower end (Bahrain, Iraq, the Libyan Arab Republic and Oman).

A 28 per cent increase in petroleum production in Saudi Arabia brought that country into top position among the developing countries with a 1972 output about half of that of the United States and two thirds that of the Soviet Union (the world's major producers). Iran continued its high rate of expansion, though with an 11 per cent increase, it dropped back to second position among the developing countries; a high rate of activity outside the petroleum sector (including a recovery in agriculture from the poor 1971 outturn) helped to give the country an over-all rate of growth well above the longer-term average. There was also a recovery in agricultural production in Algeria which, along with the resumption of expansion in the petroleum sector (following the settlement of a dispute with France that had resulted in a reduction in output in 1971) gave the country a growth rate about four times the average for the 1960s.

Among the other members of the petroleum group, depletion of resources accounted for slackening in growth in Bahrain and Oman and specific conservation measures for a lower increase (3 per cent) in Kuwait and a cutback in the Libyan Arab Republic (20 per cent) and Venezuela (9 per cent). The latter also reflects the producing companies' response to the widening of the discounts at which the high-sulphur Venezuelan crude oil was being sold. Though investment outside the petroleum sector expanded in Venezuela, a poor agricultural outturn held back the over-all rate of growth to appreciably below the longer-term average. Poor crops, especially of export commodities, also helped to moderate the rate of growth in Nigeria, where petroleum production, recovering rapidly after the civil war, increased by 40 per cent in 1971 and almost 20 per cent in 1972, raising the country to fourth place in the developing group. In Iraq, the position was the reverse: a sharp recovery in agriculture helped to moderate the effects of a 37 per cent decline in petroleum production brought about by a dispute with the main concessionary company over the country's nationalization measures.

The impact of changes in physical output of petroleum is not on employment and wages in the industry itself or the activities associated directly with it

but rather on government revenue and its uses. In 1972 the increase in prices, royalties and taxes was particularly high. In the case of members of the Organization of Petroleum Exporting Countries (OPEC) - which include Indonesia, Nigeria and Venezuela and the eight major producers in North Africa and West Asia ^{1/} - their combined output of oil was less than 5 per cent above the 1971 level but their government receipts from concessionary companies increased by about a fourth to an estimated \$15 billion. Thus, despite a sharp reduction in gross domestic product in 1972, the Libyan Arab Republic was able to increase its imports by about 40 per cent and its international reserves by 10 per cent to about \$3 billion. It is probable that the group as a whole registered a large expansion in fixed capital formation.

New petroleum development played a major role in boosting the rate of growth in Ecuador in 1972 - production reached 3.5 million tons and exports began in August - and to a less extent, Bolivia and Gabon, where other minerals also contributed. Botswana also experienced a year of rapid expansion based on mineral development - diamonds and coal as well as copper and nickel - plus an important contribution from the traditional livestock industry. Mauritania resumed its longer-term growth rate after some slackening in 1971 when demand for its major exports, iron ore and copper, declined somewhat; and here, too, meat and fish production was also higher in 1972.

In most of the other developing countries that recorded particularly large increases in production in 1972 (see table 30) agriculture played a major role. There was a record sugar output in the 1972/73 season in the Dominican Republic (1.3 million tons), Mauritius (0.7 million tons) and Swaziland (0.2 million tons). In Tunisia, after four extremely poor agricultural years, crops improved dramatically in 1970 and 1971 and there was another good, though somewhat smaller, harvest in 1972: olive oil and citrus sales were at record levels and, at 0.8 million tons, the wheat crop was more than double the average for the second half of the 1960s. These four countries also gained from the continued rapid expansion in tourism. In the Dominican Republic the new ferro-nickel industry also contributed.

In the Syrian Arab Republic, the 1972 wheat crop was of record size (over a million tons) and the cotton crop was also high. In Senegal there was a sharp recovery in ground-nut production, the 1971/72 crop being the largest since 1968. A good agricultural performance also contributed to a high over-all growth rate in Malawi (cotton, tobacco and tea) and Southern Rhodesia (maize and cotton in 1971/72). There was a high rate of agricultural growth in Israel too (around 10 per cent in 1971 and 1972) but the main stimulus came from industry, with diamond cutting and export reaching a new record. The continued expansion in industrial production was also the main contributor to economic growth in Brazil, Hong Kong and Singapore; a notable rise in manufactured exports was one of the most significant developments in 1972.

Among the other developing countries that achieved a growth rate of 6 per cent or more in 1972, mining expansion played the major role in Sierra Leone, where there was also a marked improvement in agricultural performance, and in

^{1/} Abu Dhabi, Algeria, Iran, Iraq, Kuwait, the Libyan Arab Republic, Qatar and Saudi Arabia.

Bolivia and Togo where agricultural returns were generally poor. A strong export performance contributed to rapid growth in Colombia, Guatemala, Mexico, Panama and the Republic of Korea. In Colombia, where the cereals, sugar, coffee and cotton crops were all good, non-traditional exports increased by over a third and investment was supported by a large inflow of capital; cement production was up 7 per cent, steel, 11 per cent and electricity, 10 per cent. In Mexico there was a significant rise in the exports of manufactures, and official policy was strongly expansionary after the slowdown of 1971; here, too, there was a substantial rise (around one eighth) in cement, steel and electricity output. The Republic of Korea also achieved a large increase in the exports of manufactured goods; in this case, however, the support came from a better agricultural turnout than in 1971 rather than from official policy which had moved towards disinflationary action. In Guatemala the exports were from the excellent 1971/72 crops and they were effected at favourable prices. High prices also helped in the case of Panama which, like Guatemala, had a smaller agricultural output in 1972/73; but the main support came from an active public sector and an upsurge in construction. Construction was also a major expansionary factor in Lebanon, financed in part by a large inflow of capital and backed up by a major upswing in agricultural production in 1971 and a further small advance in 1972.

At the other end of the scale were not only the countries that curtailed petroleum production but also a number in which disturbed political conditions had a negative effect on the economy - Burundi, Rwanda and Uganda, for example, and the countries of Indochina. In the Khmer Republic, the 1972/73 rice crop fell short of 2 million tons - 30 per cent below the average for the second half of the 1960s - accentuating the shortage of export supplies in the region. In Uganda both the coffee and the cotton crops were below recent levels of output. In Dahomey crops were better sustained but the low prices realized for palm products exerted a negative effect on the economy. In southern Asia the weather was again unfavourable and Afghanistan, India and Nepal all registered their second successive reduction in agricultural output. 2/ In India, per capita food production, which had been rising steadily in the second half of the 1960s, dropped back below the average for the first half of the 1960s, and the poor agricultural performance exercised a depressing effect on the rest of the economy. A decline in the output of tea and rubber - by between 1 and 2 per cent in each case - and lower prices for these major exports and also for coconut oil made it very difficult for Sri Lanka to pull out of its depression: the gross product probably rose little more than the 1.5 per cent registered in 1971. Unfavourable weather was responsible for some of the generally poor agricultural results in the Caribbean area. In Honduras, banana production was down by almost a fourth and maize production by almost an eighth. In Barbados and Jamaica the 1971/72 sugar crop was the smallest for many years; in Guyana, agricultural production declined further to about a fifth below the per capita average for the first half of the 1960s. In Chile, a sharp reduction in agricultural production added to the problems caused by various labour strikes and by lower copper prices and management changes in the mining industry, and there was a marked deceleration in growth. In Uruguay, where agriculture had recovered somewhat in 1970 there was a steep decline in 1971 and a further deterioration in 1972, affecting most of the crops and spilling over into the economy in general.

2/ Emergency relief has been organized by the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) for drought-stricken sections of Afghanistan and Nepal, and India has resumed its importation of food grains.

Fluctuations in agricultural performance also played a prominent part in shaping the production record of the 60 per cent of the developing countries whose 1971-1972 growth lay in the middle range of 3-6 per cent. There was a slowing down in Thailand, for example, where the 1972/73 rice crop dropped to 12 million tons -- well below the average for the second half of the 1960s. The rice crop was also smaller in Indonesia, as were receipts from rubber; however, expansion in industry -- especially petroleum -- prevented the over-all rate of growth in production from receding greatly. To a less extent, poorer crops also induced some slowing down in Nicaragua, though this was largely offset by larger livestock production and favourable export prices.

Among the countries in this middle group were some in which a favourable agricultural outturn stimulated a higher rate of over-all growth than in 1971. In Costa Rica, for example, there were appreciable increases in sugar, beans and bananas, and in Paraguay in tobacco, cotton, meat and hides. Recovery in Guinea and a notable improvement in growth in Egypt, the Ivory Coast and Morocco also reflect better farm production. In Egypt, increased acreage and more assured water supply from the Aswan Dam yielded gains in most of the major crops and there was an increase in industry too, while the inflow of tourists climbed towards the 1966 peak. In the Ivory Coast a large 1971/72 cocoa crop was followed by a much smaller one in 1972/73; the 1972 gains were chiefly in coffee and the various fruit crops into which agriculture had been diversifying in the 1960s. In Morocco, the maize crop was smaller in 1972 but both wheat and barley production registered records.

Smaller gains in agriculture, accompanied by favourable export prices, contributed to recovery or acceleration in over-all growth in several African countries -- Cameroon, Ethiopia and Ghana, for example, where the earnings from coffee, cocoa, hides and timber were all higher -- as well as in Bangladesh where, though the rice harvest remained at about 15.5 million tons (well below the average for the second half of the 1960s), there was a major improvement in jute. On the other hand, the failure of agriculture to keep up with the growth in population exerted a negative influence on the economy of the Philippines and the Sudan.

In some countries there appears to have been some acceleration in over-all growth despite a decline in agricultural output. In some cases this reflects a carry-over into the export sector of relatively favourable crops in the 1971/72 season -- as in El Salvador. Price movements also helped in these cases as they did in Argentina where there was also an increase in manufacturing activity. Pakistan was recovering in 1972 from the setback occasioned by the disturbances of the previous year. In Angola and the Niger, the stimulus in 1972 came from mining activity; agriculture continuing to languish.

Altogether, agricultural production in the developing countries declined by an estimated 1.6 per cent between 1971 and 1972, after having increased by a similar proportion in the previous interval (see table 31). In the case of food production, the gain in 1971 was somewhat smaller and the loss in 1972 somewhat greater. Only a fifth of the developing countries achieved an increase in agricultural production of more than 4 per cent -- which is the International Development Strategy target for the Second Development Decade -- and double that proportion registered a reduction. Broad patterns are not easy to discern as

the crop combination and the weather sequence both differed considerably from country to country. But some of the most favourable results were reported in West Asia and around the Mediterranean littoral, while some of the poorest came from the Central America and Caribbean region, from the band of countries skirting the southern edge of the Sahara ^{3/} and from southern Asia. The disappointing performance in southern and south-eastern Asia is, indeed, the source of the most serious concern: it is a threat to a great concentration of population, and it has occurred in the area where the "green revolution" was furthest advanced and at a time when poor crops in parts of China and the Soviet Union have placed a considerable strain on world food reserves and the capacity to move large tonnages over long distances.

The state of internal balance

With the unit value of manufactures in international trade 8 per cent higher in 1972 than in 1971 (in dollar terms) and two thirds of the developing countries experiencing a decline in per capita food production (as against 44 per cent in 1971), it was more difficult than ever to maintain price stability in the developing countries. The proportion of developing countries in which the rise in the consumer price index was less than the average annual increase in the 1960s declined from 30 per cent in 1971 to 19 per cent in 1972; there was a somewhat steeper decline in the proportion of countries in which prices continued to rise at more or less the long-term rate; and the proportion in which prices rose appreciably faster increased correspondingly, from 40 per cent to 65 per cent. There was an appreciable acceleration in the rate of price increase - that is, an increase significantly greater between 1971 and 1972 than between 1970 and 1971 - in almost two thirds of the developing countries, and an appreciable deceleration in less than a fourth (see table 32).

Better food supplies in the 1971/72 season helped to reduce or hold down consumer prices in a number of countries in north-eastern Africa (Ethiopia, the Libyan Arab Republic and Somalia) and the Caribbean area (El Salvador, Guatemala and Guyana) as well as the Ivory Coast and the Syrian Arab Republic. But, as indicated above, agricultural conditions in the Caribbean deteriorated, and in 1972 prices were rising at well above trend rates. In the Ivory Coast and Somalia, supply conditions were also improved by a high level of imports in 1971. Imports played an even more important role in restraining prices in Chad and in Uganda where the 1971 inflow was 60 per cent above the more or less stable figure of the previous five years.

In most of the other countries in which retail prices in 1972 were less than 5 per cent above the 1971 average, there was some acceleration in the course of 1972, particularly in Costa Rica, Haiti, Singapore and Thailand. The exceptions,

^{3/} An area of about 2.5 million square kilometres known as the Sahel. The countries affected - Chad, Mali, Mauritius, the Niger, Senegal and the Upper Volta - are all associates of EEC, and relief measures were organized through the European Development Fund in March 1973. At the same time an effort to salvage the critical livestock industry was mounted by a joint task force of FAO/WFP and the United Nations Development Programme.

in which prices declined or rose less during the year, were mostly in Africa: they were chiefly countries with good 1972/73 food crops and a high level of imports, as in the case of Gabon, Morocco and Nigeria.

Among the more inflationary countries, very few succeeded in slowing down the upward movement of prices in the course of 1972; they include Ecuador and Peru, the Philippines and the Republic of Korea, where the year-to-year increase was also reduced, and also Bolivia, Cameroon, Kenya, Sri Lanka and Zaire where the rise in the average price level between 1971 and 1972 was appreciably greater than it had been between 1970 and 1971. Brazil, which had experienced an inflation averaging 44 per cent a year in the 1960s, had reduced the rate to 19 per cent by 1970 and managed to hold it at around this figure in 1971 and 1972. In India, where the price rise had been moderated in 1970 and 1971, the increase was resumed at about 7 per cent a year. Among the other countries in which there was a more or less continuous rise in 1971 and 1972, the rate was well above the longer-term trend, as in Mauritius, Mozambique and the United Republic of Tanzania, Barbados, the Dominican Republic, Paraguay and Trinidad and Tobago, and Israel and Lebanon.

For the remaining developing countries, 1972 saw a deterioration in their internal balance. By contemporary standards it was modest in such cases as the Congo and the Niger, and Fiji, Hong Kong, Jordan and Pakistan. It was more severe in Ghana and the Sudan, where prices had been more or less stabilized between 1969 and 1971. Even more troublesome was the price rise in some of the countries in which the longer-term trend had been more inflationary - Colombia, for example, where retail prices jumped by about a sixth in the course of the year, and Indonesia, where food prices in the capital rose by about 45 per cent. And most serious of all was the acceleration in the already rapid increase in prices in Argentina, Chile and Uruguay.

In varying degree, allowing for growth in activity, these price movements are reflected in the changes registered in the money supply. While most of the countries in which production increased vigorously recorded a high or increased volume of currency and demand deposits with the local banking system, the expansion in money supply was in many cases related more closely to the rise in prices. Thus, parallel to the general increase in inflationary pressures, there was a spurt in the money supply in most developing countries in 1972. In all but a sixth of the countries the increase exceeded 10 per cent, in four out of ten it was in excess of 20 per cent, and in a sixth it was over 30 per cent. Comparing the trend in 1972 with that in 1971, cases of acceleration in the growth in money supply outnumbered those of deceleration by more than two to one. And in almost half the developing countries, the rate of expansion in 1972 was more than double that of 1971 (see table 33).

In more than 40 per cent of the developing countries, all three of the major sources of money - government credit, private credit and foreign assets - contributed to the expansion. On the whole, the extension of credit to the private sector was the most expansionary force: it made the largest contribution in 40 per cent of the countries and the second largest in another 40 per cent. The growth in foreign assets was also a leading source of money - the most important in a third of the countries and second in importance in almost as many. In only a tenth of the developing countries was there a contraction in private credit in

1972 - in Burundi, Gambia and Rwanda, in Iraq, Saudi Arabia and the Syrian Arab Republic and in Honduras. Changes in foreign assets exerted a negative influence in about a fourth of the developing countries, chiefly in Africa, though it was also a contractionary force in Argentina, Chile, Jamaica and Sri Lanka. Official borrowing from the banking system was also contractionary in about a fourth of the developing countries, notably in Brazil, Egypt, Nigeria and Tunisia - where the inflation was in fact continued - but also in Mexico, Senegal, Singapore and Upper Volta as well as in several other countries where its contribution was much smaller.

The state of external balance

Preliminary estimates indicate that the export earnings of the developing countries exceeded \$69 billion in 1972, about a sixth more than in 1971. Measured in current dollars, the expansion was about an eighth in Africa, a sixth in the developing countries of the western hemisphere and almost a fifth in Asia. Imports registered a smaller increase - about a fifth in West Asia, an eighth in the western hemisphere and southern and south-eastern Asia and a tenth in Africa. As a result, the trade balance was somewhat less passive than in 1971 in the case of the developing countries of the western hemisphere and southern and south-eastern Asia and somewhat more active in the other two regions. The over-all deficit - measuring exports f.o.b. and imports c.i.f. - appears to have been substantially reduced from the high figure of \$3.1 billion recorded in 1971 to about \$1.3 billion, one of the smallest on record.

About a sixth of the developing countries earned less, in current United States dollars, from their exports in 1972 than in 1971 (see table 34). (The corresponding proportion in the preceding interval was more than twice as great.) The countries where earnings were lower in 1972 included those that had cut back petroleum production (Iraq and the Libyan Arab Republic), some that had had poorer harvests (Burma and Uruguay, for example), some that felt the impact of lower lauric oil prices (the Philippines, for example, and Sri Lanka, where the tea and rubber markets were also depressed) and the war-torn countries of Indochina.

At the other end of the scale increases of more than a third were achieved in the earnings of some of the sugar exporters (the Dominican Republic and Mauritius, for example). Sugar exports doubled - to a record 2.5 billion tons - in the case of Brazil, though the upsurge in earnings also reflects gains in coffee and several other primary commodities and also in sales of various manufactured goods. The range of exports also contributed to the steep rise in the foreign exchange earnings of Paraguay and the Republic of Korea. Records were established in rice exports from Thailand (2.1 million tons and at high prices), in olive oil from Tunisia (supplemented by citrus and other farm products from the good harvest, and by petroleum) and in phosphate exports from Jordan. The recovery in ground-nut production permitted a sharp swing in exports from Senegal - from a decline of 18 per cent in 1971 to a rise of over 30 per cent in 1972. Some of the petroleum producers also raised their export earnings by a third or more - Algeria and Saudi Arabia, for example, and even Indonesia where lumber, tobacco and coffee also contributed, though the petroleum share was approaching half the \$2 billion total.

Other petroleum producers were in the group registering more modest gains: the export earnings of Iran, Kuwait and Nigeria were between 10 and 20 per cent above the 1971 level, and those of Venezuela rose hardly at all. Export increases among coffee producers ranged from around 15 per cent (in Guatemala) to around a fourth (Colombia, Costa Rica and El Salvador). Cocoa producers, which enjoyed a similar price rise, registered much the same sort of expansion in exports - the Ivory Coast, 10 per cent and Ghana, 22 per cent for example. Among cotton producers the range was wider: there was no more than a marginal expansion in the earnings of Egypt, Pakistan and the Sudan but a gain of around a fourth in Mexico and Nicaragua and almost a half in the Syrian Arab Republic. The low prices of rubber and palm oil militated against a significant increase in the export earnings of Malaysia; and low copper prices and transport difficulties held down earnings in Zambia.

Price changes worked in the opposite direction in Argentina where, despite a poor agricultural outturn in 1972 - including a 15 per cent reduction in grains and a further decline in edible oil-seeds - the favourable market for meat and wool as well as wheat and maize raised export earnings above the 1971 level. Hong Kong and Singapore, exporting manufactured goods, increased their sales by a fifth and a fourth, respectively. There was an unusual increase - of almost a fifth - in exports from India; much of this was also in manufactures - particularly textiles and leather goods - but some of it represents aid shipments to Bangladesh.

The proportion of developing countries reducing their import expenditure in 1972 - about a fifth - was double the proportion experiencing a reduction in export receipts. And the proportion greatly increasing their imports - by more than a sixth, for example - was not much more than half the proportion enjoying a similar rise in their exports. Nevertheless, 45 per cent of the developing countries enlarged their imports by more than 10 per cent between 1971 and 1972.

Some of the largest increases in imports were recorded by countries whose export sector was also very active in 1972 - Brazil, Jordan, Mauritius, Senegal, the Syrian Arab Republic and Tunisia, for example, all increased their exports by over 30 per cent and their imports by over 25 per cent. And quite a number of countries raised both exports and imports by 15 per cent or more - Indonesia, Mexico and Thailand, for example, as well as Hong Kong and Singapore. Some of the petroleum exporters also registered major increases in imports - Iraq, Trinidad and Tobago and Venezuela all registered an expansion of around a fifth, for example, Algeria, Iran and Saudi Arabia, 30-40 per cent and Kuwait and the Libyan Arab Republic, around a half.

In most cases, the 1972 rise was a continuation of the previous year's trend. In some cases, however - Algeria, Mexico and Thailand, for example, and also Guyana, Sierra Leone and Sri Lanka - the expansion in imports in 1972 followed a reduction in 1971. But the opposite sequence was more common: in more than a fourth of the developing countries imports expenditure was cut back in 1972 after an upswing in 1971, which had been a very steep one in the case of Argentina, Bolivia, Colombia, Ecuador and Nicaragua, as well as Angola, Egypt, Ghana, Mozambique, the Sudan and Uganda, and the Khmer Republic. Restraining policies were in effect in 1972 in most of these countries and also in the Philippines where the rise in imports in 1971 had been more moderate and in Honduras, Pakistan and Uruguay where imports had been curtailed in 1971 as well.

With import expenditure rising less rapidly than export earnings, the over-all trade deficit of the developing countries, which had almost doubled between 1970 and 1971, was sharply reduced. The change was similar in all the major regions: the deficit was reduced in the western hemisphere (by \$0.41 billion, measuring exports f.o.b. and imports c.i.f.) and in southern and south-eastern Asia (by \$0.22 billion) and the surplus was increased in Africa (by \$0.44 billion) and in West Asia (by \$0.75 billion). The 78 developing countries that report their international reserves actually moved from a combined deficit of about \$0.6 billion in 1971 to a combined surplus of double that amount in 1972. This surplus was offset, however, by the deficit that accrued in the rest of the developing world - chiefly the dependent territories - where imports exceeded exports by about \$2.5 billion, ⁴ per cent more than in 1971 (see table 35).

Among the reserve-reporting countries there was a notable contrast between the eight petroleum exporters and the rest. The former ran a trade surplus of \$8.9 billion in 1972 (down \$0.25 billion from 1971); the latter were in deficit to the extent of \$7.6 billion (about \$2.2 billion less than in 1971).

The trade surplus of the petroleum-exporting countries was used chiefly to finance the transfer of profits by the foreign-owned mining and refining companies that produced the bulk of the exports, ^{4/} but also to make investments in and pay subventions to other developing countries and to purchase long-term securities and short-term assets on the principal capital markets. Though no firm figures are yet available, it is probable that all five of these flows were greater in 1972 than in 1971.

The other developing countries probably reduced their over-all current account deficit less than their merchandise deficit. Though here again little information is available from balance of payments statements for 1972, other evidence suggests there was a sizable increase in net receipts from tourism and from remittances of citizens working abroad, but an even greater increase in net payments of interest, dividends, royalties and managerial fees. ^{4/} This deficit was financed by an inflow of donations, loans and direct investment of at least the same magnitude as in 1971. ^{5/}

Both groups of countries thus added substantially to their international reserves in 1972, the former by over \$2 billion (much less than in 1971) the latter by almost \$4 billion (over twice as much as in 1971). The gain was common to all the major regions, but the bulk of it was registered in the western hemisphere and West Asia, each adding \$2.4 billion to their reserves. This was considerably more

^{4/} Preliminary data from the United States of America indicate that receipts of investment income and managerial fees and royalties from the developing countries increased by \$640 million (about 11 per cent) between 1971 and 1972, a decline of \$155 million from the western hemisphere having been outweighed by a rise of \$795 million from Africa and Asia.

^{5/} The outflow from the United States (\$6.8 billion in 1972) was fractionally less than in 1971. Government lending and private direct investment were both substantially (20-25 per cent) lower, but there were offsetting increases in bank lending and official donations.

than in 1971, especially in Latin America where no less than six countries increased their reserves by 60 per cent or more (see table 36).

The biggest gain was recorded by Brazil where the inflow of capital doubled the official reserves - to \$4 billion - and added appreciably to the difficulty of containing inflationary pressures. The Government sought to discourage foreign borrowing by prescribing longer tenor and raising the effective interest rates towards the domestic level by requiring borrowers to deposit in non-interest-bearing accounts a fourth of the cruzeiro equivalent of any external loan. Official reserves also doubled in Ecuador during 1972, in the wake of new petroleum development.

In West Asia, the principal gain was registered in Saudi Arabia where reserves reached \$2.5 billion by the end of 1972 and continued their rapid growth in the early months of 1973. On a smaller scale there was also a rapid rise (around 60 per cent in the course of 1972) in Iran and Israel whose reserves reached \$1 billion and \$1.25 billion, respectively, early in 1973.

A majority of African countries improved their external liquidity in 1972, but the gains were generally small in absolute terms. Perhaps the most significant were in Morocco, Tunisia and the United Republic of Tanzania. There was a notable recovery in Ghana but at the end of the year, official reserves had not regained the 1966 level. In the Libyan Arab Republic, whose reserves are equal to those of all other countries in the region, there was a rise to \$3 billion in mid-1972 and then - with imports soaring and petroleum production curtailed - a gradual decline.

In southern and south-eastern Asia, there was a marked recovery in the international liquidity of Pakistan and the Philippines in the wake of strenuous efforts to improve the external balance. After two years of declining reserves Thailand also staged a recovery, its foreign exchange holdings passing the \$1 billion mark early in 1973. Despite difficulties with its exports Malaysia also reached \$1 billion in its official reserves.

In the first two years of the Second Development Decade the international liquidity of the developing countries rose 63 per cent in terms of current United States dollars, 47 per cent in terms of SDR. In the petroleum-exporting countries the expansion was mainly in 1971; in the other developing countries mainly in 1972.

Though total developing country reserves increased by 30 per cent in the course of 1972 (26 per cent in the eight major oil exporting countries and 33 per cent in the rest of the developing group), about a fourth of the developing countries had to draw down their reserves to meet external liabilities. The reduction was 5 per cent or less in Algeria, the Congo, India, the Ivory Coast and Nepal, but it was around 40 per cent in the case of Cameroon, Chile, Mali and Zambia.

In Zambia and several other countries - Burma, Chad, Egypt and Nigeria, for example - reserves at the end of 1972 were below not only the previous year's level but also the level of the early 1960s. And some of the countries that had managed to increase their external liquidity in 1972 were still left with a smaller reserve than they had had 10 years earlier; this was the case in Argentina, in Ghana, Senegal and the Sudan and in Pakistan and Sri Lanka. In relation to import expenditures,

moreover, official reserves were lower in 1972 than at the beginning of the 1960s in Argentina and Jamaica, in a third of the developing countries of Asia and half those of Africa.

On the average, developing country reserves at the end of 1972 were sufficient to finance about seven months' imports at current rates, compared with 4.3 months' 10 years earlier. In the oil-exporting countries, the figure had risen from six months' to 12 months' imports; in the other developing countries from four months' to six months'. In about a fifth of all developing countries at the beginning of 1973, however, official reserves - including gold holdings and position at IMF as well as holdings of SDR and usable foreign exchange - were not sufficient to finance more than two months' imports at current rates. Thus, allowing for the fact that financing capacity depends on export prospects, on the schedule of debt service and on access to external credit, a number of developing countries remained extremely illiquid.

The number of developing countries that were net drawers on IMF was the same (19) in 1972 as in 1971. In Africa the borrowers were outnumbered by the repayers in both years. West Asia swung from net borrowing to net repayment, the Syrian Arab Republic being the only net borrower in 1972. In southern and south-eastern Asia, the swing was in the opposite direction, sizable net drawings being made by Bangladesh and Pakistan. The western hemisphere was a net borrowing region in both years: Chile, Peru and Uruguay were among the major recipients in 1972 but it was a large advance to Argentina (\$284 million net) that contributed most to swing the developing countries as a whole from net repayment of \$58 million in 1971 to net drawing of \$315 million in 1972.

Thus, notwithstanding the generally favourable trading results of 1972 and the large flow of private capital to some developing countries, it is clear that many continue to have a precarious external balance. An upsurge in imports (induced by development investment or drawn in by inflation and an overvalued exchange rate) or a decline in export earnings (consequent on a fall in demand for a few important commodities or a reduction in price) or a rise in debt service claims (as a result of the maturing of short- and medium-term credits) can still bring about a payments crisis in many of the developing countries.

Outlook

The prospects for the developing countries for 1973/74 depend even more than usual on the weather and on the response of farmers. Of the 32 reports received by the Food and Agriculture Organization of the United Nations in December 1972, under the "early warning system" of the food situation, three fourths indicated poor harvests or uncertain crop conditions and more than half indicated actual shortage of food. With world grain stocks at a very low level and the rising demand for meat putting increased strain on supplies of feed-stuffs, prices are likely to remain firm. This will provide a favourable situation for exporters of cereals and oilcake, but pose serious problems for importers that are short of foreign exchange.

Relatively low stocks point to strong markets in a number of other commodities - sugar, coffee and cocoa, fishmeal, wool and cotton, for example - and this should ensure that the expected continuation of the economic upswing in

the developed market economies will be fully reflected in demand for the exports of the developing countries. The demand for metals is also likely to be greater than in 1972, though its impact on trade will be moderated to some extent by the planned release of some \$1.7 billion of supplies from the United States' strategic stockpile. The expansion in mine and smelter capacity in recent years should enable requirements to be met, even though the growth in demand is likely to be more general than usual - Europe, Japan and North America experiencing a similar cyclical upsurge.

Capacity to meet requirements for energy sources is also quite adequate but the market situation is likely to remain extremely tight. Some petroleum-producing countries, not being under any pressure to enlarge their export earnings, are practising a conservative policy in respect of developed deposits. And OPEC is able to exercise great influence over the volume of oil entering international trade. In the importing countries demand is being affected by the continuing rundown of coal mining capacity in Western Europe, by the desire to avoid the use of high-sulphur fuels and by a new and strong awareness of some of the social costs of energy production, manifested in a reluctance to exploit domestic deposits when this could result in environmental damage, or to flood valleys for hydroelectric purposes or to site nuclear generating facilities close to centres of demand.

While exports and export prices are likely to be well maintained in 1973, import prices - strongly influenced by the inflation that still characterizes most of the more advanced economies - are also likely to continue to rise. Movements in the terms of trade will doubtless differ as much as usual from country to country. For the developing countries as a whole, however, prospects seem favourable: in the last quarter of 1972, the import price indices of minerals were an eighth above the corresponding 1971 level and those of agricultural products were a fifth higher, and market prices were still rising rapidly. 6/

On the whole, the enlargement of EEC, which took effect at the beginning of 1973, should prove to be a positive influence on the exports of the developing countries. Though some countries are losing preferential entry to the United Kingdom market, transitional arrangements have been made for cases - such as sugar - in which dependence on that market was particularly great. While a number of developing countries are seeking "association" with the enlarged Community, there is little evidence to suggest that countries not so associated will not share in the growth in demand. 7/ While the enlargement of the Common Market is unlikely to prove

6/ Comparing average market quotations in United States dollars for internationally traded commodities in the first quarter of 1973 with those of a year earlier, there were increases of up to 5 per cent in abaca, cotton and jute, 5-10 per cent in sugar, tea, tin and petroleum, 10-20 per cent in robusta coffee, beef, coconut oil and zinc, 20-30 per cent in palm oil and copper, 30-40 per cent in arabica coffee, 40-50 per cent in ground-nuts, 50-60 per cent in wheat, rice, cocoa, rubber, linseed oil, copra and palm kernels, and over 100 per cent in wool and hides. The world commodity price index computed by the Economist in London in mid-April 1973 was 57 per cent above the corresponding 1972 figure.

7/ Between 1960-1962 and 1969-1971 the average annual rate of increase in EEC imports (in current prices) was 5.7 per cent from Latin America, 6.6 per cent from the associated countries, and 8.4 per cent from the developing countries as a whole.

as expansionary as the integration of the six original members proved to be in the 1960s, it is expected to stimulate growth, especially in the United Kingdom which has been a far from dynamic market for the developing countries in recent years. The effect of integration should thus be to accelerate the increase in demand for most imports. The increase will not be uniform, however, and for temperate farm products and for manufactured goods, the longer-run effect will depend on how outward-looking the new Community becomes.

Though no information is yet available on the extent of development assistance or other resource transfers in 1972, commitments data of 1971 suggest that no great change was likely. Nor can any be foreseen for 1973: the slow increase of recent years seems likely to continue.

This should not affect imports very significantly. These may well expand more in 1973 than they did in 1972. Not only are food purchases likely to be greater but the increase in international reserves of recent years and buoyant export sales should make it possible for most developing countries to expand their imports in support of a higher rate of growth.

Table 29. Developing countries: growth of total
production, 1961-1972 a/
(Percentage)

| Country group | Average annual rate, 1961-1970 | <u>Change from preceding year</u> | |
|---------------------------------------|--------------------------------------|-----------------------------------|--------------------|
| | | 1971 | 1972 ^{b/} |
| Developing countries, total | 5.5 | 5.2 | 5.4 |
| Western hemisphere | 5.6 | 6.3 | 6.4 |
| Africa | 4.8 | 3.3 | 4.5 |
| West Asia | 8.1 | 10.4 | 10.8 |
| Southern and south-eastern Asia . . | 5.0 | 3.4 | 3.3 |

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 Yearbook of National Accounts Statistics; Economic Commission for Africa, "Summaries of economic data"; Economic Commission for Asia and the Far East, "Economic Survey of Asia and the Far East, 1972, Part Two" (preliminary version) (E/CN.11/L.350/B); Economic Commission for Latin America, "Economic Survey of Latin America, 1972, Summary" (preliminary version) (E/CN.12/954), and national sources.

a/ Measured at constant market prices.

b/ Preliminary.

Table 30. Selected developing countries: indicated changes in gross domestic product, ^{a/} 1972
(Percentage)

| Countries ^{b/} whose rates of growth were | | | | | |
|--|--|--|---|---|---|
| More than 10 per cent | Between 8.0 and 9.9 per cent | Between 6.0 and 7.9 per cent | Between 5.0 and 5.9 per cent | Between 3.0 and 4.9 per cent | Less than 2.9 per cent |
| Saudi Arabia Tunisia Iran Syrian Arab Republic Qatar Hong Kong Brazil Algeria Botswana Gabon Mauritius Senegal | Israel Ecuador Dominican Republic Malawi Mauritania Singapore Southern Rhodesia Swaziland | Lebanon Republic of Korea Nigeria Togo Panama Colombia Mexico Bolivia Guatemala Sierra Leone | Peru Indonesia Haiti Congo Costa Rica Egypt Ethiopia Fiji Gambia Kenya Kuwait Morocco Namibia Nicaragua Somalia Sudan Upper Volta Zambia | Paraguay Philippines Chad El Salvador Ivory Coast Thailand Pakistan Argentina Ghana Guinea Malaysia Mozambique United Republic of Tanzania Zaire Bangladesh Cameroon Venezuela Trinidad and Tobago Burma Angola Jordan Lesotho Liberia Madagascar Niger | Afghanistan Oman Honduras Mali Nepal Republic of Viet-Nam Rwanda India Chile Bahrain Jamaica Laos Burundi Dahomey Uganda Uruguay Sri Lanka |
| | | | | | Central African Republic Guyana Iraq Barbados Khmer Republic Libyan Arab Republic |

(Source and foot-notes on following page)

(Source and foot-notes to table 30)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data from Statistical Office of the United Nations, Monthly Bulletin of Statistics; Economic Commission for Asia and the Far East, "Economic Survey of Asia and the Far East, 1972, Part Two" (preliminary version) (E/CN.11/L.350/B); Economic Commission for Africa, "Summaries of economic data"; Economic Commission for Latin America, "Economic Survey of Latin America, 1972, Summary" (preliminary version) (E/CN.12/954); United States of America, Department of Commerce, Foreign Economic Trends (Washington, D.C.); United States of America, Department of State, Agency for International Development Data Book (Washington, D.C.), and other national sources.

a/ Based on preliminary official estimates of the national accounts or "indicators" derived from official or semi-official statistics of production, trade and transport. Where indicators were used, changes in gross domestic product reflect changes, in real terms, in the output of all the items of goods and services for which data were obtainable, combined with weights derived from national accounts of 1971. The indicated changes are necessarily tentative, being prepared in March 1973 and based in some cases on less than a full year's figure for some of the components of the gross domestic product.

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

Table 31. Selected developing countries: growth of agricultural production, 1961-1972
(Percentage)

| Group and country | Average annual ^{a/} rate, 1961-1970 | | Change from preceding year | | | |
|-----------------------------------|--|---------|----------------------------|---------|---------|-------|
| | Total | Food c/ | 1971 | | 1972 b/ | |
| | | | Total | Food c/ | Total | Food |
| <u>Western hemisphere</u> | 2.9 | 3.7 | 3.2 | 1.5 | -0.8 | -1.5 |
| Argentina | 3.0 | 3.0 | -4.4 | -2.6 | -4.6 | -5.3 |
| Bolivia | 1.2 | 1.0 | 1.9 | 1.9 | -0.9 | -0.9 |
| Brazil | 3.1 | 4.3 | 6.2 | 1.4 | 3.0 | 3.5 |
| Chile | 2.8 | 2.1 | 0.8 | 1.6 | -15.8 | -17.1 |
| Colombia | 2.5 | 2.8 | 1.6 | 5.3 | 5.4 | 2.9 |
| Costa Rica | 4.3 | 6.2 | 6.0 | 4.9 | 4.6 | 6.1 |
| Dominican Republic . . | 1.3 | 1.9 | 5.6 | 6.9 | 8.0 | 7.8 |
| Ecuador | 3.6 | 3.3 | 2.9 | 4.4 | -1.5 | 0.7 |
| El Salvador | 4.0 | 4.1 | 14.0 | 9.3 | -1.5 | -10.0 |
| Guatemala | 4.1 | 3.7 | 13.5 | 7.7 | -5.7 | -3.9 |
| Guyana | 0.7 | 0.1 | 4.8 | 4.8 | -3.8 | -3.8 |
| Haiti | -0.2 | -0.9 | 2.1 | 1.0 | 1.1 | 5.9 |
| Honduras | 4.6 | 3.4 | 6.3 | 5.6 | -7.8 | -9.1 |
| Jamaica | -1.0 | 0.3 | 3.4 | 4.6 | 2.2 | 2.2 |
| Mexico | 4.0 | 4.5 | 4.5 | 4.1 | -2.2 | -2.8 |
| Nicaragua | 5.4 | 4.9 | 9.2 | 4.4 | -16.2 | -8.7 |
| Panama | 3.4 | 4.8 | 3.8 | 3.0 | -1.5 | -1.5 |
| Paraguay | 2.7 | 1.2 | -16.8 | -16.0 | 13.2 | 12.3 |
| Peru | 1.5 | 1.1 | -0.9 | 0.9 | -3.8 | -3.4 |
| Trinidad and Tobago . . | 1.4 | -0.3 | -6.2 | -4.2 | 7.1 | 5.2 |
| Uruguay | 1.4 | 1.3 | -19.4 | -17.5 | -3.5 | -4.3 |
| Venezuela | 4.2 | 3.8 | - | - | -2.8 | -2.8 |
| <u>Africa</u> | 1.9 | 1.9 | 3.3 | 4.2 | 0.8 | 0.8 |
| Algeria | -1.2 | -0.7 | -8.0 | -8.0 | 3.2 | 3.2 |
| Angola | 3.3 | 1.8 | 2.5 | 0.9 | -5.0 | -3.5 |
| Burundi | 2.0 | 1.9 | 3.9 | 3.1 | -3.1 | -1.6 |
| Cameroon | 3.0 | 3.1 | 3.9 | 2.3 | 0.8 | 0.8 |
| Dahomey | 1.5 | 1.2 | 2.5 | 2.5 | 2.5 | 2.5 |
| Egypt | 1.6 | 2.1 | 3.4 | 5.0 | 3.3 | 2.5 |
| Ethiopia | 2.5 | 2.3 | - | - | 0.8 | 0.9 |
| Ghana | 1.2 | 1.0 | 7.3 | 7.3 | 0.9 | 0.9 |
| Guinea | 2.1 | 2.2 | 2.4 | 2.4 | 2.4 | 2.3 |
| Ivory Coast | 3.6 | 4.6 | 10.1 | 10.5 | 2.6 | 1.9 |

(Table continued on following page)

Table 31 (continued)

| Group and country | Average annual ^{a/} rate, 1961-1970 | | Change from preceding year | | | |
|--|--|-------------------|----------------------------|----------------|---------|----------------|
| | Total | Food <u>c/</u> | 1971 | | 1972 b/ | |
| | | | Total | Food <u>c/</u> | Total | Food <u>c/</u> |
| <u>Africa (continued)</u> | | | | | | |
| Kenya | 3.2 | 2.5 | -4.0 | -5.0 | 5.5 | 5.0 |
| Liberia | 3.0 | 0.6 | -4.4 | 1.9 | 2.9 | 6.1 |
| Libyan Arab Republic . . | 4.2 | 2.4 | 15.8 | 16.4 | -11.0 | -11.6 |
| Madagascar | 3.6 | 3.0 | 0.8 | 3.0 | -0.8 | - |
| Malawi | 3.5 | 3.7 | 12.5 | 24.3 | 6.4 | 4.8 |
| Mali | 1.5 | 0.6 | -1.8 | -1.9 | -3.6 | -4.9 |
| Morocco | 2.4 | 2.5 | 9.1 | 9.0 | 4.0 | 4.6 |
| Niger | 3.1 | 3.1 | 1.8 | 1.9 | -16.5 | -16.7 |
| Nigeria | 1.6 | 1.6 | 5.9 | 6.7 | 0.8 | 0.8 |
| Rwanda | 3.6 | 3.7 | 2.0 | 2.0 | 1.3 | 1.3 |
| Senegal | -0.7 | -0.9 | 28.8 | 28.7 | -35.1 | -36.1 |
| Sierra Leone | 1.5 | 1.5 | 1.8 | 2.7 | 15.2 | 15.2 |
| Southern Rhodesia . . . | 1.3 | 3.3 | 13.9 | 19.7 | 9.0 | 10.3 |
| Sudan | 4.0 | 2.9 | - | 2.5 | 0.8 | 0.8 |
| Togo | 1.5 | 1.6 | 2.4 | 2.3 | -1.6 | -1.5 |
| Tunisia | -0.1 | -0.4 | 18.1 | 19.4 | -5.8 | -6.5 |
| Uganda | 3.2 | 3.4 | -2.4 | -0.8 | - | -1.7 |
| United Republic of Tanzania | 2.4 | 2.5 | 0.9 | - | - | - |
| Upper Volta | 0.6 | 0.2 | - | - | 1.0 | - |
| Zaire | 1.8 | 2.6 | -7.3 | -8.0 | 0.8 | - |
| Zambia | 0.6 | 1.2 | 45.6 | 50.3 | 3.7 | 4.8 |
| <u>West Asia</u> | 4.2 | 4.1 | -4.1 | -4.9 | 9.9 | 10.7 |
| Iran | 4.0 | 4.0 | -10.5 | -11.3 | 10.5 | 11.3 |
| Iraq | 2.2 | 1.9 | -5.4 | -6.3 | 7.8 | 8.7 |
| Israel | 5.7 | 5.2 | 10.9 | 11.8 | 9.3 | 8.9 |
| Jordan | 2.0 | 2.4 | 35.5 | 35.5 | 7.0 | 6.9 |
| Lebanon | 3.9 | 4.9 | 12.0 | 11.6 | 1.4 | 2.1 |
| Syrian Arab Republic . . | 3.0 | 6.8 | 3.4 | 2.6 | 10.2 | 15.2 |
| <u>Southern and south-eastern Asia</u> . . . | 3.2 | 3.1 | 0.8 | - | -4.7 | -5.5 |
| Bangladesh | 1.1 ^{a/} | 0.7 ^{a/} | -8.8 | -6.1 | 1.0 | -1.9 |
| Burma | 1.0 | 1.0 | -2.9 | -2.9 | - | - |
| India | 2.6 | 3.8 | 0.8 | -0.8 | -8.7 | -9.5 |
| Indonesia | 2.2 | 2.2 | 3.9 | 3.1 | -2.3 | -3.9 |
| Khmer Republic | 3.1 | 4.6 | -22.8 | -26.9 | -21.0 | -23.0 |

(Table continued on following page)

Table 31 (continued)

| Group and country | Average annual ^{a/} rate, 1961-1970 | | Change from preceding year | | | |
|--|--|---------|----------------------------|---------|---------|---------|
| | | | 1971 | | 1972 b/ | |
| | Total | Food c/ | Total | Food c/ | Total | Food c/ |
| <u>Southern and south-eastern Asia (continued)</u> | | | | | | |
| Malaysia | 5.6 | 4.7 | 7.7 | 13.9 | 2.3 | 8.2 |
| Pakistan | 6.0 | 5.1 | -0.6 | -5.0 | -0.6 | - |
| Philippines | 3.7 | 3.9 | 3.0 | 3.7 | 1.5 | 2.2 |
| Republic of Korea . . . | 4.2 | 3.9 | - | -0.8 | 3.0 | 0.8 |
| Republic of Viet-Nam . | 0.6 | 1.1 | 8.9 | 8.5 | -1.8 | -1.7 |
| Sri Lanka | 3.3 | 3.6 | 3.1 | 7.8 | -5.5 | -9.9 |
| Thailand | 4.3 | 4.3 | 3.5 | 2.8 | -9.2 | -12.7 |
| Total | 2.8 | 3.1 | 1.6 | 0.8 | -1.6 | -2.4 |

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

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

b/ Preliminary.

c/ Food includes all the edible products which contribute energy to the human diet regardless of the extent to which they are actually used for food in the country or region where produced: cereals, starchy roots, sugar, pulses, edible oil crops, nuts, fruits, vegetables, cocoa and livestock products.

d/ 1964-1970.

Table 32. Selected developing countries: changes in consumer prices, 1961-1972

| Country ^{a/} | Average annual rate of increase, 1961-1970 ^{b/} | Percentage change | | |
|---|--|-----------------------------|--------------------|------------------------|
| | | From preceding year 1971 | 1972 ^{c/} | In latest 12 months |
| A. <u>Countries whose rate of inflation was 5 per cent or less in 1972^{d/}</u> | | | | |
| 1. <u>Experiencing less inflation in 1972 than in 1971^{d/}</u> | | | | |
| Uganda | 4.5 | 15.7 | 4.3 | 9.4 |
| Nigeria | 4.4 | 13.5 | 3.7 | -1.8 |
| Haiti | 2.7 | 10.3 | 3.2 | 7.3 |
| Ethiopia | 5.2 | 0.5 | -6.1 | -2.3 |
| Malawi | 5.1 | 8.1 | 3.9 | 2.9 |
| | | | | |
| Somalia | 4.4 | 0.4 | -3.8 | -2.3 |
| Syrian Arab Republic . . | 2.0 | 4.9 | 1.0 | 3.2 |
| Tunisia | 2.8 | 5.7 | 2.2 | 3.6 |
| Chad | 4.9 | 6.0 | 2.9 | 0.2 |
| Egypt | 3.6 | 3.7 | 2.4 | 2.5 |
| | | | | |
| Burundi | 2.6 | 3.9 | 2.7 | 3.6 |
| Venezuela | 1.0 | 3.3 | 2.2 | 3.8 |
| Zambia | 4.2 | 6.1 | 5.0 | 5.0 |
| | | | | |
| 2. <u>Experiencing a similar rate of inflation in 1971 and 1972^{d/}</u> | | | | |
| Morocco | 2.3 | 4.2 | 3.7 | 2.6 |
| Southern Rhodesia . . . | 2.1 | 3.1 | 2.9 | 4.0 |
| Gabon | 3.5 | 3.4 | 3.6 | 2.5 |
| Singapore | 1.1 | 1.9 | 2.1 | 5.8 |
| | | | | |
| 3. <u>Experiencing a higher rate of inflation in 1972 than in 1971^{d/}</u> | | | | |
| Netherlands Antilles . . | 1.2 | 3.3 | 4.2 | 4.0 |
| Guatemala | 0.9 | -0.5 | 0.5 | 1.1 |
| Malaysia | 0.9 | 1.5 | 2.6 | 3.6 |
| Senegal | 2.5 | 2.6 | 3.7 | 2.6 |
| Ivory Coast | 3.7 | -0.8 | 0.4 | 2.0 |
| | | | | |
| El Salvador | 0.7 | 0.4 | 1.7 | 5.1 |
| Costa Rica | 2.5 | 3.0 | 4.7 | 6.9 |
| Thailand | 2.0 | 2.0 | 4.0 | 6.4 |
| Guyana | 2.3 | 2.1 | 4.5 | 7.1 |
| Libyan Arab Republic . . | 6.4 | -2.7 | 0.8 | 5.0 |
| Sierra Leone | 4.1 | -2.3 | 3.1 | 4.3 |

(Table continued on following page)

Table 32 (continued)

| Country ^{a/} | Average annual rate of increase, 1961-1970 ^{b/} | Percentage change | | |
|---|--|-----------------------------|--------------------|------------------------|
| | | From preceding year 1971 | 1972 ^{c/} | In latest 12 months |
| B. <u>Countries whose rate of inflation was more than 5 per cent in 1972^{d/}</u> | | | | |
| 1. <u>Experiencing less inflation in 1972 than in 1971^{d/}</u> | | | | |
| Khmer Republic | 4.4 | 72.0 | 25.2 | 32.2 |
| Mozambique | 2.9 | 15.6 | 7.3 | 7.0 |
| Brazil | 44.0 | 21.1 | 17.9 | 7.5 |
| Jamaica | 4.1 | 6.6 | 5.7 | 9.3 |
| 2. <u>Experiencing a similar rate of inflation in 1971 and 1972^{d/}</u> | | | | |
| Republic of Korea | 13.2 | 12.4 | 11.8 | 9.0 |
| Ecuador | 4.4 | 8.4 | 7.9 | 6.9 |
| Madagascar | 3.7 | 5.4 | 5.7 | 4.3 |
| Peru | 9.5 | 6.9 | 7.2 | 4.3 |
| Israel | 5.6 | 12.0 | 12.9 | 12.3 |
| Mauritania | 4.5 | 7.6 | 8.6 | 10.3 |
| 3. <u>Experiencing a higher rate of inflation in 1972 than in 1971^{d/}</u> | | | | |
| Iraq | 2.2 | 3.6 | 5.2 | 8.3 |
| Cameroon | 3.6 | 4.1 | 6.1 | 4.9 |
| Kenya | 1.8 | 3.8 | 5.8 | 4.1 |
| Indonesia | 135.7 | 4.4 | 6.5 | 25.8 |
| Mexico | 2.6 | 3.3 | 5.6 | 8.0 |
| Iran | 1.7 | 4.1 | 6.5 | 7.7 |
| Fiji | 2.8 | 6.5 | 9.1 | 13.2 |
| Honduras | 2.6 | 2.3 | 5.2 | 6.7 |
| Bolivia | 5.5 | 3.6 | 6.5 | 23.6 |
| Hong Kong | 2.9 | 3.2 | 6.1 | 9.2 |
| India | 7.2 | 3.3 | 6.3 | 6.6 |
| Pakistan | 3.9 | 4.7 | 8.0 | 10.8 |
| Lebanon | 1.9 | 1.6 | 5.0 | 5.3 |
| Sri Lanka | 2.9 | 2.7 | 6.4 | 4.0 |
| Panama | 1.2 | 1.8 | 5.6 | 6.8 |
| Jordan | 4.7 | 4.2 | 8.2 | 12.5 |
| Paraguay | 3.6 | 5.0 | 9.2 | 9.5 |
| Barbados | 2.4 | 7.5 | 11.8 | 10.4 |
| Mauritius | 1.9 | 0.3 | 5.4 | 1.7 |
| Colombia | 11.2 | 9.1 | 14.3 | 16.4 |
| Niger | 4.3 | 4.3 | 9.8 | 13.4 |
| Congo | 4.1 | 4.1 | 9.8 | 11.1 |

(Table continued on following page)

Table 32 (continued)

| Country ^{a/} | Average annual rate of increase, 1961-1970 ^{b/} | Percentage change | | |
|--|--|-----------------------------|--------------------|------------------------|
| | | From preceding year 1971 | 1972 ^{c/} | In latest 12 months |
| 3. <u>Experiencing a higher rate of inflation in 1972 than in 1971 (continued)</u> | | | | |
| Trinidad and Tobago . . | 3.0 | 3.5 | 9.3 | 8.0 |
| Republic of Viet-Nam . . | 21.0 | 18.3 | 24.5 | 27.0 |
| United Republic of Tanzania | 2.1 | 3.7 | 9.9 | 7.4 |
| Dominican Republic . . | 1.8 | 2.3 | 8.7 | 8.1 |
| Zaire | 18.6 | 5.0 | 15.0 | 10.2 |
| Sudan | 4.3 | 1.3 | 11.9 | 24.5 |
| Ghana | 7.7 | 2.9 | 14.0 | 17.5 |
| Philippines | 4.5 | 3.1 | 19.8 | 11.1 |
| Argentina | 21.0 | 34.7 | 58.4 | 64.3 |
| Laos | 21.0 | 1.3 | 25.1 | 28.4 |
| Uruguay | 12.1 | 23.9 | 67.6 | 82.7 |
| Chile | 26.0 | 20.1 | 78.0 | 163.4 |

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

^{a/} Countries are arranged in descending order of the absolute difference between the change between 1971 and 1972, and the change between 1970 and 1971.

^{b/} 1962-1970 for Cameroon, Mauritania and Mozambique;
1963-1970 for Gabon;
1964-1970 for Ethiopia;
1965-1970 for Libyan Arab Republic and Zaire;
1966-1970 for Burundi;
1967-1970 for Lebanon;
1968-1970 for Jordan;
1969-1970 for Malawi.

^{c/} Preliminary.

^{d/} Based on a comparison of year-to-year change in annual averages.

Table 33. Developing countries: distribution of changes
in money supply, a/ 1972

| Change in money supply from preceding year (percentage) | Number of countries | Countries ^{b/} in which, in relation to the trend during the preceding year, the trend registered during 1972 represents | | | |
|--|---------------------------|---|---|--|--|
| | | Continuation | Deceleration | Acceleration | Reversal |
| Decline | 4 | | | | Burundi Togo Rwanda Sri Lanka |
| Less than 6 | 4 | | Democratic Yemen Chad Upper Volta | | Zambia |
| 6.0-9.9 | 5 | | Niger Malawi Cameroon Nepal | Jordan | |
| 10.0-14.9 | 17 | India Ivory Coast Thailand | Libyan Arab Republic Jamaica Costa Rica Lebanon Dahomey United Republic of Tanzania | Congo Honduras Iraq Senegal Nigeria Afghanistan Madagascar | Ethiopia |
| 15.0-19.9 | 14 | | Tunisia | Venezuela Dominican Republic Morocco Sierra Leone Mexico Egypt Kenya Paraguay Haiti Mauritania Sudan Guatemala | Zaire |

(Table continued on following page)

Table 33 (continued)

| Change in money supply from preceding year (percentage) | Number of countries | Countries ^{b/} in which, in relation to the trend during the preceding year, the trend registered during 1972 represents | | | |
|--|---------------------------|---|---|---|----------|
| | | Continuation | Deceleration | Acceleration | Reversal |
| 20.0-29.9 | 17 | Brazil Indonesia | Republic of Viet-Nam Trinidad and Tobago | Pakistan Bolivia Guyana Philippines Ecuador El Salvador Singapore Syrian Arab Republic Saudi Arabia Nicaragua Malaysia Uganda | Panama |
| 30.0 and over | 12 | Israel | Chile | Argentina Kuwait Iran Algeria Uruguay Gabon Republic of Korea Mauritius Ghana | Gambia |
| Total | 73 | 6 | 17 | 41 | 9 |

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

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

b/ Countries are listed in ascending order of the degree of acceleration as measured by the difference between the percentage increase in 1971 and the percentage increase in 1972.

Table 34. Developing countries: distribution of changes in foreign trade, ^{a/} 1972^{b/}

| Change in foreign trade from preceding (percentage) | Number of countries | Exports | Imports | Countries ^{c/} in which, in relation to the change in the preceding interval, the change between 1971 and 1972 represents | | Reversal | | | |
|--|---------------------------|---------|---------|---|---|---|---|---|---|
| | | | | Continuation | | Deceleration | | Acceleration | |
| | | | | Exports | Imports | Exports | Imports | Exports | Imports |
| Decline | 12 | 15 | | Chile Kmer Republic | Sri Lanka Uruguay Democratic Yemen | Honduras | Uruguay Pakistan | Iraq Libyan Arab Republic Burma Guadeloupe Kenya Philippines Jamaica | Uganda Kmer Republic Ghana Angola Sudan Ecuador Colombia Egypt Argentina Nicaragua Bolivia Mozambique |
| Increase of less than 5 | 7 | 11 | | Venezuela Haiti Sudan | | Nigeria Somalia Kenya Israel United Republic of Tanzania Dominican Republic Ethiopia Philippines Haiti Jamaica | Egypt | Pakistan Cameroon Peru | Democratic Yemen |
| 5.0-9.9 | 10 | 15 | | Guatemala | Honduras | Republic of Korea Peru El Salvador India Paraguay Panama Costa Rica | Liberia Ivory Coast | Argentina Malaysia Barbados Ivory Coast Bolivia Zambia | Guyana Sierra Leone Sri Lanka |
| 10.0-19.9 | 15 | 15 | | Hong Kong Zambia Venezuela | Nigeria Malawi | Barbados Indonesia Madagascar | Singapore Morocco Réunion Malaysia Cameroon | Uganda Guatemala Sierra Leone Angola Réunion | Martinique Thailand |

(Table continued on following page)

Table 34 (continued)

| Change in foreign trade from preceding year (percentage) | Number of countries | Countries ^{c/} in which, in relation to the change in the preceding interval, the change between 1971 and 1972 represents: | | Continuation | | Deceleration | | Acceleration | | Reversal | |
|--|---------------------------|---|---------|-------------------------------------|--------------|--------------|---------|---|--|--|----------------------|
| | | Exports | | Imports | | Exports | | Imports | | Exports | |
| | | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports |
| 20.0-29.9 | 11 | | 10 | Brazil Trinidad and Tobago | Iraq | Kuwait | | Hong Kong Singapore Mexico Mozambique Nicaragua Ethiopia | Jordan Malawi Chile Senegal Burma | El Salvador Costa Rica Colombia Ghana | Mexico Guadeloupe |
| 30.0 and over | 18 | | 9 | | Saudi Arabia | | | Indonesia Thailand Tunisia Republic of Korea Ecuador Somalia Dominican Republic Martinique Brazil Republic of Viet-Nam Morocco | Syrian Arab Republic Saudi Arabia Iran Tunisia Libyan Arab Republic Mauritius Kuwait Republic of Viet-Nam | Jordan Senegal Syrian Arab Republic Mauritius Algeria | Algeria |
| Total | 71 | | 71 | 6 | 11 | 22 | 25 | 22 | 30 | 21 | |

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.), and national sources.

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

b/ preliminary.

c/ Countries are listed in ascending order of acceleration as measured by the difference between the percentage increase between 1970 and 1971 and the percentage increase between 1971 and 1972.

Table 35. Developing countries: balance of trade and changes in international liquidity, 1970-1972
(Millions of dollars)

| Country group | Balance of trade ^{a/} | | Net change in reserves ^{b/} | | Net change in other balance of payments items | |
|--|--------------------------------|--------|--------------------------------------|------|---|--------|
| | 1970 | 1971 | 1970 | 1971 | 1970 | 1971 |
| Developing countries, total . . . | -1,724 | -3,089 | -1,274 | ... | ... | ... |
| Countries reporting reserves . . . | 389 | -636 | 1,271 | ... | 2,078 | 5,553 |
| Petroleum exporters ^{d/} . . . | 6,319 | 9,115 | 8,862 | ... | -5,581 | -5,889 |
| Others | -5,930 | -9,751 | -7,591 | ... | 7,659 | 11,442 |
| Other countries | -2,113 | -2,453 | -2,545 | ... | ... | ... |
| Western hemisphere, total . . . | 1,480 | -2,910 | -2,501 | ... | ... | ... |
| Countries reporting reserves . . . | -438 | -1,841 | -1,213 | ... | 1,613 | 2,786 |
| Venezuela | 664 | 827 | 372 | ... | -576 | -326 |
| Others ^{e/} | -1,102 | -2,668 | -1,585 | ... | 2,189 | 3,112 |
| Others | -1,042 | -1,069 | -1,288 | ... | ... | ... |
| Africa, total | 1,547 | 399 | 839 | ... | ... | ... |
| Countries reporting reserves . . . | 1,846 | 836 | 1,136 | ... | -744 | 483 |
| Petroleum exporters ^{f/} . . . | 1,745 | 1,907 | 1,561 | ... | -1,055 | -456 |
| Others ^{g/} | 101 | -1,071 | -425 | ... | 311 | 939 |
| Others | -299 | -437 | -297 | ... | ... | ... |
| West Asia, total | 3,023 | 5,216 | 5,966 | ... | ... | ... |
| Countries reporting reserves . . . | 2,513 | 4,616 | 5,305 | ... | -2,482 | -2,706 |
| Petroleum exporters ^{h/} . . . | 3,910 | 6,381 | 6,929 | ... | -3,950 | -5,107 |
| Others ^{i/} | -1,387 | -1,765 | -1,624 | ... | 1,468 | 2,401 |
| Others | 510 | 600 | 661 | ... | ... | ... |
| Southern and south-eastern Asia, total | -4,814 | -5,794 | -5,578 | ... | ... | ... |
| Countries reporting reserves ^{j/} . . . | -3,532 | -4,247 | -3,957 | ... | 3,691 | 4,990 |
| Other countries | -1,282 | 547 | 621 | ... | ... | ... |

(Source and foot-notes on following page)

(Source and foot-notes to table 35)

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

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

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

c/ Preliminary.

d/ African petroleum exporters, West Asian petroleum exporters, and Venezuela.

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

f/ Algeria, Libyan Arab Republic and Nigeria.

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

h/ Iran, Iraq, Kuwait and Saudi Arabia.

i/ Israel, Jordan, Lebanon, Democratic Yemen, and Syrian Arab Republic; and IMF special drawing rights and reserve positions only of Oman and Yemen.

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

Table 36. Selected developing countries: changes in international liquidity, 1961-1972

| Group and country ^{a/} | International reserves, ^{b/} end 1972 | | | International reserves, ^{b/} end of year, as percentage of imports in preceding year c/ | |
|--|---|---------------------------------|---------------------------|---|------|
| | Millions of dollars | As percentage of reserves at | | 1961 | 1972 |
| | | End 1971 | End 1960 ^{d/} | | |
| Total of countries listed | 28,663 | 130 | 307 | 36 | 58 |
| Oil-producing countries ^{e/} | 10,148 | 126 | 556 | 48 | 104 |
| Others | 18,515 | 133 | 256 | 33 | 47 |
| <u>Western hemisphere</u> | | | | | |
| Total | 9,684 | 147 | 343 | 32 | 57 |
| Venezuela | 1,732 | 114 | 284 | 49 | 75 |
| Others | 7,952 | 157 | 360 | 30 | 54 |
| Argentina | 465 | 160 | 89 | 31 | 25 |
| Bolivia | 60 | 110 | 891 | 10 | 35 |
| Brazil | 3,917 | 224 | 1,135 | 32 | 106 |
| Chile | 135 | 61 | 122 | 14 | 14 |
| Colombia | 325 | 160 | 183 | 27 | 37 |
| Costa Rica | 40 | 139 | 293 | 6 | 11 |
| Dominican Republic | 59 | 104 | 228 | 9 | 16 |
| Ecuador | 143 | 222 | 351 | 33 | 47 |
| El Salvador | 82 | 127 | 250 | 20 | 33 |
| Guatemala | 135 | 144 | 250 | 40 | 45 |
| Guyana | 31 | 119 | 207 | 18 | 24 |
| Haiti | 18 | 171 | 360 | 10 | 32 |
| Honduras | 35 | 166 | 265 | 17 | 18 |
| Jamaica | 159 | 89 | 229 | 35 | 29 |
| Mexico | 1,046 | 110 | 237 | 35 | 43 |
| Nicaragua | 70 | 119 | 594 | 18 | 33 |
| Panama | 665 | 140 | 1,923 | 21 | 168 |
| Paraguay | 31 | 149 | 6,698 | 6 | 38 |
| Peru | 273 | 114 | 359 | 30 | 37 |
| Trinidad and Tobago | 58 | 84 | 248 | 9 | 9 |
| Uruguay | 205 | 113 | 110 | 88 | 92 |
| <u>Asia</u> | | | | | |
| Total | 12,989 | 131 | 332 | 37 | 62 |
| Oil-producing countries ^{f/} | 4,621 | 156 | 661 | 65 | 114 |
| Others | 8,368 | 120 | 260 | 34 | 49 |

(Table continued on following page)

Table 36 (continued)

| Group and country ^{a/} | International reserves, ^{b/} end 1972 | | | International reserves, ^{b/} end of year, as percentage of imports in preceding year c/ | |
|---------------------------------------|---|---------------------------------|--------------------|---|------|
| | Millions of dollars | As percentage of reserves at | | 1961 | 1972 |
| | | End | End | | |
| | | 1971 | 1960 ^{d/} | | |
| <u>Asia (continued)</u> | | | | | |
| Afghanistan | 56 | 93 | 112 | 49 | 74 |
| Burma | 62 | 86 | 51 | 37 | 37 |
| Democratic Yemen | 67 | 104 | 129 | 18 | 43 |
| India | 1,169 | 97 | 174 | 29 | 48 |
| Iran | 960 | 157 | 522 | 73 | 51 |
| Iraq | 785 | 131 | 305 | 56 | 113 |
| Israel | 1,222 | 166 | 574 | 56 | 68 |
| Jordan | 271 | 107 | 584 | 43 | 126 |
| Kuwait | 363 | 126 | 504 | 35 | 54 |
| Lebanon | 675 | 123 | 489 | 52 | 101 |
| Malaysia | 995 | 111 | 211 | 38 | 69 |
| Nepal | 105 | 97 | 436 | 64 | 175 |
| Pakistan | 273 | 151 | 86 | 42 | 30 |
| Philippines | 551 | 144 | 434 | 8 | 42 |
| Republic of Korea | 740 | 130 | 471 | 60 | 31 |
| Republic of Viet-Nam | 292 | 109 | 135 | 73 | 59 |
| Saudi Arabia | 2,512 | 173 | 1,358 | 102 | 312 |
| Singapore | 654 | 110 | 569 | 9 | 23 |
| Sri Lanka | 58 | 116 | 57 | 22 | 17 |
| Syrian Arab Republic | 126 | 143 | 450 | 9 | 29 |
| Thailand | 1,052 | 120 | 284 | 100 | 82 |
| <u>Africa</u> | | | | | |
| Total | 5,990 | 108 | 231 | 39 | 55 |
| Oil-producing countries ^{e/} | 3,796 | 105 | 485 | 39 | 110 |
| Others | 2,194 | 112 | 121 | 39 | 29 |
| Algeria | 486 | 96 | 133 | 25 | 40 |
| Burundi | 19 | 105 | 167 | 34 | 62 |
| Cameroon | 44 | 59 | 227 | 24 | 17 |
| Central African Republic | 2 | 636 | 324 | - | 5 |
| Chad | 10 | 90 | 82 | 32 | 15 |
| Congo | 10 | 95 | 204 | 4 | 11 |
| Dahomey | 28 | 115 | 319 | 36 | 34 |
| Egypt | 149 | 93 | 56 | 30 | 17 |
| Ethiopia | 93 | 136 | 176 | 66 | 49 |
| Gabon | 23 | 91 | 245 | 34 | 22 |

(Table continued on following page)

Table 36 (continued)

| Group and country ^{a/} | International reserves, ^{b/} end 1972 | | | International reserves, ^{b/} end of year, as percentage of imports in preceding year c/ | |
|--|---|---------------------------------|--------------------|---|------|
| | Millions of dollars | As percentage of reserves at | | 1961 | 1972 |
| | | End | End | | |
| | | 1971 | 1960 ^{d/} | | |
| <u>Africa (continued)</u> | | | | | |
| Ghana | 107 | 225 | 39 | 53 | 25 |
| Ivory Coast | 87 | 97 | 256 | 20 | 22 |
| Kenya | 204 | 119 | 390 | 19 | 36 |
| Libyan Arab Republic . . | 2,925 | 110 | 3,550 | 51 | 411 |
| Madagascar | 52 | 113 | 106 | 47 | 24 |
| Malawi | 36 | 114 | 144 | 56 | 33 |
| Mali | 3 | 52 | 30 | 29 | 6 |
| Mauritania | 12 | 335 | 203 | 20 | 18 |
| Mauritius | 70 | 136 | 410 | 24 | 84 |
| Morocco | 237 | 136 | 115 | 45 | 34 |
| Niger | 40 | 120 | 530 | 40 | 69 |
| Nigeria | 385 | 89 | 89 | 65 | 26 |
| Rwanda | 6 | 83 | 153 | 83 | 19 |
| Senegal | 38 | 128 | 49 | 49 | 17 |
| Sierra Leone | 47 | 121 | 342 | 19 | 41 |
| Somalia | 31 | 120 | 275 | 57 | 50 |
| Sudan | 36 | 128 | 21 | 84 | 11 |
| Togo | 36 | 88 | 488 | 28 | 47 |
| Tunisia | 223 | 150 | 261 | 39 | 64 |
| Uganda | 44 | 78 | 108 | 25 | 26 |
| United Republic of Tanzania | 120 | 198 | 195 | 31 | 31 |
| Upper Volta | 47 | 109 | 390 | 43 | 85 |
| Zaire | 178 | 121 | 283 | 16 | 29 |
| Zambia | 162 | 57 | 81 | 81 | 26 |

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

(Foot-notes on following page)

(Foot-notes to table 36)

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

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

c/ Valued c.i.f.

d/ 1961 for Nepal; 1962 for Dahomey, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Senegal, Togo and Upper Volta; 1964 for Burundi and Rwanda; 1965 for Democratic Yemen, Malawi and Zambia; 1966 for Kenya and United Republic of Tanzania.

e/ Algeria, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Saudi Arabia and Venezuela.

f/ Iran, Iraq, Kuwait and Saudi Arabia.

g/ Algeria, Libyan Arab Republic, Nigeria.

