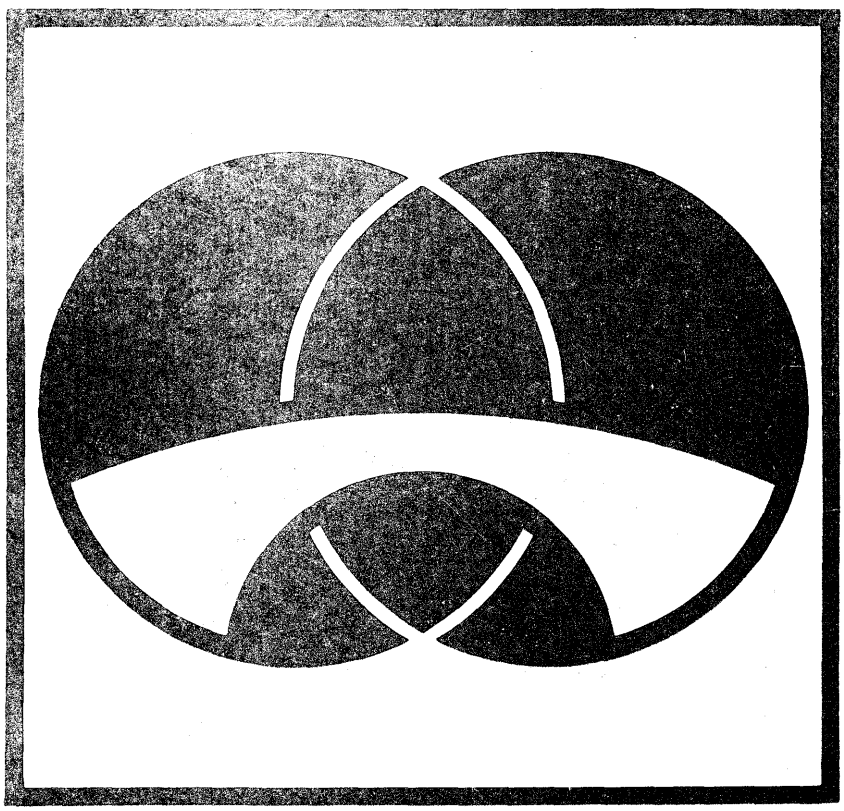
documentation bulletin

COMMUNITY — THIRD WORLD :

THE CHALLENGE OF INTERDEPENDENCE

Second edition



A SPECIAL EDITION

FORKLARENDE BEMÆRKNINGER

Dokumentationsbulletinen omfatter fire udgave:

— **A-udgaven:** ugentlig bulletin indeholdende resumeer af retsakter, meddelelser og dokumenter fra institutionerne samt af tidsskriftartikler. De tekster, der udvælges og gennemgås af Centraltjenesten for Arkiver og Dokumentation — (SCAD–IX/C/1) — vedrører institutionernes virksomhed og alle hertil knyttede områder.

Europa-Parlamentets dokumentationstjeneste yder sit bidrag til afsnittet med udvalgte artikler.

— **B-udgaven:** oplysningsbulletin, der ikke udkommer regelmæssigt, og som indeholder bibliografiske henvisninger vedrørende et bestemt emne. Hvert nyt nummer annullerer det foregående.

— **C-udgaven:** sammenfattende oversigt, der ikke udkommer regelmæssigt. Hvert nummer behandler en rubrik i klassifikationen og citerer de henvisninger, der er nævnt i A-udgaven siden den sidste oversigt om samme emne.

— **D-udgaven:** Bulletin reserveret for tidsskrifter der oplyser om De europæiske Fællesskabers aktiviteter.

Henvisningerne i A-udgaven og C-udgaven er angivet på følgende måde:

a)	øverst til venstre:	løbenummer: A (Fællesskabets retsakter osv.) B (udvalgte artikler)
b)	i selve teksten:	bibliografisk beskrivelse
c)	nederst til venstre:	klassifikationsangivelse
d)	nederst til højre: (eventuelt)	SCAD–mikrofilmnummer eller Publikationskontorets katalognummer eller forkortelsen PE (Europa-Parlamentet)

(fortsættes på omslagets 3. side)

NOTE EXPLICATIVE

Le Bulletin de Renseignements Documentaires comporte quatre éditions :

— **l'édition A :** Bulletin analytique hebdomadaire signalant des actes, des communications et des documents des institutions ainsi que des articles de périodiques. Les textes retenus et analysés par le Service Central Archives-Documentation — (SCAD–IX/C/1) concernent les activités des institutions et tous les domaines qui s'y rattachent.

Le Service de documentation du Parlement Européen collabore à la sélection des articles de périodiques.

— **l'édition B :** Bulletin signalétique à parution irrégulière, comprenant des références bibliographiques sur un sujet déterminé. Chaque mise à jour annule l'édition précédente.

— **l'édition C :** Répertoire cumulatif à parution irrégulière. Chaque numéro est consacré à une rubrique du plan de classement et reprend les références citées dans l'édition A depuis la parution du cumulatif précédent sur le même sujet.

— **l'édition D :** est réservée à des périodiques d'information sur les activités des Communautés européennes.

La présentation matérielle des références dans les éditions A et C est la suivante :

a)	en haut et à gauche :	numéro d'ordre : A (actes communautaires, etc.) B (articles sélectionnés)
b)	corps de la notice :	description bibliographique
c)	en bas et à gauche :	indices de classification
d)	en bas et à droite : (éventuellement)	n° de microfilm du SCAD ou n° de catalogue de l'Office des Publications, ou sigle PE (Parlement européen)

(Suite à la 3ème page de couverture)

HINWEIS

Das Dokumentationsbulletin besteht aus vier Ausgaben:

— **Ausgabe A:** Wöchentliches Referateblatt. Verweist auf Rechtsakten, Mitteilungen und Dokumente der Gemeinschaften, sowie auf Zeitschriftenartikel. Die vom Zentraldienst Archiv – Dokumentation — (SCAD–IX/C/1) ausgewerteten Texte betreffen die Tätigkeit der Institutionen und Organe der Gemeinschaften sowie die mit dieser Tätigkeit zusammenhängenden Gebiete.

Die Zeitschriftenartikel werden unter Mitwirkung der Abteilung Dokumentation des Europäischen Parlaments ausgewählt.

— **Ausgabe B:** Unregelmässig. Auswahlbibliographie (zu bestimmten Sachbereichen). Jede Neuauflage ersetzt die vorherige Ausgabe.

— **Ausgabe C:** Unregelmässig. Kumulierende Bibliographie. Nach je einem Sachgebiet der Ausgabe A geordnete Sammlung. Enthält die in einem bestimmten Zeitraum veröffentlichten Texte.

— **Ausgabe D:** Veröffentlichungen über die Tätigkeit der Europäischen Gemeinschaften vorbehalten.

Die bibliographischen Referenzen (Ausgaben A und C) sind wie folgt angegeben:

a)	oben links:	laufende Nummer: A (Dokumente der Gemeinschaften usw.) B (ausgewählte Zeitschriftenartikel)
b)	Mitte:	Bibliographische Beschreibung
c)	unten links:	Klassifikationsziffer
d)	unten rechts: (ggf)	Mikrofilm-Nummer (SCAD), oder Katalognummer (Amt für Amtliche Veröffentlichungen), oder Abkürzung PE (Europäisches Parlament)

(Fortsetzung Umschlagseite 3)

AVVERTENZA

Il Bollettino di documentazione consta di quattro edizioni :

— **l'Edizione A :** è un bollettino analitico settimanale che segnala atti, comunicazioni e documenti comunitari, come pure articoli selezionati da periodici. I testi selezionati e analizzati dal Servizio Centrale Archivi e Documentazione — (SCAD–IX/C/1) riguardano le attività delle istituzioni e tutti i settori nei quali esse si esplicano.

Il Servizio di documentazione del Parlamento Europeo collabora alla selezione degli articoli di periodici.

— **l'Edizione B :** è un bollettino segnaletico non periodico, comprendente i riferimenti bibliografici disponibili su un soggetto determinato. Ogni aggiornamento include tutti i riferimenti bibliografici pubblicati nel precedente bollettino sullo stesso soggetto, e quindi lo annulla.

— **l'Edizione C :** è un indice cumulativo, non periodico, relativo ad una sezione del piano di classificazione e contiene tutti i riferimenti bibliografici pubblicati nell'edizione A a partire dalla data del precedente indice.

— **l'Edizione D :** è riservata a periodici d'informazione sulla attività delle Comunità Europee.

La presentazione materiale dei riferimenti bibliografici nelle edizioni A e C è la seguente :

a)	in alto a sinistra :	numero d'ordine A (atti comunitari, ecc.) B (articoli selezionati)
b)	al centro :	descrizione bibliografica
c)	in basso a sinistra :	indici di classificazione
d)	in basso a destra : (se necessario)	numero del microfilm SCAD, o numero di catalogo dell'Ufficio delle Pubblicazioni, o sigla PE (Parlamento Europeo)

(seguito in terza pagina di copertina)

EXPLANATORY NOTE

The Documentation Bulletin consists of four series.

Series A: Weekly analytical bulletin listing acts and documents of the institutions as well as articles from periodicals. The texts which have been selected and analysed by the Central Archives and Documentation Service (SCAD–IX/C/1) concern the institutions' activities and all related fields.

The documentation service of the European Parliament contributes to the selection of articles from periodicals.

Series B: Descriptive bulletin. Irregular. Contains bibliographical references on a specified subject. Each new updating cancels the previous one.

Series C: Cumulative list. Irregular. Each number is devoted to a single subject of the classification scheme and lists the references mentioned in series A since the publication of the previous cumulative list on the same subject.

Series D: Bulletin mentioning periodicals containing information on the activities of the European Communities.

The actual presentation of references in series A and C is as follows:

(a)top left-hand corner:	serial number A (Community acts, etc.) B (Selected articles)
(b)in the centre:	bibliographical data
(c)bottom left-hand corner:	index number of classification
(d)bottom right-hand corner:	microfilm number of SCAD or catalogue number of the Publications Office, or PE abbreviation (European Parliament)

(continued on inside back cover)

TOELICHTING

Het documentatiebulletin bestaat uit vier uitgaven :

— **Uitgave A :** Wekelijks analytisch bulletin dat handelingen, mededelingen en dokumenten van de instellingen zowel als artikelen uit tijdschriften signaleert. De door de Centrale dienst archieven en documentatie (SCAD-IX/C/1) geselecteerde en geanalyseerde teksten betreffen de activiteiten van de instellingen en alle gebieden die daarmee in verband staan. De documentatiedienst van het Europese Parlement werkt mede aan de selectie van tijdschriftartikelen.

— **Uitgave B :** Bibliografisch bulletin dat onregelmatig verschijnt en dat referenties over een bepaald onderwerp bevat. Ieder bijgewerkt nummer vervangt het voorgaande.

— **Uitgave C :** Cumulatief deel dat onregelmatig verschijnt. Ieder nummer is gewijd aan een rubriek van de classificatie en neemt de gegevens op die in uitgave A vanaf de verschijning van het voorgaande deel over hetzelfde onderwerp werden vermeld.

— **Uitgave D :** voorbehouden aan de tijdschriften over de werkzaamheden van de Europese Gemeenschappen.

De gegevens in de uitgaven A en C worden als volgt vermeld :

a)	links boven :	volgnummer A (documenten van de Gemeenschappen enz. . .) B (geselecteerde tijdschriftartikelen)
b)	midden :	bibliografische beschrijving
c)	links onder :	classificatienummer
d)	rechts onder : (eventueel)	microfilmnummer (SCAD) of catalogusnummer (Bureau voor de Officiële Publikaties) of beginletters PE (Europees Parlement)

(vervolg op de derde bladzijde van de omslag)

documentation bulletin

COMMUNITY — THIRD WORLD : THE CHALLENGE OF INTERDEPENDENCE

By Wolfgang HAGER
and Michael NOELKE

Second edition

Brussels 1980

KEF / KEG / CEC / CCE / CEG

SCAD (IX-C-1)

Rue de la Loi, 200, Wetstraat
B–1049 Bruxelles • Brussel

- *mit der Mitarbeit des Dokumentationsdienstes des Europäischen Parlamentes*
- *avec la collaboration du Service de documentation du Parlement Européen*
- *with the collaboration of the Documentation Service of the European Parliament*

LEGAL NOTICE

The present study does not necessarily reflect the views of the Commission of the European Communities on the subject matter of the study nor does it necessarily anticipate the future attitude of the Commission on the topic.

© Copyright CECA – CEE – CEEA, Bruxelles-Luxembourg, 1980
Printed in Belgium

Eftertryk med kildeangivelse tilladt
Nachdruck mit Quellenangabe gestattet
Reference to this publication is requested for reproduction of any data
La reproduction des données est subordonnée à l'indication de la source
La riproduzione del contenuto è subordinata alla citazione della fonte
Het overnemen van gegevens is toegestaan mits bronvermelding

TABLE OF CONTENTS

FOREWORD

This revised, updated and expanded version of a study first published in February 1979 * provides an instrument for measuring the main elements of the interdependence which links Europe irrevocably with the Third World : energy; agricultural and mineral raw materials; the growing importance of the Third World as an export market for the Community; the new international division of labour in manufacturing industry; financial transfers, and so on.

Produced with everyone interested in development and cooperation problems in mind, it focuses on one aspect of interdependence : the growing importance of the Third World for the European economy. In this way it hopes to demonstrate that cooperation with the developing countries is not merely a moral duty but a political imperative reflecting Europe's specific interests.

The authors, Dr Wolfgang Hager and Michael Noelke, are members "European Research Associates", an economic consultancy based in Brussels. They were assisted in this work by Eduardo Castell and Luigi Passamonti.

Brussels, October 1980.

* European Communities - Commission
Europe and the Third World : A Study in Interdependence
Luxembourg : Office for Official Publications of the European Communities 1979
Collection Dossiers : Development Series - 1978 - No 2

For Western Europe, oil represents by far the most important single link to that increasingly diverse group of countries which still regard themselves as belonging to a common grouping, the Third World.

In fact, more than 60% of all Community imports from Third World countries is petroleum.

In addition, the Community buys increasing quantities of natural gas from these countries, and imports of uranium ore will rapidly gain in importance. Beyond the fact of energy dependence there is, however, a less generally recognised fact of energy interdependence : the energy policies pursued the industrialised countries affect the long-term development prospects of non-oil producing developing countries. Even in the short-term, the ability of the rich consuming nations to achieve cooperative and stable market relations with the oil producers has a direct bearing on the economic fortunes of the poorer countries.

Oil has also been an important factor in transforming the overall political relations between North and South : it has moved nations from non-committal discussions on the future of the international economic system towards serious, if still largely inconclusive, negotiations.

Present and future energy requirements

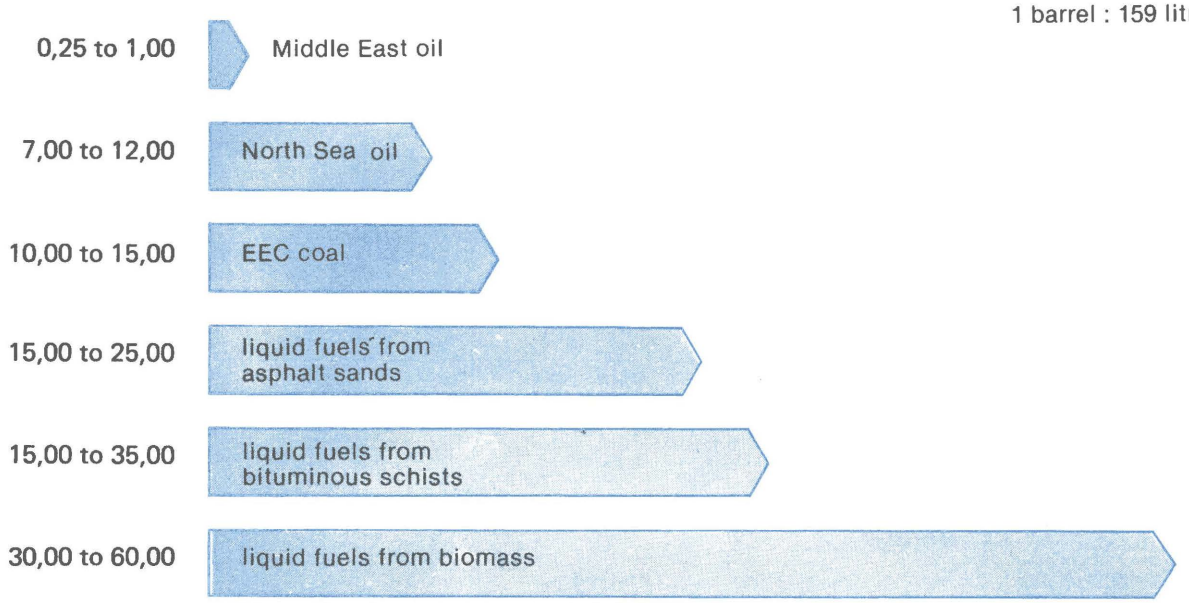
In 1975, the Third World consumed about 600 million tonnes of oil equivalent (TOE) in all forms of energy, equal to the production of three "North Seas". By the year 2000, its total energy consumption is expected to rise, on conservative assumptions, to about 2,600 million TOE, and 4,500 million TOE if we include China (see table A-I,1). Even then, its per capita consumption would be a third of present-day Europe, and 1/9th of present-day USA. By then, however, the rich countries will have moved from a consumption of 4,800 million TOE to at least 10,600 million TOE. The rich countries will thus add about 6,000 million TOE to the world's annual consumption, as against 3,500 million TOE for the Third World.

As table I,1 shows, Middle East oil is by far the cheapest energy source in terms of production costs. But it is also by far the most internationally-traded source of energy, and therefore highly sensitive to global imbalances in supply and demand. Oil is not only cheap to produce, however, but also extremely cheap to utilise. It is therefore the ideal fuel for developing countries - if it remains available.

I,1

PRIMARY ENERGY PRODUCTION COSTS
(in dollars/barrel oil equivalent)

1 barrel : 159 litres

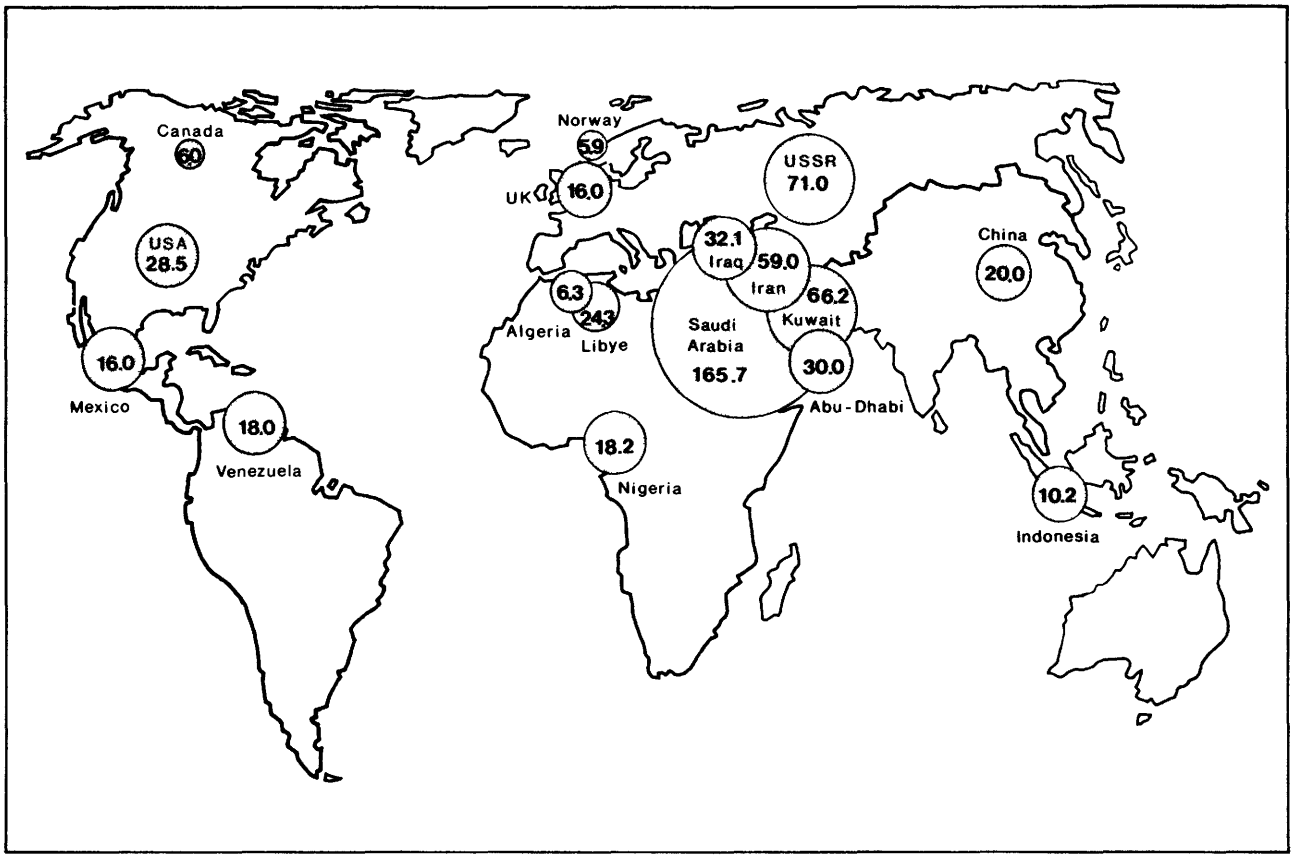


Source : Shell : World Energy Prospects.

There are other good long-term reasons for the rich countries to diversify away from a technically cheap energy source like oil. One of these is the narrow geographic concentration of internationally tradeable reserves (and current production) - (see tables I,2 and I,3, below).

I,2 1978 ESTIMATES OF PROVEN WORLD OIL RESERVES

unit : Billions of barrels (1)



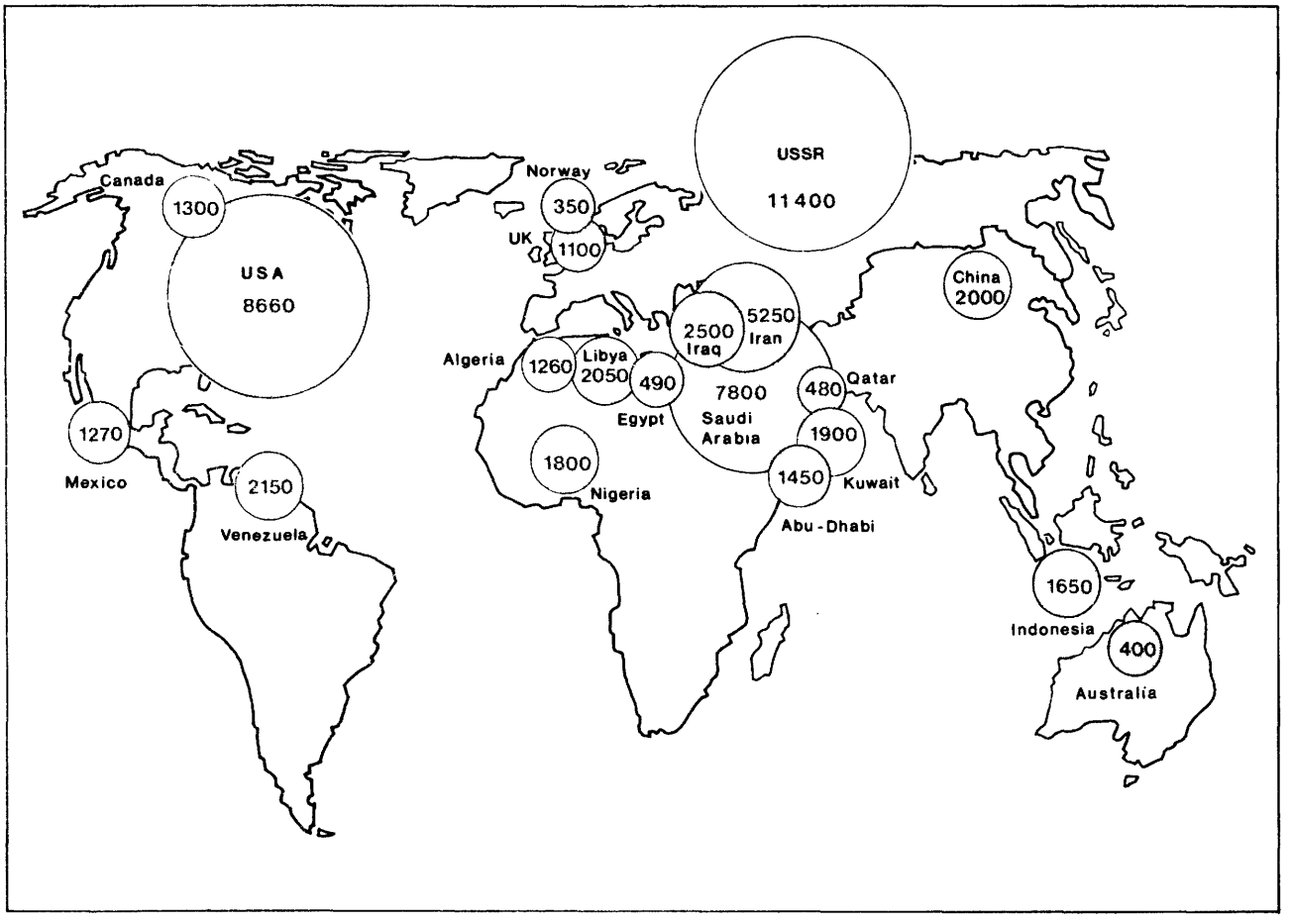
World total : 641.61	of which :	Asia-Pacific	20.01
		Europe	23.97
		Middle East	370.00
		Africa	57.89
		Western Hemisphere	75.75
		Communist areas	94.00

Source : The Oil and Gas journal - Dec. 1978.

(1) Throughout the text, one billion is used instead of 1,000 million.

I,3 ESTIMATED 1978 WORLD OIL PRODUCTION

unit : 1000 barrels/day



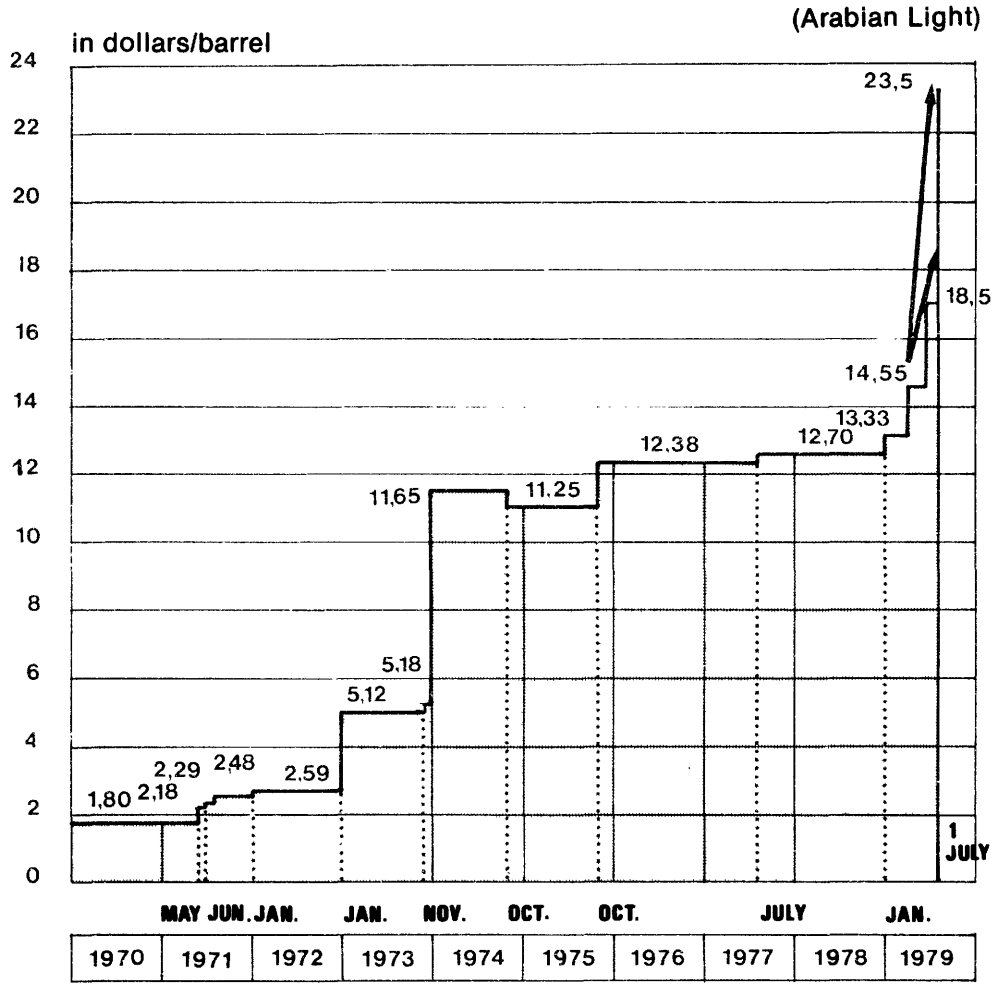
World total : 59,993	of which :	Asia-Pacific	2,792
		Europe	1,782
		Middle East	20,790
		Africa	6,058
		Western Hemisphere	14,761
		Communist areas	13,810

Source : The Oil and Gas journal - Dec. 1978.

The other reason for diversifying out of oil is the actual market price, whose development is charted in table I,4.

I,4

EVOLUTION OF CRUDE OIL PRICES (ARABIAN LIGHT) 1970-1979



Source : «Le Monde» 29th June 1979.

The Community's energy requirements

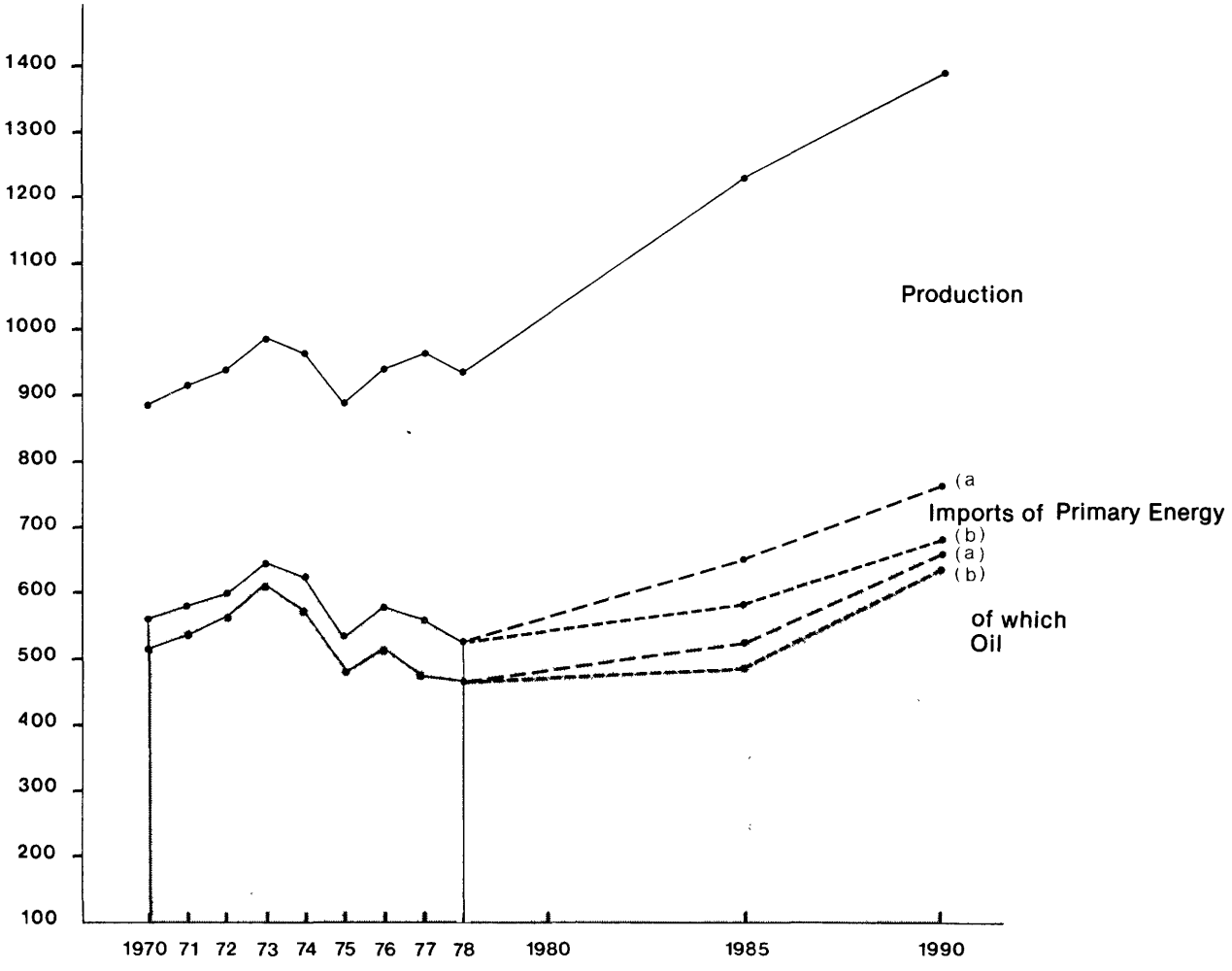
The figures presented in the following tables clearly show the long-term nature of the Community's energy interdependence with the Third World. While forecasting energy consumption has become hazardous, the following forecasts, especially the "low case", rest on quite optimistic assumptions. A major factor of uncertainty is, of course, the general economic growth rate. Yet the benefits which could be derived from slow growth in terms of energy savings would be dearly paid for in terms of unemployment and lost income.

As shown in table I,5, there has been a substantial fall in energy imports in the five years since the oil crisis. These imports will however rise again in the eighties. Because much of this initial rise is in the form of gas, oil imports will remain stable in absolute amounts until 1985, and only then rise again quite sharply.

I,5

DEVELOPMENT OF PRODUCTION AND IMPORTS OF PRIMARY ENERGY BY THE EC 1970-1978 AND FORECAST FOR 1985 AND 1990

in millions toe



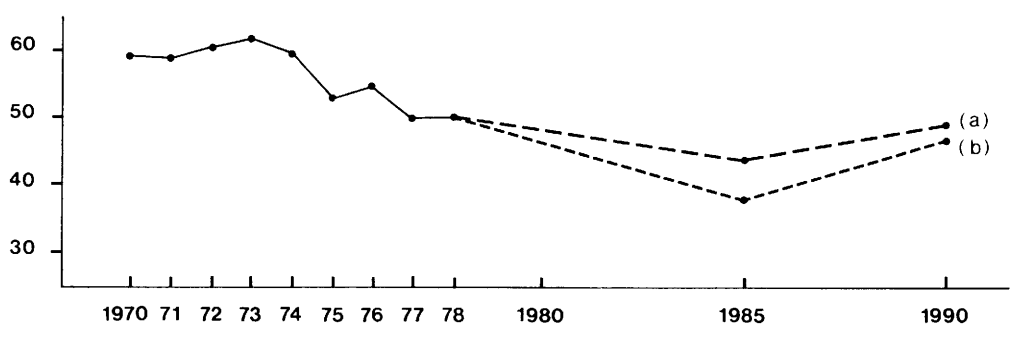
Source : Eurostat : Overall Energy Balance Sheets 1970-1977
CEC : Energy Objectives for 1990 and Programmes of the member states - COM (78) 613 - 16 November 1978
CEC : Energy objectives of the Community for 1990 and convergence of policies and member states. COM (79) 316

The picture looks more positive if we consider not the absolute quantities but the share of imported oil in total energy consumption, i.e. the most

important measure of energy dependence (table I,6). Here we see a sharp decline from over 60% in 1973 to about 50% in the late seventies, and to nearer 40% in 1985. This improvement, however, will be short-lived : by the end of the eighties the share will again rise to just below 50%.

I,6

THE SHARE OF OIL IN THE EUROPEAN COMMUNITY'S CRUDE ENERGY CONSUMPTION 1970-1978 AND FORECAST FOR 1985 AND 1990



(a) hypothesis of strong consumption growth
(b) hypothesis of weak consumption growth

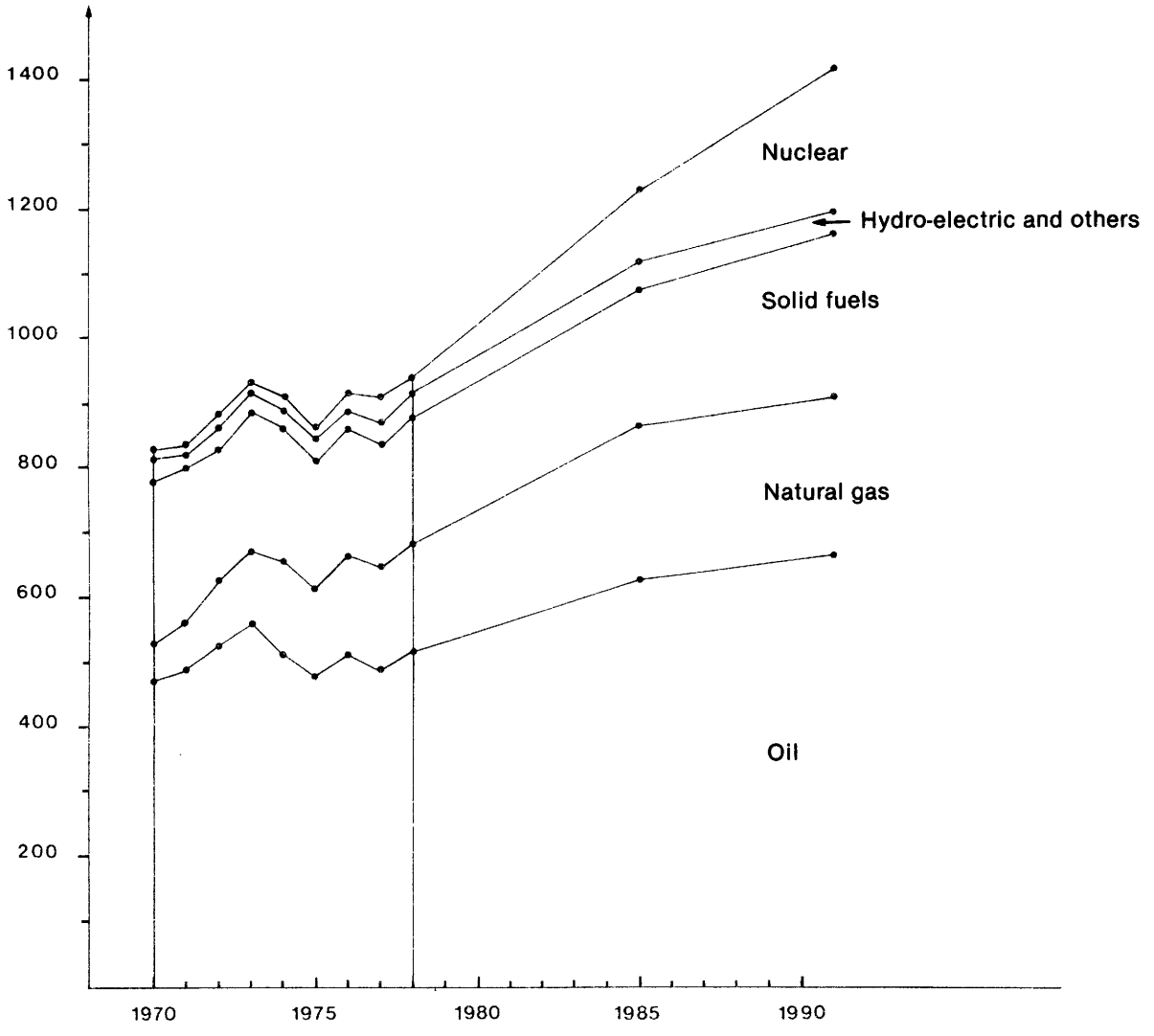
Source : Eurostat : Overall Energy Balance Sheets 1970-1977
CEC : Energy Objectives for 1990 and Programmes of the member states - COM (78) 613 - 16 November 1978
CEC : Energy objectives of the Community for 1990 and convergence of policies and member states. COM (79) 316

As table I,7 shows, the relatively modest increase in oil consumption is predicated on a substantial increase in other sources of energy. In this context, government priorities go to nuclear, coal, and gas (see following page).

"Domestic" Community oil production, most of it from the North Sea, will continue to increase and account, on optimistic assumptions, for about a quarter of total oil consumption by 1990. (cf. tables A-I,2 and A-I,3). At present, little more than one tenth of our oil needs are produced within the Community, an average which contains national variations from virtual 100% import dependence in Belgium, France or Italy to 56% dependence for Britain (A-I,4).

DEVELOPMENT OF CRUDE ENERGY CONSUMPTION IN THE EUROPEAN COMMUNITY BY PRIMARY SOURCE : 1970-1978 AND FORECASTS FOR 1985 AND 1990

in millions toe



Source : Eurostat - Overall Energy Balance sheets 1970-1979
CEC : Energy objectives for 1990 and programmes of the member states COM (78) 613 - 16 November 1978
CEC : Energy objectives of the Community for 1990 and convergence of policies of member states. COM (79) 316

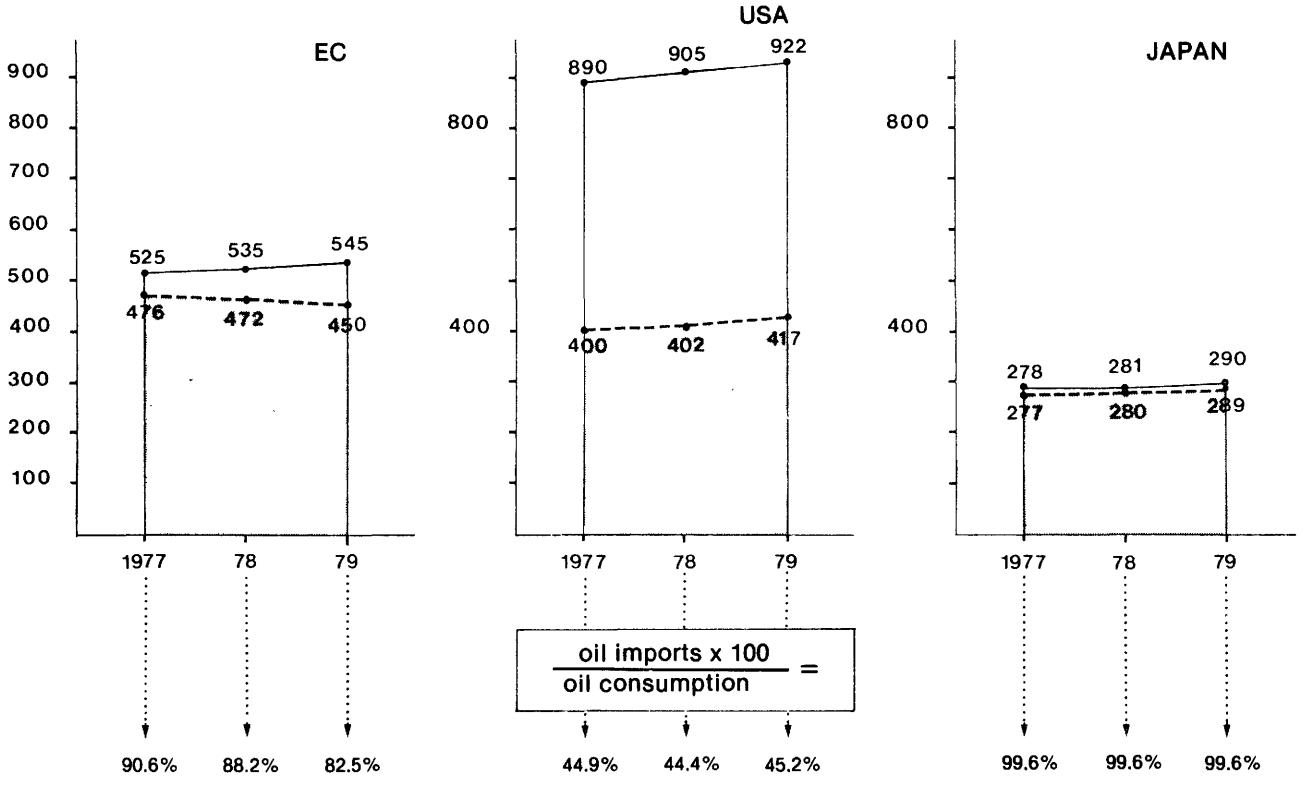
It is interesting, in this context, to compare the Community situation with that of the United States and Japan. the Community is still the biggest importer, although on present trends, the US is rapidly catching up. Japan, with its much smaller population, imports only a third less than the other

two, a reflection of its poor domestic energy resources (see tables I,8 and I,9).

I,8

CRUDE OIL CONSUMPTION AND CRUDE OIL IMPORTS OF THE BIG INDUSTRIAL COUNTRIES : EC, USA, JAPAN; 1977-1979

in millions of tonnes



Source : CEC : The Energy Situation in the Community and in the World; COM (79) 142; March 20th 1979.

I,9 THE IMPORTANCE OF IMPORTED OIL IN U.S. OIL REQUIREMENTS : 1960-1978
Net oil imports are given in millions of tonnes of oil equivalent

	1960	1965	1970	1973	1975	1978
Net oil imports	66.3	99.3	152.9	287.1	301.9	409.2
As per cent of total oil requirements	14.6	18.7	22.2	36.2	39.2	46.2
As per cent of total energy requirements	6.5	8.1	9.7	16.5	18.1	22.2

Source : OECD Economic Outlook ; nº 25/1979.

The self-sufficiency ratio of the Community is considerably more favourable as regards natural gas. Most member countries have some production capacity. Great Britain and,more especially, the Netherlands are substantial producers. Yet while imports in 1977 stood at only 11% of total consumption, this share has risen rapidly to 19% as efforts to diversify away from oil have intensified (table A-I,5).

Lastly,a word about nuclear energy which, unlike coal and other forms of domestic energy, has relevance for our relationship with the Third World. For one thing, nuclear power with its vast capital and technological requirements is an energy source open chiefly to the rich countries, while poorer countries have no option but to increase their reliance on oil. Secondly, uranium ore is increasingly mined in the Third World, although useful figures on the amounts imported are not available (1).

The growing importance of nuclear energy and its heavy concentration in the rich countries can be read from table A-I,6.

According to the intentions of member governments, the Community's nuclear capacity is meant to double every five years until 1990. The expansion of anti-nuclear movements may, however, oblige governments to change their plans. But it should be noted that since the second oil price explosion of 1979 and following the loss of certain overseas markets, such as Iran, for their nuclear reactors, member states are intensifying efforts to speed up their nuclear programmes and make up for the time lost in recent years.

Certain developing countries like India, Pakistan and Brazil are making major efforts, with the help of industrialised nations,to aquire a nuclear generating capacity. The sale of nuclear equipment to developing countries raises very sensitive political problems, given the risk that nuclear technology can be adapted for military purposes.

It is estimated that by 1990 nuclear capacity outside the OECD area will have reached only one-tenth of the 460 - 640 Gigawatts of installed nuclear electricity in Western industrialised countries.

Table I,10 shows the extraordinary growth in uranium requirements in the next 20 years. The table (see following page) also shows that world requirements for uranium will be twice as high if nations choose to forego the

---

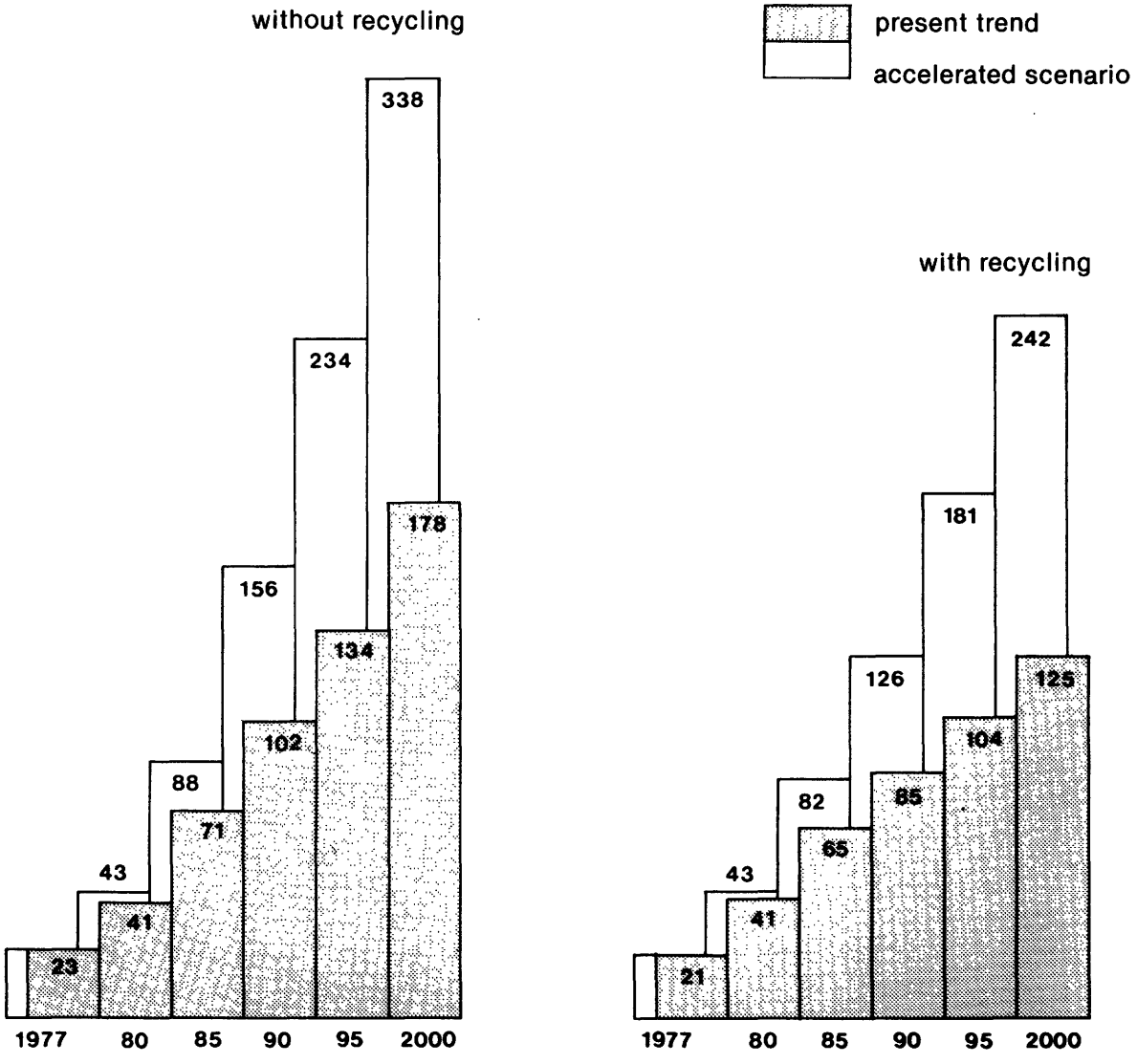
(1) See however table A-I,12 for figures on exploration expenditures by advanced and less developed countries.

option of recycling used fuel rods through processes which yield, among other products, large quantities of plutonium, a primary ingredient for making atomic weapons.

I,10

ESTIMATE OF WORLD URANIUM REQUIREMENTS

in thousands of tonnes



Source : Uranium – Resources, productions and demand - OECD, Paris 1978.

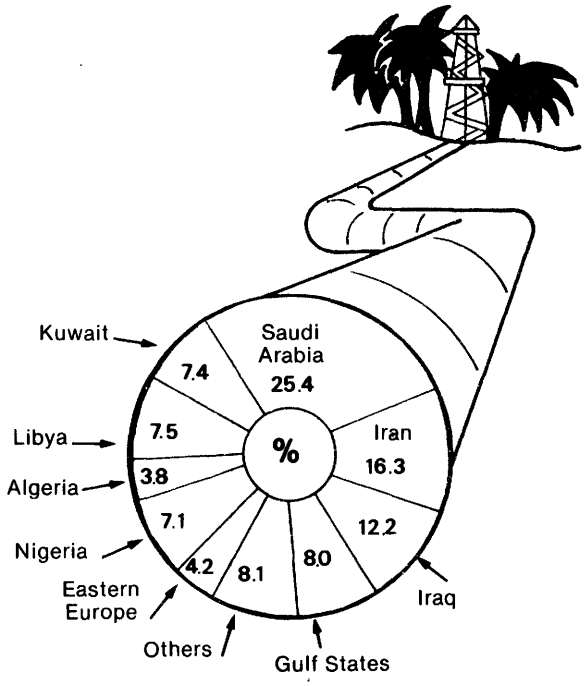
(2)

The Community's energy suppliers

a. Oil

In 1978, more than 4/5ths of all oil imported into the Community came from the Middle East and North Africa. Less than 20% came from the rest of the world, notably Nigeria, Eastern Europe and Norway (table I,11). Saudi Arabia supplied 25% of our imports, and all Arab states taken together nearly two thirds.
I,11

THE EC'S BIGGEST SUPPLIERS OF CRUDE OIL IN 1978

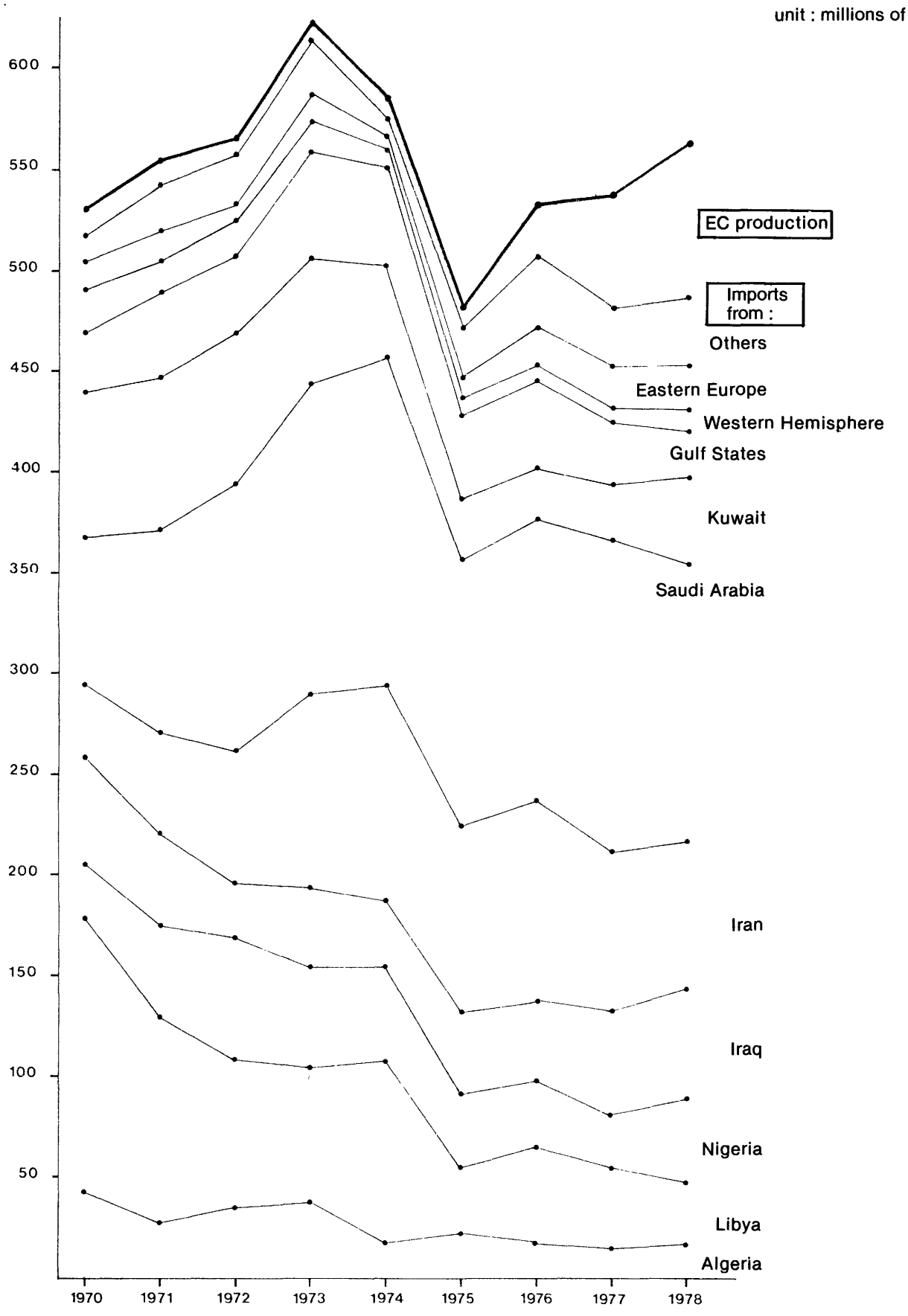


Source : Eurostat — Hydrocarbons monthly bulletin - n° 9/1979.*

The tables I,12 and table A-I,7 show that the market shares of individual supplying countries varied considerably between 1970 and 78. Thus, Algeria supplied half the amount in 1978 that it did in 1970, and Libya less than a third. The amounts supplied by Irak remained remarkably stable, while Iran doubled its exports to the Community. In the meantime, of course, there have been sharp cut-backs and reduced production ceilings in Iran. In future, Mexico can be expected to become a major exporter although its significance for the Community lies in its contribution to global energy supplies.

While the importance of individual supplier countries changes, the importance of the Middle East as our principal source, and of OPEC as the dominant force in the world oil market, seems assured : as shown in table I,2 above, five Middle Eastern countries hold more than half the world's reserves of crude oil. Almost three quarters (73%) of world reserves are held by OPEC, as against 8% in North America, 11% in the Soviet Union and only 3% in Western Europe.

EVOLUTION OF EC PRODUCTION AND IMPORTS OF CRUDE OIL FROM 1970 TO 1978



Source : Eurostat - Hydrocarbons monthly bulletin - N° 9/1979

More than any other item in world trade, oil has become the object of state control and inter-state bargaining. On the economic front, this bargaining - most of it still implicit rather than explicit - involves both short-term and long-term choices by producers and consumers.

For the producers, the short-term issues are those of pricing and production levels. The laws of interdependence operate even in this context, where producers might appear to have an autonomous power of decision : when prices are pushed too high, the resulting recession in the consuming countries can reduce the volumes sold while the resulting inflation raises the export prices of countries selling machines, consumer goods and food to the oil countries. Inflation also reduces the value of the oil producers' bank balances and other forms of outstanding credit while economic recessions reduce the value of their tangible assets held abroad.

For the consumers, the short-term issues involve decisions on saving and producing energy and how sacrifices in money, comfort, or perhaps employment are to be distributed. The short-term goal is to relieve the pressure of the oil market through a better balance between supply and demand ; a second, more important goal, is to start the slow process of long-term adjustment.

The main long-term issue for both producers and consumers concerns the speed with which oil a finite resource, is exploited. Most producers, with the exception of Saudi Arabia, can look for only a few decades of production at or near present levels. For many, time is thus too short to build up a viable economy to provide an income after the oil runs out. Their strategy will be to stretch this period by adopting conservation measures. If present growth rates in world oil consumption continue, Saudi Arabia would have to double its production. At that rate, however, it too would begin to run out of oil by the year 2000. Much points to the fact that Saudi Arabia will not, in fact, increase production to anything like the extent considered necessary by Western energy planners.

Unless the Community and the other large consumers condition themselves to this long-term perspective, the prospect is one of painful and wasteful forced adaptation. The form this would most likely take is a series of economic cycles, with periods of moderate growth - which strain energy supplies - followed by sharp recessions due to price-induced inflation and balance-of-payments problems. During periods of weak growth, oil supplies might well, for a short time, exceed demand - enough to disguise the underlying problem and delay the response to it. Political problems in a single important producer country could, however, wipe out such a "mini-glut" overnight.

It would be quite wrong, however, to reduce the oil problem to one of supply interruptions. At present, the long-term economic policy stances of producers and consumers are incompatible.

b. Natural gas

Looked at from the perspective of energy interdependence, natural gas presents a number of unique features. Unlike oil which is a fungeable commodity and can be sold in small lots in many markets, gas requires considerable investment : on the producer side, pipelines and refrigeration plants which require the security of long-term purchasing contracts ; on the consumer side, treatment plants, pipelines and a domestic supply infrastructure which equally require long-term contrats. Special ships to transport liquid natural gas are another big investment borne by either suppliers or purchasers. Interdependence thus has a particularly material reality in international trade in gas. Supplies are usually contracted over 10-20 years.

It is perhaps for this reason that gas imports are considered an alternative to oil dependence, in spite of the fact that the number of suppliers here is even smaller. By the mid-eighties, only five countries will supply the Community. Three of these are developing countries (see table I,13). However, none of these approaches in importance the principal "domestic" supplier of most Community countries, the Netherlands (table A-I,18). The Soviet Union is the chief outside supplier.

I,13 BREAKDOWN AND FUTURE DEVELOPMENT OF EC IMPORTS OF NATURAL GAS BY COUNTRY OF ORIGIN

(in billions of m³ and in %)

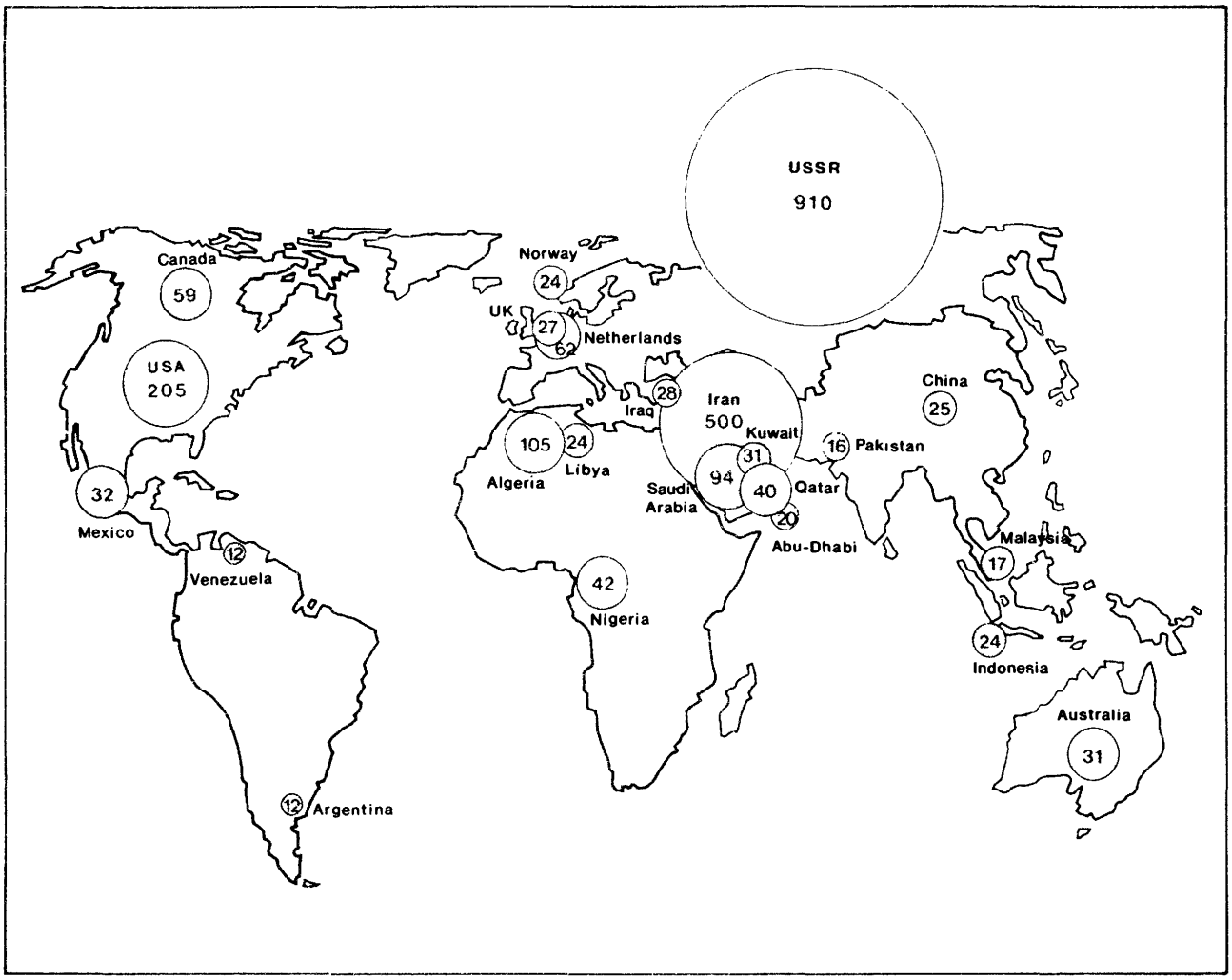
	1978		1985		1990	
	Bn m³	%	Bn m³	%	Bn m³	%
ALGERIA	4,7	11,3	48,7	40,8	61,2	40,6
LIBYA	2,9	6,9	3,3	2,8	3,3	2,2
USSR	17,1	41,0	23,8	19,9	25,6	16,9
NORWAY	17,0	40,8	35,2	29,6	46,2	30,6
IRAN	-	-	8,1	6,8	10,0	6,6
OTHERS	-	-	-	-	4,4	2,9
TOTAL	41,7	100%	119,1	100%	150,7	100%

Source : Aspects of external measures by the Community in the Energy Sector- Commission of the European Communities 5/2/1979.

Table I,14 shows the importance of these last-named countries on the distant periphery of the Community as regards known reserves. In Iran and most Middle East countries, however, a great deal of gas released in the process of oil extraction - socalled associated gas - is simply flared off, as the infra-structure for collecting this gas is lacking. Because of the long lead-times involved, high energy prices cannot change this situation quickly. But a map of world gas reserves may by the late 1980's look quite different from the picture presented in table I,14.

I,14 1978 ESTIMATES OF WORLD GAS RESERVES

unit : 10^9 cubic feet



World total : 2,502	of which :	Asia-Pacific	119,850
		Europe	143,260
		Middle East	730,660
		Africa	186,290
		Western Hemisphere	376,950
		Communist areas	945,000

Source : The Oil and Gas journal - Dec. 1978.

c. Uranium

Statistics on trade in uranium are so fragmentary as to be worthless. However, OECD estimates on present and future production provide some indication of the importance of the Third World even for this energy source. By 1985, four advanced countries, the U.S., Canada, South Africa and Australia, will produce 73,000 tonnes of uranium out of a non-communist world production of 92,000 (table A-I,9). EEC domestic production - assuming membership of Greece, Spain and Portugal - will be around 5,500 tonnes, and that of the Third World around 13,000 tonnes. Most important for Europe, not less than 11,000 tonnes of this total will be produced in three associated African states. To this must be added a part of "South African" production which may by then come from an independent Namibia.

The true importance of these supplies of uranium ore for the Community is greater than the figures suggest. Our principal suppliers in the advanced world, for both economic and political reasons, prefer to supply uranium which has already been submitted to the expensive and highly sophisticated process of enrichment - coupled with increasingly stringent conditions as to the end use of the fuel. As Europe's two large enrichment consortia (Eurodif and Eurenco) take up full-scale production, supplies of raw uranium gain in importance.

The importance of Africa for the medium-term future is clearly visible from the estimates (table A-I,10) of world reserves. Taking the high estimate, Africa emerges as the most promising continent. But as the less speculative estimates of known deposits (table A-I,11) show, much of this total is to be found in South Africa. Another indication of the future is given by expenditures on prospecting for new finds of uranium (table A-I,12). The share of total expenditures carried out in the LDCs has risen only modestly from 13% to 17% since 1972. However, in absolute terms, expenditures during 1972-77 have been three times as high as in the entire preceding period.

APPENDIX TO CHAPTER I

A - I,1 WORLD ENERGY CONSUMPTION - ESTIMATES FOR THE YEAR 2000

	1975			2000										
	population in millions	per capita toe	total million toe	population		assuming low consumption			assuming high consumption			assuming minimum consumption		
				millions	∝	per capita	total million toe	∝	per capita	total million toe	∝	per capita	total million toe	∝
North America	237	7.8	1 849	304	1.0%	12.1	3 688	2.8%	14	4 265	3.4%	10	3 033	2.0%
Western Europe (including Turkey)	386	3.1	1 197	448	0.6%	4.7	2 113	2.3%	6.5	2 898	3.6%	4.4	1 964	2.0%
Eastern Europe (including USSR)	385	3.5	1 348	494	1.0%	7.6	3 770	4.2%	9.2	4 565	5.0%	5.7	2 822	3.0%
Japan, Australia, New Zealand, South Africa	154	2.5	385	197	1.0%	5.2	1 026	4.0%	6.3	1 243	4.8%	4.1	806	3.0%
Total for developed countries	1 162 30%	4.1	4 779 83%	1 443 22%	0.9%	7.3	10 597 70%	3.2%	9	12 971 64%	4.1%	6	8 625 71%	2.4%
China	823	0.44	362	1 194	1.5%	1.6	1 919	6.9%	2.6	3 122	9.0%	1.3	1 554	6.0%
Third World	1 983	0.3	595 10%	3 860	2.7%	0.68	2 614 17%	6.1%	1.1	4.170 21%	8.1%	0.5	1 930 16%	4.8%
Total for developing countries	2 806 70%	0.34	957 17%	5 054 78%	2.4%	0.9	4 533 30%	6.4%	1.4	7 292 36%	8.5%	0.7	3 484 29%	5.3%
Grand total	3 968	1.45	5 736	6 497	2.0%	2.3	15 130	4.0%	3.1	20 263	5.2%	1.9	12 109	3.0%

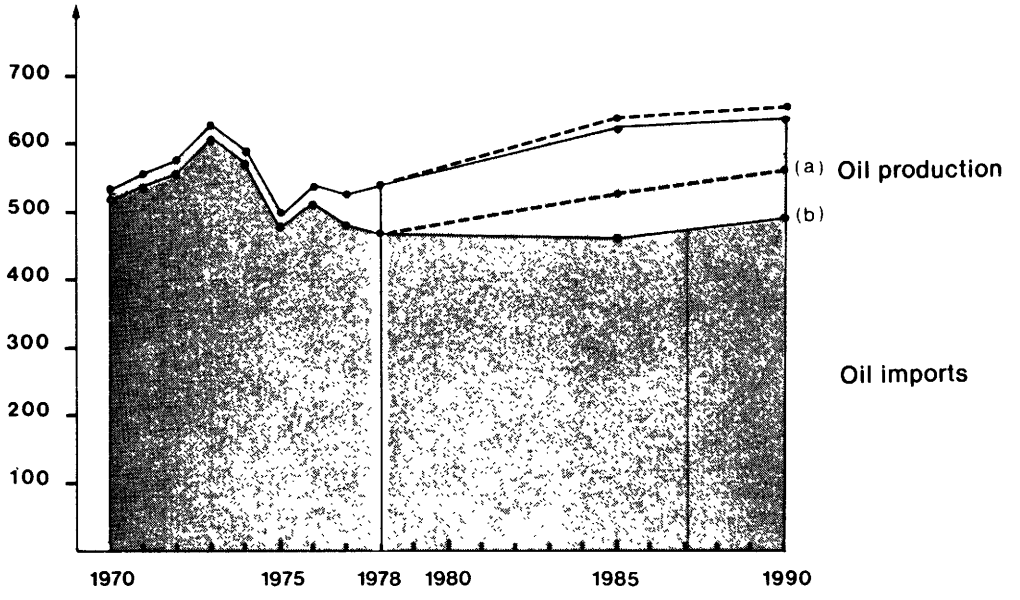
∝ = average annual growth rate in the period 1975 to 2000.

Source : CEC : Energy cooperation ; SEC (79) 31 ; 13 December 1978.

A-I,2

DEVELOPMENT OF EEC OIL PRODUCTION AND IMPORTS 1970-1978 AND FORECAST FOR 1985 AND 1990

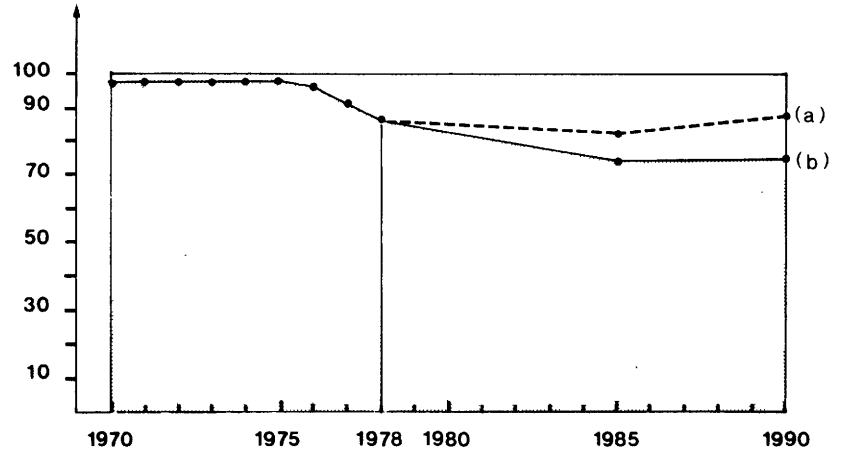
in millions toe



A-I,3

EC : IMPORTED OIL AS A PROPORTION OF TOTAL OIL CONSUMPTION

in %



a) Hypothesis of strong consumption growth
b) Hypothesis of weak consumption growth

Source : Eurostat : Overall Energy Balance Sheets 1970-1977
CEC : Energy Objectives for 1990 and Programmes of the Member States - COM (78) 613 - 16 November 1978
CEC : Energy objectives of the Community for 1990 and convergence of policies of member states. COM (79) 316

A - I,4

COMMUNITY MEMBERS' CRUDE OIL SUPPLIES - 1978 - PRODUCTION, IMPORTS, LEVEL OF DEPENDENCE

unit : millions TOE

	EUR-9	D	F	I	NL	B	L	UK	IRL	DK
Production	62,2	5,1	1,1	1,5	1,5	-	-	52,6	-	0,4
Imports	480,6	97,8	115,6	112,8	57,8	33,0	-	66,3	2,3	7,8
Level of dependence (%)	88,5%	95,0%	99,0%	98,7%	97,5%	100%	100%	55,8%	100%	92,9%

Source : Eurostat - Hydrocarbons monthly bulletin - n° 9/1979.

A - I,5

EC SUPPLIES OF NATURAL GAS - 1977-1978 - PRODUCTION - IMPORTS FROM THIRD COUNTRIES IMPORTS FROM THE NETHERLANDS - GROSS DOMESTIC CONSUMPTION

(unit : 1000 tera joule)

		EUR 9	D	F	I	NL	B	L	UK	IRL	DK
PRODUCTION	77	6 491.5	673.0	298.9	526.1	3 407.4	1.3	-	1 584.8	-	-
	78	6 161.9	725.1	308.9	519.7	3 119.5	1.5	-	1 487.2	-	-
IMPORTS FROM 3rd COUNTRIES	77	802.2	232.8	123.6	354.9	10.2	10.3	-	70.4	-	-
	78	1 416.6	507.2	185.5	407.2	61.9	54.9	-	200.0	-	-
IMPORTS FROM NETHERLANDS	77	1 887.2	884.0	455.9	139.5	-	388.5	19.3	-	-	-
	78	1 669.0	716.2	452.0	138.7	-	341.0	21.1	-	-	-
GROSS DOMESTIC CONSUMPTION	77	7 183.1	1 767.9	820.7	1 009.3	1 508.4	399.9	19.3	1 657.5	-	-
	78	7 470.7	1 932.5	894.9	1 023.1	1 515.4	396.6	21.1	1 687.2	-	-
DEGREE OF DEPENDENCE ON 3rd COUNTRIES (1)	77	11.2%	13.2%	15.1%	35.2%	0.0%	2.6%	-	4.3%	-	-
	78	19.0%	26.2%	21.8%	39.8%	4.1%	13.8%	-	11.9%	-	-

Source : Eurostat - Hydrocarbons monthly bulletin n° 9/1979.

(1) : % defined by the relationship $\frac{\text{3rd countries imports}}{\text{gross domestic consumption}}$

A - I,6 NUCLEAR POWER GROWTH ESTIMATES

(in G We)

	1977	1980	1985	1990
Germany	6	12	25	47
Austria	-	0.7	0.7	2
Belgium	1.7	1.7	3.5	8
Canada	3.3	6	10	20
Denmark	-	-	-	2
Spain	1.1	8	15	20
United States	48	60	115	194
Finland	0.4	2.2	2.2	3.5
France	4.7	15	34	53
Greece	-	-	-	1
Italy	0.6	1.4	5.4	25
Japan	8	15	27	50
Luxembourg	-	-	-	1
Netherlands	0.5	0.5	0.5	3
Portugal	-	-	-	1.8
United Kingdom	6.6	10.3	10.3	15.3
Sweden	3.2	6.5	7.4	8
Switzerland	1.0	1.9	2.8	3
Turkey	-	-	-	1
European Community	20.1	40.9	78.7	154.3
OECD countries				
"present trend" estimate	85	141	259	459
"accelerated nuclear" estim	85	141	343	640
Non OECD countries				
"present trend"	2	5	19	45
"accelerated" scenario	2	5	25	60
Total				
"present trend"	87	146	278	504
"accelerated" scenario	87	146	368	700

Source : Uranium - Resources, Production and Demand. OECD, Paris 1978.

A - I,7 THE LARGEST SUPPLIERS OF CRUDE PETROLEUM TO THE EC FROM 1970 TO 1978 - IN MILLIONS OF TONNES

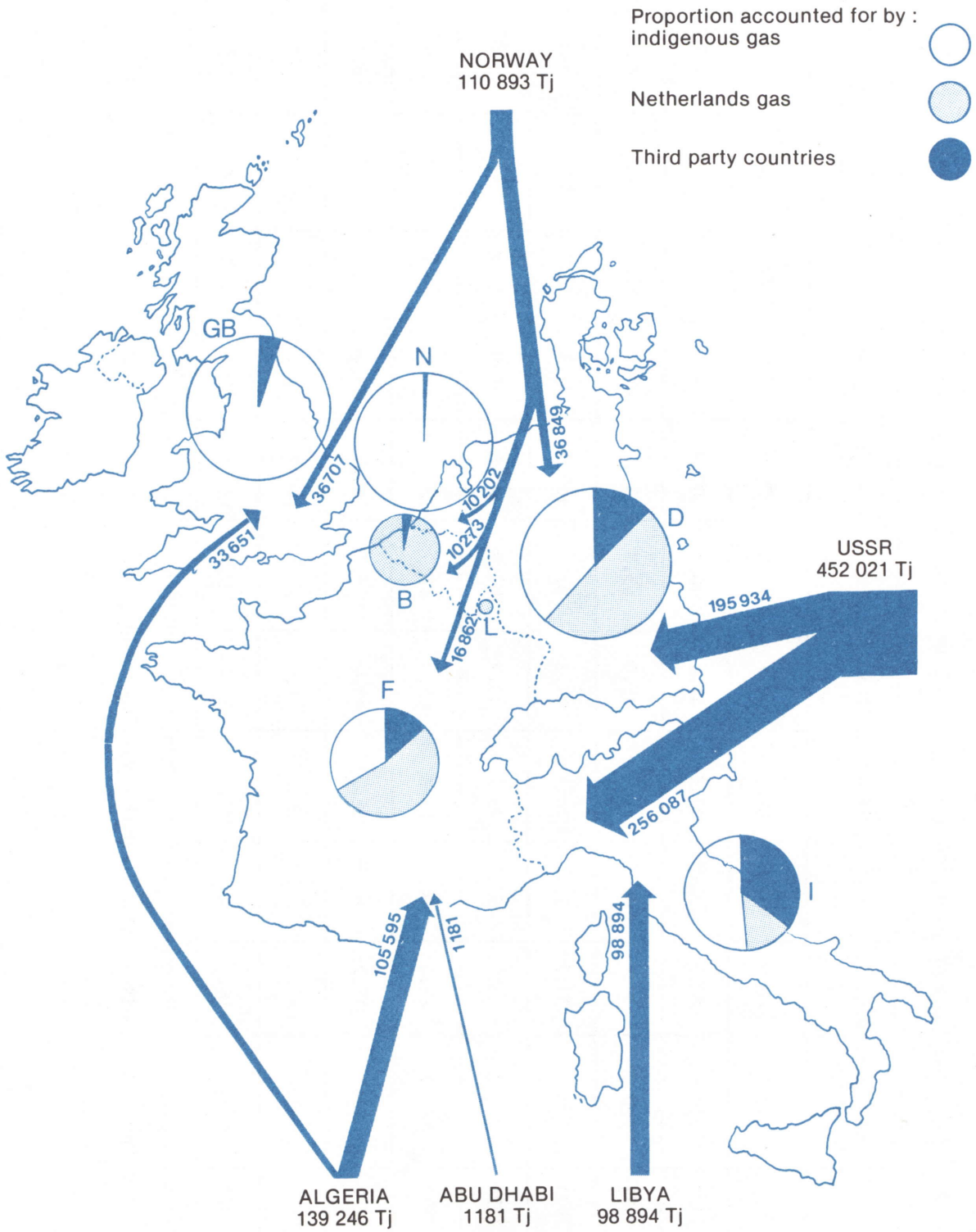
Year	Total third countries	Algeria	Libya	Nigeria	Iraq	Iran	Saudi Arabia	Kuwait	Qatar	Abu-Dhabi (1)	Muscat and Oman	Western Hemisphere	Eastern Europe
1970	517.8	40.9	137.4	29.5	48.7	37.8	70.9	75.7	9.9	14.5	6.4	18.6	14.3
1971	536.8	26.5	104.7	43.3	47.4	48.4	102.9	77.6	12.4	20.8	4.9	16.9	14.9
1972	560.5	30.8	80.3	50.3	37.0	63.2	130.5	80.1	14.5	21.2	4.4	14.5	12.6
1973	610.1	31.9	76.2	44.7	44.2	87.7	159.1	72.3	16.7	24.6	4.1	11.3	13.9
1974	572.3	22.5	55.5	48.9	38.5	101.9	164.6	49.0	12.9	25.7	3.8	9.6	7.6
1975	477.3	22.8	34.2	34.9	43.5	87.6	129.5	34.8	10.1	25.9	4.6	8.2	10.1
1976	513.7	19.3	44.9	32.7	44.4	97.2	140.3	29.4	13.5	25.3	3.3	6.4	18.9
1977	485.1	17.4	39.7	29.6	47.8	77.8	148.7	30.3	8.5	33 .3	1.2	4.6	21.8
1978	480.6	18.4	36.2	33.9	58.7	78.2	122.2	35.6	8.3	28.6	1.5	4.3	20.4

Source : Eurostat - Hydrocarbons monthly bulletin - n°9/1979.

(1) As from 1977 Abu-Dhabi becames United Arab Emirates (UAE).

NATURAL GAS EC : IMPORTS FROM THIRD PARTY COUNTRIES AND GROSS INLAND CONSUMPTION

1977



Source : Eurostat - Gas statistics 1977. Up to date November 1978

A - I,9 FORECAST OF WORLD URANIUM PRODUCTION CAPABILITIES 1977-1990

excluding Soviet Union and East bloc States (tonnes of uranium)

	1977	1980	1985	1990
EC : D	100	100	200	200
F	2 200	2 850	3 700	4 000
I	0	120	120	120
OTHER EUROPEAN STATES :				
Spain	191	678	1 272	1 272
Portugal	85	95	270	270
Turkey	0	100	100	100
Yugoslavia	0	0	180	440
AFRICA :				
South Africa	6 700	11 700	12 500	12 000
Central African Emp.	0	0	1 000	1 000
Gabon	800	1 200	1 200	1 200
Niger	1 609	4 100	9 000	9 000
NORTH AMERICA :				
United States	14 700	22 600	36 000	47 000
Canada	6 100	7 950	12 500	11 250
LATIN AMERICA :				
Argentina	130	360	600	600
Brazil	-	385	385	385
Mexico	0	170	550	550
ASIA :				
India	200	200	200	200
Japan	30	30	30	30
Philippines	0	38	0	0
OCEANIA :				
Australia	400	500	11 800	20 000
TOTAL (ROUNDED)	33 000	53 000	92 000	110 000

Source : Uranium - Resources, Production and Demand. OECD, Paris 1978.

(3)

A - I,1O URANIUM : SPECULATIVE RESOURCES LISTED BY CONTINENT (1)

Continent	Number of countries	Speculative resources (million tonnes U)
Africa	51	1.3 - 4.0
America, North	3	2.1 - 3.6
America, South and Central	41	0.7 - 1.9
Asia and Far East *	41	0.2 - 1.0
Australia and Oceania	18	2.0 - 3.0
Western Europe	22	0.3 - 1.3
Total	176	6.6 - 14.8
Eastern Europe, URSS, Peoples Republic of China	9	3.3 - 7.3

* Excluding Peoples Republic of China and the eastern part of USSR.

(1) Speculative Resources refers to uranium in addition to "Estimated Additional Resources" and to "Reasonably Assured Resources".
They are thought to exist mostly on the basis of indirect indications and geological extrapolations in deposits discoverable with existing exploration techniques.

Source : Uranium, Resources, Production and Demand. OECD, Paris 1978.

A - I,11

ESTIMATED URANIUM RESOURCES OF NON-COMMUNIST WORLD,

DATA AVAILABLE 1ST JANUARY 1977

unit : 1000 tonnes uranium

	Reasonably assured resources		Estimated additional resources	
	<80 dollars/KgU	80-130 dollars/KgU	<80 dollars/KgU	80-130 dollars/KgU
EC : D	1.5	0.5	3.0	0.5
DK - Greenland	0.0	5.8	0.0	8.7
F	37.0	14.8	24.1	20.0
I	1.2	0.0	1.0	0.0
UK	0.0	0.0	0.0	7.4
OTHER EUROPEAN STATES :				
Spain	6.8	0.0	8.5	0.0
Portugal	6.8	1.5	0.9	0.0
Finland	1.3	1.9	0.0	0.0
Sweden	1.0	300.0	3.0	0.0
Turkey	4.1	0.0	0.0	0.0
Yugoslavia	4.5	2.0	5.0	15.0
Austria	1.8	0.0	0.0	0.0
AFRICA :				
South Africa	306.0	42.0	34.0	38.0
Algeria	28.0	0.0	50.0	0.0
Central African Emp.	8.0	0.0	8.0	0.0
Gabon	20.0	0.0	5.0	5.0
Madagascar	0.0	0.0	0.0	2.0
Niger	160.0	0.0	53.0	0.0
Somalia	0.0	6.2	0.0	3.4
Zaire	1.8	0.0	1.7	0.0
NORTH AMERICA :				
United States	523.0	120.0	838.0	215.0
Canada	167.0	15.0	392.0	264.0
LATIN AMERICA :				
Argentina	17.8	24.0	0.0	0.0
Bolivia	0.0	0.0	0.0	0.5
Brazil	18.2	0.0	8.2	0.0
Chile	0.0	0.0	5.1	0.0
Mexico	4.7	0.0	5.1	0.0
ASIA :				
Korea	0.0	3.0	0.0	0.0
India	29.8	0.0	23.7	0.0
Japan	7.7	0.0	0.0	0.0
Philippines	0.3	0.0	0.0	0.0
OCEANIA :				
Australia	289.0	7.0	44.0	5.0
TOTAL (ROUNDED)	1 650.0	540.0	1 510.0	590.0

Source : Uranium - Resources, Production and Demand. OECD, Paris 1978.

A - I,12 EXPLORATION EXPENDITURE

In respective country (1) (US $ 1 000)

	PRE-1972	1972	1973	1974	1975	1976	1977 estimated
Denmark	450	0	170	170	300	300	1 400
France	87 000	4 800	5 400	8 200	14 600	19 600	20 000
Germany F.R.	n.a.	1 200	1 700	2 000	2 000	3 000	3 000
United Kingdom	637	110	68	40	10	15	269
Total EC	88 087	6 110	7 338	10 410	16 910	22 911	24 669
Australia	31 000	12 800	16 300	14 600	10 000	n.a.	n.a.
Canada	n.a.	n.a.	n.a.	n.a.	n.a.	45 000	n.a.
Greece	0	90	90	122	224	432	1 340
Japan	10 617	630	533	507	360	463	505
Portugal	5 594	135	207	246	244	276	261
South Africa	841	n.a.	376	822	342	357	229
Spain	13 336	1 787	1 929	2 576	6 483	7 100	11 000
Sweden	1 000	1 200	1 480	2 070	2 900	(5 050)	n.a.
Switzerland	742	40	166	142	126	69	61
Turkey	3 500	400	500	650	800	900	2 500
United States (3)	238 870	32 400	49 470	80 950	128 290	183 425	256 150
Total Industrialised Countries	305 500	49 482	71 051	102 685	149 769	243 072	272 046
Bolivia	200	60	70	1 150	1 760	1 912	1 400
Brazil	10 000	1 500	8 500	10 000	19 000	16 000	19 000
Central African Empire	15 000	0	0		3 000		2 000
Chile	n.a.	n.a.	n.a.	n.a.	8	33	50
Colombia	0	0	0	500	1 000	1 500	2 000
Ghana	n.a.	0	0	0	0	0	44
India	39 146	2 584	2 402	3 214	3 407	3 352	4 321
Iran	n.a.	0	0	n.a.	n.a.	n.a.	30 000
Jordan	0	n.a.	28	20	n.a.	n.a.	n.a.
Korea	0	65	43	30	38	192	200
Madagascar	n.a.	0	0	0	0	50	236
Mexico	n.a.	488	1 554	1 709	2 150	1 731	2 119
Niger (2)			34 000			n.a.	n.a.
Philippines	300	1	1	20	40	46	980
Somalia (2)		3 750		6 250		0	0
Sudan	n.a.	n.a.	n.a.	0	0	200	0
Total Developing countries	64 646	8 448	46 598	22 893	30 403	25 016	62 350
TOTAL	458 233	64 040	124 987	135 988	197 082	290 999	359 065

n.a. : Not available, expenditures occured but have not been reported or are withheld to avoid disclosing single company data.

(1) Data in Tables are not in all cases mutually exclusive.

(2) Numbers reported refer to the total expenditures over the period indicated by the horizontal line.

(3) USA data for "PRE-1972" only include the years 1966 to 1971. US NURE expenditures are included for the years 1975 to 1977.

N.B. Expenditures occured but have not been reported for : Algeria, Argentina, Austria, Cameroon, Egypt, Gabon, India, Ireland, Italy, Morocco, New Zealand, Peru, Thailand, Uruguay, Yugoslavia, Zaire and Zambia.

Source : Uranium - Resources, Production and Demand. OECD, Paris 1978.

A - I,13 COMMUNITY ENERGY CONSUMPTION ACCORDING TO ECONOMY SECTORS

in %

	Industry	Transport	Household and domestic	Total
Solid fuels	5	-	3	8
Natural gas	-	-	8	14
Petroleum products	12	17	17	46
Electrical power and others	16	1	15	32
Total	39	18	48	100%

Source : Eurostat - Global energy balance 1970-1977.

A - I,14 ENERGY CONSUMPTION IN THE ACP STATES IN 1975

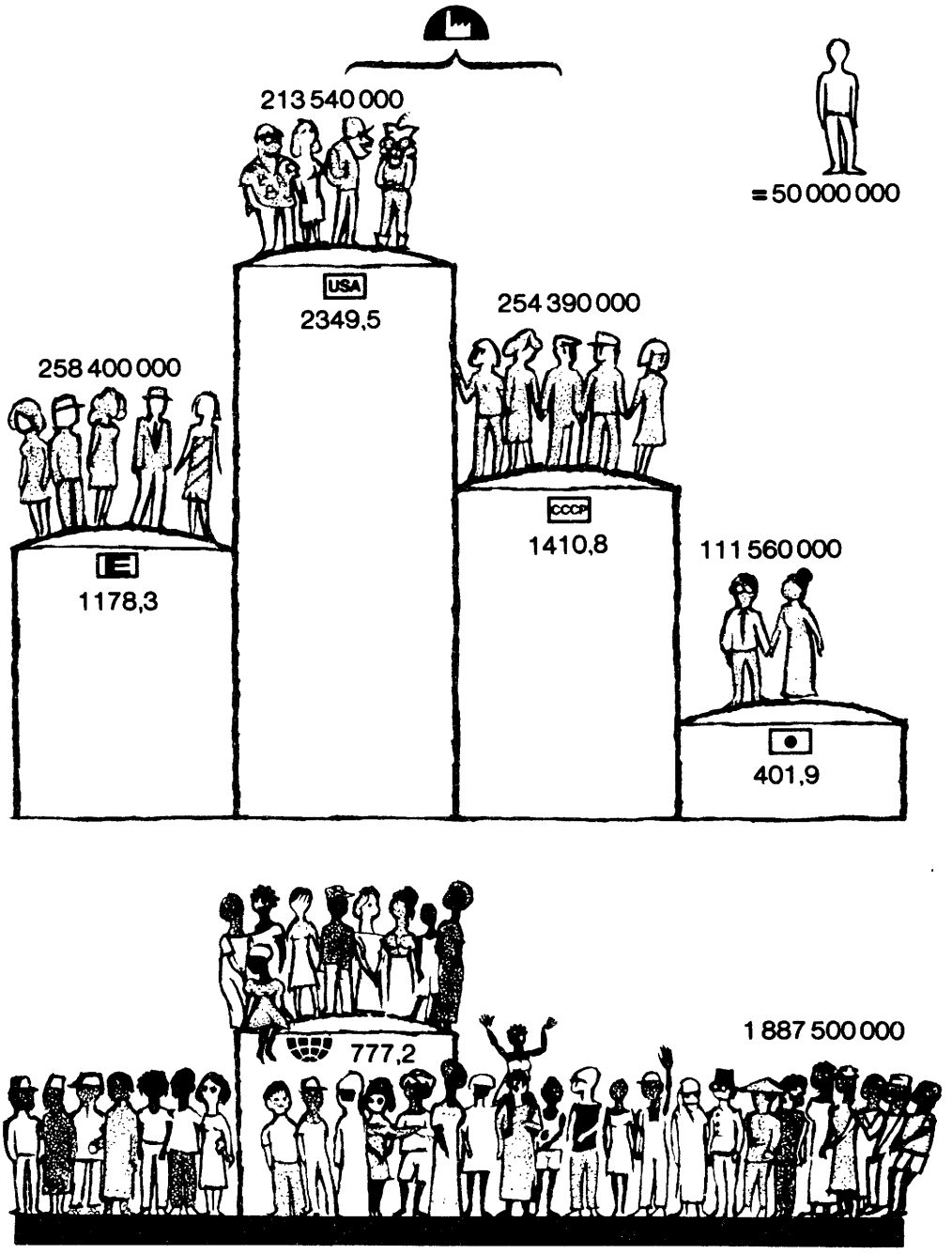
	Population (in millions)	Total consumption (million toe)	Per capita consumption in toe
Africa (1)	277 858	17.548	0.063
Indian Ocean	10 106	0.546	0.054
Caribbean	4 822	6 397	1.326
Pacific	3 574	0.761	0.213
Exemple :			
Upper Volta	6 032	0.078	0.013
Ethiopia	27 950	0.533	0.019
Nigeria	75 023	3.792	0.051
Zaire	24 721	1.285	0.052
Sudan	15 550	1.652	0.106
Kenya	13 350	1 550	0.116

(1) Not including Botswana, Lesotho and Swaziland.

Source : CEC - Energy Cooperation - 13 December 1978.

Energy consumption and population

1975; energy in mio. tce.



E EC

USA USA

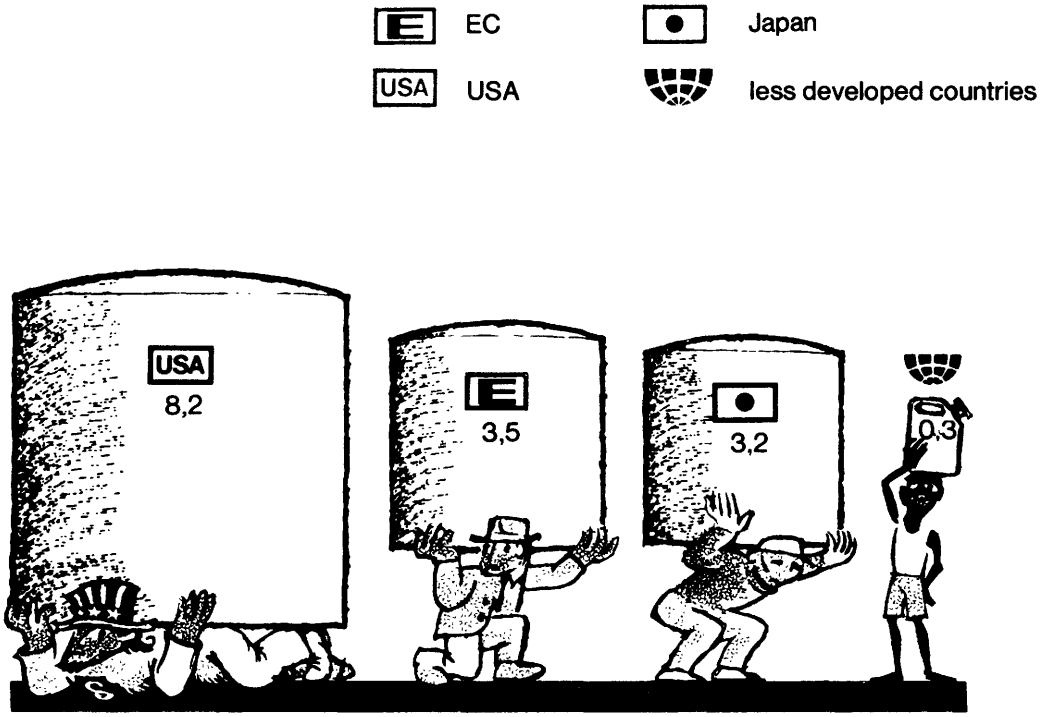
CCCP USSR

Japan

less developed countries

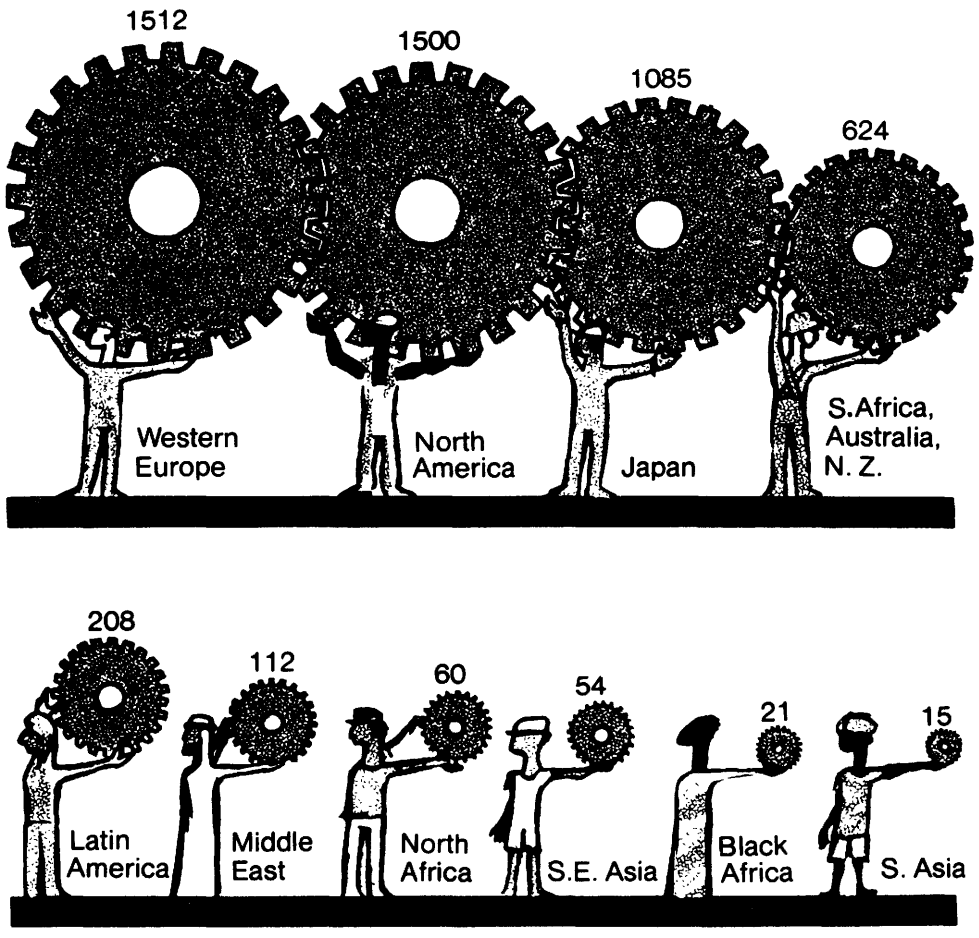
International comparison of energy consumption

per capita



Per capita industrial production

by region, 1973, in dollars



Chapter II : RAW MATERIALS

After energy, raw materials and food products are the determining factors in the relationship between rich and poor countries. This is the case even although the developing nations are not the Community's biggest suppliers and although raw materials represent the declining rather than the dynamic sector of Third World development (1).

Why the political importance of raw materials ? For one thing they constitute the oldest economic link between South and North and thus carry the weight of historic injustices. Because raw materials, until very recently, were the only goods exported by most LDCs, these countries have given a lot of thought to the nature of the market and its perceived iniquities : most of the demands made under the heading of the New International Economic Order are based on analyses carried out in Latin America just before and after World War II. In the decades since, the Third World has been slowly unifying around raw materials-related demands. The political salience, lastly, is enhanced by the fact that primary commodities, until very recently, always involved resources of the land with its direct links to national sovereignty. Strange as it may seem, exploiting human resources through foreign investment in manufactures is a less sensitive matter than exploiting subsoil resources constituted millions of years ago.

Raw materials, the symbol of North-South interdependence, have thus become the object of bargaining on two levels. One concerns essentially the substitution of new trade mechanisms for present arragements which are perceived as free by the industrialised countries, and perceived as managed - to their disadvantage - by the developing countries. The Integrated Programme for Commodities, launched by UNCTAD in 1974, has been the focus of this effort.

The second level concerns essentially a redistribution of the benefits between the foreign investor in mining or agricultural enterprises on the one hand, and the host country on the other. While efforts are being made to tackle this problem at a global level (i.e. through the introduction of far-reaching concepts of national sovereignty over resources, new international

---

(1) Community statistics distinguish between food products and agricultural raw materials such as cotton. Unlike the GATT, they do not include non-ferrous metals among mineral raw materials, but among manufactures. For some purposes of illustration, e.g. supply security, we have included metals.

accounting standards,etc.), the core of this bargaining takes place between individual companies and host governments. Host countries have been so successful(and have created such a climate of uncertainty) that much of potential new investment is transferred to industrialised raw-material producing countries (see below).

As to the economic importance of primary commodities for the Third World, this is inadequately reflected in the 43% share of such items in the total exports of non-OPEC developing countries (see table II,1).

II,1 SHARE OF RAW MATERIALS, FUELS AND PRIMARY PRODUCTS IN THE EXPORTS OF INDUSTRIALISED COUNTRIES, DEVELOPING COUNTRIES AND MEMBERS OF STATE TRADING AREA

unit : billions of Dollars FOB

	Raw materials		Fuels		Total primary products		Total exports	
	1972	1977	1972	1977	1972	1977	1972	1977
Industrialised countries	50.57 17.6%	126.97 18.0%	9.71 3.4%	4.03 4.8%	60.30 21.0%	161.0 22.9%	286.90 100%	104.10 100%
Oil-exporting countries	2.58 9.1%	5.70 3.9%	24.08 84.8%	138.70 94.5%	26.66 93.9%	144.40 98.4%	28.40 100%	146.70 100%
Other developing countries	24.53 51.8%	66.80 47.1%	3.91 8.2%	21.65 15.3%	28.44 60.0%	88.45 62.4%	47.35 100%	141.70 100%
State trading countries	8.87 20.8%	21.30 19.5%	3.89 9.1%	20.80 19.1%	12.76 29.9%	42.10 38.6%	42.55 100%	109.10 100%

Source : GATT - International trade 1978/1979.

Much of their remaining exports, notably metals and some processed food products, are also linked to commodities. Moreover, as shown in chapter IV manufactured exports are heavily concentrated in a few "rich" LDCs, while commodities are the largest, and often the only, source of revenue for the large majority (see table A - II,1).

Advanced countries like Australia, Sweden and the United States have in fact financed much of their development by exports of basic commodities and for most LDCs this is the most promising way. As more than two-thirds of LDC primary commodities are exported to Western industrialised countries (see table A - II,2), their special role in the long-term development of LDC income is evident.

The economic importance of raw materials to the industrial countries is more difficult to assess. Non-energy, commodities make up only a small part of GNP, perhaps 5%. Yet they form the basis of the inverted pyramid of industrial processing. Some of them are virtually indispensable and others can only be replaced at great cost. Most agricultural products sold by the Third World are in overabundant supply, although periodic shortages of items like coffee push prices up and can lead the noticeable cuts in consumption. For mineral raw materials, the issue is almost never one of catastrophic supply disruptions, but of short- and medium-term market fluctuations which are disproportionately costly to the economy as a whole. Thus, sudden price increases of the kind experienced in 1973 can accelerate inflationary pressures, requiring the economy as a whole to run below capacity. In the medium term, insufficient investment in new supplies due to political uncertainty and prolonged spells of depressed prices can lead to long periods of high prices requiring costly adjustment by some of the affected industries.

Table A - II,3 compares the dependance of the EC with that of the US and Japan as regards some critical minerals. Many of these are used in small quantities to produce special steels and metals without which sophisticated engineering is impossible. Except for a few products like lead, mercury and sulphur (all of which need to be recycled for environmental reasons so that demand for new supplies is declining), the Community's dependence is nearly 100%. The position of the US is not as much more favorable as has often been often suggested. The real differencelies in the possession of strategic stockpiles by the US which in some cases amount to several years' supplies.

The abundance of physical reserves is clearly demonstrated by table A - II,4. The only item to cause some concern is silver (an important industrial catalyst). For some materials found on the ocean floor, the socalled manganese nodules (manganese , copper, cobalt, nickel), known supplies are already practically unlimited.

The importance of the LDC's

World reserves of minerals are concentrated in the large continental or sub-continental countries where a great deal of exploration has been done : the US, USSR, Canada, Australia and South Africa (see table II,2, following page). Reserves in developing countries appear to be crucial only for a few meterials : tin, bauxite (alumina), cobalt, columbium, and nickel. The table also reveals the high concentration of reserves in a few countries : in most cases five countries hold 2/3 or more of total reserves. In only four cases do the three largest holders of reserves control somewhat less than half of the total.

II,2 GEOGRAPHIC DISTRIBUTION OF KNOWN AND ESTIMATED RESERVES (1977)

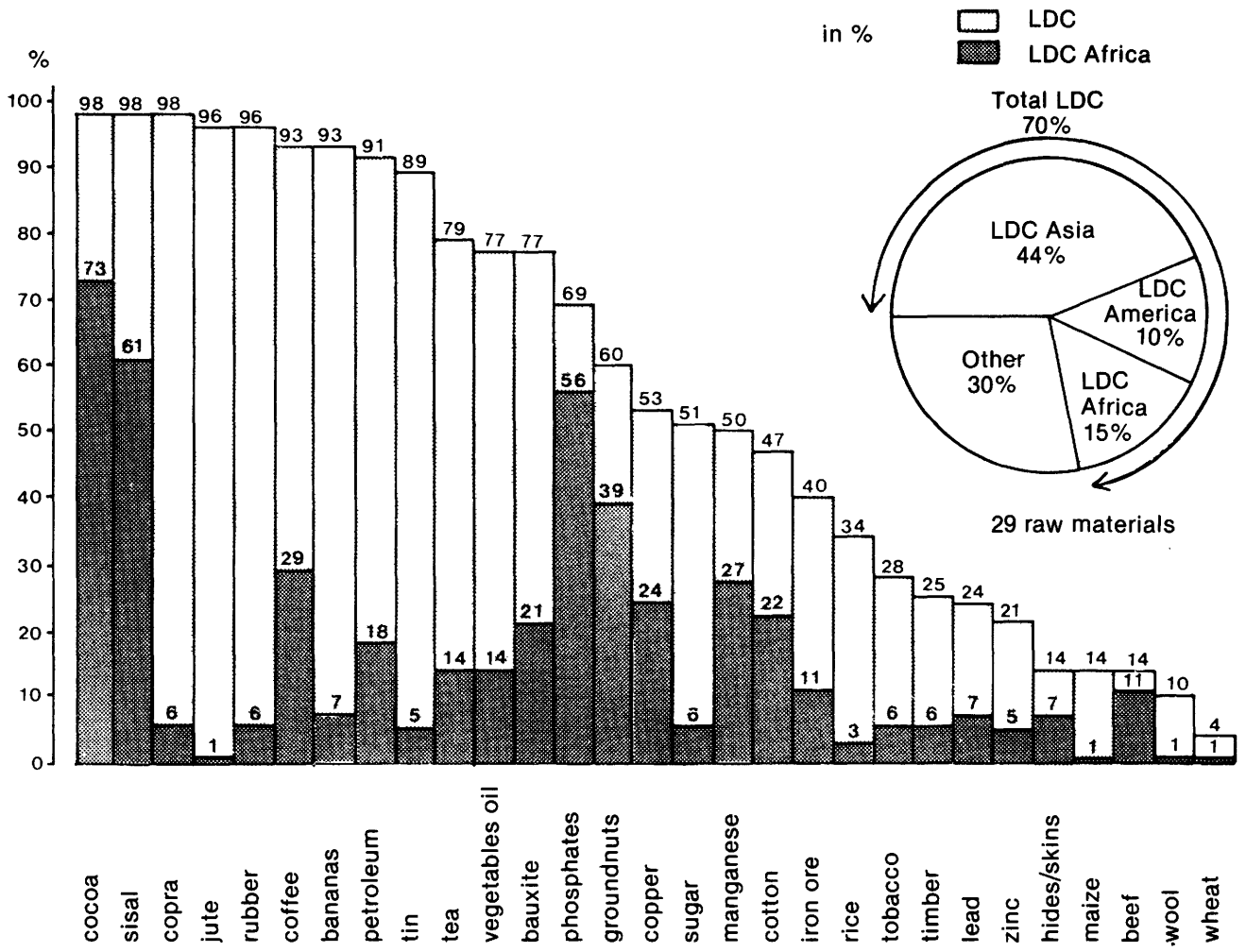
Raw materials	Percentage of 3 biggest produc.	Percentage of 5 biggest produc.	Share of certain countries in %
Iron	59.4	76.7	USSR (30.2), Brazil (17.5), Canada (11.7), Australia (11.5), India (5.8)
Copper	44.9	58.7	USA (18.5), Chile (18.5), USSR (7.9), Peru (7), Canada (6.8), Zambia (6.4)
Lead	47.8	61.4	USA (20.8), Australia (13.8), USSR (13.2), Canada (9.5), RSA (4.1)
Tin	50.2	68.1	Indonesia (23.6), China (14.8), Thailand (11.8), Bolivia (9.7), Malaysia (8.2), USSR (6.1), Brazil (5.9)
Zinc	45.8	58.6	Canada (18.7), USA (14.5), Australia (12.6) USSR (7.3), Ireland (5.5)
Aluminium	62.8	58.6	Guinea (33.9), Australia (18.6), Brazil (10.3) Jamaica (6.2), India (5.8), Guyana (4.1), Cameroon (4.1)
Titanium	58.2	81.8	Brazil (23.2), Canada (18.7), India (16.3), Norway (15.2), Australia (8.4), USA (7.4)
Chromium	96.9	97.9	RSA (74.1), Rhodesia (22.2), USSR (0.6), Finland (0.6), India (0.4), Brazil (0.3) Madagascar (0.3)
Colbalt	63.0	83.5	Zaire (30.3), New Caledonia (18.8), USSR (13.9) Philippines (12.8), Zambia (7.7), Cuba (7.3)
Colombium	88.5	95.3	Brazil (76.6), USSR (6.4), Canada (5.5), Zaire (3.8), Uganda (3.0), Niger (3.0)
Manganese	90.5	97.7	RSA (45.0), USSR (37.5), Australia (8.0), Gabon (5.0), Brazil (2.2)
Molybden	74.3	86.9	USA (38.4), Chile (27.8), Canada (8.1), USSR (6.6), China (6.0)
Nickel	48.8	70.6	New Caledonia (18.8), Cuba (17.8), Canada (12.8), USSR (11.0), Indonesia (10.8)
Tungsten	69.6	80.6	China (46.9), Canada (12.1), USSR (10.6), North Korea (5.6), USA (5.4), Australia (2.7)
Vanadium	94.9	97.2	USSR (74.8), RSA (18.7), Chile (1.4), Australia (1.4), Venezuela (0.9), India (0.9)
Bismuth	47.9	60.9	Australia (20.7), Bolivia (16.3), USA (10.9), Canada (6.5), Mexico (6.5) Peru (5.4)
Silver	54.9	76.5	USSR (26.2), USA (24.8) Mexico (13.9), Canada (11.6), Peru (10.0)
Mercury	65.2	78.3	Spain (38.4), USSR (18.2), Yugoslavia (8.6), China (4.5), Mexico (4.5), Turkey (4.5)
Platinum	99.5	99.9	RSA (82.3), USSR (15.6), Canada (1.6), Colombie (0.3), USA (0.1)
Asbestos	81.3	91.8	Canada (42.7), USSR (32.3), RSA (6.3), Rhodesia (6.3), USA (4.2)

Source : CEC : Perspectives d'évolution structurelle d'ici 1990 : les matières premières. Doc. de travail du 16 février 1979.

Looking not at reserves but at current production shares of developing countries in key bulk mineral commodities, we find a predominance of developing countries only for tin (see table A - II,5). The picture looks quite different, however, if we consider the LDC share of exports rather than production. As table II,3 indicates, the LDC share of world exports is 50% or higher for 17 of the 29 commodities listed, and for 5 of the 8 minerals listed. African developing countries are dominant world suppliers of cocoa, sisal and phosphates, and are substantial exporters of coffee, groundnuts, manganese and cotton (see also table A - II,6).

II,3

SHARES OF THE LDC'S AND OF AFRICA* IN WORLD EXPORTS OF 29 RAW MATERIALS - AVERAGE 1974-1976



Source : World Bank : Commodity Trade and Price Trends (1978 Edition) ; Report n° EC-166/78.
* : Without South Africa (RSA) but Namibia included.

The importance of LDCs to the Community comes out more sharply if we look not at world export shares but at their shares in Community imports (see table II,4 following page and A - II,7 and A - II,8).

II,4 ORIGIN OF PRIMARY PRODUCTS IMPORTED BY THE EUROPEAN COMMUNITY : 1973-1978

(in %)

	Food products 1		Non-food agricultural raw materials 2		Mineral products 3		Fuels 4		Non-ferrous metals 6		Total 2+3+6 7		Total primary products	
	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978
IMPORTS EXTRA-EC	100	100	100	100	100	100	100	100	100	100	100	100	100	100
-INDUSTRIALISED COUNT.	41.8	39.2	45.8	49.3	43.8	41.9	4.5	6.1	38.5	44.6	34.8	46.4	27.5	27.8
North America	25.8	25.4	14.3	17.3	25.0	25.7	2.5	1.5	19.2	16.9	17.9	19.4	17.3	13.8
SOUTH AFRICA, AUSTRALIA, N.ZEALAND	8.0	5.1	13.1	11.3	8.3	14.9	0.5	1.2	9.6	12.3	11.1	12.5	6.6	4.8
-STATE TRADING COUNTRIES	7.5	4.8	11.2	12.0	6.3	5.4	6.6	8.3	9.6	7.7	9.7	9.3	7.8	7.6
-DEVELOPING COUNTRIES	42.7	50.7	29.0	27.3	37.5	37.8	88.9	79.1	42.3	35.4	34.3	31.8	54.5	60.1
Oil-exporting ..... developing countries	3.3	3.9	3.7	3.3	4.2	4.1	35.9	74.5	1.9	3.1	3.4	3.5	29.8	37.9
Non-oil ..... developing countries	39.4	46.8	25.2	27.3	33.3	33.8	3.0	4.6	40.4	32.3	30.9	28.4	24.8	22.2

Source : GATT - International trade 1978/1979.

(1) 2+3+6 = Industrial raw materials.

A number of elements stand out. Thus, the LDC share in EC food imports has risen by 10% since 1972 to 53% , due in part to the substitution of Community production for the temperate-zone products previously bought from other industrialised countries and to higher prices achieved by items like coffee. The LDC share in agricultural raw materials for industrial use has remained steady at the relatively modest level of around 27% of the total. Prices for these products tend to be depressed due to the threat from synthetic substitutes, while some industrial country exports, notably timber, enjoy good market conditions. Note that the value of these industrial raw materials is little more than a fifth of the food imports from LDC's. The next group, ores and related mineral products, is again dominated by the industrial countries (57% as against 38% for the LDC's, with no significant change since 1972.

The modest value of these imports - they amount to about 3 weeks worth of energy imports - puts into perspective exaggerated fears about efforts by the LCD's to achieve better prices through unilateral cartels or commodity agreements. The figures are very similar as regards imports of non-ferrous metals.

As we saw earlier in the description of market structures, global figures for the LDC share, of EC imports are to some extent misleading. For a number of products (see table II,5 following page), LDC's are virtually the only suppliers of the Community. This table need not be taken as an indication of dependence, but as a means of identifying sectors of world trade which lend themselves to special North-South arrangements (see below). Most of the products with a high percentage LDC share in fact come under the export earnings stabilisation scheme (STABEX) of the Lome convention and/or are the object of efforts to conclude commodity agreements under the UNCTAD Integrated Programme.

II,5 ORIGIN OF CERTAIN PRIMARY PRODUCTS IMPORTED BY THE EC IN 1977/78

unit : 1000 EUA and in %

Nimexe code	Products	Import. extra EC 1000 EUA	Dev.count. % extra EC	ACP % extra EC
08.01-31	Bananas	61 960	99.9	21.5
09.01-11/17	Coffee	3 606 906	99.8	41.6
09.02	Tea	450 155	92.6	34.3
12.01-31 à 35 15.07-74/87	Groundnuts	485 777	67.7	46.6
12.01-44 15.07-19/ 61/63/31/78/93	Palm oil	401 377	99.9	51.7
17.01-71/99 17.03	Sugar	859 851	94.6	66.8
18.01-00 18.03/04	Cocoa	1 827 222	98.6	85.9
23.04-10/20/30/50	Oil-cake	348 345	94.5	26.1
25.10-10	Phosphates	482 360	60.1	15.2
26.01-12 à 19	Iron ores	1 786 246	50.3	18.4
26.01-21	Manganese ores	111 633	50.7	30.6
26.01-34 à 49	Uranium ores	129 948	94.9	94.9
26.01-60	Zinc ores	232 266	31.9	0.5
26.01-71	Copper ores	136 080	81.5	51.5
26.01-73 28.20-11/15	Aluminium ores	417 291	62.3	62.3
26.01-75	Tin ores	138 834	83.5	25.9
26.01-77	Chromium ores	65 072	29.9	13.7
40.01-20 à 50	Rubber	539 535	99.5	11.7
41.01	Hides	512	28.5	11.2
44.02/04/05 44.15 44.14/51/55/61/65/	Wood	4 402 522	28.9	13.2
55.01	Cotton	938 338	47.7	16.3
57.04-10	Sisal	27 787	98.6	52.6
74.01-11/30	Copper	2 045 114	53.1	31.3
76.01-11	Aluminium	465 899	13.1	6.7

Source : EC Trade with the ACP states and the South Mediterranean states (2/1979).

Table II,6 shows the commodities for which the ACP-countries associated with the Community under the Lomé convention are important suppliers.

II,6 THE IMPORTANCE OF ACP COUNTRIES AS SUPPLIERS OF RAW MATERIALS TO THE EC

1977-1978

as % of extra EC imports

%	
90 - 100	Uranium ores
80 - 90	Cocoa
70 - 80	
60 - 70	Sugar
50 - 60	Palm oil, aluminium ores, sisal
40 - 50	Coffee, groundnuts, copper ores
30 - 40	Tea, manganese ores, copper
20 - 30	Bananas, oil cake, tin ores
10 - 20	Phosphates, iron ores, chromium ores, rubber wood, cotton, hides
10	Zinc ores, aluminium

Source : Eurostat - EC Trade with the ACP states and the South Mediterranean states (2/1979).

Prices and incomes

As pointed out earlier, raw material earnings are the major source of income for the majority of LDCs (see table A - II,1). Three issues have dominated international debates on this subject since the catastrophic collapse of world commodity markets in the 1930's : the absolute level of prices and their longterm trends; the relationship of raw material prices to prices for manufactured imports (the terms-of-trade problem); the short and medium-term fluctuation of prices.

Raw materials have a number of properties which make them quite unlike other internationally traded goods. Investments in many agricultural and mineral raw materials have very long lead times, i.e. the time which elapses between the planting of sugar cane, coffee or rubber plants and the first harvest, or between the opening of a mine and the first commercial production. Once the productive capacity is in place, nature (in the case of agricultural raw materials) or high fixed costs impose a high level of production, usually for decades, irrespective of the prices obtained. Thus producers may sell below total costs for a period of years in order to recoup some of the costs they are forced to incur. This has been the case for copper since 1974. The result for developing countries may be serious set-backs in their development (for lack of foreign exchange) and quite often, political instability when states lose one of the major sources of fiscal revenue. For the developed

(4)

countries, there is an immediate benefit (inflation check and balance-of-payments improvement); but since periods of low prices lead to a decline in investment in capacity expansion, these benefits are later eroded by high prices and supply shortages.

The mutual interest of consumers and producers in stable and remunerative prices does not end there. Industrial commodity prices are usually weak during periods of world recession. With lower earnings, the raw material producers can import less, thus harming our export industries and worsening the economic downturn. Commodity prices tend to be high during boom periods, reinforcing inflationary tendencies in our economies.

APPENDIX TO CHAPTER II

A -II,1 RELATIVE IMPORTANCE OF THREE PRIMARY PRODUCTS IN DEVELOPING COUNTRIES' EXPORTS, (1974-1976 AVERAGE)

in %

Countries	The most important products	1 product	3 products
America :			
Belize	sugar 69, tropical timber 6, hides/skins 1	69	76
Bolivia	tin 40, petroleum 23, zinc 7	40	70
Chile	copper 59, iron ores 7, fish meal 2	59	68
Colombia	coffee 49, cotton 4, rice 3	49	56
Costa Rica	bananas 26, coffee 25, beef 7	26	58
Dominican Rep.	sugar 51, coffee 8, tobacco 5	51	64
Ecuador	petroleum 56, coffee 11, cocoa 6	56	73
El Salvador	coffee 43, cotton 11, sugar 10	43	64
Guadeloupe	bananas 38, sugar 34	38	72
Guatemala	coffee 27, sugar 14, cotton 12	27	53
Guyana	sugar 44, bauxite 26, rice 10	44	80
Haiti	coffee 34, bauxite 13, sugar 13	34	52
Honduras	bananas 23, coffee 23, tropical timber 14	23	60
Nicaragua	cotton 28, coffee 17, sugar 8	28	53
Peru	copper 18, fish meal 13, sugar 12	18	43
Uruguay	beef 24, wool 13, rice 7	24	44
Venezuela	petroleum 64, iron ores 3, coffee 0.3	64	67
Africa :			
Angola	petroleum 40, coffee 18, iron ores 3	40	61
Benin	cotton 28, cocoa 10, palm oil 7	28	45
Burundi	coffee 89, cotton 4, tea 2	89	96
Cameroon	coffee 26, cocoa 23, tropical timber 9	26	58
Cent. Afric. Rep.	coffee 28, tropical timber 27, cotton 16	28	71
Tchad	cotton 60, beef 6, hides/skins 2	60	68
Congo	petroleum 66, tropical timber 10, sugar 3	66	79
Egypt	cotton 35, petroleum 9, rice 5	35	49
Eq. Guinea	cocoa 32, coffee 30, palm oil 3	32	65
Ethiopia	coffee 38, hides/skins 10, cotton 3	38	51
Gabon	petroleum 78, tropical timber 10, manganese 8	78	96
Gambia	groundnuts 50, groundnut oil 30, hides/skins 2	50	80
Ghana	cocoa 64, tropical timber 12, manganese 2	64	78
Guinea	bauxite 70, coffee 3, tropical timber 3	70	76
Guinea-Bissau	groundnuts 63, tropical timber 2, rice 1	63	66
Ivory Coast	coffee 28, cocoa 19, tropical timber 19	28	66
Kenya	coffee 26, tea 12, sisal 5	26	43
Liberia	iron ores 70, rubber 13, hides/skins 4	70	87
Libya	petroleum 93	93	
Malawi	coffee 33, sugar 5, beef 4	33	42
Mali	cotton 44, groundnuts 9, groundnut oil 3	44	56
Mauritania	iron ores 80, copper 9, fish meal 1	80	90
Morocco	phosphates 52, lead 2, iron ores 1	52	55
Namibia	copper 77, lead 16, zinc 4	77	90
Nigeria	petroleum 93, cocoa 3, tin 0.3	93	97
Reunion	sugar 82	82	
Rwanda	coffee 70, tea 7, tin 4	70	81
Senegal	groundnuts oil 31, phosphates 20, groundnuts 5	31	56
Sudan	cotton 47, groundnuts 19, hides/skins 3	47	69
Swaziland	sugar 53, iron ores 12, tropical timber 5	53	70
Tanzania	coffee 23, cotton 16, sisal 11	23	50
Togo	phosphates 66, cocoa 19, coffee 7	66	92
Tunisia	petroleum 39, phosphates 10, sugar 1	39	50
Uganda	coffee 78, cotton 9, tea 5	78	92
Zaire	copper 59, coffee 8, zinc 4	59	71
Zambia	copper 92, zinc 4, lead 1	92	98

A - II,1 (cont^{d})

Countries	The most important products	1 product	3 products
Asia :			
Brunei	petroleum 87	87	
Burma	rice 50, tropical timber 22, tin 7	50	79
Indonesia	petroleum 66, tropical timber 9, rubber 6	66	81
Iran	petroleum 85	85	-
Iraq	petroleum 98	98	-
Kuwait	petroleum 80	80	-
Malaysia	rubber 23, tropical timber 15, tin 12	23	50
Philippines	sugar 23, coconut oil 12, copper 11	23	46
Saudi Arabia	petroleum 91	91	-
Sri Lanka	tea 44, rubber 19, coconut oil 4	44	67
Syria	petroleum 64, cotton 17	64	81
Thailand	rice 15, maize 11, sugar 10	15	36
Yemen Arab Rep.	cotton 58, coffee18	58	76
Oceania :			
Solomon Isl.	copra 58, tropical timber 41	58	99
Fiji	sugar 64, coconut oil 6, tropical timber 1	64	71
Gilbert Isl.	phosphates 98, copra 2	98	100
New- Hebrides	copra 53, manganese 8, tropical timber 1	53	62
Papua-New Guinea	copper 45, coffee 8, cocoa 7	45	60

Source : World Bank - Commodity Trade and Price Trends (1978 Edition).

A - II,2 DESTINATION OF EXPORTS OF PRIMARY PRODUCTS FROM DEVELOPING COUNTRIES (WITH AND WITHOUT FUELS)

1972 AND 1977 in billions of Dollars and in %

Destination		Industrial regions		Oil-exporting Developing countries		Other developing countries		State trading area		World	
		1972	1977	1972	1977	1972	1977	1972	1977	1972	1977
RAW MATERIALS	Oil-export. developing countries	1.8 71.3%	3.85 67.5%	0.04 1.5%	0.27 4.7%	0.5 18.2%	1.1 19.3%	0.2 8.1%	0.4 7.0%	2.6 100%	5.7 100%
	Other developing countries	17.9 72.9%	44.95 67.3%	0.4 1.8%	3.1 4.6%	3.7 15.3%	10.5 15.7%	2.1 8.7%	7.92 11.9%	24.5 100%	66.8 100%
FUELS	Oil-export. developing countries	19.3 80.0%	105.5 76.1%	0.05 0.2%	0.1 0.1%	4.1 17.1%	28.35 20.4%	0.2 0.9%	2.3 1.7%	24.1 100%	138.7 100%
	Other developing countries	2.6 65.2%	16.15 78.6%	0.04 1.0%	0.8 3.7%	1.1 28.6%	4.05 18.7%	0.1 1.8%	0.08 0.4%	3.9 100%	21.25 100%
TOTAL PRIMARY PRODUCTS	Oil-export developing countries	21.1 79.2%	109.35 75.7%	0.1 0.3%	0.4 0.3%	4.6 17.2%	29.45 20.4%	0.4 1.6%	2.7 1.9%	26.7 100%	144.4 100%
	Other developing countries	20.4 71.8%	61.1 69.1%	0.5 1.7%	3.9 4.4%	4.9 17.1%	14.2 16.1%	2.2 7.8%	8.4 9.0%	28.4 100%	88.45 100%
TOTAL EXPORTS	Oil-export developing countries	22.2 78.2%	110.3 75.2%	0.2 0.7%	1.2 0.8%	5.1 17.8%	30.0 20.4%	0.5 1.8%	2.8 1.9%	28.4 100%	146.7 - 100%
	Other developing countries	33.1 69.9%	93.4 65.9%	1.4 2.9%	9.0 6.4%	9.0 19.0%	27.4 19.3%	2.9 6.1%	9.1 6.4%	47.3 100%	141.7 100%

Source : GATT - International trade 1978/1979.

A - II,3 LEVEL OF IMPORT DEPENDENCE OF THE EC, UNITED STATES AND JAPAN

imports as a percentage of consumption

	EC	USA	JAPAN
Aluminium	61 (b)	85 (b)	100 (b)
Copper	81	-	90
Lead	53	4	76
Nickel	100 (a)	71	100
Tin	87	75	97
Zinc	< 68	64	80
Iron ores	79	29	94
Manganese	100	99	90
Antimony	95 (a)		
Cadmium	36		
Chromium	100	91	100
Cobalt	100 (a)	98	
Nibium	100	100	
Germanium	100	35	
Mercury	33	73	
Molybden	100	-	
Platinium	100	80	
Selenium	100	42 (a)	
Tantalum	100	95	
Titanium	100		
Tungsten	> 99	54	
Vanadium	99	36	
Zirconium	100		
Uranium	59 (c)		
Phosphates	99	-	100
Potassium	20		
Sulphur	> 43	-	
Asbestos	100	83	100

The figures represent the 1974-1976 average for the EEC, while the figures for the USA are for 1974 and those for Japan are for 1972. Consumption includes second fusion products.

(a) excluding waste material

(b) including imported bauxite, alumina and metal. The US figures come from "Mineral development of the eighties -prospects and problems - BNAC 1976". The figures for Japan are taken from the Report of the United States Council on International Economic Policy "Critical Imported Materials", December 1974.

(c) The proportion will increase rapidly when EEC consumption rises and French production will cover a smaller percentage of requirements.

Source : CCE : Perspectives d'évolution structurelles d'ici 1980, doc. de travail - 16 février 1979.

A-II,4 LIFESPAN OF RESERVES AND RATIO BETWEEN RESERVES AND CUMULATIVE DEMAND 1976-2000

	Iron	Copper	Lead	Tin	Zinc	Aluminium	Titanium (1)
Ratio of reserves to current demand in years	194	54	29	42	27	284	163
Ratio of resources to cumulative demand 1974-2000	5.1	1.4	1.2	1.5	0.9	6.2	3

	Chromium	Cobalt	Colombium	Manganese	Molybden.	Nickel	Tantalum
Ratio of reserves to current demand in years	320	44	800	185	108	125	60
Ratio of resources to cumulative demand 1974-2000	10.3	1.3	17	4.6	2.2	3.3	1.8

	(2) Tungsten	Vanadium	(1) Bismuth	(1) Mercury	Silver	(1) Platinum	(2) Asbestos
Ratio of reserves to current demand in years	57	340	30	30	20	110	22
Ratio of resources to cumulative demand 1974-2000	1.4	8.2	0.8	0.9	0.6	3	0.5

(1) data for 1974 and for the period 1974-2000.
(2) data for 1975 and for the period 1975-2000.

Source : CEC : Perspectives d'évolution structurelle d'ici 1990 : les matières premières ; doc. de travail du 16 février 1979.

A-II,5 DISTRIBUTION OF WORLD MINING PRODUCTION, 1976 (a)

Share of world production (per cent)				Countries with substantial reserves and/or declared plans for expansion of production during the 1980's
Mineral	Developing countries	Developed market economies	Centrally planned economies	
Copper	Chile 12.7 Zambia (*) 8.9 Zaire (*) 5.6 Philippines 3.0 Peru 2.8	United States 18.5 Canada 9.4 Australia 2.7	USSR 14.3 Poland 3.4	Canada, Chile, Iran, Mexico, Panama, Papua New Guinea (*), Philippines, Poland United States, USSR, Zaire (*)
Iron ore	Brazil 10.9 India 4.8 Liberia(*)2.6	Australia 10.3 United States 8.8 Canada 6.3 France 4.3 Sweden 3.3	USSR 26.3 China 7.3	Australia, Brazil, Canada, Gabon (*), India, Liberia (*), USSR
Phosphate Rock	Morocco 14.4 Tunisia 3.1 Togo (*) 1.9 Jordan 1.6 Senegal (*) 1.5	United States 41.4 South Africa 1.9	USSR 22.7 China 3.7	Australia, Morocco, South Africa, United States, USSR
Tin	Malaysia 29.9 Bolivia 14.1 Indonesia 10.5 Thailand 9.7 Brazil 2.8 Zaire (*) 1.9	Australia 29.9	China 10.4 USSR 7.6	Bolivia, Burma, China, Indonesia, Malaysia, Thailand
Bauxite	Guinea (*) 14.1 Jamaica (*) 12.8 Surinam (*) 5.7 Guyana (*) 3.9	Australia 29.9 Greece 3.4 France 2.9 Yugoslavia 2.5	USSR 8.3 Hungary 3.6	Australia, Brazil, Guinea (*), Jamaica(*) Venezuela, Surinam (*)
Zinc	Peru 6.6 Mexico 4.3	Canada 17.3 Australia 7.7 United States 7.2 Japan 4.3	USSR 16.9 Poland 3.0 North Korea 3.1 China 2.2	Australia, Canada, Ireland, Peru, United States, USSR
Lead	Mexico 5.7 Peru 4.9	United States 15.7 Australia 11.3 Canada 7.4 Yugoslavia 3.5	USSR 17.0 China 4.0 Bulgaria 3.3	Australia, Canada, Peru, United States, USSR

A-II,5 (cont^{d})

Mineral	Share of world production (per cent)			Countries with substantial reserves and/or declared plans for expansion of production during the 1980's
	Developing countries	Developed market economies	Centrally planned economies	
Manganese Ore	Gabon (*) 9.2 Brazil 6.6 India 6.2	South Africa 23.2 Australia 6.6	USSR 37.6 China 4.1	Ocean resources , Australia, Brazil, China, Gabon (*), South Africa, Upper Volta (*), USSR
Nickel	New Caledonia 15.3 Cuba 4.7 Dominican R 3.1 Philippines 2.0	Canada 33.7 Australia 9.7 South Africa 2.9 Greece 2.1	USSR 16.7	Ocean resources , Brazil, Canada, Colombia, Cuba, Indonesia, New Caledonia
Cobalt (1975 data)	Zaire (*) 43 Zambia (*) 8 Cuba 6 New Caledonia 6 Morocco 5 Philippines 5	Australia 8 Canada 5 Finland 4	USSR 4	Ocean resources , New Caledonia, Philippines, USSR, Zaire (*)
Tungsten (1975 data)	Bolivia 6.6 Korea 6.4 Thailand 4.4	United States 6.8 Australia 4.1 Portugal 3.7 Canada 3.1	China 24.0 USSR 20.8 North Korea 5.7	Australia, Bolivia, China, North Korea United States, USSR
Chromium (1975 data)	Philippines 8.5 Rhodesia 8.1 India 5.0	South Africa 25.8 Turkey 6.9	USSR 26.8 Albania 9.1	Brazil, India, Madagascar (*), Rhodesia, South Africa, Sudan (*), Turkey, USSR
Mobydenum (1975 data)	Chile 11.2	United States 58.7 Canada 15.3	USSR 11.4	Canada, Chile, Peru, United States
Gold (1975 data)	Rhodesia 2.1 Papua New Guinea (*) 1.5	South Africa 59.5 Canada 4.3 United States 2.7 Australia 1.3	USSR 19.4	Philippines, South Africa, United States,
Silver	Mexico 13.6 Peru 12.2 Chile 2.3 Bolivia 1.6	Canada 13.1 United States 10.9 Australia 8.0 Japan 3.0	USSR 15.4 Poland 2.6	Canada, Mexico, Peru, United States, USSR

Source : Metallgesellschaft AG. Metal Statistics 1966-1976 - United Nations, Monthly Bulletin of Statistics December 1977 - Mineral Yearbook 1975, Vols I and III - Mining Annual Review 1977 and others .

(*) Member countries of the Lomé Convention .

(a) Countries accounting for more than 90% of each commodity or the 10 largest producers, where production is less concentrated.

A - II,6 THE MAIN THIRD WORLD RAW MATERIAL EXPORTERS - AVERAGE 1974-76

in %

	Exp. develop. LDC exports countries	Export share of 3main LDC's	3 MAIN LDC EXPORTERS
Cocoa	98	58	Ghana 28, Nigeria 18 Brazil 13
Coffee	93	43	Brazil 23, Colombia 13, Ivory Coast 7
Tea	79	59	India 28, Sri Lanka 25, Kenya 7
Rice	34	24	Thailand 13, Pakistan 8, Burma 3
Maize	14	14	Argentina 7, Thailand 4, Brazil 2
Wheat	4	4	Argentina 3, Mexico 0.1 , Uruguay 0.1
Sugar	51	20	Brazil 10, Philippines 6, Dominic. Rep.4
Beef	14	8	Argentina 5, Uruguay 3, Costa Rica 1
Bananas	93	42	Ecuador 17, Costa Rica 16, Honduras 9
Copra	98	81	Philippines 63, New Guinea 16, Oceania 8
Groundnuts	60	36	Somalia 19, India 11, Brazil 5
Coconut oil	76	68	Philippines 59, Malaysia 5, Sri Lanka 4
Groundnut oil	70	59	Senegal 39, Brazil 12, Argentina 9
Linseed oil	53	53	Argentina 34, India 15, Uruguay 5
Palm oil	84	78	Malaysia 56, Indonesia 17, Ivory Coast 6
Fish meal	42	36	Peru 27, Chile 6, Angola 3
Cotton	47	19	Egypt 11, Sudan 5, Syria 8
Jute	96	88	Bangladesh 58, Thailand 22, India 8
Sisal	98	72	Brazil 33, Tanzania 25, Kenya 14
Wool	10	7	Argentina 4, Uruguay 2, Brazil 1
Rubber	96	84	Malaysia 52, Indonesia 32, Thailand 10
Timber	25	16	Malaysia 7, Indonesia 7, Ivory Coast 3
Hides	14	5	Ethiopia 2, Iran 2, Argentina 1
Tobacco	28	12	Brazil 5, India 4, Korea 3
Petroleum	91	47	Saudi Arabia 25, Iran 15, Nigeria 7
Bauxite	77	58	Jamaica 25, Guinea 19, Guyana 14
Copper	53	39	Chile 17, Zambia 14, Zaire 9
Tin	89	71	Malaysia 44, Bolivia 16, Thailand 11
Lead	24	16	Peru 7, Mexico 6, Morocco 3
Zinc	21	14	Peru 7, Mexico 5, Zaire 2
Iron ores	40	27	Brazil 16, Liberia 6, Venezuela 5
Manganese	50	47	Gabon 20, Brazil 17, India 4
Phosphates	69	50	Morocco 38, Gilbert Isl. 7, Togo 5

Source : World Bank - Commodity Trade and Price Trends (1978 edition).

A - II,7 ORIGIN OF PRIMARY PRODUCTS IMPORTED BY THE EUROPEAN CUMMUNITY : 1973-1978

(in billions of Dollars)

	Food products 1		Non-food Agricultural raw materials 2		Mineral products 3		Fuels 4		Non-ferrous metals 6		Total 2+3+6 (1) 7		Total primary products	
	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978	1973	1978
IMPORTS EXTRA-EC	21.3	35.5	10.7	15.0	4.8	7.4	19.8	60.3	5.2	6.5	20.7	28.9	61.8	124.7
-INDUSTRIALISED COUNTRIES	8.9	13.9	4.9	7.4	2.1	3.1	0.9	3.7	2.0	2.9	7.2	13.4	17.0	34.7
North America	5.5	9.0	1.5	2.6	1.2	1.9	0.5	0.9	1.0	1.1	3.7	5.6	10.7	17.2
SOUTH AFRICA AUSTRALIA, N.ZEALAND	1.7	1.8	1.4	1.7	0.4	1.1	0.1	0.7	0.5	0.8	2.3	3.6	4.1	6.0
- STATE TRADING COUNTR.	1.6	1.7	1.2	1.8	0.3	0.4	1.3	5.0	0.5	0.5	2.0	2.7	4.8	9.5
- DEVELOPING COUNTRIES	9.1	18.0	3.1	4.1	1.8	2.8	17.6	47.7	2.2	2.3	7.1	9.2	33.7	74.9
Oil-exporting developing countries	0.7	1.4	0.4	0.5	0.2	0.3	17.0	44.9	0.1	0.2	0.7	1.0	18.4	47.2
Non-oil developing countries	8.4	16.6	2.7	3.6	1.6	2.5	0.6	2.8	2.1	2.1	6.4	8.2	15.3	27.7

Source : GATT - International trade 1978/1979.

(1) 2+3+6 = Industrial raw materials .

A - II,8 ORIGIN OF RAW MATERIALS IMPORTED BY THE EC IN 1977

in millions of EUA and in %

	Food products 0+1+22+4		Non-food Agricult.raw materials EX2		Fertil,minerals crude and waste 27 + 28		Mineral Fuels 3		Non-ferrous metals 68	
	million EUA	%	million EUA	%	million EUA	%	million EUA	%	million EUA	%
Extra EC	28 562	100	12 250	100	6 138	100	49 189	100	5 353	100
Industrialised countries	11 857	42	7 285	59	3 509	57	2 811	6	2 851	53
Developing countries of	15 330	54	3 403	28	2 334	38	41 653	85	2 028	38
which: OPEC	1 175	4	368	3	222	4	39 818	81	140	3
ex. OPEC	14 155	50	3 035	25	2 112	34	1 835	4	1 889	35
ACP	5 189	18	1 049	9	929	15	3 498	7	1 006	19
Africa	6 081	21	1 645	13	1 525	25	9 984	20	1 350	25
South Mediterranean	1 025	4	266	2	332	5	7 019	14	48	1
Arab League	734	3	318	3	420	7	30 415	62	40	1
Central South America	6 482	23	700	6	928	15	743	2	594	11
S. and S.E. Asia	2 523	9	1 271	10	90	1	128	0.2	392	7
Gulf States+ Libya	50	0.2	93	1	9	0.1	34 337	70	7	0.1
State trading countries	1 367	5	1 562	1	295	5	4 296	9	444	8

Source : Eurostat - EC Trade with the ACP states and the South Mediterranean states (2/1979).

A - II,9

DISTRIBUTION OF INDUSTRIALISED COUNTRY IMPORTS OF PRIMARY PRODUCTS FROM DEVELOPING COUNTRIES

Destin / Origin	EUR 9				USA				JAPAN				Other OECD			
	1963	1970	1973	1977	1963	1970	1973	1977	1963	1970	1973	1977	1963	1970	1973	1977
World (1)	24.2	37.2	61.7	116.7	9.5	14.4	25.1	70.5	5.2	14.1	28.3	57.3	8.3	14.2	24.7	50.7
Class 2 (1)	12.0	19.5	33.6	73.9	5.1	7.1	12.5	50.9	2.2	6.6	13.1	35.3	2.6	4.8	8.4	22.5
Class 2/World (%)	50	52	54	63	54	49	50	72	42	47	46	62	32	33	34	44
Distribution by industrialised country grouping (%)																
World	51	47	44	40	20	18	18	24	11	18	20	19	18	18	18	17
Class 2	55	51	50	40	23	19	19	28	10	17	19	19	12	13	12	12

(1) Thousand million USD.
Source : GATT.

A - II,10

RELATIVE SHARES OF MANUFACTURED AND PRIMARY PRODUCTS IN WORLD TRADE

in %

Products	1955	1963	1970	1973	1977
Primary	57	50	42	42	46
Manufactured (1)	43	50	58	58	54

(1) SITC Sections 5 to 8 less 68.

Source : Eurostat - Eurostatistics - data for short-term economic analysis, May 1979.

A - II,11

DISTRIBUTION OF WORLD PRIMARY PRODUCT EXPORTS

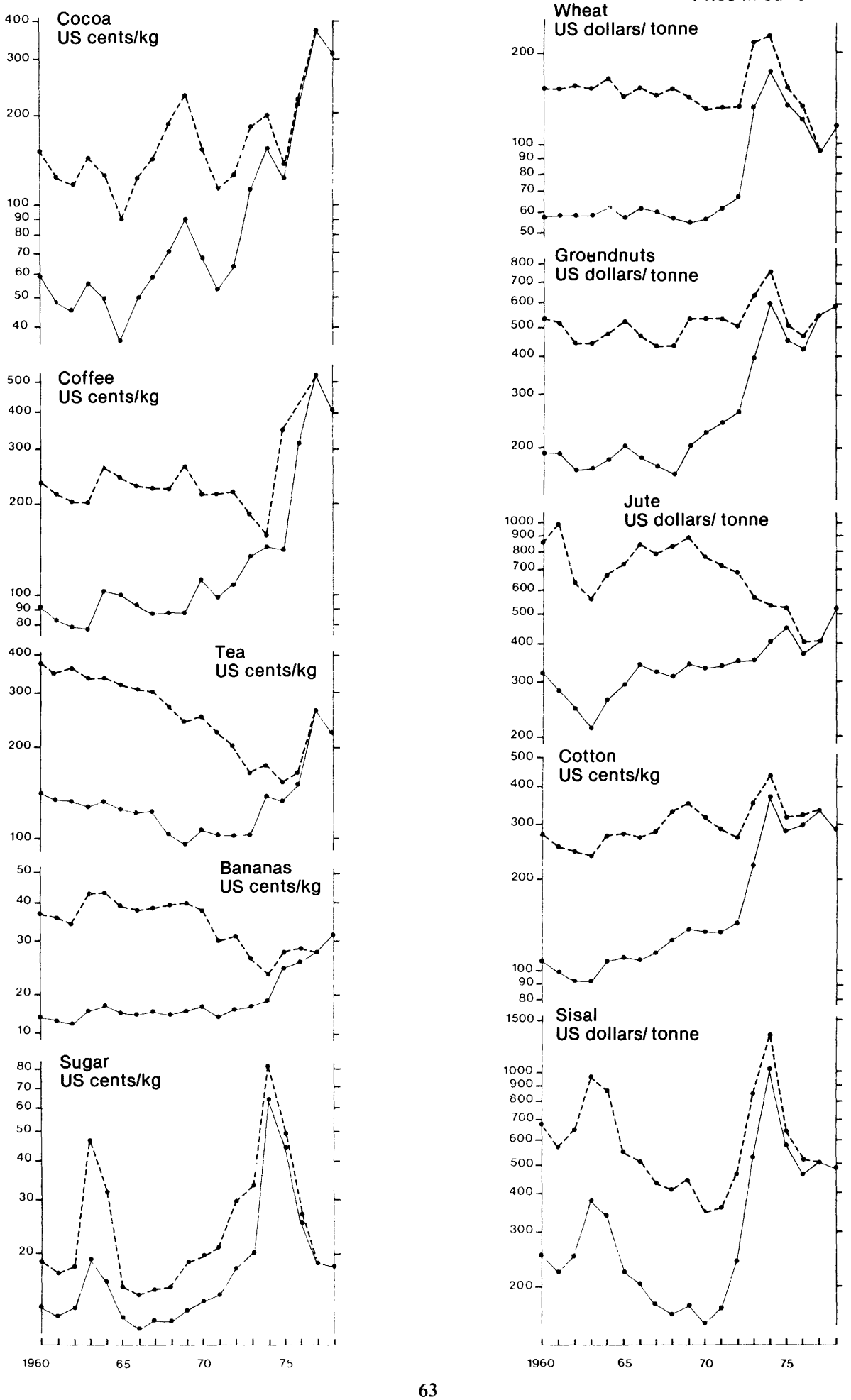
(%)

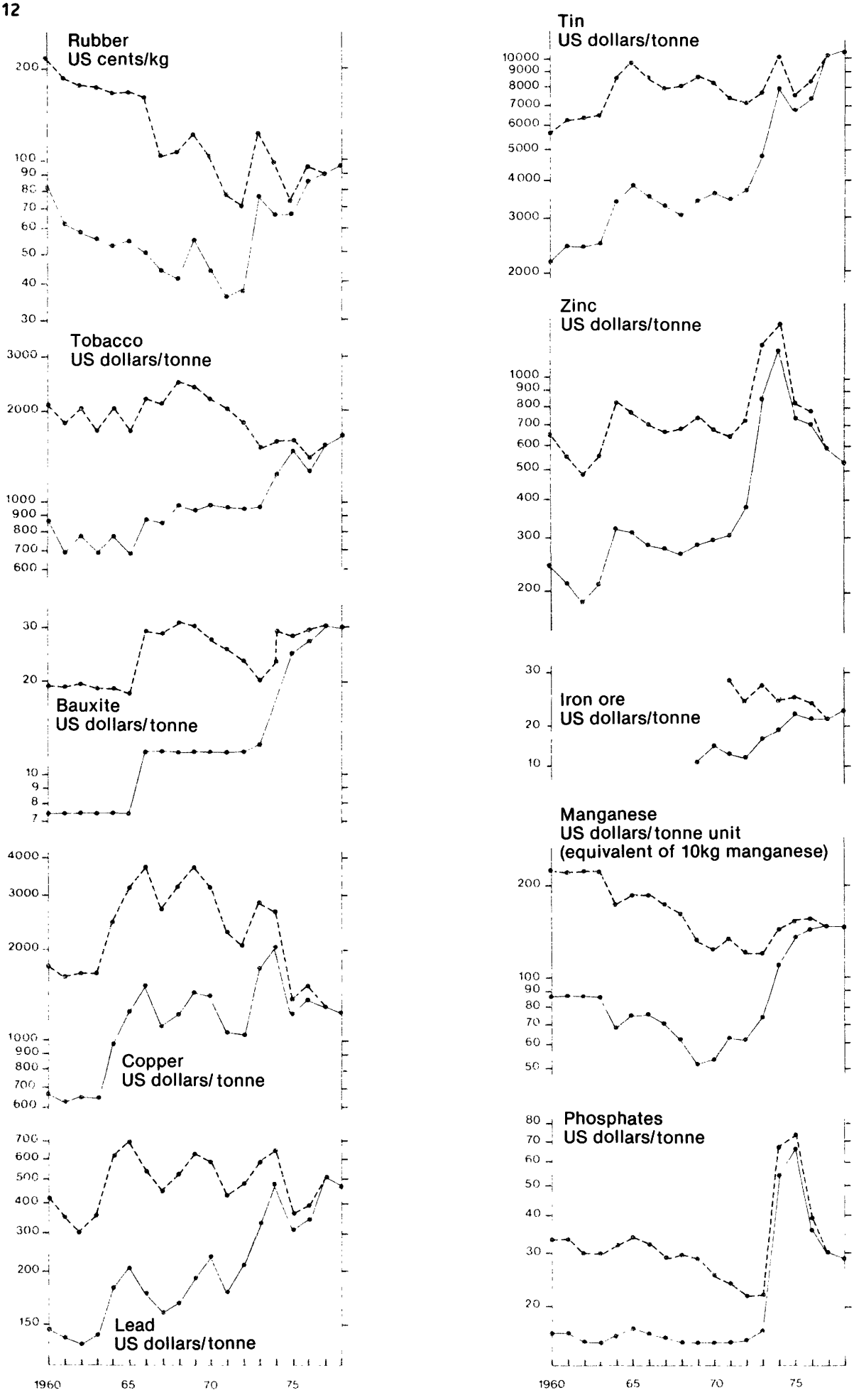
Exporter Group	1955	1963	1970	1973	1977
Non-OPEC Developing	48	45	28	24	21
OPEC			17	22	37
Industrialized	42	43	44	43	31
State-trading	11	12	11	11	10

Source : Eurostat - Eurostatistics - data for short-term economic analysis May 1979.

THE PRICE OF CERTAIN RAW MATERIALS FROM 1960 TO 1977

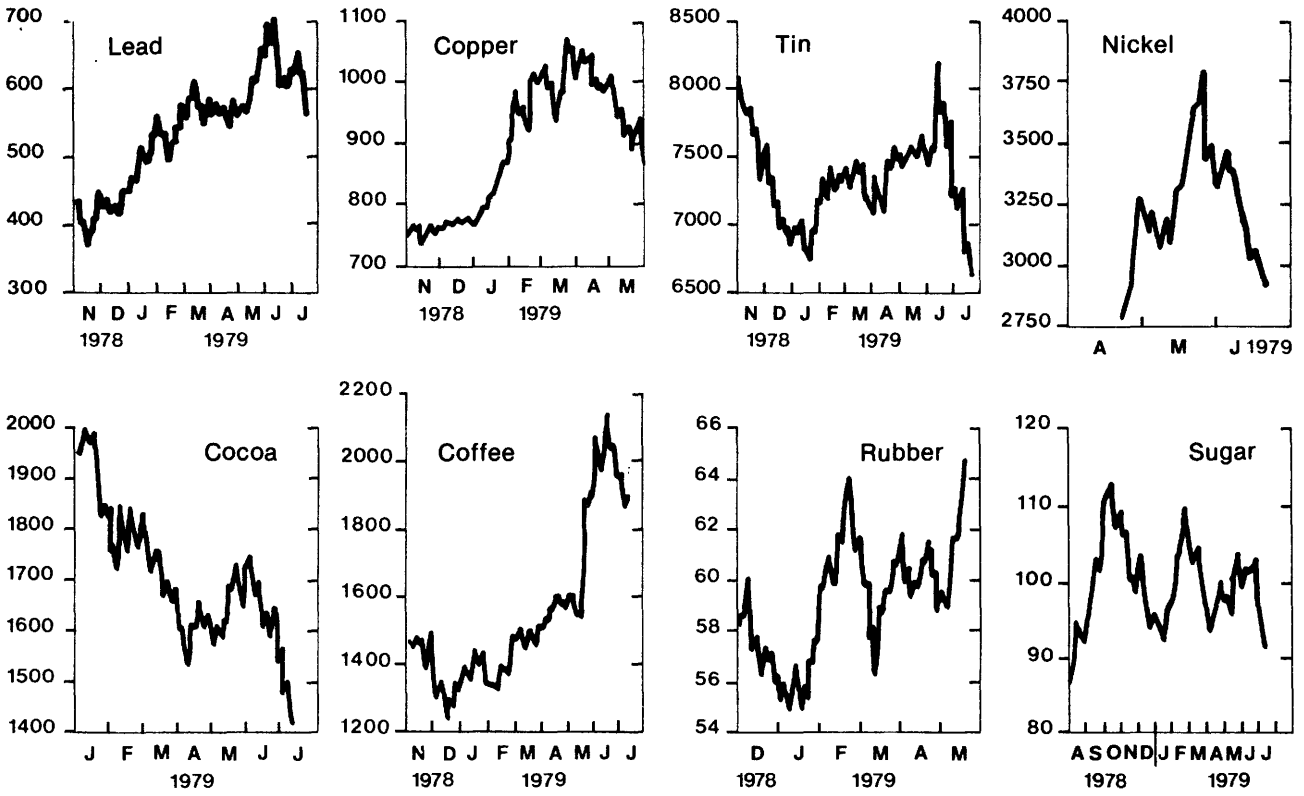
Price in constant dollars
Price in current dollars





Source : World Bank : Commodity Trade and Price Trends (1978 Edition) Report N° EC-/166/78

EVOLUTION OF CERTAIN RAW MATERIAL PRICES 1978/79

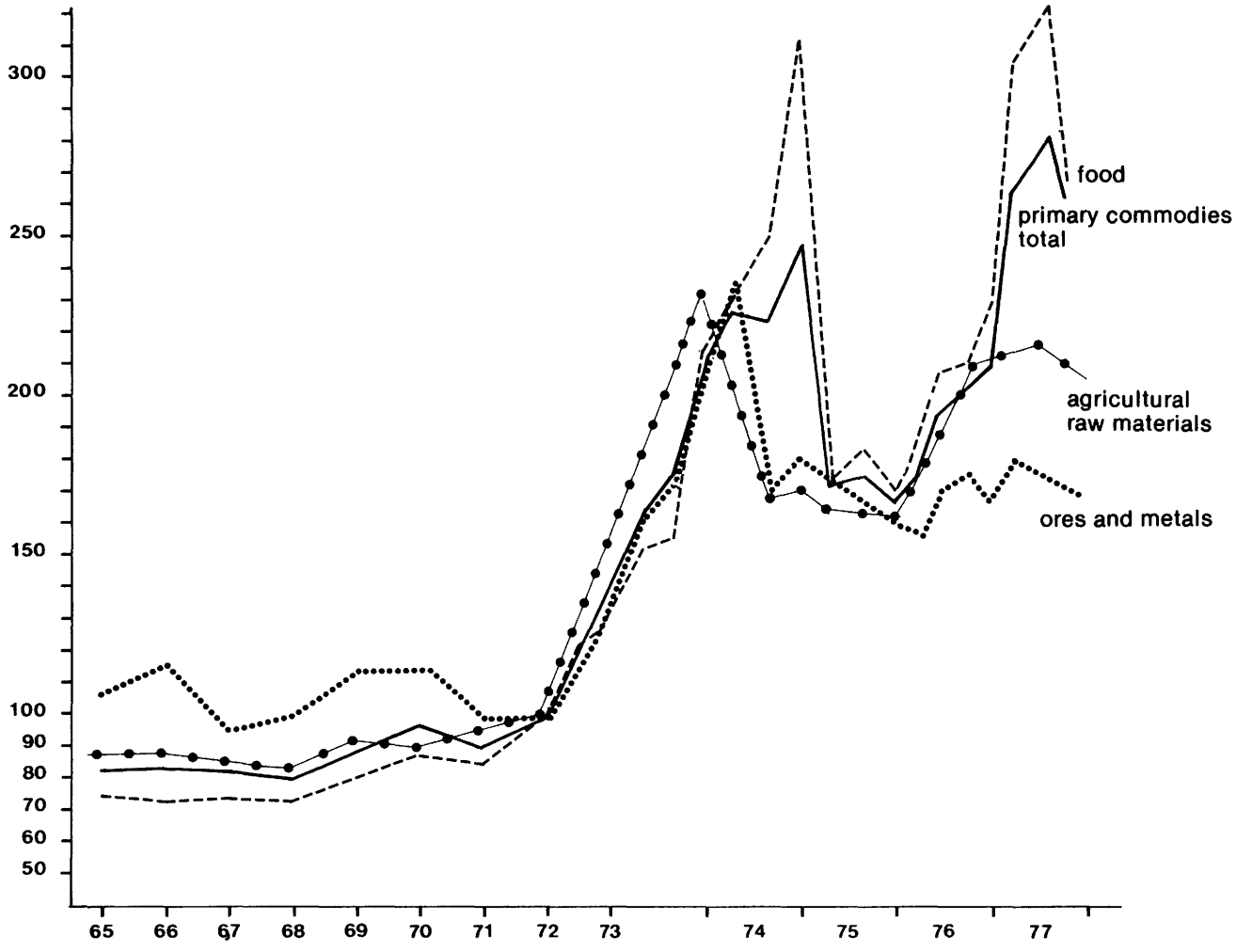


Source : Financial Times

EXPORT PRICE INDICES OF PRIMARY COMMODITIES (EXCLUDING FUELS) FOR DEVELOPING COUNTRIES ; 1965-1977

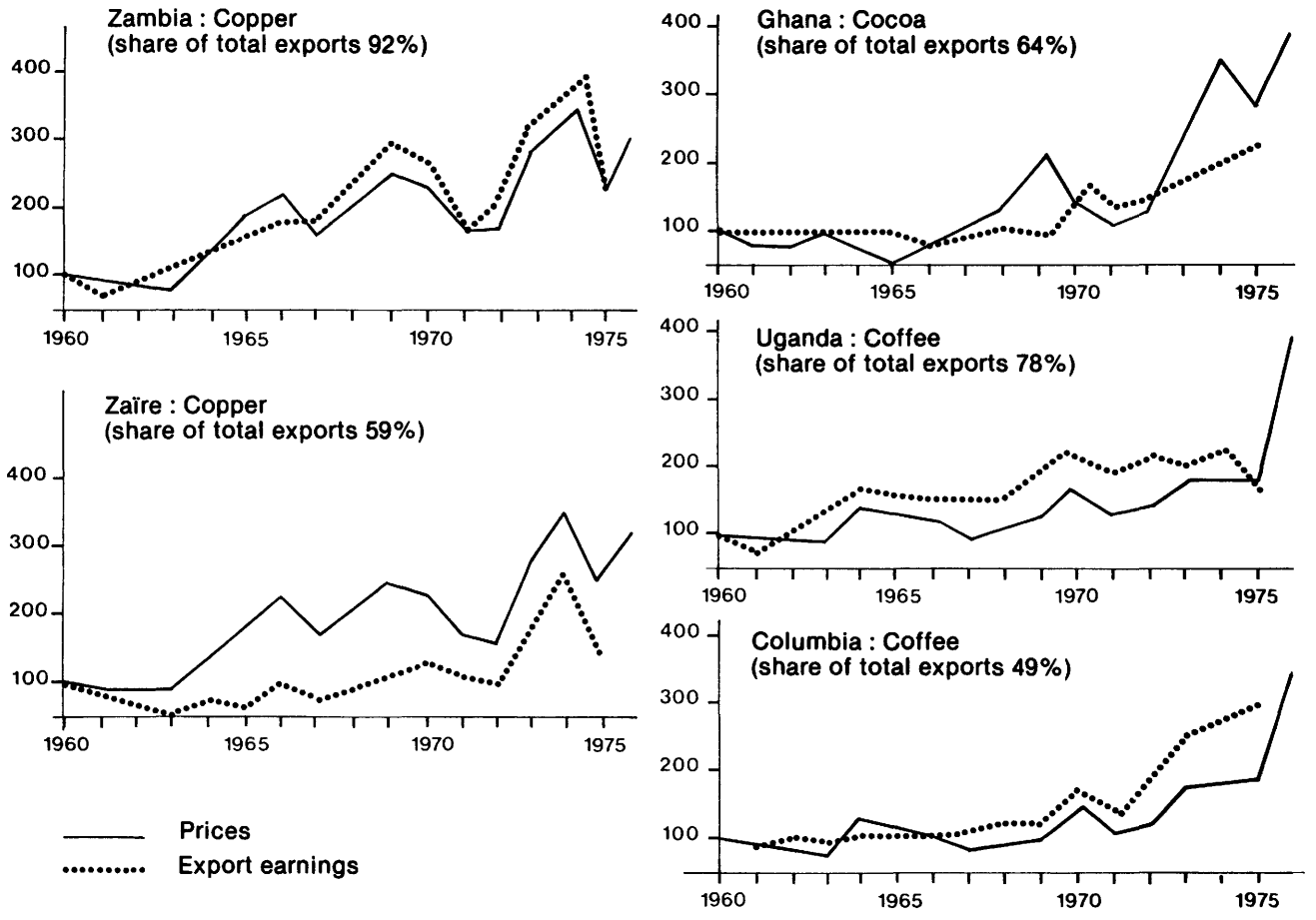
(Free market prices in terms of current US dollars)

index 1972 = 100



Source : UNCTAD, Handbook of International Trade and Development Statistics. Supplement 1977

EVOLUTION IN THE PRICES OF CERTAIN PRIMARY PRODUCTS AND IN THE EXPORT EARNINGS OF CERTAIN DEVELOPING COUNTRIES



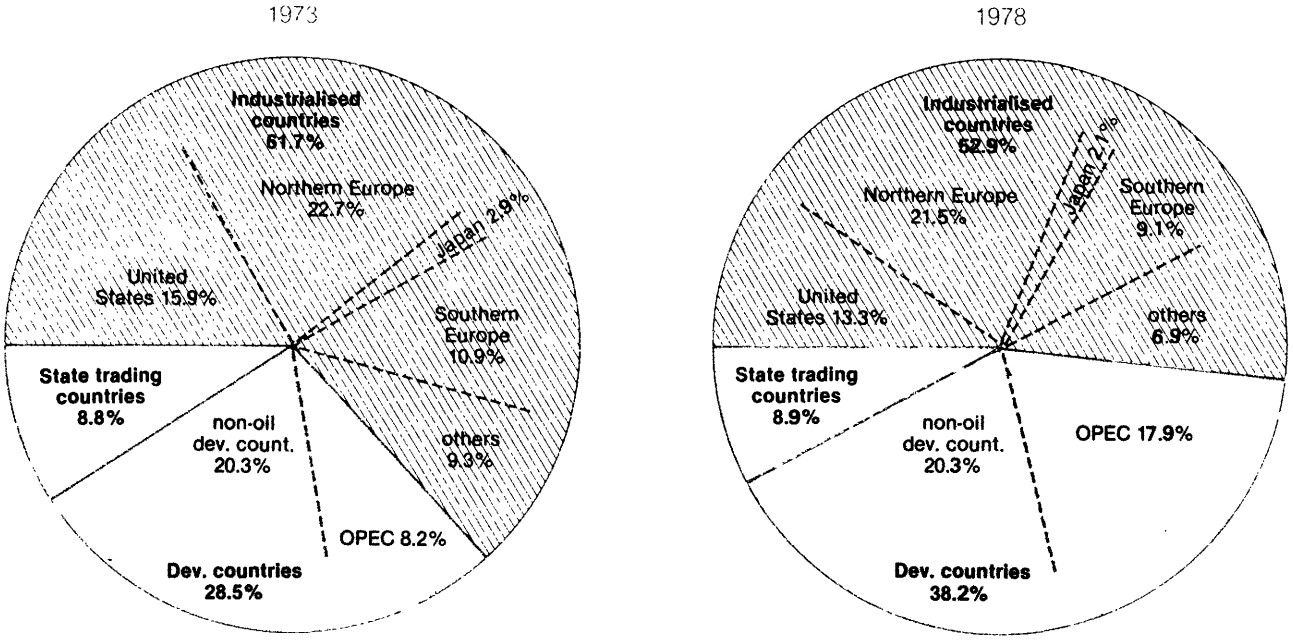
Source : Kontroversen in der Internationalen Rohstoffpolitik.

At the worst moment of the economic recession five years ago, the Third World showed that for the export industries of the European Communuty, it represents a solid and dynamic market. During the same period, the Community's exports to other industrialised countries stagnated or even fell temporarily. Without the growing demand of the developing countries, and particularly of the oil-producers among them, the difficulties faced by EC industries would have been considerably greater than they were. This trend will continue in the future for the economic growth rate of the Nine will depend to a major extent on the rate of development of the Third World. The forecasts, at least for the short term, indicate a fall in demand from the industrialised countries.

The Third World is in fact the Community's biggest customer. In 1978, 38.2% of the EC's exports went to developing countries compared with 13.3% to the United States and 8.9% to state-trading countries. Only the countries of Northern Europe, which accounted for 21.5% of Community exports, represent a market of comparable importance.

III,1

DESTINATION BY GROUPS OF COUNTRIES OF EC EXPORTS IN 1973 AND 1978 (in %)



Source : Eurostat - EC trade with the ACP states and the South Mediterranean States - N° 9/1979.

If, after the oil crisis of 1973, the developing countries had followed the example of the industralised nations and reduced their economic growth and cut back on imports, the recession in the industrialised world would have been markedly worse. The figures for 1975, the year when the recession in Europe reached its worst level, are particularly eloquent : the Community's exports to the United States fell by 17% (in terms of EUA's), those to EFTA dropped by 3.3% while sales to the developing countries as a whole increased by 25% and sales to the ACP countries, linked to the EC through the Lome Convention, rose by 33% (see table III, 2 on the following page).

Among the Third World, the oil-producing countries of OPEC represent the most dynamic export market. This is due to their increased oil revenues and the ensuing massive transfer of funds in their favour. Since 1973, OPEC's share of Community exports has doubled, rising from 8.2% in 1973 to 17.9% in 1978. This share will go on rising in the future, but probably at a slower pace.

During the crisis years, the non oil-producing developing countries also proved to be more stable and more dynamic markets for the Community than other industrialised countries. Their share of EC exports remained steady at around 20%, while that of industrialised states dropped from 62% in 1973 to 53% five years later. In 1978, the growth of Community exports to non-oil developing countries (+ 10.2%) was greater than the rate of expansion of sales to OPEC members (+ 4.7%).

Recently, many oil producers have slowed down their import rhythm, either because they have reduced their oil exports or because they have reached, at least for the time being, the limit of their absorption capacity for imports.

The uneven growth pattern of EC exports to its different trading partners is shown in terms of volume in Table A-III, 1 and in value in Table A-III, 2. These tables indicate, inter alia, that Community exports to the Arab countries of the Magreb and Mashreq and to the ACP states have grown more rapidly than its exports to the Third World as a whole.

III,2 ANNUAL GROWTH RATE OF EC EXPORTS TO THIRD COUNTRIES

as a percentage of value in millions of EUA

	1971	1972	1973	1974	1975	1976	1977	1978
INDUSTRIALISED COUNTRIES (class 1)	+ 6.6	+ 10.3	+ 21.9	+ 33.6	- 6.1	+ 18.5	+ 15.6	+ 5.2
of which United States	+10.3	+ 10.2	+ 13.1	+ 24.3	+17.0	+ 23.0	+ 26.0	+13.0
EFTA	+ 4.4	+ 14.7	+ 24.4	+ 33.4	- 3.3	+ 24.9	+ 21.0	+ 2.5
DEVELOPING COUNTRIES (class 2)	+ 8.8	+ 7.6	+ 20.5	+ 53.4	+25.1	+ 15.4	+ 21.4	+ 7.6
of which OPEC	+19.4	+ 19.2	+ 21.7	+ 72.1	+62.3	+ 23.5	+ 3.4	+ 4.8
ACP	-	-	+ 10.4	+ 36.8	+33.2	+ 21.8	+ 26.6	+ 2.0
EASTERN EUROPE	+ 5.5	+ 20.9	+ 34.9	+ 52.2	+18.4	+ 6.8	+ 5.5	+ 1.5

Source : EC trade with the ACP states and the South Mediterranean states - nº 9/1979 (p.38).

The two oil price increases decided by OPEC members in 1979 mark a new turning point in world trade. These rises, while affecting the industrialised countries, will hit most of the non oil-producing developing countries even harder. These latter will only be able to pay their bigger oil bills if they stop, or at least cut back, their imports of other items or if they find supplementary credits to enable them to maintain the present level of imports.

The changes which have taken place in recent years can also be seen in the share of different groups of countries in world trade as a whole. OPEC's share, for instance, rose from 7% in 1973 to 15% the following year (in the wake of the first major oil price rise), before dropping back to 11% in 1978. The industrialised countries' share of world trade fell from 68% in 1973 to 65% in 1978 while those of non-oil developing countries rose by one point during the same period to 13%. (see Table III, 3).

III,3 REGIONAL PATTERN OF WORLD TRADE FOR SELECTED YEARS

(percentage shares)

Origin \ Destination		Industrial areas	OPEC	Other developing countries	State trading areas	World*
Industrial areas	1963	45.1	2.5	11.7	2.3	64
	1973	51.1	2.8	9.2	3.2	68
	1974	44.9	3.4	9.3	3.1	63
	1977	43.7	6.0	8.5	3.0	63
	1978	45.0	6.1	9.3	3.2	65
OPEC	1963	4.3	0.0	1.3	0.1	6
	1973	5.7	0.0	1.4	0.1	7
	1974	11.3	0.0	2.7	0.2	15
	1977	9.8	0.1	2.7	0.2	13
	1978	8.2	0.1	2.2	0.2	11
Other developing countries	1963	10.2	0.3	2.8	1.0	15
	1973	8.3	0.4	2.2	0.8	12
	1974	8.1	0.6	2.2	0.8	12
	1977	8.3	0.8	2.4	0.8	13
	1978	8.3	0.8	2.4	0.7	13
Eastern trading areas	1963	2.3	0.1	1.7	8.0	12
	1973	2.7	0.3	1.2	5.7	10
	1974	2.8	0.3	1.1	4.4	9
	1977	2.7	0.4	1.2	5.3	10
	1978	2.6	0.5	1.1	5.3	10
World	1963	64	2.9	18	12	100
	1973	70	3.6	14	10	100
	1974	69	4.4	16	9	100
	1977	66	7.6	15	10	100
	1978	66	7.6	15	10	100

* Including Australia, New Zealand and South Africa which do not form part of the areas shown.

Source : GATT - International Trade 1978/1979 (p.6).

Table III, 3 also shows the relative slow-down in the rate of expansion of trade between industrialised countries compared with the overall growth rate of world trade. On the other hand, the share of exports from industrialised countries to the non-oil developing countries has remained relatively stable with a share of world trade slightly higher than 9%. These relative figures also serve to underline the growing importance of OPEC members and non-oil developing countries for the external trade of industrialised nations.

Table III, 4 allows a more detailed comparison between the relative importance of different groups of countries as clients and suppliers of the Community. The same information (in monetary values) can be found in Table A-III,3 in the Appendix. The figures for the period 1973-1977 also indicate the extent of the changes which have occured since the oil crisis and the recession which followed it.

Among the countries which have grown in importance as clients of the EC are the members of the Arab League. These are followed by two groups of countries which are wholly or partly members of the Arab League, the ACP states and the Maghreb and Mashreq countries.

On the other hand, the Arab League members, and more particularly the Gulf States, have lost considerable ground since 1977 as suppliers to the EC (Table A-III,4). But this trend is likely to be of short duration, given the oil price rises which came into force in 1979.

The place which the Third World occupies in the foreign trade of individual members of the European Community varies widely. A total of 27% of UK exports go to the Third World. The corresponding figures are 23% for France, 22% for Italy, 17% for Germany and less than 12% for the others (see Table A-III,5). These differences are essentially due to historical and traditional ties. For example, the ACP countries (largely former colonial territories) account for more than 25% of French and British exports to the Third World while the exports of Germany and Italy go to other parts of the developing world (see Table III,5 page 75).

In the same way, the EC members have profited to very different extents from the expansion of Third World markets. For example, Ireland's and Italy's exports to the developing countries have risen by 34% and 31% respectively during the period 1973-1978, while those of France increased by 23% and those of Denmark by only 17%.

III,4

THE MOST IMPORTANT SUPPLIERS AND CLIENTS OF THE EC IN 1973 AND 1977 (total trade in %)

Source : Les échanges CE — PVD dans le réseau des relations commerciales de la CEE (1970-1977).*

III,5 EC EXPORTS TO ACP COUNTRIES IN 1978

a) Size of member states exports to ACP countries compared with total EC exports

b) Size of member states exports to ACP countries compared with total exports to developing countries

in mio EUA and in per cent

	Total exports to dev.countries		Total exports to ACP's	% exports to ACP's as percentage of total EC exports	% exports to ACP's as percentage of total EC exports to dev. countries
D	18 523	100%	2 404	18.9%	13.4%
F	13 822	100%	3 520	27.7%	25.5%
I	9 552	100%	1 209	9.5%	12.7%
NL	4 417	100%	910	7.2%	20.6%
B/L	4 105	100%	719	5.7%	17.5%
UK	14 660	100%	3 710	29.2%	25.3%
IRL	328	100%	69	0.5%	21.0%
DK	1 104	100%	176	1.4%	15.9%
EC	66 512	100%	12 707	100%	19.1%

Source : Eurostat 1978 - Eurostat 1958-1976 - External trade bulletin.
Eurostat 1979 - Monthly external trade bulletin.

The average growth in EC exports to developing countries, expressed in EUA's was 25% (see Table III,6 on the following page). However, for all member states, exports to the Third World expanded more rapidly than sales to other industrialised countries outside the Community (see Tables A-III,5 and A-III,6).

What does to EC sell to the Third World ?

The countries of the Third World import first and foremost capital goods needed for their development.They make a substantial contribution in this way towards maintaining a high level of industrial activity in key sectors of the European economy. No less than 60% of Community exports to OPEC countries and 50% to non-oil developing countries consist of engineering products (see Table III,7, page 77).

III,6 ANNUAL GROWTH RATES OF EC MEMBERS' EXPORTS TO DEVELOPING COUNTRIES

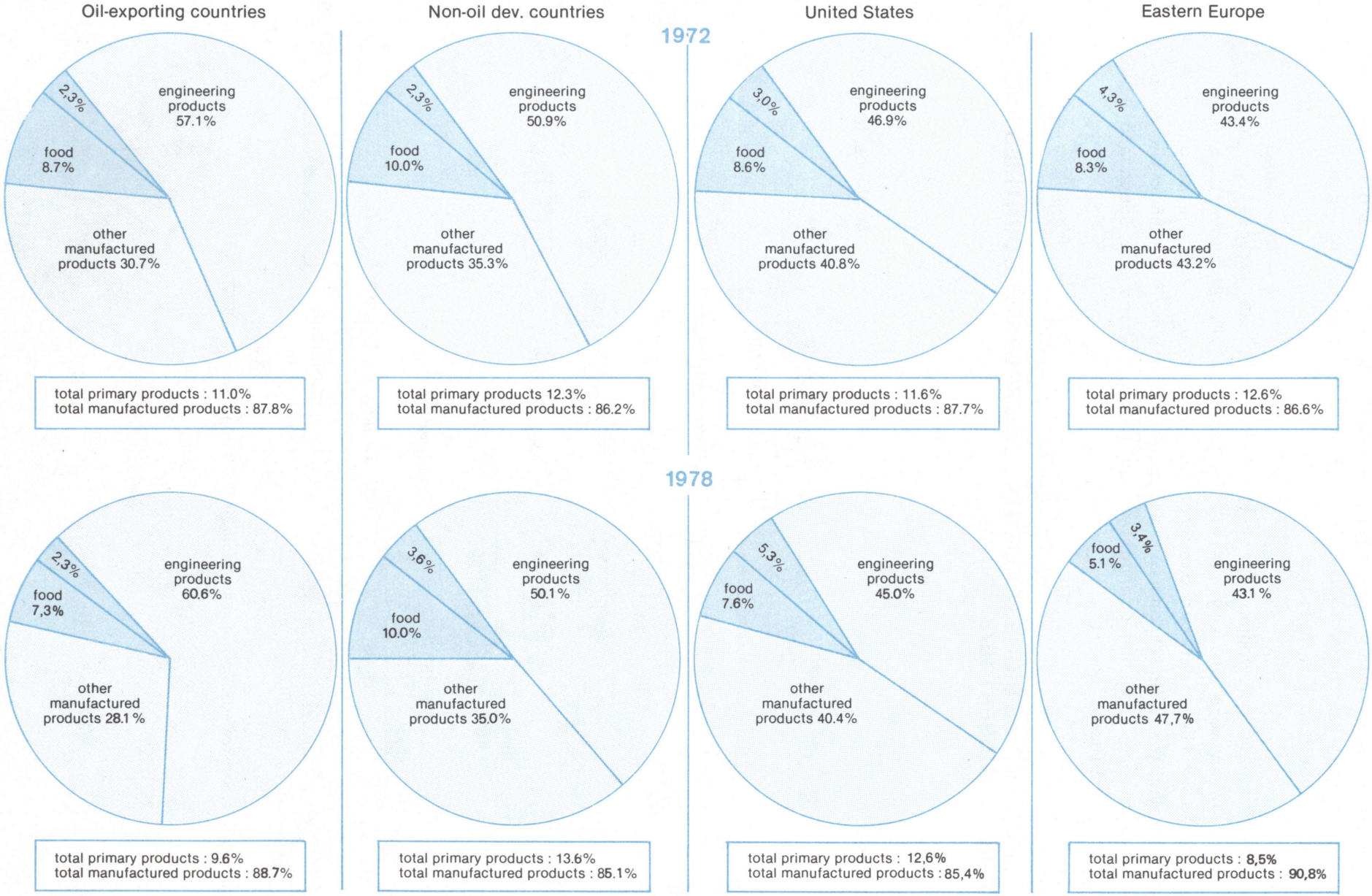
unit : millions EUA

	1973	1974 (a)		1975 (a)		1976 (a)		1977 (a)		1978 (a)		average 1973/1978	average 1976/1978
Total EC	22 948	35 213	+53	44 068	+25	50 879	+15	61 780	+21	67 577	+9.5	+24.6%	+15.0%
D	6 261	10 414	+66	11 955	+15	14 780	+24	17 597	+19	18 828	+7	+26.2%	+13.0%
F	5 249	7 612	+45	10 353	+36	11 663	+13	13 473	+15	14 416	+7	+23.3%	+11.0%
I	2 577	4 561	+77	5 925	+30	6 602	+11	8 641	+31	9 159	+6	+31.0%	+18.5%
NL	1 674	2 512	+50	3 020	+20	3 554	+18	4 135	+16	4 466	+8	+22.4%	+12.0%
B/L	1 420	2 231	+57	2 473	+11	2 756	+11	3 681	+34	4 086	+11	+24.8%	+22.5%
UK	5 164	7 039	+36	9 330	+32	10 402	+11	12 848	+23	15 160	+18	+24.0%	+20.5%
IRL	91	127	+40	146	+15	211	+44	303	+44	339	+12	+34.2%	+28.0%
DK	512	717	+40	865	+21	911	+5	1 101	+21	1 123	+2	+17.8%	+11.5%

a) Annual growth rates .

Source : Eurostat 2979 - Monthly external trade bulletin.

COMPOSITION OF EC EXPORTS IN 1972 AND 1978



Source : GATT - International Trade 1978-1979.*

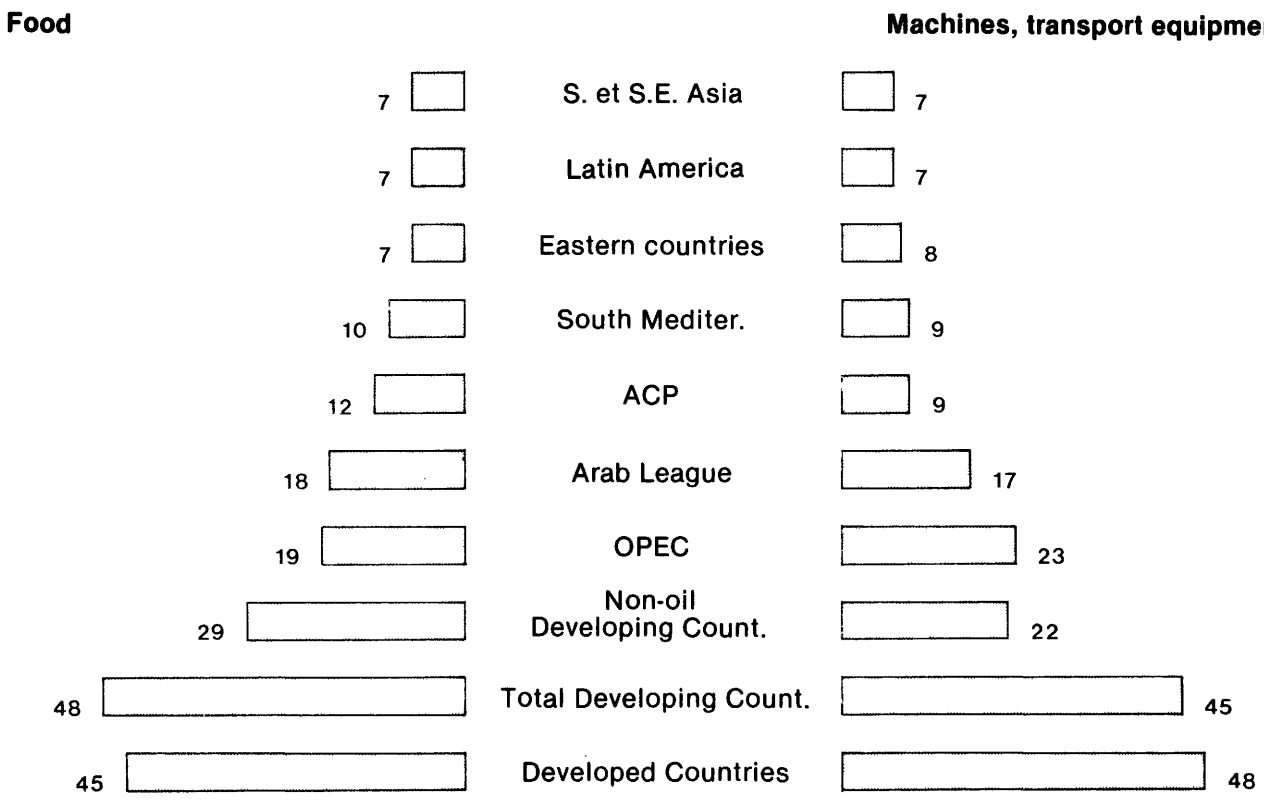
Engineering products play a much less important role in EC exports to the United States or the countries of Eastern Europe. It is interesting to note than machinery and transport material account for about half of Community exports not only to the Arab League members but also to the much poorer ACP states (see Table A-III,7).

The importance of the countries of the Third World as outlets for EC exports is even more clearly visible in Table III,8. It shows that the Third World is the first customer for EC food exports and the second purchaser of machinery and transport material. It can be seen that the Arab League buys more from the Community than Latin America and South and South-East Asia combined.

III,8

THE COMMUNITY'S BIGGEST CLIENTS : BY GROUPS OF COUNTRIES AND GROUPS OF PRODUCTS JAN/SEPT 1978

in %



Source : EC Trade with the ACP States and the South Mediterranean States (n° 2/1979).

Among all the major trading groups, the Community is the biggest supplier of the Third World. It is remarkable that the EC's share in the imports of the Third World has remained stable since 1970, at about 28%, despite the doubling of the amount of oil imported by developing countries and the increasing competition from Japan, the United States and the newly industrialising countries (see Table III,9 on following page).

In rough terms, one can say that the OPEC countries have increased their share of world trade by 5% while the U.S. has lost 6% and the state-trading countries have lost 2%.

If one considers how market shares have changed by geographic zones, it can be seen that the Community is losing ground in Latin America, South and South-East Asia to the benefit of the oil-producing nations, Japan and the newly industrialising countries. On the other hand, the Community is maintaining its position in Western Asia and increasing its market share in Africa. In general, it can be said that the Community is replacing the market shares lost among non-oil developing countries with its exports to OPEC states.

In looking at the relative importance of the three main industrialised regions as suppliers of the Third World, one can see an advance by Japan in all markets and a reduction in U.S. sales in many of these markets.

As far as the developing countries as a whole are concerned, the position of the EC has remained practically unchanged (see Table A-III,8). The importance of these statistics should not, however, be overestimated, since the economic links between industrialised and developing countries are not always direct. To give only one example; many major American corporations use Europe as a springboard for their commercial activities in Africa and the Middle East. Thus trade flows, as they appear in national statistics, give an imperfect reflection of real trade exchanges. In addition, trade experts estimate that commercial exchanges between subsidiaries of multinational corporations account for up to 40% of world trade.

III,9 THE MOST IMPORTANT SUPPLIERS OF THE DEVELOPING COUNTRIES BY GEOGRAPHIC AREA : 1970, 1973, 1978.

in % - world = 100%

Destination / Origin	Latin America			East and S-E Asia			West Asia			Africa			Total dev. countries			Oil-export. dev.countries			Other dev. regions		
	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978
North America	39.4	34.7	31.9	23.2	20.0	16.2	18.8	16.5	17.7	9.8	9.4	9.5	25.0	22.3	19.2	23.3	19.2	18.4	25.4	23.0	19.6
EC	24.0	22.0	18.8	16.4	14.3	14.9	37.2	32.1	37.8	48.0	51.0	53.2	28.0	26.8	28.7	40.2	39.9	40.7	25.6	23.6	22.8
Japan	5.8	7.1	7.1	24.5	25.2	25.3	7.2	8.5	13.6	4.5	5.0	6.6	12.0	13.5	14.3	10.3	13.5	14.6	12.3	13.6	14.1
Total industrialised areas	75.0	69.5	62.8	66.8	62.2	59.4	70.2	64.3	76.8	69.6	73.3	78.5	70.3	68.0	63.0	79.4	79.2	91.1	68.4	65.3	61.5
Australia, New-Zealand, South Afr.	0.6	0.9	0.5	3.0	3.6	3.3	1.5	1.5	1.6	4.1	3.4	1.7	2.6	2.7	2.0	1.2	1.6	1.3	2.9	3.0	2.4
Latin America	15.4	17.1	17.1	0.9	1.4	0.8	0.8	1.5	1.1	1.1	1.7	2.8	5.6	6.3	5.4	1.7	2.5	2.7	6.4	7.2	6.7
East and S-E Asia	1.0	1.3	2.7	17.2	18.3	19.0	4.9	3.7	6.6	4.3	3.5	4.4	7.6	8.2	9.1	5.0	5.9	6.6	8.1	8.8	10.3
West Asia	1.2	4.0	7.7	3.8	6.7	12.3	10.0	7.4	6.5	3.4	3.0	2.7	3.7	5.6	7.9	2.5	3.1	2.7	4.0	6.3	10.5
Africa	1.3	2.6	3.7	2.1	1.1	0.5	1.6	1.1	0.7	6.8	6.6	4.0	2.4	2.5	2.0	1.6	1.5	0.6	2.6	2.8	2.7
Total developing regions	18.9	25.0	31.3	23.3	27.6	32.6	17.3	13.7	14.9	15.6	14.7	13.9	19.4	22.7	24.3	11.2	12.9	12.5	21.1	25.2	30.2
Oil exporting dev. countries	6.7	13.2	16.9	4.9	7.7	13.6	6.0	5.1	5.0	2.4	3.1	2.8	5.1	8.2	10.2	1.1	1.5	1.6	5.9	9.9	14.8
Other dev. regions	12.2	11.8	14.4	18.4	2.0.	19.0	11.3	8.6	9.9	13.2	17.8	11.1	14.3	14.5	14.1	10.1	11.4	11.0	15.1	15.3	15.7
Eastern Europe	5.7	4.6	5.4	6.8	6.5	4.9	11.0	7.1	6.8	10.7	8.6	5.8	7.7	6.5	5.6	8.1	6.3	5.1	7.6	6.5	5.9
World	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

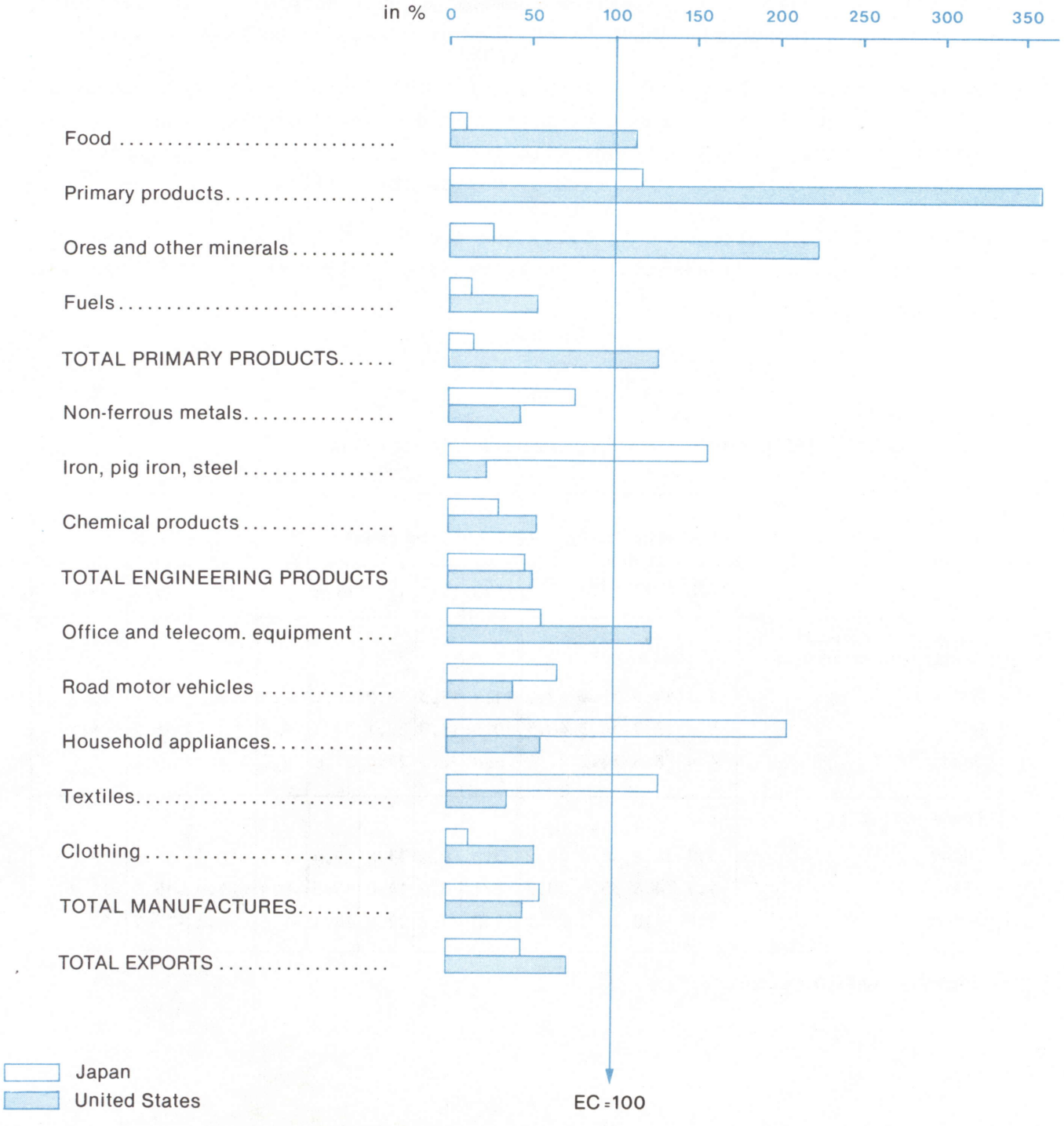
Source : GATT - International Trade 1978-1979.

Who supplies the Third World ?

Food products represent 20% of American exports to the Third World and 10% of EC exports but only 2% in the case of Japan (see Table III,10).

III,10

US AND JAPANESE EXPORTS TO DEVELOPING COUNTRIES IN 1977 COMPARED WITH THOSE FROM THE EC



Source : GATT - International Trade 1977-1978.*

If one takes all primary products, one can see that they make up about one-third of American exports to developing countries, 12% in the case of the Community and 5% for Japan. The Community exports more chemical products and as much machinery and transport material as the United States and Japan together. On the other hand, Japan sells twice as many household appliances to the Third World as does the EC. As far as clothing is concerned, the Community sells twice as much as the United States and five times as much as Japan.

Balances and Imbalances in Trade Flows

Trade between the Community and the non-oil developing countries as a group is broadly in balance. In 1978, the Community had a surplus of 2.2 billion Dollars, which represents about 5% of Community exports to these countries.

Japan, on the other hand, had a surplus with the non-oil developing countries which was the equivalment of more than one third of the value of its exports to them. The U.S. balance with these countries has been transformed in recent years from a surplus into a considerable deficit.

Table III,11 shows also that in 1978, the three main industrialised powers were able to reduce substantially their trade deficit with the OPEC countries.

III,11 TRADE BETWEEN INDUSTRIALISED AND DEVELOPING COUNTRIES

(billions of US Dollars)

	Imports (caf)				Exports (fob)				Trade balance			
	1970	1973	1977	1978	1970	1973	1977	1978	1970	1973	1977	1978
Trade with non-oil developing countries												
EUR-9	12.3	19.9	37.4	42.2	11.9	19.3	36.2	44.4	-0.5	-0.6	-1.2	2.2
USA	8.8	15.7	34.3	40.5	10.5	17.0	29.1	34.4	1.8	1.3	5.2	6.1
Japan	4.4	8.4	14.2	17.8	6.4	12.5	24.4	27.6	2.0	4.2	10.2	9.8
Trade with OPEC												
EUR-9	9.1	18.8	48.4	48.2	3.8	8.0	33.8	39.4	-5.3	-10.8	-14.6	-8.8
USA	1.7	4.6	33.0	30.7	2.1	3.6	14.0	15.0	-0.4	-1.0	-19.0	-15.7
Japan	2.6	7.0	24.2	24.5	1.0	2.7	11.9	14.1	-1.6	-4.3	-12.2	-10.4

Source : GATT Data Bank.

The balances and imbalances of international trade can be more readily appreciated if one takes account only of the cost fob of exports (i.e. without transport and insurance costs). The model in Table III,12 shows for instance that OPEC countries had a surplus with the non-oil developing countries which was four times greater than their surplus with the members of the European Community.

III, 12 MATRIX OF THE TRADE BALANCES OF MAJOR GROUPS OF COUNTRIES (1963-1978)

(billions of US Dollars FOB)

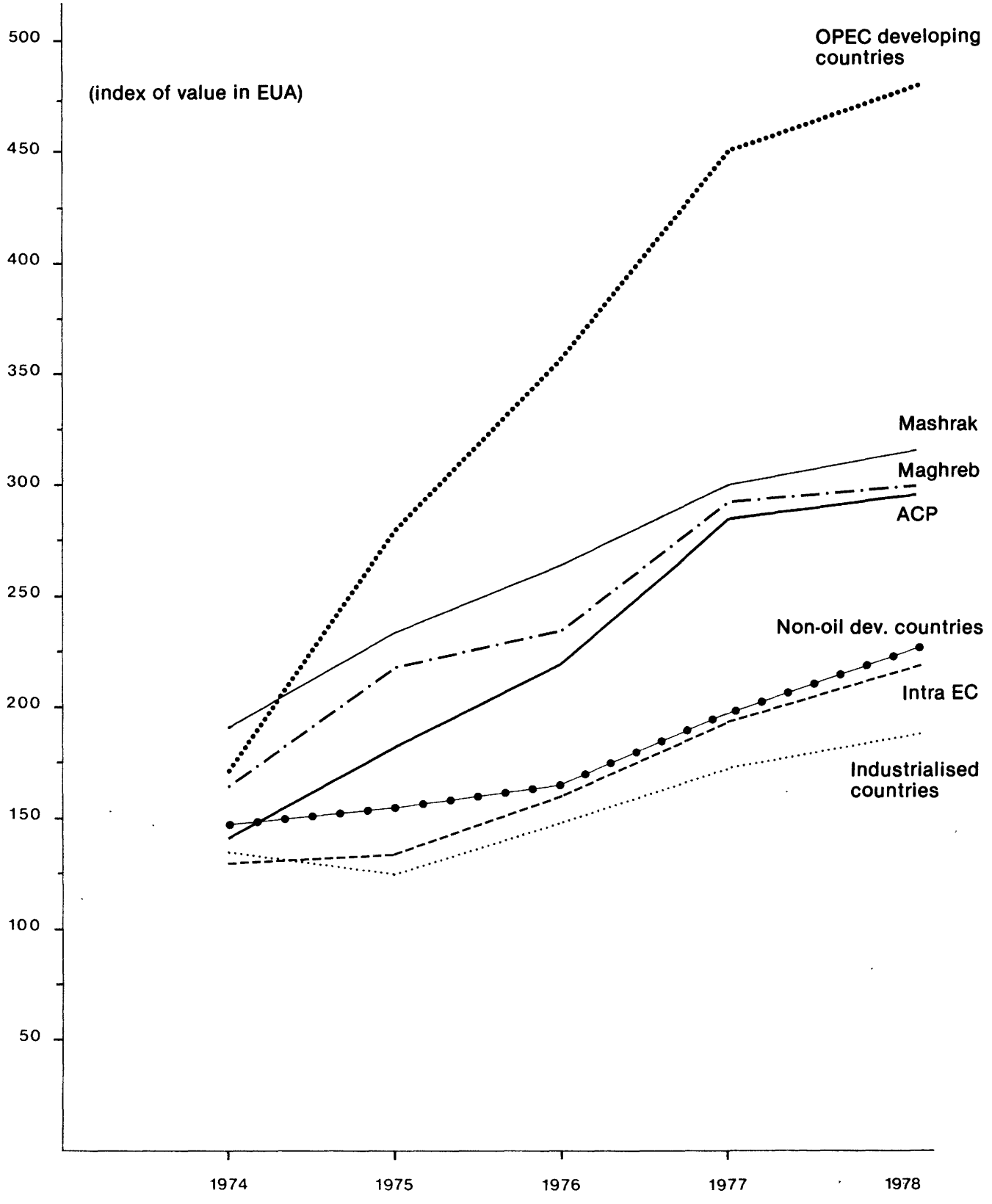
Net exports to / Net exports from	Years	World	Developing Countries	of which : EC	LDC without OPEC	OPEC	Eastern trading areas
World	1963	-	- 0	+ 1	+ 5	- 5	- 1
	1968	-	- 2	- 2	+ 7	- 6	- 2
	1973	-	+ 3	- 5	+13	-22	- 1
	1978	-	- 3	+20	+33	-45	- 0
Industrialised countries	1963	+ 0	-	- 1	+17	- 3	- 0
	1968	+ 2	-	- 5	+ 4	- 5	+ 0
	1973	- 3	-	-14	+ 5	-16	+ 3
	1978	+	-	-22	-13	-27	+ 8
of which EC	1963	- 1	+ 1	-	+ 0	- 2	- 0
	1968	+ 2	+ 5	-	+ 0	- 3	+ 0
	1973	+ 5	+14	-	+ 1	- 8	+ 1
	1978	+20	+22	-	+ 5	- 4	+ 2
LDC without OPEC	1963	- 5	-17	- 0	-	- 2	- 1
	1968	- 7	- 4	- 0	-	- 1	- 1
	1973	-13	- 5	- 1	-	- 6	- 1
	1978	-33	-13	- 5	-	-18	- 2
OPEC	1963	+ 5	+ 3	+ 2	+ 2	-	- 0
	1968	+ 6	+ 5	+ 3	+ 1	-	- 0
	1973	+22	+16	+ 8	+ 6	-	- 1
	1978	+45	+27	+ 4	+18	-	- 3
Eastern trading areas	1963	+ 1	+ 0	+ 0	+ 1	+ 0	-
	1968	+ 2	- 0	- 0	+ 1	+ 0	-
	1973	+ 1	- 3	- 1	+ 1	+ 1	-
	1978	+ 0	- 8	- 2	+ 2	+ 3	-

Source : GATT - Le Commerce international, 1978/1979.

APPENDIX TO CHAPTER III

EVOLUTION OF EC EXPORTS BY ZONE OF DESTINATION

(index 1973 = 100)



Source : Eurostat - Monthly External Trade Bulletin - 9/1979.

A - III,2 EVOLUTION OF EC EXPORTS TO THIRD COUNTRIES FROM 1970 TO 1978

in millions of EUA
index 100 in 1970

	1970	1973	1974	1975	1976	1977	1978
INDUSTRIALISED COUNTRIES (class 1)	34 743 100	49 785 143	66 531 191	62 505 180	74 055 213	85 596 246	90 044 259
of which United States	9 306 100	12 800 138	15 911 171	13 201 142	16 232 174	20 523 221	23 182 249
EFTA	13 070 100	19 474 149	25 973 199	25 114 192	31 374 240	38 253 293	39 227 300
DEVELOPING COUNTRIES (class 2)	16 261 100	22 948 141	35 213 216	44 068 271	50 879 313	61 780 380	66 498 409
of which OPEC	3 780 100	6 547 173	11 269 298	18 295 484	23 908 632	29 661 785	33 077 822
ACP	-	4 432 100	6 065 137	8 079 182	9 840 222	12 459 281	12 707 287
EASTERN EUROPE (class 3)	3 782 100	6 508 172	9 905 262	11 726 310	12 523 331	13 219 349	13 417 355

Source : Eurostat - EC Trade with the ACP states and the South Mediterranean states - n° 9/1979 (p.38).

A-III,3

THE MOST IMPORTANT SUPPLIERS AND CLIENTS OF THE EC IN 1973 AND 1977 (total trade in billions of EUA)

Source : Les échanges CE - PVD dans le réseau des relations commerciales de la CEE (1970-1977).*

A-III,4 EVOLUTION OF EC EXPORTS 1976-1978 BY GEOGRAPHIC AREA

Billions of EUA 's and year on year growth rate

	1976	1977	1978	1977/1976	1978/1977	1978/1976
World	308.1	339.4	362.1	110	108	117
Extra EC	159.4	171.4	178.3	108	104	112
Intra EC	148.7	168.1	183.9	113	109	124
Other class 1	75.7	82.1	92.7	108	113	122
Class 2	69.9	75.2	71.2	108	95	102
Class 3	12.4	13.3	14.0	107	106	113
OPEC	41.8	42.3	38.2	101	90	91
Class 2, ex. OPEC	28.0	32.8	32.9	117	100	117
ACP countries	10.5	12.5	11.9	119	95	113
Africa	22.0	24.6	24.9	112	101	113
South Mediterranean	9.7	9.8	9.6	101	97	99
Arab League	31.8	32.7	29.6	99	90	93
Developing America	9.5	10.9	10.7	115	98	113
S. and S.E. Asia	9.4	11.0	11.5	117	105	122
Gulf states and Libya	36.0	35.0	31.1	97	89	86
Others	1.4	0.8	0.4	57	56	28

Source : EC Trade with ACP states and the South Mediterranean States (2/1979).

A-III,5 GEOGRAPHIC DISTRIBUTION OF EXPORTS BY EC MEMBER COUNTRIES IN 1973, 1975 AND 1978

(in millions of EUA and in %)

		Class 1	of which USA	and EFTA	Class 2	of which ACP	Eastern Europe	Intra-EC	World
EC	1973	49 785 29.2%	12 800 7.5%	19 474 11.4%	22 948 13.4%		6 508 3.8%	90 031 52.7%	170 703 100%
	1975	62 505 26.1%	13 201 5.5%	25 114 10.5%	44 068 18.4%		11 726 4.9%	118 359 49.4%	239 571 100%
	1978	90 044 25.0%	23 182 6.4%	39 227 10.9%	66 498 18.5%	12 707 3.5%	13 417 3.7%	185 871 51.7%	359 801 100%
D	1973	19 094 35.1%	4 605 8.5%	8 549 15.7%	6 261 11.5%		3 019 5.5%	25 633 47.1%	54 397 100%
	1975	23 115 31.8%	4 311 5.9%	10 524 14.5%	11 955 16.4%		5 219 7.2%	31 659 43.5%	72 666 100%
	1978	34 584 31.0%	7 862 7.1%	17 004 15.3%	18 523 16.6%	2 404 2.2%	6 060 5.4%	51 035 45.8%	111 401 100%
F	1973	6 251 21.6%	1 371 4.7%	2 416 8.3%	5 249 18.1%		1 061 3.5%	16 216 56.1%	28 902 100%
	1975	8 558 20.4%	1 647 3.9%	3 488 8.3%	10 353 24.6%		2 095 5.0%	20 642 49.2%	41 981 100%
	1978	12 151 20.1%	3 355 5.6%	4 481 7.3%	13 822 23.0%	3 520 5.9%	2 297 3.8%	31 571 52.5%	71 187 100%
I	1973	5 395 29.8%	1 552 8.6%	1 679 9.3%	2 577 14.2%		810 4.5%	9 074 50.1%	18 105 100%
	1975	7 266 25.7%	1 840 6.5%	2 225 7.9%	5 925 21.0%		1 764 6.2%	12 748 45.1%	28 240 100%
	1978	10 653 24.3%	3 124 7.4%	3 727 8.5%	9 552 21.8%	1 209 2.8%	1 894 4.3%	21 027 48.0%	43 810 100%

A-III,5 (cont^{d})

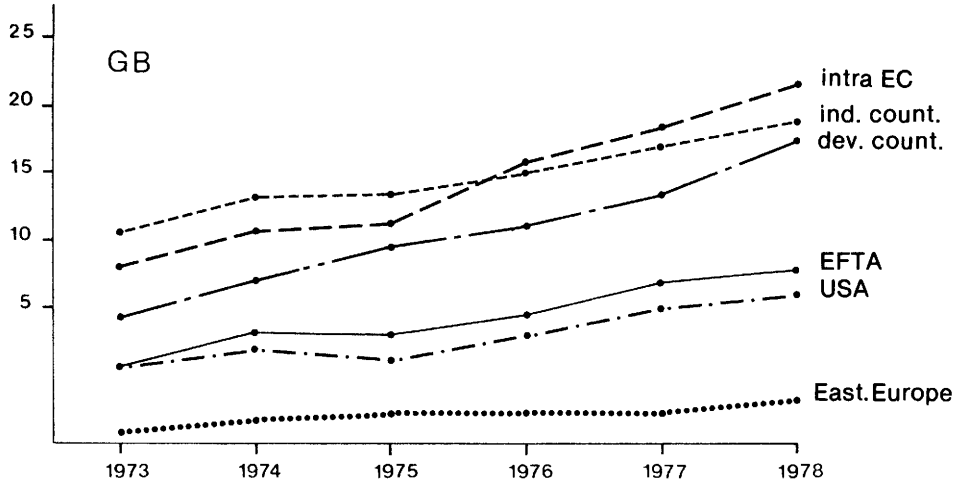
		Class 1	of which USA	and EFTA	Class 2	of which ACP	Eastern Europe	Intra EC	World
B/L	1973	2 955 16.2%	1 021 5.6%	1 044 5.7%	1 420 7.8%		405 2.2%	13 310 73.1%	18 203 100%
	1975	3 416 14.7%	946 4.1%	1 332 5.7%	2 473 10.6%		687 2.9%	16 368 70.6%	23 193 100%
	1978	4 732 13.4%	1 453 4.7%	2 067 5.9%	4 185 11.7%	719 2.0%	669 1.9%	25 193 71.6%	35 196 100%
NL	1973	3 021 15.5%	692 3.5%	1 313 6.7%	1 674 8.6%		403 2.1%	14 154 72.5%	19 511 100%
	1975	3 846 13.4%	778 2.7%	1 675 5.8%	3 020 10.5%		643 2.0%	20 327 71.1%	28 593 100%
	1978	5 397 13.7%	1 300 3.3%	2 490 6.3%	4 417 11.2%	910 2.3%	745 1.9%	27 959 71.0%	39 306 100%
UK	1973	10 692 43.1%	3 026 12.2%	3 142 12.6%	5 164 20.8%		644 2.6%	8 020 32.3%	24 795 100%
	1975	13 265 37.6%	3 152 8.9%	4 059 11.5%	9 330 26.4%		1 044 2.9%	11 399 32.3%	35 288 100%
	1978	18 429 32.6%	5 240 9.3%	6 986 12.5%	14 660 26.2	3 710 6.6%	1 469 2.6%	21 168 37.8%	56 059 100%
IRL	1973	295 17.1%	169 9.8%	40 2.3%	91 5.3%		10 0.6%	1 314 76.1%	1 727 100%
	1975	327 12.6%	157 6.1%	55 2.1%	146 5.6%		27 1.0%	2 053 79.4%	2 585 100%
	1978	587 13.2%	274 6.2%	123 2.8%	328 7.4%	69 1.6%	30 0.7%	3 456 77.0%	4 449 100%
DK	1973	2 082 41.1%	364 7.2%	1 290 25.5%	512 10.1%		156 3.1%	2 310 45.6%	5 063 100%
	1975	2 712 38.6%	370 5.3%	1 755 25.0%	865 12.3%		247 3.5%	3 164 45.6%	7 024 100%
	1978	3 448 37.1%	529 5.7%	2 337 25.2%	1 104 11.9%	176 1.9%	262 2.8%	4 490 48.3%	9 291 100%

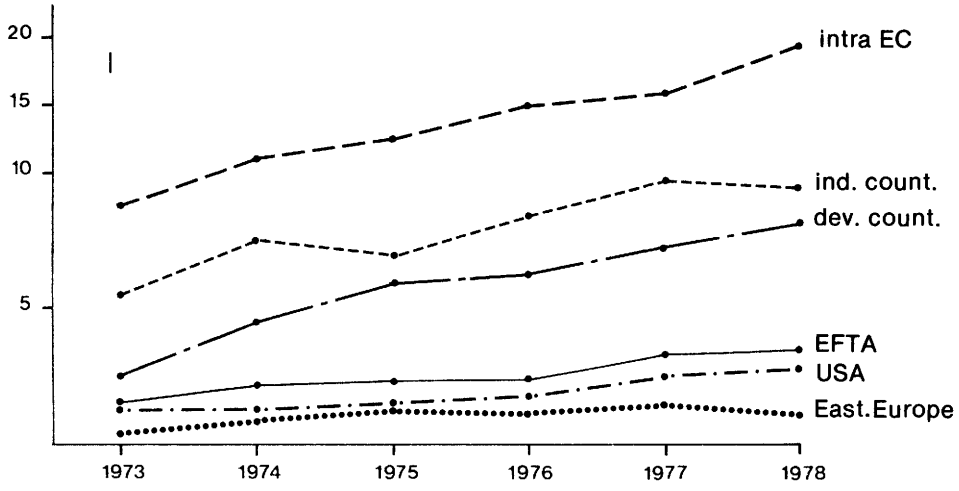
Source : Eurostat - EC Trade according to class of product and principal partners - 9/1979.

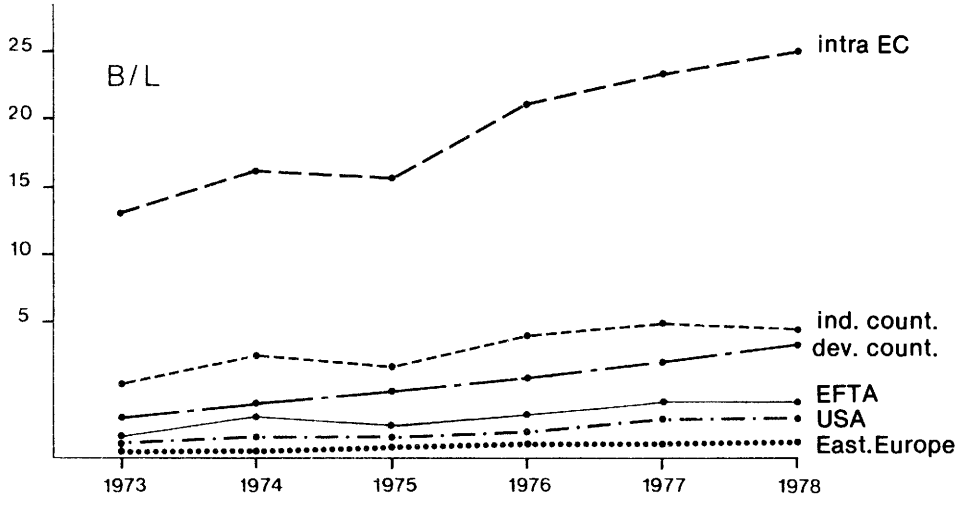
A-III,6

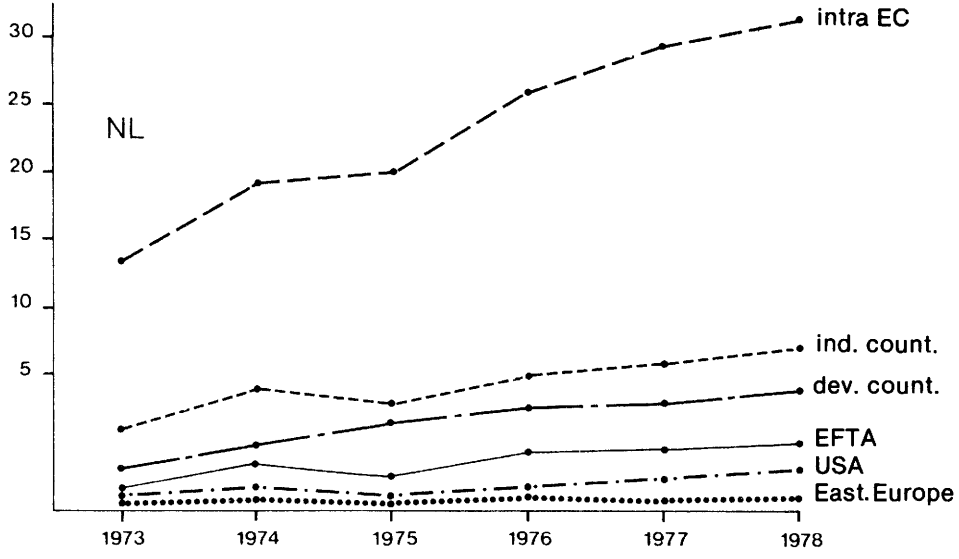
EVOLUTION OF EXPORTS OF EC MEMBER STATES ACCORDING TO ZONE OF DESTINATION FROM 1973 TO 1978

unit : billions of EUA





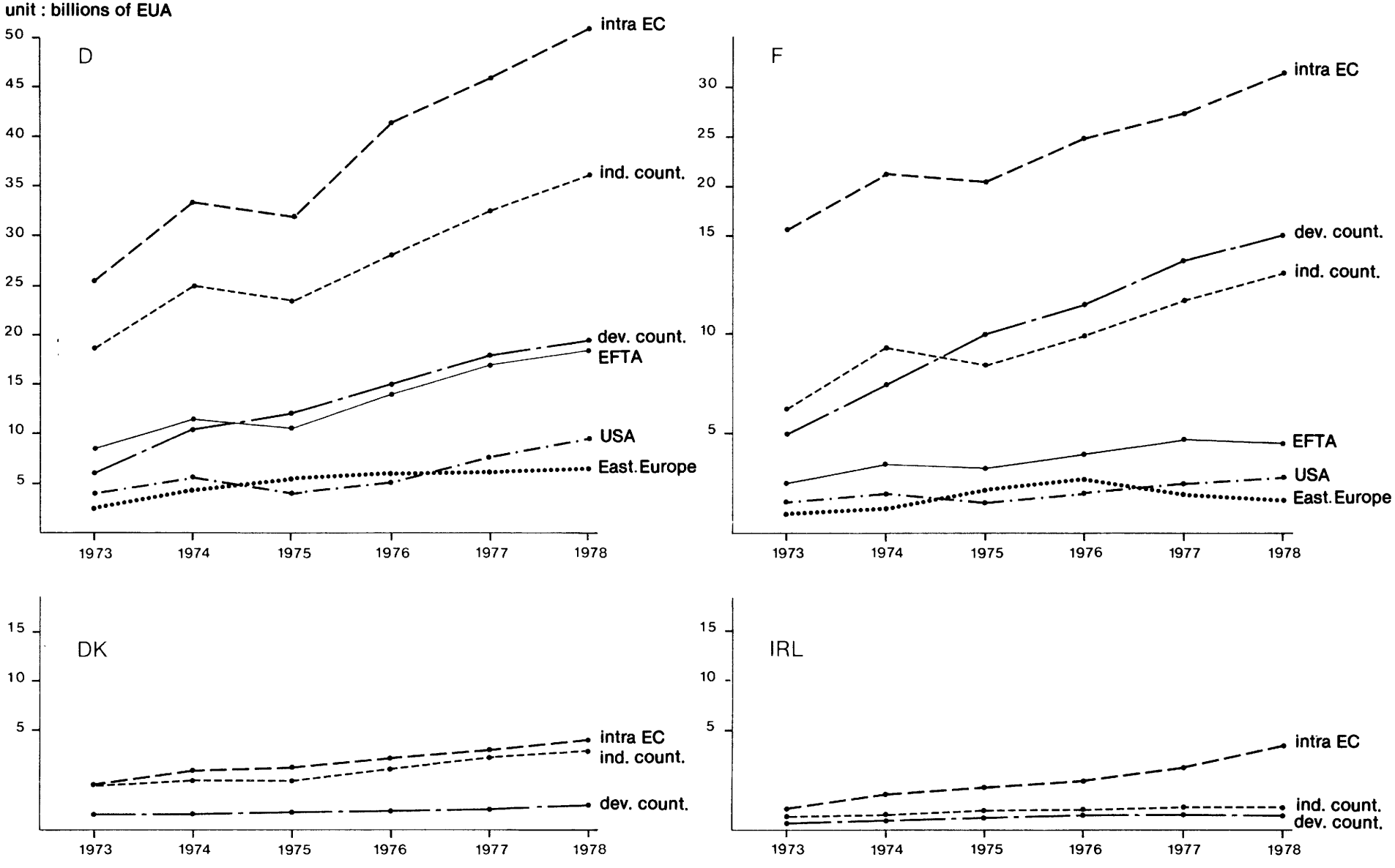




A-III,6

EVOLUTION OF EXPORTS OF EC member states according to zone of destination from 1973 to 1978

unit : billions of EUA



Source : Eurostat - Monthly external trade bulletin n° 9/1979*

A-III,7 STRUCTURE OF EC EXPORTS TO THE ARAB LEAGUE AND ACP COUNTRIES IN 1977 AND 1978

in millions of EUA and in %

	ARAB LEAGUE				ACP STATES			
	1977		1978		1977		1978	
	mio EUA	%	mio EUA	%	mio EUA	%	mio EUA	%
Food, drink, oilseeds, fats	1 960	8.6	2 311	9.1	1 304	10.5	1 668	11.8
Agricultural raw materials	151	0.7	139	0.6	66	0.5	75	0.5
Fertilisers, minerals crude-waste	46	0.2	61	0.2	23	0.2	24	0.2
Mineral fuels	416	1.8	445	1.8	392	3.2	506	3.6
Chemical products	1 658	7.3	1 819	7.2	1 300	10.6	1 529	10.8
Pig iron, iron and steel	995	4.4	1 032	4.1	523	4.2	564	4.0
Non-ferrous metals	201	0.9	251	1.0	70	0.6	80	0.6
Machines, transport equip.	11 793	51.8	12 538	49.6	6 220	50.4	6 842	48.4
Other manufactured goods	5 524	24.3	6 667	26.4	2 424	19.6	2 841	20.1
Total	22 744	100%	25 261	100%	12 322	100%	14 129	100%

Source : Eurostat - EC trade with the ACP States and the South Mediterranean States - nº 1/1979 .

(7)

A-III,8 THE MOST IMPORTANT SUPPLIERS OF DEVELOPING COUNTRIES AMONG INDUSTRIALISED STATES : 1970, 1973, 1978

in % - Industrialised countries 100%

Origin \ Destination	Latin America			East and South-East Asia			East Asia			Africa			Total dev. countries			Oil-exporting dev.countries			Other dev. regions		
	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978	1970	1973	1978
North America	52.5	49.9	50.6	34.7	32.2	27.3	26.8	25.6	23.0	14.1	12.8	12.1	35.6	32.7	28.2	29.3	24.2	22.7	37.1	35.3	31.9
EC	32.0	31.7	30.0	24.6	23.0	25.0	52.9	49.9	49.3	68.9	69.6	67.8	40.0	39.5	42.3	50.6	50.3	50.3	37.5	36.2	37.0
Japan	7.7	10.2	11.4	36.7	40.5	42.7	10.4	13.2	17.7	6.4	6.8	8.5	17.1	19.9	21.0	13.0	17.0	18.0	18.0	20.8	22.9
Total industrialised regions (1)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

(1) : Without Australia, New Zealand and South Africa.

Source : GATT - International trade 1978/1979.

A-III,9

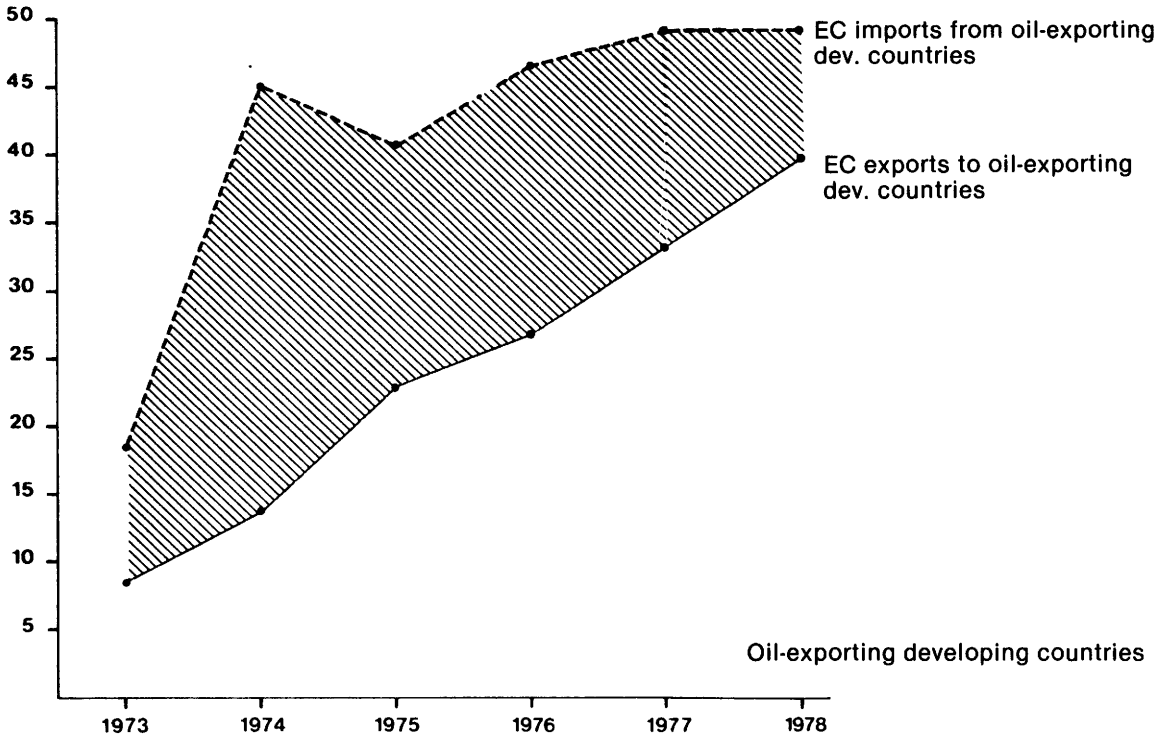
DISTRIBUTION OF INDUSTRIALISED COUNTRY IMPORTS OF MANUFACTURED PRODUCTS FROM DEVELOPING COUNTRIES

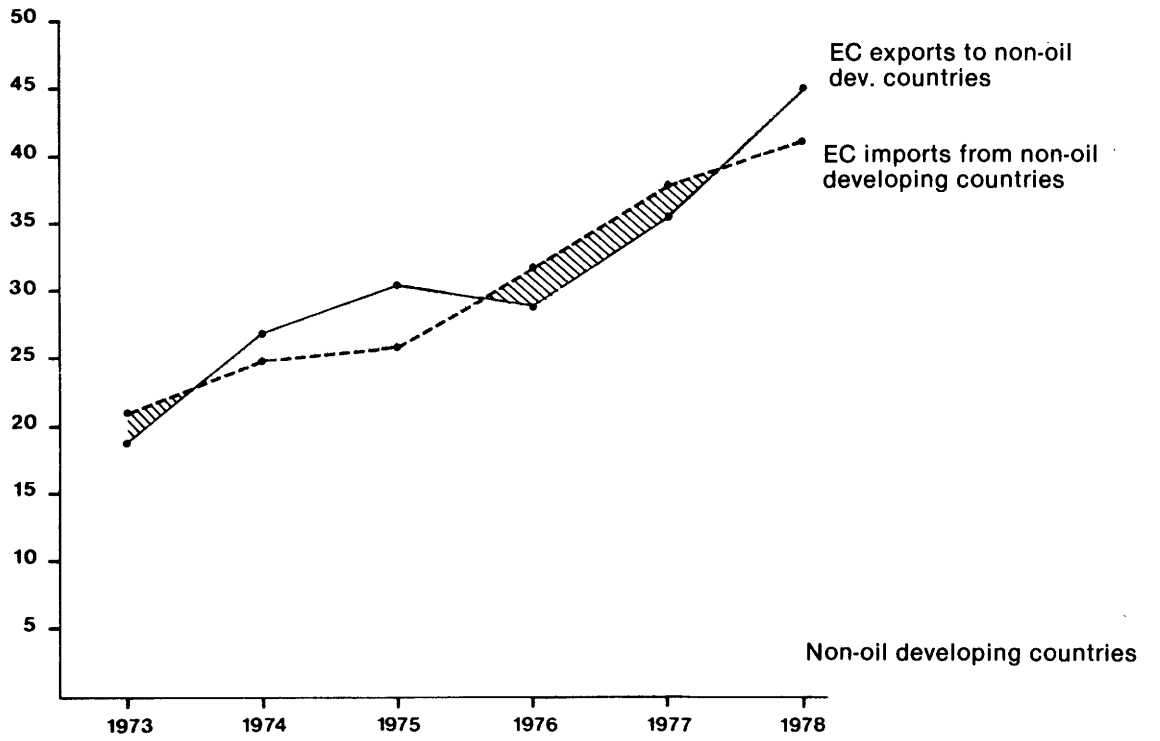
Origin \ Destin	EUR 9				USA				JAPAN				Other OECD			
	1963	1970	1973	1977	1963	1970	1973	1977	1963	1970	1973	1977	1963	1970	1973	1977
World (1)	8.4	21.6	41.2	76.1	6.9	24.3	42.5	74.7	1.5	4.5	9.9	12.9	15.5	37.1	65.3	112.2
Class 2 (1)	0.8	2.0	5.2	11.7	0.7	3.0	7.4	15.7	0.1	0.4	2.2	2.9	0.3	0.9	2.0	4.6
Class 2/World (%)	10	9	13	15	11	12	17	21	6	9	22	23	2	2	3	4
Distribution by industrialised country grouping (%)																
World	26	25	26	28	21	28	27	27	5	5	6	5	48	42	41	41
Class 2	43	31	31	33	39	48	44	45	5	7	13	8	14	14	12	13

(1) Thousand million USD.
Source : GATT.

EVOLUTION OF EC TRADE BALANCE WITH OIL-EXPORTING DEVELOPING COUNTRIES AND NON-OIL DEVELOPING COUNTRIES

in billions of dollars





Source : GATT - International Trade 1978-1979.
EUROSTAT

A-III,11

EVOLUTION OF EC TRADE BALANCE WITH MAGHREB, MASHRAK AND ACP STATES - in millions of EUA

	1975	1976	1977	1978
EC EXPORTS				
MAGHREB and MASHRAK				
of which - Algeria	2 824	2 759	3 673	3 635
- Tunisia	711	837	977	1 120
- Morocco	1 047	1 317	1 528	1 343
- Egypt	1 352	1 519	1 681	1 821
- Jordan	-	408	371	387
- Lebanon	-	148	594	608
- Syria	584	1 032	857	789
TOTAL	6 518	8 020	9 681	9 713
ACP STATES (with Nigeria)	7 977	9 731	12 460	12 707
ACP STATES (without Nigeria)	5 572	6 411	7 857	8 035
- Nigeria	2 405	3 320	4 603	4 672
EC IMPORTS				
MAGHREB and MASHRAK				
of which - Algeria	2 048	2 153	2 098	2 205
- Tunisia	357	412	559	569
- Morocco	808	840	836	845
- Egypt	319	678	703	945
- Jordan	-	13	10	16
- Libanon	-	40	33	28
- Syria	465	650	602	509
TOTAL	4 357	4 786	4 841	4 917
ACP STATES (with Nigeria)	8 463	10 184	12 466	11 863
ACP STATES (without Nigeria)	5 623	6 955	8 984	8 499
- Nigeria	2 840	3 229	3 482	3 364
Balance MAGHREB and MASHRAK	+2 161	+3 234	+4 840	+ 4 796
Balance ACP (with Nigeria)	- 486	- 453	- 6	+ 844
Balance ACP (without Nigeria)	- 51	- 544	+1 127	- 464
Solde Nigeria	- 435	+ 91	+1 121	+ 1 308

Source : Eurostat - EC Trade with the ACP States and the South Mediterranean States - nº 3/1979.

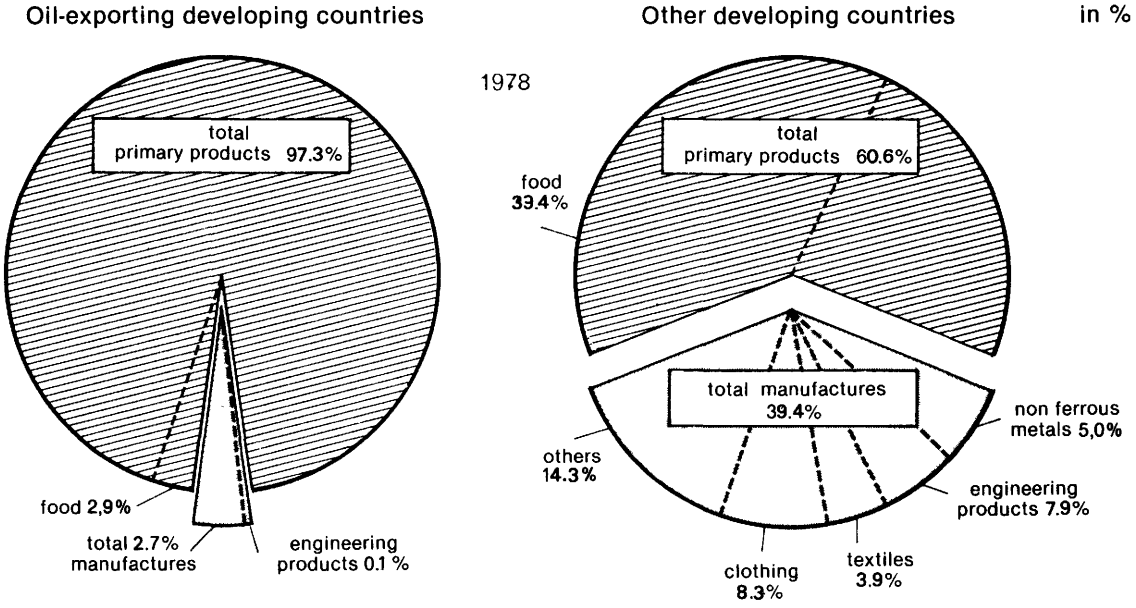
A-III,12 EVOLUTION OF EC TRADE BALANCE WITH LATIN AMERICA : 1973-1978

in millions EUA

	1973	1974	1975	1976	1977	1978
LATIN AMERICA						
EC exports	4 931	7 840	8 929	9 161	10 668	10 999
EC imports	5 830	7 433	7 590	9 473	10 922	10 708
Balance	-899	+407	+1 339	-312	-254	+ 291
of which : BRAZIL						
EC exports	1 447	2 617	2 309	2 216	2 193	2 116
EC imports	1 978	2 275	2 214	2 754	3 433	3 041
Balance	-531	+342	+95	-538	-1 240	- 925
of which : VENEZUELA						
EC exports	614	800	1 082	1 368	2 101	1 868
EC imports	352	764	755	810	510	577
Balance	+262	+36	+327	+510	+1 591	+1 291
Latin America without Venezuela : Balance	-1 161	+371	+1 012	-822	-1 845	-1 000

Source : EC Trade with the ACP States and the South Mediterranean States - Eurostat 3/1979.

COMPOSITION OF EC IMPORTS FROM DEVELOPING COUNTRIES



Source : GATT - International Trade 1978-1979.

A-III,14 EVOLUTION OF EC-OPEC TRADE - 1972-1978

EC	In billions of dollars			Annual variations		
	Exports of manufactures	Total exports	Total imports	Exports of manufactures	Total exports	Total imports
1972	5.03	5.73	13.23	-	-	-
1973	7.09	8.03	18.82	41	40	42
1974	11.80	13.50	45.62	66	68	142
1975	20.18	22.88	40.87	71	69	-10
1976	23.28	26.20	46.27	15	14	13
1977	29.70	33.41	47.31	27	27	2
1978	34.55	39.35	48.32	17	16	-

Source : GATT - International Trade 1977/1978.

Chapter IV : INDUSTRIALISATION OF THE THIRD WORLD : A THREAT OR AN OPPORTUNITY FOR EUROPE ?

More than a third of the working population of the developing countries is at present unemployed or underemployed. By the end of the century, almost a billion new jobs have to be created in these countries to keep pace with the rise in population. A growing proportion will live in megacities with a population of ten million and more. Industrialisation, in these conditions, is not so much the road to greater prosperity. It is essential for avoiding a social and human catastrophe.

For all but a few countries with abundant raw material resources industrialisation is virtually impossible without access to the markets of the industrialised nations. There are two reasons for this. Firstly, precisely because these countries are poor, they lack initially the home market to absorb the large amounts of goods produced with modern methods : exports must make up the difference. Secondly, both for financial and technological reasons, these countries must import the capital goods required for industrial production. To pay for these, again, exports are essential. However, because these imports of capital goods are partly financed through sales of raw materials, and partly through long-term borrowing and development aid, the industrialised countries have a substantial balance in their favour in manufacturing trade. Table IV,1 shows that two-thirds of the Community's surplus in manufacturing trade is accounted for by the Third World. The table also shows the typical structure of North-South trade in manufactures : most of the surplus is achieved in the capital goods sectors, where it is almost 100% of exports, while for other manufactures the surplus is slightly over half of total exports.

IV,1 STRUCTURE OF THE EC' SURPLUS IN TRADE OF MANUFACTURED GOODS (BY GROUPS OF PRODUCTS AND GROUPS OF COUNTRIES) IN 1978 — in billions of EUA

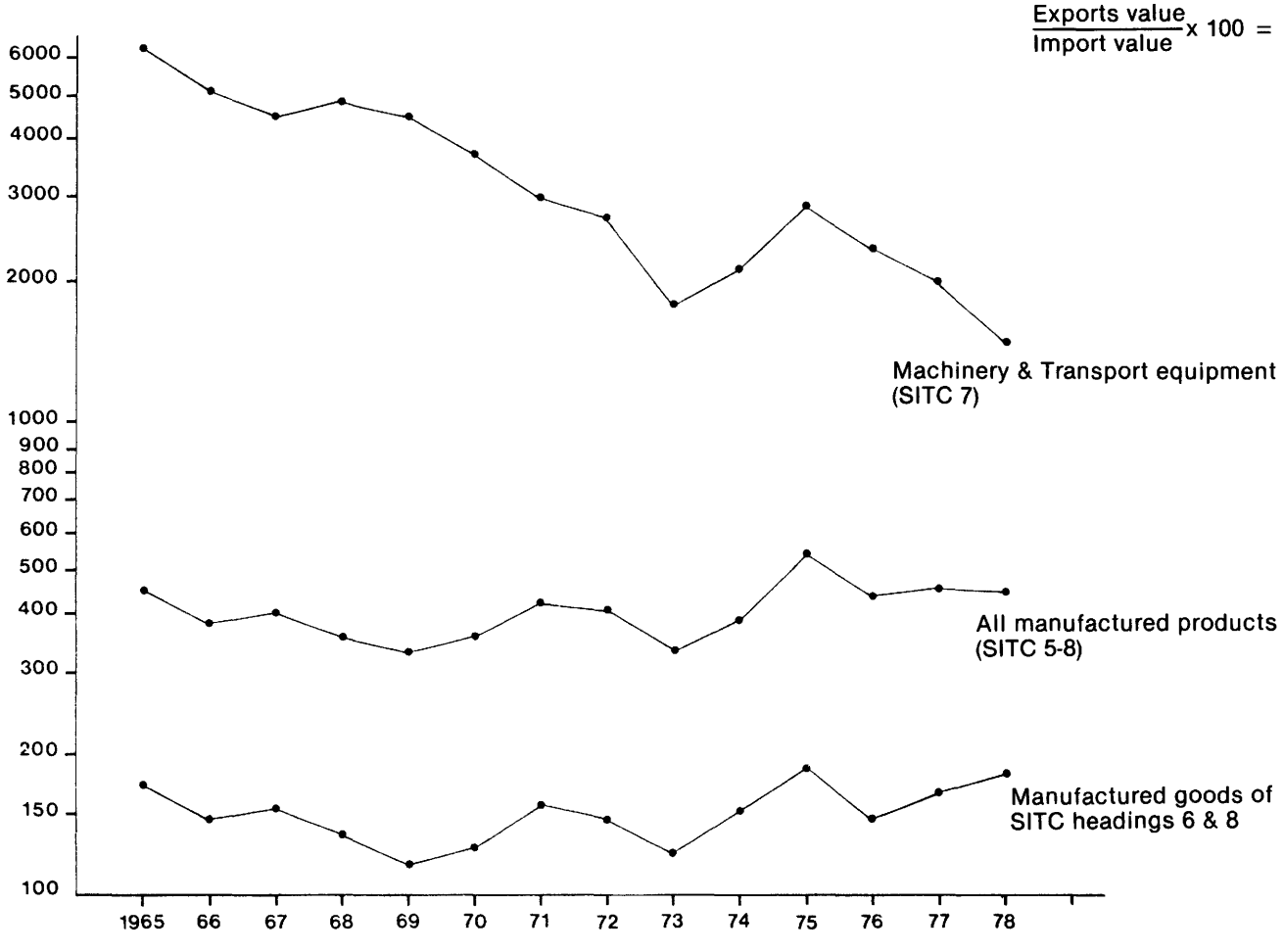
	All manufactures except agri. foodstuffs		Machines and transport equipment		Other manufactured products	
	exports	surplus	exports	surplus	exports	surplus
EXTRA EC of which :	147.6	65.4	72.2	42.7	75.4	22.7
Industrialised countries	76.4	13.4	34.8	8.3	41.6	5.1
Developing countries	57.3	44.1	31.6	29.6	25.7	14.5
State trading countries	13.9	9.1	5.8	4.8	8.1	3.3

Source : Eurostat - Monthly external trade bulletin 1958-1978.

If we look at table IV,2 we note that contrary to generally expressed views the ratio of exports to imports of manufactures has not deteriorated, and in 1978 was roughly at the level of 1965. (The deterioration of the trade balance in machinery must seen against the very small level of imports).

IV,2

EVOLUTION OF THE EC'S EXPORTS OF MANUFACTURED GOODS TO THE DEVELOPING COUNTRIES IN RELATIONS TO ITS IMPORTS OF THESE ITEMS FROM THEM



Source : Eurostat - Monthly External Trade Bulletin - Special Number 1958-1978

This picture is not fundamentally different if, for a shorter time period, we take only the non-oil developing countries as a group. Both exports and imports have roughly tripled in this short period, with imports increasing somewhat faster than exports.

IV,3 EVOLUTION OF EC TRADE IN MANUFACTURED GOODS WITH NON-OIL DEVELOPING COUNTRIES

	In billions of Dollars		Indexes	
	Exports	Imports	Exports	Imports
1972	12.79	4.23	100	100
1973	16.28	6.73	127	159
1974	24.52	8.91	184	210
1975	26.16	8.80	204	208
1976	25.22	8.92	197	211
1977	29.74	10.88	233	257
1978	37.29	14.10	292	333

Source : GATT - International Trade 1978/1979.

If exports and imports increased by equal amounts, there would be a slight loss of employment, as, typically, goods imported from the Third World are more labour-intensive than our exports. However, a tripling of trade in manufactures in either direction means a substantial employment gain for the Community, as the absolute increase of our exports in the last seven years was much greater : 24.5 billion Dollars as against 10 billion Dollars.

Even if there were a net employment loss involved in this trade, this would normally still be regarded as a gain, as these workers could then provide additional wealth in other activities : this is in fact the main object of trading.
Why, then, is the rapidly deepening North-South division of labour perceived as a threat as much as an opportunity, especially in Europe ? First and foremost, our economies are not growing fast enough to absorb the labour force shed as a result of rationalisation and increasing trade competition. To this extent, the gains from trade remain theoretical. Secondly, while the share of LDC's in the total manufactured imports of the EC (taken as a whole) was only 15% in 1978, these imports seem to be concentrated on a narrow range of sectors, where they achieve up to 3/4 of the total import market.

IV,4 LDC SHARE OF SELECTED THIRD-COUNTRY IMPORTS OF MANUFACTURES TO EC - 1978

(in billion US $)

	World	LDC	% of total
Total third-country manufacres imports	98.28	15.22	15.50
Textiles	5.79	2.04	35.20
Clothing	6.85	3.52	51.40
Footwear			61.7

Source : GATT - International trade 1978/1979.

Table IV,5 (right-hand column) shows the importance of industrialised countries as buyers of manufactured products from the LDC's. For certain types of products ,the share taken up by the industrialised countries exceeds 80%. This is the case for textiles, certain consumer goods such as household appliances, office equipment and electronic components. These are items whose production is labour-intensive.

On the other hand, certain heavy equipment and other products destined in the first instance for a regional market (machinery, vehicles , chemical products) account for a relatively high share of trade between developing countries themselves.

But the range of products offered by the LDC's remains limited. Textiles and clothing still represent nearly 30% of the total.

The 70% of exports other than textiles and clothing do not give rise to the same protectionist pressures as these particular sectors. One of the reasons is that exports in other product groups rarely compete with total production of any given firm, but only with part of its range. Firms can thus specialise and move to high value-added activities within existing production and marketing structures. Secondly, LDC cost advantages,are far less pronounced, in many other sectors, as the advantage created by lower wages is offset by a lower level of productivity.

Since textiles alone account for 10% of industrial employment in the Community, and provide additional employment in allied sectors like chemicals, the loss of employment - more than half a million jobs since 1973, (amost a third of textile jobs in the Netherlands, a quarter in the Federal Republic of Germany, and around 10% in other Community countries) - has led to a

strengthening of existing protectionist barriers in these sectors. The labour-force in the sectors especially vulnerable to Third World competition has a below-average mobility, because it contains a high proportion of unskilled workers and women, and is typically situated in regions with high unemployment.

IV,5 COMPOSITION OF NON-OIL DEVELOPING COUNTRIES EXPORTS TO INDUSTRIALISED COUNTRIES AND TO OTHER LDC'S (1977)

as a percentage of total manufactured exports

Product groups	(a) to industrialised countries	To other LDC'S	% taken by a industrialised countries
Non-ferrous metals	12.1	8.4	80.2
Iron and steel	2.6	4.0	64.3
Chemicals	6.3	13.2	57.1
Other semi-manufactures	10.6	9.2	76.3
Engineering products,	24.4	37.2	64.8
of which :			
- machines for specialised industries	1.1 4.7	7.2 19.4	30.8
- office and telecommunications equipment	6.0 24.6	5.2 14.0	76.4
- road motor vehicles	0.6 2.3	3.6 9.7	30.8
- other machinery and transport equipment	7.9 32.2	15.6 41.9	58.5
- household appliances	8.9 36.3	5.6 15.1	81.6
	100	100	
Textiles	7.7	16.4	56.8
Clothing	20.9	4.4	93.0
Other consumer goods	15.4	7.2	85.7
Total manufactures	100	100	72.9

(a) including Yugoslavia.

Source : GATT - International trade 1978/1979.

Unlike trade among industrialised countries, North-South trade patterns will continue to be characterised by rapid rather than marginal changes. In earlier decades, wage differentials between North and South of up to 12 to one were matched by corresponding differences in productivity. As industria-

lisation proceeds and modern machinery becomes available - not least through direct investment by multinational companies - the cost advantage of low-wage countries becomes dramatic.

The narrow product specialisation of North-South trade in manufactures benefits only a limited number of developing countries. The figures in table IV,6 show that in 1975 four countries accounted for half of LDC exports in manufactures, and 10 countries for 80%. The most dynamic countries in this group, who have achieved per capita incomes of between one and two thousand Dollars, are now generally referred to as a special group, the newly industrialising countries (NIC's).

IV,6 LEADING DEVELOPING-ECONOMY EXPORTERS OF MANUFACTURES IN 1965 AND 1975

Country or Territory	Percent Share 1965	Percent Share 1975	Cumulative Share 1975
Hong Kong (including reexports)	21.5	16.8	16.8
(excluding reexports)	-	-	-
Taiwan	4.1	13.0	29.8
Korea	2.3	12.5	42.3
Yugoslavia	13.4	8.4	50.7
Singapore (incl. reexports)	6.5	6.7	57.4
(exc. reexports)	-	-	-
Brazil	2.7	6.6	64.0
India	17.6	6.3	70.3
Mexico (including border)	3.6	5.9	76.2
Argentina	1.8	2.3	78.5
Malaysia	1.5	2.0	80.5
Pakistan	4.1	1.8	82.3
All Developing countries	100	100	100

Source :UNO and national trade statistics from Keesing-Plesch report of June 6, 1977, Annex B.

Unlike the developing countries as a whole, this successful group of countries with the notable exception of Brazil, tends to keep overall exports and imports in balance, but with a surplus as regards trade in manufactures. The

deterioration of the trade balance between the four most successful South East Asian NIC's and the Community is shown in table IV,7.

IV,7 EVOLUTION OF EC TRADE BALANCE WITH SOUTH KOREA, TAIWAN, HONG KONG, SINGAPORE :1967-1978

in millions EUA

	1967	1970	1973	1977	1978
EC EXPORTS					
Singapore	105	318	509	916	1 058
South Korea	66	155	184	659	1 001
Taiwan	52	116	343	497	665
Hong Kong	333	529	691	1 167	1 650
Total	556	1 118	1 727	3 239	4 374
EC IMPORTS					
Singapore	49	122	359	633	638
South Korea	20	59	238	1 262	1 421
Taiwan	67	143	454	1 079	1 204
Hong Kong	391	609	1 074	2 005	2 230
Total	527	933	2 125	4 979	5 493
Total balance	+29	+185	-398	-1 740	-1 119
Import/export coverage	105%	119%	81%	65%	80%

Source : EC Trade with the ACP States and the South Mediterranean States - Eurostat 3/1979.

Developing countries must be able to pay us for the capital goods we sell them via exports of manufactures produced with these same machines and factories which we export. The following table (IV,8) shows, however, that this is not a one-to-one relationship : Hong Kong sells sixty times as much textiles to us as we sell textile machinery. Of course, as the less dramatic total deficit of the Community with these countries shows, they buy other goods from us with the money earned from their textile and other manufactured exports.

IV,8 BALANCE BETWEEN EEC EXPORTS OF TEXTILES AND TEXTILE MACHINERY AND IMPORTS OF TEXTILES FROM SELECTED NIC's, 1976 (inu/c)

	Balance of textile trade	Purchase of EC textile machinery	Total balance	% ratio of machinery sales to deficit
Hong Kong	- 1 121 300	17 840	- 1 103 460	1.6
South Korea	- 259 200	35 200	- 224 000	13.6
Taiwan	- 448 800	36 670	- 412 130	8.2
India	- 344 600	9 400	- 335 200	2.7
Brazil	- 118 200	54 470	- 63 730	46

Source : Promethée, Les accords textiles de la CEE en 1978 (p. 73).

However, one of the difficulties in having a common commercial policy towards the NIC's stems from the fact that while jobs in textiles are lost in all member countries of the EC, some members profit much more than others from the sale of capital equipment. Thus, Germany accounts for half of total Community sales to the all leading NIC's (table IV,9, following page 111).

IV,9 EXPORT SHARES IN EC SALES OF TEXTILE MACHINERY TO 11 NIC'S IN 1976

in U.C. million and %

Exporter	D	F	I	NL	B/L	UK	IRL	DK	EC
Value	197.7	49.5	49.5	1.0	15.2	70.1	0.1	0.5	383,5
% Total EC	51.5	12.9	12.9	0.3	4	18.3	0	0.1	100

Source : Prométhée - Les Accords Textiles de la CEE 1978 (rounded figures).

A further difficulty, in the future, for a common and liberal policy towards the NIC's may grow out of the enlargement of the EC to include three Mediterranean countries who themselves can be counted among the successful NIC's. While these new members have acquired an export structure similar to the other successful developing countries, their former cost advantage is being eroded by the introduction, together with democracy, of free trade union movements and social security arrangements typical of Western Europe.

However, protectionism, at least of the classic kind, provides no solution to the employment problem posed by the rapid advance of some countries in certain labour-intensive sectors. As the experience of both the Common Agricultural Policy and the Multifibre Agreement shows, protectionism allows the strongest among the protected producers to make large profits which are used for investment in labour-saving capital equipment and to engage in destructive competition with small producers. Protectionism thus leads to the same employment result as free trade, but at higher prices for the consumer and loss of trade and employment in the Third World. Experience also shows that import incompetition rarely destroys a whole sector ; indeed imports of cheap intermediate goods are often a precondition for a move, by an EC producer, to more specialised up-market products where design and proximity to markets are more important than labour costs.

The Multifibre Agreement, which has regulated international trade in textiles since 1974, provides for steady growth of LDC imports ; but under bilateral agreement concluded with the most important exporters, some sensitive products are not permitted to increase their market share in the short-term.

(8)

With all its shortcomings, the agreement serves notice on the developing countries to diversify their exports, and to keep the growth of exports more in line with the adjustment capacity of the industrialised nations.

Other measures which would ease the co-existence between the NIC's and the industrialised countries would be social and labour policies in the NIC's which pass on more quickly to the population than at present the fruits of their development. This would increase the size of their domestic markets, lead to a more diversified production pattern, and reduce the tendency towards trade surpluses.

APPENDIX TO CHAPTER IV

A - IV,1 NON-OIL IMPORTS BY THE EC FROM DEVELOPING COUNTRIES

	Millions EUA				Percentage			
	1965	1973	1977	1978	1965	1973	1977	1978
Total	10 114	17 710	33 220	32 082	100	100	100	100
Foodstuffs	4 273	6 236	13 531	12 583	42,2	35,2	40,7	39,2
Raw materials	3 616	5 025	7 536	6 720	35,7	28,4	22,7	20,9
Manufactured goods	2 170	5 877	12 153	12 779	21,4	33,2	36,6	39.8
Total manufactured goods	2 170	5 877	12 153	12 779	100	100	100	100
Chemical products	118	320	663	577	5.4	5.4	5.5	4.5
Machinery & transport equipment	73	565	1 531	1 944	3.4	9.6	12.6	15.2
Other manufactured goods	1 979	4 992	9 959	10 258	91.2	85.9	81.9	80.2

Source : Eurostat - Monthly external trade bulletin - special n°1958-1979.

A - IV,2

THE SHARE OF THE THIRD WORLD (INCLUDING OPEC) IN WORLD EXPORTS BY PRODUCT GROUP

(in %)

% of product group	1973	1975	1976	1977
Food	25.9	27.3	28.8	31.4
Primary products	40.6	50.6	52.6	51.4
Raw materials	22.2	20.6	21.5	22.4
Ores and minerals	27.6	28.3	27.5	27.5
Fuels	68.5	73.5	74.8	73.8
Manufactures	7.8	7.1	8.3	8.0
Non-ferrous metals	25.5	22.7	24.4	22.8
Iron and steel	3.3	2.7	3.6	4.0
Chemicals	4.4	5.0	4.6	5.4
Machinery and transport equip.	2.9	3.3	4.0	4.9
Textiles	17.3	16.9	19.2	18.1
Clothing	30.3	32.3	38.8	36.9
Total exports	19.2	24.0	25.5	25.7

Source : GATT - International Trade 1978/1979.

A - IV,3 ROLE OF MANUFACTURED GOODS IN THE EXPORTS OF INDUSTRIALISED, DEVELOPING AND STATE-TRADING COUNTRIES

(billions of dollars F.O.B.)

	EXPORTS			
	Manufactured products		Total exports	
	1972	1978	1972	1978
Industrialised countries	221.83 77.3%	642.00 75.8%	286.90 100%	847.00 100%
Oil-exporting dev. countries	0.49 1.7%	2.90 2.0%	28.40 100%	142.00 100%
Other developing countries	17.76 37.5%	64.0 39.3%	47.35 100%	163.00 100%
Centrally-planned economies	28.27 66.4%	73.00 58.4%	42.55 100%	125.00 100%

Source : GATT - International Trade 1978/1979.

A - IV,4

DISTRIBUTION OF WORLD EXPORTS OF MANUFACTURED PRODUCT

(%)

Exporter Group	1955	1963	1970	1973	1977
Non-OPEC developing countries	5	5	6	8	9
OPEC			0	0	0
Industrialised countries	83	78	81	79	79
State-trading countries	12	17	13	12	11

Source : Eurostat - Eurostatistics - data for short-term economic analysis, May 1979 .

How do developing countries finance their development ?

The rate of economic development of a country depends to a large extent on the amount of financial resources it has available to pay for the necessary economic and social investments. Very few countries rely solely on their own resources or on a system of autarky. Virtually all developing countries, like the industrialised ones, try to insert themselves in one way or another into the world economy and the international trading system. Their financial resources come from three principal areas : domestic savings, export earnings and other financial transfers.

The role of exports and other commercial considerations

One of the most important objectives is to increase the financial resources of the developing countries themselves in order to help raise living standards and encourage domestic savings (see Chapter five). Earnings from the export of goods and services provide about 80% of the external financing going to the developing countries. This level, of course, can vary very considerably from one country to another (see Table V,1).

V,1 FINANCIAL RECEIPTS OF DEVELOPING COUNTRIES - 1976

(in billions of Dollars)

	All developing countries	Oil exporters	Non-oil developing countries	Newly industrialising countries	Dev.countries per capita GNP below $ 200
Total receipts	337,2	162,6	174,6	38,8	25,1
of which :					
exports of goods and services (in %)	80%	91%	69%	75%	55%
capital transfers and other financial flows (in %)	20%	9%	31%	25%	45%

Source : Handbook of International Trade and Development Statistic (supplement 1977) p. 178.

For the OPEC countries, 90% of their income comes from export receipts. The remaining 10% is in the form of external credits or comes from revenues on investments made on the world's financial markets and stock exchanges.

The newly industrialising countries (NIC's) have also acquired a fairly high degree of self-financing, with export earnings accounting for about 75% of their hard currency income. The poorest countries, on the other hand, are

much more dependent on non-trade financial transfers for the funds necessary to finance their development.

These figures show the extent to which the prospects for economic development of developing countries depend on the conditions under which they buy and sell on international markets. An important element here is the relationship between the price paid for imported goods and that received for exports. This relationship defines the terms of trade (see Table A - V,1).

In order to ensure their development, or even in some cases in order to survive, the developing countries have to import capital goods and those items vital for everyday comsumption. These latter include basic foodstuffs and oil as well as a number of other items.

For exemple, when cereals prices increased fourfold in 1972-1973, the developing countries, who depend on imported grains, had no option but to stop imports of capital goods or risk widespread famine. Inflation in the industrialised countries has a similar impact when it forces up the price of their exports which are bought by Third World countries. In addition, the purchasing power of the developing countries is also conditioned by the access they have for their exports to the markets of the industrialised world and the prices they receive for their raw materials. In all these areas, the policies adopted by industrialised countries can influence positively or negatively the purchasing power of the Third World.

The role of Financial Transfers

Even if favourable trading conditions can make a major contribution towards increasing the financial resources of the developing countries, their actual financial needs are well in excess of what they can obtain from export earnings and domestic savings. This is a normal trend as countries in the initial stages of their development need to procure from external sources machinery and equipment as well as the capital needed to pay for them. This was how the United States was able to develop its economy a hundred years ago and what Canada did 50 years later.

A current account payments deficit

Thanks to financial transfers additional to their export receipts, the developing countries are able to spend more hard currency than they earn. This is translated into a deficit on their current account balance of payments. An examination of the global structure of current balances of the main groups of countries illustrates three things (see Table V,2) :

V,2 CURRENT PAYMENTS BALANCES 1973-1979 (1)

(in billions of Dollars)

	1973	1974	1975	1976	1977	1978	1979 (2)
Industrialised countries	19	- 4	25	7	4	33	10
More advanced primary product exporters	1	- 14	- 15	-14	-13	- 6	-10
Oil exporting countries	6	68	35	40	32	6	43
Non-oil developing countries	-11	- 30	- 38	-26	-21	-31	-43
Total	15	20	7	8	2	2	-

(1) Covering goods, services and private transfers.
(2) Estimate by IMF.

Source : IMF, Annual Report 1979.

1) The oil exporting countries are the biggest source of finance world-wide. Their surpluses find their way to a large extent onto the financial markets of the industrialised countries and thus become part of the overall mechanism of capital transfers between North and South. The OPEC surpluses diminished steadily between 1974 and 1978 but rose again in spectacular fashion in 1979 due to the oil price increases put into effect during that year. It is likely that during 1980 the effect of the increased oil prices will continue to make itself felt, even if OPEC's global surplus may be down somewhat on the 1979 level.

2) The much smaller surpluses of the industrialised countries as a group fluctuate considerably from year to year. However, the trend indicates clearly the speed with which the industrialised countries have been able to redress their external financial situation after the first oil price shock of 1974.

3) The more developed countries which export primary products and the Third World nations without petroleum resources are in constant deficit. Between 1975 and 1977 the non-oil developing countries succeeded in holding steady or even reducing their current account deficits. Since 1978, the deficit has again taken on worrying proportions. It represents nearly 20% of the total value of their exports.

Table V,3 gives details of the global balance of payments of the non-oil developing countries by geographic zone. It shows that the countries of Asia and the Middle East can run fairly substantial trade deficits because their balance on services and private transfers shows a surplus. This is not the case for the other developing countries.

V,3 OVERALL PAYMENTS BALANCES 1975-1978

(billions of Dollars)

		Net position		
		commercial operations	privates transfers & services	current account
Non-oil Developing countries	1975	-28,6	- 9,5	-38,1
	1976	-15,4	-10,1	-25,5
	1977	-12,2	- 8,9	-21,1
	1978	-21,6	- 9,7	-31,3
Africa	1975	- 2,4	- 3,8	- 6,2
	1976	- 1,3	- 4,7	- 6,0
	1977	- 1,5	- 5,0	- 6,5
	1978	- 3,1	- 5,3	- 8,4
Asia	1975	- 9,5	0,9	- 8,6
	1976	- 3,3	1,0	- 2,3
	1977	- 3,8	2,2	- 1,6
	1978	- 8,4	2,6	- 5,8
Middle East	1975	- 8,0	1,3	- 6,7
	1976	- 7,7	2,3	- 5,4
	1977	- 8,4	3,9	- 4,5
	1978	-10,5	4,7	- 5,8
Latin America and the Caribbean	1975	- 8,7	- 7,8	-16,5
	1976	- 3,1	- 8,8	-11,9
	1977	1,4	-10,0	- 8,6
	1978	0,4	-11,7	-11,3

Source : IMF - Annual Report 1979.

The different forms of financial transfers

Where do the developing countries obtain the funds that enable them to spend more than they earn ?

The newly industrialising countries and those who possess considerable mineral resources generally get the necessary credits on international financial markets. Bank loans are often arranged by the countries supplying them with goods. In other cases, the NIC or oil exporter can raise cash through the floating of long-term bonds. The more a country is able to use the money it gets to finance productive investments, the better guarantee it offers that its debt will eventually be repaid. This is not the case when loans are used principally to pay off other, previously contracted debts. The less guarantee

of solvability a country has, the dearer it has to pay its credits obtained from international commercial banks.

A few years ago, developing countries had fairly easy access to credits on international financial markets. The markets were awash with liquidity because of the inflow of huge amounts of petrodollars from the OPEC countries at a time when the demand for credit amoung industrialised countries was weak because of the recession. In such conditions, corporations and governments hesitated to finance major new investment programmes.

Today, the poorest developing countries have much more difficulty in obtaining credits on international financial markets for two principal reasons : Firstly, many of them have reached a level of indebtedness where commercial banks are reluctant to grant additional credits, and secondly, bank credits have become more and more expensive because demands for credit from industrialised countries have risen again and because the amount of available funds is less great.

In addition to the credits the Third World countries obtain on international capital markets, are those accorded to them by international development banks like the World Bank and, to a much lesser extent, the European Investment Bank. Although the development banks obtain their funds on the same international markets, these cost less because their borrowing operations are guaranteed by the rich countries. This is why these banks are able to re-lend their funds to developing countries at conditions which are considerably less severe than these countries would have secured if they had gone to the market directly themselves.

Another form of cheaper credit consists in the bilateral loans which the governments of industrialised countries provide to the developing countries. These loans often contain an element of subsidy and are destined principally for projects which will not be immediately profitable but which contribute to general economic development. Roads, railways, schools and hospitals are items which comme under this heading.

Some credits are accorded to the developing countries under such easy conditions that they are tantamount to outright grants. In fact, they are increasingly being treated as such by the industrialised donor countries. These funds go mainly to those countries which have few resources of their own to enable them to integrate into the world economic structure. Financial transfers in the form of outright grants represent only a small proportion of financial flows between the rich countries and the Third World. Official development aid which includes grants and subsidised credits, has risen little in real terms since 1975. It amounts for about one-third only of the external funding required to cover the current account deficits of the developing countries(Table V,4)

V,4 NET FLOW OF RESOURCES TO NON-OIL DEVELOPING COUNTRIES BY TYPE AND BY SOURCE

(in billions of Dollars)

	1973		1974		1975		1977	
	Mia.dol.	%	Mia.dol.	%	Mia.dol.	%	Mia.dol.	%
Official development aid	11,4	42,5	14,9	46,0	19,3	41,5	19,2	34,7
- multilateral organisations	1,9	7,1	2,7	8,3	3,9	8,4	4,9	8,8
- DAC	7,0	26,1	8,1	25,0	9,6	20,7	9,8	17,7
- OPEC	1,2	4,5	3,0	9,3	4,9	10,5	3,8	6,9
- Centrally-planned economies	1,3	4,8	1,1	3,4	0,9	1,9	0,7	1,3
Non-concessionary financial transfers	15,4	57,5	17,5	54,0	27,2	58,5	36,2	65,3
- DAC	8,1	30,2	7,0	21,6	15,6	33,5	18,7	33,8
- multilateral organisations	1,2	4,5	1,7	5,3	2,4	5,2	3,0	5,4
- OPEC	0,1	0,4	0,9	2,8	1,5	3,2	0,9	1,6
- International banking sector	5,9	22,0	7,8	24,0	7,6	16,3	13,6	24,5
- Centrally-planned economies	0,1	0,4	0,1	0,3	0,1	0,3	-	-
Total receipts	26,8	100	32,4	100	46,5	100	55,4	100

Source : OECD (DAC) Examination 1978.

In 1977, for example, the total amount of official development aid granted by the rich countries to the non-oil developing countries corresponded almost exactly to the sum of 20 billion Dollars which these countries need each year just to cover the servicing of their external debts.

Dearer credits for some, official aid for others

International banks still play an important part in financing the current account deficits of developing countries. In 1977, international credits represented a quarter of their net financial inflows. Taken together, public and private credits at non-concessionary conditions accounted for two-thirds of financial transfers to developing countries in the same year.

Table V,5 shows that loans at market conditions go principally to countries which have already reached a certain level of development with a per capita income of more than 400 Dollars a year. But even countries like India and Pakistan where the per capita income is less than 200 Dollars have been able to use this type of external financing. Table A - V,2 gives a general picture of the amount of funds raised by non-oil developing countries in the way of international bond issues. Table A - V,3 shows how Eurocurrency credits are broken down between OPEC members and the non-oil developing countries, according to their income levels. The three tables illustrate that the poorest countries are having increasing difficulty in obtaining international bank credits which are being reserved more and more for countries with a higher income level.

V,5 NET INTERNATIONAL BANK LOANS TO NON-OIL LDC'S ACCORDING TO INCOME LEVELS

(in millions of US Dollars)

Low income			in 1977	Middle income		
India	628			Brazil	3 181	
Pakistan	580			Egypt	2 278	
Zaire	411			Spain	1 951	
Bangladesh	286			Korea, Rep. of	1 501	
Burma	137			Morocco	1 168	
Others	1 247			Peru	879	
				Philippines	740	
				Ivory Coast	733	
Sub-total	3 289	14.7%		Tunisia	636	
				Turkey	566	
				Argentina	475	
				Syria	474	
				Malaysia	327	
Grand total	22 340	100%		Others	4 142	
				Sub-total	19 051	85.3%

Sources : World Development Report 1979.
World Development Indicators, Tab. 14.

Table V,6 shows the increasing importance of private creditors in the external debts of the developing countries. But bank credits - commercial credits, long-term bonds and medium-term Eurocurrency credits - have not only increased in volume, they have also become much dearer. Interest rates have risen and the length of time for which the credits are being accorded has become shorter. As a result, the developing countries are forced to use an increasing proportion of their export earnings to repay and service their debts (see Table V,7). Annual debt service costs have increased fivefold since 1969 rising from four billion Dollars to 20 billion.

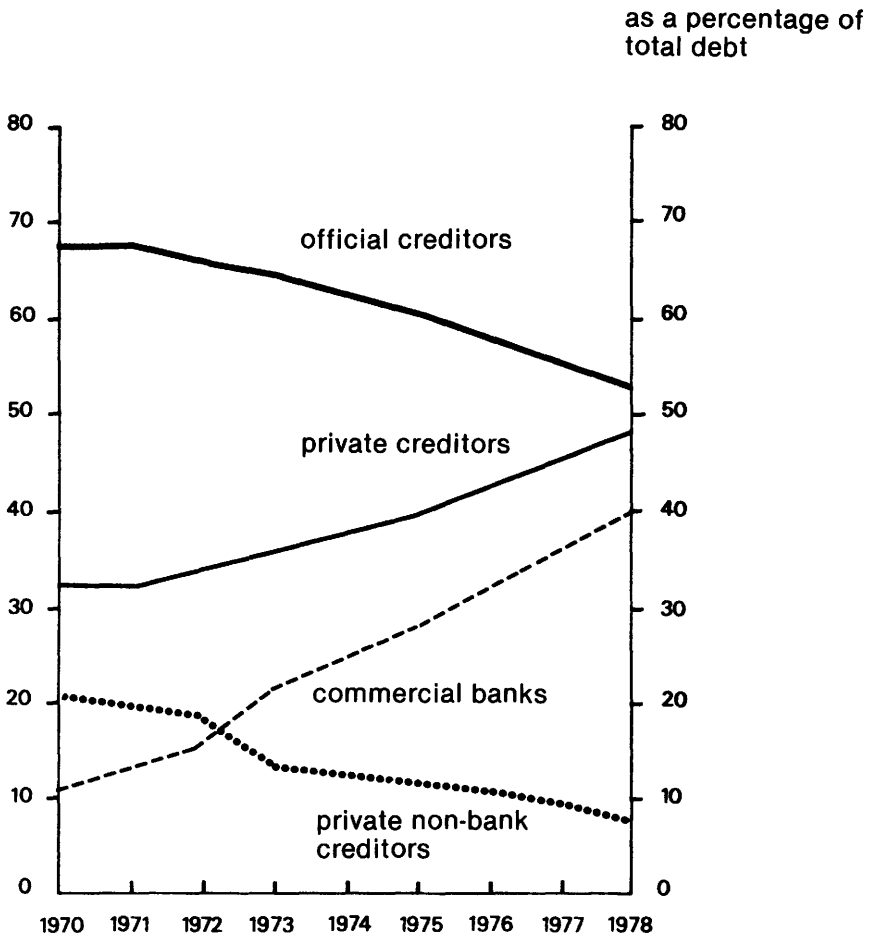
Third World indebtedness is a potential threat to economic and monetary stability

For a number of years now, financial experts and major commercial banks have been warning of the dangers if the present trend continues. Firstly, if creditor countries were to insist on the repayment of all outstanding loans at the maturity dates initially set, a considerable turmoil on financial markets would ensue because certain developing countries are unable to repay their debts on the dates originally provided for. Secondly, a country which gets too deeply into debt seriously threatens its own potential for development. This situation can occur when a country has to pay out more in loan repayments and debt servicing than it earns from investment projects financed by these same foreign borrowings. Such a situation is easily aggravated if a country has to use costly credits for the import of goods which are not directly productive such as foodstuffs. The austerity measures these countries have to take to improve their financial situation can have serious consequences for their social and political stability. The measures also create problems for the industrialised countries for they force the debtor countries to cut back on their imports from the industrialised countries, be they of capital goods or other items.

In order to arrest this potentially dangerous trend, it is necessary to consolidate the financial situation of developing countries whose indebtedness has become excessive. This is why most members of the European Community and other industrialised countries have cancelled the greater part of the debts owed to them by the poorest developing countries. There is also a clear intention now to concentrate official development aid in the future on the least developed nations and to increase its volume.

The first of these aims has been partially realised already, thanks largely to the fact that the OPEC states and the multilateral financial organisations have increased considerably their aid to the poorest countries. On the other hand, the Western industrialised nations (members of the OECD's Development Assistance Committee) continue to grant official aid bilaterally in line

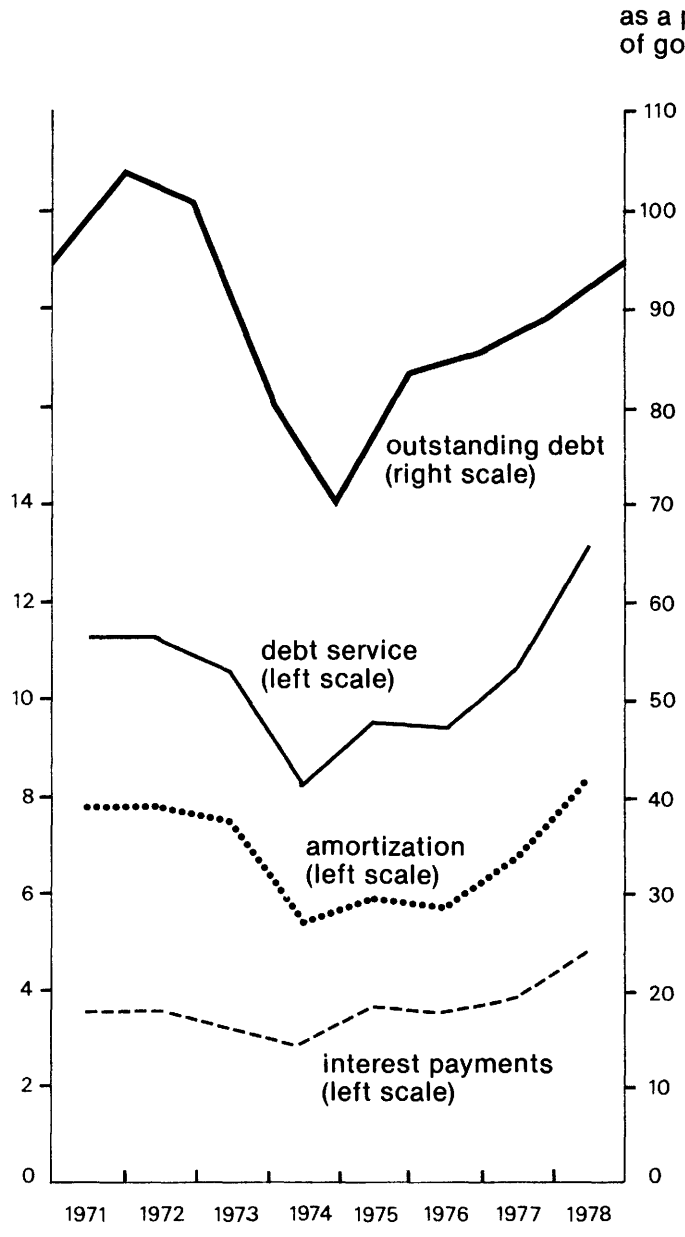
NON-OIL DEVELOPING COUNTRIES : EXTERNAL DEBT BY CATEGORY OF CREDITOR (end 1970 - end 1978)



Source : IMF - Annual report 1979 (p.30-31)

(9)

NON-OIL DEVELOPING COUNTRIES : DEBT AND DEBT SERVICE 1970-1978



Source : IMF - Annual report 1979 (p. 30-31)

with their own political and economic criteria. This aid, moreover, plays a smaller and smaller part in the total transfer of resources to the poorest countries. This trend can be clearly seen in Table V,8.

The second aim is much further away from realisation. On average, the Western industrial group of nations devote only 0.33% of their Gross National Product to official development aid, against an objective set by the United Nations of 0.7% (see table V,9 - page 132).
The Nordic countries and the Netherlands supply more than this, but some of the richest countries fail even to reach a level of 0.25% of their GNP. However, in 1978 the industrialised countries were more "generous" than in previous years and some of them have agreed to increase their aid substantially and regularly over the next three years (see Table A - V,4).

The Role of Direct Foreign Investments

Direct investment by foreign corporations often accompanied by a number of other economic benefits such as technological and managerial skills and access to foreign markets, can be an important source of external capital. Foreign capital helps to tap the wealth of subsoil resources and sometimes to create employment. The investors, on the other hand, are attracted by abundant and economic sources of labour, the access to raw materials and to outlets offered to their own technology. Favourable fiscal regimes and low-cost infrastructure can also play a role.

Give the sometimes unequal market and bargaining power between host country and investing companies, relations between the two have often been troubled in the past. As host countries acquire the information and skills to negotiate as equals with foreign companies, bargaining becomes harder but the outcome more equitable and hence more acceptable to both parties in the long term.

This problem has already been referred to in the chapter on raw materials, where the link between the resources exploited and national sensitivities is, somewhat illogically, more direct than in manufacturing investment where the resources exploited are people.

However it can be seen from Table V, 10 (page 133) that direct investments by EC companies in the Third World is on the decrease. In 1977, the global total of these investments amounted to 2.3 billion Dollars. This is the same sum as in 1975 and represents a reduction therefore in real terms.

V,8 EVOLUTION OF FINANCIAL FLOWS TO NON-OIL DEVELOPING COUNTRIES

DURING THE 1970'S

	% of total			% per capita			% of GNP of recipient country		
	69-71	72-74	75-77	69-71	72-74	75-77	69-71	72-74	75-77
Official Development Aid									
Countries with per capita income below $ 265 - Total all sources	54.5	58.8	61.1	2.8	4.8	7.5	2.6	3.8	4.6
of which :									
- DAC members	46.4	34.4	28.6	2.6	2.8	3.5	2.2	2.2	2.1
- Multilateral organisations	8.1	11.3	14.4	0.4	0.9	1.8	0.4	0.7	1.1
- Other Donors (OPEC)	-	13.1	18.1	-	1.1	2.2	-	0.9	1.6
Middle income developing countries - Total	45.5	41.2	38.9	13.1	19.9	36.7	2.5	2.4	3.0
by subgroup :									
- Per capita income between $ 266 and $ 520.	26.7	25.8	22.5	5.0	7.6	9.7	1.7	1.9	1.9
- Per capita income between $ 521 and $ 1,075	14.9	11.0	8.9	3.3	3.7	4.4	0.5	0.4	0.4
- Per capita income above $ 1,075	3.9	4.4	7.5	4.8	8.6	22.6	0.3	0.1	0.7

Source : OECD - (DAC) Examination 1978.

V,9 NET OFFICIAL DEVELOPMENT AID AS A PERCENTAGE OF DONOR COUNTRY'S GNP (DAC MEMBERS)

in %

	average 1966-1968	1970	1974	1975	1976	1977	1978
Australia	0.57	0.59	0.55	0.60	0.42	0.45	0.54
Austria	0.13	0.07	0.18	0.17	0.12	0.24	0.29
Belgium	0.43	0.46	0.51	0.59	0.51	0.46	0.54
Canada	0.30	0.42	0.48	0.55	0.46	0.51	0.52
Denmark	0.21	0.38	0.55	0.58	0.56	0.61	0.75
Finland	0.05	0.07	0.17	0.18	0.18	0.17	0.17
France	0.69	0.63	0.59	0.59	0.59	0.58	0.55
Germany	0.39	0.28	0.37	0.36	0.27	0.23	0.35
Italy	0.18	0.14	0.14	0.10	0.13	0.08	0.06
Japan	0.28	0.21	0.25	0.21	0.18	0.18	0.20
Netherlands	0.48	0.60	0.63	0.72	0.80	0.83	0.80
New-Zealand	0.21	0.23	0.31	0.52	0.41	0.36	0.34
Norway	0.22	0.32	0.57	0.66	0.70	0.83	0.90
Sweden	0.26	0.38	0.72	0.82	0.81	0.99	0.88
Switzerland	0.10	0.15	0.14	0.18	0.19	0.19	0.20
United Kingdom	0.43	0.32	0.37	0.34	0.34	0.35	0.46
United States	0.41	0.29	0.24	0.24	0.23	0.20	0.25
Total DAC	0.40	0.31	0.33	0.33	0.31	0.29	0.33

Source : DAC/OECD Chairman's Report 1979.

V,10 EVOLUTION OF DIRECT INVESTMENTS FROM EC MEMBER STATES IN DEVELOPING COUNTRIES

(in millions of Dollars and in %)

	Average 66-68		1970		1975		1976		1977	
	Millions dollars	% total EUR-9	Millions dollars	% total EUR-9	Millions dollars	% total EUR-9	Millions dollars	% total EUR-9	Millions dollars	% total EUR-9
B	29.2	3.3	45,7	3.6	68.8	2.9	235,8	8.8	-	-
DK	2.0	0.2	8,4	0.7	30.4	1.3	30,0	1.1	-	-
F	340.1	38.1	235,1	18.8	274.2	11.6	245,5	9.1	264.7	11.2
D	172.3	19.3	317,5	25.3	815.9	34.5	765,4	28.5	846.0	35.6
I	75.2	8.4	123,4	9.8	150.1	6.4	212,9	7.9	162.2	6.9
NL	52.6	5.9	183,2	14.6	228.5	9.6	244,7	9.1	485.7	20.5
UK	221.3	24.8	340,6	27.2	796.5	33.7	953,9	35.5	610.9	25.8
EUR-9	892.7	100	1 253,9	100	2 364.4	100	2 688,2	100	2 369.5	100

Source : OECD - DAC - Chairman's Report 1978.

APPENDIX TO CHAPTER V

A - V,1 EVOLUTION OF TERMS OF TRADE 1962-1978

(charges in %)

	Annual average 1962-72	1973	1974	1975	1976	1977	1978
- Industrialised countries	-	-2	-11	3	-1	-1	3
- Most advanced primary producers	-	11	-10.5	-7.5	-0.5	-2.5	-2
- Main oil exporters	1	15	137	-5	5	1	-10.5
- Non-oil LDC's	-0.5	10	-8	-13	5	4	-4.5
Reference : World market prices (in US Dollars) for main products groups							
a) Manufactures	3	17	22	12	-	9	15
b) Oil	4	40	226	5	6	9	-
c) Non-oil primary products (at market prices)	2.5	55	28	-18	12	20	-5

Source : IMF Annual Report 1978.

A - V,2 FOREIGN AND INTERNATIONAL BOND ISSUES FLOATED

BY NON-OIL DEVELOPING COUNTRIES

(millions of Dollars)

BORROWER	1975	1976	1977
Medium income (lower)			
South Korea	-	74	71
Malaysia	-	10	43
Morocco	28	45	28
Papua-New Guinea	25	-	25
Philippines	-	367	130
Tunisia	-	49	-
Medium income (upper)			
Argentina	16	-	43
Brazil	35	193	834
Chile	53	-	-
Hong-Kong	24	-	128
Mexico	270	428	1 271
Portugal	-	-	50
Yugoslavia	-	90	121
Higher income			
Israel	245	350	340
Spain	117	244	376
Panama	-	14	27
Singapore	12	175	154
Other	31	34	15
TOTAL	856	2 073	3 656

Source : IBRD.

A - V,3 GROSS EUROCURRENCY LOANS TO LDC'S (1971-1977)

in millions of US Dollars

	1971	1972	1973	1974	1975	1976	1977
Total LDC'S	985	3 060	7 082	7 599	11 304	15 512	18 294
By main export products :							
- principals oil exporters	432	1 070	2 861	808	3 213	4 386	7 013
- other LDC'S	553	1 990	4 221	6 791	8 091	11 126	11 281
of which : - rapidly growing exporters of manufactures	442	1 361	2 259	3 940	5 179	7 498	6 177
- poorest count.	-	40	9	220	37	19	50
- others	111	589	1 953	2 631	2 875	3 610	5 054
By income category (per capita GNP 1976)							
- more than 800 $	872	2 442	5 267	4 785	7 820	11 755	13 704
- from 400 to 800 $	50	375	1 312	1 905	1 780	3 056	3 851
- less than 400 $	63	243	503	909	1 704	701	739

Sources : For 1971 and 1972 data : UNCTAD secretariat calculations based on OECD Development Cooperation, 1976 (Paris 1976).
For 1973-1977 data, UNCTAD secretariat calculations based on World Bank data. Borrowing in International Capital markets.

A - V,4 OFFICIAL DEVELOPMENT AID OF DAC COUNTRIES (NETS PAYMENTS)

in millions of dollars

	1970	1974	1975	1976	1977	1978
Australia	202.4	430.3	506.8	385.0	426.6	491
Austria	10.6	59.4	64.4	48.2	117.8	156
Belgium	119.7	271.4	377.7	340.1	371.0	513
Canada	346.3	713.4	879.7	886.5	991.5	1 053
Denmark	59.1	168.2	205.3	214.4	258.0	386
Finland	6.8	37.9	48.2	50.7	48.7	56
France	971.0	1 615.6	2 093.2	2 145.5	2 267.0	2 689
Germany	599,0	1 433.4	1 688.8	1 384.0	1 386.0	1 984
Italy	147.2	216.2	182.3	226.3	186.0	240
Japan	458.0	1 126.2	1 147.7	1 104.9	1 424.0	2 215
Netherlands	196.4	436.0	604.0	719.9	899.6	1 072
New Zealand	13.7	39.2	65.8	53.2	52.0	55
Norway	36.7	131.4	183.7	218.0	294.9	355
Sweden	117.0	401.7	566.0	607.6	779.4	783
Switzerland	30.2	67.7	103.6	112.3	119.0	176
United Kingdom	446.9	717.1	864.0	835.2	914.1	1 226
United States	3 046.0	3 437.0	4 007.0	4 334.0	4 159.0	4 857
Total DAC countries	6 807.0	11 302.1	13 588.2	13 665.8	14 696.2	18 308

Source : OECD - Press Communique A (79) 33, Paris 19 June 1979.

A - V,5 AID COMPARAISONS (1977)

Countries grouped by per capita GNP (1977)	GNP per capita (US $)	Net total declared private and public transfers	Official development aid as % of GNP		
			Net amount of aid-	Net transfer (a)	grant-equivalent (b)
Switzerland	9 500	6.20	0.19	0.19	0.28
Sweden	9 500	1.98	0.99	0.99	0.99
Norway	8 810	1.53	0.83	0.83	0.83
USA	8 700	0.63	0.22	0.20	0.22
Canada	8 470	1.22	0.50	0.50	0.49
Denmark	8 460	1.05	0.60	0.60	0.58
Germany	8 370	1.12	0.27	0.23	0.29
Belgium	8 220	1.61	0.46	0.46	0.45
Netherlands	7 630	1.96	0.85	0.83	0.83
France	7 160	1.37	0.60	0.53	0.62
Australia	6 720	0.65	0.45	0.45	0.45
Austria	6 400	1.04	0.24	0.24	0.19
Finland	6 180	0.24	0.17	0.16	0.16
Japan	6 100	0.80	0.21	0.18	0.17
United-Kingdom	4 390	2.76	0.37	0.35	0.39
New Zealand	4 320	0.56	0.39	0.36	0.39
Italy	3 460	1.02	0.10	0.08	0.12
DAC average	7 160	1.08	0.31	0.29	0.31

Source : OECD (DAC) Chairman's Report 1979.

(a) gross payments less amortisation and interest.
(b) grant equivalent of gross payments (estimate).

A - V,6

CEREALS (1) : INTERNATIONAL TRADE AND PROJECTED EXPORT AVAILABILITIES AND IMPORT REQUIREMENTS

	Net exports		Projected export availabilities 1985		Net imports		Projected import requirement 1985	
	1962-64	1972-74	Basic	Supplementary	1962-64	1972-74	Basic	Supplementary
	million tons							
World	92	132	185	156	89	129	178	148
- Developing	16	17	22	32	32	52	94	71
Latin America	8	10	13	19	6	13	20	16
Africa	1	1	1	1	3	7	17	15
Near East	1	--	--	1	5	8	17	15
Far East	4	4	6	8	12	16	28	20
Asian Communist countries	2	2	2	3	6	8	11	4
Other developing	--	--	--	--	--	--	1	1
- Developed	76	115	163	124	57	77	84	77
North America	50	83	118	80	1	1	--	1
Western Europe	9	18	21	22	35	37	37	35
E. Europe & USSR	8	2	6	9	13	19	18	12
Oceania	7	9	14	10	--	--	--	--
Other developed	2	3	4	3	8	20	29	29

-- Less than 0.5 .

Note : (1) Rice in milled equivalent.

Source : FAO Commodity Projections 1985 ; Cereals : supply, demand and trade projections 1985
Esc : Proj/78/10, July 1978 .

A - V,7

CEREALS (1) : ACTUAL AND PROJECTED PRODUCTION AND DEMAND

	1972-74		1985 Basic		1985 Supplementary		Growth rates of production		
	Production	Consumption	Production	Demand	Production	Demand	1962-64/ 1972-74	1972-74/ 1985 B	1972-74/ 1985 B
	million tons						percent/year		
World	1 229	1 226	1 575	1 568	1 627	1 619	3.0	2.1	2.4
- Developing	522	558	706	778	775	814	2.7	7.5	3.4
Latin America	69	71	100	107	116	113	3.1	3.2	3.4
Africa	40	47	53	69	59	73	1.4	2.2	3.2
Near East	42	50	55	72	60	74	1.4	2.4	3.1
Far East	165	178	228	250	246	258	2.6	2.7	3.4
Asian Communist countries	206	212	270	279	294	295	3.2	2.3	3.0
Other Developing	--	--	--	1	--	1	5.9	4.5	4.5
- Developped	707	668	869	790	852	805	3.3	1.7	1.6
North America	256	188	331	213	296	217	2.7	2.2	1.2
Western Europe	152	168	169	185	175	188	3.2	0.9	1.2
E.Europe & USSR	262	265	321	333	338	341	4.3	1.7	2.2
Oceania	15	7	22	8	17	7	1.9	3.1	1.2
Other developed	22	40	26	51	26	52	0.6	1.5	1.2

-- : Less than 0.5 .

(1) Rice in milled equivalent .

Source : FAO Commodity Projections 1985 ; Cereals : supply, demand and trade projections 1985
Esc : Proj/78/10, July 1978 .

A - V,8 LIFE EXPECTANCY (1960-1977)

(averages)

	Life expectancy at birth (in years)	
	1960	1977
Low income countries	42	50
Middle income countries	53	60
Industrialised countries	69	74
Centrally-planned economies	58	66

Source : World Development Report, 1979
World Development Indicators, Tab. 21.

A - V,9 DEVELOPING COUNTRIES : BALANCES IN MAJOR STAPLE FOODS, 1975 AND 1985

	1975 Deficit (estimated)		1985 Deficit (projected)	
	Million tons	As percentage of consumption	Million tons	As percentage of consoumption
Asia	9	4.5	20	7.2
North Africa and Middle East	10	15,9	15	19.8
Sub-Sahara Africa	2	3.7	14	16.8
Latin America	--	--	- 4	- 3.7
All Developing Countries	21	5.0	45	8.0

Note : Major staple foods are here defined as unmilled rice, wheat, maize, sorghum, millet , oats, barley, rye, mixed grains, root crops, pulses and groundnuts.

-- : Negligible.

Source : Based on Research Report N°3, p.44 (Washington, International Food Policy Research Institute, 1977).

A - V,10 LDC'S WHOSE FOOD IMPORTS REPRESENT MORE THAN 20% OF THEIR TOTAL IMPORTS

(food imports which at a given time exceeded 20% total imports)

%	LDC
20 to 25%	Afghanistan,Barbados, Bolivia, Chile, Cuba, Fiji, Jamaïca, Jordan, Lebanon, Mauritania, Niger, Pakistan, Papua-New Guinea, Tunisia.
25 to 30%	Bermuda, Egypt, Haïti, India, Mali, Morocco, Gambia, Sierra Leone.
30 to 35%	Laos, Mauritius, Senegal, Upper-Volta.
35% +	Sri Lanka, Yemen.

Source : UNCTAD secretariat calculations based of data from United Nations statistical office.

A - V,11

FAO INDEX NUMBER OF FOOD PRODUCTION PER CAPITA (1), DEVELOPING REGIONS AND MSAs

	1971	1972	1973	1974	1975	1976	1977	1978 (2)	Change 1977 to 1978 (3)	Annual rate of change 1970-78 (4)	
										1961-70	1970-78
	1969-71 average = 100								%		
Developing market economies (5)	99	97	98	98	101	101	101	101	-	0.4	0.2
Africa	99	97	92	95	93	94	90	90	+ 1	-	- 1.3
Far East	99	95	101	96	102	100	103	103	-	0.2	0.5
Latin America	99	98	98	101	102	104	104	104	-	0.7	0.6
Near East	100	104	96	102	104	106	101	101	-	0.5	0.4
Asian centrally planned economies	103	101	104	106	108	109	109	110	+ 1	1.1	1.2
TOTAL DEVELOPING COUNTRIES	101	98	100	100	103	103	104	104	-	0.6	0.5
MSA in Africa	99	95	93	95	92	93	90	89	- 1	0.4	- 1.4
MSA in the Far East	99	93	99	92	100	96	100	100	-	- 0.1	0.1
MSA in Latin America	101	102	102	98	96	100	101	109	+ 8	1.0	0.5
MSA in the Near East	98	100	101	101	102	100	98	98	-	0.2	0.1
TOTAL MSA COUNTRIES	99	94	98	94	99	96	99	98	-	0.1	- 0.1

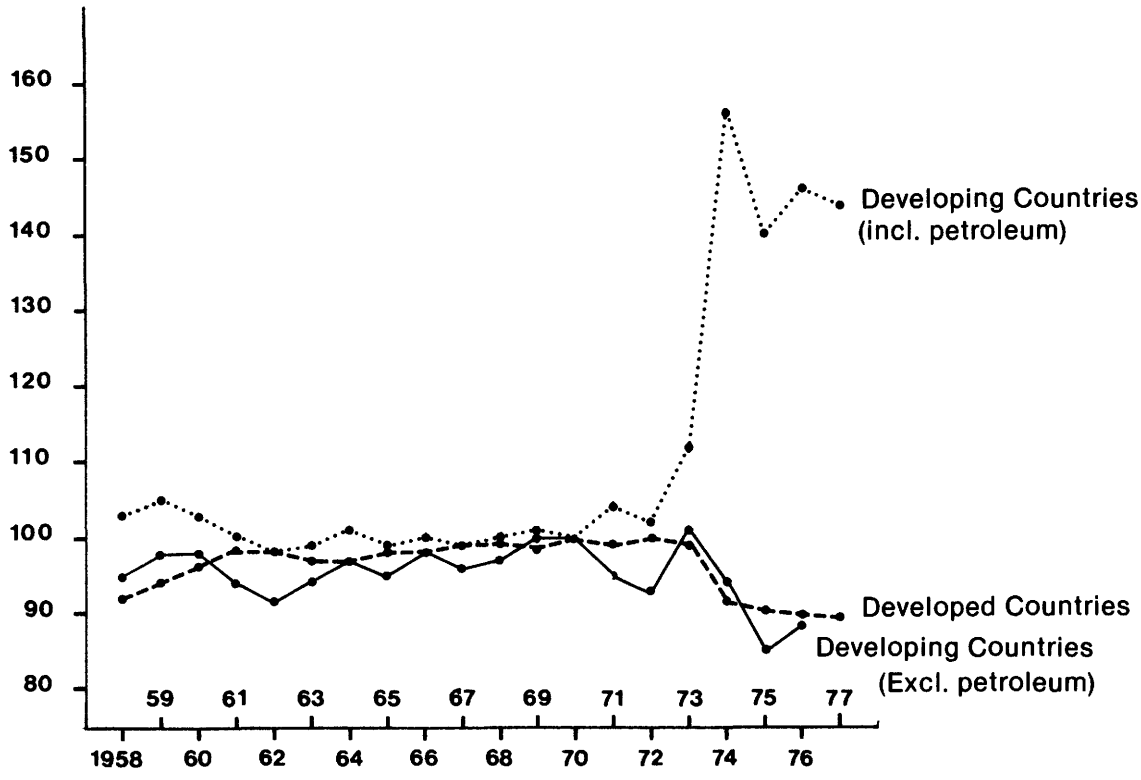
(1) Crops and Liverstock only, (2) Preliminary, (3) Calculated from unrounded data, (4) Exponential trend. Calculated from unrounded date (5) Including countries in other regions not specified.

Source : United Nations - World Food Council - Current World Food Situation WFC/1979/2.

A-V,12

EVOLUTION OF TERM OF TRADE (1) : 1958-1977

index 1970 = 100

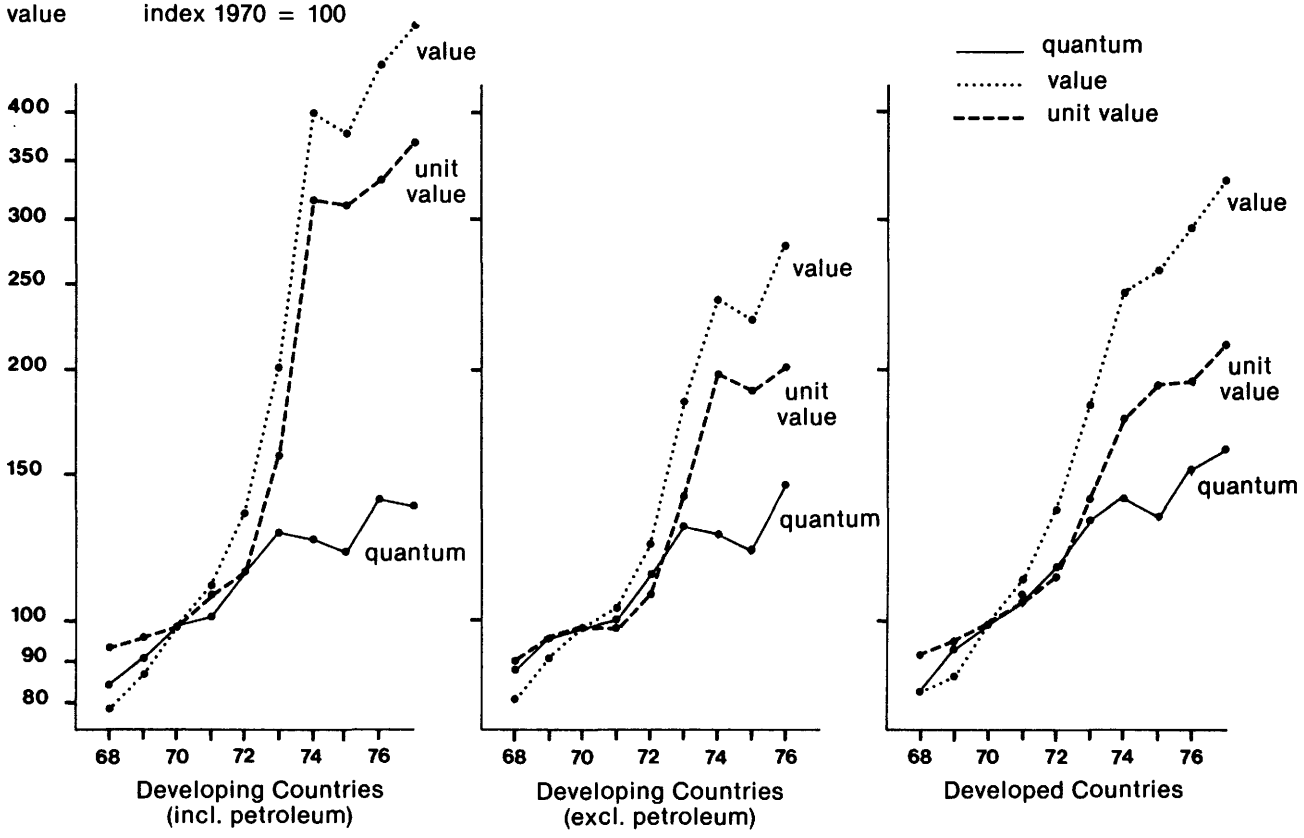


Source : World Bank : Commodity Trade and Price Trends (1978 Edition) ; Report n° EC-166/78.
(1) Unit value index of exports divided by unit value index of imports.

A-V,13

QUANTUM VALUE AND UNIT VALUE EXPORTS INDICES, 1968-1977

value index 1970 = 100



Source : World Bank : Commodity Trade and Price Trands (1978 Edition) ; Report n° EC-166/78

CONCLUSIONS

The preceding chapters have endevoured to show how the ties of interdependence bind Europe and the Third World irrevocably together. Both have a common interest in obtaining their energy supplies in sufficient quantity and at reasonable prices. The well-being of both depends in addition on the security of their supply of raw materials. This security can only be maintained if exporting countries and foreign investors can count on stable prices, or at least stable incomes. The industrialised countries have a direct interest in raising the purchasing power of the Third World since these countries represent the export markets of the future. The developing countries are already the biggest clients of capital goods and agricultural products exported by the Community. It is therefore clearly in Europe's own interest to help the Third World develop its resources. This requires, however, a much greater transfer of financial resources towards these countries without at the same time imposing an intolerable burden of debt upon them.

The industrialisation of the Third World is an irreversible process which can benefit all parties provided trade exchanges lead to a greater specialisation and therefore to greater productivity and to the creation of additional jobs. It would be futile and contrary to these three objectives to try to preserve existing production structures by an escalation of protectionism.

International economic cooperation can only be maintained and expanded if all those involved can share in its fruits. The reduction in direct foreign investments in the Third World, which has resulted from the conflict of interest between the rich and poor nations as to how to distribute the profits, shows how dangerous it can be to leave major problems unresolved by international agreements. Faced with this kind of situation, the industrialised countries tend to turn in on themselves.

In other sectors, it is the developing countries which have turned their back on the industrialised nations. They are not satisfied for instance at the conditions governing certain technology transfers or at the way trading arrangements are imposed on them in the absence of agreements guaranteeing stable and equitable prices for their raw materials.

In a good number of cases, a policy which fosters more reliance on one's own resources can be useful and reduce excessive dependence. Thus, the development of technological exchanges, or the creation of preferential trading arrangements among developing countries, or again cooperation among raw material producers to stabilise prices can all be considered as positive steps towards a wider and more universal system of cooperation.

If, however, the countries of North and South follow policies which are too inward-looking, this will lead to a further waste of already scarce resources. Transactions between the two groups will become more and more costly and less and less reliable. Foreign investments are one example; protectionism - practiced by both sides - is another. If relations based on mutual confidence cannot be established and if the North-South Dialogue does not take account of the legitimate complaints of the Third World, then the chances for the industrialised nations to make a contribution to the economic development and political stability of the Third World will be considerable lessened.

Such a trend would undermine any basis for long term cooperation to solve the world's biggest problems - hunger, overpopulation, the impoverishment of large masses of people and the destruction of the environement.
Until now, the majority of proposals the Third World has put forward for changing the existing economic order, whatever their technical merits, have had one common characteristic : a firm belief in the importance of international cooperation. Immense care must be taken not to squander this capital. It is already seriously diminished.

GLOSSARY

A

A.C.P. (53) (*) : (African, Caribbean and Pacific states):Bahamas, Barbados Benin, Botswana, Burundi, Cameroon, Cape Verde, Central African Empire, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea Bissau, Guyana, Ivory Coast, Jamaica, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Papua-New Guinea, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Surinam, Swaziland, Tanzania, Togo, Tonga, Trinidad & Tobago, Uganda, Upper Volta, Western Samoa, Zaïre, Zambia.

(*) : This regrouping does not include the most recent adherents to the Lomé Convention (Tuvalu, Solomon & Dominica) data for which are not available in Community external trade statisics.

ARAB LEAGUE : Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Mauritania, Somalia, Lebanon, Syria, Iraq, Jordan, Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, North Yemen, South Yemen.

MAJOR GEOGRAPHICAL AREAS :

Eastern Trading area : Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, USSR, China, Mongolia, North Korea and Viet Nam (GATT classification).

Countries with state-trade : Eastern trading area + Cuba (E.C. classification).

Industrial areas : North America : United States and Canada. Japan. Western Europe : Member countries of the European Community comprising Belgium-Luxembourg, Denmark, the Federal Republic of Germany, France, Ireland, Italy, the Netherlands and the United Kingdom. European Free Trade Association comprising Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. Gibraltar, Greece, Malta, Spain, Turkey, Yugoslavia (GATT classification).

Western industrialised countries : Industrial areas + Republic of South Africa + Namibia, + Australia + New Zealand (E.C. classification).

Gulf States & Libya : Iraq, Iran, Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, North Yemen, South Yemen (E.C. classification).

South and East Asia : Afghanistan, Bangladesh, Brunei, Burma, Hong-Kong, India, Indonesia, Kampuchea, Laos, Macao, Malaysia, Maldives, Pakistan, Philippines, Republic of Korea, Singapore, Sri Lanka, Thailand (GATT classification)

South and South-East Asia : Afghanistan, Pakistan, India, Bangladesh, Maldives, Sri Lanka, Nepal, Bhutan, Burma, Thailand, Laos, Cambodia, Indonesia, Malaysia, Brunei, Singapore, Philippines, South Korea, Taiwan, Hong-Kong, Macao (E.C. classification).
South Mediterranean : Morocco, Algeria, Tunisia, Libya, Egypt, Lebanon, Syria, Cyprus, Israel, Jordan (E.C. classification).
West Asia : Bahrain, Cyprus, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Neutral Zone, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen (GATT classification).

B

BILLION : one thousand million.

C

C.E.C. : Commission of the European Communities.

D

D.A.C. : Development Assistance Committee of the OECD : Australia, Austria, Belgium, Canada, Commission of the European Communities, Denmark, Finland, France, Federal Republic of Germany, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, USA.

E

E.C. : European Community.
E.F.T.A. : European Free Trade Association.
E.I.B. : European Investment Bank.
E.U.A. : European Unit of Account.

F

F.A.O : Food and Agricultural Organisation.

G

G.A.T.T. : General Agreement on Tariffs and Trade. The object of this agreement, signed in 1947, is to reduce barriers to international trade.
G.N.P. : Gross National Product.
GROUP OF 77 : Group of LDCs established at the Second United Nations Conference on Trade and Development. This group, which often acts as a spokesman for the LDCs, originally had 77 members and now has approximately 115.
G.S.P. : Generalised System of Preferences : This is the system of preferential tarrifs applied by industrialised countries to manufactured imports from LDC's. The tariff reductions are accompagnied by quotas for some products but apply without quantitative restrictions for others.

I

I.D.A. : International Development Association (World Bank).

L

L.D.C.'s : Less Developed Countries or Developing Countries.

M

MAGHREB : Algeria, Morocco, Tunisia.
MASHREQ : Jordan, Lebanon, Syria, Egypt.

N

NIMEXE : Nomenclature of Goods for the External Trade Statistics of the Community and Statistics of Trade between Member States
N.I.C.'s : Newly Industrialising Countries.

O

O.D.A. : Official Development Assistance.
O.E.C.D. : Organisation for Economic Cooperation and Development. Member countries : EEC : Belgium, Denmark, Federal Republic of Germany, France, Ireland, Italy, Luxembourg, Netherlands, United Kingdom. EFTA : Austria, Finland, Iceland, Norway, Portugal, Sweden, Switzerland. Others : Austra-

lia, Canada, Greece, Japan, New Zealand, Spain, Turkey, USA.
O.P.E.C. : Organisation of Petroleum Exporting Countries. Member countries: Algeria, Ecuador, Gabon, Indonesia, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates (including Abu Dhabi), Venezuela.

S

STABEX : This is the scheme for stabilising export earnings applied by the E.C. to its A.C.P. partners in the Lome Convention. It offsets losses in revenue suffered by ACP countries on their exports of primary products, acting as a kind of insurance policy against bad years. It applied to 29 basic items belonging to 12 groups of products (groundnuts, cocoa, coffee,cotton, coconut, palm kernels and palm oil, hides and skins, wood products, tea, sisal and iron ore). A further seven products were added in 1977.
SITC : Standard International Trade Classification

T

T.O.E. : Tons of oil equivalent.
T.C.E. : Tons of coal equivalent.

U

UNCTAD : United Nations Conference on Trade and Development.
U.N.O. : Unites Nations Organisation.

ANALYTICAL INDEX

LIST OF TABLES AND CHARTS

Chapter I

Appendix to chapter I

Chapter II

Appendix to chapter II

Chapter III

Appendix to chapter III

Chapter IV

Appendix to chapter IV

Chapter V

Appendix to chapter V

European Communities — Commission

Community - Third world: the challenge of interdependence

Luxembourg: Office for Official Publications of the European Communities

1980 — 168 p. — 21 x 29,7 cm

Collection: documentation bulletin - Series A - 1980

DA, DE, EN, FR, IT, NL

ISBN 92-825-1898-1

Catalogue number: CB-30-80-382-EN-C

BFR 120	DKR 23,50	DM 7,50	FF 17,50	LIT 3500
HFL 8,25	UKL 1.85	IRL 2.00	USD 4.10	

Wolfgang Hager, Michael Noelke: "Community-Third World: Interdependence as a challange".

This study analyses and measures the main elements of the interdependence which binds Europe and the Third World irrevocably together energy; agriculture and mineral raw materials; the growing importance of the Third World as an export market for the Community; the new international division of labour in the manufacturing sector, financial transferts, etc.

This book is a source of information and provides food of thought for all those interested in development problems and international cooperation.

Udbredelsen af *gratis publikationer* varetages – så langt oplaget rækker – af de forskellige institutioner, der har udarbejdet dem:

Kostenlose Veröffentlichungen sind, soweit verfügbar, bei den Organen erhältlich, von denen sie herausgegeben wurden:

Publications free of charge can be obtained from the following institutions:

La diffusion des *publications gratuites* est assurée, selon les disponibilités, par les institutions auteurs respectives :

La diffusione delle *pubblicazioni gratuite* viene effettuata, secondo le disponibilità, dalle rispettive istituzioni autrici :

De verspreiding van *kosteloze publikaties* wordt, voor zover de voorraad strekt, verzorgd door de betrokken instellingen :

Parlement européen
Secrétariat général du Parlement européen.
Direction générale du greffe et des Services généraux
Case postale 94 - Luxembourg

Cour de justice des Communautés européennes
Service intérieur
Plateau du Kirchberg
Case postale 96 - Luxembourg

Conseil des Communautés européennes
Secrétariat général du Conseil des CE.-Direction "Information et Documentation"
Rue de la Loi 170 - 1048 Bruxelles

Comité économique et social
Service "Presse et Information"
Rue Ravenstein 2 - 1000 Bruxelles

Commission des Communautés européennes
Chef de la Division IX/D/1
Rue de la Loi 200 - 1049 Bruxelles

Banque européenne d'investissement
Direction des études. Division "Documentation"
Place de Metz 2 - Luxembourg

VIGTIGT / WICHTIG / IMPORTANT / IMPORTANTE / BELANGRIJK

Udbredelse af udvalgte artikler og publikationer, som ikke udgives af Kommissionen for De europæiske Fællesskaber, sker kun inden for institutionen.

Zeitschriftenartikel und von der Kommission der Europäischen Gemeinschaften nicht herausgegebene Veröffentlichungen sind den Dienststellen der Kommission vorbehalten.

Publications and articles not published by the Commission of the European Communities cannot be made available outside the institution.

La diffusion des articles sélectionnés et des publications non éditées par la Commission des Communautés européennes ne peut être assurée à l'extérieur de l'institution.

Le richieste di articoli selezionati e di pubblicazioni non edite dalla Commissione delle Comunità europee non possono essere soddisfatte all'esterno dell'Istituzione.

De niet door de Commissie van de Europese Gemeenschappen uitgegeven publikaties en de geselecteerde tijdschriftartikelen kunnen niet buiten de instelling worden verspreid.

(Fortsættes på omslagets anden side / *Fortsetzung umseitig* / Continued overleaf
Suite au verso* / Segue / *Vervolg z.o.z.)

SALG af De europæiske Fællesskabers Tidende og Europa-Parlamentets mødedokumenter samt af publikationer med angivelse af forkortelsen BV varetages af:

VERTRIEBSBÜROS für Amtsblätter, Sitzungsberichte des Europäischen Parlamentes, Veröffentlichungen mit Angabe der Abkürzung BV:

The Official Journal (OJ) and session documents of the European Parliament (EP doc.) as well as the publications with mention of the abbreviation BV can be **OBTAINED** at:

La **VENTE** des Journaux Officiels (JO), des documents de séance du Parlement Européen (PE doc.) et des publications avec mention du sigle BV est assurée par:

I fascicoli della Gazzetta Ufficiale, i documenti di seduta del Parlamento Europeo e le pubblicazioni comportanti l'indicazione BV possono essere **ACQUISTATI** presso:

De **VERKOOP** van Publikatiebladen, zittingsdocumenten van het Europese Parlement en publikaties waarbij de letters BV vermeld staan wordt verzorgd door:

Belgique - België

Moniteur belge – Belgisch Staatsblad
Rue de Louvain 40-42 –
Leuvensestraat 40-42
1000 Bruxelles – 1000 Brussel
Tél. 512 00 26
CCP 000-2005502-27
Postrekening 000-2005502-27

Sous-dépôts – Agentschappen:

Librairie européenne – Europese Boekhandel
Rue de la Loi 244 – Wetstraat 244
1040 Bruxelles – 1040 Brussel

CREDOC
Rue de la Montagne 34 - Bte 11 –
Bergstraat 34 - Bus 11
1000 Bruxelles – 1000 Brussel

Danmark

J.H. Schultz – Boghandel
Møntergade 19
1116 København K
Tlf. (01) 14 11 95
Girokonto 200 1195

Underagentur:
Europa Bøger
Gammel Torv 6
Postbox 137
1004 København K
Tlf. (01) 14 54 32

BR Deutschland

Verlag Bundesanzeiger
Breite Straße – Postfach 10 80 06
5000 Köln 1
Tel. (0221) 21 03 48
(Fernschreiber: Anzeiger Bonn 8 882 595)
Postscheckkonto 834 00 Köln

France

Service de vente en France des publications des Communautés européennes
Journal officiel
26, rue Desaix
75732 Paris Cedex 15
Tél. (1) 578 61 39 – CCP Paris 23-96

Sous-agent
D.E.P.P. – Maison de l'Europe
37, rue des Francs-Bourgeois
75004 Paris
Tél.: 887 96 50

Ireland

Government Publications
Sales Office
G.P.O. Arcade
Dublin 1

or by post from

Stationery Office
Beggar's Bush
Dublin 4
Tel. 68 84 33

Italia

Libreria dello Stato
Piazza G. Verdi 10
00198 Roma – Tel. (6) 8508
Telex 62008
CCP 1/2640

Agenzia
Via XX Settembre
(Palazzo Ministero del tesoro)
00187 Roma

Grand-Duché de Luxembourg

Office des publications officielles des Communautés européennes
5, rue du Commerce
Boîte postale 1003 – Luxembourg
Tél. 49 00 81 – CCP 19190-81
Compte courant bancaire:
BIL 8-109/6003/300

Nederland

Staatsdrukkerij- en uitgeverijbedrijf
Christoffel Plantijnstraat, 's-Gravenhage
Tel. (070) 62 45 51
Postgiro 42 53 00

United Kingdom

H.M. Stationery Office
P.O. Box 569
London SE1 9NH
Tel. (01) 928 69 77, ext. 365
National Giro Account 582-1002

United States of America

European Community Information Service
2100 M Street, N.W.
Suite 707
Washington, D.C. 20 037
Tel. (202) 862 95 00

Schweiz - Suisse - Svizzera

Librairie Payot
6, rue Grenus
1211 Genève
Tél. 31 89 50
CCP 12-236 Genève

Sverige

Librairie C.E. Fritze
2, Fredsgatan
Stockholm 16
Postgiro 193, Bankgiro 73/4015

España

Librería Mundi-Prensa
Castelló 37
Madrid 1
Tel. 275 46 55

Andre lande · Andere Länder · Other countries · Autres pays · Altri paesi · Andere landen

Kontoret for De europæiske Fællesskabers officielle Publikationer · Amt für amtliche Veröffentlichungen der Europäischen Gemeinschaften · Office for Official Publications of the European Communities · Office des publications officielles des Communautés européennes · Ufficio delle pubblicazioni ufficiali delle Comunità europee · Bureau voor officiële publikaties der Europese Gemeenschappen

Luxembourg 5, rue du Commerce Boîte postale 1003 Tél. 49 00 81 · CCP 19 190-81 Compte courant bancaire BIL 8-109/6003/300

Saerudgave *(ikke inkluderet i abonnementsprisen)*	DKR 23,50
Sondernummer *(nicht im Abonnement)*	DM 7,50
Special edition *(not included in subscription)*	UKL 185/IRL 2.00/USD 4.10
Numéro spécial hors abonnement	FF 17,50/BFR 120
Edizione speciale fuori abbonamento	LIT 3500
Speciale uitgave *(niet inbegrepen in abonnement)*	HFL 8,25/BFR 120

KONTORET FOR DE EUROPÆISKE FÆLLESSKABERS OFFICIELLE PUBLIKATIONER
AMT FÜR AMTLICHE VERÖFFENTLICHUNGEN DER EUROPÄISCHEN GEMEINSCHAFTEN
OFFICE DES PUBLICATIONS OFFICIELLES DES COMMUNAUTÉS EUROPÉENNES
UFFICIO DELLE PUBBLICAZIONI UFFICIALI DELLE COMUNITÀ EUROPEE
BUREAU VOOR OFFICIËLE PUBLIKATIES DER EUROPESE GEMEENSCHAPPEN
OFFICE FOR OFFICIAL PUBLICATIONS OF THE EUROPEAN COMMUNITIES

ISBN 92-825-1898-1

Boîte postale 1003 – Luxembourg

Kat./Cat: CB-30-80-382-EN-C