

Department of Economic and Social Affairs

# WORLD ECONOMIC SURVEY, 1973

## Part Two. Current Economic Developments



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NOTE

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## FOREWORD

The present report is the second part of a two-part Survey being presented in response to General Assembly resolution 118 (II). Part one of the World Economic Survey, 1973 1/ dealt with population and development. This part is devoted to a review of current trends in the world economy.

The report is divided into four chapters. The first presents an overview of world production and trade and then proceeds to a brief analysis of three of the main features of the global economic scene in 1973 -- the rise in commodity prices, the world food situation and the world energy situation. The rest of the Survey examines recent economic developments affecting the supply and use of resources and the state of internal and external balance in the developed market economies (chapter II), the centrally planned economies (chapter III) and the developing countries (chapter IV). 2/

The report was prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs and is based on data available to the Secretariat in April 1974.

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1/ United Nations publication, Sales No. E.74.II.C.1.

2/ The division of countries into three groups is a matter of statistical convenience and does not necessarily imply any judgement about the stage reached by individual countries in the development process.

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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.

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
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	special drawing rights

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

## Chapter I

### SALIENT FEATURES OF THE WORLD ECONOMY

The period under review was one of the most turbulent in recent economic history. The upswing in production that got under way in mid-1971 proved to be the most concerted and rapid ever recorded, and it took place against a background of marked instability, both internal and external.

World agricultural production, which had actually declined between 1971 and 1972, rebounded in 1973: early estimates suggest that gross output was 5-6 per cent above the 1972 level. The expansion in supplies facilitated a further increase in manufacturing activity, and as a result, the value added in world industry rose by nearly 10 per cent between 1972 and 1973. With international trade running at a record level, the gain in the over-all production of goods and services was of the order of 6.7 per cent. The increase was slightly below that in the developed market economies and somewhat greater in the centrally planned economies and the developing countries.

When 1973 opened, almost all the market economies were facing rates of unemployment that were regarded as undesirably high. At the same time, most of them were pursuing anti-inflationary policies designed to slow down the rate at which prices had been increasing. Notwithstanding the adjustment in exchange rates that had occurred since the Smithsonian realignment of December 1971, trade and payments imbalances were showing little sign of being corrected: the major deficit countries were still losing reserves and the major surplus countries still gaining them. In the wake of the poor harvests reaped in a number of areas in 1972, record grain shipments were aggravating the payments problem of the importing countries and the food price problem in the exporting countries.

Early in 1973 a massive movement of funds from weak currencies to those considered strong brought to at least a temporary halt efforts to reconstitute a fixed rate régime: by the end of March most currencies were floating, subject only to official intervention on the market, intended to maintain certain key relationships - as in the case of the principal European Economic Community (EEC) currencies - or to prevent sudden or disruptive changes.

Coming as it did at a time when primary commodity supplies were under considerable strain, this freeing of the international monetary system from the anchor effect of the Bretton Woods arrangement gave rise to enhanced activity on many commodity markets - some essentially speculative in nature, others reflecting the desire to maintain or expand inventories and all, in varying degree, representing a certain distrust of particular currencies or of money in general as a store of value. The dollar price index of primary commodities entering world trade rose by about two thirds in the course of the year and the price of gold on the free market doubled.

The upsurge in commodity prices - the steepest since the Korean conflict at the beginning of the 1950s - was not solely, or even mainly the result of currency

depreciation and uncertainty. It reflects a considerable expansion in demand and a variety of supply difficulties. In mid-1973, world industry was operating at over 10 per cent above the corresponding 1972 level and there was a similar increase in its raw material intake. As the year advanced, however, signs of shortages multiplied. Some stemmed - like the poor grain crops referred to above, from drought, floods and other unfavourable natural conditions, as in the case of soya beans in the United States of America, ground-nuts and cocoa in West Africa, fishmeal from Peru and cotton and sugar in several countries. Political and logistical difficulties held back copper production in Chile and Zambia. Lack of capacity - reflecting low levels of investment in the 1970-1971 recession and in some cases the delay or postponement of investment because of environmental considerations - began to affect the flow of production in a number of raw material producing industries, including pulp and paper, nitrogen and various petrochemical feedstocks and, in some countries, even steel and cement. And, most important of all in terms of the volume of international trade involved, the price of crude petroleum, set by the major exporters, doubled in the first 10 months of the year and was doubled again at the beginning of 1974. At the same time, production was cut back and deliveries controlled in accordance with criteria decided on by an exporter cartel.

The upsurge in commodity prices greatly complicated the efforts that most countries had reactivated in 1972 to moderate internal inflation. Price and wage restraints began to result in anomalies and inequities that became progressively less acceptable. As anti-inflation measures were intensified, the growth of production decelerated and by the end of the year, when energy shortages began to disrupt economic activity, a discernible slowdown was under way.

The upsurge in commodity prices also brought about a marked shift in international monetary reserves: the year saw a SDR 1 billion decline in the developed market economies and a SDR 7 billion increase in the developing countries. The rise in the price of petroleum made it virtually certain that this transfer would continue, and in the case of the petroleum exporters, at a much greater rate. The crucial problem had become one of deploying the foreign currency newly acquired by petroleum exporters to finance - through purchases, loans and investments - the payments deficits that would open up for the petroleum importers and thus reduce the risk of defensive actions that might set in motion a cumulative process of contraction in trade and production. As 1974 advanced, the most vulnerable countries seemed to be those developing countries depending greatly on food and petroleum imports while earning much of their foreign exchange by exporting one or other of the commodities that had risen least in the price upsurge - jute and tea, for example, or some of the mineral ores, such as iron, chrome and nickel.

#### World production

Total production of goods and services continued to increase vigorously in 1973. The combined gross domestic product of the developed market economies was about 6.5 per cent above the 1972 level. The net material product of the centrally planned economies of Eastern Europe, which had experienced some deceleration in 1972 in the wake of a disappointing harvest in the Soviet Union, recovered sharply, to register a gain of 7.1 per cent. The developing countries recorded an even higher growth rate: reflecting a strong recovery in agriculture in some of the countries that had had crop failures in 1972 and a buoyant international demand

for many of their products, preliminary estimates suggest that over-all production rose by about 7.2 per cent between 1972 and 1973. Thus, in the first three years of the 1970s, growth in the global product accelerated from 4.2 per cent in 1971 and about 5.4 per cent in 1972 to a provisional figure of 6.7 per cent in 1973 (see table I-1).

As implied above, the least stable element in this growth was agricultural production which actually declined in 1972 before getting back on trend with a particularly large gain. There was a notable recovery in the Soviet Union and southern Asia, the two areas that had suffered the sharpest setback in 1972. Swings in the opposite direction - up in 1972 and down in 1973 - were registered in West Asia. Africa and Oceania also reaped smaller crops in 1973 than in 1972. North America, a vital source of food exports, posted a modest 3.4 per cent increase, not sufficient to permit the rebuilding of stocks to a safe level from a global viewpoint. There was a much smaller increase in the main importing regions, Western Europe and Japan. This, combined with the delivery of food-stuffs contracted for in 1972, ensured a high level of agricultural trade in 1973, notwithstanding the restraints that were placed on various food exports by a number of countries seeking to ensure domestic supplies. In the aggregate, gross agricultural output increased twice as fast between 1972 and 1973 as the average in the first two years of the decade (see table I-2).

On a year-to-year basis there was also a marked acceleration in industrial activity: in the aggregate, production increased by almost 10 per cent in 1973, compared with 7 per cent in 1972 and less than 4 per cent in 1971. By far the greatest gains in 1973 were in Asia, both in Japan, where recovery from the 1970-1971 recession continued with great vigour, and in the developing countries of the region, where the expansion in industrial output between 1972 and 1973 was also well above the rate recorded in the preceding interval. At a lower level, there was a second doubling in the industrial growth rate in the developed market economies of the southern hemisphere. Only in the developing countries of Africa was there any slackening in the pace of industrial growth (see table I-3).

In the Soviet Union, the output of light industry recovered steadily during the year from the setback occasioned by the poor agricultural performance of 1972: by the fourth quarter, the output of the textile branch in the European centrally planned economies was running at 6 per cent above the corresponding 1972 figure, and that of the food branch was 9 per cent higher (see table I-4). The production of heavy manufacturing continued to expand at a steadier and higher rate, ranging from about 6 per cent a year in the case of basic metals to about 13 per cent in the case of chemicals.

In the developed market economies, the upsurge in industrial production that had begun in 1971 in North America and in 1972 in Western Europe and Japan continued into 1973. On a year-to-year basis, the output of heavy manufacturing, which had risen very little in 1971, jumped by over 12 per cent between 1972 and 1973: chemicals by 11 per cent, basic metals by 13 per cent and metal products by 14 per cent. Light manufacturing again increased by 5-6 per cent - food production somewhat more than between 1971 and 1972, textile production somewhat less. The year saw the peak of the cycle: in the second half, the rate of advance slackened perceptibly and the increase in total industrial production dropped back from 11.5 per cent in the first quarter to 7.6 per cent in the fourth.

There was also some tendency for the expansion in manufacturing to decelerate in the developing countries. It was most marked in the textile industry in which, by the third quarter of 1973, the rate of growth had dropped below 6 per cent. But it also occurred in the basic metals industry whose output was increasing by only 3 per cent by the third quarter.

Expressed in terms of the physical output of the major commodities, these swings in economic activity lie behind some of the changes in prices and trade that occurred in this period. World production of the principal food-stuffs - wheat, maize, rice, potatoes, sugar and vegetable oils - after declining between 1971 and 1972, registered a widespread and significant recovery in 1973. In most cases this brought production back on to the longer term trend but, in the face of continuing increase in population and a rapid rise in incomes, the gain was generally insufficient to restore inventories to the desired level.

Coffee production, which had been recovering rapidly from the poor 1970/71 crops, had a setback in 1973/74: frosts in Brazil and drought in West Africa brought output down to the average for the second half of the 1960s. Cocoa production, which was growing slowly in the early 1970s, fell back sharply in 1972/73, and the 1973/74 crop is estimated to be only about 10 per cent above the average for the second half of the 1960s. Tea was one of the few food items whose output increased fairly steadily in the period (see table I-5).

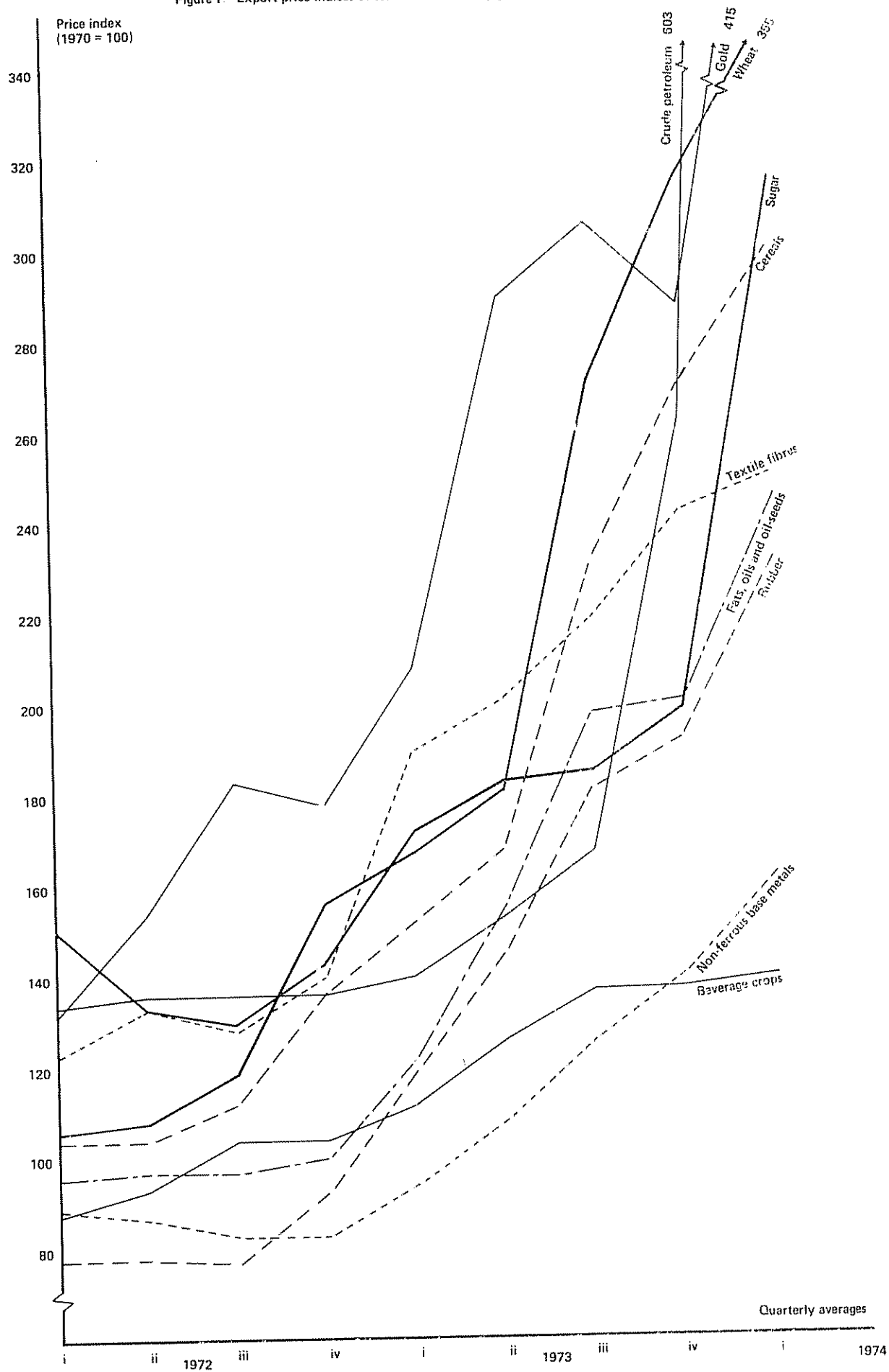
Cotton production also continued to increase, though after two sizable gains, the 1973/74 crop is estimated to be only marginally above the previous one. Two good jute/kenaf crops have made up for the disruption in the Gangetee plains that reduced output in 1971. Wool is the only major fibre to experience a continued reduction in output in the first three years of the 1970s. The production of natural rubber, which had been increasing very slowly, rose by about 8 per cent in 1973 as high prices encouraged more tapping.

Among the major minerals, only tin recorded a reduction in output in 1973. Except in the case of aluminium, however, the expansion in production of the non-ferrous metals was small compared with the previous year's recovery gains and well below the long-range average. In the case of iron and steel, however, the increase that had got under way in 1972 continued into 1973 and the year's output was about 11 per cent above the previous year's level. Coal and petroleum expansion was also above the long-term average: production of the former rose by over 8 per cent, an increase without precedent in the past two decades. Notwithstanding the cutback in production by members of the Organization of Arab Petroleum Exporting Countries (OAPEC) in the last quarter of the year, world output of crude petroleum was 9 per cent above the 1972 level - a higher than average rate of growth. Electricity production continued the 8 per cent expansion that had characterized the previous year.

#### The prices of commodities in international trade

Though, with a few exceptions, the production of the important commodities in world trade registered average or better than average gains in 1973, markets remained generally unsatisfied, and prices rose rapidly. Demand came from the higher rate of industrial activity and the consequential increase in raw materials intake, from the increase in per capita incomes - 5 per cent between 1972 and 1973 from the desire to reconstitute stocks that had been depleted as a result of crop

Figure I. Export price indices of selected commodity groups, 1972-1974





failures and other production difficulties in 1972, from a desire for protection against both further price increases of particular commodities and, more generally, the depreciation of various currencies.

In these circumstances, very few prices remained anywhere near stable and, in dollar terms, many more than doubled in the course of the year and some increased more than three fold. On average, for the year as a whole, the prices of primary commodities moving in world trade were over 40 per cent above the 1972 level and the increase was accelerating - from 24 per cent above the corresponding 1972 figure in the first quarter to 61 per cent in the final quarter, with some major price rises still to come.

The upsurge in commodity prices began in mid-1972 when the implications of the massive wheat transactions that had just been negotiated between the United States and the Soviet Union 1/ began to be appraised in relation to exporters' stocks and expected autumn cereal harvests and probable import requirements of China, 2/ South Asia and other areas that seemed likely to have food deficits in 1972/73. 3/ At that stage, relative to 1970, the highest price level among the major commodities in international trade was that of crude petroleum. 4/ In the course of the third quarter, petroleum was overtaken by wheat, sugar and textile fibres, and in the fourth quarter by cereals as a whole. Though petroleum prices were raised in each quarter of 1973, in line with the Teheran Agreement between OPEC and the mining companies, around the middle of the year they were overtaken by those of oil-seeds and rubber (see figure I).

In mid-October 1973, under the stress of another Arab-Israeli war and the breakdown of OPEC-company negotiations, the Gulf members of OPEC raised the selling price of crude petroleum to \$3.65 per barrel and set the posted price at 40 per cent above that level, namely, \$5.12 or 70 per cent above the negotiated figure that had become operative at the beginning of October. 5/ Other petroleum

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1/ United States exports to the Soviet Union, chiefly grain, rose steadily and rapidly from \$80 million in the second quarter of 1972 to \$384 million in the second quarters of 1973 before levelling off: on an annual basis, wheat shipments increased from 2.7 million tons in 1972 to 8.7 million tons in 1973, feed-grain shipments totalled just over 4 million tons in each year, and soya bean shipments increased from 392,000 tons to 484,000 tons.

2/ United States food exports to China also rose steeply. Shipments of grain were four times as great in 1973 as in 1972: wheat shipments increased from 0.6 million tons in 1972 to 2.6 million tons in 1973 and feed-grain shipments from 0.4 million tons to 1.4 million tons.

3/ There was an increase in United States wheat shipments to the developing countries of West Asia (1.4 million tons in 1972 to 1.9 million in 1973), South Asia (2.8 to 3.4 million tons) and south-eastern and eastern Asia (3.7 to 4.1 million tons).

4/ The posted price of crude petroleum in mid-1972 was 38 per cent above the 1970 average, which in terms of United States dollars was little changed from the 1950 level. Market prices had also risen by about 40 per cent since 1970 when they were about 10 per cent below the 1960 level and 30 per cent below the level of the mid-1950s before discounts had opened up.

5/ The prices are for Arabian light oil (34<sup>0</sup>, f.o.b. Ras Tanura). The background to these developments is discussed below in a section on the energy situation.

exporters followed this lead and as a result the average level of posted prices jumped by almost 60 per cent between the third and fourth quarters of 1973. This brought it to within a few points of the cereal price, which at that stage was about 170 per cent above the 1970 base.

In December 1973, the Gulf members of OPEC made another unilateral price determination, raising the government "take" on Arabian light oil from just over \$3 a barrel to \$7 from the beginning of 1974. The effect of this was to raise the market price (which includes production costs and company profit) from an average of about \$3.80 to about \$8.20, and the implicit posted price (assuming the old tax and royalty formula) from \$5.12 to \$11.65. This was an increase of 128 per cent, and it thrust the petroleum price index far above that of any other commodity: it was over six times the 1970 level, twice the advance registered by the nearest item on the list of price gains, namely, wheat. Moreover, while the wheat price began to weaken as 1974 progressed and forecasts of the year's harvests began to come in, the new high price for petroleum was reaffirmed for the second quarter.

The first big rise in petroleum prices came in the last quarter of 1973; and, given the long journey taken by crude oil, through tanker and refinery, before it reaches the market, the impact was not fully felt until 1974. In the case of wheat, however, the increase was being transmitted through the world economy before 1973 began. The repercussions were magnified by the shortfalls that had occurred in the 1972 rice and ground-nut crops and the production of fishmeal in Peru. The result was an unprecedented upsurge in the prices of virtually all the basic food-stuffs whether used directly or as inputs into the livestock and poultry industries. The price of wheat doubled in the course of 1973; that of rice increased even more. <sup>6/</sup> Most of the edible oil-seeds registered a two to threefold increase in price: soya bean prices trebled between mid-1972 and mid-1973 before receding, copra and most of the vegetable oils continued rising till the end of 1973 (see table I-6).

The shortage of oil-seeds and fishmeal pulled up the prices of other feed-stuffs. Maize prices reached a peak in the summer, August quotations being well over double the corresponding 1972 figures. Though there was an easing of the market thereafter, prices at the beginning of 1974 were still 60 per cent above those of a year earlier. The rise in feed prices soon affected the prices of poultry and eggs: by the last quarter of 1973 these were about 80 per cent above the corresponding 1972 level. Meat - one of the most buoyant commodities in international trade, enjoying an average annual price increase of about 4 per cent in the 1950-1970 period - was also affected: beef prices were up by almost 60 per cent over the year and pork and bacon prices by only slightly less. These trade prices exerted a strong influence on domestic farm prices in many countries and were largely responsible for the steep climb in the food price index at the retail level (documented in chapter II).

Apart from the impact of developments in the grains-livestock circuit, consumer food prices were also affected by changes in the sugar and beverage crops markets. Tightness in the world sugar market had developed in 1971: the average level of prices in 1972 was already double the 1970 figure. The raw sugar price remained fairly stable between 9 and 10 United States cents a pound f.o.b. in 1973,

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<sup>6/</sup> In January 1974 Thai rice was being quoted f.o.b. Bangkok at three times the price of a year earlier.

however, and it was only towards the end of the year that apprehension about the adequacy of the 1974/1974 crop in the face of rising consumption drove the price up sharply. By January 1974, the world market price stood at over 60 per cent above the corresponding 1973 level (and 40 per cent above the equivalent United States quota price, which is usually by far the higher).

In the case of the beverage crops there is a sharp contrast between coffee and cocoa, whose long-term price trend has been slightly upwards, and tea whose price has been declining. There is also a contrast between coffee whose price has been relatively stable in recent years (under the influence of the International Coffee Agreement and the existence of a large Brazilian inventory) and cocoa whose price has been particularly volatile.

Coffee prices, which had fallen back in 1971, began a slow recovery in 1972 and this continued through 1973: comparing successive January prices, each of these years saw a gain of about a fourth in the New York quotation - well below the increases registered by most other commodities. Cocoa prices had also declined in 1971, but their recovery in 1972 was more rapid - a gain of 45 per cent in the c.i.f. New York quotation - and it went on to a doubling in the first half of 1973. Though there was some slipping in the second half of the year, the price at the beginning of 1974 was twice the 1972 average and it ushered in a further upsurge as the 1973/74 crop was seen to be smaller than the need implicit in the current rate of grinding. In contrast to these swings, the tea market remained virtually stagnant: prices realized in 1973 were not very different from those of the previous year and almost a fifth below the 1960 average. Thus, despite the spectacular rise in cocoa prices, the beverage crop as a group acted as a drag on the price index of food-stuffs moving in international trade.

In general, raw materials markets were less affected than food-stuffs markets by changes in world supply and were affected to a much greater extent by the upswing in demand arising from the expansion in manufacturing activity in 1972-1973, impinging on a production capacity that was difficult to increase in the short run. The result was a rise in price no less dramatic than that recorded by food-stuffs: the increase between 1972 and 1973 was about 40 per cent for non-ferrous metals and wood and wood-pulp, 60 per cent for fibres and almost 100 per cent for rubber. And in each case the rise during 1973 was sharper than this year-to-year increase.

By the last quarter of 1973, lumber prices were averaging about 50 per cent above the corresponding 1972 figure and pulp prices about 60 per cent above. The increase in metal prices ranged from a mere 14 per cent in the case of aluminium to a doubling for copper and a trebling for zinc: for the major non-ferrous metals as a group, the price index at the end of 1973 was about 70 per cent higher than a year earlier. The fibre group registered a similar increase: at the one extreme jute prices were little changed; at the other sisal, which had recovered from very low prices in 1971 and 1972, increased between two and threefold during 1973. The price of natural rubber, which had also fallen to relatively low levels in 1971 and 1972, also staged a notable recovery in 1973, more than doubling in the course of the year: the New York price at the beginning of 1974 was three times the 1971-1972 average.

Responding to the increase in demand, the increase in costs and the devaluation of the dollar, the average price of manufactured goods moving in

international trade also accelerated sharply in 1973. Compared with an average annual rise of about 2 per cent in the period 1950-1970, it rose by about 8 per cent between 1971 and 1972, 16 per cent between 1972 and 1973 and over 20 per cent in the course of 1973. The terms of exchange between primary commodities and manufactures thus moved strongly in favour of the former in 1973 - by over a fifth on a year-to-year comparison and by about a third during the year.

Not all primary commodities improved the rate at which they could be exchanged for manufactured goods, however. Among the food-stuffs, butter, cheese, tea and bananas lost ground, as did tobacco. Among the fibres, flax as well as jute fetched lower relative prices in 1973. Among the metals, aluminium and nickel (the two with a history of stable, producer-fixed prices) were the only ones to fall behind, though several of the ores that are usually sold on long-term contracts (iron, chrome and phosphates, in particular) also recorded only a small change in average price.

The basket of non-ferrous metals exported by the developing countries rose in price appreciably more than that exported by the developed market economies - 85 per cent as against 61 per cent during 1973. The same is true of the basket of primary mineral products and the basket of fibres and agricultural raw materials. In the case of food-stuffs, however, it was the basket exported by the developed market economies whose price rose most - 62 per cent against 44 per cent in the course of 1973 or 51 per cent as against 41 per cent on a year-to-year comparison.

#### Changes in world trade

International trade was among the most dynamic features of the world economy in 1973. Preliminary estimates place the total value of exports at over \$570 billion. The increase between 1972 and 1973, measured in current dollars, was in excess of 37 per cent - almost twice the high rate of increase registered in the previous interval. Even measured in SDR or pre-devaluation dollars, the 1972 to 1973 expansion was a record 25 per cent.

All three of the major country groupings shared in this growth. The sum of the exports from the centrally planned economies totalled about \$53 billion, almost a third higher than in 1972. Developed market economy exports reached \$410 billion, almost 37 per cent above the 1972 figure. As in 1971 and 1972, the developing countries again achieved the highest rate of expansion: a gain of almost 44 per cent between 1972 and 1973 brought their combined exports to about \$108 billion. This was about 19 per cent of the world total, compared with 18 per cent in 1970.

The expansion in imports was also widely distributed, though in this case the developed market economies registered the largest - 37 per cent in dollar terms, twice the increase recorded between 1971 and 1972. The smallest increase was in the developing countries, but even this was a record 32 per cent, almost three times the previous year's expansion (see table I-7).

The combined imports of the centrally planned economies continued to be roughly in line with exports. In the case of the other two country groups, however, there was a divergent movement: in the developed market economies, the deficit (measuring exports f.o.b. and imports c.i.f.) continued to widen, reaching

about \$20 billion (5 per cent of export earnings) in 1973. The developing countries, by contrast, had moved into surplus in 1972, and in 1973 exports exceeded imports by about \$11 billion, or 10 per cent.

Over half of the increase in the exports of the developed market economies was accounted for by price changes. These were greatest (averaging 36 per cent) in the southern hemisphere countries in whose exports wool and meat and metals bulk large. But average unit value, expressed in dollars, also rose sharply (around one fifth) in Japan and Western Europe, whose exports consist almost entirely of manufactured products: in both cases the gain between 1972 and 1973 was almost twice that registered in the previous interval. In Western Europe, the greatest increase (25 per cent) was registered by the European Free Trade (EFTA) members, the smallest (18 per cent) by the less industrialized (southern) countries of the region.

In the United States, there was a sharp rise in the unit value of agricultural exports: the 13 leading items earned an average of over 50 per cent more per unit in 1973 than in 1972. <sup>7/</sup> The prices of manufactures rose much less: in the first nine months they were only 6 per cent above the corresponding average in 1972. A similar pattern was evident in Canada, and in the aggregate, the unit value of North American exports was about 15 per cent above the 1972 average. Though this was the smallest increase among the developed market economy regions, it was almost four times as great as the rise in 1971 and 1972 (see table I-8).

In all the developed market economies the rise in export prices accelerated as the year advanced. Hence the year-to-year increase in average unit values was invariably less than the increase between the last quarter of 1972 and the last quarter of 1973. The latter ranged from 17 per cent in the United Kingdom and 24 per cent in Canada and the United States to over 33 per cent in Japan, Sweden, Norway, Denmark and the Netherlands (36 per cent).

Compared with an increase in the average unit value of developed market economy exports of one fifth between 1972 and 1973, there was an increase of almost one third in the export unit value of the developing countries. This difference reflects the primary commodity boom discussed in the previous section. The rise in commodity prices was so general that the developing regions shared in it fairly uniformly. Because of the weight of meat, wheat, wool and copper in its exports, the western hemisphere registered a slightly greater than average increase in unit values. Similarly, the weight of tea and jute in the exports of southern and south-eastern Asia tended to hold down that region's average unit value. But the range of differences was remarkably small by historical standards.

The upsurge in commodity prices was reflected in the import unit values of the developed market economies which rose more or less in line with the share of food-stuffs and raw materials in total imports: the average increase between 1972 and 1973 was about 16 per cent in North America, 21 per cent in the southern tier of Western European countries, 24 per cent in the southern hemisphere group, 25 per cent in EEC and 27 per cent in Japan. For the developed market economies

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<sup>7/</sup> Ranging from less than 10 per cent more for cotton and tobacco to over 60 per cent more for wheat, soya beans and tallow.

as a whole the rise was about 21 per cent. This was approximately the same increase as that experienced by the developing countries of southern and south-eastern Asia. The other developing regions registered a slightly smaller increase.

The extent to which price movements favoured the primary producers in 1973 is summarized in the terms of trade index. In the case of EFTA countries, export and import prices moved more or less in parallel, so there was little change in the group's average terms of trade. The more industrialized countries lost ground while the primary exporting countries recorded major gains.

Following a significant improvement in their terms of trade between 1971 and 1972, EEC and Japan registered a deterioration of 3-4 per cent in 1973. The United States registered its third successive loss though, because of the rise in the unit value of food exports, it was only a marginal one in 1973. The southern hemisphere group which had enjoyed a 5 per cent gain in 1972, recorded a further gain - of double that figure - in 1973.

The developing countries, whose average terms of trade had improved about 3 per cent in 1972, recorded a gain of over three times that figure in 1973. In southern and south-eastern Asia, where a loss in 1971 had not been fully made good in 1972, there was an improvement of nearly 8 per cent in 1973. Africa went through a similar cycle with some larger year-to-year changes. In West Asia, where the first major increase in petroleum prices occurred in 1971, there were three successive gains in the terms of trade. Latin America, which made up in 1972 for a loss in 1971, enjoyed the sharpest improvement in 1973 (almost 13 per cent).

Taking these price changes into account, it would appear that the quantum of world trade increased by over 12 per cent between 1972 and 1973. The upsurge was led by North America where the combined effect of the devaluation of the United States dollar and the rise in the demand for food-stuffs raised the growth in export volume from a negligible proportion in 1971 to 9 per cent in 1972 and over double that figure in 1973. The opposite sequence was experienced in Japan where, under the influence of an upvalued yen and a series of efforts to restrain exports, the growth in export volume receded from 20 per cent in 1971 to 5 per cent in 1973 (see table I-9).

The rise in export quantum from EEC was steadier -- from rather less than 7 per cent in 1971 to double that rate in 1973. The most vigorous export performance in Western Europe was that of the southern tier of countries which achieved gains of 11 per cent, 16 per cent and 19 per cent in quantum in the first three years of the decade.

The growth of exports from the southern hemisphere group of developed market economies was much less buoyant: poor cereal crops and virtual stagnation in the wool industry held the expansion below 7 per cent between 1972 and 1973, rather less than in the preceding interval.

Among the developing countries, the most vigorous growth was in Asia whose export volume rose by about 15 per cent between 1972 and 1973, following high rates of increase in the two previous intervals. There was hardly any expansion in the over-all volume of exports from Africa: poor ground-nut and cocoa harvests in West Africa, cutbacks in petroleum production in the Libyan Arab Republic, and a

reduction in copper shipments from Zambia were among the constraining factors. And there was only a modest growth - of 2-3 per cent - in exports from Latin America in 1972 and 1973.

The upsurge in the volume of imports was led by Japan where the rate of increase rose from a nominal figure in 1971 to 13 per cent in 1972 and more than double that in 1973. There was a steadier growth in EEC imports, approaching 12 per cent between 1972 and 1973. The rise in EFTA imports, though accelerating faster, was at lower rates, while imports into the southern tier of countries increased by 11 per cent in 1972 and 17 per cent in 1973.

In North America, the expansion in import volume declined sharply from the high 1972 rate (13.5 per cent, the highest regional increase in that year) to not much more than half that rate (the lowest regional increase in 1973). In the southern hemisphere countries there was a rebound in imports following the cutback in 1972.

Among the developing countries, the Asian region registered the most rapid growth in imports - 14 per cent in the west, 17 per cent in the south and south-east, well above earlier rates. At a lower level, Latin America also increased its import volume. In Africa, imports gained momentum as the year advanced and for 1973 as a whole the increase reached the 9 per cent registered in 1971.

Though precise data are lacking, it is probable that price changes moved against the European centrally planned economies in 1973. Both import and export unit values rose, though, because of the relative price stability (in terms of SDR) in the internal transactions of the group, the increase was less than that experienced in the market economies. In total trade with the rest of the world, import unit values seem to have risen about 4 per cent more than export unit values. Reflecting a sharp recovery in exports from the Soviet Union, the quantum of trade was 11-12 per cent greater in 1973 than in 1972.

#### Changes in the international monetary situation

The rapid and large changes that took place in 1972 and 1973 in the field of prices and trade transformed the world monetary and payments situation. They served to reaffirm the economic strength of the large resource-rich countries - particularly the United States and the Soviet Union - and expose some of the weaknesses in many of the others. The fact that among these weaknesses was the problem of assuring supplies of two vital commodity categories - food-stuffs and fuels - turned the events of the year into a severe test for the philosophy of interdependence and global solidarity that has underpinned most trade and aid policy in the post-war period. A number of defensive actions were taken to protect domestic supplies of various food items and the year ended with the flow and price of petroleum being manipulated by major exporters for the purpose of achieving certain political and economic ends. <sup>8/</sup> The result was to cast grave doubt on the future of both the trade liberalizing negotiations that were inaugurated under the

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<sup>8/</sup> Changes in the food and energy situation are discussed in the sections that follow. Developments in the international monetary situation that resulted from changes in the external balance of the developed market economies are discussed in chapter II.

General Agreement on Tariffs and Trade (GATT) in Tokyo in September and the process of reforming the international monetary system which was under discussion in the Committee of 20 of the International Monetary Fund (IMF).

The real test for trade and monetary policy still lies ahead, when the enlarged output of many commodities stimulated by the high prices of 1973 begins to seek markets, when the transfer of resources to the petroleum exporters in the wake of the doubling of the posted price at the beginning of 1974 begins to exert a deflationary effect in the importing countries and when the cyclical upswing in activity in the developed market economies that was the dominant influence on the world economy in 1972-1973 gives way to a general deceleration.

The events of 1973 have changed the nature of the monetary problem, perhaps not fundamentally but certainly in terms of the immediate approach both to the rules of the game and to operational procedures and mechanisms. Uncertainty regarding the impact of the change in commodity price relationships on individual economies has made it impossible to visualize any set of currency relationships that might constitute the basis of the system of "stable but adjustable" exchange rates that has been one of the main objects of search ever since the breakdown of the Bretton Woods régime. It is clear that the extraordinary price changes that took place in the course of the year would have done far more damage to the domestic economies of many countries if the major currencies had not been floating, if not freely then at least in a manner that relieved the Governments of the obligation to defend a particular exchange rate by internal measures that might be not only growth-inhibiting but also contagious. The need now is to reach agreement on a set of rules for floating which will reduce the risk of avoidable instability and defensive action which might set off retaliatory reaction to the detriment of world trade.

The change in price relationships has also altered the immediate need for and purpose of a scheme for increasing the international liquidity of the developing countries. In the course of 1972 and 1973 the official reserves of the developing countries increased by \$20 billion or almost 90 per cent, three times the rate of increase of developed market economy reserves (see table I-10). This expansion was widely distributed; nevertheless it has left a number of developing countries in a vulnerable position, some because of export weakness, some because of high external indebtedness, some because of the relative importance of their food or energy deficits. These are the countries that will require special assistance to tide them over the immediate aftermath of the events of 1973.

#### Changes in the world food situation

The food situation that developed in 1972/73 - uncomfortable everywhere, and in some areas quite critical - was the result of the concurrence of a number of independent factors, affecting chiefly the supply side but also reflecting the continuing increase in demand stemming from growth in population (rapid by historical standards) and rising incomes throughout the world but especially in the more affluent countries where an upgrading of diet through higher meat consumption has been greatly expanding feed-grain requirements.

By 1972 there were 17 countries, with a combined population of over 500 million, consuming more than 100 pounds of meat per person per year and

another 17, with a population of almost 600 million consuming between 50 and 100 pounds of meat per person per year. Over the previous decade, annual per capita consumption had increased by 20 pounds in Czechoslovakia, Finland, Hungary, Italy, Spain, Switzerland and the Soviet Union and by 30 pounds in Belgium, Canada, the Federal Republic of Germany, Greece, Ireland and the United States. Though still relatively low (about 31 pounds per person in 1972), per capita meat consumption had doubled in Japan over the 10 years; imports were approaching 1 million pounds a year, seven times the average for the first half of the 1960s.

World trade in feed grains fluctuated between 40 and 45 million tons a year in the second half of the 1960s, but in response to a steadily increasing demand in Japan and a sharp jump in requirements in Europe and the Soviet Union, it expanded by about 5 million tons a year in the early 1970s to reach an estimated 66 million tons in 1973/74. This expansion in import requirements reflects poor coarse grain crops in the Soviet Union in 1971/72 and 1972/73 (about 4 million tons below the 1970/71 level) and the failure of output to increase in Western Europe in 1972/73. It also reflects the sharp drop in world fishmeal production in 1972 and 1973 (largely as a result of the vagaries of the Humboldt Current off the west coast of South America and the consequent reduction in the anchovy catch) and in ground-nut, sunflower seed and rapeseed production in 1973.

In the face of this increase in demand for feed grains, there was a smaller maize crop in 1972: there were sharp declines in Central America, in eastern and southern Africa and in India and south-eastern Asia. The harvest in two of the leading exporters - South Africa and Thailand - was below 6 million tons, half the 1971 level. The United States crop (almost half the world total) was also down on the 1971 level. The maize price on the Rotterdam market started to move upwards in mid-1972 and by mid-1973 it had doubled, before levelling off in anticipation of an appreciably better 1973 harvest - in most of the importing as well as the main exporting countries.

The world wheat crop was also smaller in 1972 - at 331 million tons it was about 3 per cent below the previous year's output. The main decline was in the Soviet Union (where the 86 million ton crop was below the average achieved in the second half of the 1960s) but there were also small harvests in Australia and Canada (two major exporters, whose 1971 output was also low). The 1972 crop was a small one in Brazil and Mexico, while 1973 brought a sharp decline in Argentina as well as in North Africa, Iraq and the Syrian Arab Republic, and the Indian output was also down. In a number of cases both the 1972 and 1973 harvests were poor - Uruguay and the Andean countries in South America, Italy and Spain and Kenya - while in Japan and the Republic of Korea there were three successive reductions in wheat output. As in the case of maize, wheat prices also began to rise steeply in mid-1972. Despite a record world crop in 1973 - about 367 million tons, 10 per cent above the 1972 figure, there was much less tendency for prices to level off in the second half of 1973, however, and by January 1974 wheat was being quoted at between three and four times the dollar price of two years earlier.

One reason for the continued tightness of the market at this stage was the precarious stock situation. Between mid-1970 and mid-1973 the combined carry-over of the four major exporting countries - Argentina, Australia, Canada and the United States - was reduced from almost 69 million tons to less than 30 million tons. This was well below the level to which stocks had been drawn down by the monsoon failures of the mid-1960s, and the prospect was for a further decline to

levels widely regarded as dangerously low in the light of the vagaries in the weather and the continuing growth in requirements.

Another reason for misgivings about the adequacy of wheat stocks was the uncertainty engendered by the rice situation. The 1972 crops were poor throughout Asia, in Burma and Thailand as well as almost all the net importing countries; indeed, the season's output, exclusive of China, was below the average harvest during the second half of the 1960s. Production was also down in the United States and Western Europe, as well as in Guyana and Venezuela, Madagascar and most of West Africa. This last group of countries had another poor crop in 1973 as did the Khmer Republic, Pakistan and Sri Lanka, though elsewhere there was a gratifying recovery, with world production exceeding 300 million tons for the first time. As in the case of the other cereals, rice prices began rising steeply in mid-1972; as exporters were not in a position to satisfy the import demand, the market became very difficult and the prices quoted in Bangkok in January 1974 were three times the level of a year earlier.

Whereas in the case of wheat and feed grains the existence of sizable stocks in the major exporting countries permitted the decline in production between 1971/72 and 1972/73 to be compensated by a large increase in international trade, in the case of rice the reduction in crop was accompanied by a decline in trade (see table I-11). Net imports of cereals into Western Europe and Japan increased moderately in this period. The main upsurge was in the requirements of the centrally planned economies, Soviet imports reaching a gross 22 million tons in 1972/73 before falling back to half that amount in 1973/74. The deficits were met very largely from North America whose net cereal exports averaged about 90 million tons a year in these two seasons.

Perhaps the most disquieting feature was the rise in the cereal deficit of the developing countries. In each of the regions it increased in this period, exceeding 30 million tons in 1973/74, almost three times the average annual net imports that were necessary to tide the developing countries over the emergency arising from the crop failures of the mid-1960s.

In almost half the developing countries food production failed to keep pace with population growth in the 1960s and in almost half these countries 1973 brought a decline. The majority of countries with the least satisfactory performance were African - East and West as well as around the Sahara - but they also included several of the Andean and Caribbean countries and also the Khmer Republic, once an important source of rice for south-eastern Asia but the scene of three successive declines, reducing its 1973 food output to approximately a fourth of the 1970 level. Of the 79 developing countries for which food production data can be compiled, no less than 28 produced less food per unit of population in each of the first three years of the 1970s than 10 years earlier. And in the great majority of these countries, per capita output in 1973 was more than 10 per cent below the average for the first half of the 1960s (see table I-12

In many developing countries, food difficulties were greater in 1972/73 than is suggested by national average indices of production. 9/ The effects of adverse climatic conditions were sometimes localized and food shortages arose less because of shortage of total supply than because of deficiencies in the system of distribution. Thus the food situation in the Sahelian countries was seriously aggravated by logistic difficulties, and local famine conditions developed in parts of Ethiopia and also in some states in India where over-all per capita availability of grain and pulses, though dropping sharply from 426 pounds in 1971 to about 404 pounds in 1973, was well above the 370 pound level that had prevailed in the droughts of 1966 and 1967.

Another unfavourable factor affecting the food situation in general and the developing countries in particular was the tightness of the fertilizer market. This had its origin, in part, in the apprehension about food supplies that emerged in mid-1972. The release of cereal acreage from the "soil-bank" in the United States and decisions by farmers in North America and elsewhere to expand production greatly increased the demand for fertilizer. 10/

In the case of nitrogenous fertilizers, requirements were soon running ahead of production capacity, and stocks that had been accumulated in the late 1960s were drawn down. The supply of naphtha and other petro-industry feedstocks proved insufficient and prices rose sharply. 11/ As the petroleum situation worsened, production difficulties mounted: the price of ammonia on the European market trebled in the second half of 1973 and many exporting countries announced their inability to meet commitments, not only in EEC and Japan - by far the largest exporters - but also Bulgaria, Romania and the Soviet Union.

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9/ It should be noted that although these production indices exclude coffee and tea, they do include food items that feature prominently in the exports of some countries. To this extent, the movement in the index may exaggerate the real change in indigenous domestic supplies. Thus the decline in the index in 1972/73 in Guyana, Jamaica and Trinidad and Tobago reflects, in part, smaller sugar crops, the effect of which was felt more in exports than in internal consumption. Small ground-nut crops had a similar effect in the Niger and Senegal (in 1972) and in Nigeria (in 1973).

10/ In the United States alone, the area under cultivation increased by 29 million acres, about a sixth of the 1972/73 total, in addition to more intensive cultivation of existing farmed areas: the effective expansion is estimated to be from 293 million acres in 1972 to 339 million in 1974.

11/ A gap opened up between prices on the world market and those in the United States which were under official control and there was an upswing in United States fertilizer exports from 4.5 million tons in 1970/71 to about 6 million tons in 1972/73. Under the terms of decontrol ordered in October 1973 - when industry inventories were down 40 per cent on the year before and production was running 13 per cent higher - the fertilizer industry undertook to provide domestic farmers with an extra 3 million tons in 1974. As a result, the United States price rose by 50 per cent and exports fell away; by January 1974 the average price of fertilizers was 65 per cent above the previous control level. In April, however, it was still being predicted that, despite the limitation of exports, supplies would fall short of domestic requirements in 1974 - by as much as 10 per cent in the case of phosphates, and 15 per cent in the case of nitrogen.

Phosphate supplies were also short of the new level of requirements. As in the case of nitrogen, capacity had run ahead of demand in the late 1960s, stocks had accumulated and investment tailed off. In the course of 1972/73 production was stepped up to capacity rates and stocks were run down. As fuel shortages developed and power and transport difficulties increased in the second half of 1973, supplies became very tight. At the end of the year, Morocco, the third largest producer of raw rock phosphate, raised its export price from \$14 to \$42 per ton. Rapid expansion in the United States depends on an extension of strip mining (chiefly in Florida) and since this is being strenuously opposed by environment protection groups, the prospects for an early end to shortages in that country are not bright.

In the long run, the developing countries as a group are very well placed from the point of view of fertilizer supplies: they possess the bulk of the reserves of phosphate rock and of the hydrocarbons that are the basic raw materials for the various nitrogenous fertilizers. In the short run, however, their position is weak: their capacity to manufacture the fertilizer from the raw materials is still relatively small - in 1972 their share of world output was 9 per cent in the case of nitrogen (N), 7 per cent in the case of phosphates ( $P_2O_5$ ) and 2 per cent in the case of potash ( $K_2O$ ) - and their ability to build it up rapidly is severely limited. Moreover, the greatest need lies in the overloaded soils of southern and south-eastern Asia, in countries that lack the raw materials and do not provide commercially attractive markets. <sup>12/</sup> It is these countries, moreover, which have embarked most earnestly on the attempt to improve output per hectare by cultivating the new varieties of wheat and rice that are particularly dependent on adequate and controlled inputs of water and fertilizer. While it is true that shortage of water brought to a halt the upward trend in yields in southern and south-eastern Asia in 1972, further gains in output will depend increasingly on a resumption of this trend. The region imported about 1 million tons of nitrogen in 1972, about a third of its consumption. As its domestic production of fertilizers is based largely on imported raw materials, the region faces a dual threat of scarcity, as well as the financial burden implicit in the higher prices now commanded on the world market by both the raw material and the products.

As net importers of food-stuffs, the developing countries also suffered as a result of the upsurge in food prices set in motion by the massive grain transactions of mid-1972. In the first half of 1973, cereal prices, measured in dollars, were about 50 per cent above the corresponding 1972 level and by the second half they had doubled. Prices of edible oils entering world trade followed a similar course (see figure I above). Though almost all commodity prices rose rapidly during the year, and several - including cocoa, cotton, sisal, rubber, copper, zinc and petroleum - kept up with basic food-stuffs, the terms of exchange between cereals and other primary commodities moved strongly in favour of the former in 1973. In particular, exporters of tea and sugar and jute and iron, manganese and chrome ores had to give much more of their product to obtain a ton of wheat or rice in 1973 than in 1972. In this respect, too, southern Asia entered 1974 in an unfavourable position.

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<sup>12/</sup> In 1973, for example, Kuwait's total production of urea was sold to China, which country also accounts for a rapidly increasing proportion of the nitrogen exports of Japan.

## The energy situation

Like the food crisis, the 1973 energy crisis was a mixture of long-brewing problems and sudden and unexpected developments. And because of the former, the impact of the latter is likely to have much more far-reaching consequences than would otherwise have been the case.

The long-term problems arise from changes that have been taking place both on the production side and on the consumption side. Perhaps the most significant changes in the pattern of production have been the running down of the European coal industry, the deceleration and subsequent peaking of petroleum production in the United States and the rapid rise in the relative importance of supplies of petroleum from small countries with few other resources. On the consumption side, the most significant changes have been the rapid growth in road transport and in the petrochemical industry and the continued substitution of liquid and gaseous fuels for solid fuels in many uses, including some with particularly high rates of expansion, such as space heating and the generation of electricity.

Solid fuels accounted for half of the world's energy consumption at the beginning of the 1960s, but only a third at the beginning of the 1970s. In Western Europe the decline was from over 60 per cent to under 30 per cent; in Japan from over 50 per cent to under 25 per cent. By 1972, solid fuels were furnishing less than a fifth of the energy needs of North America and the developing countries (see table I-13). Hydropower has been increasing only slowly: in the developed market economies new sites are becoming fewer and more difficult to harness, while in the developing countries the high capital costs usually involved are a strong deterrent. Nuclear and other non-conventional sources of energy, though becoming more important, still contribute only a small proportion of total consumption. The world has thus become rapidly more dependent on gaseous and liquid hydrocarbons and a vast infrastructure of tankers and port facilities, and pipelines and refineries has been integrated not only into the world's production and transport systems but also into household consumption and personal life styles.

The triumph of hydrocarbons is illustrated most graphically in the generation of electricity - the area in which competition between the fuels is least inhibited by specific requirements. By the early 1970s the proportion of power station energy input provided by solid fuels had dropped to around 54 per cent in Western Europe and the United States. In the course of the 1960s, the share of petroleum had more than doubled - to 34 per cent in Western Europe and 17 per cent in the United States where natural gas had become a prime energy source (see table I-14).

Thus, during the 1960s while global energy consumption was increasing at an average of about 5.5 per cent a year, the consumption of petroleum was rising at over 8 per cent a year. This reflects not only the rapid growth in end uses for which petroleum is the preferred fuel but also extremely competitive prices made possible by the expansion of low-cost Middle East production and a decline in freight rates of almost one fourth in the first half of the decade, during which exports had increased by about 50 per cent in the face of a very limited intake by the United States market which had been partly closed in 1958 behind an import quota system.

As a result of the rapid rise in the consumption of hydrocarbons, the developed market economies had become increasingly dependent on imports for their energy supplies. By the beginning of the 1970s, North America, which had been a net exporter of energy until the war, was getting a third of its petroleum and about an eighth of its total energy from abroad. Western Europe and Japan were almost entirely dependent on imports for their petroleum and the proportion of their total energy consumption drawn from abroad had risen to about 60 per cent and 85 per cent respectively.

In the meantime, the pattern of production had changed quite radically. The contribution of the United States to the world petroleum output fell from a third to a fifth in the course of the 1960s, and by 1973 it was down to a sixth. The contribution of the Soviet Union, which had risen sharply in the 1950s, continued to inch upwards in the 1960s, approaching 16 per cent in the early 1970s. The countries that grouped themselves into the Organization of Petroleum Exporting Countries (OPEC) in 1960 were responsible for half the world's output 10 years later; and their share had risen to 55 per cent by 1973. And, most significant of all was the rising proportion of the total originating in what might be called the oil economies - countries based almost entirely on petroleum mining. This proportion doubled between 1955 and 1973, by which time these countries - with a population of about 11 million, almost three fourths in Saudi Arabia - accounted for 29 per cent of world production. They had overtaken the remaining members of OPEC - larger and more diversified economies with a combined population of about 260 million. By 1973 these small oil economies were the source of half the world's petroleum exports (see table I-15).

With very large official currency reserves and with only 30-40,000 workers engaged in the petroleum industry, <sup>13/</sup> these oil economies had developed a unique position in the world commodity structure: their production and export policies could be determined virtually without reference to either the earnings of employees in the industry or the country's earnings of foreign exchange.

During this period the influence of the major multinational petroleum companies was being weakened, partly by the activities of competing "independent" companies (which did much to develop the Libyan oilfields), partly by the growth of national companies both in the importing countries and in the exporting countries (all anxious to share in the production and distribution of petroleum), partly by the narrowing of the gap between production capacity and current consumption (which, as implied above, had opened up in the late 1950s and early 1960s as the new Venezuelan and Libyan fields were brought into the supply) and partly by the development of expertise in the petroleum ministries of the producing

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<sup>13/</sup> Estimated on the basis of the productivity of oil workers in Saudi Arabia where in 1970 the petroleum industry employed just over 10,000 workers producing about 125,000 barrels per employee. By way of contrast, the number of workers engaged in the copper industry in Zambia - a country with about half the population of Saudi Arabia - was five times as great and their output of about 15 tons of copper per employee implied a productivity in dollar terms of about a tenth of the Saudi Arabian figure - and an even smaller fraction at 1973 prices.

countries and in OPEC, 14/ which had been created "to safeguard the interests of member countries individually and collectively". Since its Sixteenth Conference in June 1968, OPEC has successfully negotiated with the companies for a progressively larger share in total petroleum proceeds (through higher prices, higher taxes, more frequent revisions in agreements and adjustments for inflation and currency changes) and for a progressively greater degree of host country participation in the industry (through shares in the international companies, reservation of deposits for national companies and speedier development and relinquishment of concessions).

The upswing in economic activity that began in North America in 1971 and in the rest of the developed market economies in 1972 coincided with a deceleration in energy production. In North America, the rate of increase in domestic energy output receded towards 1 per cent a year in the period 1970-1972, compared with an average of about 5 per cent a year in the 1960s, and in Japan there was a jump in the rate of decline. There was also a slowing down in the high rate of growth in energy production in the developing countries, reflecting in part a reduction in petroleum output in the Libyan Arab Republic, Oman and Venezuela in 1971 and 1972, in Algeria in 1971 and in Iraq in 1972. The early 1970s thus witnessed a distinct tightening of the fuel market that for a whole decade - except for a brief disruption at the time of 1967 Arab-Israeli war - had been relatively lax.

In February 1971, following a long period of price stability, the six Gulf members of OPEC negotiated the Teheran Agreement with 22 producing companies raising the "posted" (tax reference) price of crude petroleum by 21 per cent, bringing Arabian Light (34° API) - the representative, "bench-mark" oil 15/ - up from \$1.80 to \$2.18 per barrel f.o.b. Ras Tanura. This was adjusted upwards in January 1972 and with increasing frequency in 1973, reaching \$3.01 in October. It was raised abruptly to \$5.12 on 16 October and to \$11.65 as from 1 January 1974. This price was reaffirmed in March, subject to review in June when the OPEC meets in Quito.

The market was further disrupted by a decision of OPEC 16/ to reduce production by 10 per cent following its meeting on 17 October 1973 and 25 per cent in November and December and to prohibit exports to Denmark, the Netherlands and the United States - States that were regarded as friendly to Israel - and (subsequently) Portugal, South Africa and Southern Rhodesia. In January 1974 production was raised by 10 per cent and in March the embargo on shipments to the United States was lifted by all members except Iraq, the Libyan Arab Republic and the Syrian Arab Republic.

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14/ Abu Dhabi, Algeria, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Qatar, Saudi Arabia and Venezuela plus Ecuador (since November 1973) and Gabon (an associate member). In 1972, these countries accounted for about 52 per cent of world production of crude petroleum and about 84 per cent of all exports.

15/ Against which other oils are aligned in the light of specific gravity, sulphur content, place of loading and so on.

16/ Abu Dhabi, Algeria, Bahrain, Egypt, Kuwait, the Libyan Arab Republic, Qatar, Saudi Arabia and the Syrian Arab Republic, plus Iraq which dissented from the decision.

The radical changes that have taken place in the organization of the industry have so far concerned responsibility and procedures in the decision-making process rather than the physical, technical or economic structure of petroleum mining, refining and distribution. They have replaced the more or less uniform pattern that tended to prevail among the major exporting countries in respect to relations between host Government and concessionary company by a much more diverse set of relationships that are obviously still rather tentative and experimental. While decisions regarding rates of production are now made uniformly by the Governments rather than the operating companies and in the Persian Gulf there is a single set of posted prices (set unilaterally by the Governments rather than after negotiation with the companies), marketing methods and the division of the proceeds between operating costs, government revenue and company profit differ considerably from country to country.

The differences arise in part from the extent to which individual host Governments now "participate" in the companies, how their share in the equity has been acquired (by nationalization or by purchase), the amount of compensation or the method of evaluating the shares, and how payment to the company is being made. They also arise in both the method of payment and the rate in respect of royalties applicable to the volume of petroleum lifted, in respect of any share of profit (or dividends) that may be due on the Government-owned equity, and in respect of taxes levied on the gross or net income of the company. There are also differences in the way Governments actually handle the lifted petroleum acquired by them through the operation of national mining companies or through payment in kind made by the foreign companies in respect of dividends ("participation" share) or royalties.

In the period of increasing tightness in the petroleum market, OPEC Governments steadily improved both total petroleum proceeds and their share of that total. As indicated above, posted prices more or less trebled between 1970 and the end of 1973. The Libyan Arab Republic and Iraq nationalized some of the companies holding local petroleum concessions. And in 1972 various participation negotiations began: the early agreements visualized an initial 25 per cent share of the company equity being acquired by the Government, with a gradual build-up to a majority shareholding by the 1980s. Given market conditions and the mounting political tensions in the Middle East, few of these agreements reached ratification stage. A leap-frogging effect set in, as each Government sought to achieve a somewhat more favourable arrangement than the one most recently negotiated.

Some of the obligations of the companies to their host Governments - royalties, taxes or dividends - have been settled in petroleum rather than in cash. Most of this petroleum has been sold back to the companies for disposal through regular marketing channels, but as shortages developed late in 1973, several Governments began experimenting with sales through auction. At the height of the squeeze such auctions yielded bids approaching double the posted price. The quantities were quite small, however, and after a relatively mild winter during which various conservation measures were adopted in the main importing countries, auction bids declined, and by April, after the ending of the Arab oil embargo, they had dropped below the \$11.65 posted price.

The immediate impact of the curtailment of petroleum supplies was felt directly in space heating, road and air transport, electricity generation and in some of the

petrochemical industries and indirectly in the activities involving travel and depending on tourists and in those industries producing energy-intensive consumer durables, particularly large motor-cars. In most of the developed market economies, voluntary adjustments of energy use achieved the necessary economies, though not without some spot reduction in employment and production. <sup>17/</sup> In Japan, where imported petroleum provides three fourths of all primary energy, voluntary reductions of 10 per cent of oil and electricity consumption introduced in November 1973 were increased to 15 per cent in January 1974 and made mandatory in February when industrial users were divided into four groups in accordance with essentiality. Output was affected most in such energy-intensive industries as aluminium, iron and steel, and ship-building and also in those using petroleum-based feedstocks, particularly plastics, synthetic fibres and nitrogenous fertilizers. These industries were also affected in some of the developing countries in Asia. As indicated in the previous section, shortages in nitrogenous fertilizers began to be experienced throughout the region, posing a threat to the underlying technology of the "green revolution".

In 1974 and the period immediately ahead, the impact of the changes in the world petroleum industry will be transmitted very largely through price. Though the exact dimensions of the price change are not determinable, it is clear that the unprecedented increase that has already occurred - more than quadrupling the "take" of the host Government between January 1973 and January 1974 - will be its main feature. The uncertainty stems from the fact that the system of pricing that was built up in the 1950s to ensure an agreed division of petroleum proceeds between host Government and producing company has been set aside before the shape of a successor system has emerged. While the arithmetic for calculating host Government revenue from royalty and tax has been retained, at least for producers around the Persian Gulf (see table I-16), its rationale disappeared when OPEC unilaterally set the posted price without reference to the market. <sup>18/</sup> Another uncertainty has been introduced by the practice of host Governments to take the result of their (increasing) participation in the equity of the operating companies in the form of petroleum rather than cash dividends. As indicated above, the way in which this "participation" petroleum (and the output of national companies) is handled will affect market price. Finally, and most decisively in the short run, OPEC or its member Governments will determine the rate of production.

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<sup>17/</sup> In the first four months of 1974 in the United States, for example, motor-car production was almost a third lower than in the corresponding period in 1973, and the lowest since 1967. Dealer inventories of larger cars rose sharply. In mid-March about 200,000 automobile workers (out of a total of 1.4 million) were out of work. At that time, almost a sixth of all new applicants for unemployment insurance were stating that they had lost their jobs because of the energy situation.

<sup>18/</sup> In the 1950s, the posted price was intended to be the actual selling price. During the 1960s, when excess capacity emerged and some Governments were urging increased production, a certain amount of petroleum was in fact sold at a discount - which was borne by the companies concerned out of their share of the proceeds. In October 1973, when OPEC made its first unilateral determination of posted prices, it ruled that they should be maintained at 40 per cent above the market level, but this seems to have been abandoned early in 1974.

On the demand side, all indications point to a very low response to changes in price, reflecting the fact that petroleum is an essential input for transport and the chemical industry, that as a fuel its price is generally a very small component of over-all manufacturing costs and that, given the enormous specialized infrastructure associated with petroleum distribution and use, it will prove difficult to make any rapid or radical adjustment in the pattern of energy consumption in the short run. The most that can be expected in 1974 and 1975 is a slowing down in the rate of increase in petroleum consumption, stemming in part from conservation, in part from substitution of other fuels (particularly coal in electricity production) and in part from the more general deceleration in economic activity in the developed market economies.

In some cases, the higher prices may be expected to choke off part of the demand, especially in lower-income countries whose main export products have not experienced a comparable increase in price. A few countries, indeed, may find it very difficult to finance anywhere near their normal imports of petroleum: at the prices prevailing in the first half of the year these would cost the developing countries as a whole about \$15 billion, almost three times as much as in 1973 and four times the 1972 figure.

The threefold increase in f.o.b. price of crude petroleum will also have a severe impact on the external accounts of the developed market economies, throwing most of them into deficit, the amounts involved being extremely large. (For 1974 as a whole the increase in import expenditure may amount to as much as \$50 billion in purchases from OPEC members alone.) In so far as this enters directly into costs, it will accentuate the inflationary pressure on prices that emerged as one of the most troublesome bequests of the 1972-1973 period. However, it also represents a massive transfer of claims on resources to the petroleum-exporting countries and in so far as these are not used to stimulate economic activity in the developed market economies the result could be strongly deflationary.

The revenue accruing to OPEC Governments may well reach \$85 billion in 1974 (depending on the price-and-tax formulae applied in the second half of the year and the extent to which "participation" in the operating companies progresses), which would be over five times as much as was earned in 1972. Rather more than half of this would be in the hands of the seven larger members capable of translating export earnings fairly rapidly into import demand. These countries also have a sizable external debt -- about \$13 billion at the end of 1971 -- for which arrangements might be made for early repayment. Some of the funds, moreover, will be automatically recycled as the exporting Governments acquire their declared shares of the operating companies, though the pace at which this will occur, the ultimate extent of the "participation" and the valuation of the assets concerned are matters that are far from settled at the present time.

The remainder of the revenue -- probably amounting to well over \$40 billion in 1974 -- will accrue to the eight undiversified oil-exporting economies whose capacity to absorb additional resources is severely limited. The effective recycling of these funds constructively into the world economy will pose much greater problems. Kuwait has been building up instruments and experience in development lending and, as have some of the other countries, has become familiar with relatively short-term financing through the Euro-currency market. But the sums now involved are so large that the older modalities are no longer adequate: much more lending and investment will be required if serious imbalance is to be

avoided. And some of this lending will have to be to the developing countries, if the difficulty that some of them now face in paying for petroleum imports is to be prevented from gravely impairing their development.

In the longer run, various adjustments are to be expected. Many importing countries have already launched major efforts to conserve energy and to diversify their sources of supply - both geographically and by fuel type - and the increase in petroleum prices is bound to encourage more exploration and production. The radical change in the role of the international mining companies in the marketing structure may in the long run give rise to more, rather than less competition. Methods of selling "national" and "participation" oil are far from settled. The extent to which producing Governments will invest "downstream" in the petroleum industry is still undetermined, as is the role of the independent tanker owners. Experiments with auction sales are still continuing and could be institutionalized.

Clearly, the events of 1973 have opened up a number of questions regarding the production, distribution and use of energy. The traditional organization of the global petroleum industry has been greatly altered, but the exact nature of its replacement is not yet discernible. From the point of view of the world economy, however, the sheer importance of petroleum in world trade and its vital role in world energy supply make it necessary to seek methods of marketing and price formation that are not only fair (to producer and consumer alike) but also stable and rational, encouraging the wise use of this non-renewable resource.

Potentially most important of all, a better understanding of the problem from the global viewpoint may have emerged. On the one hand, this involves a greater sympathy with the efforts of a developing country rich in only one natural resource to spread the exploitation of that resource over time so as to optimize its contribution to the country's economic development. On the other hand it also involves an appreciation on the part of the resource country that the value of the assets it acquired in exchange for its resource exports is not wholly independent of the terms of exchange: uncertainty in the supply of a critical commodity and large price changes unrelated to market considerations could not only adversely affect the currencies chiefly concerned but also set in motion defensive commercial policies that would slow down the growth in world trade and jeopardize the development process. As the foreign assets in the hands of the petroleum exporters expand so too will their responsibility for the successful functioning of the world economy.

Table I-1. World production: annual growth rates, by country group,  
1971-1973  
(Percentage)

and country group	Change from preceding year		
	1971	1972	1973 <u>a/</u>
<u>Gross domestic product</u> <sup>b/</sup>			
Sum of country groups . . . . .	4.2	5.4	6.7
Developed market economies <u>c/</u> . . . . .	3.6	5.5	6.5
Centrally planned economies <u>d,e/</u> . . . . .	6.0	5.0	7.1
Developing countries <u>f/</u> . . . . .	5.6	5.2	7.2
<u>Industrial production</u> <sup>g/</sup>			
Sum of country groups . . . . .	3.8	7.3	9.8
Developed market economies <u>c/</u> . . . . .	1.3	7.2	9.8
Centrally planned economies <u>d/</u> . . . . .	7.7	7.0	8.0
Developing countries <u>f/</u> . . . . .	7.2	8.4	11.0
<u>Agricultural production</u> <sup>h/</sup>			
Sum of country groups . . . . .	3.3	-0.8	5.7
Developed market economies <u>c/</u> . . . . .	5.0	0.7	1.5
Centrally planned economies <u>d/</u> . . . . .	2.5	-0.3	10.8
Developing countries <u>f/</u> . . . . .	2.4	-1.6	5.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; Economic Commission for Africa, "Survey of economic conditions in Africa, 1973; summary" (E/CN.14/621/Summary); Economic Commission for Asia and the Far East, "Economic survey of Asia and the Far East, 1973, part two" (preliminary version, E/CN.11/L.385/B); 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 I-1)

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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.

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

d/ Eastern Europe, 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), Asia (other than China, Democratic Republic of Korea, Democratic Republic of Viet-Nam, Japan, 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 I-2. World agricultural production, by country group, 1971-1973  
(Percentage)

Country group	Change from preceding year		
	1971	1972	1973 <u>a/</u>
Sum of country groups . . . . .	3.3	-0.8	5.7
Developed market economies . . . . .	5.0	0.7	1.5
North America <u>b/</u> . . . . .	9.0	-	3.4
Western Europe . . . . .	5.3	-	0.8
Japan . . . . .	-5.5	5.8	0.9
Southern hemisphere <u>c/</u> . . . . .	5.6	-2.3	-4.7
Centrally planned economies of Europe . . .	2.5	-0.3	10.8
Eastern Europe <u>d/</u> . . . . .	5.6	7.5	4.9
USSR . . . . .	1.1	-4.1	14.0
Developing countries	2.4	-1.6	5.6
Western hemisphere . . . . .	2.5	-0.8	4.8
Africa . . . . .	4.3	1.7	-2.4
West Asia . . . . .	-	11.4	-5.1
Southern and south-eastern Asia . . . .	1.6	-4.7	9.8

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

a/ Preliminary.

b/ Canada, United States of America.

c/ Australia, New Zealand, South Africa.

d/ Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania.

Table I-3. World industrial growth, by country group, 1971-1973  
(Percentage)

Country group	Change from preceding year		
	1971	1972	1973 <u>a/</u>
Sum of country groups <u>a/</u> . . . . .	3.8	7.3	9.4
Developed market economies . . . . .	1.3	7.2	9.8
North America <u>b/</u> . . . . .	0.7	8.5	9.8
Western Europe . . . . .	2.7	5.3	7.5
Japan . . . . .	2.4	7.5	17.3
Southern hemisphere <u>c/</u> . . . . .	2.2	4.4	8.4
Centrally planned economies of Europe . .	7.7	7.0	8.0
Eastern Europe <u>d/</u> . . . . .	7.6	8.3	9.6
USSR . . . . .	7.7	6.5	7.4
Developing countries . . . . .	7.2	8.4	11.0
Western hemisphere . . . . .	6.8	7.6	7.9
Africa . . . . .	3.4	8.1	6.8
Asia . . . . .	8.5	10.1	13.0

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

a/ Preliminary.

b/ Canada and the United States of America.

c/ Australia, New Zealand and South Africa.

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

Table I-4. World industrial production: changes by branch and country group,  
1971-1973  
(Percentage change from corresponding period of preceding year)

Country group and period	Mining	Light manufacturing <sup>a/</sup>			Heavy manufacturing <sup>b/</sup>			
		Total	Food	Textiles	Total	Chemicals	Basic metals	Metal products
<u>Sum of country groups</u>								
1971 . . . . .	3.5	3.6	4.3	4.4	4.1	7.3	-0.7	4.1
1972 . . . . .	4.0	4.9	4.1	6.3	9.0	9.3	7.8	8.9
1973:								
First quarter	8.4	5.4	4.0	6.1	12.3	12.0	12.4	13.2
Second quarter	8.4	5.4	6.0	7.1	12.8	12.1	10.2	13.7
Third quarter	3.8	4.1	6.1	5.5	13.2	11.7	10.5	14.2
<u>Developed market economies</u>								
1971 . . . . .	-	3.0	3.8	3.1	1.3	5.4	-4.1	-
1972 . . . . .	1.7	5.8	3.7	6.0	7.5	9.2	9.2	7.1
1973:								
First quarter	7.6	7.1	4.5	5.8	13.3	11.7	16.9	14.4
Second quarter	2.4	6.2	3.6	7.6	13.3	12.1	12.7	15.0
Third quarter	3.3	5.6	4.2	5.2	13.2	11.4	14.0	16.4
Fourth quarter	0.8	3.3	4.1	2.0	9.8	8.9	8.5	11.1
<u>North America</u>								
1971 . . . . .	-1.6	2.3	2.4	2.3	-	5.3	-5.5	-2.1
1972 . . . . .	3.1	6.8	3.1	8.8	9.1	11.1	10.8	9.4
1973:								
First quarter	4.7	9.0	5.6	12.1	14.9	10.1	18.1	17.4
Second quarter	2.3	6.3	3.0	10.0	12.7	9.0	10.8	15.2
Third quarter	3.8	6.2	3.6	7.5	12.3	7.9	13.4	15.5
Fourth quarter	2.2	4.1	4.4	3.3	7.9	6.8	7.9	9.3
<u>Western Europe</u>								
1971 . . . . .	2.9	3.8	4.5	3.4	1.9	4.6	-3.4	1.3
1972 . . . . .	-2.8	5.1	3.6	5.0	5.0	7.4	5.6	3.2
1973:								
First quarter	16.0	5.6	3.7	6.9	9.0	12.6	11.0	6.9
Second quarter	1.9	4.1	4.9	3.8	11.1	13.7	9.2	10.5
Third quarter	2.0	4.4	4.9	1.8	11.5	13.0	9.0	11.3
Fourth quarter	-2.6	2.6	5.3	-	9.4	11.2	5.7	9.3

(Table continued on following page)

Table I-4 (continued)

Country group and period	Mining	Light manufacturing <sup>a/</sup>			Heavy manufacturing <sup>b/</sup>			
		Total	Food	Textiles	Total	Chemicals	Basic metals	Metal products
<u>Centrally planned economies</u>								
1971 . . . . .	6.5	6.0	5.9	6.0	10.1	12.7	5.5	10.7
1972 . . . . .	5.5	5.0	4.4	4.6	10.1	10.4	6.3	11.4
1973:								
First quarter	5.6	3.8	2.2	4.8	11.0	13.3	5.4	11.2
Second quarter	6.3	5.5	4.6	5.4	9.7	13.8	6.6	12.1
Third quarter	7.0	5.8	4.8	6.4	11.3	14.0	6.0	12.7
Fourth quarter	8.2	7.6	8.8	6.0	10.3	13.2	4.9	11.3
<u>Developing countries</u>								
1971 . . . . .	6.7	7.0	4.9	6.5	9.4	8.5	7.3	10.8
1972 . . . . .	6.3	6.6	6.7	8.8	11.1	9.9	10.9	13.4
1973:								
First quarter	11.9	8.3	6.0	11.0	12.3	10.6	5.9	...
Second quarter	8.8	10.7	22.0	8.1	12.7	6.7	3.7	...
Third quarter	15.6	9.9	18.1	5.9	11.6	8.5	3.0	...
<u>Asia</u>								
1971 . . . . .	13.4	6.6	7.4	4.4	6.3	8.0	-3.2	6.0
1972 . . . . .	11.9	6.9	6.2	10.6	11.3	11.7	12.5	11.4
1973:								
First quarter	17.5	10.0	3.8	18.1	9.6	1.4	0.6	18.1
Second quarter	19.8	9.0	22.4	13.8	17.1	4.7	-1.3	16.7
Third quarter	23.7	0.6	0.7	7.8	12.2	7.8	0.6	19.0

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

<sup>a/</sup> International Standard Industrial Classification (ISIC) 20-26, 28-30, 39. In the case of centrally planned economies, excluding ISIC 342 and 39.

<sup>b/</sup> ISIC 27, 31-38.

Table I-5. World<sup>a/</sup> production of major commodities,<sup>b/</sup> 1970-1973

Commodity	1970 (millions of tons, except as indicated)	Percentage change from preceding year		
		1971	1972	1973 <u>c/</u>
Coal <sup>d/</sup> . . . . .	2 071	-1.1	1.3	8.1
Petroleum, crude . . . . .	2 248	5.4	4.3	9.0
Electricity (billions of kWh) . .	4 828	6.2	7.8	7.8
Cement . . . . .	555	5.2	5.7	9.6
Pig iron . . . . .	413	-1.5	5.9	10.4
Steel, crude . . . . .	574	-3.0	8.1	10.8
Copper, smelter <u>e/</u> . . . . .	5.3	-2.6	11.8	0.4
Zinc <u>e/f/g/</u> . . . . .	3.9	-4.5	9.3	3.9
Lead <u>e/f/g/</u> . . . . .	2.6	-5.2	7.1	2.4
Tin <u>e/h/i/</u> . . . . .	0.2	0.5	1.6	-2.6
Aluminium <u>e/f/g/</u> . . . . .	8.1	6.5	4.8	8.7
Merchant vessels <u>j/</u> (millions of grt)	21.7	14.6	6.7	18.8
Passenger cars (millions) . . . .	22.6	15.6	6.0	5.5
Commercial vehicles (millions) . .	6.8	6.0	9.0	10.4
Meat . . . . .	98	8.3	1.9	0.4
Wheat . . . . .	319	10.0	-1.9	9.0
Barley . . . . .	139	8.2	0.7	10.7
Maize . . . . .	260	14.9	-0.2	8.3
Rice (paddy) . . . . .	308	0.5	-5.0	7.9
Potatoes . . . . .	312	-7.8	-3.3	11.6
Coffee . . . . .	3.9	18.8	6.0	-15.9
Cocoa beans . . . . .	1.5	4.8	-11.5	4.5
Tea . . . . .	1.3	1.5	4.4	2.8
Sugar (raw) . . . . .	74.2	1.4	-1.7	7.0
Tobacco . . . . .	4.7	-3.4	5.2	-1.1
Cotton (lint) . . . . .	11.5	4.8	6.6	1.7
Wool (greasy) . . . . .	2.8	-0.4	-4.4	-4.2
Jute and kenaf . . . . .	3.6	-9.8	9.6	6.3
Vegetable oils <u>k/</u> . . . . .	35.3	2.6	-0.7	9.1
Natural rubber . . . . .	2.9	3.0	1.3	7.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on 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), and International Tin Council, Statistical Bulletin (London).

(Foot-notes on following page)

(Foot-notes to table I-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 the USSR.
  - f/ Excluding production of the Democratic People's Republic of Korea and the German Democratic Republic.
  - g/ Excluding production of Czechoslovakia and Romania.
  - h/ Excluding production of the German Democratic Republic.
  - i/ Excluding production of Czechoslovakia and the Democratic Republic of Viet-Nam.
  - j/ Tonnage launched outside the German Democratic Republic and the USSR.
  - k/ These data represent the total production of oil-seeds, oil nuts, and other oil crops harvested in the years indicated and expressed in terms of oil equivalent.

Table 1-6. Export price indices of primary commodities and manufactured goods, 1971-1973

Commodity group	Index, 1973 (1972=100)	Index (1960=100)			Average annual rate of change, a/ 1951-1970	Index (corresponding quarter of previous year = 100), 1973 quarters			
		1971	1972	1973		First	Second	Third	Fourth
<u>Primary commodities</u> . . .	143	115	130	186	-0.1	124	135	150	161
<u>Food</u> . . . . .	147	117	132	194	0.5	130	145	155	156
Cereals . . . . .	179	100	111	199	-0.2	146	161	206	197
Wheat . . . . .	192	96	110	211	-0.9	158	168	228	203
Rice . . . . .	174	97	108	188	0.1	136	151	171	229
Maize . . . . .	162	108	111	180	-3.0	136	156	182	172
Beverages . . . . .	132	119	132	174	0.3	128	136	133	132
Coffee . . . . .	126	134	130	189	0.4	129	133	121	124
Tea . . . . .	102	83	81	83	-1.3	96	100	110	104
Cocoa . . . . .	199	100	117	223	0.7	142	193	228	190
Meat . . . . .	144	156	185	267	3.9	130	146	141	157
Beef . . . . .	144	186	226	325	5.4	132	148	137	159
Mutton and lamb .	130	131	139	181	3.2	116	130	132	140
Dairy products . . .	111	135	152	169	0.7	97	104	123	121
Sugar . . . . .	131	75	97	127	-0.8	114	137	142	138
Other food . . . . .	144	118	129	186	1.1	133	152	150	138
<u>Agricultural non-food</u>	151	105	120	181	-0.9	135	144	163	160
<u>Fats, oils and oil-</u> <u>seeds</u> . . . . .	172	118	116	200	-	127	159	205	201
Olive oil . . . . .	146	80	102	149	1.1	143	156	135	150
Copra . . . . .	235	100	75	176	-0.2	144	203	287	304
Coconut oil . . .	215 <sup>b/</sup>	119	85	183 <sup>b/</sup>	0.1	116	176	256	322
Ground-nuts . . .	123 <sup>b/</sup>	141	164	180 <sup>b/</sup>	1.5	115	120	134	...
Ground-nut oil . .	117 <sup>b/</sup>	118	116	136	0.7	105	110	137	...
Palm kernels . . .	153 <sup>b/</sup>	90	77	114	0.3	118	150	203	...
Palm kernel oil .	181 <sup>b/</sup>	111	85	137	0.8	118	177	257	...
Palm oil . . . . .	149	115	103	152	-0.1	114	136	179	163
Linseed oil . . .	267	82	96	256	-2.6	144	179	368	359
Linseed . . . . .	247	91	102	251	0.2	192	204	322	254
Soya beans . . . .	170	117	127	216	-	146	176	195	163
Soya bean oil . .	193	143	119	230	-0.5	110	150	264	270
Cotton-seed oil .	192	143	107	205	-0.1	106	142	237	319
Textile fibres . . .	162	85	109	177	2.3	155	152	172	173
Wool . . . . .	209	57	88	184	-3.0	291	237	215	146
Cotton . . . . .	137	113	132	181	-2.1	97	113	148	203
Jute . . . . .	97	105	112	109	1.1	87	97	102	101
Sisal . . . . .	196	46	63	127	-2.1	179	156	182	249

Table I-6 (continued)

Commodity group	Index, 1973 (1972=100)	Index (1960=100)			Average annual rate of change, a/ 1951-1970	Index (corresponding quarter of previous year = 100), 1973 quarters			
		1971	1972	1973		First	Second	Third	Fourth
Wood and wood pulp . . . . .	140	132	144	201	1.3	117	135	150	152
Rubber . . . . .	195	62	63	123	-3.2	153	187	236	209
Other agricult- ural non-food	133	91	113	150	-1.4	136	132	140	200
Minerals . . . . .	128	127	141	180	1.0	106	113	124	171
Metal ores . . . .	129	126	134	150	1.9	102	114	125	159
Iron ore . . . . .	105	103	111	116	2.2	105	101	103	109
Bauxite . . . . .	...	172	168	...	3.3	...	...	...	...
Copper ore . . . .	157	171	169	266	4.9	115	144	182	192
Lead ore . . . . .	142	146	174	248	0.2	119	129	151	172
Zinc ore . . . . .	210	148	183	385	0.1	111	145	240	348
Tin ore . . . . .	126	140	151	190	2.6	109	114	130	151
Nickel ore . . . .	109	170	178	195	4.5	115	115	110	100
Manganese ore	122	93	89	109	-3.1	96	105	144	151
Chrome ore . . . .	91	156	156	141	1.8	100	86	86	90
Fuels . . . . .	132	127	143	189	0.7	107	114	125	179
Petroleum . . . .	136	118	135	181	-	105	113	123	193
Coal . . . . .	123	164	171	214	2.5	115	121	131	133
Crude fertilizer	99	107	115	114	1.4	98	90	93	115
Manufactured goods .	116	127	137	158	1.8	107	114	121	121
Non-ferrous base metals . . . . .	137	155	154	211	3.4	106	125	151	169
Aluminium . . . .	101	128	115	116	3.1	88	101	105	114
Copper . . . . .	151	168	164	247	4.8	109	136	171	193
Lead . . . . .	141	146	171	241	-	118	128	151	167
Tin . . . . .	125	140	150	187	2.5	106	113	136	147
Zinc . . . . .	189	148	122	345	-0.2	112	141	205	302

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

a/ Average of year-to-year changes with the larger of the two figures as denominator; 1955-1970 for palm kernel oil, soya bean oil, cottonseed oil, linseed oil, chrome ore, manganese ore, nickel ore.

b/ Index for January-September.

Table I-7. World trade, by country group, 1970-1973

Country group and item	Value (billions of dollars)				Percentage change from preceding year		
	1970	1971	1972	1973 <u>a/</u>	1971	1972	1973 <u>a/</u>
<u>Developed market economies</u> <sup>b/</sup>							
Exports f.o.b. . . . .	226	253	300	410	11.8	18.9	36.5
Imports c.i.f. . . . .	238	265	314	430	11.2	18.4	37.1
<u>Centrally planned economies</u> <sup>c/</sup>							
Exports f.o.b. . . . .	31	34	40	53	9.1	18.4	32.5
Imports f.o.b. . . . .	30	33	40	54	8.3	23.2	33.0
<u>Developing countries</u> <sup>d/</sup>							
Exports f.o.b. . . . .	56	63	75	108	13.3	19.3	43.5
Imports c.i.f. . . . .	57	65	72	97	13.7	11.2	34.2
<u>World</u>							
Exports f.o.b. . . . .	313	350	416	571	11.8	18.9	37.4
Imports c.i.f. . . . .	326	363	426	580	11.4	17.5	36.2

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

a/ Preliminary, based in some cases on less than 12 months' trade.

b/ Canada and United States, Western Europe, Japan, Australia, New Zealand and South Africa.

c/ Eastern Europe and USSR.

d/ Latin America and Caribbean, Africa (other than South Africa), Asia and Pacific (other than Japan, Turkey, China, Democratic Republic of Korea, Democratic Republic of Viet-Nam).

Table I-8. Market economies: estimated change in unit value of exports and imports, a/ 1970-1973

Region	Percentage change from preceding year in								
	Export unit value			Import unit value			Terms of trade		
	1971	1972	1973 <sup>b/</sup>	1971	1972	1973 <sup>b/</sup>	1971	1972	1973 <sup>b/</sup>
Developed market economies	4.4	9.2	20.0	5.5	8.0	21.3	-1.0	1.2	-1.0
North America . . .	3.3	4.0	15.3	5.1	7.3	15.8	-1.7	-3.1	-0.4
Western Europe . .	6.3	10.1	19.9	5.8	8.2	24.8	0.5	1.7	-4.0
Japan . . . . .	3.7	11.7	22.5	3.2	5.7	27.0	0.5	5.7	-3.6
Southern hemisphere	5.2	14.3	36.1	6.4	8.5	23.8	-1.1	5.3	10.0
Developing countries	5.2	11.5	33.0	6.1	8.2	20.4	-0.8	3.1	10.5
Western hemisphere	3.4	11.8	34.3	6.4	8.4	19.2	-2.8	3.1	12.7
Africa . . . . .	3.3	11.0	32.4	6.1	8.0	19.2	-2.6	2.8	11.1
West Asia . . . . .	12.5	13.1	31.6	6.1	8.1	19.7	6.0	4.7	9.9
Southern and south-eastern Asia . .	3.5	9.4	30.8	5.7	8.1	21.5	-2.1	1.2	7.6

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

a/ Estimated on the basis of a set of regional price indices in United States dollars for five groups of commodities - food-stuffs, agricultural raw materials, petroleum and mineral ores, non-ferrous metals and other manufactures - weighted in accordance with the regional composition of exports and imports in 1970. In so far as such price indices anticipate and exceed the changes in actual unit value, the figures may tend to overstate the real gains or losses.

b/ Preliminary.

Table I-9. Market economies: estimated change in the quantum of exports and imports, 1970-1973

Region <u>a/</u>	Percentage change from preceding year in					
	Export quantum			Import quantum		
	1971	1972	1973 <u>b/</u>	1971	1972	1973 <u>b/</u>
Developed market economies . .	7.1	8.8	13.8	5.5	10.0	13.1
North America . . . . .	0.9	9.1	19.0	8.9	13.5	7.2
Western Europe . . . . .	6.8	9.6	14.0	5.1	9.4	11.5
Japan . . . . .	20.2	6.9	5.0	1.3	13.0	28.0
Southern hemisphere . . . .	2.2	8.8	6.9	1.4	-10.9	17.0
Developing countries . . . . .	7.7	6.9	7.9	7.2	2.8	11.4
Western hemisphere . . . . .	-0.1	3.0	2.3	5.3	2.6	7.9
Africa . . . . .	0.1	4.3	0.1	8.6	1.3	9.0
West Asia . . . . .	28.3	8.6	15.4	11.9	6.9	14.1
Southern and south-eastern Asia . . . . .	7.4	12.5	14.8	5.8	2.7	17.3
Total, above regions . . . .	7.2	8.4	12.1	5.8	8.3	12.8

Source: Tables I-7 and I-8.

a/ As defined in table I-7.

b/ Preliminary.

Table I-10. Changes in international reserves, 1970-1973

Country or group	Total reserves (billions of dollars) at end of				Change (billions of dollars) in		
	1970	1971	1972	1973	1971	1972	1973
<u>Total developed market economies</u> . . . . .	74.5	107.5	127.0	139.8	33.0	19.5	12.8
United States . . . . .	14.5	13.2	13.2	14.4	-1.3	-	1.2
United Kingdom . . . . .	2.8	6.6	5.6	6.5	3.8	-1.0	0.9
Rest of Western Europe . . . . .	44.9	62.3	75.7	92.8	17.4	13.4	17.1
Japan . . . . .	4.8	15.4	18.4	12.2	10.6	3.0	-6.2
Other developed market economies . . . . .	7.5	10.0	14.1	13.9	2.5	4.1	-0.2
<u>Total developing countries</u> . . . . .	18.1	23.0	31.7	43.2	4.9	8.7	11.5
Petroleum exporters <u>a/</u> . . . . .	4.6	7.8	10.4	13.3	3.2	2.5	2.9
Rest of western hemisphere . . . . .	4.5	5.0	8.7	13.0	0.5	3.7	4.3
Rest of Africa . . . . .	2.5	2.6	2.8	4.2	-	0.3	1.4
Rest of Asia . . . . .	6.4	7.6	9.8	12.8	1.2	2.2	2.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics, (Washington, D.C.), May 1974.

a/ Ecuador, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Saudi Arabia, Venezuela.

Table I-11. World cereal production and trade, 1971/72-1973/74  
(Millions of tons)

Crop and region	1971/72		1972/73		1973/74 <sup>a/</sup>	
	Production	Trade <sup>b/</sup>	Production	Trade <sup>b/</sup>	Production	Trade <sup>b/</sup>
Wheat . . . . .	341	56	331	74	360	71
Rice . . . . .	299	12	286	11	307	11
Feed grains . . . . .	560	54	545	62	584	66
Total cereals:						
North America . . . . .	275	+58	262	+89	277	+92
Developed market economies, southern hemisphere . . . . .	27	+15	17	+11	28	+9
Other developed market economies . . . . .	144	-34	145	-35	146	-39
Centrally planned economies . . . . .	420	-17	408	-31	461	-20
Developing countries . . . . .	309	-18	303	-24	318	-30

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on United States Department of Agriculture, Foreign Agriculture, 8 April 1974 and World Agricultural Situation, December 1973 (Washington, D.C.).

<sup>a/</sup> Partly estimated.

<sup>b/</sup> The global figures refer to gross exports; the regional figures refer to net exports (+) or net imports (-).

Table I-12. Developing countries: indices of per capita food production,  
1971-1973  
(Average 1961-1965 = 100)

Region and country <u>a/</u>	1971	1972	1973 <u>b/</u>
Developing countries, total <u>c/</u> . . . . .	105	100	104
Western hemisphere <u>d/</u> . . . . .	105	101	105
Bolivia. . . . .	94	89	91
Chile. . . . .	108	94	83
Guyana . . . . .	86	72	60
Haiti. . . . .	86	87	86
Jamaica. . . . .	77	78	72
Peru . . . . .	93	86	87
Trinidad and Tobago. . . . .	83	88	75
Uruguay. . . . .	87	81	83
Africa <u>e/</u> . . . . .	99	97	93
Algeria. . . . .	81	75	69
Angola . . . . .	99	92	98
Dahomey. . . . .	98	97	96
Ethiopia . . . . .	99	98	90
Ghana. . . . .	87	85	83
Kenya. . . . .	90	90	85
Liberia. . . . .	87	85	86
Mali . . . . .	78	66	62
Niger. . . . .	86	66	64
Nigeria. . . . .	98	97	92
Senegal. . . . .	90	58	78
Sierra Leone . . . . .	96	92	88
Uganda . . . . .	97	95	91
United Republic of Tanzania. . . . .	100	99	95
Upper Volta. . . . .	78	72	71
West Asia <u>f/</u> . . . . .	96	104	95
Iraq . . . . .	82	99	80
Jordan . . . . .	82	98	45
Syrian Arab Republic . . . . .	66	91	65
Southern and south-eastern Asia <u>g/</u> . . . . .	106	98	105
Bangladesh . . . . .	84	80	97
Burma. . . . .	86	82	87
Khmer Republic . . . . .	88	59	32
Republic of Viet-Nam . . . . .	96	94	94

(Source and foot-notes on following page)

(Source and foot-notes to table I-12)

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Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on data communicated by the United States Department of Agriculture.

a/ The countries listed are those in which per capita food production was less in both 1972 and 1973 than in the first half of the 1960s.

b/ Preliminary.

c/ Seventy-nine countries.

d/ Twenty-two countries.

e/ Thirty-one countries.

f/ Six countries.

g/ Fourteen countries.

Table I-15. Changing structure of energy production and consumption  
(Percentage)

Item	Period	Developed market economies					Centrally planned economies	Developing countries		
		Total	North America	Western Europe	Japan	Southern hemisphere		Total	OPEC	Other
Average annual rate of increase in total energy consumption . . . . .										
	1961-1965	5.4	5.1	5.2	9.1	6.0	6.2	4.5	6.6	
	1965-1970	5.6	5.1	5.3	13.7	4.1	7.9	9.2	7.6	
	1970-1972	5.5	5.7	5.1	1.8	5.3	6.3	9.0	5.7	
Percentage of total energy consumption contributed by:										
Solid fuels . . . . .										
	1961	39.0	23.4	62.3	52.9	73.5	27.1	5.1	32.2	
	1965	33.8	23.2	49.2	57.0	69.2	26.0	2.4	30.7	
	1970	25.9	20.1	32.7	26.9	63.2	20.2	1.4	24.2	
	1972	22.8	18.9	26.2	22.2	60.9	18.3	1.7	22.0	
Liquid fuels . . . . .										
	1961	38.1	41.9	32.0	39.2	24.9	59.4	71.9	57.3	
	1965	42.6	41.2	44.5	56.4	28.9	58.8	66.5	57.3	
	1970	47.9	41.5	55.8	68.4	33.2	60.3	54.2	61.6	
	1972	49.8	43.2	57.9	72.6	33.9	61.4	51.5	63.7	
Natural and imported gas . . . . .										
	1961	20.3	32.7	2.2	1.1	-	10.6	24.6	7.6	
	1965	20.8	33.6	2.7	1.5	-	12.4	30.6	8.8	
	1970	23.6	36.3	8.0	1.6	1.6	16.2	43.3	10.4	
	1972	24.6	35.5	12.3	1.6	3.0	17.0	45.4	10.4	
Hydro, nuclear and imported electricity . . . . .										
	1961	2.7	2.1	3.5	6.7	1.6	2.5	0.3	2.9	
	1965	2.8	2.1	3.8	5.1	1.9	2.8	0.6	3.3	
	1970	2.7	2.2	3.5	3.2	2.1	3.3	1.1	3.8	
	1972	2.9	2.4	5.7	5.6	2.2	3.4	1.4	3.8	
Average annual increase in production of:										
Total energy . . . . .										
	1961-1965	3.5	4.7	0.5	-1.6	5.8	10.0	10.9	7.4	
	1965-1970	3.9	5.2	-0.6	-2.5	6.9	10.1	10.5	9.1	
	1970-1972	1.7	1.2	2.5	-9.5	9.9	6.9	8.1	2.3	

Table I-13 (continued)

Item	Period	Developed market economies				Centrally planned economies	Developing countries		
		Total	North America	Western Europe	Japan		Total	OPEC	Other
Petroleum . . . . .	1961-1965	2.9	2.7	5.9	0.4	163.7	10.5	10.9	8.0
	1965-1970	5.0	4.8	-1.4	2.8	91.2	10.5	10.3	12.1
	1970-1972	1.2	0.5	-0.1	-3.9	37.7	6.9	7.6	2.3
Percentage ratio of production to consumption:									
Total energy . . . . .	1961	81.6	92.4	66.0	53.8	80.2	261.5	1 106.8	78.8
	1965	76.0	91.1	54.9	35.6	79.6	301.4	1 405.2	81.1
	1970	70.0	91.8	41.3	16.5	91.0	334.8	1 486.8	86.9
	1972	67.6	87.3	40.8	13.0	99.0	338.6	1 462.2	81.4
Petroleum . . . . .	1961	54.0	78.8	7.9	1.8	-	371.6	1 500.2	65.1
	1965	43.9	73.3	5.9	0.9	1.3	443.2	2 062.0	68.5
	1970	37.9	71.9	3.4	0.4	24.2	488.4	2 654.6	78.4
	1972	34.9	64.7	3.1	0.4	40.5	484.7	2 721.7	71.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, World Energy Supplies, Statistical Papers, Series J.

Table I-14. Source of energy for electricity generation, 1963 and 1971

Method of generation and fuel type	Percentage of total power generated in					
	Western Europe a/		United States		Eastern Europe b/	
	1963	1971	1963	1971	1963	1971
<u>Method of generation</u>						
Thermal . . . . .	61.7	68.0	83.0	82.1	95.5	95.1
Hydro . . . . .	37.0	28.1	16.7	15.7	4.5	4.8
Nuclear . . . . .	1.0	3.7	0.3	2.2	-	0.1
Other . . . . .	0.3	0.2	-	-	-	-
<u>Thermal station fuel</u>						
Solid . . . . .	78.9	54.8	64.8	53.2	85.9	79.7
Liquid. . . . .	15.2	33.7	7.5	17.4	2.4	5.0
Natural gas . . . . .	2.2	7.6	27.6	29.4	9.6	13.8
Other . . . . .	3.6	3.8	-	-	2.0	1.5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Annual Bulletin of Electric Energy Statistics for Europe, 1972 (United Nations publication, Sales No. E/F/R.73.II.E.18).

a/ Austria, Belgium, Cyprus, Denmark, Finland, France, Federal Republic of Germany, Greece, Iceland (method of generation only), Ireland, Italy, Luxembourg, Malta, Netherlands, Norway (method of generation only), Portugal, Spain, Sweden and Switzerland (method of generation only), Turkey, United Kingdom, Yugoslavia.

b/ Bulgaria (method of generation only), Czechoslovakia, German Democratic Republic (method of generation only), Hungary, Poland, Romania.

Table I-15. Crude petroleum: changing structure of production and exports, 1955-1973

Country and group	1955	1960	1970	1971	1972	January- September 1973 a/
<u>Production</u>						
World (millions of tons) . . .	767	1,045	2,275	2,402	2,533	2,007
Percentage contributed by:						
United States . . . . .	43.8	33.3	20.9	19.4	18.4	16.9
USSR . . . . .	9.2	14.2	15.5	15.7	15.8	15.8
OPEC b/ . . . . .	36.9	41.4	49.8	50.9	51.7	55.1
Arab oil-producing countries c/ . . . . .	18.8	20.5	29.7	29.7	30.0	33.2
Oil economies d/ . . . . .	14.4	15.5	25.4	25.8	26.6	28.9
Other major developing country oil exporters e/ .	22.8	26.8	26.9	27.5	27.3	28.1
Other producers:						
Developed market economies	3.6	4.0	4.1	4.3	4.5	4.7
Centrally planned economies	1.5	1.6	1.5	1.6	1.7	1.7
Developing countries . . .	3.8	4.2	3.2	3.0	2.9	2.8
<u>Exports</u>						
World (millions of tons) . . .	254	382	1,165	1,267	1,380	1,062
Percentage contributed by:						
United States . . . . .	0.6	0.1	0.1	-	-	-
USSR . . . . .	1.1	4.7	5.7	5.9	5.5	5.7
OPEC b/ . . . . .	89.3	87.6	83.6	83.8	84.1	90.7
Arab oil-producing countries c/ . . . . .	50.4	48.4	52.8	51.3	50.9	57.5
Oil economies d/ . . . . .	38.2	35.8	44.8	44.6	45.1	49.9
Other major developing country oil exporters e/ .	51.7	53.1	42.7	42.9	42.6	44.6
Other producers f/ . . . . .	3.8	3.6	4.0	4.1	4.7	4.4

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

a/ Exports are mostly estimates, based on the ratio of exports to production in the period 1970 to 1972.

b/ Abu Dhabi, Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Republic, Nigeria, Qatar, Saudi Arabia, Venezuela. Gabon became an associate member of OPEC in November 1973.

c/ Abu Dhabi, Algeria, Bahrain, Egypt, Iraq, Kuwait, Libyan Arab Republic, Qatar, Saudi Arabia, Syrian Arab Republic.

d/ Bahrain, Kuwait, Libyan Arab Republic, Neutral Zone, Oman, Qatar, Saudi Arabia, United Arab Emirates.

e/ Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria, Venezuela.

f/ Chiefly from Canada.

Table I-16. Selected prices of crude petroleum, 1972-1973  
(United States dollars per barrel)

Type of petroleum and item	January 1972	January 1973	October 1973	January 1974
<u>Arabian light 34°</u>				
A. Posted price . . . . .	2.48	2.59	5.12	11.65
B. Royalty (12.5 per cent of A) . . . . .	0.31	0.32	0.64	1.46
C. Production cost . . . . .	0.10	0.10	0.10	0.11
D. Notional profit (A-B-C) .	2.07	2.17	4.38	10.08
E. Tax (55 per cent of D) .	1.14	1.20	2.41	5.54
F. Government take (B + E) <u>a/</u> . . . . .	1.45	1.52	3.05	7.00
G. Estimated market price .	1.85	2.30	3.65	8.00
<u>Abu Dhabi: Murban 39°</u>				
A. Posted price . . . . .	2.54	2.65	6.04	12.63
F. Government take <u>a/</u> . . . .	1.43	1.50	3.56	7.56
<u>Libyan 40°</u>				
A. Posted price . . . . .	3.67	3.78	8.92	15.77
F. Government take <u>a/</u> . . . .	2.16	2.22	5.44	9.59
<u>Nigerian 34°</u>				
A. Posted price . . . . .	3.45 <u>b/</u>	3.56	8.31	14.69
F. Government take <u>a/</u> . . . .	1.88	1.95	4.83	8.70

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on The Petroleum Economist (London), February 1974.

a/ Exclusive of revenue derived from "participation" in the operating companies; for Gulf Governments this is estimated to have risen from about 10 cents per barrel early in 1973 to about 70 cents in the last quarter.

b/ Fixed on 15 February 1972.



## Chapter II

### RECENT ECONOMIC TRENDS IN THE DEVELOPED MARKET ECONOMIES

The year 1973 saw a continuation of the vigorous expansion in economic activity that had begun in North America in 1971 and in Western Europe and Japan in 1972. In the second half of the year, however, there were signs of slackening in a number of countries: supply bottle-necks were becoming troublesome, increasing concern about the consequences of the rapid rise in prices was being reflected in stronger anti-inflationary policies and in some cases the increase in demand for imports, combined with deteriorating terms of trade, was causing serious external imbalance. By the beginning of 1974, petroleum developments - particularly the fourfold increase in posted prices, compared with 12 months earlier - had replaced food problems as a major source of concern on the economic scene, exacerbating both the internal and the external balances in the developed market economies.

The upsurge in activity, which raised the rate of increase in over-all production to about 6.5 per cent between 1972 and 1973, absorbed many of the workers who had been idle in 1972 and there was a general decline in unemployment rates. The realignment in exchange rates in March 1973, following the 10 per cent devaluation of the United States dollar and the floating of most of the major currencies, opened up new opportunities for international trade. The resultant expansion of more than one third in the dollar value of developed market economy exports, combined with the rapid rise in primary commodity prices, permitted some improvement in the state of external balance, most notably in the wake of increases of over 40 per cent in United States exports and over 60 per cent in Japanese imports which swung the United States into a trade surplus and reduced the Japanese surplus to nominal proportions. Against this, however, the Federal Republic of Germany recorded a trade surplus not much smaller than in 1972 and added a further \$10 billion to its reserves, while a 40 per cent increase in imports into Italy and the United Kingdom prevented these countries from improving their external accounts.

The degree of internal imbalance was one factor involved in these contrasts, though, with exchange rates floating, the effect of differences in domestic price movements was greatly reduced. In the event, between 1972 and 1973 consumer prices rose by around 6 per cent in the United States and 7 per cent in the Federal Republic of Germany compared with 10 per cent in Italy and the United Kingdom and 12 per cent in Japan.

These price movements became an increasing preoccupation in 1973, not only in the countries whose payments balance was a matter of great concern but throughout the developed market economies. The weighted average of the consumer price index, which had risen by nearly 5 per cent between 1971 and 1972, jumped by almost 8 per cent between 1972 and 1973 and by almost 10 per cent in the course of 1973. With the stimulus coming from both outside and inside the economy, most Governments deployed a variety of stabilization measures but with only limited success. Fiscal changes generally proved too slow and cumbersome;

cuts in commodity taxes helped temporarily but at the expense of revenue; wage controls soon ran into equity problems; credit controls impinged too directly on investment and capacity expansion; interest rates had to be administered in the light not only of investment needs but also of intercountry capital movements. The search for an effective combination of policies was carried into 1974, with prices rising at an even faster pace in most developed market economies.

#### The production and use of resources

The 1971-1973 upswing was one of the most concerted on record: measured on a year-to-year basis, the acceleration in production was common to all but a few of the smaller economies. The successive rates of increase in total output were 3.3, 6.0 and 6.1 per cent in North America, 3.2, 3.6 and 6.0 per cent in the European Economic Community (EEC) of the nine, and 6.8, 8.9 and 11.0 per cent in Japan. Only among the outer European countries was there a deceleration in 1973: after increasing from 3.6 per cent between 1970 and 1971 to 6.0 per cent between 1971 and 1972, the rate of growth of this group of 12 countries receded to 5.8 per cent between 1972 and 1973. And even in this group the two largest countries - Spain and Sweden - conformed to the acceleration pattern of the major economies. In the aggregate, the developed market economies' growth rate between 1972 and 1973 reached the high figure of 6.5 per cent (see table II-1).

The upswing seems to have reached its peak before mid-1973. Total production in the first half of 1973 is estimated to have been 8 per cent above the corresponding 1972 level. After that, industrial production flattened out in many countries and in some it showed a perceptible decline. In Canada and the United States, for example, the gain in output shrank, quarter by quarter, from about 11 per cent around the turn of 1972/73 to about 6 per cent in the last quarter in 1973 and even lower in the first quarter of 1974. In France, the Federal Republic of Germany and the United Kingdom, there was also a marked deceleration (see table II-2). For the developed market economies as a group, industrial production in the last quarter of 1973 was less than 8 per cent above the corresponding 1972 figure, compared with a gain of over 11 per cent earlier in the year. In the case of light manufacturing there was a steady deceleration in the rate of increase in output from over 7 per cent a year in the first quarter to about half that figure in the fourth quarter. The growth of heavy manufacturing output was better sustained: at the high rate of 13 per cent a year for most of 1973, it dropped below 10 per cent only in the last quarter.

In a majority of developed market economies, the most important stimulus to production came from the export sector. This was true not only of the smaller countries, which normally respond sharply to demand conditions in their larger trading partners, but also of the major countries: the export sector was the most buoyant in the Federal Republic of Germany (despite the upward valuation of the mark) and in France, the United Kingdom and the United States as well as many of the smaller European economies (see table II-3).

The leading role played by the export sector reflects in part the translation into international trade of the realignment of exchange rates that had taken place since 1971. In many countries the rapid rise in incomes in 1972 spilled over into demand for imports in 1973. This was enhanced as domestic

capacity came under strain in the course of the year, as was the case in a number of industrial materials, including lumber, woodpulp and paper, petroleum products and various chemical feed-stocks and even iron and steel. Labour strikes also added to import demand in some countries, notably Italy and the United Kingdom. Price controls and other national stabilization policies also served to stimulate trade in a number of instances: export markets sometimes became more profitable than domestic ones and there were even cases of exported goods being reimported in forms not subject to price regulation. Some of the developed market economies -- particularly the United States, but also, to a less degree, Australia, Canada and South Africa -- were the source of grains and oil-seeds to make good the harvest shortfalls of 1972 in parts of Asia and Africa. More generally, developed market economy exports responded to increased demand from the developing countries, whose international liquidity (measured in SDR) had doubled between 1970 and 1973.

In a few cases the main stimulus to growth came from investment in 1973. This was most notably so in Japan where there was a 16 per cent increase in fixed capital formation as well as a sizable expansion in inventories, but it also happened in several of the Scandinavian countries, particularly Denmark and to a less extent Finland as well as in Iceland and Norway, where fixed investment had been cut back in 1972. In Ireland, investment shared with exports the role of prime stimulant. In all these countries the investment surge was supported by a massive increase in imports -- over a fifth in Ireland and Japan, a sixth in Denmark and Norway and an eighth in Finland and Iceland.

In Sweden, fixed investment which had been the dynamic element in the economy in 1972, declined in 1973, as it did in Australia, too, after three years of decelerating growth. Decelerating increase in investment also characterized the 1970s in the Federal Republic of Germany and Luxembourg, while in Austria and Switzerland there was a sharp cut in the rate of capital formation in 1973 from the high rates in the earlier years. This was the case in the United States, too, after the 1971-1972 upswing: investment in non-manufacturing plant and equipment slackened in 1973 and housing starts dropped below the 1971 level.

Residential construction slackened in most of the larger developed market economies in 1973. This reflects the rapid rise in costs (of sites as well as construction materials), shortages of some materials (particularly lumber) and of skilled labour in some cases, the high and rising interest rates and in some places the unavailability of mortgage finance. Where the number of housing starts continued to rise -- Australia, Canada, Switzerland and the United Kingdom -- it was usually the result of official support.

Given the disinflationary posture of most Governments, it is not surprising that in none of the developed market economies was the growth in public consumption a prime source of demand in 1973. In some of the Scandinavian countries in which investment was particularly buoyant, however, the Government increased its share of resources slightly -- rather more than in 1972 in Iceland but less in Denmark and Norway as well as in Ireland. The growth in public consumption between 1972 and 1973 was notably small in Luxembourg, the Netherlands, the United Kingdom and the United States as it had been in the previous interval. In Italy, too, the share of the public sector rose only modestly -- appreciably less than in 1971 and 1972 when employment considerations weighed more heavily than inflation.

The rapid increase in the cost of living, combined with efforts to restrain the rise in wages, kept down the gain in real private consumption in most countries in 1973. This was in sharp contrast to the previous year, when consumption tended to run ahead of production in many countries. Particularly low rates of increase between 1972 and 1973 were recorded in the Federal Republic of Germany and the Netherlands and also in some of the Scandinavian countries - Iceland, Norway and Sweden. Personal consumption expanded to a much greater extent in Austria, Belgium-Luxembourg, the United Kingdom and the United States (around 5 per cent) and even more in Japan (9 per cent) but in each case less than production. In very few cases was there any switching of resources towards consumption. Canada was one where a record 9 per cent increase in personal consumption provided the economy with its principal stimulus in 1973. There were small relative gains in consumption in Australia, Finland and Italy where high rates of absolute increase (6-7 per cent) were also recorded between 1972 and 1973. There was a general tendency for the rate of growth in household incomes to decelerate in the second half of the year and this was soon reflected in a slackening in private consumption.

In the aggregate, private consumption in the developed market economies increased by about 5.4 per cent - a high figure by historical standards but below the 1972 expansion. Government consumption rose by a modest 2.3 per cent, which was also below the rate registered between 1971 and 1972. The over-all increase in fixed investment was about 7.3 per cent this, too was below the high rate of the preceding year but it was above the rate at which total output rose. Thus there was some diversion of resources from consumption to capital formation. This was reinforced by an increase in stocks which, though difficult to quantify at this stage, was almost certainly well above the 1.4 per cent of gross domestic product accumulated in 1972. Though total investment, like total consumption, rose less than in 1972 it shared with the export sector the responsibility for raising the over-all rate of growth of demand to its high 1973 level of 6.5 per cent.

#### Changes in internal balance

##### Price trends

As indicated in chapter I, the 1972-1973 period was characterized by an unprecedented upsurge in the prices of primary commodities entering world trade. These price increases, entering into incomes in some cases and into costs in all countries greatly complicated the task of coping with internal inflationary forces. Of the 28 developed market economies there was not a single one in which the rise in consumer prices was less between 1972 and 1973 than in the previous interval. And there were only five - Belgium, Luxembourg, Malta, Turkey and Yugoslavia - in which the rise during 1973 (as measured by the movement from the last quarter in 1972 to the last quarter in 1973) was less than the year-to-year increase. In the aggregate, the year-to-year increase jumped from 4.7 per cent in 1972 to 7.7 per cent in 1973, and the quarterly

measure of the rate of increase rose steadily from 5.8 per cent in the first quarter to 9.7 in the last 1/ (see table II-4).

Significantly, food prices rose faster than the rest of the consumer basket between 1972 and 1973 in almost all countries, the only exceptions being the Netherlands, Portugal, Sweden and Switzerland. The over-all year-to-year increase was an alarming 12.8 per cent and the increase during 1973 no less than 15.2 per cent. Significantly again, the rise in North America - the major source of food exports - was appreciably greater than in Western Europe or Japan, both on a year-to-year basis (14.5 per cent) and in the course of 1973 (19.3 per cent).

In some countries the up-valuation of the currency cushioned the impact on domestic prices of increases in world market prices. This undoubtedly helped to hold down, below the over-all average, the rise in prices in Belgium, France, the Federal Republic of Germany, Luxembourg, the Netherlands, Norway and Sweden. By the same token, the higher than average rise in prices in Italy and the United Kingdom was in part a reflection of the depreciation of the lira and the pound. But internal inflationary forces and the composition of imports were also involved. In spite of the appreciation of their exchange rates, Australia, Denmark, Japan and Switzerland all suffered a higher than average increase in consumer prices while Canada and the United States had relatively low rates of price increase by 1973 standards.

It is clear that the upsurge in consumer prices had not run its course by the end of 1973. Most commodity prices were still rising and the cost of crude petroleum was doubled in January 1974. Some of the earlier increases in wholesale prices were still working their way through the retail level, and increases at the retail level were exercising a greater influence on wage settlements and feeding back into prices through the cost structure. In most countries the increase in consumer prices between the first quarter of 1973 and the first quarter of 1974 reached a new high, generally in double figures - 10 per cent in North America, almost 12 per cent in the EEC and over 20 per cent in Japan. Only in the Federal Republic of Germany, Switzerland and Yugoslavia was there some sign of levelling off.

The upheaval in world commodity markets frustrated all attempts to come to grips with domestic inflation. Some respite had been won in 1972 - most notably in Japan, Sweden, the United Kingdom and the United States - by measures such as price freezing, official surveillance of prices, profit margins and wage agreements in accordance with designated guidelines, limitation of credit in the private sector and restraint on government spending. The rapid rise in food prices, however, made it increasingly difficult to hold back wages. Gaps opened up between groups of workers caught by the controls at different phases of their collective bargaining and wage settlement cycle. Business profits tended to rise as output expanded in volume and, even more, in value.

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1/ These rates contrast sharply with the average for the 1960s: this was 3.4 per cent a year for the developed market economies as a group and 2.8 per cent for North America. (Private consumption has been used for weighting country figures in these group averages.)

## Employment trends

Anti-inflationary policies were also inhibited by concern over the employment situation. In comparison with the 1960s, most of the developed market economies had a higher level of unemployment. Though this declined in a number of countries - Australia, Canada, Sweden, the United Kingdom and the United States in particular - both between 1972 and 1973 and in 1973 (see table II-5), it remained higher than was widely regarded as acceptable. In Belgium and France, the number of unemployed rose in 1973. It also rose in the Federal Republic of Germany though it did not reach the level of unfilled vacancies. And in the Netherlands it remained well above earlier levels (see table II-6). Only in Austria, Japan and Switzerland was unemployment low enough - either in relation to vacancies or by historical standards - to make it less than a prime desideratum in economic policy formulation.

In some countries - particularly Canada, France and the United States - there was a significant increase in the labour force in 1973, derived not only from the growth of the working age population but also from a rise in participation ratio, a phenomenon which itself is evidence of a buoyant labour market. In the United States there was a notable decline in teen-age unemployment and in the rate of dismissals, while the rate of voluntary severance rose - a sign of confidence in improving jobs - to the highest rate since 1969. Here, more than elsewhere, the gains came largely in the first half of the year.

In the Federal Republic of Germany, where unemployment began rising again - and more rapidly than in 1971/72 - early in 1973, efforts were made to discourage the influx of migrant workers: the recruitment fee was trebled, for example, and towards the end of the year a halt was called to the entry of new workers from outside EEC. This decision and a tightening of immigration controls in Austria may have repercussions in Turkey and Yugoslavia - both countries of high and increasing unemployment in 1973 - especially as job opportunities for migrants were also limited in Belgium and the Netherlands by the relatively high level of local unemployment.

The rather mixed and changing condition of the labour market in the developed market economies was reflected in many of the wage settlements made in the course of the year. In many countries the rapid rise in prices set the pace for wage adjustments. In France, the minimum wage level was raised early in 1973 and in the first three quarters of the year the manufacturing wage rate averaged 13 per cent above the corresponding 1972 figure. In Italy, extensive strikes early in the year ended in three-year contracts incorporating immediate increases averaging about 23 per cent for industry, 17 per cent for the economy as a whole. In Japan, wage increases of similar proportions were negotiated and by the third quarter rates were averaging about a fifth higher than a year earlier. In those countries, as well as in most of the other developed market economies, the 1973 increase in hourly earnings in industry was well above that registered in the previous two years (see table II-7).

In the United Kingdom the gain in weekly earnings in manufacturing was held down, as part of the country's incomes policy, to an average of about 13 per cent, which is not much more than the 1971 and 1972 increases. In the Federal Republic of Germany and Norway, where the big advance in wages was achieved in 1971, the 1973 increase in hourly earnings was only a little over 10 per cent.

Appreciably lower increases were recorded in Canada, Sweden and Switzerland, and most notably, by the United States where as many as 5 million workers were involved in wage negotiations in the course of the year: the rise in hourly earnings in United States industry (7 per cent between 1972 and 1973) was the smallest among the developed market economies.

The year saw the triggering of most of the escalator clauses incorporated in wage agreements. It also saw the adoption of such clauses in many of the new contracts negotiated between trade unions and management. This reflects not only the increased awareness among workers of the impact of rising prices on the cost of living but also some softening in the attitude of stabilization authorities towards such arrangements. Traditionally regarded as a mechanism that tended to perpetuate the inflationary cycle, the adoption of an agreed formula for linking wages to the cost of living was being advocated by some authorities as a means of moderating the very large demands of the more militant trade unions based, as these demands had to an increasing extent become, on expectations of accelerating price movements.

#### Monetary policy

In general, concern over the consequences of the rise in prices found expression in increasingly restrictive policies as the year advanced. Interest rates which had been declining since the 1970-1971 recession, were raised in most countries before the end of 1972 and moved steadily upward in 1973. By the beginning of 1974 the official discount rate had been raised above 7 per cent in Canada, the Federal Republic of Germany and the United States, 8 per cent in Belgium and the Netherlands, 9 per cent in Japan, 10 per cent in Denmark, 11 per cent in France and 12 per cent in the United Kingdom. Only in the European Free Trade Area (EFTA) countries - Austria, Norway, Sweden and Switzerland - was the rate held at the relatively low 1972 level of 5-5.5 per cent, though in Italy, the last of the European countries to pull out of the 1970-1971 recession, it was raised only to 6.5 per cent at the beginning of 1973 and held there into 1974.

Along with the higher interest rates came restrictions on credit. Many countries sought to reduce internal liquidity by increasing the ordinary or special deposits that commercial banks are required to maintain at the central bank: the Netherlands in January, the Federal Republic of Germany in March, the United Kingdom in June and again in December, and Japan in September and again in December. In most of the developed market economies, the rate of increase in money supply was lowered as 1973 advanced, most severely in the Federal Republic of Germany and the Netherlands where there was virtually no expansion in the second half of the year. In Switzerland the money supply was held more or less constant throughout the year. It was in these countries and also in Austria, France and Norway, that industrial capacity was being almost fully utilized even in 1972. Only in Italy and Sweden was there some acceleration in the supply of money during 1973, though in Italy the expansion was accompanied by an effort to limit the flow of short-term credit to the larger firms. The first half of the year saw some easing in the United States, too, but over 1973 as a whole, money supply (currency and demand deposits of the commercial banks) increased slightly less than in 1972, and the rate of growth of total bank credit decelerated from quarter to quarter. The combination of high interest rates and "active

restraint" on the part of the monetary authorities was designed to avoid serious disruption of credit flows.

### Fiscal policy

Fiscal restraints were not widely applied. As indicated above, however, the rise in costs tended to hold down government expenditure in real terms. Most Governments found it difficult to reduce the services expected of them, though there were some deferments of capital projects, most notably in Japan where the budget approved early in 1973 already implied a reduction in the share of the public sector in total expenditure. There was a similar reluctance to raise taxes: the rise in consumer prices was already threatening savings and it was widely felt that additional indirect taxes would pass quickly into prices and make it even harder to hold the wage line. Indeed, early in 1973 France found it expedient to reduce the rate of its value-added tax in order to postpone the date when the rise in the cost of living would trigger the escalator clause in various wage agreements. In Canada where, as indicated above, a high rate of growth in the labour force has tended to increase sensitivity to unemployment, fiscal policy remained mildly expansionary: the 1973/74 budget included cuts in corporate and personal income-tax and an increase in certain depreciation allowances. In general, however, the pattern of fiscal change was from a relatively expansionary budget in 1972 to a more or less neutral one in 1973.

In some countries the upswing in activity served to raise government revenue from existing taxes. This, combined with a rather strict control over expenditure, brought the United States federal budget - which was in substantial deficit in the first half of the 1972/73 fiscal year - into balance by mid-1973. The slowing down in the economy in the second half of 1973 led to the planning of a larger deficit for 1974/75 than seemed likely to eventuate in 1973/74. There was also a change in policy in the Federal Republic of Germany where cutbacks in government spending and tax restraints - on corporate investment, on corporate and personal incomes and on house-owners, for example - were introduced in May but relaxed in December, either immediately or prospectively.

### Other stabilization policies

Over and above the use of monetary and fiscal instruments to affect total demand, many actions were taken to influence supply. Some trade liberalizing measures were designed to increase imports - a 30 per cent expansion in import quotas in Japan in April, for example, and a 25 per cent cut in tariffs on manufactures in Australia in July. This was also the effect of the up-valuation of several currencies in the course of the year - the Federal Republic of Germany, 3 per cent in March and 5.5 per cent in June, Australia and the Netherlands, 5 per cent in September. On the other hand, as shortages of particular commodities - soya beans, cotton-seed, lumber, non-ferrous scrap, fertilizer - gave rise to differential price increases in 1973 and new trade flows tended to open up, several Governments resorted to export controls in order to protect domestic supplies. Tax incentives and price support systems were also used to boost production of items that were in short supply.

Some of the efforts at direct price and wage control initiated in 1972 were continued, with modifications, in 1973. In the United Kingdom in March the

price and wage freeze that had been imposed five months earlier was replaced by a system of regulated increases which also applied to profit margins. This in turn was modified in November by a somewhat relaxed "price and pay" code as the third stage of an evolving incomes policy. The squeeze induced by the rapid rise in import price made the system difficult to operate and the year ended with widespread industrial unrest, strikes and strike threats. In the United States, 1973 opened with a marked easing of price and wage restraints of the previous year's "phase II" stabilization programme. Here, too, the rise in commodity prices upset plans and impelled a mid-year reimposition of the earlier freeze. In August this was replaced by the earlier form of regulation but the swings in policy had made it more difficult to administer and as the year advanced controls were relaxed on an industry-by-industry basis.

The price upsurge caused several other Governments to take emergency action. In February, Belgium froze the price of all public services for 90 days. In July, Italy imposed a three-month freeze on the prices of all basic food-stuffs and this was extended in October and followed by a more general control of prices. In August, New Zealand introduced a general 30-day price freeze and a 10-month pay freeze. In September, Spain froze the prices of transport and public services as well as food-stuffs, and the Netherlands intensified its existing price control system in the wake of the up-valuation of the guilder. Australia, following the lead of the United Kingdom and the United States, established a Price Justification Tribunal to supervise the price actions of all larger firms.

#### Prospects for internal stability

These measures and other similar ones demonstrate the fact that most Governments were experiencing great difficulty in turning their economic policies to the needs of the hour. In the first half of the year their main preoccupation was to achieve an ordered deceleration of growth from the steep upsurge of the previous 18 months to more sustainable rates. The boom in world commodity prices supervened, however, and priority had to be given to actions to dampen the rise in domestic prices and to prevent its impact from being unduly harsh or inequitable. Success in this effort was very limited: fiscal action, on the whole, proved slow and cumbersome, and the use of monetary restraint was not only inhibited by fear of "over-kill" but also by the fact that business profits and cash flow were generally high and any tightening of credit took a long time to "bite". In a number of cases interest rate policy was shaped as much by the external situation and the flow of short-term capital as by the need for internal restraint. Moreover, the high rate of increase in prices tended to weaken the effectiveness of interest rate adjustments: as indicated above, central bank discount rates often had to be raised to unprecedented heights before they exerted the required influence.

Before any of the developed market economies had achieved control over domestic inflation, the problem was greatly complicated by the actions of OPEC in restricting the flow of oil and raising its price. The opening months of 1974 thus found most countries struggling not only on the two main fronts of 1973 - to achieve a smooth and limited deceleration in the cyclical swing of demand and to slow down the price rise - but also on a third and even more critical front, namely, the looming deficit, of unparalleled magnitude, in their trade with the petroleum-exporting countries.

It is not expected that the restrictive monetary and fiscal policies initiated by the developed market economies during the course of 1973, with the consequent

slowing down of growth which is already occurring, will moderate the rate of inflation during 1974. The huge increases in the price levels of petroleum products will certainly be reflected in the aggregate consumer price index, though the upward trend of other commodity prices and food prices (following a good crop year) is expected to ease.

Part of the pessimism surrounding the hope for a greater measure of price stability in 1974 stems from the widespread feeling that many of the major industrial countries are caught up in a wage-price spiral. In 1972-1973, the rate of inflation was to some extent mitigated by the favourable impact on unit labour cost of rapid productivity growth during the upswing phase of the business cycle.

For 1974, however, a slower growth of productivity combined with the large wage settlements negotiated in many sectors during the course of 1973 indicates that unit labour costs will rise in 1974. Indeed, the Organisation for Economic Co-operation and Development (OECD) forecasts that this rise in unit labour costs will accelerate in all of the major countries with the exception of France and Italy.

At the same time (depending on the extent to which government monetary and fiscal policies maintain the restrictive stance set last year), it will be difficult for many countries to maintain unemployment rates at the generally low levels recorded in 1973. Although it now appears that the impact of the oil crisis on production will not be nearly as severe as was originally feared, the climate of uncertainty which the crisis sparked could have an adverse effect on investment and employment creation.

Forecasts of 1974 growth rates have been substantially lowered since they were first made towards the end of 1973. In the United States where total production dropped sharply (almost 6 per cent) in the first quarter, recovery to a 4 per cent expansion is predicted for the second half of 1974; for the year as a whole, therefore, the prospect is for only minimal growth. By April, the European Commission had reduced its expectations of growth to below the lower limit of the earlier range of 2.5-5.2 per cent. In the United Kingdom, the 1974/75 budget introduced in April was predicated on a 5 per cent decline in the gross domestic product in the first half of 1974 followed by a recovery in the second half to a level about 2.5 per cent above the corresponding 1973 figure. The Japanese forecast for the fiscal year 1974/75, also made at the time of budget presentation, envisages a gross product about 2.5 per cent above that of 1973/74. These national forecasts led the International Bank for Reconstruction and Development (IBRD) to predict an average growth rate for the industrial countries of between 1.3 and 2.4 per cent in 1974. This is only about half the rate implicit in the principal forecasts made around the turn of the year and it suggests that the increase in production between 1973 and 1974 may be less than a third of that achieved in the previous interval.

#### Changes in external balance

All the developed market economies participated in the upsurge in exports in 1973. On a year-to-year basis the increases in dollar earnings ranged from 17 per cent in Italy to about three times that figure in Australia and Iceland. The increases in the major trading countries were nearer the developed market economy average of 37 per cent: United Kingdom, 25 per cent; Japan, 29 per cent; France, 38 per cent; United States, 43 per cent; and Federal Republic of Germany, 45 per cent.

In the case of import expenditure, the major trading countries were at the extremity of the range: the increase between 1972 and 1973 was 24 per cent in the United States and 63 per cent in Japan. The increases in the case of France, the Federal Republic of Germany and the United Kingdom clustered around the developed market economy average of 37 per cent.

In terms of international balance, the most significant changes were brought about by the expansion of exports from the United States and of imports into Japan. These tended to correct the payments imbalance that had emerged in 1971 and 1972. There were a number of other trade developments working in the opposite direction, however, chief among them being the expansion in exports from the Federal Republic of Germany and in imports into the United Kingdom, increasing very greatly the surplus of the former and the deficit of the latter (see table II-8).

### Merchandise trade

The most notable increase in United States exports was to the centrally planned economies, to Japan, to Singapore and to Brazil and Mexico. The share of these countries in United States exports has been rising steadily in recent years and between 1972 and 1973 it jumped from 19 to 25 per cent. There was also a recovery in the proportion of exports going to Australia, Israel and the Netherlands, after some slippage in 1972. Other destinations to which United States exports increased by more than 50 per cent in dollar value in 1973 include Denmark, Hong Kong and New Zealand. Proportionately, the largest gain was in food-stuffs, exports of which doubled between 1972 and 1973 to reach over \$12 billion, three fourths of which was for crude foods. Raw materials and semi-manufactures increased by 50 per cent and manufactured goods by 30 per cent. In the face of a relatively modest rise in imports - 24 per cent, two thirds of the developed market economy average - this expansion in exports served to reduce the United States trade deficit below \$2 billion (measuring exports f.o.b. and imports c.i.f.) not much more than a fifth of the record 1972 figure. 2/

The massive increase in Japanese imports was very widely distributed: a doubling was not uncommon among the smaller suppliers - Argentina, Austria, Finland, Portugal and Yugoslavia - as well as in purchases from Hong Kong and Nigeria whose share in total imports has been rising rapidly in recent years. More important in absolute terms was the expansion of 75 per cent or more in imports from Brazil, Canada, France, Indonesia, Italy, the Philippines and the centrally planned economies - countries that accounted for almost a fourth of the total in 1973. The United States supplied another fourth of Japan's imports, though its share declined fractionally in 1973. As its export earnings increased at less than half the rate of its import expenditure, Japan swung from its large surpluses of 1971 and 1972 into deficit in the second quarter of 1973.

Like Japan, the United Kingdom increased its imports far more than its exports. This was in part a reflection of the rise in commodity prices, but more important was the continued high growth of imports from the industrial countries of Europe:

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2/ Valuing imports f.o.b., the United States actually moved into surplus in the second quarter of 1973 and by the fourth quarter the surplus was running at an annual rate of \$7 billion - more than the deficit in the corresponding period in 1972.

for the fourth consecutive year this was substantially above the over-all average, raising the share of this region <sup>3/</sup> in total United Kingdom imports steadily from 31 per cent in 1969 to 41 per cent in 1973. The only countries from which imports rose at more than the 48 per cent recorded by this European group were relatively minor suppliers - Brazil, Chile, Greece, Indonesia, Iran, Mexico, the Philippines and Tukey - whose combined share of United Kingdom imports in 1973 was less than 4 per cent. The expansion in exports was not much more than half that of imports, especially small gains being registered in shipments to the developing countries (except West Asia) whose share in the total dropped to a new low of 21 per cent in 1973. The result was a trebling in the trade deficit in the course of the year - to an average of about \$1 billion a month in the last quarter.

In contrast to the United Kingdom, the Federal Republic of Germany increased its exports far more than its imports. Its export expansion was widely distributed to all areas except the developing countries of the western hemisphere - though even to this region shipments increased by about a fourth, which was itself a record growth. The most notable expansion was in exports to Spain (over 50 per cent in current dollars), Denmark, New Zealand and South Africa (over 60 per cent) and Indonesia, Iran, Japan and the centrally planned economies (over 70 per cent); between them this group of countries increased its share of the Federal Republic's exports from less than 13 per cent to more than 16 per cent. Compared with this surge in exports, import growth - though, at 36 per cent, extremely high by historical standards - was relatively modest. It was highest in the case of purchases from the centrally planned economies (up 51 per cent) and the developing countries (up 47 per cent), especially in the Asian region (up 60 per cent). Exports exceeded imports by a margin that rapidly increased in the course of the year: the surplus reached an annual rate of over \$17 billion in the third quarter and for the year as a whole it totalled \$13 billion, twice the 1972 figure and three times the average of 1970-1971.

#### Changes in the balance of payments

The state of balance of these four countries - the Federal Republic of Germany, Japan, the United Kingdom and the United States, which together account for well over a third of world trade - is of great importance to the functioning of the international monetary system. Of less significance from a global point of view but troublesome for the country itself and indicative of internal imbalance, inappropriate exchange rate or deterioration in terms of trade, was the further widening of the trade deficits of a number of other countries, including Italy (whose deficit reached \$5.6 billion), Spain (\$4.1 billion), Greece (\$2.1 billion), Denmark (\$1.4 billion) and France (\$1.3 billion). On the other hand, several countries enlarged their active trade balances in 1973, among them Switzerland (with a trade surplus of \$2.1 billion), Australia (\$2 billion) and Sweden (\$1.6 billion).

Changes in merchandise trade dominated the international economic scene in 1973. This reflects not only the sheer size of trade flows in 1973 - in volume and even more in value - but also the fact that after the monetary crisis of February,

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<sup>3/</sup> The region includes Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, the Netherlands, Norway, Sweden and Switzerland.

which set most of the major currencies floating, there was no dramatic building up of pressure against particular exchange rates but rather a continuous process of adjustment. In the aggregate, there were sizable movements of capital and substantial changes in effective exchange rates, but they were less influential - and much less disruptive - than had been the case in 1971 and 1972. After February 1973, funds that might have been used to speculate against particular currencies tended to find their way on to the commodity markets, adding to the price boom discussed in the previous chapter.

In the United States, the turn-around in the current account reached the remarkable total of \$11.4 billion. Trade accounted for the bulk of this swing, but there was also a one-third increase in gross income on direct investment, raising investment income receipts to \$14 billion gross and \$9.7 billion net. Net transfers outwards (mostly foreign aid) increased only marginally, to \$3.9 billion. Receipts from tourism rose to a greater extent than did tourist outlays. There was a substantial (\$1.5 billion) increase in the outflow of direct investment in 1973 but it was more than offset by an extraordinary direct investment inflow of over \$1.9 billion - almost 12 times the 1972 figure. There was also a larger inflow of portfolio investment. Bank and other long-term lending, which had been sharply reduced in 1972, rose again in 1973 - especially in the last quarter of the year in the wake of the Arab-Israeli war, but not enough to keep the "basic balance" negative: for the first time since it was first computed in 1960 the combined current and long-term capital account yielded a surplus (see table II-9).

The net outflow of short-term funds from the United States was almost twice as great in 1973 as in 1972, but still well below the record 1971 level. Much of this took place in the early part of the year - before the second 10 per cent devaluation of the dollar - when Euro-dollar borrowing was intense and interest rates relatively high. For the year as a whole, however, the inflow of liquid private capital again exceeded the outflow and this reduced the over-all deficit to about half its 1972 figure and less than a fifth of the unprecedented 1971 total. Financing this deficit involved a \$5 billion increase in United States liabilities to foreign agencies.

The reduction in the United States deficit was paralleled by a corresponding reduction in the Japanese surplus. In Japan, in the wake of the upsurge in imports described above, the current account surplus in 1973 was less than a tenth of its 1971-1972 average. And it was accompanied by a sharp increase in the net outflow of capital. Thus the over-all balance, after a steep decline in 1972 from the extraordinary \$10 billion surplus of 1971, swung into deficit in 1973, and there was a \$6 billion drawing down of the country's official reserves.

No such turn-around occurred in the Federal Republic of Germany. There, as a result of its strong export performance, the current account surplus registered another and larger increase - from less than \$2 billion in 1972 to over \$5 billion in 1973. As net capital inflows continued at much the same annual rate as in 1971 and 1972, the over-all surplus rose again and there was a further accretion - of over \$9 billion - to the country's international reserves, bringing gross holdings up to \$33 billion or 18 per cent of the world total and almost a fourth of the developed market economy total (see table II-10).

After two years of surplus, the current accounts of Italy and the United Kingdom, reflecting the expansion in imports, swung into deficit in 1973.

In both cases this was met by increased borrowings; this caused an opposite swing in the capital account - from net outflow in 1972 to net inflow in 1973. Hence there was no further reduction in international reserves.

The rise in imports also weakened the current balance in Austria and France. In France this was aggravated by a large outflow of capital in the second half of the year: the over-all balance swung into deficit and official reserves were drawn down to their end-1971 level. In Austria there was another net inflow of capital, though it was much smaller than in 1971 or 1972. A surplus on capital account - and in this case a much larger one than in 1971 or 1972 - also offset a marked deterioration in the current account of Denmark.

In Greece and Spain, the widening of the trade deficit was offset by an increase in other current receipts, particularly from tourism and migrant workers' remittances, so that in both cases the over-all accounts again registered a surplus, though a smaller one than in 1972.

In Sweden and Switzerland, the capital account swung into deficit in 1973, but as the current account surplus was greater than in 1972, the over-all balance remained active - to an increased degree in Sweden but a sharply reduced degree in Switzerland where a drawing down of international reserves began in the third quarter of 1973.

#### Adjustment through exchange rates and reserves

On the whole, the process of adjustment that was set in motion in 1971 and continued with a series of currency revaluations in 1972 and 1973 and the introduction of a system of managed floating in March 1973 seems to have improved the state of equilibrium among the developed market economies. The increase in the amount of foreign exchange moving into the world's official reserves - which is a measure of the external deficits of countries whose currency is regarded as usable reserve assets - declined from almost \$34 billion in 1971 and \$25 billion in 1972 to \$18 billion in 1973. <sup>4/</sup> The proportion of this increment going into developed market economy reserves declined from 88 per cent in 1971 and 66 per cent in 1972 to 39 per cent in 1973. As a result of the primary commodity boom, the surpluses that had opened up were largely in the developing countries.

The increase in foreign exchange reserves in the developed market economies amounted to \$7.2 billion in 1973 (less than half the 1972 figure and a fourth of the 1971 figure) and this was all accumulated in the first quarter of the year, chiefly in the Federal Republic of Germany. There was only a small increase in the second and third quarters and a reduction in the fourth when the movement of exchange rates induced dollar sales by a number of central banks, including those of Belgium, France, the Federal Republic of Germany and Switzerland (see table II-11).

<sup>4/</sup> As a proportion of the foreign currency reserves being held at the end of the preceding year the decline was much steeper: from 75 per cent in 1971 and 33 per cent in 1972 to 18 per cent in 1973. Most of these foreign exchange reserves are claims against the United States, the rate of increase in which declined from a more than doubling in 1971 to 21 per cent in 1972 and 9 per cent in 1973. Claims against the United Kingdom increased by 19 per cent in 1971 and 11 per cent in 1972, but were reduced by 11 per cent in 1973. The remainder of the reserves represent chiefly holdings of Euro-currencies and in 1972 and 1973 these increased more - both absolutely and relatively - than the liabilities of the traditional reserve currency countries.

All the principal developed market economy currencies appreciated against the dollar in the first quarter of 1973 and most of them did so again in the second quarter when, after its 10 per cent devaluation in February, the dollar continued to weaken despite large (\$2 billion) purchases by private interests. At the end of June the central rate of the deutsche mark was raised by a further 5.5 per cent in relation to the other EEC currencies participating in the joint float that had been agreed to in March. In the third quarter arrangements were made to support the dollar, but very little of an \$18 billion swap line of credit was in fact used: rising United States exports and the tightening of monetary conditions combined with some easing of restraints in the Federal Republic of Germany served to steady the exchange rate. Only the currencies of Australia, Italy and the Netherlands increased in dollar value; those of France, Norway, Sweden, Switzerland and the United Kingdom began to depreciate, and this process continued into the fourth quarter when the dollar strengthened against all the developed market economy currencies (except that of Canada), gaining about 11 per cent relative to the EEC group by the end of the year and thus restoring its position to that obtaining immediately after the February devaluation. In the first quarter of 1974, however, the United States dollar weakened again, against all currencies except those of France and Italy (see table II-12).

Measured in relation to the currencies of trading partners, only the currencies of the Federal Republic of Germany and the Netherlands appreciated in 1973 after the inauguration of a floating régime, and even these weakened in the last quarter of the year, when the dollar was regaining ground lost in the summer. As implied above, the French and Italian currencies continued to depreciate in the first quarter of 1974 and the United States dollar also weakened again. The remainder strengthened, even sterling and the yen which, with the lira, had lost most in 1973 (see table II-13).

Since the Smithsonian parity fixing of December 1971, some major changes have taken place in currency relationships. Against the currencies of their trading partners, the Swiss franc has appreciated by over 17 per cent and the deutsche mark by 20 per cent. At the other extreme, the pound has depreciated by 17 per cent and the lira by about 20 per cent. This range of changes while wide by the standards of recent history under the Bretton Woods system, is not altogether out of keeping with the magnitude of other changes that have characterized the early years of the 1970s.

#### Implications for the international monetary system

In 1973, the Federal Republic of Germany held down the rise in internal prices to about 7 per cent and in the face of a 3 per cent deterioration in terms of trade increased its trade surplus by an amount equivalent to 15 per cent of its average of exports and imports and expanded its international reserves by 40 per cent. At the other end of the spectrum, Japan experienced a 16 per cent rise in domestic prices and a 10 per cent deterioration in the terms of trade; the swing in its merchandise balance amounted to a fourth of its total trade and it lost almost a fourth of its reserves. Large increases in internal prices (10-12 per cent), an adverse movement of the same order in the terms of trade and a massive enlargement of the merchandise deficit were also registered by Italy and the United Kingdom in 1973 (see table II-14).

The sheer size of these changes transformed the problem-mix facing the developed market economies in respect of their trade and payments interrelationships. The IMF Committee of 20 (on Reform of the International Monetary System and Related Issues) deferred its search for adjustment mechanisms, controls and indicators necessary to maintain a régime of "stable but adjustable" currencies, and little progress could be made towards agreement on the details of relationship between gold, the dollar and SDR. <sup>5/</sup> Instead, the main topic of concern at a meeting of the Committee in Rome in January 1974 was how to prevent the fourfold increase that had taken place in petroleum prices from creating an unmanageable payments situation. And at a meeting of the Committee's Deputies in March 1974, the main achievement was agreement on an interim set of guidelines to ensure that in so far as official intervention was necessary to maintain a satisfactory system of floating currencies, it was effected in ways that would facilitate and not disrupt or distort the flow of trade.

The easing of the burden of defending a particular rate of exchange, combined with the strengthening of the dollar in the second half of the year, led to the relaxation of various controls over capital movements. Belgium, France, the Federal Republic of Germany and Switzerland all eased their restrictions on the inflow of funds in the fourth quarter and Japan soon followed suit. In November, the countries that had formed the gold pool in 1968 decided to permit sales of official gold (but not purchases) on the free market, the dollar price having more or less trebled in the course of the year. In December, the United States began dismantling its controls over the outflow of capital: restrictions on direct investment were ended, the Federal Reserve System's guidelines for voluntary restraint on foreign credits were withdrawn and the equalization tax on the purchase of foreign securities was reduced to zero. Only certain reporting requirements were retained.

The relaxation of exchange and other controls on capital flows tended to increase the relative importance of differences in interest rates and domestic monetary policy. In these circumstances and given the magnitude of the trade and price changes that characterized 1973, it became difficult to maintain the joint float of European currencies. In January 1974, France, anxious to ease internal monetary conditions and reduce the exchange losses involved in the link with a rising deutsche mark, withdrew the franc from the arrangement, letting it float without reference to the previous margins and supporting the action by tightening once again its regulation of capital movements.

In April 1974, the cost of the joint float to the weaker currencies was reduced by an agreement to value gold near its free market price for purpose of

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<sup>5/</sup> It was generally accepted, however, that SDR should be the central reserve asset in any new monetary system. And some progress was made in the course of 1973 in accustoming the financial world to deal in currency baskets. The European Investment Bank, for example, floated a number of bond issues in the "Eurco" - a weighted basket of the nine EEC currencies. And Barclay's Bank International has initiated dealings in a five-currency unit consisting of the dollar, pound, deutsche mark, and Swiss and French francs in equal proportions. Baskets of this nature would presumably be used for valuing SDR as the numéraire of the system.

interparticipant settlements. In the Federal Republic of Germany, monetary conditions had been eased; in the other participants - Belgium, Luxembourg, the Netherlands, Norway and Sweden - there had been a corresponding stiffening. Co-ordinate measures were recognized as necessary for the maintenance of the joint float and the common agricultural policy with its uniform pricing of major products. But it was still unclear how the needs of the still separate domestic economies might be served if these diverged.

Another of the problems whose dimensions have been changed as a result of the events of 1973 is that of the link between liquidity creation and development aid. The need for international liquidity and, even more, its distribution have been greatly affected by the changes in price relationships that have occurred, particularly the rise in the relative prices of cereals and petroleum. While it is not certain how long these prices will persist, 6/ it is clear that for the period immediately ahead large sums will have to be transferred from importers of these commodities to their exporters. This means that the flow of aid will have to conform to need much more than has been the case in the past. The desirability of more discriminating aid policies was foreshadowed in a statement of the Development Assistance Committee of OECD in March 1974 in which the 18 developed market economies concerned pledged not to reduce the amount of their aid, despite their own balance-of-payments predicament, but to accelerate transfers to the most needy of the developing countries.

#### The outlook for external balance

The balance-of-payments prospects of the developed market economies cannot be delineated with any precision even though they have been a preoccupation of most of the Governments concerned ever since the second doubling of the crude petroleum price at the beginning of 1974. In the aggregate, if the new price is maintained, it is expected that the developed market economies will have to pay about \$50 billion more for petroleum imports in 1974 than in 1973. 7/ How the financial burden is distributed, however, depends not only on the volume of

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6/ Cereal prices, subject to market forces, have already begun to recede, and, depending on 1974 harvests, could well be back to traditional relationship with other prices by 1975. Petroleum prices, fixed by a producer cartel, seem likely to adjust much more slowly, as demand is choked off and alternative fuel supplies are developed.

7/ This assumes that imports of crude petroleum for consumption in the developed market economies will remain at the 1973 level of 10 billion barrels and the increase in unit cost will be \$5 per barrel (up from rather less than \$3 to about \$8 on an f.o.b. basis). As a result of substitution, conservation and reduced economic activity, consumption and imports may be lower (by as much as 10 per cent according to some forecasts). On the other hand, the unit cost increment may be higher because of the increase in the proportion of "participation" oil bought back by the operating companies at above the \$8 average price.

petroleum purchased but also on the way the total purchase price is "recycled", that is, on the distribution of the purchases, debt repayments, investments, loans and grants made by the exporters on the basis of the proceeds.

As there is usually a lag of many months between the shipment of petroleum and the return flow of funds, not much of the new higher revenues accruing to OPEC found its way back to the developed market economies in the first quarter. Imports of the group, which were approaching \$20 billion in 1973, may be expected to continue to rise rapidly with the receding of financial constraints on development plans, and most of the goods will come from the developed market economies. No 1974 trade figures are yet available but some of the \$5 billion used to finance recent Arab arms purchases is reported to be on the way back to the United States in payment for Soviet wheat purchases. 8/ There is little sign that much of the petro-currency has been used on any of the stock exchanges. Some real estate transactions have been reported, mostly in high-fashion, no-risk areas, but the total value does not yet seem to have reached \$1 billion.

Some of the funds will be used to pay for the increase in the "participation" of host Governments in the activities of the concessionary oil companies. According to press reports, for example, Saudi Arabia is paying \$500 million for an initial 25 per cent share in the equity of the Arabian American Oil Company (ARAMCO). Such transactions are taking place in all the petroleum-exporting countries, though the pace and extent of participation, the terms of purchase and the method of valuing assets differ appreciably from case to case. The resulting divestment will constitute a reflux of capital into the United States and, on a smaller scale, the Netherlands and the United Kingdom.

Additional funds will be used for the purchase of new assets connected with the petroleum industry. A group of Gulf States - Abu Dhabi, Kuwait, Qatar and Saudi Arabia - is contributing half of the \$400 million cost of a pipeline from Suez to the Mediterranean, for example, and Abu Dhabi intends to put \$100 million into the building of a dry dock to accommodate super-tankers. This type of investment will be reflected in orders to the developed market economies for capital goods and engineering services.

There is also likely to be an addition to the amounts made available as development loans and grants to other developing countries. Some of this will move bilaterally, some through IBRD and some through the various Arab development institutions. 9/ But in due course all of such transfers are likely to generate orders for imports from the developed market economies.

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8/ In The New York Times, 25 April 1974.

9/ Including the Kuwait Fund for Economic Development (the oldest of them, whose capital has recently been raised to \$3.35 billion), the Arab Fund for Economic and Social Development, the Islamic Bank (recently established with a capital of \$1 billion), the Arab-African Bank and the Abu Dhabi Fund for Arab Economic Development.

The international reserves of the 10 OPEC members for which data are available increased by almost \$3 billion in the first quarter of 1974. This reflects the fact that most of the petro-money tends to be deployed on the Euro-currency market. On a net basis (that is, the foreign currency liabilities of the participating institutions, excluding interbank redeposits), the funds on this market increased by about 60 per cent in the course of 1973 and by a further 7 per cent in the first quarter of 1974, reaching an estimated total equivalent to \$160 billion, of which rather more than 70 per cent comprises United States dollars. Publicly announced borrowing from this market has risen rapidly from less than \$7 billion in 1972 to \$21.9 billion in 1973 and as much as \$14 billion in the first quarter of 1974. <sup>10/</sup> Most of the borrowers on this market are private entities but they include local authorities and nationalized industries and these first quarter transactions include arrangements for large-scale loans to France (\$2.5 billion), Italy (\$2.2 billion) and the United Kingdom (\$4.3 billion).

Since, until recently, the Euro-currency market has been essentially a source of short-term funds, how successfully it will function if it is used by oil-importing countries for the purpose of medium-term finance is far from clear: there is an obvious potential conflict in objective between the lenders and the borrowers that will need to be adjusted. It seems likely, for example, that only the strongest of the borrowers can be assured of access to this market, particularly if, for whatever reason, a credit squeeze develops in the course of the year. It is for this reason that it is of particular importance that trade-reducing measures be avoided: inability to earn foreign exchange through normal exports could trigger restriction on non-essential imports and a self-defeating run on whatever funds there are for financing essential imports, including those of petroleum.

It was with these considerations in mind and against a background of import-restraining measures recently adopted by Denmark and Italy, that the 24 members of OECD met in May and agreed to a "code of good conduct" aimed at avoiding destructive competition through unilateral action to limit imports and stimulate exports. In order to facilitate consultation among those most affected by the financial implications of the emerging deficit, the major trading nations have reconstituted the "Group of 10".

Because many countries, especially in the developing group, are unlikely to have access to an adequate source of finance, IMF is setting up a specific "bridging facility" for the use of countries that are finding it difficult to pay for vital imports of crude oil or products. This would be financed by borrowing - presumably from oil exporters as far as possible - and would operate outside the regular framework of the Fund for a two-year transitional period while other adjustments are being made. Up to the end of April 1974, some SDR 2.3 billion had been pledged (including SDR 1 billion by Saudi Arabia and SDR 0.6 billion by Iran) and it was hoped to inaugurate the facility at the final meeting of the Committee of 20 in June.

In the meantime, the United Nations General Assembly has approved a "Special Programme" to provide emergency relief to developing countries most seriously affected by the changes in price relationships. On 9 May, the Secretary-General,

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<sup>10/</sup> Data compiled by IBRD.

pursuant to the decision of the Assembly, addressed an appeal for funds to 45 industrialized or petroleum-exporting countries with a view to providing grants or soft-term loans.

The amounts that are required for this purpose will depend on the availability of other sources of finance and above all on the maintenance of a high level of trade. In this respect a special responsibility rests on the developed market economies, many of which will themselves be under considerable strain.

Table II-1. Developed market economies: growth of gross domestic product in constant market prices, 1970-1973  
(Percentage)

Region and country	Average annual rate, 1970-1973	Change from preceding year		
		1971	1972	1973 a/
<u>North America</u> . . . . .	4.0	3.3	6.0	6.1
Canada . . . . .	5.2	5.8	5.6	7.1 <sup>b/</sup>
United States . . . . .	3.9	3.1	6.0	6.0
<u>Western Europe</u> . . . . .	4.7	3.4	4.0	6.0
EEC, 6 countries . . . . .	4.8	3.4	4.0	6.0
9 countries . . . . .	4.5	3.2	3.6	6.0
Belgium <sup>b/</sup> . . . . .	5.6	3.4	5.2	6.2
France . . . . .	5.7	5.3	5.3	6.1 <sup>b/</sup>
Germany, Federal Republic of . . . . .	4.4	2.6	2.9	6.3 <sup>b/</sup>
Italy . . . . .	3.8	1.6	3.2	6.5 <sup>b/</sup>
Luxembourg . . . . .	2.4	0.7	3.0	7.0 <sup>b/</sup>
Netherlands . . . . .	5.1	3.9	4.4	5.0
Denmark . . . . .	4.3	4.1	4.9	5.1
Ireland . . . . .	4.4	3.6	3.9	7.5
United Kingdom . . . . .	3.4	1.6	3.0	5.5
Other Europe, 15 countries <sup>c/</sup> . . . . .	4.3	3.0	4.5	5.8
12 countries . . . . .	5.3	3.6	6.0	5.8
Austria . . . . .	6.5	5.6	6.4	5.7
Cyprus . . . . .	6.2	12.2	5.0	2.0
Finland . . . . .	5.6	2.4	7.0	5.2
Greece . . . . .	8.5	7.1	10.2	9.0
Iceland <sup>b/</sup> . . . . .	6.6	9.5	6.0	5.0
Malta . . . . .	(9.5)	9.0	9.0	...
Norway . . . . .	4.3	5.5	4.3	3.9
Portugal . . . . .	6.7	6.2	7.5	4.5 <sup>b/</sup>
Spain . . . . .	6.5	4.3	8.2	8.1 <sup>b/</sup>
Sweden . . . . .	3.0	0.2	2.5	4.3
Switzerland . . . . .	4.6	3.8	5.8	4.5
Turkey . . . . .	6.7	9.5	6.2	5.0
<u>Asia</u> . . . . .				
Japan <sup>b/</sup> . . . . .	9.3	6.8	8.9	11.0
<u>Southern hemisphere</u> . . . . .	4.2	4.0	3.2	5.8
Australia <sup>d/</sup> . . . . .	4.2	4.1	3.2	6.0
New Zealand <sup>d/</sup> . . . . .	3.4	3.5	2.5	5.5
South Africa . . . . .	4.3	4.0	3.3	5.5
Total, 27 developed market economies . . . . .	4.7	3.6	5.5	6.5

(Source and foot-notes on following page)

(Source and foot-notes to table II-1)

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

- a/ Preliminary.
- b/ Gross national product.
- c/ Including Denmark, Ireland and the United Kingdom.
- d/ Fiscal year ending 30 June of the indicated year for Australia, 31 March for New Zealand.

Table II-2. Selected developed market economies: changes  
in industrial production, 1971-1973

Country	Index of industrial production (corresponding quarter of previous year = 100)								
	1972				1973				1974
	I	II	III	IV	I	II	III	IV	I
Australia . . . . .	96.3	101.1	101.1	104.7	113.0	107.7	115.2	106.4	112.7 <sup>a/</sup>
Austria . . . . .	105.4	104.8	106.7	114.7	106.4	88.3	106.8	100.8	108.0 <sup>a/</sup>
Belgium . . . . .	104.8	103.0	102.5	107.6	107.5	104.7	105.4	106.5	...
Canada . . . . .	109.0	110.6	104.1	111.1	110.7	110.0	108.6	106.1	105.2 <sup>b/</sup>
Denmark <sup>c/</sup> . . . . .	-	107.1	106.6	111.3	...	...	...	...	...
Finland . . . . .	123.7	109.4	108.5	115.5	107.8	104.4	105.1	100.3	103.5 <sup>b/</sup>
France . . . . .	107.1	109.2	106.8	108.2	111.0	109.2	108.0	106.9	
Germany, Federal Republic of . . . . .	102.2	98.4	98.5	107.1	107.6	111.9	107.7	105.7	102.2
Greece . . . . .	113.9	114.9	67.4	114.3	116.8	118.7	116.1	111.5	92 <sup>c/</sup>
Ireland . . . . .	102.7	108.8	106.3	108.4	113.5	112.3	108.3	...	...
Italy . . . . .	102.9	102.0	104.6	109.6	103.5	113.9	114.7	117.1	...
Japan . . . . .	106.1	109.9	-	103.8	106.9	108.7	118.1	115.8	109.3 <sup>a/</sup>
Luxembourg . . . . .	103.5	102.0	103.6	108.9	116.2	112.3	108.5	112.4	106.5
Netherlands . . . . .	109.7	108.6	106.3	106.9	108.1	107.3	106.3	107.5	104.4 <sup>a/</sup>
Norway . . . . .	97.7	106.3	99.7	105.0	110.7	96.8	109.1	106.2	105.1
Portugal . . . . .	128.2	116.4	114.8	123.9	91.0	...	...	...	...
Spain . . . . .	116.4	116.5	113.8	118.3	116.4	114.7	119.5	113.7	115.5 <sup>b/</sup>
Sweden . . . . .	91.6	96.7	108.0	107.1	109.1	108.0	109.2	135.5	107.3 <sup>b/</sup>
Switzerland . . . . .	104.4	102.0	102.1	103.9	105.6	104.0	105.5	109.4	...
United Kingdom . . . . .	98.2	103.4	101.4	103.3	110.4	104.1	108.1	103.7	90.2 <sup>a/</sup>
United States . . . . .	103.9	106.2	110.2	111.4	111.9	110.5	109.2	105.7	100.9 <sup>d/</sup>

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

<sup>a/</sup> January.

<sup>b/</sup> January and February.

<sup>c/</sup> Manufacturing only.

<sup>d/</sup> January-April.

Table II-3. Selected developed market economies: changes in major components of gross domestic product in constant prices, 1970-1973  
(Percentage change from preceding year)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <sup>a/</sup>	Exports	Imports	Gross domestic product
<u>North America<sup>b/</sup></u>							
1970 . . . .	1.8	-3.5	3.6	0.4	8.2	2.2	0.7
1971 . . . .	4.0	-0.2	5.7	0.4	2.3	5.8	3.3
1972 . . . .	6.2	3.3	11.9	0.5	7.0	12.0	6.0
1973 . . . .	5.4	1.4	7.1	0.6	17.0	6.0	6.1
Canada							
1970 . . . .	2.1	10.0	0.9	0.1	9.1	-1.8	2.7
1971 . . . .	5.5	5.3	7.9	0.2	5.7	8.8	5.8
1972 . . . .	7.8	3.4	3.6	0.5	7.1	13.4	5.6
1973 . . . .	8.5	4.5	8.3	0.6	9.2	11.6	7.1 <sup>c/</sup>
United States							
1970 . . . .	1.8	-4.5	-4.1	0.4	7.9	3.5	0.5
1971 . . . .	3.9	-0.6	5.5	0.4	-1.0	4.8	3.1
1972 . . . .	6.1	3.3	12.7	0.5	7.0	11.5	6.0
1973 . . . .	5.1	1.2	7.0	0.6	19.9	4.3	6.0
<u>Western Europe<sup>b/</sup></u>							
1970 . . . .	5.2	3.9	7.2	2.8	9.8	11.2	5.0
1971 . . . .	4.0	5.0	3.3	1.6	8.0	6.0	3.3
1972 . . . .	4.8	4.0	4.0	1.2	7.9	9.0	4.0
1973 . . . .	4.7	3.5	5.0	...	13.0	12.8	6.0
<u>EEC<sup>d/</sup></u>							
1970 . . . .	5.3	3.4	7.2	2.0	9.6	11.0	4.8
1971 . . . .	4.2	5.1	2.3	0.8	8.4	6.7	3.2
1972 . . . .	4.7	4.0	2.8	0.7 <sup>e/</sup>	7.8	9.2	3.6
1973 . . . .	4.9	3.5	5.4	...	13.8	13.6	6.0
Belgium							
1970 . . . .	4.6	3.3	8.8	1.5	10.0	7.1	6.6
1971 . . . .	3.9	5.9	-2.2	1.2	8.7	6.5	3.4
1972 . . . .	5.9	7.2	4.8	...	7.2	8.3	5.2
1973 . . . .	4.4	4.5	7.0	...	16.6	18.9	6.2
Denmark							
1970 . . . .	3.2	11.9	6.0	0.3	5.7	7.9	3.1
1971 . . . .	2.0	6.6	1.6	-0.8	7.6	1.3	3.9
1972 . . . .	3.0	7.2	3.2	-1.2	7.9	3.4	4.9
1973 . . . .	4.7	6.3	12.0	...	6.4	16.8	5.1 <sup>c/</sup>

Table II-3 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <sup>a/</sup>	Exports	Imports	Gross domestic product
France							
1970 . . . .	4.5	3.5	7.5	2.1	16.9	7.8	5.8
1971 . . . .	5.8	3.7	6.2	1.4	13.0	9.6	5.3
1972 . . . .	5.6	2.6	6.9	1.2	9.7	11.0	5.3
1973 . . . .	5.7	3.4	6.7	2.0	12.2	12.9	6.1
Germany, Federal Republic of							
1970 . . . .	7.0	4.9	11.4	2.2	8.7	15.4	5.8
1971 . . . .	5.5	7.2	4.5	0.5	6.6	9.9	2.6
1972 . . . .	3.4	4.4	2.0	0.5	7.9	8.7	2.9 <sup>c/</sup>
1973 . . . .	2.9	4.2	1.4	...	19.6	12.6	6.3 <sup>c/</sup>
Ireland							
1970 . . . .	2.1	6.3	-	2.1	4.7	2.5	2.7
1971 . . . .	2.1	11.2	7.9	1.1	4.9	4.1	3.6
1972 . . . .	5.4	10.4	2.5	2.2	2.0	7.7	3.9
1973 . . . .	6.3	7.4	13.0	1.5	10.6	13.5	7.5
Italy							
1970 . . . .	7.8	1.9	3.4	1.6	5.8	16.1	5.0
1971 . . . .	2.8	5.2	-3.5	0.4	5.9	-	1.6
1972 . . . .	3.8	4.2	-0.2	0.8	11.1	12.7	3.2
1973 . . . .	7.0	3.3	7.0	...	7.5	14.0	6.5
Luxembourg							
1970 . . . .	5.5	2.2	16.4	-	1.3	5.3	3.5 <sup>c/</sup>
1971 . . . .	4.0	1.5	8.0	0.6	-4.0	1.2	0.7 <sup>c/</sup>
1972 . . . .	4.2	2.5	4.0	...	4.0	3.7	3.5 <sup>c/</sup>
1973 . . . .	5.0	2.0	2.5	...	8.0	5.4	7.0 <sup>c/</sup>
Netherlands							
1970 . . . .	7.6	5.9	10.1	2.5	13.3	14.6	6.9
1971 . . . .	3.3	3.9	1.5	1.5	11.0	6.5	3.9
1972 . . . .	3.3	1.6	-1.3	1.3	9.7	4.3	4.4
1973 . . . .	2.5	1.0	4.0	...	12.5	11.5	5.0
United Kingdom							
1970 . . . .	2.5	1.3	2.0	0.4	5.0	5.0	1.9
1971 . . . .	2.6	3.7	0.5	-	7.1	4.8	2.4
1972 . . . .	5.9	3.8	1.2	-0.6	3.1	10.1	2.3
1973 . . . .	4.5	2.8	5.2	0.8	11.3	12.8	5.5

Table II-3 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <sup>a/</sup>	Exports	Imports	Gross domestic product
Other Europe <sup>f/</sup>							
1970 . . . .	4.6	5.9	7.1	4.6	11.0	11.9	5.9
1971 . . . .	3.5	4.6	5.3	3.3	5.1	3.1	3.6
1972 . . . .	5.5	4.0	8.8	2.2	8.4	8.1	5.9
1973 . . . .	3.7	3.6	3.5	...	9.4	9.9	5.8
Austria							
1970 . . . .	6.1	3.3	11.8	2.5	18.6	18.7	8.1
1971 . . . .	6.6	2.6	12.9	1.1	4.8	5.9	5.6
1972 . . . .	7.3	6.0	11.4	-0.5	10.3	11.2	6.2
1973 . . . .	5.0	4.0	3.0	...	7.5	12.0	5.7
Finland							
1970 . . . .	6.7	5.7	12.9	7.1	7.7	19.0	8.3
1971 . . . .	2.9	5.0	3.6	5.8	-1.1	-0.4	2.4
1972 . . . .	7.4	5.7	5.9	4.2	15.3	4.1	7.0
1973 . . . .	6.0	4.3	6.7	...	4.3	12.1	5.2
Iceland							
1970 . . . .	12.6	4.5	8.7	-0.7	18.9	26.6	6.0 <sup>c/</sup>
1971 . . . .	12.6	6.4	43.6	3.0	-2.3	22.0	9.5 <sup>c/</sup>
1972 . . . .	11.0	5.7	-2.0	-0.9	14.6	3.6	6.0 <sup>c/</sup>
1973 . . . .	3.5	6.2	6.5	...	1.0	10.8	5.0 <sup>c/</sup>
Norway							
1970 . . . .	2.0	4.0	16.0	4.0	1.5	13.3	3.5
1971 . . . .	5.0	7.5	18.6	2.0	3.0	6.5	5.5
1972 . . . .	1.6	5.3	-5.7	0.8	14.7	1.5	4.3
1973 . . . .	1.8	4.4	12.9	...	9.7	16.8	3.9
Spain							
1970 . . . .	3.9	9.3	3.8	1.8	18.3	1.5	6.0
1971 . . . .	3.1	6.5	-1.6	1.7	13.6	0.2	4.3
1972 . . . .	6.7	6.6	15.0	1.2	10.4	18.8	8.2
1973 . . . .	6.7	6.0	15.5	...	12.8	17.2	8.1
Sweden							
1970 . . . .	2.0	7.3	2.9	2.9	8.7	10.6	4.6
1971 . . . .	-0.9	3.6	-1.6	0.7	5.8	-3.0	0.1
1972 . . . .	2.3	0.9	6.1	-0.1	6.0	5.3	2.5
1973 . . . .	2.3	2.7	-1.4	...	15.1	7.9	4.3

Table II-3 (continued)

Country and year	Private consumption	Public consumption	Fixed investment	Change in inventories <sup>a/</sup>	Exports	Imports	Gross domestic product
Switzerland							
1970 . . . .	5.3	2.3	8.0	1.7	7.2	13.7	4.2
1971 . . . .	5.5	3.7	7.8	1.0	2.5	6.1	3.8
1972 . . . .	5.7	4.5	7.7	0.9	5.0	6.0	5.8
1973 . . . .	4.5	4.4	3.0	1.2	6.4	5.7	4.5
Japan							
1970 . . . .	7.5	6.3	13.3	4.5	15.9	20.8	10.3 <sup>c/</sup>
1971 . . . .	7.0	7.7	7.9	2.4	17.9	3.4	6.8 <sup>c/</sup>
1972 . . . .	9.1	9.6	9.5	2.1	7.5	8.4	8.9 <sup>c/</sup>
1973 . . . .	8.7	7.3	16.2	3.3	6.6	23.2	11.0 <sup>c/</sup>
Australia <sup>g/</sup>							
1970 . . . .	5.8	2.6	5.4	1.7	18.9	10.2	5.8 <sup>c/</sup>
1971 . . . .	3.3	4.3	3.5	1.4	8.4	3.4	4.1
1972 . . . .	3.5	1.9	0.8	-0.4	8.2	-2.2	3.2
1973 . . . .	5.9	5.7	-3.6	-0.5	4.6	4.4	3.8
Total (for 20 countries shown) <sup>b/</sup>							
1970 . . . .	3.4	-2.2	3.5	3.0	10.1	9.6	3.1
1971 . . . .	4.2	1.6	5.1	1.7	7.3	5.7	3.6
1972 . . . .	5.9	3.7	8.2	1.4	7.6	9.5	5.5
1973 . . . .	5.4	2.3	7.3	...	13.3	11.7	6.5

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

<sup>a/</sup> At current prices, as percentage of gross domestic product.

<sup>b/</sup> 1970 weights used in combining country data.

<sup>c/</sup> Gross national product.

<sup>d/</sup> Excluding Luxembourg for all years.

<sup>e/</sup> Excluding Belgium.

<sup>f/</sup> Including Greece except in 1973.

<sup>g/</sup> Fiscal year ending 30 June.

Table II-4. Developed market economies: rate of increase in consumer prices, 1970-1973  
(Percentage)

Country a/	Average annual rate, 1970-1973			Change from preceding year						Change from corresponding quarter of previous year														
	1970-1973			1971			1972			1973			First			Second			Third			Fourth		
	All items			All items			All items			Food			All items			All items			All items			All items		
	All items	Food	1973	1971	1972	1973	1971	1972	1973	1973	Food	items	All items	Food	items	All items	Food	items	All items	Food	items	All items	Food	items
Yugoslavia . . . . .	17.9	20.4	15.6	15.6	16.6	21.4	25.9	25.9	20.0	23.7	21.8	26.8	18.4	18.6	19.4	18.0	20.0	19.8	18.4	18.6	19.4	18.0	20.0	19.8
Iceland c/ . . . . .	12.1	15.0	6.4	10.3	20.1	20.1	27.9	27.9	16.7	20.6	17.9	26.6	20.3	28.1	28.9	39.6	32.7	47.0	39.6	28.1	28.9	39.6	32.7	47.0
Turkey . . . . .	15.1	14.8	16.3	13.0	16.6	20.0	20.0	20.0	11.4	10.9	17.1	21.9	20.2	27.5	17.3	19.5	16.5	17.9	19.5	27.5	17.3	19.5	16.5	17.9
Greece . . . . .	7.5	9.8	3.0	4.4	15.4	15.4	21.3	21.3	7.3	9.2	10.5	16.4	15.9	21.5	27.8	36.9	33.4	36.3	21.5	21.5	27.8	36.9	33.4	36.3
Portugal . . . . .	11.8	9.3	11.9	10.7	12.9	12.9	9.2	9.2	9.8	5.7	10.4	4.3	13.6	8.4	17.9	16.3	24.2	23.1	13.6	8.4	17.9	16.3	24.2	23.1
Finland . . . . .	8.4	8.7	6.5	7.1	11.7	11.7	12.5	12.5	9.2	12.3	9.5	11.6	13.3	13.7	14.6	12.3	15.5	11.5	13.3	13.7	14.6	12.3	15.5	11.5
Japan . . . . .	7.4	7.5	6.1	4.5	11.7	11.7	13.0	13.0	7.1	8.1	10.5	11.6	12.8	14.3	16.4	14.5	24.5	28.7	10.5	14.3	16.4	14.5	24.5	28.7
Ireland . . . . .	9.3	9.8	8.2	8.3	11.4	11.4	12.6	12.6	8.2	8.0	10.9	12.5	12.3	14.1	14.0	15.9	14.6	15.0	10.9	14.1	14.0	15.9	14.6	15.0
Spain . . . . .	9.6	11.8	8.9	8.7	11.3	11.3	16.4	16.4	10.1	16.6	11.6	19.9	11.2	13.4	12.7	16.2	13.4	11.1	11.6	13.4	12.7	16.2	13.4	11.1
Italy . . . . .	7.1	7.3	4.8	5.7	10.8	10.8	11.8	11.8	8.8	10.5	11.1	13.3	11.6	12.7	11.7	11.7	12.8	...	11.1	12.7	11.7	11.7	12.8	...
South Africa . . . . .	7.3	9.0	6.1	6.5	9.5	9.5	15.2	15.2	9.0	14.5	10.1	16.5	9.3	13.9	9.8	16.5	9.2	12.2	9.3	13.9	9.8	16.5	9.2	12.2
Australia . . . . .	7.2	7.5	6.1	5.8	9.4	9.4	13.6	13.6	5.8	8.0	8.3	11.0	10.5	17.8	13.2	20.9	...	...	10.5	17.8	13.2	20.9	...	...
Denmark . . . . .	7.1	9.3	5.8	6.6	9.3	9.3	13.6	13.6	7.5	10.6	8.6	12.9	9.6	14.6	11.4	15.3	13.9	14.0	8.6	14.6	11.4	15.3	13.9	14.0
United Kingdom . . . . .	8.6	11.6	9.4	7.1	9.2	9.2	15.1	15.1	7.9	11.3	9.3	15.4	9.2	14.3	10.2	18.8	12.8	19.1	9.3	14.3	10.2	18.8	12.8	19.1
Switzerland . . . . .	7.3	6.3	6.6	6.7	8.7	8.7	6.0	6.0	7.7	7.9	8.2	6.7	8.3	4.7	10.8	5.3	10.4	7.0	7.9	4.7	10.8	5.3	10.4	7.0
New Zealand . . . . .	8.5	8.4	10.4	6.9	6.9	8.2	11.3	11.3	6.0	6.1	7.6	9.9	8.9	13.0	10.2	16.1	10.3	14.3	6.1	13.0	10.2	16.1	10.3	14.3
Netherlands . . . . .	7.8	6.2	7.6	7.8	7.9	7.9	7.9	7.9	7.7	8.3	8.2	8.6	8.2	8.2	8.1	7.1	8.7	7.6	8.2	8.2	8.1	7.1	8.7	7.6
Cyprus . . . . .	5.6	6.7	4.1	4.9	7.8	7.8	8.5	8.5	4.9	1.9	7.2	7.4	8.8	11.7	10.3	13.1	14.0	17.4	7.2	11.7	10.3	13.1	14.0	17.4
Malta . . . . .	4.4	6.2	2.3	3.4	7.7	7.7	14.0	14.0	8.8	16.1	9.4	18.3	6.5	11.9	6.2	10.0	5.9	8.5	16.1	11.9	6.2	10.0	5.9	8.5
Canada . . . . .	5.1	2.9	2.9	4.8	7.6	7.6	14.5	14.5	5.9	10.4	7.3	14.8	8.2	15.5	9.0	17.4	9.7	17.3	10.4	15.5	9.0	17.4	9.7	17.3
Austria . . . . .	6.2	5.8	4.7	6.3	7.5	7.5	7.8	7.8	7.9	9.2	7.7	9.3	6.7	6.8	7.6	6.2	8.6	7.5	7.7	6.8	7.6	6.2	8.6	7.5
Norway . . . . .	7.0	7.6	6.2	7.3	7.5	7.5	9.7	9.7	7.4	8.2	7.8	8.0	7.0	6.0	7.5	6.0	8.7	7.1	8.2	6.0	7.5	6.0	8.7	7.1
France . . . . .	6.3	7.9	5.5	6.2	7.3	7.3	9.4	9.4	6.5	8.2	7.1	9.7	7.6	10.5	8.3	10.9	11.3	12.3	7.1	10.5	8.3	10.9	11.3	12.3
Belgium . . . . .	5.6	5.5	4.3	5.5	5.5	7.0	8.0	8.0	6.9	9.0	7.2	9.9	7.3	7.0	6.9	6.3	8.2	7.3	9.0	7.3	7.0	6.3	8.2	7.3
Germany, Federal Republic of . . . . .	5.9	5.7	5.3	5.5	5.5	6.9	7.6	7.6	6.8	8.1	7.7	9.8	6.9	7.0	7.3	5.7	7.4	5.4	8.1	7.0	7.3	5.7	7.4	5.4
Sweden . . . . .	6.7	8.0	7.4	6.0	6.8	6.8	5.8	5.8	6.0	6.4	6.7	6.9	6.5	4.8	7.7	5.1	9.8	7.1	6.7	4.8	7.7	5.1	9.8	7.1
United States . . . . .	4.6	7.2	4.3	3.3	6.2	6.2	14.5	14.5	4.1	8.0	5.5	12.1	6.9	17.4	8.4	19.5	9.9	19.3	5.5	17.4	8.4	19.5	9.9	19.3
Luxembourg . . . . .	5.3	5.8	4.7	5.2	5.2	6.1	7.1	7.1	5.9	8.1	7.1	9.5	5.5	5.6	5.7	5.4	7.9	8.3	7.1	5.6	5.7	5.4	7.9	8.3
Total, 28 countries . . . . .	5.9	7.7	5.3	4.7	7.7	7.7	12.8	12.8	5.8	8.8	7.3	12.1	8.3	14.1	9.7	15.2	11.5	15.5	7.3	14.1	9.7	15.2	11.5	15.5
North America d/ . . . . .	4.6	6.8	4.0	3.2	5.9	5.9	14.5	14.5	4.2	8.2	5.6	12.3	7.0	17.2	8.4	19.3	9.9	19.1	5.6	17.2	8.4	19.3	9.9	19.1
Europe d/ . . . . .	7.4	8.5	6.7	6.6	8.9	8.9	11.2	11.2	7.7	9.6	8.9	12.1	9.1	11.4	10.0	11.9	11.5	10.5	9.6	11.4	10.0	11.9	11.5	10.5
EEC d/ . . . . .	6.9	7.9	6.2	6.2	8.2	8.2	10.7	10.7	7.4	9.5	9.5	11.8	8.5	10.8	9.0	11.2	10.6	9.1	9.5	10.8	9.0	11.2	10.6	9.1

(Source and foot-notes on following page)

(Source and foot-notes to table II-4)

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

a/ Countries are arranged in descending order of percentage increase in consumer prices ("all items") from 1972 to 1973.

b/ January only in the case of Turkey; January-February average in the case of Malta, South Africa and Yugoslavia.

c/ Quarters ending in February, May, August and November in the case of Iceland and Ireland.

d/ "All items" weighted by private consumption in 1970; "food" weighted by food consumption in 1970.

Table II-5. Selected developed market economies: unemployment rates and changes in unemployment, 1970-1973 (Percentage)

Country <sup>a/</sup>	Annual average <sup>b/</sup> unemployment rate <sup>c/</sup>				Percentage change in average number of unemployed between		
	1970	1971	1972	1973 <sup>c/</sup>	1971 and 1972	1972 and 1973 <sup>c/</sup>	December 1972 and December 1973 <sup>c/,d/</sup>
Cyprus . . . . .	1.1	1.1	0.9	1.2	-11.6	31.3	49.0
Yugoslavia . . . . .	7.7	6.7	7.0	8.1	8.2	21.3	19.5
Germany, Federal Republic of . . . . .	0.7	0.8	1.1	1.2	33.0	11.0	74.2
Belgium . . . . .	2.9	2.9	3.5	3.7	22.4	4.7	2.2
France . . . . .	1.6 <sup>e/</sup>	2.0 <sup>e/</sup>	2.2 <sup>e/</sup>	1.9 <sup>e/</sup>	13.4	2.8	11.5
Netherlands . . . . .	1.1	1.6	2.7	2.8	74.0	1.9	3.4
Italy . . . . .	3.2	3.2	3.6	3.5	14.4	-4.2	-17.3
Finland . . . . .	1.9	2.2	2.5	2.3	12.2	-7.3	-11.3
Canada . . . . .	5.9	6.4	6.3	5.6	1.8	-7.5	-12.3
Sweden . . . . .	1.5	2.5	2.7	2.5	5.9	-8.4	-13.0
Ireland . . . . .	7.2	7.2	8.1	7.2	13.7	-8.5	-4.8
Japan . . . . .	1.2	1.2	1.4	1.3	14.1	-9.6	18.2
United States . . . . .	4.9	6.0	5.6	4.9	-3.1	-11.1	-1.4
Norway . . . . .	0.8	0.8	1.0	0.8	21.3	-13.5	-35.6
Australia . . . . .	1.4	1.6	2.3	1.9	43.7	-14.5	-22.5
Austria . . . . .	2.4	2.1	1.9	1.6	-5.6	-15.9	6.5
Denmark . . . . .	2.9	3.7	3.6	2.4	-0.3	-32.8	-2.3
United Kingdom . . . . .	2.6	3.4	3.8	2.7	10.8	-33.4	-33.9

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

a/ Countries are arranged in descending order of percentage increase (or ascending order of percentage decrease) in number of unemployed between 1972 and 1973.

b/ Unemployment rate refers to the number of persons wholly unemployed and temporarily laid off (derived from unemployment insurance statistics, employment office statistics or sample surveys) expressed as a percentage of the civilian labour force. Because of differences in definition, the data do not permit simple intercountry comparisons.

c/ Preliminary.

d/ Change between December 1972 and December 1973 expressed as a percentage of the former, except for Australia (November to November) and Italy (October to October).

e/ Cited in Organisation for Economic Co-operation and Development, Etudes économiques; France (Paris, February 1974).

Table II-6. Selected developed market economies: unemployment and job vacancies,<sup>a/</sup>  
1971-1973

Country	Number of unemployed (thousands)			Number of vacancies (thousands)			Percentage ratio of unemployment to vacancies		
	1971	1972	1973 (fourth quarter)	1971	1972	1973 (fourth quarter)	1971	1972	1973 (fourth quarter)
Australia . . . . .	74	104	84	41	32	64	180	325	131
Austria . . . . .	53	50	41	56	62	66	95	81	62
Belgium . . . . .	71	87	92	13	9	14	546	967	657
Canada . . . . .	552	562	520	...	...	...	...	...	...
Denmark . . . . .	30	30	20	...	...	...	...	...	...
Finland . . . . .	49	57	51	12	16	23	408	356	222
France . . . . .	337	380	394	123	165	252	274	230	156
Germany, Federal Republic of . . . .	185	247	282	641	548	564	29	45	50
Greece . . . . .	30	24	21	...	...	...	...	...	...
Ireland . . . . .	42	48	44	...	...	...	...	...	...
Italy . . . . .	613	697	669	...	...	...	...	...	...
Japan . . . . .	547	584	527	452	516	687	121	113	77
Netherlands . . . .	62	108	110	107	63	67	58	171	164
Norway . . . . .	12	15	13	11	9	8	109	167	163
Spain . . . . .	190	193	155	...	...	...	...	...	...
Sweden . . . . .	45	48	46	36	32	35	125	150	131
Switzerland . . . .	-	-	-	4	5	4	...	...	...
Turkey . . . . .	45	44	46 <sup>b/</sup>	...	...	...	...	...	...
United Kingdom . .	776	855	611	176	189	398	441	452	154
United States . . .	4 993	4 840	4 304	...	...	...	...	...	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris), April 1974.

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

b/ Average for June-September 1973.

Table II-7. Developed market economies: changes in hourly earnings of workers in manufacturing, a/ 1970-1973

Country	Percentage change over corresponding portion of preceding year			
	1971	1972	1973	1973 fourth quarter
Australia . . . . .	11.3	9.6	12.0	13.7
Austria . . . . .	11.1	12.2	10.9	15.6
Belgium . . . . .	12.0	14.3	16.3 <sup>b/</sup>	...
Canada . . . . .	9.0	7.3	8.5	9.1
Denmark . . . . .	15.0	12.2	13.1 <sup>c/</sup>	...
Finland . . . . .	15.0	13.9	14.5 <sup>c/</sup>	...
France . . . . .	11.2	11.3	13.0 <sup>b/</sup>	...
Germany, Federal Republic of . . .	13.7	8.8	10.1	10.5
Greece . . . . .	8.8	9.2	15.7	20.7
Ireland . . . . .	16.0	14.7	18.5 <sup>b/</sup>	...
Italy . . . . .	13.5	10.4	24.3	28.7
Japan . . . . .	13.9	15.6	23.6	27.1
Netherlands . . . .	12.0	12.5	12.7	14.7
Norway . . . . .	12.0	8.9	10.2 <sup>b/</sup>	...
Spain . . . . .	14.0	14.0	19.1 <sup>c/</sup>	...
Sweden . . . . .	7.0	15.0	8.1	8.8
Switzerland . . . .	10.0	8.2	9.2	9.1
United Kingdom . .	11.3	12.8	12.7	13.4
United States . . .	6.0	6.6	7.1	6.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris), April 1974.

a/ Including mining in the case of Austria, Denmark, Finland, the Netherlands, Norway and Sweden; including mining and construction in the case of Denmark; firms employing 20 persons or more in the case of Canada; male workers only in the case of Australia and the Netherlands; wage rates in the case of France, Italy and the Netherlands; weekly earnings in the case of the United Kingdom; monthly earnings in the case of Japan.

b/ January-September.

c/ January-June.

Table II-8. Developed market economies: changes in exports and imports and the balance of trade, 1970-1973

Region and country	Percentage change from preceding year					Balance of trade (millions of dollars) (exports f.o.b. - imports c.i.f.)				
	Exports		Imports		1973 <sup>a/</sup>					
	1971	1972	1973 <sup>a/</sup>	1971	1972	1973 <sup>a/</sup>	1970	1971	1972	1973 <sup>a/</sup>
<u>Developed market economies</u> . . . . .	11.8	18.9	36.5	11.2	18.3	37.1				
<u>North America</u> . . . . .	4.2	13.4	37.2	14.4	21.7	24.1				
Canada . . . . .	9.7	14.7	23.0	15.9	21.5	23.3	2 399	1 740	861	994
United States . . . . .	2.1	12.8	43.2	13.9	21.8	24.4	795	-4 212	-9 074	-1 885
<u>EEC</u> . . . . .	14.3	20.3	36.1	11.7	18.7	39.3				
Belgium-Luxembourg . . . . .	9.7	26.9	38.8	13.0	20.1	41.7	187	-174	662	470
Denmark . . . . .	9.9	19.7	41.5	4.7	9.9	51.5	-1 051	-926	-653	-1 434
France . . . . .	14.7	27.4	37.9	11.2	26.9	39.7	-1 033	-523	-551	-1 258
Germany, Federal Republic of . . . . .	13.9	19.9	44.6	14.9	17.3	33.7	4 374	4 686	6 511	12 980
Ireland . . . . .	17.5	22.0	33.0	13.1	14.9	29.9	-502	-518	-502	-601
Italy . . . . .	14.3	22.6	16.3	6.6	20.6	40.9	-1 763	-864	-733	-5 586
Netherlands . . . . .	18.3	20.5	43.4	14.7	13.8	40.0	-1 651	-1 467	-738	-461
United Kingdom . . . . .	15.4	9.0	25.4	10.1	16.5	39.4	-2 373	-1 589	-5 514	-8 312
<u>EFTA</u> . . . . .	9.0	20.6	38.4	9.0	15.9	37.3				
Austria . . . . .	11.0	22.4	36.2	18.2	24.3	36.5	-692	-1 023	-1 333	-1 832
Finland . . . . .	2.2	25.0	26.2	6.0	14.5	31.7	-330	-437	-251	-493
Iceland . . . . .	2.0	26.7	53.2	33.8	10.5	34.7	-10	-60	-42	-68
Norway . . . . .	3.9	27.3	46.8	10.0	6.4	53.2	-1 247	-1 521	-1 086	-1 874
Portugal . . . . .	10.7	22.3	42.7	14.7	19.9	37.6	-640	-771	-899	-1 171
Sweden . . . . .	10.1	17.3	38.9	1.1	14.5	31.0	-212	396	659	1 559
Switzerland . . . . .	11.9	18.8	39.0	11.3	17.3	37.2	-1 355	-1 479	1 648	2 137
<u>Other Europe</u> . . . . .	14.9	27.6	40.0	9.1	20.9	41.4				
Cyprus . . . . .	6.4	15.5	34.3	10.0	19.8	43.2	-130	-147	-181	-271
Greece . . . . .	3.1	31.4	50.3	7.2	11.9	48.5	-1 314	-1 434	-1 475	-2 141
Malta . . . . .	15.4	48.9	46.3	-2.5	11.5	37.1	-122	-112	-108	-142
Spain . . . . .	23.1	29.1	42.0	4.8	36.3	41.4	-2 328	-2 002	-2 941	-4 139
Turkey . . . . .	14.9	30.3	49.4	23.5	33.1	34.2	-359	-494	-676	-773
Yugoslavia . . . . .	8.0	23.3	27.5	13.2	-0.6	39.5	-1 195	-1 436	-996	-1 658
<u>Japan</u> . . . . .	24.4	19.1	28.6	4.5	19.5	62.5	435	4 301	5 126	-1 384
<u>Southern hemisphere</u> . . . . .	7.5	24.3	44.7	7.9	-3.4	44.9				
Australia . . . . .	9.3	23.8	49.0	3.4	-1.8	49.3	-285	-12	1 327	1 962
New Zealand . . . . .	11.3	31.7	43.9	8.3	4.1	43.7	-22	13	269	390
South Africa . . . . .	1.2	20.8	34.9	13.7	-10.3	39.5	-1 657	-2 156	-1 247	-1 862

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/ Preliminary.

Table II-9. United States balance of payments, 1970-1973  
(Millions of dollars)

Item	1970	1971	1972	1973 <sup>a/</sup>	Change from preceding year		
					1971	1972	1973
A. Balance on merchandise trade <sup>b/</sup> . . . . .	2 176	-2 698	-6 912	688	-4 874	-4 214	7 600
B. Balance on services . . . . .	1 454	3 507	2 301	6 211	2 053	-1 206	3 910
C. Balance on goods and services (A + B) . . . . .	3 630	807	-4 610	6 900	-2 823	-5 417	11 510
D. Balance on transfers and grants <sup>c/</sup> . . . . .	-3 214	-3 598	-3 744	-3 860	-384	-146	-116
E. Balance on current account (C + D) . . . . .	416	-2 790	-8 353	3 041	-3 206	-5 563	11 394
F. Balance on direct investment flows . . . . .	-3 370	-4 832	-3 244	-2 787	-1 462	1 588	457
G. Balance on long-term capital flows . . . . .	-3 447	-6 760	-1 491	-1 827	-3 313	5 269	-336
H. Basic balance (E + G) . . . . .	-3 031	-9 550	-9 843	1 214	-6 519	-293	11 057
I. Balance on short-term transactions . . . . .	-482	-2 347	-1 637	-4 210	-1 865	710	-2 573
J. Errors and omissions . . . . .	-1 205	-10 784	-3 112	-4 793	-9 579	7 672	-1 681
K. Balance on net liquidity (I + J + H) . . . . .	-3 851	-21 965	-13 882	-7 789	-18 114	8 083	6 093
L. Balance on liquid private capital flows . . . . .	-5 988	-7 788	3 542	2 503	-1 800	11 330	-1 039
M. Over-all balance excluding SDR (K - L) . . . . .	-10 706	-30 470	-11 050	-5 286	-19 764	19 420	5 764
N. Allocation of SDR . . . . .	867	717	710	...	-150	-7	...
O. Liabilities to foreign agencies . . . . .	7 362	27 405	10 308	5 077	20 043	-17 097	-5 231
P. Balance on United States official reserve assets . . . . .	2 477	2 348	32	209	-129	-2 316	177

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.), March 1974.

<sup>a/</sup> Preliminary.

<sup>b/</sup> Valued f.o.b.

<sup>c/</sup> Excluding military grants.

Table II-10. Developed market economies: international reserves, <sup>a/</sup> 1970-1974, first quarter

Group and country	Reserves, end-of period				Change during quarters (millions of dollars)				Reserves, end of 1973 as percentage of imports, 1973
	Millions of dollars				1973				
	Millions of SDR				1974				
	1970	1971	1972	1973	First	Second	Third	Fourth	
<b>North America</b>									
Canada . . . . .	4 679	5 701	6 050	5 768	4 781	-106	-326	48	23
United States . . . . .	14 487	13 190	13 150	14 371	11 918	-19	15	15	20
<b>Western Europe</b>									
EEC . . . . .	34 104	49 271	56 170	68 591	56 856	1 148	2 079	-3 475	32
Belgium <sup>b/</sup> . . . . .	2 850	3 479	3 878	5 109	4 234	997	191	-112	23
Denmark . . . . .	484	722	855	1 324	1 097	220	90	386	17
France . . . . .	4 960	8 253	10 015	8 529	7 070	1 167	411	-2 694	23
Germany, Federal Republic of . . . . .	13 610	18 657	23 785	33 147	27 476	8 539	-71	-2 104	61
Ireland . . . . .	697	995	1 126	1 025	850	-109	22	-56	37
Italy . . . . .	5 352	6 787	6 079	6 434	5 333	-261	525	-74	25
Netherlands . . . . .	3 234	3 796	4 785	6 547	5 427	-211	-413	1 085	27
United Kingdom . . . . .	2 827	6 582	5 647	6 476	5 368	389	977	94	17
<b>Other</b>									
Austria . . . . .	1 751	2 343	2 719	2 873	2 381	220	167	-406	40
Cyprus . . . . .	209	285	320	307	254	28	-7	-32	68
Finland . . . . .	480	715	758	644	534	-94	-81	73	15
Greece . . . . .	310	525	1 032	1 047	868	63	8	-81	32
Iceland . . . . .	54	70	84	100	85	-7	16	-	28
Malta . . . . .	158	198	275	325	269	20	23	17	135
Norway . . . . .	813	1 154	1 325	1 575	1 305	44	210	-3	24
Portugal . . . . .	1 504	1 945	2 312	2 839	2 353	303	19	72	94
Spain . . . . .	1 817	3 268	5 014	6 772	5 613	325	432	137	71
Sweden . . . . .	761	1 110	1 575	2 528	2 095	540	264	163	24
Switzerland . . . . .	5 132	6 966	7 488	8 078	6 696	388	346	-73	70
Turkey . . . . .	431	761	1 401	2 120	1 757	328	98	8	101
Yugoslavia . . . . .	140	212	730	1 338	1 109	155	178	59	30
<b>Southern hemisphere</b>									
Australia . . . . .	1 693	3 316	6 141	6 085	5 044	-126	120	-	79
New Zealand . . . . .	126	315	578	767	656	182	279	-248	35
South Africa . . . . .	1 012	711	1 290	1 234	1 023	346	165	-403	23
Japan . . . . .	4 840	15 360	18 365	12 246	10 151	-240	-2 926	-2 549	32
Total . . . . .	74 411	107,416	126 777	139 615	115 725	16 443	334	-6 694	33

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

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

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

<sup>b/</sup> Including Luxembourg holdings of SDR.

Table II-11. Developed market economies: international reserves, by type, 1970-1972  
(Billions of dollars)

Type of reserve	Reserve, end of period				Change during quarters 1973			
	1970	1971	1972	1973	First	Second	Third	Fourth
Gold . . . . .	33.9	35.6	35.3	39.3	4.0	-	-	-
SDR . . . . .	2.6	5.4	7.9	8.7	0.9	-	-	-
Reserve position in IMF . . . . .	6.7	5.9	5.9	6.1	0.5	-0.1	-	-0.2
Foreign exchange .	31.3	60.5	77.8	85.5	11.1	0.3	2.8	-6.4
Total, above . .	74.5	107.4	126.9	139.6	16.5	0.2	2.8	-6.6
Foreign exchange:								
Australia . . . .	1.1	2.7	5.4	5.3	-0.2	0.1	-0.1	-
Belgium . . . . .	0.8	0.7	1.1	2.0	0.7	0.1	0.2	-0.1
Canada . . . . .	3.0	4.1	4.4	3.9	-0.1	-0.1	-0.3	0.1
France . . . . .	1.3	3.6	5.1	3.7	0.6	0.3	-0.4	-1.9
Germany, Federal Republic of .	8.5	12.6	17.2	25.1	7.9	-	3.0	-3.0
Japan . . . . .	3.2	13.8	16.5	10.2	-0.4	-2.9	-0.4	-2.5
Netherlands . .	0.8	0.4	1.4	3.3	0.9	-0.1	-0.4	1.4
Spain . . . . .	1.2	2.5	4.2	5.9	0.2	0.4	0.9	0.1
Sweden . . . . .	0.4	0.7	1.1	2.0	0.5	0.3	-	0.2
Switzerland . .	2.4	3.8	4.3	4.6	-	0.3	-0.1	-0.1
Total, above .	22.6	44.8	60.7	66.0	10.2	-1.5	2.4	-5.8
United Kingdom .	1.2	5.1	4.1	(4.7)	0.1	1.0	-0.6	0.1
United States .	0.6	0.3	0.2	-	-0.2	-	-	-
Other developed market economies . .	6.8	10.4	12.8	14.8	1.0	0.8	0.9	-0.7

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.

Table II-12. Developed market economies: changes in exchange rates of selected countries against the United States dollar

Country	Exchange rates, end of period (US cents per currency unit)					Changes in exchange rates between mid-1971 and end of quarter				
	1970	1971	1972	1973	1974	1973				1974
					March	First	Second	Third	Fourth	First
Australia . . . .	111.50	119.10	127.50	148.80	148.80	25.7	25.7	32.2	32.0	32.0
Belgium . . . . .	2.01	2.23	2.27	2.42	2.57	24.2	35.0	34.8	20.4	27.8
Canada . . . . .	98.98	99.78	100.44	100.42	102.84	2.4	2.5	1.7	2.8	5.2
Denmark . . . . .	13.35	14.16	14.60	15.89	16.50	20.7	31.7	30.8	19.1	23.7
France . . . . .	18.12	19.14	19.51	21.24	20.99	21.4	34.3	29.8	17.1	15.8
Germany, Federal Republic of . . . .	27.41	30.60	31.23	37.00	39.64	23.2	44.2	44.5	29.4	38.6
Italy . . . . .	0.16	0.17	0.17	0.16	0.16	7.0	6.8	10.5	2.6	0.2
Japan . . . . .	0.28	0.32	0.33	0.36	0.36	34.5	34.7	34.5	27.6	29.5
Netherlands . . .	27.80	30.73	31.00	35.41	37.24	21.1	36.1	40.6	26.2	32.8
Norway . . . . .	14.01	14.90	15.04	17.42	17.54 <sup>a/</sup>	20.3	31.9	28.3	23.9	24.7 <sup>a/</sup>
Sweden . . . . .	19.34	20.55	21.06	21.79	22.68	14.8	26.0	22.5	12.5	17.1
Switzerland . . .	23.17	25.54	26.50	30.83	33.33	26.6	38.4	35.6	26.3	36.6
United Kingdom	239.38	255.22	234.81	232.32	239.40	2.4	6.7	-0.3	-4.0	-1.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.), May 1974.

<sup>a/</sup> February.

Table II-13. Selected developed market economies: changes in trade-weighted exchange rates of national currencies, 1973-1974

Country <sup>a/</sup>	Percentage change between		
	February and December 1973	December 1973 and April 1974	December 1971 and April 1974
Germany, Federal Republic of . . .	8.7	5.7	19.9
Netherlands . . . . .	1.1	2.7	8.3
United States . . . . .	-0.5	-2.5	-7.0
Switzerland . . . . .	-1.1	4.9	17.4
France . . . . .	-1.2	-7.3	-4.2
Belgium . . . . .	-3.3	2.2	2.7
United Kingdom . . . . .	-6.5	1.7	-16.9
Japan . . . . .	-6.8	0.6	6.5
Italy . . . . .	-7.8	-5.2	-20.2

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on effective exchange rates of individual currencies against a basket of 20 currencies weighted by their importance in the trade of the country concerned, computed by the National-Westminster Bank and reported in The Economist (London).

<sup>a/</sup> Listed in descending order of increase of effective rate between February and December 1973.

Country <sup>a/</sup>	Balance of trade (exports f.o.b. - imports c.i.f.)			Change from corresponding portion of 1972 in							
	Change from 1972			Average 1973			1973 fourth quarter consumer price index (percentage)	End of 1973 international reserves			
	Change in exchange rate against dollar from mid-1971 to			Unit value of	Imports (percentage)	Exports					
	Percent- age of trade b/	End-1972 (percentage)	End-1973 (percentage)								
	1973 (millions of dollars)	Millions of dollars	Percent- age of trade b/	End-1972 (percentage)	End-1973 (percentage)	Imports (percentage)	Exports	Terms of trade			
Germany, Federal Republic of . . . . .	12 980	6 469	15	9.2	29.4	22	26	-3	7	9 362	40
United States . . . . .	-1 885	7 189	13	-	-	15	19	-3	8	1 228	9
Australia . . . . .	1 962	635	11	13.1	32.0	57	13	39	13	-56	-1
Sweden . . . . .	1 559	900	11	8.8	12.5	25	27	-2	8	953	60
Switzerland . . . . .	2 137	489	6	8.6	26.3	28	34	-5	11	590	8
France . . . . .	-1 258	-707	-3	7.6	17.1	23	20	2	8	-1 486	-15
Austria . . . . .	-1 832	-499	-11	7.0	12.5	22	22	-	8	154	6
Denmark . . . . .	-1 434	-781	-16	9.5	19.1	30	28	1	11	469	55
United Kingdom . . . . .	-8 312	-4 798	-18	-3.0	-4.0	10	27	-13	10	829	15
Spain . . . . .	-4 139	-1 198	-23	8.7	12.3	22 <sup>c/</sup>	14 <sup>c/</sup>	7 <sup>c/</sup>	14	1 758	35
Japan . . . . .	-1 384	-6 510	-25	18.3	27.6	23	36	-10	16	-6 119	-23
Italy . . . . .	-5 586	-4 853	-26	7.0	2.6	11	21	-8	12	355	6
Greece . . . . .	-2 141	-666	-42	-	11.1	26 <sup>d/</sup>	21 <sup>d/</sup>	4 <sup>d/</sup>	28	15	2

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

a/ Selected on the basis of the size or persistence of the change in trade balance, 1970-1973. Countries are listed in descending order of relative improvement in the balance of trade between 1972 and 1973.

b/ Change in trade between 1972 and 1973 expressed as a percentage of the average of 1972 exports and imports.

c/ January-June average.

d/ January-November average.



### 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 <sup>1/</sup> experienced a year of accelerated growth in 1973, the third year of the present five-year plan period, as the continued strong expansion in the Eastern European countries was reinforced by the recovery of the Soviet Union from the preceding year's agricultural setback.

This growth was led by the industrial sector in which output generally increased more rapidly than in 1971 and 1972 and which in all countries appears to have exceeded the plan targets set for 1973. In agriculture, the incidence of unfavourable climatic conditions resulted in a more varied picture. There was a record harvest in the Soviet Union, but in spite of peak or near-peak grain harvests in several countries, over-all agricultural growth rates were lower than in the preceding year in most of the Eastern European countries.

Changes in the final use of output and the distribution of national income are still rather hard to determine: they seem to have differed from country to country rather more than did production trends. The rate of expansion in gross fixed capital formation appears to have slowed down somewhat for the group as a whole in 1973 as the Soviet Union and several of the Eastern European countries restrained the growth of expenditure in order to concentrate on redressing existing imbalances and the completion of past investment starts. Nevertheless, except in Hungary and the USSR, the rate of investment growth was high, and in a number of cases it exceeded the planned levels by large amounts, particularly in Poland where the actual increase was 23 per cent as against a planned rate of 10 per cent. At rates of increase ranging from 5 to 10 per cent, aggregate consumption appears to have grown roughly in step with net material product or only marginally less in all countries other than Hungary and perhaps Romania.

The foreign trade of the region shared in the very high expansion rates observed in world trade in 1973. While the accelerated growth reflects the influence of world market price inflation on trade values, it appears that for the group as a whole both imports and exports grew faster than in the preceding year in real terms also. Imports expanded appreciably faster than exports in the Eastern European countries, whereas the opposite relationship prevailed in the Soviet Union whose exports rebounded from the 1972 setback. In several Eastern European countries (and for the region as a whole) the accelerated import growth threw the trade balance into deficit. This was concentrated in the East-West portion of trade and was financed to a large degree by means of foreign credits, which increased sharply in 1973. The use of foreign resources to sustain high expansion rates of

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<sup>1/</sup> Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania. For lack of data, aggregates for the Eastern European group mentioned in this chapter do not include Albania.

consumption and capital formation was especially marked in Poland where imports exceeded exports by 22 per cent.

The price increases, exchange rate fluctuations and commodity scarcities that characterized the world economy in 1973, though they obviously caused some dislocation, do not appear to have materially affected the internal economies of the socialist countries during the year. However, the continued insulation of the domestic markets from outside events seems likely to become increasingly difficult to maintain, in view of the expansion of trade and the deepening economic linkages with the non-socialist world through intensified industrial and technical co-operation and long-term credit financing.

In 1973, trade with the rest of the world again increased faster, in value terms and probably also in real terms, than the intra-trade of the socialist group. Inflationary pressures emanating from world market developments were contained at the frontiers through exchange rate adjustments, export price levies and import price subsidies. Since export prices appear generally to have risen less than import prices, the process must have involved significant net transfers from the budget, with the attendant danger of financial imbalance in the economy. Retail prices remained stable or - as in Hungary and Romania - rose only within the limits of a planned readjustment. While domestic price levels were thus successfully protected, the resulting insulation of the internal price structure from world market changes in relative prices and the changed relative costs of imported components and raw materials conflict with the desire, especially in the more trade-dependent countries of Eastern Europe, to obtain more reliable efficiency criteria for investment, production and trade decisions from the domestic price system.

The world fuel crisis late in the year called forth conservation measures of various degrees of stringency in several of the centrally planned economies. While the group is still a net exporter of fuels, and outside of the Soviet Union petroleum products provide a much smaller share of the energy requirements than in the Western European countries, it has in recent years begun to rely on outside markets to meet peak demand and specialized needs. The precise impact of world supply reductions on fuel imports and trade values of the socialist countries cannot yet be gauged. Since for the Eastern European fuel importers the bulk of supplies of coal and oil comes from the Soviet Union and Poland at prices held constant for the duration of the present five-year plan, balance of payments implications are not likely to be very significant in the short run for most countries. Nevertheless, in several countries the prices of petroleum products were raised early in 1974, and under the prevailing pricing practices of the intra-group market, an adjustment of fuel prices towards world market levels is to be expected for the next five-year plan period (1976-1980). This could seriously affect the trade balance of the importing countries.

#### Production and use of resources

In 1973, the centrally planned economies of Eastern Europe and the Soviet Union registered a much better economic performance than in the preceding year. The combined net material product of the seven countries of the area rose by over 7 per cent, against a 5 per cent increase for 1972 (see table III-1). All countries of the area except the German Democratic Republic and Romania overfulfilled their plan targets for the growth of national income.

The marked acceleration of net material product growth for the group as a whole is chiefly a reflection of the recovery in the USSR, though expansion was also accelerated in Bulgaria and Hungary. Poland had another productive year with national income expanding by approximately 10 per cent, thus ranking the country, along with Romania, as the fastest-growing of the European socialist group over the past three years. In Czechoslovakia, though the growth rate of national income between 1972 and 1973 was the lowest in the group (5.2 per cent) and lower than in 1972, plan targets were exceeded in most measures of output. In the German Democratic Republic, national income growth of 5.5 per cent lagged behind the performance of the previous year and was also somewhat lower than that envisaged in the annual plan, though significantly above the five-year plan rate.

### Industrial production

In most of the countries of the area, gross output of the major sectors of material production - industry and agriculture - grew faster than planned. Gross industrial output of the group increased by 8 per cent in 1973, substantially faster than during the first two years of the present five-year plan period (see table III-2).

In the Eastern European countries, industrial expansion accelerated to almost 10 per cent: all countries except Czechoslovakia exceeded the growth performance of the past two years, while Bulgaria, Poland and Romania achieved output growth rates well over 10 per cent. The increase in industrial output during the first three years of the 1971-1975 plan ran well ahead of the target growth rates in all of the Eastern European countries except Bulgaria (where it was within the target range), and annual plans for 1974 indicate that most countries intend to maintain expansion at the higher pace.

In the Soviet Union, the growth of industrial output regained momentum after the difficulties of the preceding year and output exceeded the annual plan target for both producer goods and consumer goods. The acceleration was concentrated in the producer goods sector where the growth rate increased from 6.8 per cent in 1972 to 8.2 per cent in 1973 (compared with a plan target of 6.3 per cent). The production of consumer goods was probably still affected by the results of the poor 1972 harvest and grew only marginally faster than in the preceding year (5.9 per cent in 1973, as against 5.7 per cent in 1972), though well above the planned rate (4.5 per cent). Despite the recovery in 1973, the average rate of growth in 1971-1973 lags behind the goals of the five-year plan, which had envisaged an average annual growth rate of 7.6 per cent for the first three years and accelerated growth at close to 9 per cent during the final years. The plan also postulated higher growth rates for the output of consumer goods (annual average for 1971-1973 of 7.7 per cent, as against 6.4 per cent actually attained) than for producer goods (7.4 per cent planned, 7.6 per cent actual). The 1974 annual plan is directed towards a return to the growth proportions originally intended (7.5 per cent for consumer goods, 6.6 per cent for producer goods), but as the over-all growth target is rather cautious (below 7 per cent), the original goal for 1975 may already have been scaled down.

As in recent year, the highest growth rates in the region in 1973 were generally realized in industries which are the principal carriers of technological progress, especially the electric power, engineering and petrochemical and other chemical branches. Above average or relatively high rates of increase were also

reported for light industry in Bulgaria, Hungary, Poland and Romania, for the wood-working, furniture and paper industry in Hungary and Poland, and for construction materials - often a bottle-neck - in Poland, while the food-processing industry grew at rates below the industrial average in most of the Eastern European countries and the USSR.

The production of consumer goods increased less than that of producer goods in Bulgaria, Romania, the USSR and, less certainly, in the German Democratic Republic, whereas in Czechoslovakia - for the first time in recent years - Hungary and Poland, the opposite relationship prevailed.

In the group as a whole, industrial employment increased at approximately the same rate as during the past two years, namely, about 1.6 per cent. The range, reflecting mainly demographic differences, was from less than 1 per cent in labour-short Czechoslovakia and the German Democratic Republic to 3.2 per cent in Poland. In Hungary, where the labour market is also tight and industrial employment had declined during the previous two years, an above-plan increase of 1.3 per cent was registered in 1973, perhaps in consequence of incentives introduced in 1972 to encourage the postponement of retirement. On the other hand, in Poland, where the actual growth in employment has in the past tended to outrun the planned increment, the above-plan increase in output was obtained with a below-plan increase in labour.

In all countries of the area other than Czechoslovakia and Hungary the upswing of industrial output was reflected in higher growth rates of output per worker than had been registered in the preceding two years, with the largest gains being registered in Bulgaria, Poland and Romania (see table III-3). Industrial labour productivity increased by an estimated 7.1 per cent in the Eastern European countries as a group and by 6 per cent in the Soviet Union, and in the aggregate accounted for over two thirds of the increase in industrial output in 1973.

#### Agricultural production

Gross agricultural output of the region expanded by almost 11 per cent in 1973: there was a strong recovery in the Soviet Union, and in most of the Eastern European countries, the increase, though generally below that of 1972, was above the longer-run average. All countries except Bulgaria and Romania fulfilled their planned output targets (see table III-4).

In the Soviet Union, special efforts to organize the grain gathering and to overcome unfavourable weather conditions in several parts of the country during the 1973 harvesting season resulted in a record grain harvest of 222 million tons, nearly one third above the 1972 level. This brought the average output for the first three years of the present planning period (191 million tons) almost up to the annual average (195 million tons) envisaged for 1971-1975. Record harvests were registered also in the case of tea, sunflower seeds, potatoes, vegetables and cotton. Data for the total output of the livestock sector are not yet available, but in the light of a reported 1 per cent decline in meat production and a 5 per cent increase in egg and milk output, it would appear that the over-all change was probably very small. In spite of the tight fodder situation inherited from 1972, animal herds were not permitted to decline in 1973, and increases are planned for 1974 in all major livestock products.

In Czechoslovakia, Hungary and Poland, good grain harvests were reaped for the third year in a row, but dry weather conditions late in the crop year appear to have hurt the yields of fodder and root crops (especially potatoes and sugar-beets). Drought also affected root crops in Bulgaria, the German Democratic Republic and Romania, where the grain crops also suffered. The combined grain output of the Eastern European group was therefore slightly below the peak level of the preceding year.

In the German Democratic Republic, though drought reduced crop yields below the record levels of 1972, the output of livestock products grew at an above-plan rate. Elsewhere the results achieved by the animal husbandry sector were generally somewhat below those of crop production, with the notable exception of Poland where price incentives and feedstuff imports stimulated the output of livestock products which increased faster than agricultural output as a whole for the third year in a row, rising by 9.3 per cent in 1973 for an average growth rate of more than 8 per cent over the 1971-1973 period.

#### Planned production for 1974

The annual production plan of the centrally planned economies of Eastern Europe and the USSR for 1974 generally take account of the need to improve internal balance and appear to stress consolidation and structural harmonization rather than acceleration of growth. With the exception of Bulgaria and Romania, the Eastern European countries plan to expand net material product at lower rates than those attained in 1973, or, in the case of Czechoslovakia and Hungary, at rates below the average attained during the past three years. Accelerated growth in Bulgaria is based on the expected continuation of the 11 per cent industrial growth rate of 1973 and a substantial increase in the growth of agricultural production. In Romania, the annual plan postulates a further upswing of the very high industrial expansion rate of the past few years (from 15 per cent in 1973 to 17 per cent in 1974) and an increase of as much as 22 per cent in agricultural production. Taking into account the plan targets of these two countries, the growth goal for the combined national income of the Eastern European group shows a slight acceleration, from 7.9 per cent in 1973 to 8.4 per cent in 1974.

In the USSR, where a repetition of the large recovery gain in agricultural production cannot be expected, over-all expansion is planned at a slightly lower rate than was attained in 1973, though above the planned rate for that year. Industrial output is also expected to grow somewhat more slowly, not only in comparison with 1973 but also relatively to the average for the past three years, even though the expansion rate for that period was below the five-year plan target. This moderate growth goal may well be connected with the shifting of priorities back towards the consumer goods sector, in accordance with the original plan, as mentioned earlier, and with increased stress on quality aspects of output growth. The Soviet plan devotes a special attention to technological progress as a source of increased productivity and, for the first time, includes targets for the share of premium-quality products in the total output of leading branches.

#### Balance of resources

One of the salient features of the current five-year plans of the centrally planned economies of Europe is the attempt to attain or to consolidate the equilibrium between domestic production and the final use of resources. In this

regard, efforts seem to have been rewarded to a larger extent in 1973 than during the preceding year. Poland, whose high expansion rates of both accumulation and consumption were financed by an above-plan deficit in foreign trade, was the main exception, though divergence between domestic production and final resource use was also observed in Czechoslovakia where the deficit was apparently financed by means of assets accumulated from the export surpluses of preceding years. In all other countries income expanded faster than expenditure in 1973 (see table III-5). In Romania, although the net export proceeds of 1973 contributed to the reduction of the deficit cumulated during the early years of the current five-year plan, future plans for acquiring technology from abroad may run up against foreign exchange bottle-necks. In the USSR, the exceptionally large harvest of 1973 not only provided resources for further domestic expansion but also made possible an export surplus. However, as the net foreign exchange proceeds obtained in 1973 were lower than the outlays made in 1972, a restrained investment policy was adopted for 1974.

Cross-country comparisons of the behaviour of the main components of final demand are barred because of differences in the domestic price structures. More fruitful is a survey of the trend over time of these components; this yields a picture diversified in the short run, but fairly homogeneous when a longer period is considered. While in Hungary, Czechoslovakia and the Soviet Union a slight contraction of the share of accumulation in net material product appears to be one of the basic features of economic development in 1973, it was the share of consumption that was reduced in the remaining countries of the area. This expenditure pattern was determined chiefly by the decisions made in respect of capital formation. While the rate of expansion in capital formation was exceptionally high in Albania, Bulgaria, Czechoslovakia and Poland in 1973, higher rates of investment are planned in Czechoslovakia, Hungary, Romania and the USSR for 1974. Thus, over the two years, the rather homogeneous growth strategy which characterized the whole area in the past seems to persist. This pattern may well have been moulded by an end-of-plan investment drive, aimed, *inter alia*, at expanding production capacities to the levels needed for a timely fulfilment of the output targets planned for the mid-1970s.

#### Structure of investments

The decade-long drive by the centrally planned economies to improve productivity has relied to a very large extent on an acceleration in the rate of introduction of advanced technology. The latter, provided for in the last two-year plans, has become a pivotal element in the implementation of annual plans. The year 1973 was no exception: high priority was assigned to industries producing new equipment and sophisticated instruments needed for technological reconstruction, and to the importation of commodities with a high technology content. Against the usual background of investment policies aimed at reducing waste and increasing efficiency, the flow of capital formation was directed towards narrowly selected targets.

While the direction of this flow was quite uniform over the area, its year-to-year rate of increase differed substantially from country to country (see table III-6). In 1973 it ranged from zero in Hungary to 19 per cent in Albania and 23 per cent in Poland, where the high (and above-plan) growth of investment expenditure in 1972 was not slowed down in 1973 and the year's planned growth target was exceeded by almost 100 per cent. Also above the planned level

were the investment outlays of the USSR and, even more, Bulgaria, where a planned net decrease in gross fixed capital formation did not materialize. In Hungary, the investment boom of the early 1970s came to a halt in 1972, and did not resume in 1973 when the rate of credit utilization by domestic enterprises was substantially below the approval level. Though from the point of view of the domestic and foreign balance this was a favourable development, from the point of view of forward planning it may prove to be costly if the expansion of capital goods purchases from abroad to make up for the postponed 1973 investment outlays has to be effected at much higher prices.

A corollary to the concentration of investment on selected targets has been the improvement in investment completions: a basic requirement faced by all centrally planned economies for the containment of capital/output ratios. In this respect, 1973 developments were favourable in at least three countries of the area - Czechoslovakia, Hungary and the USSR - though, despite pressure from the planning authorities, the share of completed projects in gross fixed capital formation seems to have been below 1972 levels in Poland and Romania.

A pattern common to many countries of the area seems to emerge when the sectoral distribution of investments is considered. With the possible exception of the German Democratic Republic, more weight was assigned in 1973 to the agricultural sector where investment expanded at higher rates than before. In addition, various financial incentives to farmers were introduced to make capital more productive. Czechoslovakia and Hungary seem to have implemented this policy chiefly in order to reach or maintain self-sufficiency in food production. Poland and the USSR apparently aimed not only at the satisfaction of constantly rising domestic demand but also at potential foreign markets. Given the rapid rise in world prices in 1973, one common underlying motive for such agricultural investment was to hold down outlays on imported food-stuffs or provide food exports for financing higher-priced imports of fuels and high-technology manufactures.

The increase in agricultural investment, together with improved weather conditions, lie behind the fact that, except in Romania, agricultural output expanded substantially in all countries even though the labour force employed in the sector continued to decrease. This growth of labour productivity was accompanied by, and to some extent also derived from, an improvement in the income position of agricultural workers relative to those in other sectors.

The distribution of industrial investment differed to some extent between countries, but relatively little over time. The inertia in the investment pattern reflects the persistence of some conflicts in priorities that have troubled the centrally planned economies for many years: the pressure to improve the efficiency of production, the need to expand both the quality and the quantity of services supplied to the population, and the need to prevent the process of economic integration, on which the raising of income levels depends, from giving rise to interindustry and intersectoral bottle-necks. Although technological improvement remains a primary objective and capital formation in the material sphere continues to expand, there were marked intercountry differences in the sectoral distribution of investment in 1973. Slow growth in population and a relatively poor fuel and raw material endowment have magnified the importance of raising productivity in such highly industrialized countries as Czechoslovakia and the German Democratic Republic and also in Hungary, causing them to expand the share of labour-saving projects in total fixed capital formation. In addition, 1973 saw new steps being

taken towards the modernization of the transport and communications networks, and other services. In the USSR, the introduction of technologically advanced assembly lines continued to receive high priority while new efforts were made to achieve a more effective utilization of existing energy capacities. In Bulgaria, Poland and Romania, the shift in new investment towards the engineering and building materials industries, light industry, and the food industry continued.

Two more investment features were common to all countries in 1973. First, the share of new construction and installation work in total construction output tended to decrease. The corresponding expansion of the share of repair and maintenance work is a natural development in the light of the earlier low rates of amortization and the resulting relatively high average age of capital equipment. Secondly, the volume and quality of the domestic supply of advanced machinery and equipment seem to have remained below the level and standards desired by investors in enterprises under pressure from higher planning organs to achieve higher efficiency. This tended to increase the importance of the infusion of new technology through imports as a supplement if not an alternative to domestic supplies, even though this was costly in terms of foreign exchange.

Although throughout the area, investment financing in 1973 depended heavily, as before, on budgetary allocations, self-financing from enterprise profits, amortization allowances and credits played an increasing role in Hungary, Czechoslovakia and, to a less extent, the USSR. Poland, on the other hand, relied more than usual on foreign credits. In the German Democratic Republic and Poland and also in the USSR certain investments in the consumer sphere, above all residential construction, were to an increasing extent financed out of household savings and bank credits to the household sector.

#### Developments in consumer markets

Some difficulties were reported in the consumption sphere, where the relationship between demand, price and supply suffered from imbalances. In Bulgaria and Poland real personal income, and real wage income in Poland, grew faster than planned, although they remained more or less in line with the expansion of retail trade and national income. In the Soviet Union, the expansion in real personal income was almost 6 per cent between 1972 and 1973, and thus lower than the rate of growth of net material product. In Czechoslovakia and Hungary, retail trade turnover, though moving at a rate below that of the net material product, expanded faster than the earnings of the population, the difference probably being accounted for by increases in transfer payments.

The expansion of personal income throughout the area in 1973 reflected the desire of Governments to improve standards of living. Wherever this expansion was linked to efficiency improvements, through far-reaching incentive schemes, the income policy supported the productivity policy. As indicated above, in all the European centrally planned economies with the possible exception of the German Democratic Republic, this linkage appears to have prevailed in the agricultural sector, where the expanded output seems to have been achieved not only by pumping increasing amounts of capital into the sector but also by raising labour productivity through financial and non-financial incentives to farm workers. However, this policy does not seem to have been extensively applied to other productive activities. Romania, indeed, attempted to narrow income differentials for comparable activities in different sectors, in line with income guidelines

set by its five-year plan, eroding thereby some of the incentives traditionally granted to workers of the faster-moving branches of the economy, to the benefit of the rest of the labour force.

While the impact of such financial incentives on the future productivity of the area is likely to be far-reaching, the immediate result seems to have been the expansion of personal money income. This trend towards consumers was reinforced by favourable developments on the commodity side, since in the centrally planned economies of Europe during 1973 retail prices of consumer goods remained substantially stable or increased only slightly. In Czechoslovakia, prices are reported to have fallen slightly; in Hungary, Poland and Romania, average retail price increases ranged from 1.0 to 3.5 per cent, although there were some additional price increases disguised to some extent by new forms of packaging and new schemes of customer service. Certain strains were none the less felt on the market for various consumer goods, and to the extent that changes on the supply side were not transmitted, via prices, to demand, production and quality patterns were distorted and the structure of resource allocation failed to reflect exchange values. Besides being expensive in terms of budget subsidies and other allocative procedures, this policy tended to frustrate the recent attempt of some Governments of the area to rely less heavily on centralized planning and to narrow the gap between prices and real production outlays.

Under conditions of retail price stability, the expansion of personal incomes was associated in most of the European centrally planned economies during 1973 with high rates of saving. Motivated by the desire to accumulate funds for the purchase of durable goods, since the quality of the latter has been steadily improving in recent years, consumers seem to have responded favourably to the anti-inflationary measures taken by the authorities. Another sector which contributed to the mopping up of idle cash was housing construction, where the share of consumer-financed projects in 1973 maintained the same high expansion rate recorded in previous years.

Developments in the market for investment goods also required more intensive monitoring in 1973. While successful in circumscribing the destabilizing effect of currency realignment and world inflation, the system of subsidies and levies implemented by socialist countries to protect domestic markets from external pressures could do little to prevent deterioration in the terms of trade. Furthermore, the trade-off between insulation from the external economic environment and integration with world technological developments, posed at a time when East-West trade was expanding at unusually high rates, became a critical policy choice. The urgency of the problem was apparent in several countries - including Hungary, Poland and Romania, and to some extent the USSR - which relied in 1973, or are planning to rely in the future, on foreign financing of investment and rapid introduction of foreign technology.

The market in socialist countries which seems to have been most affected by world developments in 1973 was that for energy products, both for intermediate and final use. Following the events of the autumn of 1973, strict regulations were issued throughout the area concerning the consumption of oil and other fuels. In Czechoslovakia, Poland and Romania, for example, the price of petrol was doubled early in 1974. Speed limits were instituted in Bulgaria, Czechoslovakia and Poland. In Bulgaria, Czechoslovakia and Hungary, various economies in the field of energy consumption by industry were sought through the introduction of new technologies, while limitations on the use of passenger cars were introduced. In Romania even tighter regulations were promulgated: they included restrictions on the heating and lighting of production areas, as well as social and cultural establishments and private dwellings, together with rationing of petrol for passenger vehicles, and are

expected to hold total 1974 fuel consumption about 10 per cent below the level implicit in 1973 coefficients of use. 2/

No doubt, most of these measures will achieve their purpose for, given the planned nature of their economies, socialist countries are better placed than the market economies to restrict non-essential energy uses and to protect their productive systems from shortages and bottle-necks. Moreover, as the Eastern European press has often recognized, there seems to be considerable scope for energy-saving measures in centrally planned economies as the efficiency of resource utilization is improved. In the meantime, the energy balance of the area may continue to be rather precarious in 1974: the countries with energy deficits will attempt to save foreign exchange, while those with an energy surplus, Poland and the USSR, will expect to improve their export earnings.

### Foreign trade

The foreign trade of the centrally planned economies of Eastern Europe and the USSR again increased at an exceptionally rapid pace in 1973 (see table III-7). Measured in internal foreign trade accounting units, the value of trade rose by 18 per cent. Measured in current United States dollars, the group's combined value of trade increased from approximately \$40 billion each for exports and imports in 1972 to \$53 billion for exports and \$54 billion for imports, in 1973, an increase of roughly 33 per cent. The following table shows the growth of foreign trade, actual and planned, for the period 1966-1975.

#### 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- 1973, actual	Value (SDR)				Value (current dollars)	
				1971, actual	1972, actual	1973, actual	1974, planned	1972, actual	1973, actual
<u>Eastern Europe</u>									
Exports . . .	9.0 )	9.0	( 13.3	10.0	13.5	14.2 )	15.6	( 23.3	28.3
Imports . . .	9.7 )		( 13.4	9.6	10.4	19.7 )		( 19.9	34.4
<u>USSR</u>									
Exports . . .	9.4 )	5.9-6.2	( 11.1	7.9	2.5	24.1 )	10	( 11.3	39.4
Imports . . .	7.8 )		( 13.6	6.4	18.4	16.5 )		( 28.6	30.9
<u>Eastern Europe and USSR</u>									
Exports . . .	9.1 )	8.9	( 12.6	9.1	9.0	18.0 )	13.4	( 18.4	32.5
Imports . . .	9.0 )		( 13.4	8.3	13.5	18.4 )		( 23.2	33.0

Source: Data in table III-7.

Note: The 1972 and 1973 growth rates are shown both in terms of IMF special drawing rights (SDR), which corresponds to an aggregation in terms of "old" dollars or roubles, and - for the sake of comparability with other United Nations foreign trade series - in terms of current dollars at averaged official exchange rates 1972 and 1973. The latter measure thus reflects the dollar devaluation since 1971.

2/ In 1974, Romanian national income is planned to increase by 14.6 per cent and industrial production by 16.7 per cent, whereas electric power consumption should go up by only 9.3 per cent, and the use of primary energy by 7.0 per cent. (See Munca (Bucharest), 30 November 1973.)

While this is slightly below the expansion rate reported for trade in the rest of the world (36 per cent), the growth in volume was probably near the 12 per cent rate estimated for world trade: since about two thirds of the socialist countries' trade is transacted on the intra-CMEA market at prices contractually stabilized for the period of the current five-year plan, the rate of price inflation for the total trade of these countries is likely to have remained substantially below the 21 per cent registered in world markets. 3/

The acceleration was especially marked in the exports of the group, the growth rate of which doubled (in terms of SDR values) in the wake of the recovery of Soviet export growth from the consequences of the poor 1972 harvest. Exports of the USSR reached a value of \$21.4 billion, and imports, which expanded somewhat less than last year, rose to \$21.0 billion. In the smaller Eastern European countries, the accelerating element was the growth of imports, whose over-all value rose to \$32.6 billion, exceeding that of exports (\$31.5 billion).

Information on the geographical direction of trade is still incomplete, but partial data indicate that trade value in exchanges with partners outside the socialist group increased significantly faster than the value of intra-trade. Very large increases were registered in exchanges with both developed and developing market economies. The Soviet Union reported an increase in trade turnover (exports plus imports) with developed market economies of 39.1 per cent and with developing countries of 39.3 per cent, while the value of the transactions with other socialist countries grew by 7.4 per cent. The four Eastern European countries for which complete data are available also show much above-average increases in exports to and imports from industrial market economies and in imports from developing countries, whereas the value of exports to developing countries lags far behind the growth of total exports (and may have declined in real terms). 4/

3/ Except in this paragraph, all trade growth rates in this chapter and in table III-7 are derived from trade values at current prices measured in terms of IMF special drawing rights or transferable roubles, the foreign trade accounting unit of CMEA. In contrast to the trade data used elsewhere in this Survey, these current rates thus reflect changes in transaction prices in addition to quantum changes, but not the value changes associated solely with the devaluation of the United States dollar. The expression of growth rates in terms of an unchanging numéraire, which is also the reporting practice of the socialist countries, was considered preferable in view of the large share of intra-CMEA trade which is carried out at unchanged exchange rates.

4/ Selected Eastern European centrally planned economies: growth of foreign trade value, by country group, 1973

(Percentage)

	Exports	Imports
Total . . . . .	12.4	20.4
Centrally planned economies . .	9.0	11.9
Developed market economies . .	23.7	37.2
Developing economies . . . . .	2.4	21.9

Source: Country data for Czechoslovakia, German Democratic Republic, Hungary and Poland in table III-7. Growth rates in terms of SDR values. Developed market economies include Yugoslavia; developing economies include Cuba.

The 1973 upsurge in unit values of the non-socialist portion of the socialist countries' foreign trade was in the neighbourhood of 12 to 18 per cent in SDR terms. 5/ If the effect of the dollar devaluation is superimposed on these figures, the estimated range of price changes would extend from 26 to 32 per cent, substantially above the rates of increase registered for the market economies as a group, though not outside the experience of various regional subgroups (see table I-7). For total trade, including the intra-trade of the socialist countries, the rate of price increase is significantly lower - probably near the 5 to 6 per cent in SDR terms (18 to 19 per cent in terms of current dollars) registered by Hungary.

An estimate of quantum growth in the trade of the four northern tier Eastern European centrally planned economies with the aid of the Hungarian price deflators indicates that the volume of exports to socialist and non-socialist countries increased at approximately the same rate (7 per cent) whereas the volume of imports from non-socialist countries grew significantly faster than that from socialist trade partners (17 as against 10 per cent). 6/ Extension of this approach to the remaining countries of the group - Bulgaria, Romania and the USSR - is rather risky because of the divergent commodity structure of their trade, but yields estimates - which probably represent lower limits of the true values - of 12 to 13 per cent in quantum growth for the total exports of the group (9 per cent for Eastern Europe, 18 per cent for the Soviet Union) and 11 to 12 per cent for imports (over 12 per cent for Eastern Europe, 9 to 10 per cent for the USSR).

In Hungary, import prices rose faster than export prices, both in trade with non-socialist countries and in total trade. A worsening of the terms of trade has also been reported (though without precise data) for Czechoslovakia and Poland, a country which over the past four years had benefited from rising world market prices for its primary goods exports. 7/

5/ Soviet trade turnover is reported to have grown by 20.3 per cent in (SDR) value terms and by 16 per cent in quantum terms (Ekonomicheskaja gazeta (Moscow), 4 April 1974). If the entire impact of price changes is assumed to have fallen on the non-socialist portion of Soviet trade, the quantum growth rate and the rate of price increase in terms of SDR for this part of Soviet trade can be computed at 26 and 12 per cent, respectively. The Hungarian Statistical Office reports foreign trade price changes by direction and commodity groups, with the following aggregate changes (presumably in SDR terms): total trade, exports 5.0 per cent, imports 6.3 per cent; trade with socialist countries, exports 1.7 per cent, imports 1.0 per cent; trade with non-socialist countries, exports 13.1 per cent, imports 17.5 per cent (Statisztikai havi közlemények (Budapest), No. 2-3, 1974).

6/ Application of the Hungarian price indices to the trade values of Czechoslovakia, German Democratic Republic, Hungary and Poland, for which the analysis of trade by direction is possible, yields the following quantum growth rates:

	Exports	Imports
Total . . . . .	7.0	12.7
Socialist countries . . . . .	7.1	10.5
Non-socialist countries . . . . .	6.7	16.7

The implicit rates of price change for total trade (socialist and non-socialist) are 5.1 per cent for exports and 6.8 per cent for imports.

7/ Hospodárské noviny (Prague), No. 5, 1974, and Biuletyn statystyczny (Warsaw), No. 1, 1974. In the first quarter of 1974, import prices in Polish non-socialist trade are reported to have been 22 per cent above the level of a year earlier whereas export prices rose only 13 per cent (Zycie gospodarcze (Warsaw), 5 May 1974).

The rapid price rises for raw materials in international markets put pressure on the balance of payments and caused some financial difficulties in the internal economy of several countries. In Czechoslovakia, for instance, goods had to be diverted from internal use to foreign markets in order to finance raw material imports at the planned rate. 8/

In most cases the price rises were not initially permitted to feed through into the internal price structure, but were compensated for by additional subsidies from the state budget. The impact of the fuel crisis was moderated by the fact that the bulk of petroleum imports of the Eastern European centrally planned economies is provided by the Soviet Union, though in several countries (Bulgaria, German Democratic Republic and Romania) substantial portions of petroleum import requirements are satisfied from sources outside the area, and in most countries some of the peak demand is met from western markets. Therefore, as already noted, almost all countries introduced fuel conservation measures late in the year, and in early 1974 petrol and petroleum product prices were raised by considerable amounts in Poland and Romania.

The current account balance of the Eastern European countries swung from a \$310 million surplus in 1972 into a \$1.1 billion deficit in 1973 as all countries except Hungary and Romania expanded their imports faster than their exports. In the Soviet Union, the opposite movement took place, the 1972 deficit (\$690 million) - caused mainly by the emergency grain imports and the slow export growth of that year - turning into a \$410 million surplus. In the absence of regional data for the Soviet Union, Bulgaria and Romania, a full geographical analysis of the trade balance is not yet possible. Nevertheless, it is clear that the Eastern European countries as a group registered a surplus in trade with other socialist countries and a greatly increased deficit with their non-socialist trade partners. For the European centrally planned economies and the USSR jointly, this deficit was probably in the neighbourhood of \$3 billion. 9/ The largest contributor to the passive balance of the Eastern European group was Poland, which more than trebled its trade deficit (from \$400 million to \$1,440 million) as, for the third year, it continued a policy of reliance on foreign credits to accelerate the modernization of plant and equipment and, to some extent, to ease imbalances on domestic consumer markets. While the plan for 1974 as well as the surrounding discussions indicate some unease on the part of the Polish leadership about the recent widening of the imbalance between domestic output and total resource use, the policy has clearly paid off in large output increments, and there appears to be no desire to throw the rudder around sharply. Under the 1974 plan, the trade deficit may increase to almost \$2 billion as imports are again expected to grow faster than exports, though the target for imports (a 22 per cent increase) has been declared a maximum not to be exceeded, and the target for exports (an increase of 19 per cent) may well be raised during the year.

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8/ V. Hula in Hospodářské noviny (Prague) No. 49, 1973.

9/ Czechoslovakia, the German Democratic Republic, Hungary and Poland jointly showed a surplus of \$870 million in their trade with centrally planned economies (compared with \$1,040 million in 1972), a deficit of almost \$2,300 million with developed market economies, more than doubled the 1972 level of \$980 million, and a much reduced surplus of \$40 million (as against \$220 million in 1972) in their trade with developing countries. Partner data on Soviet trade with 11 European market economies, the United States of America and Canada, which in some instances cover only the first three quarters of 1973, suggest a Soviet deficit of \$1.3 to \$1.5 billion in trade with those countries. This would be offset to a certain extent by the traditional Soviet surplus with developing countries.

An over-all import surplus was also registered by the German Democratic Republic in 1973 (\$330 million) and by Czechoslovakia (\$80 million), reversing their traditional export balances. Both countries reduced their export surplus with other centrally planned economies (from \$230 million to \$80 million in the case of Czechoslovakia, and from over \$700 million to about \$400 million in the German Democratic Republic) and with developing countries, and both significantly increased their deficits with industrial market economies (from \$100 million to over \$200 million in Czechoslovakia and from \$500 million to almost \$800 million in the German Democratic Republic). A much greater increase of net imports is planned in Czechoslovakia for 1974 (up to \$700 million): the accumulated surplus with other socialist countries is to be run down and further credits are expected to finance the deficit with the market economies.

Export surpluses were achieved by Bulgaria (\$40 million), Hungary (almost \$500 million) and Romania (\$230 million) in 1973. The Hungarian surplus was concentrated in trade with the centrally planned economies but, uniquely, it included an active balance with developed market economies of \$31 million which was more than offset by a passive balance (\$52 million, f.o.b./c.i.f.) with developing countries. The surplus was probably in line with policy since foreign credits taken up during the 1971 import surge had to be repaid. It seems to have been larger than expected, however, as was the probably related slowdown in domestic investment spending. Hungarian foreign trade plans envisage a more rapid rise of imports in 1974, the elimination of the surplus in trade with the socialist countries and a more or less balanced growth in non-socialist trade.

The foreign trade targets for the Eastern European countries for 1974 thus indicate continued strongly rising demand for imports. In some countries (notably Hungary and Czechoslovakia) this is coupled with the expectation of significantly decelerating export growth as output is given priority uses at home and accumulated credit balances are run down (especially in the intra-trade of the group). In other countries (Poland and Romania in particular), greater export efforts are being made, either to reduce debts incurred in the past or to prevent new debts from rising too fast.

#### China and other Asia

Though official data on the economic aggregates of most Asian centrally planned economies are lacking, qualitative information and data on individual commodities suggest that in China and Mongolia the 1973 economic performance was much stronger than that of the preceding year, owing mainly to improved agricultural results, while in the Democratic Republic of Viet-Nam the recovery from the war-caused dislocation may have been hampered somewhat by difficult climatic conditions.

In China, good crops were obtained in spite of persistent drought in parts of the country early in the year. This reflects in part the benefits of large-scale irrigation projects, construction of which continued in many farm districts. Grain output is reported to have exceeded the previous (1971) record of 250 million tons, and record harvest of sugar, tobacco and the fibre crops were also reaped. Cotton output increased by 20 per cent and the jute and hemp crop by 40 per cent. The total value of farm produce and auxiliary non-agricultural output of the farm sector increased by 14 per cent.

No aggregate data for industrial output have been reported. However, the iron and steel industry is said to have exceeded its production plan, reaching an output more than twice that of 1965. Light industry was reported to have expanded its production by 8 per cent in the first 11 months of the year, with especially large increments in the output of polyester fabrics (260 per cent of the previous year's level). Industrial deliveries to agriculture registered a 20 per cent increase in the case of chemical fertilizers and a 12 per cent increase in insecticides. In the course of the year, over 100 small nitrogenous fertilizer plants began producing. New capacity installed in power plants in 1973 exceeded the previous year's increment by 30 per cent, and total power output surpassed the planned level. Petroleum production appears to have expanded substantially, and may have reached the level of 50 million tons cited by Japanese business sources, though this figure has not been confirmed in Chinese sources.

A dramatic expansion took place in Chinese foreign trade in 1973, continuing and substantially accelerating the upswing observed in the preceding year. Trade partner statistics show that Chinese exports to developed market economies rose 74 per cent over 1972 (from \$1.2 to \$2.0 billion) and imports doubled (from \$1.5 to \$3.0 billion). 10/ Since the growth of trade with centrally planned and with developing economies is likely to have been significantly lower, total export value can be estimated to have grown some 60 per cent (from \$2.9 billion in 1972 to \$4.2-\$4.5 billion in 1973) and that of imports by almost 70 per cent (from \$2.4 billion to approximately \$4 billion). 11/

The largest increase took place in trade between China and the United States of America: Chinese exports doubled (from \$32 million in 1972 to \$64 million in 1973) and imports grew 11-fold (from \$60 to \$657 million). This expansion raised the ranking of the United States to third among China's trade partners, after Japan (exports and imports of about \$1 billion each) and Hong Kong (Chinese exports of \$1 billion), with both of whom trade approximately doubled in 1973. More than 80 per cent of Chinese imports from the United States in 1973 consisted of agricultural goods - wheat, maize, cotton and soya beans - while among the remaining

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10/ Data in International Monetary Fund, Direction of Trade (Washington, D.C.), February and March 1974, covering the full year in most instances, 10 or 11 months in the rest. In 1972, the developed market economies took almost 40 per cent of China's exports and provided about two thirds of its imports. It should be noted that because of their origin in partner returns these data are c.i.f. partner country for China's exports and f.o.b. partner country for its imports, and hence would require a downward adjustment for exports and an upward adjustment for imports if they are to be put on the normal f.o.b./c.i.f. basis.

11/ Trade totals for 1972 are taken from Deutsches Institut für Wirtschaftsforschung, Wochenbericht (Berlin) No. 27, 1973, and growth rates for trade with developing countries are estimated from data in Direction of Trade which in most instances cover only the first two or three quarters of 1973 (but the full year for Hong Kong, which takes about 50 per cent of China's exports to this group). Comparing equal periods for each partner country, China's exports to developing countries increased by about 50 per cent, while imports - where the coverage comes to somewhat less than one third of the 1972 total - appear to have declined slightly. Chinese exports to the four centrally planned economies for which data are available (Czechoslovakia, the German Democratic Republic, Hungary and Poland) increased by 22 per cent and imports by 15 per cent, but since trade turnover with the Soviet Union declined, growth rates for trade with the group as a whole may have been lower.

transactions a large purchase of jet aeroplanes took a significant place. Chinese imports from Japan were dominated by steel purchases, which doubled in value and accounted for almost one half of the total, the bulk of the remainder comprising machinery and chemicals (including fertilizer), while raw silk and textiles provided over 60 per cent of China's exports to Japan. Petroleum appeared for the first time among China's exports in 1973 with the delivery of 1 million tons to Japan, and this trade is expected to grow rapidly in 1974 under contracts reported under negotiation early in the year with Japan, Hong Kong and Thailand.

As in previous years, China's commodity trade account probably closed with an over-all surplus in 1973, a large trade surplus with Hong Kong and the developing countries more than offsetting a deficit with the developed market economies. Owing to the upswing of exports to Japan, the deficit in this important trade flow was cut to about half the previous year's level (from \$120 million to \$66 million). It apparently continues to be China's policy to abstain from long-term credit for financing of imports. However, large capital goods purchases from market economies are in the pipeline - contracts worth at least \$1.5 billion have been placed in Europe, Japan and the United States, mainly for complete petrochemical, synthetic fibre and fertilizer plants, a steel complex and other industrial equipment - and their financing may require increased recourse to short-term credit of the type recently used in some transactions with Japan and France (25 per cent down, balance payable over five years).

The economic development of Mongolia accelerated in 1973 in the wake of a successful crop year. National income increased by 7.7 per cent, as against the 4 per cent annual average growth registered over the 1966-1972 period. Industrial production increased by 8.3 per cent and agricultural output by 13 per cent. A record grain crop was harvested - 150 per cent above the previous year's low level and 38 per cent above the previous (1971) peak. Field crops provide only about a sixth of total agricultural production, however, and as livestock output, which did not reach the plan targets, may in fact have declined under the impact of the 1972 harvest failure, the over-all increase in the output of the agricultural sector was more modest. Living standards may have increased slightly, as is indicated by a 1.4 per cent increase in average wages and a 6.7 per cent increase in retail sales. In foreign trade, turnover is reported to have increased by some 20 per cent, significantly faster than the planned expansion rate of 6.8 per cent. The 1974 plan envisages continued high rates of expansion, with a national income growth target of 6.7 per cent, slightly accelerated industrial output growth of 9.2 per cent and somewhat slower agricultural expansion of 6.9 per cent.

No statistical information is available on 1973 developments in the Democratic Republic of Viet-Nam and the Democratic People's Republic of Korea. In the only available report on the economy of Viet-Nam, <sup>12/</sup> achievement is generally measured against output levels attained during the middle 1960s. In 1973, the main efforts were devoted to the reconstruction of basic industries and the transport and communication network. Electricity output and the production of the chemical industry surpassed 1965 levels, while in the building materials sector the capacity for brick production exceeded the 1971 level by 20 per cent. In agriculture, the early (winter-spring) harvest was satisfactory, but the fall harvest appears to have suffered a 20 per cent output loss from drought during the summer and typhoon-caused flooding in several provinces in September and October. Pig herds are reported to have increased by 9 per cent over the preceding year and to have yielded a 7,000-ton increase in market supplies of meat.

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<sup>12/</sup> Vietnam Courier (Hanoi), February 1974.

Table III-1. Eastern Europe and USSR: growth of national income, <sup>a/</sup>  
actual and planned, 1966-1975  
(Percentage)

Country and group	Average annual rates		Increase over preceding year			
	1966-1970, actual	1971-1975, planned	1971-1973, actual	1972, actual	1973 Planned	1974, planned
Albania	9.0	9.2-10.0	...	...	...	...
Bulgaria	8.7	7.7-8.5	7.7	7.5	7.3	10.0
Czechoslovakia	6.8	5.1	5.4	5.9	5.0	5.2
German Democratic Republic	5.2	4.9	5.2	5.7	5.7	5.4
Hungary	6.8	5.5-6.0	6.1	5.1	4.0-5.0	5.0
Poland	6.0	7.0	9.4	10.1	7.9	9.5
Romania	7.7	11-12	11.3	10.3	16.1	14.6
Eastern Europe <u>b/</u>	6.5	6.7-7.0	7.6	7.8	7.9	8.4
USSR	7.1	6.8	5.5	4.0	6.0	6.5
Eastern Europe <u>b/</u> and USSR	7.0	6.7-6.8	6.1	5.0	6.5	7.0

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

a/ National income produced, except for the USSR where the reference is to national income domestically distributed.

b/ Not including Albania.

Table III-2. Eastern Europe and USSR: growth of industrial output, a/  
actual and planned, 1966-1975  
(Percentage)

Country and group	Average annual rates		1971-1973		1971, 1972, 1973		1974, 1975, 1976, 1977	
	1966-1970, actual	1971-1975, planned	1971-1973, actual	1971-1973, planned	1971, actual	1972, actual	1973, planned	1974, planned
Albania	12.9	10-10.5	...	...	...	...	10.4	9.4 8.0
Bulgaria	11.3	9.2-9.9	9.6	9.6	9.0	9.2	9.9	10.7 11.0
Czechoslovakia	6.8	6.0-6.3	6.6	6.6	6.9	6.6	5.3	6.3 5.8
German Democratic Republic	6.6	6.0	6.1	6.1	5.6	6.0	6.6	6.8 6.7
Hungary	6.1	5.7-6.0	6.3	6.3	6.6	5.2	5.5-6.0	7.2 5.5-6.0
Poland	8.4	8.4	10.3	10.3	8.3	10.7	9.8	12.0 <u>b/</u> 11.1 <u>b/</u>
Romania	11.8	11.0-12.0	12.7	12.7	11.5	12.0	14.7	14.7 16.7
Eastern Europe <u>c/</u>	7.9	7.5-7.8	8.5	8.5	7.6	8.3	8.5	9.6 9.5
USSR <u>c/</u>	8.5	8.0	7.2	7.2	7.7	6.5	5.8	7.4 6.8
Eastern Europe <u>c/</u> and USSR	8.3	7.9-8.0	7.6	7.6	7.7	7.0	6.6	8.0 7.5

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

a/ Gross value of output at constant prices, except in the case of the German Democratic Republic where the data refer to the value of commodity production (i.e., gross output less work in progress).

b/ Value of output sold.

c/ Not including Albania.

Table III-3. Eastern Europe and USSR: labour productivity changes  
in industry, 1966-1975 a/  
(Percentage)

Country	Average annual rates		Increase over preceding year			
	1966-1970, actual	1971-1975, planned	1971-1973, actual	1972, actual	1973 Planned	1974, planned
Albania . . . . .	2.2	4.6	...	...	...	...
Bulgaria . . . . .	6.9	7.6	7.0	5.9	7.6 <u>b/</u>	9.5 <u>c/</u>
Czechoslovakia <u>d/</u>	5.7	5.4-5.7	6.0	6.4	4.3	...
German Democratic Republic . . . . .	6.1	6.2	5.0	4.2	5.7	6.0
Hungary . . . . .	3.6	4.5-5.0	6.3	6.0	5.5-6.0	5.0-5.5
Poland . . . . .	4.9	5.4 <u>e/</u>	6.4	5.8	6.3	8.1
Romania . . . . .	7.3	7.3	6.3	5.7	9.1	9.6
USSR . . . . .	5.8	6.8	5.8	5.2	5.1	6.0

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/ Social labour productivity is measured as gross social product per person employed in material  
production sector.

d/ Manual workers only.

e/ Including construction.

Table III-4. Eastern Europe and USSR: growth of gross value of agricultural output, actual and planned, 1961-1975

(Percentage)

Country and group	Average annual change from preceding five-year period		Average annual rates		Change from preceding year			
	1966-1970, actual	1971-1975, planned	1961-1970, <sup>a/</sup> actual	1971-1973, actual	1971, actual	1972, actual	1973	
							planned	actual
Albania	5.8	8.4-9.2	6.0	...	...	...	6.6	7.0
Bulgaria	4.7	2.3-3.7	4.0	3.7	2.0	5.9	7.4	3.1
Czechoslovakia	3.5	2.7	2.7	3.8	3.2	3.9	4.0	4.2
German Democratic Republic	1.5 <sup>b/</sup>	2.4	1.1 <sup>b/</sup>	5.2	0.5	10.7	4.9 <sup>c/</sup>	4.0-5.0
Hungary	3.0	2.8-3.0	2.6	5.7	9.6	2.5	ca.1	ca.5
Poland	2.9	3.6-3.9	2.5	6.6	3.6	8.4	2.1	7.8
Romania	4.2	6.3-8.3	3.4	9.2	18.4	9.7	20.0	0.2
Eastern <sup>d/</sup> Europe	3.1	3.5-4.0	2.5	6.0	5.6	7.5	5.9	4.9
USSR	3.9	3.7-4.0	3.3	3.4	1.1	-4.1	12.6	14.0
Eastern Europe <sup>d/</sup> and USSR	3.6	3.6-4.0	3.0	4.2	2.5	-0.3	10.2	10.8
								6.6

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, 1973.

<sup>a/</sup> 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.

<sup>b/</sup> Average annual compound rate.

<sup>c/</sup> Production and services of the agricultural sector and the food industry.

<sup>d/</sup> Not including Albania.

Table III-5. Selected countries of Eastern Europe and USSR: growth of real personal income, retail trade turnover and total consumption, 1966-1975

(Percentage)

A = Per capita real personal 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			Increase over preceding year				
	1960-1970, actual	1971-1975, planned	1971-1973, actual	1971, actual	1972, actual	1973 planned	1973 actual	1974, planned
Bulgaria								
A. . . . .	6.0	4.6-5.4	5.6	5.0	4.0	6.5	7.9	5.0
C. . . . .	8.6	6.8	7.4	6.9	6.7	7.4	8.6	8.5
D. . . . .	8.2	8.4-9.4 <sup>a/</sup>	...	5.5	5.0	...	...	...
Czechoslovakia								
B. . . . .	3.6	2.5-3.0	3.8 <sup>b/</sup>	4.2	4.5	2.5 <sup>c/</sup> , <sup>d/</sup>	3.5 <sup>b/</sup>	... <sup>c/</sup>
C. . . . .	6.3	5.1-5.4	5.5 <sup>c/</sup>	5.5	5.5	6.6 <sup>b/</sup>	5.6 <sup>b/</sup>	5.6 <sup>c/</sup>
D. . . . .	5.6 <sup>e/</sup>	4.9	6.1	6.2	6.0	...	6.2	5.9
German Democratic Republic								
A. . . . .	4.1	4.0-4.5 <sup>a/</sup>	...	...	...	...	...	... <sup>f/</sup>
C. . . . .	4.6	4.1 <sup>f/</sup>	5.3	3.9	6.0	6.2	5.9	4.8 <sup>f/</sup>
D. . . . .	4.7	4.2	...	5.1	5.8	...	...	...
Hungary								
A. . . . .	6.0	4.6-4.9	4.3	5.0	3.0	4.8 <sup>c/</sup>	4.8 <sup>c/</sup>	5.0-5.5
B. . . . .	3.4	3.0-3.4	2.5	3.1	1.5	2.2 <sup>c/</sup>	2.8 <sup>c/</sup>	3.7
C. . . . .	8.3	6.0-6.4	5.3	7.0	3.1	6.2	5.7	5.0-6.0
D. . . . .	6.0	5.0	...	6.2	3.4	...	...	...
Poland								
B. . . . .	2.0	3.4 <sup>b/</sup>	7.5	5.5	7.0	6.6 <sup>b/</sup>	10 <sup>c/</sup>	5 <sup>c/</sup>
C. . . . .	6.2	7.2 <sup>b/</sup>	10.9	8.1	12.4	10.6 <sup>b/</sup>	12.6 <sup>b/</sup>	9.7 <sup>b/</sup>
D. . . . .	5.5	6.9	8.9	7.7	9.1	9.1	ca.10	8.5
Romania								
A. . . . .	4.1	7.0-7.4	8.3	13.5	8.0	6.8	5.2 <sup>b/</sup>	8.6
B. . . . .	3.7	3.5-4.2	2.1	2.2	0.2	3.8	8.1 <sup>b/</sup>	... <sup>b/</sup>
C. . . . .	7.2	...	8.1	8.9	6.1	7.3	7.5	9.7 <sup>b/</sup>
USSR								
A. . . . .	5.9	5.5	4.5	4.5	3.9	4.5	5.0	5.0
C. . . . .	8.2	7.2	6.3	6.8	6.8	5.0	5.3	6.3

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/ Estimated.
- b/ Nominal.
- c/ Approximate.
- d/ Industry and construction only.
- e/ 1967-1970.
- f/ Fund of consumer goods for sale.
- g/ Delivery of goods to domestic market.

Table III-6. Eastern Europe and USSR: changes in gross fixed investment, 1966-1975

(Percentage)

Country	Average annual rate		Increase over preceding year					
	1966-1970, actual	1971-1975, planned	1971-1973, actual	1971, actual	1972, actual	1973 planned	1973 actual	1974, planned
Albania	9.3 <sup>a/</sup>	11.2-11.8 <sup>a/</sup>	...	...	...	...	19	...
Bulgaria	12.5	6-7 <sup>a/</sup>	6.6	1.7	9.8	-2.2	8.5	3.5
Czechoslovakia	7.2	6.2-6.5	7.6	5.7	8.7	...	8.4	9.6
German Democratic Republic	9.9	5.2 <sup>a/</sup>	4.0	0.6	2.9	9.0	8.5	5.3
Hungary	8.4 <sup>a/</sup>	8.1-8.4	3.1	11.0	-1.2	3.0	-	10 <sup>b/</sup>
Poland	8.1	8.3	17.8	7.7	23.4	12.9	23 <sup>b/</sup>	12.4
Romania	10.9	8.4	12.6	10.8	18.1	10.4	9.1	18.3
USSR	7.6	6.7	6.2	7.3	7.2	1.8	4.0	6.5

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

<sup>a/</sup> Average annual change over preceding five-year period.

<sup>b/</sup> Approximate.

Table III-7. Centrally planned economies of Eastern Europe and USSR: growth of foreign trade value, by country group, 1966-1975 a/  
(Percentage)

Country and partner group	Average annual rate				Change from preceding year							
	1966-1970		1971-1975, planned		1971, actual		1972, actual		1973, Planned		1974, planned	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
<u>Bulgaria</u>												
Total . . . . .	11.2	8.4	10.5 <sup>b/</sup>	9.8	8.9	15.8	11.1	11.8	—	13.3	—	13.8
Centrally planned economies . . . .	12.0	10.5	—	10.5 <sup>c,d/</sup>	9.3	18.0	12.4	15.9	...	...	11.1 <sup>e/</sup>	12.9 <sup>e/</sup>
Developed market economies . . . .	6.6	-0.4*	—	8.2	5.2	3.2	7.6	0.8	...	...	19.2	17.7
Developing economies . . . .	15.3	17.9	—	11.2	12.8	28.5	5.8	-3.3	...	...	...	...
<u>Czechoslovakia</u>												
Total . . . . .	6.9	6.8	6.3-6.7		10.2	8.5	8.3	7.1	5.3 <sup>f/</sup>	15.3 <sup>f/</sup>	8.4	15.8
Centrally planned economies . . . .	5.9	6.3	7.4-7.8 <sup>d/</sup>		10.0	8.8	12.0	9.7	4.4 <sup>e/</sup>	11.5 <sup>e/</sup>	6.1	11.6
Developed market economies . . . .	11.5	10.6	—	4.3 <sup>e/</sup>	{ 8.0	10.9	3.5	0.8	7.7 <sup>e/</sup>	24.5 <sup>e/</sup>	{ 19.8	24.7
Developing economies . . . .	3.9	0.7*	—	—	{ 17.5	-2.7	-4.0	8.0	—	—	{ -3.0	22.7
<u>German Democratic Republic</u>												
Total . . . . .	8.6	10.5	...	...	10.8	2.3	12.2	9.7	...	...	9.4	19.6
Centrally planned economies . . . .	8.3	10.5	10-11		11.5	1.0	14.9	6.1	14.3	...	6.4	16.4
Developed market economies . . . .	9.7	11.0	...	...	9.7	6.6	9.4	23.2	...	...	18.5	25.2
Developing economies . . . .	7.3	8.5	...	...	7.0	-3.1	-10.6	-22.4	...	...	14.4	28.4
<u>Hungary</u>												
Total . . . . .	8.9	9.4	—	7.0-8.5	7.9	19.3	21.2	-2.9	—	7-8	—	18.1
Centrally planned economies . . . .	8.0	9.2	—	10.9 <sup>e/</sup>	12.7	20.7	22.3	-3.1	...	...	15.7	4.9
Developed market economies . . . .	12.3	10.8	—	1.6 <sup>c/</sup>	{ -0.6	23.2	21.8	-2.5	...	...	26.1	16.5
Developing economies . . . .	5.0	5.4*	—	—	{ 0.0	-5.2	6.8	-1.6	...	...	10-13 <sup>e/</sup>	10-13 <sup>e/</sup>

Table III-7 (continued)

Country and partner group	Average annual rate				Change from preceding year							
	1966-1970		1971-1975, planned		1971, actual		1972, actual		1973, Planned		1974, planned	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Poland												
Total . . . . .	10.3	8.9	9.2	9.8	9.2	11.9	17.1	21.4	12.9	20.1	17.9	33.2
Centrally planned economies . . . .	11.4	10.2	8.8 <sup>c</sup>	7.6 <sup>c</sup>	7.3	8.9	18.2	10.2	...	...	12.7	12.5
Developed market economies . . . .	8.5	8.6	10.0	13.9	{ 15.5	20.1	18.7	49.0	...	...	30.9	68.0
Developing economies . . . .	8.3	0.3*	{ (-0.5		{ (-0.5	7.8	-0.3	6.0	...	...	-3.4	2.4
Romania												
Total . . . . .	10.8	12.5	—	10-11	—	13.5	14.0	14.7	25.7	15.4	29.2	20.4
Centrally planned economies . . . .	7.2	9.0	...	...	...	9.9	5.8	10.3	24.5 <sup>e</sup>	16.2 <sup>e</sup>	...	...
Developed market economies . . . .	15.8	16.2	...	...	21.6	8.8	12.8	18.0	27.1 <sup>e</sup>	14.5 <sup>e</sup>	{ ...	{ ...
Developing economies . . . .	19.4	14.7	...	...	4.8	8.8	22.2	26.6	...	...	{ ...	{ ...
USSR												
Total . . . . .	9.5	8.3	—	5.9-6.2	—	7.9	6.4	18.4	—	7.9	24.1	16.5
Centrally planned economies . . . .	8.5	7.1	—	8.5 <sup>d</sup>	—	8.5	10.3	17.7	...	...	—	7.4
Developed market economies . . . .	10.0	11.4	{ 13.5		{ 13.5	3.2	-2.0	30.5	...	...	—	39.1
Developing economies . . . .	11.6	7.7	{ -2.0-2.6 <sup>e</sup>		{ 0.5	-3.2	8.0	-0.7	...	...	—	39.3

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

\* See foot-note a/.

a/ Trade partner grouping, unless otherwise specified, follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)). Average annual rates for 1966-1970 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).

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 of the classification system referred to in foot-note a/, but excluding Yugoslavia and Cuba.

## Chapter IV

### RECENT ECONOMIC TRENDS IN THE DEVELOPING COUNTRIES

A marked recovery in agriculture and an unprecedented boom in foreign trade raised the over-all rate of economic growth of the developing countries sharply in 1973, bringing the average for the 1970s back to the annual 6 per cent rate that had characterized the closing years of the 1960s. Though the widespread nature of the primary commodity boom ensured that most countries improved their terms of trade, there were some notable exceptions, particularly among the exporters of jute and tea and some of the mineral ores. Moreover, countries with sizable food deficits were hard hit by the steep rise in cereal prices. The even steeper rise in petroleum prices later in the year posed another serious threat to the external balance of a number of developing countries. More generally, the rapid increase in all import prices magnified very greatly the task of maintaining internal equilibrium. Thus, although most developing countries entered 1974 with their agriculture and industry in better shape than a year earlier and with appreciably higher international reserves, the radical change in price relationships had added some grave short-term difficulties to their many longer-trend development problems.

#### The production and use of resources

Total crop production was significantly greater in 1973 than in 1972 and there was a notable acceleration of industrial production. Together with a remarkable upsurge in foreign trade, this resulted in a sharp recovery in the rate of growth in total output, which had receded in 1971 and 1972 from the high average achieved in the last few years of the 1960s. Preliminary estimates indicate that the over-all production of goods and services in the developing countries increased by over 7 per cent between 1972 and 1973. The acceleration was widespread: the most notable gain was in southern and south-eastern Asia, where the 1973 expansion was almost three times the figure to which crop failures had reduced the rate of economic growth in 1972, but there were also advances from the much higher rates that had been achieved in 1972 in West Asia and the western hemisphere. Only in Africa, where 1973 was a very poor agricultural year, was there a reduction in the over-all rate of growth (see table IV-1).

#### Agricultural production

One of the main factors underlying these changes in over-all economic performance was the swing in agriculture. The most important element in this was a recovery in southern and south-eastern Asia where crop failures had been widespread in 1972. Very few countries in the region suffered a further decline in agricultural production - the Khmer Republic and Sri Lanka being the chief exceptions - and some registered a notable increase: Thailand had an excellent rice crop and the 1972 setback was more than made good in Indonesia and the Philippines, India regained the 1971 level of output, and Bangladesh, Burma and Pakistan recovered from two poor agricultural years (see table IV-2).

The developing countries of the western hemisphere also had a generally satisfactory agricultural year in 1973. The Central American area recovered the ground lost in the 1972 drought; except for Chile, the Andean countries also had a better outturn; after two poor years, Argentina registered a sizable increase and Brazil continued to expand its agricultural production. The weakest area in 1973 was the Caribbean group of Guyana, Jamaica and Trinidad and Tobago where the 1972/73 sugar and rice crops were both down.

West Asia was on a different agricultural cycle from that of the other regions in this period: the upswing was in 1972, and 1973 saw a large and widespread reduction in crops. In Africa the small gain that had been scored in 1972 was reversed in 1973. Drought caused a sharp reduction in output in Southern Rhodesia and Zambia, where the 1972/73 maize crop was a very small one, and also in Morocco, and in Algeria which suffered its third successive decline in agricultural production. The 1972/73 cotton crop in the Sudan was also reduced by adverse weather. In human terms, however, the most serious situation was that of the areas bordering on the southern Sahara where, after several years of below-average rainfall, famine conditions developed in 1972 and continued into 1973. More localized crop failures also occurred in other countries, most notably in Ethiopia where critical food shortages also emerged. Despite a major international relief effort, these areas were the scene of many deaths and much suffering; and one of the results was the opening up of a far-reaching debate on the most appropriate development strategy for places with agriculturally fragile soils and erratic climate.

The swing in food production between 1971 and 1973 was somewhat less than that in total agricultural production in Africa, somewhat greater in the western hemisphere. In the aggregate, for the developing countries as a whole, the output of food-stuffs, which had fallen by rather more than 2 per cent between 1971 and 1972, rebounded by rather more than 6 per cent between 1972 and 1973.

#### Industrial production

In the wake of this increase in supplies and a rapid growth in demand, abroad as well as at home, the output of the food industry rose by about 15 per cent - twice the rate registered in the previous year. There was also a sharp increase in activity in the textile and clothing industries and in other light manufacturing. Activity in heavy industry also accelerated: the growth in output, which dropped below 10 per cent a year in the early 1970s, rose to 11 per cent in 1972 and 12 per cent in 1973. Preliminary data for the first three quarters of the year suggest that total industrial production may have increased by as much as 11 per cent between 1972 and 1973, appreciably more than in the earlier years of the decade (see table IV-3).

In the western hemisphere the most vigorous industrial growth was in Brazil (14 per cent) and Mexico (8 per cent), where steel production rose by around 10 per cent and cement production by 19 per cent and 13 per cent, respectively. Motor vehicle production also continued its vigorous expansion in Brazil. A more modest rate of expansion - around 7 per cent - was recorded in Argentina, Colombia, Peru and Venezuela. The most disappointing performance was in Chile where labour strikes and civil unrest caused a reduction in the output of many industries.

In Asia, the pace was set by the Republic of Korea where industrial production increased by 36 per cent: steel production doubled to over a million tons, motor vehicle assembly rose by over 50 per cent to 25,000 and cement production increased by a fourth to over 8 million tons. Somewhat lower rates were achieved by Iran (16 per cent), Malaysia (15 per cent), Pakistan (18 per cent), the Philippines (10 per cent) and Singapore (14 per cent). The number of motor vehicles assembled reached new peaks in Malaysia (up 55 per cent on 1972) and in the Philippines (up 19 per cent) where the output of cement increased by 45 per cent to over 4 million tons. There was also a major expansion (of about a third) in vehicle assembly in Iran. The lagging country was India where various shortages and bottle-necks prevented any significant expansion: though there was a 6 per cent increase in motor vehicle production, the output of steel and cement was about 5 per cent below the 1972 level, and even electricity production was down 2 per cent.

In Africa, the poor agricultural outturn adversely affected industrial activity: the highest rates of increase in manufacturing production were achieved in Southern Rhodesia (10 per cent) and Kenya and Zambia (around 8 per cent); elsewhere only small gains are reported - around 3 per cent in Tunisia, for example, where cement production dropped below the 1971 and 1972 level though electricity production increased and the number of motor vehicles assembled rose by about an eighth to over 2,000. In Egypt, where cement production declined for the second year in a row, vehicle assembly remained at its 1972 level of just over 8,000. The only African countries to register a major increase in cement production were Angola, Malawi and Mozambique.

#### Over-all growth

This wide range of performance in respect of agriculture and industry is reflected in the distribution of over-all growth rates between 1972 and 1973 (see table IV-4). About a fourth of the 92 developing countries for which estimates can be made registered rates of increase in total production of less than 3 per cent. For most of these countries, 1972/73 was a bad agricultural year. On the whole they were among the smaller and poorer of the developing countries: they accounted for about an eighth of the population and the income of the group. They included a number of larger countries, however - notably Egypt (where the increase in output just kept pace with the increase in population) and Ethiopia and Morocco (where unfavourable weather was the major factor holding down production). They also included some of the higher-income countries, notably Bahrain and Kuwait (where production was restrained as a matter of policy), Chile (where, as indicated above, civil strife interfered with production) and Sri Lanka (where agricultural difficulties aggravated shortages of various imported inputs).

At the other end of the spectrum, another fourth of the developing countries achieved rates of growth in excess of 8 per cent in 1973. This group accounted for about 18 per cent of the total developing country population and about 30 per cent of the total income. It contained several of the major petroleum producers whose 1973 output, despite cuts at the end of the year, was well above the 1972 level. It also contained some of the countries that experienced particularly vigorous industrial growth in 1973 (Brazil, Hong Kong, the Republic of Korea and Singapore), some that enjoyed a sharp turn-around in agricultural production (Botswana, Lesotho, Mauritius and Thailand) and some in which both industry and agriculture expanded strongly in 1973 (Malaysia and the Philippines).

Countries accounting for almost 60 per cent of the combined developing country population and almost 40 per cent of total income were in the group whose production rose by between 6 and 8 per cent in 1973. This group included the major Asian countries - Bangladesh, India, Indonesia and Pakistan - all of which benefited from better harvests in 1973; Colombia, which achieved a slight acceleration in growth and Mexico, which, after its 1971 set-back, regained the rhythm it established in the 1960s, were also in this group. Algeria, which recovered from its 1971 set-back in 1972, registered a near 7 per cent expansion in 1973 despite poor 1972/73 crops, benefiting from the expansion of its petroleum and associated industries. Zaire, the other large African country in this group, also gained from a vigorous minerals industry though, in this case, a better agricultural performance helped to raise the over-all rate of economic growth well above the longer-term average.

Countries in the intermediate category with growth rates between 3 and 6 per cent in 1973 were mostly small: they numbered 35 per cent of the total but accounted for only 14 per cent of developing country population and 20 per cent of developing country income. The group included Burma where the better rice crop helped to restore the longer-term rate of growth as well as Argentina which also gained from an improvement in agriculture. Several African countries were also in this group, the largest being Nigeria where a poor agricultural performance held down the over-all rate of increase in production. Agricultural difficulties also had an inhibiting effect in the Ivory Coast and the United Republic of Tanzania where the 1973 increase in the gross product was appreciably below the long-run average. Despite its poor 1972/73 cotton crop, the Sudan's over-all growth was well above its low long-run rate; in Ghana, on the other hand, small crops in both 1972 and 1973 kept economic growth down to little above the rate of population increase.

#### The use of resources

Though no firm data are available, the nature of the changes in production and developments in international trade in 1973 suggest that the increment in domestic output went largely into consumption. A sizable fraction of it, however, went abroad, and because of the improvement that had taken place in the terms of trade this permitted not only a significant increase in imports but also a large accumulation of foreign exchange. The increase in imports provided the physical means for an expansion in fixed investment.

About 60 per cent of the developing countries increased their food production in 1973 - 20 per cent in West Asia, 45 per cent in Africa, 75 per cent in the western hemisphere and 85 per cent in southern and south-eastern Asia. The reductions in per capita output that had occurred in 1972 were made good in the western hemisphere and southern and south-eastern Asia with gains of 4 per cent and 7 per cent, respectively. Though some of this increase went into exports - maize from Argentina, for example, sugar from Brazil and the Dominican Republic, and rice from Thailand - the overwhelming bulk was available for domestic consumption. <sup>1/</sup> In West Asia there was a 5 per cent reduction in food output, but its impact on consumption was softened by the large inventories that were on hand from the generous 1972 harvest (up almost 11 per cent from 1971).

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<sup>1/</sup> It should be noted that coffee and tea are not included among the food-stuffs whose output is measured by the index used in table IV-2.

Only in Africa was the over-all supply of domestically produced food lower - in 1973 than in 1972: in three fourths of the countries in the region per capita production of food-stuffs was down in 1973 and in Algeria and Sierra Leone as well as Mali and the Niger and the Sahelian belt the decline in 1973 followed one in 1972; indeed for the continent as a whole per capita output declined by 2 per cent in 1972 and 4 per cent in 1973. Not only did a majority of African countries (16 out of 30) experience a reduction in food output in 1973 but the longer-run performance was also unsatisfactory: a somewhat larger majority (18 out of 30) entered the 1970s with per capita food production below the level of 10 years earlier 2/ (see table IV-5).

The increased production also went into exports. Though there was little if any increase in the quantum of exports from Africa and only a modest (2 per cent) expansion in the volume shipped from the developing countries of the western hemisphere, the Asian countries exported much more than in 1972. Petroleum shipments from West Asia were up about a fourth and from southern and south-eastern Asia there were major increases in exports of wood and wood products, rubber, mineral ores and, above all, a considerable range of manufactured goods. The resultant 15 per cent expansion in Asian exports raised the over-all increase in the quantum of developing country exports to about 8 per cent.

As a result of the primary commodity price boom, these exports earned a much greater increase in terms of external purchasing power. Between the last quarter of 1972 and the last quarter of 1973, food-stuffs exported by the developing countries increased by about 46 per cent in price, agricultural raw materials by about 74 per cent and non-ferrous metals and other minerals by 84 per cent. A typical basket of developing country exports of basic commodities was thus being quoted at about 70 per cent more at the end of 1973 than at the beginning. During this period the average unit value of manufactured goods exported by the developed market economies rose about 21 per cent. The terms of exchange between primary products and manufactures thus improved rapidly in the course of the year (see table IV-6).

In terms of current dollars only one developing country in 11 earned less in 1973 than in 1972; seven out of 10 registered an increase of over 20 per cent and four out of 10 earned over 86 per cent more than in 1972 (see table IV-7). In the aggregate, export earnings were up 44 per cent - 33 per cent in the case of Africa, 37 per cent in the western hemisphere, 50 per cent in southern and south-eastern Asia and 52 per cent in West Asia. These were over twice the proportional increases registered in the previous interval, and in absolute terms the gains were even larger (see table IV-8).

This unprecedented upsurge in export earnings in 1972 and 1973 tended to leave imports far behind and there was thus a massive accumulation of foreign exchange. Official reserves increased by \$5 billion in 1971, \$8.2 billion in 1972 and \$11.5 billion in 1973 and there were also large increments in the foreign assets of

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2/ As the countries for which adequate information is not available include some of the smallest and poorest - several in the Sahel, for example - the African food situation is probably even bleaker than these figures suggest.

commercial banks in many developing countries. Nevertheless, there was a notable upswing in imports, too - from an expansion of 11 per cent in 1972 to one of about three times that figure in 1973 (measured in current dollars c.i.f.). Indeed, in 1973 the increase in imports into southern and south-eastern Asia (\$10.5 billion) fully absorbed the increment in export earnings, and there was a major expansion in the purchases of the developing countries in the western hemisphere (\$6.4 billion), Africa (\$4.2 billion) and West Asia (\$3.6 billion).

This expansion was widespread: only one in nine of the developing countries reduced its imports in 1973 while three fourths increased their imports by more than 10 per cent, two thirds by more than 20 per cent and over a fifth by more than 40 per cent. In only a fourth of the developing countries was the rate of increase in imports between 1972 and 1973 less than that recorded in the previous interval. This corresponds very closely to the pattern of change in exports: rather less than a fourth of the developing countries experienced a deceleration in the growth of export earnings in 1973.

Much of this extra expenditure was necessary to meet the rise in price of major categories of imports - cereals were up 79 per cent between 1972 and 1973, for example, petroleum 36 per cent and manufactured goods by an average of 15 per cent. These price increases sharply reduced the volume of imports obtainable for a given outlay. Despite this, however, the increase in the developing countries intake of imports was one of the largest on record - over 11 per cent, or four times the increase of the preceding year. The expansion was greatest in the case of the Asian countries: West Asia absorbed about 14 per cent more than in 1972 and southern and south-eastern Asia about 17 per cent more. The increase in the quantum of imports into the developing countries of Africa was about 9 per cent and into those of the western hemisphere about 8 per cent.

Although no precise data are available regarding the composition of those imports, the pattern is likely to reflect very largely the influence of earlier policy, modified by the exigencies of the moment. Among the latter was the movement of extra food-stuffs to the countries in Africa and southern and south-eastern Asia that had suffered crop failures in 1972 and, later in the year, the movement of military and related equipment to West Asia. For the great majority of developing countries, however, established import policies prevailed and these tended to be those formulated in times of greater foreign exchange stringency, when priority was assigned to the acquisition of fuels and raw materials not obtainable locally and of plant and equipment and other capital goods required for industrialization and similar development purposes. That the bulk of the sizable increase in imports in 1973 is likely thus to have gone into the investment process tends to be confirmed by the available data of partner countries.

Exports of capital goods to the developing countries from the 20 leading developed market economies increased from \$12.5 billion in the first half of 1972 to \$16.4 billion in the first half of 1973. Of the increment of \$3.9 billion - which was about half the over-all increase in this export flow - \$0.8 billion went to the developing countries of the western hemisphere, \$0.9 billion to Africa and \$2.1 billion to Asia. Over half the increase in the flow of capital goods to the

sian developing countries came from Japan whose exports - at \$2.5 billion in the first half of 1973 - were over 80 per cent above the corresponding 1972 level. In the aggregate this flow of capital goods increased by 42 per cent to the Asian developing countries, 29 per cent to Africa and 18 per cent to the western hemisphere (see table IV-9).

Allowing for the lag between the shipment of such goods and their ultimate incorporation into the investment process and the fact that - based on total exports of the developed market economies to the developing countries - both total value and unit value were rising rapidly during 1973, it seems probable that the quantum of imported capital goods at the disposal of the developing countries in 1973 was about an eighth greater than in 1972. The estimated increase ranges from about 5 per cent in the case of the western hemisphere and rather more than 10 per cent in Africa to over a fifth in the developing countries of Asia.

#### The state of internal balance

Because of the pressure on resources that the process of economic development inevitably involves - aiming, as it does, at simultaneously raising levels of living and extending the productive capacity of the economy - most developing countries live in a constant state of potential inflation. This is moderated when more goods become available - from new discoveries or higher productivity at home or from purchases or gifts from abroad - and, correspondingly, aggravated when the flow of goods slackens or the flow of money incomes quickens. In the period under review the forces influencing the state of internal balance were not only all active but also of unusual intensity. Thus most developing countries found it extremely difficult to maintain economic stability and, as in the developed market economies, these difficulties were reflected in extraordinary price increases. The shortages were not always confined to goods; many skills were scarcer than usual relative to the enhanced demand and in some of the more rapidly industrializing developing countries as 1973 advanced even the less skilled types of labour were becoming difficult to obtain, even though large-scale underemployment still characterized most of these economies.

One source of imbalance was the shortage of food, carried over from 1972 in some countries (in southern and south-eastern Asia, for example) or stemming from 1973 crop failures in others, as in parts of Africa. But the price of food-stuffs rose more than that of most other items in the consumer basket even in countries that experienced no particular agricultural problem in 1973. This reflects world-wide rather than local conditions: as indicated in chapter I, the price index of food-stuffs entering international trade rose appreciably more than that of the other primary commodities.

Nor was the source of higher prices confined to imports of primary commodities. As pointed out in the previous section, the average price of manufactured goods entering international trade in 1973 rose in the course of the year from about 7 per cent above the corresponding 1972 figure in the first quarter to 21 per cent above in the last; and for 1973 as a whole it was 15 per cent above the 1972 level in dollar terms. For many of the smaller countries, indeed, the main source of changes in the local cost of living in 1973 was the inflow of higher-priced imports.

The export boom was also a destabilizing influence in many developing countries. In a number of cases Governments felt impelled to curtail or even prohibit exports of particular commodities in order to protect domestic supplies. And in most countries the rapid upswing in commodity prices greatly increased the liquidity of the export sector: in three fourths of the developing countries in 1972 and again in 1973 changes in foreign assets exerted a positive influence on the local money supply and in a third of those cases this was the principal cause of monetary expansion.

The increase in economic activity in 1973 - especially the upswing in investment - was accompanied by a significant acceleration in the supply of money in half the developing countries and the continuance of the 1971-1972 rate of expansion in another fifth. In three fourths of the countries the increase during 1973 (that is, between the end of 1972 and the end of 1973) exceeded 15 per cent and in one fourth it exceeded 30 per cent (see table IV-10).

Reflecting the relative importance of the increase in exports and investment, the growth of private credit played a larger role in this monetary expansion in 1973 than in 1972: it was the principal factor in 62 per cent of the developing countries in 1973 compared with less than 44 per cent in 1972. Governments began to adopt a more restraining posture: though the proportion of countries in which they exercised a contractionary influence in their dealings with the banking system was much the same in 1973 as in 1972 - about a fourth of the total - the proportion in which they were the leading source of expansion dropped from a fourth to an eighth (see table IV-11).

In most cases the increased pressure on resources was reflected in movements in the price level; in some places, however, market signals were weak or absent as, for example, in the drought areas of the Sahelian belt and of Ethiopia as well as in parts of India where food shortages were acute. In Sri Lanka, changes in subsidies and rations masked the impact of rice shortages on the price level; food was also subsidized in Venezuela, and Sierra Leone also introduced subsidies - of fuels as well as rice - while in a number of other countries price controls or tax adjustments tended to reduce the sensitivity of the cost of living index to changes in the state of balance on the market for consumer goods. Despite the weaknesses of such price indices, however, they moved more rapidly in 1973 than in any recent year in almost all the developing countries, signalling both internal inflation and the extraordinary rise in the cost of imports.

As in the developed market economies, the rise in food prices after mid-1972 exerted a strong upward pressure on the over-all level of consumer prices in most developing countries. In 1973 there were four developing countries in which food prices advanced ahead of other retail prices for every one in which food prices lagged. Most of the latter were African countries with large subsistence sectors or as in the case of Egypt, an improvement in food supplies in 1973; but they also included Argentina, Honduras and Iran - which also had better food harvests in 1973, as well as a more satisfactory longer-run agricultural record.

In Indonesia, the poor rice crop in late 1972 led to a rapid rise of food prices in the cities in 1973 and this pulled up the over-all consumer price index by 27 per cent in the course of the year. The poor 1972 agricultural outturn caused extensive difficulties in India, too, and although 1973 food crops were much better the low level of stocks and serious distribution problems resulted in many localized

shortages - especially in the dry states of Maharashtra and Mysore - and an average rise in food prices of 27 per cent. In Sri Lanka, the farmers' paddy price was raised from Rs 14 to Rs 25 in the course of 1973 in an effort to stimulate local production; supplies remained short, however, and both the ration and the subsidy were cut, thus contributing to a 20 per cent increase in the food price index.

Poor 1973 crops were largely responsible for an acceleration in the rise of food prices in Ethiopia, Malawi, Morocco and Zambia as well as in Jordan and Lebanon and, even more, in Guyana, the Khmer Republic and Sierra Leone. But in many of the food deficit countries it was the rapid rise in world market prices that added most to the increase in the cost of food-stuffs to the local consumer, and made the food component the most volatile in the retail price index.

The high international prices also stimulated exports and in order to protect domestic supplies of essential food-stuffs many Governments imposed controls over foreign sales. Meat exports were restricted in a number of Latin American countries including Brazil (where restraints were also placed on maize and cotton), Bolivia (where in August the shipment of most of the basic food items was prohibited), Costa Rica, the Dominican Republic (where banana exports were also restricted) and Guatemala (where the quota for beef exports was reduced by 25 per cent and a licensing system established for other food exports). In Morocco, after a sharp acceleration in prices in September, the export of vegetables was suspended.

On a year-to-year basis, the rise in consumer prices accelerated in over 70 per cent of the developing countries in 1973. In about a sixth of the countries, the increase between 1972 and 1973 was much the same as that between 1971 and 1972 (see table IV-12). In only an eighth of the countries was there some material slowing down in the rate of increase - in most cases as a result of an improvement in supplies, either from imports, as in the case of Ghana and Nigeria, or from local production as well as imports, as in the case of Brazil, the Philippines and the Republic of Korea.

However, in a year in which the average rise in consumer prices in the developed market economies was 7.7 per cent, it is perhaps surprising that as many as 40 per cent of the developing countries had price increases of less than that and over half registered an increase of less than 10 per cent between 1972 and 1973. As in the case of the developed market economies, prices rose faster during 1973 than between 1972 and 1973: in only a sixth of the developing countries was the increase in the course of the year less than between the years.

In a majority of the developing countries, the acceleration in price movement between 1972 and 1973 followed a similar - though usually more moderate - acceleration between 1971 and 1972. The 1970s have thus seen a marked deterioration in price stability in many countries: in 1973 double figure increases were recorded in a number of places where prices had been fairly stable at the beginning of the decade - in Liberia, Mauritius, the Niger, Somalia and the United Republic of Cameroon in Africa, for example, in the Dominican Republic, Guatemala, Mexico and Paraguay in the western hemisphere, and in Hong Kong, India, Iran, Jordan, Malaysia, Nepal, Sri Lanka and Thailand in Asia.

As implied above, the poor performance of local agriculture in 1972/73 combined with the rising cost of imported food-stuffs underlay the deterioration in most of these countries, especially where it was accompanied by sharply rising money incomes

in the booming export sector. In Mauritius, subsidies were introduced at the beginning of 1973 on imported rice and flour and in June import duties on various food items were reduced, compensating revenue being raised from higher income-tax rates and an export duty on sugar. The Dominican Republic - another country benefiting from higher sugar revenues - also took steps to stabilize food prices. This pattern was repeated in Guatemala, though in this case the Government resisted pressure to abolish the 30 per cent surcharge on duties on imports from outside Central America. In Paraguay, maximum prices were set for milk and beef, for which the increase had been particularly steep.

In Mexico, the situation was complicated by various shortages of raw material and, in some cases, of industrial capacity, and also by a tendency for the price increase to feed back rapidly through wages into costs. In July, a comprehensive anti-inflationary programme was introduced aimed not only at strengthening control over prices, limiting public sector expenditure and curbing the rise in credit but also at stimulating production - especially in agriculture - and liberalizing imports of various scarce inputs. Plans were laid for tripartite commissions - Government, employers and employees - to elaborate a longer-run incomes policy. Later in the year the credit base was further reduced (by the raising of the commercial banks' minimum reserve requirements) and producers of essential consumer goods undertook not to pass on increased labour costs during the first quarter of 1974. Though public spending remained under restraint, labour-intensive projects were given priority in the light of employment needs.

In Malaysia, claims on resources came from rural incomes that were rising rapidly in the wake of the export boom and from public sector expenditure that was expanding faster than total production. The price rise was given an additional impetus by the introduction of a sales tax in the 1972 budget and of a more selective import policy geared to the promotion of various local industries. The steepness of the price rise led the Government to take restraining action: in August credit conditions were tightened and some public projects deferred and in December a number of import and excise taxes were reduced or removed, taxes on land sales and on exports of lumber and other building materials were raised and - food prices having risen by over 30 per cent during the year - a new effort was inaugurated to achieve self-sufficiency in rice.

India has enjoyed less price stability than Malaysia in recent years, but here too the upsurge in 1973 - 24 per cent in the course of the year in the case of the consumer basket, 27 per cent for food - caused considerable concern. On the supply side, shortages were widespread, involving not only the agricultural products that suffered from the 1972 drought but also coal and power and many imported raw materials and components and hence of much of the output of local industry. On the demand side the Government deficit in 1972/73 proved to be over three times the budgeted figure. Severe credit restraints were placed on the commercial banks and in August a sizable cut was made in government spending on various social programmes. As the recovery in agriculture in 1973 did no more than put the country back on to its relatively modest longer-run growth trend, the need to increase production became more urgent. This seems to lie behind some apparent softening of official policy in respect of the activities of larger private firms and also in relations with foreign companies. New guidelines for the operation of foreign-owned enterprises were issued in December along with a draft of the fifth plan (1974/75-1978/79).

The retail price index in India accelerated to a 17 per cent increase between 1972 and 1973. This was the highest increase among those countries that had enjoyed a fair degree of stability in the period preceding the 1972/73 upsurge. But even sharper price increases and other signs of inflationary pressure characterized a number of other Asian and Latin American countries. These include some in which such pressure was a relatively new phenomenon (Haiti, Pakistan, Singapore and the Syrian Arab Republic, for example), some in which it has been a more or less continuous feature of the economy (Argentina, Chile and Uruguay), some in which it represents a retrogression after a period of comparative stability (as in the case of Bolivia, Colombia and Indonesia) and some in which, after major military disruption, internal economic balance has not yet been fully restored (the Khmer Republic, Laos, the Republic of Viet-Nam and Bangladesh).

In Singapore, with its very exposed economy, the impact of the commodity boom was particularly severe: various shortages developed, even though outside the construction sector the vigorous expansion of recent years slowed down in 1973. The rapid rise in land prices (and rentals) led the Government to restrict the acquisition of real estate by non-citizens. Wage rates were raised by 8 per cent in 1972/73 and 9 per cent in 1973/74: these were high increases by earlier standards but modest in the light of the 1973 price rise and in view of the efforts being made to increase the supply of skilled labour.

In Indonesia, where the hyper-inflation of the 1960s had been brought under control by the beginning of the 1970s, prices began rising rapidly again in 1973. As indicated above, the acceleration was set off by a shortage of rice from the poor 1972 crop and it was accentuated subsequently by the increase in import prices (particularly textiles) and in some of the export commodities that were in wide domestic demand (such as vegetable oils). Many of these price increases benefited the farm sector but were the source of hardship and unrest in the major urban areas. Large increases were made in the generally low wages and salaries of government employees; as revenue was extremely buoyant this posed no immediate fiscal problem. Labour-intensive export industries expanded rapidly but restrictions were placed on foreign investment in industries -- including beverages, soap, cosmetics, retail distribution and all defence-related activities -- in which smaller-scale indigenous producers were unduly threatened. Such producers, as well as farmers producing for export, were being assisted by favourable credit arrangements, but these were tightened towards the end of the year as the inflation intensified.

The course of retail price movements in Indonesia -- year-to-year increases of 4 per cent, 7 per cent and 31 per cent in the 1970s -- was paralleled in Bolivia. There was a similar, though less rapid, acceleration in Colombia where, partly as a result of a 10 per cent reduction in government expenditure, the rate of increase in price levelled off in the second half of the year. A similar deceleration was achieved in Argentina where the rise in prices in the early years of the decade had been much steeper -- 60 per cent a year in 1972 and 1973. Here, a dual programme was inaugurated in May: on the one hand, a system of multiple exchange rates was adopted in order to insulate the Argentine economy from external price increases and, on the other hand, tripartite agreement was obtained (involving the Government and the major confederations of business concerns and trade unions) to a "Social Commitment Act" embodying a stable relationship between prices and incomes. Being a major exporter of food-stuffs and

virtually self-sufficient in petroleum, Argentina enjoyed a significant improvement in its terms of trade in 1973. This was instrumental in financing additional imports which helped to improve the state of internal balance in the face of large-scale government borrowing from the central bank to meet an excess of expenditure over revenue almost three times the budgeted estimate and four times the 1972 deficit.

The two most inflationary economies in Latin America in 1973 were Uruguay where the retail price level was just about double the 1972 average and Chile where it was four times as high. In both cases the difficulties stemmed from flagging production and heavy government spending. The production record was particularly poor in Chile where strikes and civil disruption affected every sector, while between mid-1972 and mid-1973 the volume of currency in circulation more than trebled.

In Brazil, by contrast, 1973 was another year of surging production while the Government kept a tight rein on expenditure. The consumer price index, rising by 14 per cent in the course of the year, continued to decelerate from the high rates of increase registered in the 1960s. Nevertheless, there were many signs of strain in the economy. Some stemmed from the rise in liquidity associated with the booming export sector and the continued inflow of capital. Some originated in the upswing in import prices, especially those of wheat and petroleum, two major imports. Others reflect strains on production capacity: several industries began working three shifts a day, but many types of skill became scarce and, despite a sharp increase in wages, even less skilled labour was in short supply in the industrial centres. Spot shortages developed in a number of intermediate products, including steel and non-ferrous metals, cement and other construction materials, cotton and various industrial components, as well as in some consumer goods, notably meat. It became clear as the year advanced that in order to maintain the high growth rate of recent years, a considerable expansion of productive capacity would be required, and that this would require further increase in the investment ratio.

In 1973 the rise in consumer prices in Brazil was, for the first time, below the regional average. Weighted by 1970 private consumption, the increase in the developing countries of the Western hemisphere was about 44 per cent, compared with 25 per cent in Asia and 11 per cent in Africa. On a year-to-year basis the price increase for the developing countries as a whole had accelerated from 10 per cent in 1971 and 14 per cent in 1972 to 24 per cent in 1973.

#### The state of external balance

The commodity boom of 1972-1973 and the consequent improvement in their terms of trade effected a considerable strengthening of the external balance of the developing countries. The associated increase in their international reserves was not only of record size but also very widely distributed. This cushion will probably be called on to play an important role in the period immediately ahead when the deceleration in growth in the developed market economies and an increase in the supply of many commodities seem likely to combine to reverse the movement in relative prices. The impact of this probable weakening of demand and prices will be accentuated by the steep rise in the cost of petroleum, which is a major import of many developing countries, and by a further increase in the burden of servicing external debt.

## Changes in the balance of trade

With export earnings rising faster than imports, the trade deficit that characterized the developing countries in the 1960s (and most of the 1950s) narrowed in the early 1970s and swung into surplus in 1972. And in 1973, with exports up by almost 44 per cent and imports by about 32 per cent, the surplus (valuing exports f.o.b. and imports c.i.f.) widened to nearly \$11 billion or about a tenth of gross exports.

From the preliminary data available for 80 developing countries, it would appear that a majority of them either increased their trade surplus (35 per cent of the total) or reduced their deficit (18 per cent). The largest absolute changes, however, were registered by the major exporters of petroleum: the surplus of Saudi Arabia increased by \$3.2 billion, Iran by \$1.9 billion, Venezuela by \$1.1 billion, Nigeria by \$0.9 billion, the Libyan Arab Republic, \$0.8 billion, and Iraq by \$0.7 billion. In the aggregate, the petroleum exporters raised their trade surplus by about \$9 billion to over \$21 billion, while in the rest of the developing countries the combined deficit, which had been reduced by \$2 billion in 1972, expanded by about \$1.3 billion in 1973 (see table IV-13).

Apart from the petroleum exporters, the countries that improved their trade balance in 1973 included a number of food exporters (such as Argentina, Madagascar and Thailand), coffee exporters (Angola, Brazil, Colombia, Costa Rica, Ethiopia, Guatemala, Kenya), cocoa exporters (Ghana, the Ivory Coast, Togo, United Republic of Cameroon), cotton exporters (Egypt, Paraguay, the Syrian Arab Republic), rubber exporters (Liberia and Malaysia) and copper exporters (Chile, Papua-New Guinea, Zambia). In most cases the improvement in the balance was the result of a rise in export earnings, often in the face of a considerable expansion in imports. In a few countries, however, the balance benefited from a reduction in imports: in Burma and Burundi this was the main factor; in Madagascar, Rwanda, Trinidad and Tobago, Uganda and Zambia it accentuated the result of an increase in exports.

In almost all the countries in which the trade deficit increased in 1973, a rapid rise in imports was responsible. In Senegal and Somalia, poor crops reduced export availabilities, though in these countries, too, the main reason for the widening of the deficit was a large expansion in imports.

Rather more than a third of the developing countries had an active trade balance in 1973. About a third of these were petroleum exporters: the rest were widely distributed both by region and in terms of export composition, reflecting the fact that almost all primary commodities participated in the upsurge in price. Even India and Sri Lanka - countries whose leading exports, jute and tea, were among the few lagging commodities - achieved a sizable increase of around a fourth in export earnings. The increase in their deficits resulted from an even larger increase - about one third - in imports.

The increase in the export earnings of India and Sri Lanka reflects gains from secondary items. To some extent these gains were the result of price increases - as in the case of sugar from India, for example, and rubber and copra from Sri Lanka - but they stemmed from export diversification: India shipped a wider range of manufactured products and Sri Lanka earned more from gem stones and frozen sea food. This pattern was widespread among the developing countries:

minor or "non-traditional" exports became greater earners of foreign exchange, either because of international price movements or because of official incentive policies that made it more profitable to sell such goods abroad.

In the aggregate, the trade surplus of the developing countries increased from about 4 per cent of total export earnings to about 10 per cent. In Africa and West Asia, there was an increase in the surplus - from 7 per cent to 9 per cent in the former and from 48 per cent to 53 per cent in the latter. In the Western hemisphere and southern and south-eastern Asia, there was a reduction in the deficit - from 16 per cent to 7 per cent of total exports in the former and from 20 per cent to 14 per cent in the latter. For the developing countries other than the major petroleum exporters the proportion of total imports that had to be paid for by means other than the earnings of exports declined from a fifth in 1972 to a sixth in 1973.

#### Changes in other current account flows

Many of the developing countries that had a passive trade balance in 1973 achieved a current account surplus by virtue of an expansion in other receipts. The buoyancy of economic activity in the developed market economies, for example, was reflected in a sharp increase in the remittances of migrant workers. This was of greatest significance in some of the countries of northern and southern Africa but it was also in evidence in some of the Caribbean and Central American countries and even in parts of Asia. Some countries - Sri Lanka, for example - attempted to tap some of the earnings of their expatriate nationals that might not otherwise be remitted.

Tourist receipts were also substantially higher in many countries. North Africa and the Caribbean-Central American area were again among the principal beneficiaries of this flow, but increases were reported by many other African countries and also by a number in south-eastern Asia. In the Philippines, for example, tourist accommodation was under strain at times and earnings were a third higher than in 1972. In Thailand, the number of visitors is reported to have exceeded 1 million for the first time and their expenditure was greater than the year's earnings from rice exports.

There was also an expansion of tourism in Singapore but here the main development was in the further strengthening of the country's role as a financial centre. More foreign banks were permitted to set up branches and engage in "off-shore" operations and 10 of the established institutions were encouraged to issue certificates of deposit denominated in Singapore currency. Banking activity also increased in volume in Kuwait and Lebanon as a result of the upsurge in petroleum receipts in the region. But political and military developments tended to keep tourists away from the Middle East and several countries reported reduced receipts from this source.

Another current account flow that increased considerably between 1972 and 1973 was the payment of investment income. This rise is related to the foreign ownership of some of the export industries in the developing countries and their participation in the general upsurge in earnings. According to the reports of the 32 developing countries that had submitted 1973 balance-of-payments statements to the International Monetary Fund by the end of April 1974, the amount paid out

in the form of interest and profits reached \$5.2 billion, 18 per cent above the 1972 figure. The largest increase came from Iran (out of its larger trade surplus) and there was a smaller increase from the Philippines (also in surplus in 1973). Other significant increases were from Brazil and Thailand (which had reduced their trade deficits in 1973) and from Honduras, Mexico and the Republic of Korea (whose trade deficits had widened in 1973). The only significant reductions in investment income payments in 1973 were from Madagascar, Malaysia and Trinidad and Tobago (see table IV-14).

That there was a major expansion in investment income is borne out by the balance-of-payments statements of some of the developed market economies. The United States, for example, reports a 45 per cent increase (from \$4.7 billion in 1972 to \$6.8 billion in 1973) in its receipts of direct private investment income (including branch earnings). The bulk of this \$2.1 billion rise came from Africa and Asia and presumably reflects the higher earnings of petroleum companies operating largely in countries for which current balance-of-payments data are not available.

#### Changes in official donations and capital movements

From the limited evidence available in April 1974, it appears that the flow of official donations to the developing countries was maintained in 1973 at more or less the 1972 level. Sharp reductions were reported by the Khmer Republic and the Republic of Viet-Nam (from \$0.7 billion to \$0.5 billion), but receipts of the other 30 reporting countries were little changed: increases in the case of Ecuador, Morocco and Nicaragua were almost sufficient to offset the effect on the total of decreases in the case of Ghana, Madagascar and the Republic of Korea. The bilateral flow of government grants from the United States was just over \$1.8 billion, about 5 per cent below the 1972 figure. The reduction was concentrated in the Asian region and reflects the decline in transfers to the Indo-China area.

The group of 32 reporting developing countries received a much larger inflow of direct investment in 1973: at \$1.9 billion it was a fourth higher than in 1972. The pattern of new investment inflow tended to conform to that of dividend outflow: the greatest increases were to Brazil and Mexico and, on a smaller scale, to the Republic of Korea, Jamaica, the Philippines and Ethiopia. The most notable exception was Iran which - in the face of a \$1.8 billion outflow of profit - reported only a nominal expansion in direct foreign investment inflows in 1973. Singapore was a major recipient of new investment, though the inflow was below the 1972 level. There was also a smaller net inflow of direct investment in the case of Malaysia and none at all into Madagascar, while Pakistan and Trinidad and Tobago reported a net repatriation of such foreign capital (see table IV-15).

Western Europe and Japan played a greater role in this flow of direct investment in 1973 than in 1972. The net outflow from the United States declined from \$1.50 billion to \$1.35 billion, a sharp increase in investment in Latin America from its low 1972 figure being more than offset by a reduction in investment in Africa and Asia and in the flow through multilateral channels.

Gross borrowing by the Governments of this group of countries increased marginally between 1972 and 1973 from just under to just over \$3.5 billion, but as repayments of previous loans were higher, the net increase in public

indebtedness was slightly less than the \$2.3 billion recorded in 1972. By far the largest net borrowing and the largest net increase compared with 1972 was that of Brazil which drew \$1.17 billion in new loans and repaid \$0.35 billion. On a much smaller scale there were also increases in the net borrowing of Burma, Jamaica and Nicaragua. The net borrowing of Pakistan and the Republic of Korea was at much the same high level as in 1972 - \$0.16 billion and \$0.23 billion, respectively. The other notable changes were all reductions from the 1972 level of net borrowing - by Iran (down to \$0.30 billion) and Colombia (down to \$0.12 billion) and on a smaller scale by Ecuador, Morocco and the Philippines.

The movement of private long-term capital was more volatile. After doubling between 1971 and 1972 the net inflow increased by only 10 per cent in 1973. This reflects offsetting changes. There was a major expansion in the flow of private funds to Mexico (which reached \$1.2 billion in 1973) but a reduction in the flow to most other Latin American countries, including Brazil, which nevertheless still absorbed the largest amount (almost \$1.3 billion in 1973). And there were similar contrary changes in the flow of private loans to Asia where increases to Iran, Pakistan and Singapore almost counterbalanced reductions to Malaysia, the Republic of Korea and Thailand whence there was a sizable net reflux.

Thus, the total net inflow of new capital into this group of countries, following a sharp (30 per cent) expansion in 1972 rose by a modest 8 per cent in 1973, approaching \$7 billion. The first three years of the 1970s have seen a steady amount of government borrowing (\$2.2 billion a year) accompanied by a steep rise in private flows, both for direct investment and, even more, in the form of long-term loans.

Part of the increase in private capital flows to the developing countries represents the results of more extensive operations on the Euro-currency market. The total of the publicly announced credits negotiated on this market by 13 of the 32 developing countries listed in table IV-14 reached \$3.7 billion in 1973. <sup>3/</sup> A similar sum was negotiated by 15 other developing countries for which no 1973 balance of payments data are yet available. These include Algeria (credits totalling \$1.35 billion), Peru (\$0.73 billion), Indonesia (\$0.48 billion), Zaire (\$0.29 billion), Panama (\$0.25 billion), Abu Dhabi (\$0.21 billion), Zambia (\$0.15 billion), and Dubai and Hong Kong (\$0.12 billion each). The list of countries using this market was lengthened further in the first quarter of 1974 when Egypt and the Sudan negotiated their first credits of this nature.

Though it is not known what proportion of all Euro-currency credits these publicized amounts represent or how the negotiated sums are actually drawn on, it is clear that this market has become a major source of funds for the developing countries. Though the term of these loans is short by development assistance standards (few have maturities beyond 15 years) it is within the range normally associated with conventional bank lending. And though interest rates are high against the background of recent history (they are often denominated in terms of a margin over an interbank lending rate, subject to periodic adjustment), they seem more moderate in relation to the rate at which prices have been rising in the period under review.

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<sup>3/</sup> As reported by the World Bank.

Since it is likely that much of the money flowing into the petroleum-exporting countries at a greatly accelerated pace in the immediate future will be deployed on the Euro-currency market, the remainder of the developing countries will almost certainly be obtaining a larger proportion of their external funds from this source. Despite its widening use, however, there are still many developing countries - especially among the smaller and less developed and hence less credit-worthy - that will not have access to it. Significance therefore attaches to the fact that in the recent borrowing by the Sudan, the loan was guaranteed by the Saudi Arabian Monetary Authority. A guarantee system of this nature would ensure that the recycling function that the Euro-currency market is expected to perform does not unnecessarily exclude some of the weaker developing countries.

#### Changes in international reserves

The first three years of the 1970s have seen a rapid upswing in the international liquidity of the developing countries and, as a result of the great expansion in export earnings, 1973 brought an acceleration in this process. In terms of United States dollars, the combined reserves of the developing countries increased by \$5.0 billion in 1971, \$8.7 billion in 1972 and \$11.6 billion in 1973. <sup>4/</sup> This expansion raised the developing country share of world reserves from 18 per cent at the end of 1971 to 24 per cent at the end of 1973. And it raised the ratio of reserves to imports (of the preceding year) from 43 per cent in 1970 to 75 per cent in 1973.

All but 18 per cent of the developing countries increased their reserves in dollar terms in the course of 1973; a third increased them by over 40 per cent and a fifth by over 60 per cent (see table IV-16). The average gain was 37 per cent - 33 per cent for the major petroleum exporters and 40 per cent for the rest of the developing countries. <sup>5/</sup> Compared with the position at the end of 1970, the petroleum exporters had almost trebled their reserves and the others had more than doubled theirs. Measured in terms of imports, the reserves of the petroleum exporters had risen from seven months' equivalent to over 12, and those of the remaining developing countries from rather less than five months' to almost eight.

Apart from the Libyan Arab Republic <sup>5/</sup> and Trinidad and Tobago, all the countries whose reserves declined in 1973 had passive trade balances for the year. They include a group of Central American and Caribbean countries (El Salvador, Guyana, Haiti and Jamaica), Mauritius, and a group of Central and West African countries (Chad, the Congo and Senegal), and the Republic of Viet-Nam.

At the other end of the scale, the countries that increased their reserves most (over 60 per cent) in 1973 almost all enlarged a trade surplus, as in the case of Argentina, Colombia, Ecuador and Paraguay in Latin America, Burma, Iraq and the Philippines in Asia, and Egypt, Ethiopia, Gabon and Ghana in Africa.

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<sup>4/</sup> In terms of SDR, the increments were 3.1 in 1971, 8.1 in 1972 and 6.6 in 1973. The great bulk of developing country reserves (about 85 per cent in 1973) is in the form of foreign exchange.

<sup>5/</sup> The smaller gain of the petroleum exporters reflects the deliberate running down of reserves by the Libyan Arab Republic. The reserves of the rest of this group rose by 55 per cent in 1973.

There were a few that reduced a trade deficit, however (as in the case of Malawi, Rwanda and the Syrian Arab Republic) and a few in which the gain in reserves was related not to the course of merchandise trade but rather to capital transactions. This was the case in Algeria and Pakistan whose international liquidity was improved by borrowing.

This serves to emphasize an important caveat in the interpretation of changes in reserves. These reflect not only movements in the balance of trade or even in the balance on goods and services but also the inflow of financial resources and their translation into imports. Not many developing countries can finance their development needs from abroad entirely from the proceeds of their exports. Borrowing by Governments or with government guarantee has in fact risen rapidly in recent years and by the beginning of 1973 it was approaching a developing country total of \$93 billion. Though the rate of increase in official reserves has been faster than that of external debt in the 1970s, as the former amounted to only a fourth of the latter at the beginning of the decade the difference has continued to widen in absolute terms.

Though the extraordinary rise in export earnings in 1973 undoubtedly reduced the burden of servicing this external debt, it had already reached economically embarrassing proportions in a number of countries. In 1972, payments of interest and amortization of capital pre-empted over 10 per cent of the earnings derived by about a third of the developing countries from their exports of goods and services. And in a few countries - including Afghanistan, Argentina, Egypt, India, Mexico, Pakistan and Uruguay - debt servicing absorbed over a fifth of all foreign exchange earnings (see table IV-17).

The inflexibility introduced into the payments position of so many developing countries by a large external debt could prove particularly troublesome in the period lying immediately ahead. The slowing down in the increase in demand in the developed market economies, which, as indicated in chapter II, promises to be extremely sharp in 1974, will have a direct impact on the markets for most of the primary products that provide the developing countries with the bulk of their export earnings. This will be happening at a time when production, stimulated by the high 1973 prices, is likely to be appreciably greater. The result could be a marked decline in the prices of basic commodities entering world trade. Such a decline is unlikely to extend to most manufactured goods, however, for these are still absorbing the higher-cost materials of 1973 and will increasingly have to bear the cost of higher wages, negotiated in the light of the inflationary trends of last year. Thus the developing countries may well be faced with a sharp deterioration in their terms of trade in 1974.

In the face of this, moreover, there will be the considerable burden of higher petroleum costs. Unless special pricing arrangements are made - something that appears very unlikely at this stage - the developing countries that import petroleum will have to pay the developing countries that export it an additional amount of the order of \$10 billion in 1974. <sup>6/</sup> Such an increment in import costs

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<sup>6/</sup> This assumes that developing country imports of crude petroleum for consumption will be somewhat less than 2 billion barrels and that the average price will increase from under \$3 a barrel to about \$8.

would use up the bulk of the \$13.4 billion gain in official reserves that the petroleum-importing developing countries have achieved in the past two years. The extent to which these countries are likely to be able to economize in energy consumption and substitute other fuels for petroleum differs considerably from case to case, as does their vulnerability to changes in the price relationships among other goods.

It is clear, however, that 1974 and 1975 will see a major redistribution of reserves and purchasing power among the developing countries. Since many of the developed market economies are also likely to be under balance-of-payments pressure as a result of the increase in petroleum prices, the normal sources of international financial accommodation will probably be severely strained. As far as the developing countries are concerned, the key role will be played by IMF. As a result of the upsurge in export earnings, developing country transactions with the Fund swung from net drawings of \$347 million in 1972 to net repayments of \$228 million in 1973: all regions borrowed less and all except Africa repaid more. This has placed the Fund in a favourable position to provide balance-of-payments support in 1974 and 1975. However, the sums involved are likely to be much above the normal level and the effect of the rise in petroleum prices - unlike the impact of other commodity price changes - is likely to be a permanent increase in import costs. It is because on both grounds the ordinary accommodation offered by the Fund is likely to be inadequate that steps are being taken to create a new "bridging facility" that would not only dispose of sufficient resources but would also be able to lend for a longer period than is normally appropriate in order to compensate for swings in the balance of payments. In addition, as indicated in chapter II, the United Nations General Assembly has recommended the establishment of a special fund to assist those developing countries that are experiencing particular difficulty in adjusting to the new price relationships.

Table IV-1. Developing countries: growth of  
total production, 1971-1973 a/  
(Percentage)

Country group	Change from preceding year		
	1971	1972	1973 <u>b/</u>
Developing countries, total . . . . .	5.6	5.2	7.2
Western hemisphere . . . . .	6.5	6.3	7.4
Africa . . . . .	3.8	5.0	4.3
West Asia . . . . .	11.9	10.4	11.4
Southern and south-eastern Asia . . . . .	3.9	2.5	7.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics; "Survey of Economic Conditions in Africa, 1973, Summary" (E/CN.14/621/Summary); "Economic Survey of Asia and the Far East, 1973, Part Two" (preliminary version) (E/CN.11/L.385/B); 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/ Measured at constant market prices.

b/ Preliminary.

Table IV-2. Selected developing countries: growth of agricultural production, 1971-1973

Area and country	Change from preceding year <sup>a/</sup>					
	1971		1972		1973 <sup>b/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>Western hemisphere</u>	2.5	0.8	0.8	-0.8	4.8	6.2
Argentina	-4.4	-2.6	-5.5	-5.3	7.1	7.7
Bolivia	3.5	2.7	0.9	-2.7	9.5	5.2
Brazil	6.2	1.5	3.0	2.1	3.6	7.8
Chile	0.8	1.6	-11.4	-11.9	-10.2	-9.9
Colombia	0.8	3.9	6.9	3.7	4.4	2.9
Costa Rica	6.5	5.9	4.5	6.5	6.8	6.1
Dominican Republic	7.0	8.3	3.8	2.2	1.5	0.7
Ecuador	2.9	4.4	0.0	2.2	2.9	0.7
El Salvador	12.0	4.9	-11.3	-8.4	4.8	16.0
Guatemala	12.9	8.9	2.8	-2.6	7.1	8.9
Guyana	5.7	5.7	-14.3	-14.3	-14.5	-15.6
Haiti	-1.1	4.0	3.2	2.9	2.1	0.0
Honduras	12.5	13.1	-4.2	-8.3	5.5	8.9
Jamaica	4.5	3.5	1.1	2.3	-5.6	-5.6
Mexico	3.7	3.4	-3.0	-4.1	5.1	7.3
Nicaragua	10.4	5.5	-6.7	-7.6	12.5	7.6
Panama	4.6	3.8	-3.0	-3.0	5.9	5.8
Paraguay	-16.0	-16.0	3.9	-	1.0	-1.0
Peru	-	2.5	-3.8	-5.0	2.9	4.2
Trinidad and Tobago	-6.2	-4.2	8.1	6.1	-15.2	-14.3
Uruguay	-17.4	-7.0	-5.6	-5.2	1.2	3.2
Venezuela	-0.7	-1.4	3.4	2.7	2.7	2.0
<u>Africa</u>	4.3	5.2	1.7	0.3	-2.4	-1.6
Algeria	-3.8	-2.9	-3.0	-3.9	-5.1	-5.1
Angola	3.3	-	-3.3	-5.3	5.6	8.5
Burundi	3.9	3.1	-3.1	-1.6	1.6	1.6
Dahomey	3.4	3.4	1.7	1.7	1.6	1.6
Egypt	3.4	5.0	0.9	-	4.8	5.6
Ethiopia	2.5	2.5	0.8	0.8	-5.8	-5.8
Ghana	6.4	6.4	0.9	0.9	0.9	0.9
Guinea	1.6	2.4	-1.6	-2.4	0.8	1.6
Ivory Coast	9.5	7.4	2.5	2.0	-5.3	-6.3
Kenya	-	1.7	10.3	3.3	-0.7	-3.3

(Table continued on following page)

Table IV-2 (continued)

Area and country	Change from preceding year <sup>a/</sup>					
	1971		1972		1973 <sup>b/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>Africa (continued)</u>						
Liberia	-5.0	1.9	-5.3	1.8	2.8	4.4
Libyan Arab Republic	-9.8	-9.8	33.1	33.7	20.5	-21.1
Madagascar	-	2.3	1.5	1.5	-3.0	-3.7
Malawi	10.9	21.0	7.1	7.7	1.5	5.7
Mali	-9.7	-10.5	-11.7	-13.8	-2.2	-3.7
Morocco	9.1	9.7	5.3	4.6	-14.6	-15.1
Niger	1.8	1.9	-21.1	-21.3	-	-
Nigeria	5.9	6.7	0.8	0.8	-2.5	-2.5
Rwanda	2.7	2.7	0.7	0.7	-1.3	1.3
Senegal	28.2	28.0	-33.6	-34.5	27.7	27.8
Sierra Leone	1.7	3.5	-	-1.8	-1.8	-2.7
Southern Rhodesia	13.7	20.2	9.7	10.8	-15.0	-20.9
Sudan	2.2	5.2	3.5	4.9	-8.3	-7.0
Togo	3.2	3.1	-3.3	-3.1	3.9	4.6
Tunisia	19.3	20.0	-7.1	-7.1	12.8	13.3
Uganda	-3.2	-1.7	1.6	0.8	-1.6	-1.7
United Republic of Cameroon	3.9	3.1	2.3	-	-	1.5
United Republic of Tanzania	0.8	0.8	0.8	1.6	-	-0.8
Upper Volta	-3.0	-3.2	-4.2	-5.4	-	-
Zaire	-5.8	-8.0	0.8	0.8	3.7	4.5
Zambia	44.2	49.0	26.0	31.7	-27.9	-33.5
<u>West Asia</u>	-	-	11.4	10.6	-5.1	-5.2
Iran	-3.1	-3.1	4.5	3.7	1.5	1.5
Iraq	-5.3	-6.2	18.9	19.7	-15.9	-16.7
Israel	11.0	11.2	9.4	9.5	-0.6	-0.6
Jordan	35.5	35.5	18.3	18.3	-52.7	-52.7
Lebanon	22.9	24.4	4.8	1.9	-2.4	-1.3
Syrian Arab Republic	2.2	2.4	21.2	29.8	-17.0	-25.6
<u>Southern and south-eastern Asia</u>	1.6	-	-4.7	-4.7	9.8	9.8
Bangladesh	-11.4	-8.8	1.0	-2.9	17.1	19.8
Burma	-2.9	-2.9	-	-2.0	5.6	7.4
India	1.6	-	-7.9	-7.9	9.3	9.3
Indonesia	1.6	2.3	-2.4	-3.9	7.5	8.2
Khmer Republic	-22.8	-26.9	-27.6	-31.2	-36.8	-44.0
Malaysia	7.1	12.9	1.8	5.8	7.6	6.0

(Table continued on following page)

Table IV-2 (continued)

Area and country	Change from preceding year <sup>a/</sup>					
	1971		1972		1973 <sup>b/</sup>	
	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>	Total	Food <sup>c/</sup>
<u>Southern and south-eastern Asia</u> (continued)						
Pakistan	-0.6	-5.0	-0.6	-	3.7	6.2
Philippines	5.1	5.1	-3.7	-2.9	9.6	8.8
Republic of Korea	-	0.8	5.2	2.3	0.7	1.5
Republic of Viet-Nam	8.9	8.5	-	0.8	1.7	1.7
Sri Lanka	3.1	7.8	-5.5	-9.9	-4.1	-7.1
Thailand	2.8	2.1	-5.0	-8.5	16.8	18.9
Total	2.4	1.6	-1.6	-2.4	5.6	6.4

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 Agricultural Economics and Statistics (Rome), and information supplied by the United States Department of Agriculture.

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

b/ Preliminary.

c/ Food covers the following commodity groups: cereals, starchy roots, sugar, pulses, edible oil crops, nuts, fruit, vegetables, wine, cocoa, livestock and livestock products.

Table IV-3. Developing countries: changes in industrial production, 1970-1973

Region, year and quarter	Percentage change from corresponding portion of previous year in								
	Industry Mining			Manufacturing					
	Total	Light	Heavy	Food	Tex-	Chemi-	Basic		
					tiles	icals	metals		
<u>All developing countries</u>									
1971 . . . . .	7.2	6.7	8.2	7.0	9.4	4.9	6.5	8.5	7.3
1972 . . . . .	8.4	6.3	8.8	6.6	11.1	6.7	8.8	9.9	10.9
1973, first quarter . .	10.3	11.9	10.2	8.3	12.3	6.0	11.0	10.6	5.9
second quarter . .	10.9	8.8	12.0	10.7	12.7	22.0	8.1	6.7	3.7
third quarter . .	11.3	15.6	10.1	9.9	11.6	18.1	5.9	8.5	3.0
<u>Southern and south-eastern Asia</u>									
1971 . . . . .	8.5	13.4	6.7	6.6	6.3	7.4	4.4	8.0	-3.2
1972 . . . . .	10.1	11.9	8.8	6.9	11.3	6.2	10.6	11.7	12.5
1973, first quarter . .	12.2	17.5	10.0	10.0	9.6	3.8	18.1	1.4	0.6
second quarter	14.9	19.8	12.6	9.0	17.1	22.4	13.8	4.7	-1.3
third quarter	11.7	23.7	5.7	0.6	12.2	0.7	7.8	7.8	0.6

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

Table IV-4. Selected developing countries: indicated changes in gross domestic product, <sup>a/</sup> 1973  
(Percentage)

Countries <sup>b/</sup> 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
Saudi Arabia Republic of Korea Qatar Botswana Iran Iraq Ecuador Brazil Gabon Mauritius Lesotho Singapore	Guinea Philippines Malawi Dominican Republic Venezuela Thailand Upper Volta Hong Kong Mauritania Malaysia	Guatemala Equatorial Guinea Togo Colombia Mexico Fiji Indonesia Zaire Algeria Pakistan Southern Rhodesia Bangladesh India	Congo Panama Nigeria Haiti Paraguay Kenya Bolivia Peru Angola Libyan Arab Republic Ivory Coast Burma Gambia Oman	Argentina Rwanda Mozambique Sudan Liberia Namibia El Salvador Israel Swaziland Costa Rica Trinidad and Tobago Somalia United Republic of Tanzania Burundi Honduras Central African Republic Ghana Jamaica
				Egypt Tunisia United Republic of Cameroon Nicaragua Chad Morocco Sri Lanka Republic of Viet-Nam Ethiopia Sierra Leone Uganda Uruguay Madagascar Dahomey Bahrain
				Niger Guyana Kuwait Mali Nepal Chile Jordan Khmer Republic Senegal

(Source and foot-notes on following page)

(Source and foot-notes to table IV-4)

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Source: As for table IV-1.

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 1972. The indicated changes are necessarily tentative, being prepared in April 1974 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 IV-5. Developing countries: distribution in accordance with changes in food production a/

Item	Countries b/ experiencing			
	An increase between 1972 and 1973		A reduction between 1972 and 1973	
	After an in- crease in 1972	After a de- cline in 1972	After an in- crease in 1972	After a de- cline in 1972
A. Countries in which <u>per capita</u> food production increased in 1961-1971	Costa Rica Malaysia Ivory Coast Pakistan Brazil Republic of Korea Rwanda Iran Ecuador Venezuela United Republic of Cameroon	Nicaragua Panama Mexico Honduras Guatemala Thailand El Salvador Philippines India Niger Argentina	Lebanon Syrian Arab Republic Israel Zambia Jordan Malawi Southern Rhodesia Sudan Morocco Uganda Madagascar Ethiopia	Sri Lanka
B. Countries in which <u>per capita</u> food production declined in 1961-1971	Colombia Dominican Republic Egypt Republic of Viet-Nam Zaire Dahomey Liberia Upper Volta Haiti	Indonesia Burundi Senegal Togo Angola Tunisia Bolivia Peru Guinea Burma Uruguay Bangladesh	Kenya United Republic of Tanzania Nigeria Ghana Libyan Arab Republic Iraq Jamaica Paraguay Trinidad and Tobago	Chile Khmer Republic Sierra Leone Guyana Mali Algeria

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

a/ Food is defined as all edible agricultural output other than coffee, tea and spices.

b/ Within each group, countries are listed in descending order of the average annual rate of increase in food production, 1961-1971.

Table IV-6. Developing countries: price indices of basic commodities, 1972-1973  
(1970 = 100)

Item	1972 quarters				1973 quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
<u>Export categories a/</u>								
Food-stuffs . . . . .	104	108	116	118	134	154	168	172
Other agricultural commodities . . . . .	110	113	111	117	136	157	184	203
Minerals . . . . .	129	130	131	129	134	146	160	238
Total primary commodities	114	116	119	121	134	151	167	202
Non-ferrous metals . . . . .	87	87	83	81	95	113	135	149
<u>Import category</u>								
Developed market economy manufactures . . . . .	114	115	115	115	121	131	140	140
Terms of exchange between primary commodities and manufactures . . . . .	100	101	103	105	111	115	119	144

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics March 1973 and 1974.

a/ Weighted in accordance with the composition of developing country trade in 1963.

Table IV-7. Developing countries: distribution of changes in foreign trade, a/ 1973 b/

Change in foreign trade from preceding year (Percentage)		Countries c/ in which, in relation to the change in the preceding interval, the change between 1972 and 1973 represents									
		Number of countries		Continuation		Deceleration		Acceleration		Reversal	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Decline		4	8			Western Samoa		Burma	Bahamas Burma Madagascar	Senegal Somalia	Western Samoa Rwanda Zambia Trinidad and Tobago Burundi
Increase of less than 10.0		6	9	Trinidad and Tobago		Burundi Jamaica Togo	Niger Togo Malawi Jamaica Liberia	Panama	Argentina	Guyana	Republic of Viet- Nam Egypt Uganda
Increase of 10.0-19.9		11	9	United Republic of Tanzania		Jordan Niger Sierra Leone	Jordan United Republic of Cameroon	Fiji Uganda Honduras Liberia Barbados Peru	Costa Rica Guyana Ethiopia	Haiti	Kenya Colombia
Increase of 20.0-29.9		14	18	Costa Rica Kuwait El Salvador Morocco		Mauritius Gambia Tunisia Dominican Republic Bahamas	Senegal	India Malawi Madagascar Sudan	Barbados Kuwait Thailand Syrian Arab Republic Peru Haiti United Republic of Tanzania Venezuela Iraq	Sri Lanka	Nigeria Sri Lanka Gambia Chile Angola Brunei

(Table continued on following page)

Table IV-7 (continued)

Countries c/ in which, in relation to the change in the preceding interval, the change between 1972 and 1973 represents										
Change in foreign trade from preceding year (Percentage)	Number of countries		Continuation		Deceleration		Acceleration		Reversal	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Increase of 20.0-29.9 (continued)									Bolivia Philippines	
Increase of 30.0-39.9	13	15	Martinique Nicaragua	Tunisia	Mauritius	Mexico Guatemala Syrian Arab Republic Ghana Israel Angola Pakistan Bolivia Egypt	Mexico Guadeloupe El Salvador Somalia Hong Kong Sierra Leone Guatemala Dominican Republic Morocco	Rwanda Libyan Arab Republic	Honduras India Sudan Pakistan	
Increase of 40.0-59.9	15	14			Algeria	Saudi Arabia Libyan Arab Republic	Ethiopia Paraguay Thailand Brazil Hong Kong Venezuela Zambia Ivory Coast Nigeria Argentina Kenya Uruguay Yemen	Brazil Iran Algeria Réunion Singapore Malaysia Martinique Nicaragua Israel Paraguay	Chile	Ghana Uruguay
Increase of 60.0 and over	16	6	Papua and New Guinea				Brunei Ecuador Papua and New Guinea	Indonesia Ivory Coast Ecuador	Philippines Guadeloupe Iraq	

(Table continued on following page)

Table IV-7 (continued)

Change in foreign trade from preceding year (Percentage)	Countries c/ in which, in relation to the change in the preceding interval, the change between 1972 and 1973 represents									
	Number of countries		Continuation		Deceleration		Acceleration		Reversal	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Increase of 60.0 and over (continued)	79	79	8	3	13	12	47	42	11	22
							</			

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

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

b/ Preliminary.

b/ Preliminary.

c/ Countries are listed in ascending order of acceleration as measured by the difference between the percentage increase between 1971 and 1972 and the percentage increase between 1972 and 1973.

Table IV-8. Developing countries: changes in exports and imports, 1971-1973

Region	Exports f.o.b.				Imports c.i.f.			
	Change between				Change between			
	1971 and 1972	1972 and 1973	1971 and 1972	1972 and 1973	1971 and 1972	1972 and 1973	1971 and 1972	1972 and 1973
	Billions of dollars	Percent age	Billions of dollars	Percent age	Billions of dollars	Percent age	Billions of dollars	Percent age
Developing countries . . .	12.1	19	32.8	44	7.3	11	23.3	32
Western hemisphere . .	2.7	15	7.7	37	2.2	11	6.4	27
Africa . . . . .	2.1	16	4.9	33	1.2	9	2.7	20
West Asia . . . .	3.5	23	9.8	52	1.3	16	3.6	36
Southern and south-eastern Asia . . . . .	3.8	23	10.4	50	2.5	11	10.5	43

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

Table IV-9. Developed market economies: changes in major categories of exports to developing countries, first half 1972-first half 1973

Category	Exports to developing countries, first half 1973 (millions of dollars)	Percentage increase between first half 1972 and first half 1973 in exports to			
		All developing countries	Western hemisphere	Africa	Asia
Total <u>a/</u> . . . . .	32,375	32	19	28	44
Food-stuffs . . . . .	3,413	49	36	45	49
Raw materials . . . . .	673	14	10	34	6
Fuels . . . . .	279	9	20	41	-18
Manufactures . . . . .	26,099	30	16	27	41
Machinery, transport equipment and steel . . . . .	16,397	31	18	29	42
Others . . . . .	9,703	27	14	22	40

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

a/ Exports from Australia, Belgium-Luxembourg, Canada, Denmark, Finland, France, Federal Republic of Germany, Greece, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and Yugoslavia. In 1972 these countries accounted for about 70 per cent of all exports to developing countries.

Table IV-10. Developing countries: distribution of changes in money supply, a/ 1973

Change in money supply from preceding year (percentage)	Number of countries	Countries <u>b/</u> in which, in relation to the trend during the preceding year, the trend registered during 1973 represents			
		Continuation	Deceleration	Acceleration	Reversal
Decline	4	Togo			Libyan Arab Republic Trinidad and Tobago Dahomey
Less than 6	3		Zaire Afghanistan Senegal		
6.0-9.9	5		Pakistan Sri Lanka Madagascar Tunisia	Chad	
10.0-14.9	4		Guyana	Ivory Coast Republic of Viet-Nam Congo	
15.0-19.9	14	El Salvador Mexico Venezuela Morocco Lebanon	Ghana Singapore Somalia Haiti	Dominican Republic United Republic of Tanzania India Zambia	Burundi
20.0-29.9	24	Gabon Syrian Arab Republic Sudan	Mauritius Panama Iran Kuwait Philippines Algeria	Thailand Egypt Iraq Mali Sierra Leone Guatemala Costa Rica Kenya Nigeria Honduras Jordan Jamaica United Republic of Cameroon Niger Ethiopia	

(Table continued on following page)

Table IV-10 (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 1973, represents			
		Continuation	Deceleration	Acceleration	Reversal
0.0. and over	16	Republic of Korea Peru Saudi Arabia Indonesia		Colombia Malaysia Mauritania Bolivia Nicaragua Paraguay Ecuador Upper Volta Malawi Argentina Gambia	Rwanda
Total	70	13	18	34	5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on the 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 1972 and 1973.

Table IV-11. Developing countries: source of change in money supply, 1972 and 1973

Direction of change and causative factor <u>a/</u>	Percentage of countries <u>b/</u> in which the order of importance of the indicated factor in changing the supply of money in					
	1972 was			1973 was		
	First	Second	Third	First	Second	Third
<u>Expansion</u>						
Foreign assets (net) . . . . .	32	30	14	25	30	18
Claims on government (net) . .	26	29	18	14	38	24
Claims on private sector . . .	44	34	13	62	25	4
<u>Contraction</u>						
Foreign assets (net) , . . . .	23	1	-	25	1	-
Claims on government (net) . .	24	3	-	21	3	-
Claims on private sector . . .	6	4	-	7	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.).

a/ Based on the consolidated accounts of the monetary authorities and deposit banks.

b/ For list of countries, see table IV-7.

Table IV-12. Selected developing countries: changes in consumer prices, 1971-1973

Country <sup>a/</sup>	Percentage change				
	From preceding year			In latest 12 months	
	1971	1972	1973 <sup>b/</sup>	Total	Food
A. Countries whose rate of inflation was 10 per cent or less in 1973 <sup>c/</sup>					
1. Experiencing less inflation in 1973 than in 1972 <sup>c/d/</sup>					
Philippines	23.3	15.7	7.1	23.6	32.2
Republic of Korea	13.5	11.7	3.2	8.7	11.4
Ghana	2.8	14.1	7.4	1.7	-
Congo	4.1	9.8	4.5	2.0	1.2
Togo	6.3	7.7	3.0	3.7	6.0
Honduras	2.3	5.2	3.2	4.7	3.0
Mozambique	15.7	7.1	5.4	10.4	-1.7
Nigeria	13.5	2.9	1.6	9.9	9.5
Afghanistan	25.6	-12.5	-10.2	15.5	...
2. Experiencing a similar rate of inflation in 1972 and 1973 <sup>c/</sup>					
Central African Republic	8.9	7.2	6.2	3.7	3.1
Mauritania	7.6	8.2	7.2	7.2	10.8
Iraq	3.6	5.2	4.9	7.0	12.2
Southern Rhodesia	3.0	2.9	3.1	2.8	2.9
Morocco	4.2	3.7	4.1	10.5	14.6
Madagascar	5.4	5.7	6.1	10.3	13.3
Lebanon	1.6	4.9	5.4	10.7	19.0
Zambia	6.0	5.3	5.8	8.1	9.2
Gabon	3.4	4.8	5.8	8.5	7.3
3. Experiencing a higher rate of inflation in 1973 than in 1972 <sup>c/</sup>					
Malawi	8.1	3.8	5.1	8.5	11.4
Chad	6.0	2.9	4.3	5.0	7.3
Venezuela	3.3	3.0	4.4	5.7	8.8
Peru	6.8	7.2	8.7	12.3	14.0
Panama	2.0	5.3	6.9	9.6	17.8
Egypt	3.1	2.1	3.8	6.8	3.9
United Republic of Cameroon	4.2	8.0	9.7	15.6	10.2
Burundi	3.9	3.8	5.9	7.9	11.9
Tunisia	5.7	2.2	4.4	6.4	11.2
Senegal	2.6	3.5	6.2	11.0	10.9

(Table continued on following page)

Table IV-12 (continued)

Country <sup>a/</sup>	Percentage change				
	From preceding year			In latest 12 months	
	1971	1972	1973 <sup>b/</sup>	Total	Food
3. <u>Experiencing a higher rate of inflation in 1973 than in 1972<sup>c/</sup></u> (continued)					
Sierra Leone	-2.3	3.9	6.7	5.9	9.5
Sri Lanka	2.7	6.3	9.6	14.4	20.5
Iran	4.2	6.4	9.8	12.9	10.4
Netherlands					
Antilles	3.4	4.1	8.2	13.1	24.7
Guyana	2.0	4.5	8.9	15.2	24.1
El Salvador	0.3	1.7	6.1	8.9	10.6
Surinam	0.2	3.2	8.0	17.7	27.9
Libyan Arab					
Republic	-2.7	-0.3	6.5	10.0	-6.1
Somalia	-0.6	-2.9	5.1	8.7	13.4
Ivory Coast	-0.8	0.3	9.8	15.1	26.6
United Republic					
of Tanzania	3.7	0.2	9.7	10.1	6.1
Ethiopia	0.5	-6.1	8.9	13.0	18.7
Kenya	1.9	-10.2	7.4	9.9	9.4
B. <u>Countries whose rate of inflation was more than 10 per cent in 1973<sup>c/</sup></u>					
1. <u>Experiencing less inflation in 1973 than in 1972<sup>c/</sup></u>					
Brazil	20.1	16.5	12.9	13.7	17.9
2. <u>Experiencing a similar rate of inflation in 1972 and 1973<sup>c/</sup></u>					
Zaire	4.9	14.3	13.4	26.0	54.0
Argentina	34.7	58.5	60.3	43.7	36.1
Niger	4.3	9.7	11.7	10.1	15.1
Fiji	6.5	9.1	11.2	7.2	7.2
3. <u>Experiencing a higher rate of inflation in 1973 than in 1972<sup>c/</sup></u>					
Jordan	4.2	8.2	10.5	18.4	33.8
Nepal	-2.0	8.4	11.7	17.0	19.8
Paraguay	5.0	9.1	12.8	14.1	18.4
Ecuador	8.4	7.9	12.9	20.5	31.2
Barbados	7.5	11.8	16.9	26.0	27.7
Laos	1.3	25.5	30.7	42.5	41.8
Sudan	1.3	11.8	17.0	19.2	18.2
Trinidad and					
Tobago	3.5	9.3	14.9	24.3	34.4
Mexico	3.2	6.4	12.4	22.1	23.8
Israel	12.0	12.9	19.9	26.4	27.1

(Table continued on following page)

Table IV-12 (continued)

Country <sup>a/</sup>	Percentage change				
	From preceding year			In latest 12 months	
	1971	1972	1973 <sup>b/</sup>	Total	Food
3. <u>Experiencing a higher rate of inflation in 1973 than in 1972<sup>c/</sup></u> (continued)					
Dominican Republic	2.9	7.8	15.1	17.2	30.0
Malaysia	1.6	3.1	10.6	18.3	30.8
Thailand	2.0	4.0	11.7	16.5	15.7
Mauritius	0.3	5.4	13.5	28.2	34.1
Colombia	9.0	14.3	23.5	18.1	19.0
India	3.3	6.3	16.8	23.8	26.8
Hong Kong	3.1	6.1	18.0	18.9	25.5
Pakistan	4.7	8.9	22.6	29.5	33.9
Guatemala	-0.5	0.5	14.4	17.5	25.0
Jamaica	6.7	5.8	19.9	35.1	39.7
Liberia	0.2	4.0	19.6	15.4	32.9
Republic of Viet-Nam	18.2	25.3	44.4	59.2	56.6
Bangladesh	12.4	28.5	47.7	39.2	39.7
Syrian Arab Republic	4.9	0.8	20.0	24.1	24.0
Haiti	10.4	3.2	22.7	19.7	21.2
Bolivia	3.7	6.5	26.7	27.9	29.2
Uganda	15.8	-3.0	17.4	30.1	22.1
Uruguay	23.9	76.5	97.0	77.5	77.2
Singapore	1.9	2.1	23.0	32.8	51.6
Indonesia	4.3	6.5	31.1	27.4	28.4
Khmer Republic	71.3	25.5	157.9	256.8	292.3
Chile	20.1	77.8	294.4	528.4	497.3

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

a/ Countries are listed in ascending order of the degree of acceleration as measured by the difference between the percentage increase in 1972 and the percentage increase in 1973.

b/ Preliminary.

c/ Based on a comparison of year-to-year change in annual averages.

d/ Including countries which experienced a decline in both years.

Table IV-13. Developing countries: balance of trade and changes in international liquidity, 1971-1973  
(Millions of dollars)

Country group	Balance of trade a/		Net change in reserves b/		Net change in other balance of payments items		
	1971	1972	1973 c/	1971	1972	1973 c/	
Developing countries, total . . . . .	2 119	2 742	10 714	...	...	...	
Countries reporting reserves* . . . . .	128	3 781	11 412	4 977	8 197	...	
Petroleum exporters d/ . . . . .	10 740	12 464	21 347	3 370	2 535	4 849	
Others . . . . .	-10 612	-8 685	-9 935	1 607	5 662	-7 370	
Other countries . . . . .	-2 247	-1 039	-698	...	...	12 219	
Western hemisphere, total . . . . .	-3 606	-3 199	-1 939	...	...	...	
Countries reporting reserves . . . . .	-2 188	-1 688	116	945	3 965	...	
Petroleum exporters e/ . . . . .	969	1 379	2 479	483	288	3 133	
Others f/ . . . . .	-3 157	-3 067	-2 363	462	3 677	-486	
Others . . . . .	-1 418	-1 511	-2 055	...	...	3 619	
Africa, total . . . . .	200	1 048	1 753	...	...	...	
Countries reporting reserves . . . . .	520	1 215	2 050	1 319	473	799	
Petroleum exporters g/ . . . . .	1 908	1 889	3 342	1 451	199	457	
Others h/ . . . . .	-1 388	-674	-1 292	-132	274	1 256	
Others . . . . .	-320	-167	-297	...	...	...	
West Asia, total . . . . .	6 777	8 953	15 100	...	...	...	
Countries reporting reserves . . . . .	5 847	7 653	12 800	1 925	2 362	...	
Petroleum exporters i/ . . . . .	7 696	9 120	15 298	1 409	1 661	-3 922	
Others j/ . . . . .	-1 849	-1 467	-2 498	516	701	-6 287	
Others . . . . .	930	1 300	2 300	...	...	2 365	
Southern and south-eastern Asia, total . . . . .	-5 490	-4 060	-4 200	...	...	...	
Countries reporting reserves . . . . .	-4 051	-3 399	-3 554	783	1 397	4 834	
Indonesia . . . . .	167	76	228	27	587	-140	
Others k/ . . . . .	-4 218	-3 475	-3 782	756	1 010	4 974	
Others . . . . .	-1 439	-661	-646	...	...	...	

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

(Foot-notes to table IV-13)

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, western hemisphere petroleum exporters, Indonesia.

e/ Ecuador, Venezuela.

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

g/ Algeria, Libyan Arab Republic, Nigeria.

h/ Burundi, 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 Cameroon, United Republic of Tanzania, Upper Volta, Zaire, Zambia; and IMF special drawing rights and reserve positions only of all other IMF member countries in Africa.

i/ Iran, Iraq, Kuwait, Saudi Arabia.

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

k/ Afghanistan, Burma, India, 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.

\* These countries account for approximately 80 per cent of the trade of the developing countries as a group.

Table IV-14. Selected developing countries: receipts of donations and payments of investment income, 1971-1973

(Millions of dollars)

Country	Receipts of unrequited transfers			Payments of investment income		
	1971	1972	1973 <sup>a/</sup>	1971	1972	1973 <sup>a/</sup>
<u>Western hemisphere</u>						
Bolivia	5	8	10	20	20	25
Brazil	6	6	5	466	603	856
Colombia	34	25	26	187	191	194
Costa Rica	5	4	1	15	33	37
Ecuador	9	9	19	36	31	35
El Salvador	2	3	3	13	13	10
Guatemala	1	-	-	45	47	49
Guyana	2	1	1	19	11	12
Haiti	6	5	7	4	4	5
Honduras	5	5	4	26	19	30
Jamaica	3	4	6	118	129	129
Mexico	9	18	19	788	864	1,035
Nicaragua	3	4	14	34	35	37
Trinidad and Tobago	-	-	-	67	67	27
<u>Africa</u>						
Ethiopia	11	14	12	16	21	24
Ghana	12	19	10	40	24	24
Madagascar	47	46	12	20	13	6
Mauritius	4	6	3	3	3	2
Morocco	18	16	33	61	64	68
Somalia	17	10	11	1	1	1
Sudan	-	7	3	15	21	19
<u>Asia</u>						
Burma	20	18	13	9	6	12
Iran	5	5	7	1,324	1,476	1,817
Khmer Republic	58	109	36	1	-	1
Malaysia	15	12	9	162	171	147
Pakistan	120	44	41	76	92	87
Philippines	38	36	58	117	136	149
Republic of Korea	64	47	28	119	148	180
Republic of Viet-Nam	532	566	462	18	15	15
Singapore	13	9	7	27	35	44
Sri Lanka	18	12	11	23	22	17
Thailand	38	28	24	69	68	76
Total, 32 countries <sup>b/</sup>	1,120	1,096	895	3,937	4,383	5,170

(Source and foot-notes on following page)

Source and foot-notes to table IV-14)

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

a/ Preliminary.

b/ These countries, selected on the basis of data availability, accounted for 0 per cent of the total imports of the developing countries in 1972.

Table IV-15. Selected developing countries: net receipts of direct investment and long-term capital, 1971-1973

(Millions of dollars)

Country	Net change in direct investment			Net inflow of long-term capital					
				Private			General government		
	1971	1972	1973a/	1971	1972	1973a/	1971	1972	1973a/
<u>Western hemisphere</u>									
Bolivia	2	-12	4	25	67	9	15	33	17
Brazil	215	365	807	465	1,471	1,216	420	555	822
Colombia	43	17	22	52	64	22	100	173	116
Costa Rica	22	24	23	24	24	8	15	18	34
Ecuador	157	138	45	-14	6	-	11	71	22
El Salvador	7	6	3	-1	1	-5	3	13	17
Guatemala	25	14	23	16	20	19	19	14	23
Guyana	-56	-	-1	7	6	7	11	6	15
Haiti	3	4	7	-	-	-	-1	7	-3
Honduras	7	1	5	6	4	8	17	10	11
Jamaica	175	90	135	9	12	-	14	11	48
Mexico	293	277	314	275	451	1,168	59	37	52
Nicaragua	13	9	7	13	5	28	16	29	54
Trinidad and Tobago	80	81	-26	-	-1	-2	14	20	24
<u>Africa</u>									
Ethiopia	6	9	26	7	7	-	21	14	19
Ghana	31	11	13	1	2	-1	34	31	18
Madagascar	11	24	-	-	-1	-	9	4	2
Mauritius	1	-	-	-1	4	-5	-2	1	2
Morocco	16	8	2	7	5	-	86	30	6
Somalia	2	4	1	-	-	-	3	14	23
Sudan	-1	-	-	-	-2	-	-14	14	15
<u>Asia</u>									
Burma	-	-	-	-	-	-	5	7	37
Iran	65	84	18	33	-2	30	595	484	304
Khmer Republic	-	-	-	-	-	-	-4	-	-2
Malaysia	52	59	42	1	67	23	37	41	12
Pakistan	1	16	-3	90	6	48	339	163	155
Philippines	-1	-11	46	-32	-17	-10	69	148	69
Republic of Korea	56	69	160	238	200	165	236	221	231
Republic of Viet-Nam	2	-	1	-	-	-	3	15	-
Singapore	116	173	130	13	8	68	26	62	15
Sri Lanka	-	1	1	-	-	-	68	43	25
Thailand	38	63	68	28	89	-36	15	8	16
Total, 32 countries <sup>b/</sup>	1,381	1,524	1,873	1,262	2,496	2,760	2,239	2,297	2,199

(Source and foot-notes on following page)

Source and foot-notes to table IV-15)

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

a/ Preliminary.

b/ These countries, selected on the basis of data availability, accounted for 30 per cent of the total imports of the developing countries in 1972.

Table IV-16. Selected developing countries: changes in international liquidity, 1970-1973

Group and country a/	International reserves, b/ end 1973 c/		International reserves, b/ end of year, c/ as percentage of imports d/ in preceding year		
	Millions of dollars	As percentage of reserves at		1970	1973
		End 1970	End 1972		
Total of countries listed . . . . .	41,334	246	137	43	75
Oil-producing countries <sup>e/</sup> . . . . .	14,388	291	133	58	104
Others . . . . .	26,946	227	140	39	65
<u>Western hemisphere</u>					
Total . . . . .	15,181	289	146	42	83
Oil-producing countries <sup>f/</sup> . . . . .	2,661	241	142	54	97
Others . . . . .	12,520	302	147	40	81
Argentina . . . . .	1,318	196	283	43	69
Bolivia . . . . .	72	157	120	28	39
Brazil . . . . .	6,417	541	153	52	134
Colombia . . . . .	534	259	164	30	64
Costa Rica . . . . .	42	263	108	7	11
Dominican Republic . . . . .	88	275	149	13	24
Ecuador . . . . .	241	290	169	34	76
El Salvador . . . . .	62	98	76	30	22
Guatemala . . . . .	212	272	157	31	65
Guyana . . . . .	14	70	38	17	10
Haiti . . . . .	17	425	94	11	27
Honduras . . . . .	42	210	120	11	22
Jamaica . . . . .	128	92	80	31	21
Mexico . . . . .	1,356	182	117	36	46
Nicaragua . . . . .	117	239	146	28	54
Panama . . . . .	1,212	399	129	103	275
Paraguay . . . . .	57	317	184	22	69
Peru . . . . .	551	168	120	54	70
Trinidad and Tobago . . . . .	49	114	84	9	7
Uruguay . . . . .	232	133	117	89	124
Venezuela . . . . .	2,420	237	140	56	99
<u>Asia</u>					
Total . . . . .	19,390	264	141	39	77
Oil producing countries <sup>g/</sup> . . . . .	7,894	466	152	41	118
Others . . . . .	11,496	204	134	39	62

(Table continued on following page)

Table IV-16 (continued)

Group and country <u>a/</u>	International reserves, <u>b/</u> end 1973 <u>c/</u>		International reserves, <u>b/</u> end of year, <u>c/</u> as percentage of imports <u>d/</u> in preceding year		
	Millions of dollars	As percentage of reserves at		1970	1973
		End 1970	End 1972		
<u>Asia (continued)</u>					
Afghanistan . . . . .	61	130	107	43	54
Burma . . . . .	100	106	192	57	74
Democratic Yemen . . . . .	78	132	116	27	52
India . . . . .	1,175	117	100	46	52
Indonesia . . . . .	807	504	141	20	55
Iran . . . . .	1,228	590	128	14	51
Iraq . . . . .	1,482	321	190	105	208
Israel . . . . .	1,815	404	149	34	92
Jordan . . . . .	312	122	115	135	114
Kuwait . . . . .	501	247	138	31	63
Lebanon . . . . .	836	217	124	73	98
Malaysia . . . . .	1,367	206	139	56	83
Nepal . . . . .	125	132	121	128	171
Pakistan . . . . .	479	252	170	18	68
Philippines . . . . .	1,038	414	188	20	76
Republic of Korea . . . . .	1,094	179	148	33	43
Republic of Viet-Nam . . . . .	193	80	73	54	26
Saudi Arabia . . . . .	3,876	585	155	90	301
Singapore . . . . .	1,188	404	136	14	35
Sri Lanka . . . . .	87	202	150	10	26
Syrian Arab Republic . . . . .	264	480	196	15	55
Thailand . . . . .	1,284	142	122	73	87
<u>Africa</u>					
Total . . . . .	6,763	161	113	52	56
Oil-producing countries <sup><u>h/</u></sup> . . . . .	3,833	178	101	90	88
Others . . . . .	2,930	143	136	36	38
Algeria . . . . .	1,112	328	226	34	63
Burundi . . . . .	22	147	116	71	71
Central African Republic . . . . .	2	200	100	3	6
Chad . . . . .	1	50	10	4	2
Congo . . . . .	8	89	80	11	9
Dahomey . . . . .	33	206	118	29	73
Egypt . . . . .	391	234	262	26	45
Ethiopia . . . . .	177	249	190	46	94
Gabon . . . . .	48	320	209	19	36

(Table continued on following page)

Table IV-16 (continued)

Group and country <u>a/</u>	International reserves, <u>b/</u> end 1973 <u>c/</u>		International reserves, <u>b/</u> end of year, <u>c/</u> as percentage of imports <u>d/</u> in preceding year	
	Millions of dollars	As percentage of reserves at End 1970	End 1972	1970
				1973
<u>Africa (continued)</u>				
Ghana . . . . .	139	326	175	17
Ivory Coast . . . . .	88	84	101	31
Kenya . . . . .	234	106	116	61
Libyan Arab Republic . . . . .	2 127	134	73	235
Madagascar . . . . .	67	181	131	20
Malawi . . . . .	67	231	186	35
Mali . . . . .	4	400	100	3
Mauritania . . . . .	22	220	157	23
Mauritius . . . . .	67	146	96	68
Morocco . . . . .	267	191	113	25
Niger . . . . .	51	268	124	39
Nigeria . . . . .	594	265	154	32
Rwanda . . . . .	16	200	267	33
Senegal . . . . .	12	55	31	11
Sierra Leone . . . . .	52	149	111	31
Somalia . . . . .	35	167	113	40
Sudan . . . . .	45	205	125	9
Togo . . . . .	38	109	103	61
Tunisia . . . . .	307	512	138	23
United Republic of Cameroon . . . . .	51	63	116	39
United Republic of Tanzania . . . . .	145	223	121	27
Upper Volta . . . . .	63	175	131	72
Zaire . . . . .	235	126	130	44
Zambia . . . . .	193	38	117	93

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.

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

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

c/ 1973 data, end of: June for Panama; August for Democratic Yemen; September for Singapore and Syrian Arab Republic; November for India, Mali and Nepal.

d/ Valued c.i.f.

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

f/ Ecuador, Venezuela.

g/ Indonesia, Iran, Iraq, Kuwait, Saudi Arabia.

h/ Algeria, Libyan Arab Republic, Nigeria.

Table IV-17. Developing countries: international liquidity and debt service ratio, 1970-1973

Country a/ and category of trade balance	Ratio of international reserves		Ratio of service payments on external public debt to exports of goods and services b/ (percentage)		
	End 1973 to imports c.i.f. in 1972 (percentage)	Change 1970-1973 (percentage points)	1970	1971	1972
<u>Countries in trade surplus, 1973</u>					
Iraq	208	103	2	2	2
Uruguay	124	35	19	22	37
Venezuela	99	43	3	4	5
Ethiopia	94	48	12	11	9
Malaysia	83	27	3	3	3
Ecuador	76	42	9	13	11
Philippines	76	56	8	7	7
Burma	74	17	16	14	16
Paraguay	69	47	11	13	13
Argentina	69	26	21	22	22
Guatemala	65	34	8	8	11
Ghana	65	48	5	7	3
Colombia	64	34	12	14	13
Indonesia	55	35	7	9	8
Iran	51	37	11	12	17
Egypt	45	19	26	19	32
Bolivia	39	11	11	13	18
Nigeria	39	7	4	3	3
Zaire	37	-7	4	5	...
Gabon	36	17	6	7	7
Madagascar	33	13	4	5	4
Mauritania	25	2	3	3	6
Zambia	27	-66	5	10	10
Ivory Coast	19	-12	6	7	7
<u>Countries in trade deficit, 1973</u>					
Panama	275	172	8	9	11
Brazil	134	82	15	14	13
Jordan	114	-21	4	8	7
Upper Volta	103	31	7	5	4
Israel	92	58	18	13	17
Thailand	87	14	4	3	3
Niger	77	38	4	6	7

Table IV-17 (continued)

Country a/ and category of trade balance	Ratio of international reserves		Ratio of service payments on external public debt to exports of goods and services b/ (percentage)		
	End 1973 to imports c.i.f. in 1972 (percentage)	Change 1970-1973 (percentage points)	1970	1971	1972
<u>Countries in trade deficit, 1973 (continued)</u>					
Dahomey	73	44	3	4	3
Burundi	71	-	2	2	7
Peru	70	16	14	20	19
Pakistan c/	68	50	24	22	25
Tunisia	67	44	20	17	16
Algeria	63	29	10	15	14
Mauritius	56	-12	4	5	2
Syrian Arab Republic	55	40	12	13	11
Nicaragua	54	26	11	14	11
Afghanistan	54	11	28	26	20
India	52	6	23	25	...
Malawi	52	17	9	9	8
Somalia	48	8	2	3	3
Rwanda	46	13	1	2	2
Mexico	46	10	25	24	24
Togo	45	-16	3	3	6
Kenya d/	44	-17	5	6	6
Republic of Korea	43	10	20	21	14
Sierra Leone	43	12	9	8	9
United Republic of Tanzania d/	36	9	7	7	10
Singapore	35	21	1	1	1
Morocco	35	10	8	10	9
Sri Lanka	26	16	10	11	14
Republic of Viet-Nam	26	-28	1	1	2
Dominican Republic	24	11	5	7	4
El Salvador	22	-8	4	6	3
Honduras	22	11	3	3	3
Jamaica	21	-10	3	4	5
United Republic of Cameroon	17	-22	4	5	5
Sudan	14	5	9	12	12
Costa Rica	11	4	10	10	10
Guyana	10	-7	4	3	5
Congo	9	-2	8	8	9
Trinidad and Tobago	7	-2	4	3	3
Mali	6	3	2	1	1
Central African Republic	6	3	3	2	2
Senegal	4	-7	2	6	4
Chad	2	-2	3	8	5

(Source and foot-notes on following page)

(Source and foot-notes to table IV-17)

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/ Within each group countries are listed in descending order of the ratio of international reserves to imports.

b/ Fiscal years in the case of Afghanistan, Burma, India and Iran.

c/ Including Bangladesh.

d/ The debt service figure includes one third of the payments of the East African Community.

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