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Adjustment Experience and Growth Prospects of the Semi-Industrial Economies

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WASHINGTON, D.C. 20541

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ADJUSTMENT EXPERIENCE AND GROWTH PROSPECTS
OF THE SEMI-INDUSTRIAL COUNTRIES

A Background Study for World Development Report 1981

During the decade of the 1970s, the world economy was beset by a series of disturbances which adversely affected the non-oil developing countries; rising prices for their oil imports, slower OECD growth and reduced demand for their exports resulted in a deterioration in the external position of many of these countries. The more advanced developing countries (those known as semi-industrial countries, or SICs) out-performed all other non-oil countries in adjusting to the deterioration in the external environment which they faced. Through a combination of demand management, structural adjustment, and increased external borrowing from commercial sources, a number of these countries were able to expand investment, output, and employment while simultaneously strengthening their external position.

This paper presents an analytical framework for quantifying the relative importance of demand management (absorption) and structural adjustment (expenditure and output switching between tradeable and non-tradeable goods, and accelerated growth of output) in the adjustment process. The experience of forty-two developing countries in adjusting to adverse developments in the international economy during the mid-1970s is analyzed using this framework. The analysis indicates that those countries which accelerated growth of traded goods output and integrated their economies more closely with the world economy were able to adjust to the deterioration in the external environment with the least disruption of their growth and pursuit of broader development objectives. Short-term measures were most effective when accompanied by restructuring of a longer-term nature based on shifts in resource use to production of tradeable goods. That the SICs were on average able to adjust in this way to a greater extent than other non-oil developing countries was related to their already more advanced economic structure and flexibility, their generally greater creditworthiness, and their greater access to external capital.

Country case studies in adjustment are presented for Uruguay, Brazil, Korea, and Turkey. These cases indicate that, while the degree to which individual countries were affected by deteriorating external conditions was the consequence of a number of factors, such as the magnitude of the terms of trade deterioration and the composition of the country's international trade and economic structure, the most important was policy response to the disturbance. The major development policy issues which these countries face are identified. It is found that the development performance of these countries in the 1980s will depend to a considerable extent on their ability to implement policies aimed at accelerating structural adjustment.

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Acronyms and Abbreviations

bpd	Barrels per day
EEC	European Economic Community
ICOR	Incremental capital-output ratio
IMF	International Monetary Fund
LIBOR	London inter-bank offered rate
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum-Exporting Countries
SDRs	Special Drawing Rights
SICs	Semi-industrial countries
TEP	Ton equivalent, petroleum

I. Introduction

During the decade of the 1970s a number of developing countries were beset by severe economic disturbances. Accelerating world inflation, massive real increases in the price of petroleum, and the most severe recession in the industrialized world since the 1930s triggered sharp changes in international trade and capital flows.

The degree to which individual economies were affected by these events was the consequence of a number of factors including dependence on imported petroleum, structural characteristics of the economy, access to world capital markets, and the policy response to the disturbance. For some economies the disturbances exposed underlying structural weaknesses which made them particularly vulnerable to external shocks. For these, the external shocks dramatized the necessity for change in development policy.

To prevent a deteriorating external position from reaching crisis proportions, a number of countries undertook far-reaching reforms to stimulate incentives for savings, investment, and a pattern of production more appropriate to the country's resource endowment. In some cases, such reforms and structural change placed the economy on a higher growth path with a more efficient pattern of production than existed prior to the weakening of the economy's external position. In other cases, social and political turmoil made it impossible to implement measures required for adjustment. Still other countries postponed difficult policy reforms by undertaking heavy external borrowing, primarily on commercial terms. Although such borrowing eased the adjustment process and made it possible to undertake the investment needed to bring about structural change without cutting already low levels of consumption, it increased the debt service burden on these economies' future export earnings and made them more vulnerable to interest rate fluctuations in the Eurodollar market, since much of this debt was contracted at variable interest rates.

This paper analyzes in its six sections the adjustment experience of semi-industrial countries (SICs) in the 1970s and their prospects for achieving sustained economic growth in the 1980s. Following the introductory outline of the paper in this section, Section II provides a brief characterization of the SICs. The third section describes the experience of the SICs in adjusting to the 1978-80 round of petroleum price increases and compares this to the earlier experience following the first major oil price increase in 1973. The fourth section presents a conceptual framework for analyzing the means by which countries adjust to external shocks. The framework is applied to each of forty-two developing countries to assess the relative importance of demand management and adjustment of the productive structure in strengthening the country's external position. The fifth section presents case studies of adjustment for four countries -- Uruguay, Brazil, the Republic of Korea, and Turkey. The last section summarizes the major development policy issues which will confront the SICs in the 1980s. In addition, Appendix A gives the quantitative statement of the analytical framework (the decomposition of changes in the resource balance into changes in absorption, switching, and growth); Appendix B shows the empirical results of an application of the framework to forty-two developing countries; and Appendix C presents the sources of changes in external balance for these countries during the 1974-77 period of adjustment.

This paper attempts to shed light on the following questions:

- How severely were the SICs affected by the oil price increase and slowdown of world trade in the 1970s?
- Were they able to maintain the growth of their exports and output during the mid-1970s, and how did they achieve this?
- Why were they more successful in maintaining growth than any other group of oil-importing countries; why did some countries do better than others?
- What is the nature and severity of the most recent round of oil price increases; how is this likely to affect the growth and development of these countries in the medium term?
- Were some adjustment policies and development strategies more successful than others in increasing a country's capacity to withstand future shocks without interrupting growth?

II. Characteristics of the SICs

Economic growth in the post-war period has been characterized by rapid industrialization in a number of developing countries. These countries are distinguished from others in the developing world by their higher per capita income and by a larger share of manufacturing in production and exports. A combination of low-cost skilled and semi-skilled labor, institutional support, and, in some cases, natural resources have given these economies a strong competitive advantage in a wide range of industries, and this has made possible a rapid growth of manufactured exports. As a consequence, many of these countries have experienced impressive transformation and expansion during the past decade. Some now play a significant role in world trade.

Most of these countries were adversely affected by the changes in the world economy which occurred in the mid-1970s. But because of their more diversified economic structure and more highly trained labor force, they demonstrated considerable capacity for adjustment to these developments. Most were able to avert a sharp decline in their growth by high levels of external borrowing. Their ability to obtain large flows of external resources was the consequence of successful export and economic growth performance which, in turn, was related to the development strategy they had adopted.

In this paper, the SICs are defined as non-oil economies with per capita income in excess of US\$1,100 but below US\$3,000 in which the share of manufacturing in the gross domestic product (GDP) and in total exports is 20 percent or higher. Together, they account for about three-quarters of the manufactured exports of all developing countries. (Comparative economic indicators for the group are given in Table 1.) They are the major source (80 percent) of Organisation for Economic Co-operation and Development (OECD) imports of products (clothing, footwear, and electrical machinery) in which the developing countries are important suppliers. Real growth of manufactured exports from the SICs averaged 27 percent annually during 1960-73, as compared with the growth of world trade in manufactured exports of 9 percent during the same period. Some of these economies showed truly spectacular export growth rates during this period: Korea (37 percent), Taiwan (29 percent), and Brazil (25 percent). As a consequence, the market share of these economies in total world trade of manufactured goods increased from 3 percent in 1960 to 8 percent in 1974. For this group, expansion of manufactured exports was an important source of the rapid economic growth.

The SICs have achieved high rates of growth of manufacturing production and export for a variety of reasons. Historic circumstance, locational and physical characteristics, and, perhaps most important, development policy have all played an important role. Korea with its small domestic market, poor natural resource base, well-trained labor force, and strong policy commitment to an export-oriented growth strategy has been one of the outstanding performers among the SICs. Hong Kong and Singapore owe their success to their location and the fact that their import capacity was determined entirely by their ability to compete in world export markets by transforming imported raw materials and components into finished products. In contrast, Brazil has abundant natural resources and a large internal market

Table 1:
Semi-Industrial Countries (SICs):
Comparative Economic Indicators, 1960-80

	GDP per capita 1979 (US\$)	Average Annual Growth (%)			Share of Manufacturing in GDP (%)			Growth of Manufactured Exports (%)			Manufactured Exports as Share of Total Exports (%)		
		1960-73	1973-76	1976-80	1960	1970	1980	1965-73	1973-76	1976-80	1960	1970	1980
Taiwan	1800	10.4	4.8	9.3	22	33	38	39	4	-	46	76	87
Korea	1130	9.0	9.4	9.4	12	18	25	44	22	17	19	77	86
Hong Kong	4000	9.6	6.7	10.8	25	31	24	16	5	-	80	93	93
Singapore	3820	10.1	5.8	8.6	12	20	26	18	8	19	26	31	46
Brazil	1690	6.1	7.9	5.7	26	28	29	28	11	30	3	14	42
Argentina	2280	3.0	0.9	2.3	31	30	38	28	11	30	3	14	42
Uruguay	2090	1.1	3.5	4.6	21	24	31	1	227	16	-	24	44
Turkey	1330	6.2	8.7	2.1	13	17	20	40	12	13	3	9	27
Portugal	2160	6.6	0.7	3.5	29	33	37	-9	-16	27	55	64	71
Yugoslavia	2430	6.0	6.1	6.6	36	26	35	10	7	3	50	60	74

- Not available

Note: All 1980 figures are preliminary. Hong Kong and Singapore, which have per capita incomes in excess of US\$3,000, have been added to this table for comparative purposes. The economy of Taiwan is not included in this study as a SIC; it has been added to this table for comparative purposes only.

Source: World Bank, selected country and economic reports.

which made it possible, initially, to sustain a high growth through import substitution. Recurrent foreign exchange crises led to the adoption of an export-oriented growth strategy. These crises stemmed, in part, from Brazil's over-reliance on a few commodity exports, the prices of which fluctuated widely in world markets, thereby interrupting the flow of foreign exchange needed to obtain a steady supply of essential imported inputs for import-substituting industries.

III. Adjustment to External Imbalance in the 1970s

Expansion and Prosperity, 1967-1973

During the 1967-73 period, there was an unprecedented expansion of world trade and economic growth. Most of the countries which are now classified as semi-industrial did particularly well during this boom period. Rates of growth of real output averaged over 8 percent annually. Two mutually dependent phenomena -- increased investment and relaxation of the foreign exchange constraint -- were instrumental in achieving this higher growth. More rapid growth of exports, especially of nontraditional, manufactured exports, was a major source of more rapid growth. Import capacity (defined as exports plus net medium- and long-term capital inflows minus net payments on services and transfers) increased rapidly from US\$5.5 billion (thousand million) in 1967 to US\$21.9 billion in 1973, an average increase of 26 percent annually.

Despite rapid growth of imports during this period, actual imports were well below the group's full import capacity, and there was an impressive accumulation of foreign exchange reserves. Net international reserve holdings of the SICs increased more than sixfold from US\$2.8 billion in 1967 to US\$18.1 billion in 1973. To mitigate the costs of a possible unanticipated drop in export earnings or increase in outlays for imports, some countries which were heavy external borrowers increased their foreign exchange reserves more than their borrowing. Brazil, Portugal, Turkey, and Uruguay followed this pattern.

During the period leading up to the 1973 oil price increases, the SICs expanded their external borrowing faster than their participation in world trade, but considerably less than the rate of increase of their international reserves. In real terms, external indebtedness increased about 14 percent annually compared with the real growth of 11 percent in exports and 39 percent in international reserves. Throughout this period there was a gradual but steady shift in indebtedness away from official creditors toward private sources. Fifty-six percent of the increase in the SICs' debt in the early 1970s came from private sources, and by 1973 debt outstanding to private sources had risen to 49 percent of total debt compared with 43 percent for these countries in 1963. Increased reliance on commercial borrowing during this period led to a moderate hardening of the average terms on new loan commitments.

The 1974-78 Adjustment Period

With the increase in petroleum prices in late 1973 (see Chart 1) and the onset of world recession in 1974 and 1975, most of the SICs experienced sharp increases in the current account deficits of their balance of payments (see Table 2). As a consequence of the adverse external conditions, there was a slowdown in the rate of growth in most of these countries. The average annual increase in real output declined from 8.3 percent in 1967-73 to 6.0 percent in 1974-78. Most of the SICs avoided the prolonged declines in the level of output experienced by industrial as well as other developing countries

Chart 1:

Nominal and Relative Oil Prices



Note: Nominal price is the average quarterly Organization of Petroleum-Exporting Countries' (OPEC) price in U.S. dollars adjusted for spot market sales. Relative price is the index of the nominal price of oil divided by the weighted average export price index of the SICs.

Table 2:

Net Oil Bill and Balance of Payments Current Account Balance
(as a percentage of GDP)

	1973	1974	1975	1976	1977	1978	1979	1980
<u>Argentina</u>								
Net oil bill	0.2	0.6	0.6	0.6	0.6	0.5	1.5	2.5
Current account	1.7	0.2	-3.3	1.2	2.5	2.8	-0.6	-4.9
<u>Brazil</u>								
Net oil bill	1.0	2.7	2.5	2.7	2.4	2.4	3.3	5.0
Current account	-2.7	-7.1	-5.6	-4.5	-3.1	-3.7	-4.7	-5.0
<u>Korea</u>								
Net oil bill	2.1	5.3	6.3	5.9	5.4	4.6	5.6	9.8
Current account	-2.3	-11.2	-9.2	-1.1	0.0	-2.2	-7.0	-8.7
<u>Portugal</u>								
Net oil bill	1.2	3.4	3.2	3.7	3.8	3.7	6.3	10.2
Current account	3.0	-6.2	-5.3	-8.3	-5.9	-2.7	-1.0	-2.4
<u>Turkey</u>								
Net oil bill	1.0	2.4	2.0	2.2	2.7	2.1	3.0	4.4
Current account	3.0	-2.2	-5.1	-4.8	-7.5	-2.5	-3.0	-5.4
<u>Uruguay</u>								
Net oil bill	1.3	3.7	4.6	4.7	4.4	4.1	4.4	5.6
Current account	-0.2	-4.6	-7.9	-3.7	-6.6	-5.3	-4.6	-5.6
<u>Yugoslavia</u>								
Net oil bill	1.2	2.6	2.1	2.1	2.0	1.9	3.9	4.6
Current account	2.4	-4.4	-3.2	0.5	-3.5	-1.9	-6.8	-3.4

Source: World Bank, Economic Analysis and Projections Department (EPD) data bank and country economic reports.

during this period by maintaining high levels of imports of essential intermediate and capital goods. This was achieved by increased external borrowing and by maintaining high rates of growth of export earnings after 1975 (stemming from both rapid increases in volume and rising prices of their exports).

The current account deficit of the SICs as a group increased from 1.5 percent of GDP in 1973 to 6.2 percent and 6.0 percent, respectively, in 1974 and 1975, and then fell steadily during 1976-78 to 2.0 percent. While the higher oil import bills were an important source of the large current account deficit in 1974 and 1975 (see Tables 2 and 3), of even greater importance for most countries were the declines in export volume attributable to recession in the industrialized countries, a surge in import payments associated with continued rapid economic growth and high levels of domestic spending, rapid increases in the price of imported industrial goods, and increased debt service payments. After 1975 the current account deficits of the SICs declined as a consequence of a fall in the real price of petroleum, a lower real growth of imports attributable to downward adjustment of consumer spending (consumption as a share of GDP fell from 81 percent of GDP in 1974 to an average 78 percent during 1975-78), 1/ and accelerated real growth of exports.

The large current account deficits in the balance of payments after 1973 were, for the most part, financed by increases in external borrowing. External indebtedness (public) of the SICs as a group increased from US\$20 billion in 1973 to \$37 billion in 1976 and \$62.5 billion in 1978. In real terms, borrowing increased by about three times the growth of real GDP and twice the increase in the volume of exports. The trend toward increased borrowing from commercial sources, which began in the 1967-73 period, accelerated during 1974-78. Private creditors supplied 90 percent of new net borrowing (net flows) during this period. While there was some deterioration in average maturities and grace periods from 1973 on, it was less than expected, due to the lengthening of commercial loan maturities after 1975. For most of the period of heavy borrowing, nominal interest rates on borrowing from private sources remained below the rate of world inflation. As a result, the real cost of borrowing was lower than in the pre-1973 period.

Debt service of the SICs rose at about the same rate during 1974-78 as debt outstanding. For the SICs as a group, the ratio of public debt service to exports rose from 10.4 percent in 1973 to 11.2 percent in 1976 and 15.8 percent in 1978. There were, however, wide differences between countries. Despite rapid growth of external indebtedness, Korea's debt service ratio declined during this period as a result of rapid growth of exports. The sharpest rises in the debt service ratio were for Brazil, Yugoslavia, Argentina, and Uruguay. The large increase in external borrowing during this period made it possible to cushion the shock of adverse external developments which took place in 1974-75. Such increases were in most cases in line with a growing capacity of these economies to carry the increased burden of external debt.

1/ Simultaneously, investment was maintained at a high level: 25 percent of GDP.

Impact of Latest Oil Price Increases, 1979-80

With the second round of oil price increases in 1979-80 and reduced growth of world trade, most SICs experienced deterioration in their external position, accelerating inflation, slower economic growth, and a falling off in the pace of development. As a group, the SICs experienced the largest increase in current account deficits of all developing countries, increasing from \$10 billion in 1978 (2.1 percent of GDP) to \$32 billion (5.1 percent of GDP) in 1980. The largest increases were for Brazil and Korea, which increased their deficits as a share of GDP to 5 percent and 8.6 percent, respectively. The SICs have been in the best position to finance their deficits; in part because of this they have been able to maintain the highest rate of growth of output (5.5 percent average in 1979-80) of the nonoil developing countries. Deficits of low-income countries, by contrast, rose considerably less (from \$5.1 billion in 1978 to \$8.6 billion in 1980), reflecting these countries' more limited capacity to finance their deficits and to sustain growth of output in the face of a deteriorating external environment. Growth of output fell in these countries to an average 1.8 percent in 1979-80.

While the large increase in current account deficits of the SICs in 1979-80 was, for the most part, the result of the surge in the price of oil since late 1978, a number of other developments also made it more difficult for the SICs. Rising oil prices caused a deterioration in current account balances of most OECD countries and contributed to the slowing of economic growth and acceleration of inflation in these countries. As a consequence, there was a reduction of demand for the exports of the SICs, which has further weakened their external position. Accelerating inflation in OECD countries not only increased prices of industrial goods imported by the SICs but gave rise to more restrictive monetary policies in most OECD countries, resulting in a sharp rise in nominal and real interest rates in world financial markets and increased interest payments on the SICs' new and existing external debt.

Like the first increase in oil prices in 1973-74, the 1978-80 rise in the price of oil has contributed to accelerating inflation and to the slowing of economic growth in the SICs by draining off purchasing power (which otherwise would have been available for purchases of other goods and services) and by reducing their capacity to import both intermediate and capital goods essential for production and investment. While the SICs have done better than other nonoil developing countries in sustaining growth, their average annual increase in real output declined from 5.2 percent in 1977-78 to 3.3 percent in 1980. Unlike the 1974-76 adjustment, however, where growth of the SICs fell sharply in just one year (1975), the current slower rate of growth is expected to last for a longer period of time. This is attributable in part to the less acute but more prolonged recession in OECD, in part to the reduced flow of external resources available to the developing countries in general. Private financial institutions have been reluctant to increase their exposure in the nonoil developing countries generally (including many of the SICs) on the same scale as they did in 1974-76. These countries have accumulated considerable debt since 1973. Continued growth of the share of commercial bank lending in total lending

to the SICs resulted in further hardening of the average terms. As a consequence of the higher level of borrowing and harder terms on which such lending has been committed, the total debt service ratio (debt service as a share of export earnings) of the group as a whole has increased from 27 percent in 1978 to about 33 percent in 1980. Countries such as Brazil, Yugoslavia, and Turkey, which have experienced the most rapid increase in their debt burden, now have high total debt service ratios of 60, 34, and 30 percent, respectively. In 1980, a larger proportion of the SICs' deficits were financed by increased borrowing from official sources, greater use of short-term credit, and draw-down of foreign exchange reserves, with less reliance on net expansion of long-term credit from commercial sources.

The pattern of adjustment to external shock in the SICs is different from that which emerged during 1974-76 in other respects as well. The increase in the oil-importing SICs' current account deficits in 1979-80 corresponds to a much greater degree to the increase in these countries' oil import bill than was the case during the earlier oil price increases. During the first episode, the increases in these countries' current account deficits were considerably larger than could be attributed to the rise in their oil bills. This time these countries have been forced to react more quickly to strengthen their nonoil trade balances. While these countries have had substantial increases in their debt service account (due to a sharp increase of interest payments on the large volume of external debt they had incurred), they have been able to limit their total expenditure (or absorption of resources) and to improve their nonoil balance of goods and nonfactor services. The SICs achieved this improvement in nonoil trade balance while at the same time sustaining relatively rapid economic growth, higher than that of the other nonoil developing countries. This was achieved by altering the structure of their production toward traded goods output; that is, through increased import substitution and expansion of exports.

Table 3:

Change in Components of SICs' Current Account Balance
(billions of U.S. dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Change</u> <u>1978-80</u>
Current account balance	-9.9	-21.7	-31.5	-21.6
Oil trade balance	-14.5	-23.2	-37.9	-23.4
Non-oil trade balance	4.6	4.4	13.6	9.0
Net services and private transfers	--	-2.9	-7.2	-7.2
Of which: Gross investment income <u>a/</u>	-13.1	-18.8	-24.7	-11.6
Other services, net <u>a/</u>	13.1	15.9	17.5	4.4

-- Not available.

a/ Investment income receipts are included in the balance of "other services, net."

IV. Analytical Framework for Adjustment: Country Comparisons

The degree to which individual nonoil developing countries have been affected by the more difficult external environment of the 1970s depends upon a number of factors, including dependence on imported petroleum, their nonoil terms of trade, the composition of their international trade, the structural characteristics of their economy, access to world capital markets, and, ultimately of greatest importance, their policy response to the disturbances. This chapter explores the effects of policy in a wide range of developing countries and compares the adjustment process in the SICs to that in other developing country groups.

Countries which experienced an adverse external shock (for example, a deterioration in their terms of trade stemming from a sharp increase in the price of their petroleum imports) had, as a consequence, command over fewer real resources. Adjustment to this decline in resource availability could occur in several ways. First, it could come about automatically through direct income effects (that is, reduced real income and spending, or absorption of resources in the country experiencing the terms of trade deterioration) and through indirect monetary effects (loss of foreign exchange reserves will reduce the monetary base, causing a fall in the money supply and an increase in interest rates which, in turn, will produce a decline in investment and consumption spending). Given the experience of the 1930s, most countries have been reluctant to permit external forces to determine the level of domestic spending, output, and employment, although to some extent this was inescapable in the face of a permanent deterioration in their terms of trade.

A second way to adjust -- and that chosen by most nonoil developing countries with access to international capital markets (i.e., most of the SICs) -- was to replace the real resources lost by imports financed with foreign savings; that is, through external borrowing. By augmenting domestic resources with imports financed externally, these countries could maintain the same level of domestic expenditure as before the deterioration in the terms of trade. Some countries used such financing to maintain the existing level of consumption and investment; others used it to increase investment to create new capacity for producing goods (either exports or import substitutes), which could eventually be used to pay off the increased foreign borrowing.

The third means of adjusting was through structural change; that is, a change in the composition of output toward increased production of tradeable goods (i.e., export or imports). In practice, most countries have used a combination of these three means of adjusting.

The analysis which follows in this chapter attempts to identify the degree to which different countries adjusted through structural change. The conceptual framework for analyzing adjustment is taken from a body of economic literature which has derived from the work of W.E.G. Salter, and which is summarized in its most recent form by W.M. Corden. ^{1/} It differs from the traditional elasticities approach to adjustment by focusing on the

^{1/} W. M. Corden, Inflation, Exchange Rates, and the World Economy (London: Oxford University Press, 1977).

domestic utilization or absorption of resources, and resource allocation between tradeables and non-tradeables. It is based on the distinction made by Salter and Corden between policies aimed at achieving external balance and those for maintaining internal balance. Policies which aim at altering the level of domestic demand can be used to achieve external balance by reducing utilization or absorption of resources. These policies are the conventional tools of demand management. By reducing domestic expenditure (absorption reduction), demand for both imports and tradeable goods produced internally (exportables and import substitutes) will fall, promoting improvement of the trade balance by simultaneously cutting outlays for imports and freeing domestically produced goods for export.

The shortcoming of absorption reduction policies is that they do not distinguish between domestic demand for tradeable goods and non-tradeables. While output in the tradeable goods sector of the economy may not decline as absorption is reduced (since tradeable goods freed by the decline in domestic demand can be exported), output in the non-tradeable goods sector will decline if prices are inflexible downward.^{1/} The result will be excess capacity, unemployment, a lower level of welfare, and in most cases reduced investment and growth.

To achieve internal as well as external balance simultaneously, a second set of policies is needed. Such policies, called "switching" policies in the literature, complement absorption policies by reestablishing internal balance, making it possible to achieve simultaneously both external and internal balance. By increasing the relative prices of tradeable goods as against those of the non-tradeable goods sector, resources are reallocated or "switched" from the non-tradeable goods sector, where there is excess supply, to the tradeable goods sector, where they can produce for export or substitute imports. Similarly, there will be a shift in domestic demand away from higher priced tradeables to non-tradeable goods.

Absorption reduction and expenditure switching can occur in the short run, while output switching may only occur over time and may require a mix of investment and complementary policy measures to bring about the desired reallocation of productive resources. With complete switching, the decline in output in the non-tradeable goods sector will be fully offset by the increase in output in the tradeable goods sector. Total output will be held constant and income will be maximized, given the adjustment to external imbalance. Conventional policies for switching are, for example, trade and exchange rate policies.

To achieve internal and external balance simultaneously, both absorption reduction and switching policies are required. Absorption reduction without switching will result in a decline in output and increased unemployment. Switching without absorption reduction will achieve neither internal nor external balance. If domestic demand is not reduced, excess

^{1/} If it is assumed that commodity and factor prices are flexible downward (either in absolute or in relative terms, as in the context of general inflation), there will be a shift in the allocation of resources and in the composition of output toward tradeable goods sectors.

demand will be created for non-tradeable goods, prices will rise in that sector, and the policy-induced change in relative prices will be eliminated.

An important element of switching is that substantial investments may be required to create the new capacity for employing the resources formerly used in the non-traded goods sector, as existing capital is likely to be sector-specific. In the absence of growth of output, this implies either reduction in the share of domestic consumption in domestic demand or increased utilization of external savings. For those developing countries in which per capita income and consumption are already near the subsistence level, it may be quite difficult -- and in fact undesirable -- to reduce consumption. If maintained for any length of time, it can have an adverse effect on productivity.

To achieve, simultaneously, internal and external balance and maintenance of per capita consumption, a third set of policies (investment incentives and growth policies) may be required. These policies aim at expanding output in the traded goods sectors of the economy. If output can be expanded more rapidly than domestic demand (absorption), and if the structure of growth favors exports or import substitutes, the country's external position will improve. Measures to expand output, when complemented by switching and absorption policies, may make it possible to achieve simultaneously external balance, internal balance, and real increases in per capita consumption.

This suggests that the following growth, switching, and absorption reduction measures might simultaneously be pursued by a country attempting to adjust to external imbalance by altering the structure of its economy:

1. Growth of tradeable goods sectors

Change in composition of expenditure in favor of investment.

Incentives for investment in new capacity for production of exports and import substitutes.

Change in composition of public investment toward directly productive activities in traded goods sectors and infrastructure/services which complement expansion of these activities.

2. Switching between tradeable and non-tradeable goods: shift in relative prices in favor of tradeable goods sectors

Exchange rate policy

Tariff policy

Export taxes/subsidies

Factor and product pricing policies

Other mobility-enhancing policies

3. Absorption reduction 1/

Measures to dampen increase in consumption stemming from increased output/incomes through fiscal/monetary/incomes policies.

Empirical Application

In the empirical application which follows, adjustment to external imbalance during the 1974-77 period is decomposed into absorption reduction, switching, and growth effects, through use of national accounts data (expressed in constant prices) for forty-two countries. The absorption effect is defined as the real improvement/deterioration which occurs in the resource balance or the balance of payments as a consequence of the reduction/increase in absorption, other things remaining constant. Autonomous changes (defined as the effect on income and domestic expenditure of a change in terms of trade and a change in output) and policy-induced changes in the level of domestic demand are distinguished as separate components of the absorption effect. The switching effect is defined as the improvement/deterioration in the resource balance which occurs as a consequence of a shift in the structure of output toward/away from tradeable goods sectors and in the composition of expenditure toward/away from non-tradeable goods sectors, other things remaining constant. The growth effect is defined as the improvement/deterioration in the resource balance which occurs as a consequence of an increase/decline in the output of the tradeable goods sector, other things (such as the level of domestic demand and the structure of output and expenditure) remaining constant. 2/

Decomposition of the adjustment process into absorption reduction, switching, and growth effects is useful for several reasons. First, it helps to identify the source of improvement in a country's external position due to factors operating on the supply side (change in the structure and growth of output) as well as on the demand side (change in the level and composition of expenditure). Second, it provides a simple, analytical tool for distinguishing "positive" adjustment to external shocks, which enhances development (that is, adjustment through growth of output and change in the structure of the economy), from negative adjustment, which disrupts the development process (by placing the entire burden for improvement on restricting internal demand). Third, it makes it possible to distinguish between the impact of autonomous changes in the resource balance and those which are policy-induced. Is it possible to identify patterns of adjustment which are associated with different development strategies or country types? Are country characteristics associated with different adjustment experiences? Is there a uniform set of adjustment policies which can be applied with equal success by all countries, or is the effectiveness of some policies conditioned by country characteristics? The analysis in the country comparisons which follow attempts to shed some light on these issues.

1/ While these measures do not belong exclusively to one category (exchange rate policy can have both a switching effect and an absorption effect), they are grouped here according to the major policy objective they serve.

2/ See Appendix A for derivation of adjustment decomposition. Appendix B contains the results of the decomposition for forty-two countries.

Almost all nonoil developing countries experienced a deterioration in the resource balance of their balance of payments during 1973-74, in large part as a consequence of the rising price of oil. Similarly, the resource balance of a number of oil-exporting countries tended to move toward surplus in current prices as the price of oil rose. Table 4 shows the change in the real resource balance during 1974-77 for forty-two developing countries. By showing the change in constant prices, the effect of changes in prices on a country's external position is left aside. Instead the focus is on the effects of changes in the level of domestic demand (absorption) and of changes in the real side of the economy (i.e., in the level and structure of production). Change in a country's real resource balance reflects the effect of adjustment policies: absorption reduction, switching, or growth. The more successful a country is in expanding exports, substituting imports, and curbing the growth of spending or absorption, the greater will be the improvement in the real resource balance.

Table 4 indicates that a large number of nonoil developing countries (twenty-three of the thirty-three shown) experienced a deterioration in their resource balance in constant prices during this period. Among the nonoil countries the low-income and middle-income primary producers experienced the greatest deterioration in their real resource balance as a share of GDP. Ten of these countries had a serious deterioration in their real resource balance (in excess of 1 percent of GDP). Only one of the SICs experienced such a deterioration. One of the major reasons for this difference is that the SICs with their more diversified productive structure were more successful than the other nonoil developing countries in shifting resources to production of tradeable goods (i.e., positive switching). About 60 percent of SICs achieved positive switching during this period as compared with 30 percent of the low-income countries and only 25 percent of the middle-income primary producers.

Tables C.1-C.4 of Appendix C indicate that the nonoil developing countries were slow to adjust in 1974. By 1975 and 1976, however, a vastly greater number were successful in improving their real resource balances (from only 30 percent in 1974 to 61 percent in 1975, and 64 percent in 1976). By 1977 a large number of the nonoil developing countries (82 percent) were again experiencing a widening resource gap. For a number of countries, this was the result of increased absorption of resources, in many cases attributable to larger investment spending, associated with greater creditworthiness following a period of adjustment, which made it possible to finance a larger external deficit.

Table 5 classifies developing countries according to their pattern of adjustment during the 1974-77 period. It indicates that the major source of deterioration in the real resource balance which occurred for a large number of countries was excessive expansion of domestic demand (i.e. expansion of spending which outstripped increase of output). In most cases expansionary expenditure policies were associated with negative switching; that is, a shift in the composition of domestic expenditure toward greater absorption of imports and exportables. In some cases this was the result of overly ambitious investment programs as countries attempted to adjust their structure of production to higher petroleum prices. In others it was the result of an effort to maintain consumption spending in the face of a decline of real resources as terms of trade deteriorated.

Table 4:
Source of Change in External Balance, 1974-77
(percent)

Country	Cumulative Change in Real Resource Balance as % of GDP	Total	Percent of Total Attributable to:		
			Absorption	Switching	Growth
<u>Oil Importers</u>					
<u>Low-Income</u>					
Bangladesh	+0.8	+100	-444	+46	+498
Ethiopia	-1.9	-100	-92	-41	+33
India	-0.3	-100	-1214	-48	+1167
Kenya	-0.5	-100	-512	-63	+475
Madagascar	+1.2	+100	+52	+30	+18
Niger	+0.1	+100	-3632	+4	+3728
Pakistan	-0.7	-100	-345	-45	+290
Sri Lanka	-0.3	-100	-497	-109	+506
Tanzania	-0.7	-100	-381	-33	+313
Zaire	-2.0	-100	-13	-62	-24
<u>Middle-Income Primary Producers</u>					
Cameroon	-1.4	-100	-208	-60	+168
Chile	+2.5	+100	+24	+50	+26
Colombia	-0.8	-100	-333	-55	+288
Costa Rica	-1.6	-100	-181	-55	+135
Dominican Republic	-0.9	-100	-313	-40	+253
El Salvador	-3.7	-100	-119	-41	+60
Ghana	-2.3	-100	-6	-39	-55
Guatemala	-0.6	-100	-391	-86	+376
Ivory Coast	-1.6	-100	-105	-144	+149
Jordan	-15.3	-100	-73	-35	+8
Morocco	-4.3	-100	-111	-52	+63
Philippines	-0.3	-100	-1062	-18	+880
Senegal	+0.5	+100	-372	+80	+392
Sudan	-3.2	-100	-135	-46	+81
Thailand	+0.1	+100	-573	+68	+605
Zambia	+4.2	+100	+31	+60	+9
<u>Semi-Industrial</u>					
Argentina	+1.3	+100	-22	+48	+74
Brazil	0	-100	-8233	+316	+7818
Korea	-0.2	-100	-2934	+130	+2705
Portugal	-0.8	-100	-202	-39	+141
Turkey	-1.2	-100	-345	-38	+284
Uruguay	+2.8	+100	-6	+59	+47
Yugoslavia	-0.8	-100	-370	-41	+310
<u>Oil Exporters</u>					
<u>- Capital Importers</u>					
Algeria	-6.0	-100	-103	-47	+50
Ecuador	-4.2	-100	-134	-58	+91
Egypt	-1.2	-100	-396	+1	+295
Indonesia	-2.1	-100	-257	-33	+189
Malaysia	+0.1	+100	-3110	-212	+3422
Mexico	+0.5	+100	-256	+77	+279
Nigeria	-7.2	-100	-106	-46	+53
Tunisia	-3.1	-100	-127	-51	+77
Venezuela	-8.7	-100	-74	-52	+26

Note: Component parts may not add to total due to rounding.

Source: Appendix B.

Table 5:

Pattern of Adjustment in Developing Countries
Change in Real Resource Balance, 1974-77

Country and Primary Source of Improvement or Deterioration	Secondary Source of Improvement or Deterioration
I. Countries in which real resource balance indicates an improvement during 1974-77	
A. Attributable to reduction of absorption (contraction of domestic demand):	
Madagascar	Positive switching and some expansion of output
B. Attributable to positive switching:	
Chile	Expansion of output and curtailment of domestic demand
Zambia	Reduced absorption
Uruguay	Expansion of output
C. Attributable to expansion of output:	
Bangladesh	Increased absorption and positive switching
Niger	Increased absorption
Senegal	Positive switching
Thailand	Increased positive switching
Argentina	Positive switching
Malaysia	Increased absorption and negative switching
Mexico	Increased absorption and positive switching
II. Countries in which real resource balance indicates a deterioration during 1974-77	
A. Attributable to increased absorption (expansion of domestic demand):	
Ethiopia	Negative switching
India	Strong growth of output
Kenya	Growth of output
Sri Lanka	Growth of output and negative switching
Tanzania	Growth of output and negative switching
Cameroon	Strong growth of output and negative switching
Colombia	Growth of output and negative switching
Costa Rica	Growth of output and negative switching
Dominican Republic	Growth of output and negative switching
El Salvador	Some growth of output and strong negative switching
Guatemala	Strong growth of output and some negative switching
Jordan	Negative switching
Morocco	Some growth output and strong negative switching
Philippines	Strong growth output and some negative switching
Sudan	Growth output and negative switching
Brazil	Strong growth of output and positive switching
Korea	Strong growth of output and positive switching
Portugal	Some growth of output and negative switching
Turkey	Growth output and negative switching
Yugoslavia	Growth of output and negative switching
Algeria	Some growth of output and strong negative switching
Ecuador	Growth of output and strong negative switching
B. Attributable to negative switching:	
Zaire	Negative growth
Ivory Coast	Expansion of output and increased absorption
C. Attributable to contraction of output:	
Ghana	Negative switching and strong negative switching

Note: Countries are classified according to the principal source of change in the real resource balance.

Most of the oil exporters experienced a widening of their resource gap in real terms due to a sharp increase in domestic spending (absorption) and very considerable negative switching.^{1/} In current prices, most of these countries experienced an improvement in their external resource gap as a consequence of the rise in the price of oil. To utilize their additional revenue, these countries increased their absorption of external resources (i.e., expanded domestic expenditure). The strong negative switching which occurred in these countries was a reflection of their comfortable foreign exchange position and the appreciation of their currencies in real terms, which shifted relative prices and domestic resources away from tradeable goods.

Of the twenty-five developing countries in category II.A of Table 5, only two countries, Brazil and Korea, experienced a deteriorating real resource balance due to excessive expansion of aggregate demand without simultaneous negative switching. The economies of these two countries grew rapidly during this period. Export promotion policies were so firmly entrenched in them that negative switching did not occur.

Only one country, Ghana, experienced a widening of its real resource balance primarily as a consequence of contraction of output. Deterioration in the external positions of Zaire and Ivory Coast was primarily the result of negative switching associated with some contraction of output and excessive expansion of domestic demand, respectively.

Eleven countries were able to improve their real resource balance during 1974-77. Six of these countries were either SICs or were well on their way to developing a diversified economy with a strong industrial base. All but four of the countries which strengthened their real resource balance did so principally by expanding output. In these, rapid growth was associated with positive switching. Chile and Uruguay stand out as countries which were successful in switching resources to tradeable goods output while simultaneously achieving rapid expansion of output.

Improvement in the external resource gap was achieved by contracting domestic demand in only one case, Madagascar. This does not mean that demand management policies were generally unimportant in the adjustment process; they were in fact an important complement to output growth and switching policies. What it does suggest is that most developing countries were not able to rely on curbing demand as the principal means of strengthening their external position.

The major conclusions which emerge from this analysis can be summarized as follows:

- Terms of trade were important determinants of the pattern of adjustment.

^{1/} These findings are corroborated by recent studies carried out for the World Bank's World Development Report 1981 (New York: Oxford University Press). See Alan Gelb, Capital-Importing Oil Exporters: Adjustment Issues and Policy Choices, World Bank Staff Working Paper No. 475 (Washington, D.C., July 1981).

- Oil-exporting countries, which experienced a sharp improvement in their terms of trade, were quick to absorb these additional resources. The positive side of this was a rapid growth of investment and rising levels of per capita consumption. The negative side was a stifling of growth in the nonoil, tradeable goods sectors (negative switching), which were unable to compete internationally at real appreciating exchange rates.
- Nonoil developing countries found it difficult to adjust their level of domestic expenditure downward in line with the loss of resources they experienced. Continued rapid growth of domestic expenditure was the most frequent cause of deterioration of the external resource balance. Contracting domestic demand alone was not a viable way of achieving external balance for most countries.
- The most frequent source of real improvement in the external position of nonoil developing countries was expansion of output associated with structural change (i.e., positive switching or increased production of exports and import substitutes).
- Countries which were most successful in strengthening their external position in real terms were those which simultaneously used a variety of complementary growth, switching, and demand management instruments. Countries which concentrated on one mode of adjustment (e.g., improvement through contractionary domestic demand policies only or through a high-growth strategy without due regard to domestic demand or switching policies) were generally not successful in achieving their objective.
- Almost all countries which were able both to improve their existing external position and simultaneously accelerate growth pursued at the same time strong switching policies. Thus, the most desirable way of adjusting (through growth and structural change) was also the most frequent for this group of countries (I.C in Table 5).

This analysis indicates that the SICs were more successful in adjusting to external shocks during the 1974-77 period than were other nonoil developing countries. A number of these countries, however, were not able to reduce their external gap as a result of over-spending. The experience of nonoil developing countries, and of the SICs in particular (as shown by the country case studies in the next section), indicates that those countries which accelerated diversification of their productive structure and adopted policies aimed at integrating their economies more closely with the world economy were generally able to adjust to the new petroleum prices and the slowdown in world trade with the least disruption of their growth and pursuit of broader development objectives. Sustained adjustment, which reinforced rather than inhibited development, contributed to building a pattern of production which responded most effectively to the changed international environment. The analysis presented in this chapter suggests that, to be

effective, measures to strengthen a country's external position by addressing short-term disequilibrium must be accompanied by restructuring of a longer-term nature with increasing shifts in resource use to production of tradeable goods. That the SICs were on average able to adjust in this way to a greater extent than other nonoil country groups was related to their already more advanced economic structure and flexibility, their generally greater credit-worthiness, and their greater access to external capital.

V. Case Studies in Adjustment

This section presents the experience of four SICs in adjusting to external imbalance since the petroleum price increases of 1973. The purpose of the case studies is to explore the relationship between adjustment and development and to analyze the impact of adjustment policies on the patterns of expenditure, resource allocation, and the rate and structure of growth. These countries -- Uruguay, Brazil, Korea, and Turkey -- have been selected for their differences in characteristics (openness, size, concentration of trade and production) and policy responses to external imbalance. However, each of them is heavily dependent on imported petroleum as a major source of its total commercial energy requirement and has been adversely affected by increases in international oil prices. Conclusions are discussed regarding policies for the country's adjusting to external imbalance while it simultaneously promotes economic growth and broader development objectives.

Each case study is divided into four sections. The first section provides the background on the country's economic development prior to the external shocks of the mid-1970s. The second section identifies the source of imbalance and quantifies the real resource loss to the economy. The third section analyzes adjustment to external imbalance which occurred in the mid-1970s in terms of changes in the following: the level of domestic demand or absorption, the composition of expenditure, the structure of output between traded goods (defined as exportables and import substitutes) and non-traded goods sectors of the economy, and the growth of the traded goods sectors. The analysis distinguishes the impact of autonomous changes from those which are policy-induced. The relative importance of import substitution and expansion of exports in growth is identified. The fourth section assesses the severity and impact of recent changes in the world economy on the country's growth and development prospects. Each case study begins with a summary.

Uruguay

Summary

Prior to 1973 Uruguay's economic performance was marked by persistent inflation, periodic balance of payments crises, and a stop-go pattern of growth which, over the entire period, resulted in declining per capita income. ^{1/} Prolonged high levels of protection, neglect of activities in which the country had a comparative advantage, pervasive price controls, credit rationing with negative real rates of interest, and chronic public sector deficits financed through excessive monetary expansion prevented the development of a productive structure capable of providing even a moderate growth of per capita income. Because of its development strategy, the country was ill-prepared to cope with even minor disruptions in world markets. The events of late 1973 and 1974 triggered the worst balance of payments crisis of the post-war period.

The oil price increase and other changes which took place in the world economy during 1974-76 had a severe adverse impact on the Uruguayan economy. The losses in income attributable to deterioration in the terms of trade were 2.4 percent of GDP in 1974, 6.1 percent in 1975, and 7.9 percent in 1976. Almost half of the increase in import prices which occurred during this period was directly attributable to oil price increases.

Faced with the sudden deterioration in its external position, the government initiated a program designed to attack the existing structural imbalance in the economy. By adopting policies aimed at stimulating savings and investment in the traded sectors of the economy -- agriculture and manufacturing for export -- Uruguay was able to eliminate external imbalance while simultaneously reducing inflation and accelerating growth of output. Expansion of exports, particularly of nontraditional manufactured goods based on processing of rural goods, was the major source of growth during 1974-76. Absorption reduction played only a minor role in the adjustment process in Uruguay during this period. The major sources of improvement in the economy's external position were switching (59 percent) and growth.

Growth of investment outpaced growth of domestic demand by a considerable margin, and per capita consumption declined. While the decline in real wages was only partially offset by rising employment, income distribution does not appear to have been significantly affected. Given the relatively equitable distribution of income and high level of consumption which prevailed prior to the external shocks of the mid-1970s, the decline in per capita consumption which occurred during the adjustment period appears to have been a necessary -- and not excessively large -- price to pay for the advances made in restoring external balance and placing the economy on a higher growth path. By 1976 the current account deficit of the balance of payments had been reduced to a sustainable level and the adjustment process was firmly underway. The success of the adjustment experience during 1974-76 illustrates the flexibility, resilience, and growth potential of the Uruguayan economy. By adopting policies to stimulate domestic savings and investment in traded goods sectors of the economy, Uruguay was able to eliminate external imbalance while simultaneously reducing inflation and accelerating growth of output.

^{1/} This case study is based in large part on economic and sector reports prepared at the World Bank.

Since 1974, Uruguay has initiated action to carry out long-term structural adjustment of its economy. Reduction of the country's dependence on imported petroleum has been a major component of this program. Given the long lead-time needed for substituting imported petroleum by hydropower and other sources of energy, the country is still heavily dependent on imported petroleum. As a consequence, the latest round of petroleum price increases has had a significantly adverse impact on the country's external position. Rising world petroleum prices in 1979 increased outlays on petroleum imports by 60 percent. However, the sharp deterioration in the terms of trade and current accounts of the balance of payments which took place in that year were even more directly the consequence of the reduction of incentives for exports. The increased cost of oil imports in 1980 attributable to the latest round of price increases is US\$150 million, or over 10 percent of total imports.

As a result of increased external borrowing during the 1974-76 adjustment period, debt service payments are expected to rise rapidly in the early 1980s. The experience of the mid-1970s indicates, however, that the Uruguayan economy has the resource base and flexibility to adjust quickly to adverse external forces. Provided there is a reorientation of economic policy to encourage growth of the tradeable goods sectors of the economy, Uruguay should have little difficulty strengthening its external position so as to cover the increased costs of petroleum imports while simultaneously raising per capita consumption and achieving an adequate rate of economic growth.

Background

Uruguay's economic performance from the 1950s to the early 1970s was marked by persistent inflation, periodic balance of payments crises, and declining per capita income. Cost pressures generated by excessive import substitution were only one of the causes of the serious acceleration of inflation. Efforts to redistribute income -- away from the rural sector producing for export and toward urban wage earners in the form of a larger supply of cheap wage goods and services -- created a condition of almost permanent excess demand. The surplus drained from agriculture went primarily to consumption rather than to investment in productive capacity, which would have acted to reduce inflation by increasing supply. The high level of consumption during this period was achieved at the expense of investment and exports. Chronic external imbalance resulted in import prohibitions which further aggravated inflation. The reluctance of a population accustomed to high levels of consumption to accept austerity, the unsupportable burden of massive transfers of goods and services to the urban population, sizeable deficits in public finances created by over-extended, inefficient public enterprises and subsidies to weak import-substituting manufacturing industries (the result of a system of protection which encouraged uneconomic diversification of domestic industry), and excessive wage increases extracted by well-organized urban workers further contributed to recurrent bouts of uncontrollable inflation.

Prolonged high levels of protection, pervasive price controls, credit rationing with negative real rates of interest, and chronic public sector deficits financed through excessive monetary expansion prevented the development of a productive structure capable of meeting the demands generated by a moderate growth of per capita income. Measures implemented by governments prior to the balance of payments crisis of 1974 not only failed to address the underlying structural defects of the economy but aggravated them by increasing producer and investor uncertainty.

Sources of External Imbalance, 1974-76

The dramatic changes in the world economy which began in late 1973 had a severe, adverse impact on Uruguay's external position (see Table 6). The increase in prices of imported petroleum, on which the country was entirely dependent, followed by substantial increases in prices of other imports, more than doubled prices of imports. Prices of the country's major exports (beef and wool) declined by 35 percent and 24 percent, respectively, in 1975. The result was a deterioration in Uruguay's terms of trade which was more severe than that experienced by most middle-income developing countries during this period. Terms of trade declined by 50 percent in 1974 and 28 percent in 1975. The loss of real income from the unfavorable change in terms of trade was 2.2 percent of GDP, 6.1 percent, and 7.9 percent, respectively, in 1974, 1975, and 1976.

The total change in the trade balance which resulted from price and volume changes during 1974-76 can be identified by comparison with prices and volumes prevailing in 1972-73. Table 7 indicates that additional foreign exchange required to pay for imports between 1974-76 was US\$888 million as a consequence of the increase in prices compared with those prevailing in 1972-73. Had it not been for the decline in the volume of imports which occurred during this period, outlays on imports would have had to total US\$954 million more than if the prices of the base period 1972-73 had prevailed. Forty-two percent of this increase was attributable to the increased price of petroleum.

During 1974-76, the increase in the volume of traditional exports compared with 1972-73 financed about 10 percent of the increased cost of imports. In contrast, Table 7 indicates a major expansion of nontraditional exports, which financed 40 percent of the higher cost of imports. The remainder (almost 50 percent) was financed from external borrowing and drawdown of foreign exchange reserves.

Adjustment to External Imbalance

The deterioration in Uruguay's terms of trade triggered the most serious balance of payments crisis of the post-war period. From a surplus equivalent to 2 percent of GDP in 1972-73, the current account balance shifted to a deficit of 3.5 percent and 5.2 percent of GDP in 1974 and 1975, respectively. Despite heavy external borrowing during this period (outstanding debt increased more than 60 percent during 1974-76), international reserves declined by over US\$130 million to the equivalent of about one month of imports.

Table 6:
Uruguay's Balance of Payments, 1970-79
(millions of U.S. dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
<u>Trade Balance</u>	<u>21.0</u>	<u>- 6.4</u>	<u>35.4</u>	<u>79.0</u>	<u>-55.6</u>	<u>-109.2</u>	<u>28.4</u>	<u>-68.1</u>	<u>-73.0</u>	<u>399.3</u>
Exports, f.o.b.	224.1	196.6	214.1	327.6	381.3	384.9	565.0	611.6	686.1	790.0
Imports, f.o.b.	203.1	203.0	178.7	248.6	436.9	494.1	536.6	679.7	760.0	1,189.3
Net Service Payments	-50.6	-44.0	-31.9	35.7	-55.8	-16.0	-42.3	32.1	122.5	130.3
Net Factor Income	-24.8	-21.6	-23.6	-25.1	-42.5	-71.2	-72.4	-67.9	-77.1	-72.0
Net Transfers	9.3	8.3	11.3	18.9	21.1	6.9	7.7	6.6	8.0	6.0
<u>Current Account Balance</u>	<u>-45.1</u>	<u>-63.5</u>	<u>58.7</u>	<u>37.1</u>	<u>-132.8</u>	<u>-189.5</u>	<u>-78.6</u>	<u>-97.3</u>	<u>-20.5</u>	<u>-335.0</u>
Public Medium- and Long- term Loans (Net)	-10.4	20.1	33.5	11.0	160.6	102.7	75.8	38.8	50.2	119.0
Gross Disbursements	36.6	61.3	122.0	83.2	285.9	284.6	224.1	225.1	416.0	173.5
Amortization	-47.0	-41.2	-88.5	-72.2	-125.3	-181.9	-148.3	186.9	365.8	-54.5
Other Net Capital Movements (including errors and omissions)	<u>7.4</u>	<u>-43.6</u>	<u>-67.4</u>	<u>49.1</u>	<u>-98.7</u>	<u>14.0</u>	<u>114.5</u>	<u>219.1</u>	<u>164.9</u>	<u>226.6</u>
Change in Reserves ^{a/}	<u>20.6</u>	<u>61.1</u>	<u>12.3</u>	<u>-89.8</u>	<u>58.2</u>	<u>72.8</u>	<u>-111.7</u>	<u>-160.6</u>	<u>-194.6</u>	<u>-50.6</u>

^{a/} Before valuation adjustments and Special Drawing Rights (SDRs) allocations.

Sources: Central Bank of Uruguay; International Monetary Fund (IMF) and World Bank staff estimates.

Table 7:
Changes in Uruguay's Trade Balance in Relation to the Average
for the Period 1972-73
(millions of U.S. dollars)

	Year			Period
	1974	1975	1976	1974-76
<u>Imports</u>	<u>239</u>	<u>309</u>	<u>340</u>	<u>888</u>
Factors accounting for the increase in the value of imports				
Price effect <u>a/</u>	302	338	314	954
Fuels	120	136	141	397
Raw materials, capital goods, and consumer goods	182	202	173	557
2. Volume effect <u>b/</u>	-63	-29	26	-66
Fuels	-8	-1	-9	-18
Raw materials, capital goods, and consumer goods	-55	-28	35	-48
<u>Exports</u>	<u>114</u>	<u>115</u>	<u>277</u>	<u>506</u>
<u>Nontraditional exports</u>	<u>58</u>	<u>98</u>	<u>210</u>	<u>366</u>
Value increase <u>c/</u>	58	98	210	366
<u>Traditional exports</u>	<u>54</u>	<u>-7</u>	<u>44</u>	<u>91</u>
<u>Price effect</u>	65	-34	-23	8
Meat	32	-31	-35	-34
Wool	21	-11	9	19
Rice	12	8	3	23
<u>Volume effect</u>	-11	27	67	83
Meat	-6	-8	41	27
Wool	-11	20	13	22
Rice	6	15	13	34
<u>Other traditional exports</u>	<u>2</u>	<u>24</u>	<u>23</u>	<u>49</u>
Value increase	2	24	23	49
Trade balance	<u>-125</u>	<u>-194</u>	<u>-63</u>	<u>-382</u>

a/ In the calculation of $Q_{72-73} (P_i - P_{72-73})$, $i = 1974, 1975, \text{ and } 1976$.

b/ In the calculation of $P_i (Q_i - Q_{72-73})$, $i = 1974, 1975, \text{ and } 1976$.

c/ Not including rice.

Faced with the precipitous deterioration in the country's external position, a weakening fiscal situation aggravated by rapid growth of subsidies designed to moderate the impact of increased import prices, and acceleration of inflation to over 100 percent, the government which came to power in mid-1974 initiated a program designed to attack the existing structural imbalance in the economy. The basis of the government's program was the opening up of the economy to international markets, reallocation of productive resources toward activities in which Uruguay had a comparative advantage, and restructuring of domestic demand toward savings and investment. To improve resource allocation, the government decontrolled most domestic prices, eliminated import quotas, and relaxed other import restrictions. To stimulate the growth of trade, it reduced its reliance on revenue from export and import duties, substituting two new taxes: a progressive income tax on imputed agricultural income and a value added tax on manufacturing. Adoption of a crawling exchange rate policy aimed at achieving real depreciation of the currency and provision of generous fiscal and credit incentives for nontraditional exports dramatically improved incentives for exports. To stimulate savings and improve allocation of productive resources, limits on interest rates were dropped.

The combined effect of these measures was to provide an environment which, for the first time in the post-war period, was propitious for the growth of investment, trade, and output. The reaction was almost immediate. Led by the manufacturing sector, the economy grew by 3.1 percent and 4.4 percent in 1974 and 1975, respectively. Expansion was greatest in industries producing for export, mainly processing of rural products such as foodstuffs, leather and shoes, and textiles. Immediate and impressive gains were also made in crop production. Despite the country's dwindling foreign exchange reserves, the removal of administrative controls made it possible for the productive sectors of the economy to obtain imported inputs. Real trade growth outpaced overall growth of the economy during this period, increasing as a share of GDP from 26 percent to 42 percent. The volume of exports doubled. The share of nontraditional exports in total exports rose from 22 percent to 52 percent. Of equal importance was the response to measures aimed at stimulating savings and investment. Domestic expenditure was restructured during this period; investment rose by 47 percent and consumption declined by 8 percent.

The far-reaching adjustment program carried out by Uruguay during 1974-76 was successful in establishing external balance while simultaneously placing the economy on a higher growth path. This adjustment process can be analyzed by decomposing the improvement in the resource balance of the balance of payments into absorption reduction, switching, and growth effects. The improvement which took place in the country's resource balance in real terms during 1974-76 can be seen in Table 8.

Table 8:

Adjustment to External Imbalance in Uruguay, 1971-78
(change in real resource balance in millions of constant pesos)

	1971	1972	1973	1974	1975	1976	1977	1978
Absorption Effect	-123.0	339.8	-155.1	107.1	-123.5	169.3	-269.2	-257.3
Terms of Trade Effect	-179.8	-322.8	-524.5	182.1	390.3	525.9	547.1	530.0
Output Effect on Income	71.1	266.5	-54.7	-235.9	-305.2	-177.2	-204.9	-255.7
Policy Effect	-14.3	396.2	424.0	160.9	-208.5	-179.4	-611.4	-532.6
Switching Effect	-282.6	101.1	-143.6	470.2	282.1	566.3	-118.4	-2.9
Expenditure Switching	-243.0	157.2	-182.9	522.9	219.5	480.7	-117.8	98.3
Output Switching	-39.5	-56.1	39.2	-52.7	62.6	85.6	-0.6	-101.3
Growth Effect	-67.5	-236.9	49.8	207.7	300.4	186.4	247.6	300.3
Total Change in Resource	-473.0	204.0	-249.0	785.0	459.0	922.0	-140.0	40.0

Note: Derived from National Accounts in constant prices as shown in Appendix A.

The total absorption effect (which combines both autonomous and policy-induced changes in the level of domestic demand) on the real resource balance was negligible during 1974-76. Because of the deterioration in the terms of trade during this period, however, domestic income and expenditure were reduced, and the reduction of absorption improved the resource balance in real terms. Demand management policies aimed at contracting domestic demand and absorption of resources had a negligible positive impact on the resource balance in 1974 and a negative impact thereafter. Table 8 indicates that most of the adjustment in Uruguay was achieved through switching (principally expenditure switching) and growth of tradeable goods output. The expansionary impact of fiscal and monetary policies and the strong shift in the share of domestic expenditure in favor of investment explain the strong positive growth effect. Expenditure shifting was the result of increased prices of tradeable goods relative to non-tradeable goods (attributable to increased fiscal subsidies for exports and real depreciation of the peso) and -- even more important -- the increase of the share of investment in total domestic expenditure, much of which took the form of increased outlays on construction (i.e., non-tradeable goods). With GDP accelerating to 3.4 percent on average during 1974-76, as compared with growth of less than 1 percent annually during 1955-73, adjustment to external imbalance in Uruguay was quite successful compared with the experience of other countries which faced similar circumstances.

What was the source of economic growth during this period?
Growth of output can be decomposed as follows:

$$\begin{aligned} dGDP &= dGDP^N + dGDP^T \\ dGDP_t &= dXGS + dIS + dXNX \\ dIS &= \frac{MGS}{GDP} dGDP - dMGS \end{aligned}$$

where GDP^N , GDP^T , IS, XNX and MGS/GDP are, respectively, non-traded goods output, traded goods output, import substitutes, non-exported exportables, and imports of goods and services divided by total output (i.e., the import coefficient).

Table 9 indicates that expansion of exportables was the major source of increased output, while import substitution and production of nontraded goods and services were a negative factor. Industries which for decades had been inward-looking (producing only for the internal market) contracted, while those producing for export expanded.

The adjustment program carried out by Uruguay during 1974-76 was successful in eliminating external imbalance while simultaneously accelerating the rate of growth above the average achieved during the earlier post-war period. From a record deficit in the trade account of the balance of payments of US\$110 million in 1975, a surplus of

Table 9:
Source of Uruguay's Output Growth, 1974-76
(percent)

	Real Output Growth	Total	Non-traded Goods	Exports	Import Substitutes	Nonexported Exportables
1974	3.1	100	-29	97	-19	51
1975	4.4	100	-47	84	-22	85
1976	<u>2.6</u>	<u>100</u>	<u>-95</u>	<u>198</u>	<u>-6</u>	<u>3</u>
Av. 1974-76	3.4	100	-57	126	-15	46

US\$28 million was achieved in 1976. As a consequence, the current account deficit in the balance of payments was cut to about one-third of its former level: from 5.2 percent of GDP in 1975 to 2 percent in 1976. By the end of 1976 the country had rebuilt its foreign exchange reserves to the level prevailing prior to the balance of payments crisis, while progressively reducing its external borrowing from the record 1974 level. The improvement in the country's external position was even more dramatic in real terms (see Appendix B). In constant pesos the resource balance improved from a deficit of NUR\$109 in 1974 to a surplus of NUR\$350 in 1975 and NUR\$1,272 in 1976, or from a deficit of 1 percent of GDP to a surplus of 6 percent.

The adjustment process which occurred in Uruguay during this period was not without cost. The restrictive wage policy pursued by the government reduced real wages by an estimated 16 percent. While employment grew, the expansion was not sufficient to fully compensate the decline of real wages, and the share of labor income in national income declined. As a consequence, the Gini coefficient rose from .37 before the adjustment had taken place to .41 in 1976. 1/

Recent Developments and Prospects

By the end of 1976 the process of reestablishing external balance was well advanced. Since that time, there has been a reorientation of economic policy. Primary importance has been given to curbing inflation while simultaneously permitting increases in per capita consumption. The principal policy instruments for achieving this have been a continued gradual opening up of the economy through reduction of tariff barriers and a balance of payments policy which focuses on overall balance. One result of this policy is that there has been a real appreciation of the peso. The recent decline in inflation has encouraged the government to continue with these policies. If continued long enough, it now appears that convergence between the domestic and the international rates of inflation will be achieved.

The appreciating real exchange rate has resulted in a shift in relative prices away from exports. Real appreciation of the peso since late 1978 has been paralleled by a marked deterioration in real export growth, including nontraditional exports, and a corresponding acceleration of imports, although with somewhat of a lag. The sharp deterioration in the trade and current account deficits in 1979 and 1980 have been financed largely by an increase of short-term capital inflows, attracted by the large spread between foreign and domestic interest rates, and by foreign direct investment.

1/ The Gini coefficient of .41 in Uruguay compares favorably with that in the United States (.42) and West Germany (.39) and is considerably below that in the rest of Latin America.

The experience of Uruguay in the post-war period indicates that when the balance between production of tradeable and nontradeable goods is not preserved, external balance and growth are jeopardized. Uruguay's international reserve position is sufficiently strong at present. It is unlikely that economic growth will be constrained by insufficient foreign exchange in the near term. If the present exchange rate and trade policies are maintained indefinitely, however, and inflation does not continue to decline, it will have an adverse impact on the availability of foreign exchange and growth of the Uruguayan economy in the early to mid-1980s.

If it is assumed that the government would reorient its policy so as to encourage growth of efficient industries in tradeable goods sectors of the economy, it is likely that the major sources of growth in the decade of the 1980s will be the expansion of manufactured exports, accelerated technological change in and growth of agriculture, and import substitution in the energy sector. There is considerable untapped potential for developing additional manufactured exports, particularly of agro-based products. Opening up of the economy to imports has already resulted in increased investment in the modernization of existing plant and equipment required for the survival of import-substituting industries. Adjustment of the product mix toward concentration on a few import substitutes where economies of scale are not significant or where transport costs are important has already occurred. For most of the remaining import-substituting activities, further opening of the economy should not cause major dislocations. Nevertheless, there are a group of industries whose existence continues to depend on excessively high effective protection and which are unable to sustain external competition. Activities which are skilled-labor intensive (such as the production of dyes, metal fasteners, and simple agricultural tools) should survive and become more efficient as the economy becomes more open, given the availability of a relatively cheap supply of skilled labor.

Agriculture

Continued opening of the economy over the next several years will result in improvement in the internal terms of trade for agriculture. This, together with the elimination of remaining controls on prices and marketing of agricultural products, will improve profitability of investment in agriculture. Rural entrepreneurs in Uruguay react quickly to changes in relative prices and costs. Despite decades of public policy bias against agriculture, some technological improvements have been made. Mechanization and use of improved seeds, hybrids, and herbicides have expanded significantly during the post-war period. There is still considerable untapped potential for application of production-increasing technology. Provided appropriate exchange rate, tariff, and pricing policies are pursued, the outlook for further technological change in agriculture is promising.

Energy

Uruguay currently imports all of its fuel and is dependent on external sources for 85 percent of its energy. There are no known indigenous hydrocarbon resources which are commercially exploitable at present. Small deposits of uranium have been found. Development of nuclear power will depend

on progress in the development of small-scale reactors, given Uruguay's limited market. With the completion of the two large hydroelectric projects currently under construction, hydro will constitute two-thirds of the country's electric power capacity and three-quarters of its electricity generation. The most economic solution to Uruguay's energy problem would be to integrate its power grid with those of its larger neighbors. Expansion and integration of the region's gas pipeline network has already begun. Current plans are to bring Bolivian natural gas to Montevideo through the Argentine pipeline network. In the near future, Uruguay will have to continue to develop hydro resources and strengthen conservation efforts primarily by reducing the energy intensity of new capacity in the industrial and transport sectors.

Growth and Capital Requirements

If the government continues to deepen and accelerate the trade liberalization process, and reestablishes adequate incentives for growth of traded goods sectors of the economy, Uruguay should be able to achieve real growth of between 4 percent and 5 percent annually over the long term. Such a growth rate should make it possible to further reduce unemployment and increase per capita consumption by about 3.5 percent annually in real terms. Continued growth will require rehabilitation and modernization of the country's capital stock; this could be achieved by increasing investment from about 18 percent of GDP during 1977-78 to about 20 percent of GDP during 1980-83. The large infrastructure investments will require that the capital-output ratio will be relatively high (4.5).

The balance of payments projections presented in Table 10 assume rapid growth of exports due to growth of meat exports after 1981 as the investments of 1978-79 mature and renewed rapid growth of nontraditional exports, such as leather products, woolen textiles, processed goods, and fish. Imports of capital goods are projected to increase rapidly to sustain the required investment levels. Nonfood consumer goods imports will also grow rapidly because of growth in incomes and import liberalization. Slower growth of fuel imports from 1982 on is expected as new hydroelectric capacity replaces thermal power. Total imports in constant prices are projected to grow more slowly than exports during 1980-83.

The current account deficit is projected to average about US\$230 million a year during 1980-83. Gross capital requirements to finance this deficit, meet amortization payments, and maintain a reasonable level of reserves are projected to be about US\$330 million a year. Public sector borrowing is expected to cover about 60 percent of this and private capital inflows the rest. Due to a heavy backlog of existing loan commitments, disbursement of the roughly US\$200 million in projected annual public sector borrowing could be maintained by new commitments of only US\$180 million a year, of which about half would come from international and bilateral agencies and the remainder from commercial bank and supplier credits.

Improvement in the country's external position in response to the adjustment program of the mid-1970s made it possible for the country to restructure its external debt by prepaying and refinancing short-term,

Table 10:
Projected External Capital Requirements and Financing for Uruguay, 1980-83
(millions of U.S. dollars)

	1980	1981	1982	1983
Exports of goods and nonfactor services	1216.5	1353.9	1538.7	1762.2
Imports of goods and nonfactor services	1351.9	1503.3	1672.7	1851.2
Resource balance	-135.4	-149.4	-134.0	-89.0
Net factor payments	-96.6	-105.9	-118.2	-129.3
of which: Net interest	-72.4	-79.3	-89.0	-97.1
Net transfers	8.5	9.3	10.2	11.3
Current account balance	<u>-223.5</u>	<u>-246.0</u>	<u>-242.0</u>	<u>-207.0</u>
Private capital inflows	146.8	145.0	129.4	110.2
Public medium & long term loans (net)	101.0	126.2	140.9	126.6
Gross disbursements	155.9	192.8	213.7	233.8
Amortization	-55.0	-66.6	-72.8	-107.2
Change in reserves (- = increase)	<u>-24.3</u>	<u>-25.2</u>	<u>-28.3</u>	<u>-29.8</u>
Public debt service ratio	12.7	13.4	15.4	17.5

high-interest-rate loans contracted in the early 1970s. As a result, debts falling due have come down from 32 percent of outstanding debt in 1976 to 20 percent at present. This trend is expected to continue through the mid-1980s. The projections indicate that the debt service ratio will increase somewhat in the years immediately ahead (from 13 percent at present to about 18 percent). Given this moderate rise, it is expected that there will be little difficulty in borrowing the amount required to sustain growth well above that achieved in the 1955-73 period.

Brazil

Summary

The 1973-74 oil price increases and subsequent world recession took place as Brazil was reaching the peak of a strong expansion of output which was exceedingly import intensive. ^{1/} Even without the deterioration in its terms of trade after 1973, Brazil would have encountered balance of payments difficulties in the mid-1970s had the level and pattern of economic growth of the 1965-73 period continued. A shift in resource allocation toward production of exports, import substitutes or less import-intensive production, or a reduction in the rate of growth would have been required even if the oil price increases had not taken place.

Few large countries are as dependent on imported petroleum as is Brazil. With the increase in the price of petroleum in 1973 and with import outlays swelled by speculative commodity stockpiling, the country experienced a large increase in its current account deficit. While Brazil's exports continued to rise rapidly during this period (70 percent stemming from price increases), this was not sufficient to compensate the increase in expenditure on imports. As a consequence, the current account deficit of the balance of payments increased from less than 2 percent of GDP on average in 1969-73, to 7 percent in 1974, and 5.6 percent in 1975. Most of this increase was covered by a sharp expansion of gross borrowing on commercial terms. A small portion was covered by drawdown of international reserves.

Given this situation and the severity of the deterioration in the terms of trade after 1973, Brazil was relatively successful in maintaining growth of output and employment. Maintaining the pace of economic growth was not without its costs. The country accumulated what turned out to be a large amount of external debt in the face of deteriorating terms of trade and rising interest rates in 1978-80. While export growth was outstanding, it still was not able to keep up with growing debt service and petroleum imports. Because of the large amount of debt accumulated at variable interest rates, Brazil became more vulnerable to interest rate fluctuations in international capital markets than before the oil crisis.^{2/} Large inflows of foreign loans combined with curbs on imports have resulted in an acceleration of inflation. Compression of imports since 1974 has reduced the current flow to those which are essential for development. Further containment of imports of capital and intermediate goods will have an adverse impact on investment and growth.

The pattern of adjustment in Brazil during the 1970s can be characterized as deferred adjustment through borrowing rather than through structural change. This was not the result of any well-thought-out strategy but rather the result of an economic policy during 1973-79 which followed a stop-go pattern. Absorption reduction was not used in any significant way (with the exception of 1977) to permit output to grow more rapidly than disposable income and consumption. Nondebt adjustment was primarily through growth of

^{1/} This case study is based in large part on economic and sector reports prepared at the World Bank.

^{2/} A 1 point increase in LIBOR (London inter-bank offered rate) increased Brazil's debt service costs by US\$350 million annually.

traded goods output. Some positive switching took place as a result of direct controls on imports and heavy subsidies to exports rather than through real depreciation of the country's currency. Given the deferred adjustment which occurred in Brazil (and the heavy external borrowing which this required), the impact of the second round of oil price increases in 1978-80 was severe, coinciding with the steep rise in interest rates and the need to expand exports in the face of the slowdown of growth in the OECD countries.

The strategy adopted by Brazil was one which is more suited to a country adjusting to a short-term cyclical disturbance. It was less appropriate for a country experiencing a secular trend which is unlikely to be reversed. The traditional rationale for borrowing rests on the assumption that the borrowed funds are invested in capital stock, which adds to the productive capacity of the country and generates additional product at least sufficient to repay the debt. If a country borrows to finance consumption rather than to increase productive capacity, then it must curb consumption in the future when the loan is repaid. An exception to this is when the country is experiencing a temporary or cyclical shortfall in savings and borrows to tide itself over. In this case, the funds are used to maintain consumption levels on the assumption that savings at the top of the cycle will exceed existing needs. Brazil initially dealt with the petroleum price rise as though it were a cyclical phenomenon, borrowing to maintain consumption and, to a lesser extent, investment. It is now clear, however, that the price rise is unlikely to be reversed.

In the coming years, Brazil will have to speed up the process of structural adjustment, elements of which have been initiated during 1974-80. The process involves five components: (1) reduction in the intensity of use of liquid fuels; (2) increased domestic production of liquid fuels, such as alcohol or domestic petroleum; (3) an increased share of exports in GDP; (4) rationalization of the import-substitution process to encourage a more efficient pattern of domestic production; and (5) curbs on increase in consumption (to permit expansion of investment required for output switching and growth of traded goods output) until output growth exceeds growth of total expenditure. Even if these measures are carried out expeditiously, 1981-85 will be a difficult period. Brazil is now even more vulnerable to changes in the price of petroleum, conditions affecting the growth of its exports, and the availability and terms of foreign credits. It is likely that growth over the next several years will be somewhat lower than achieved since 1973.

Background

Brazil has gone through four distinct periods of economic development in the post-war period:

	<u>Number of Years</u>	<u>Average Annual Growth of GDP (Percent)</u>
1950-62	13	7.0
1963-67	5	3.5
1968-74	7	11.0
1975-79	5	6.5

In the immediate post-war period Brazil experienced rapid economic growth. Industrialization, primarily through import substitution, was the major impetus to growth. By the end of this period import substitution of manufactured goods was near completion; imports accounted for only 4 percent of total domestic supply of manufactures. Rapid growth of industry required large and expanding imports of capital and intermediate goods. This was made possible by buoyant export earnings, primarily of agricultural goods, in response to the expansion of the world economy following World War II. Political instability, weak economic management, and rapidly accelerating inflation in the early 1960s were followed by an austerity program which paved the way for the export-led boom of 1968-74. During this period, the Brazilian economy was one of the fastest growing in the world. Manufacturing was the most dynamic sector of the economy, expanding by an average 13 percent per year in real terms. In contrast to the earlier period, however, expansion of manufacturing was export-oriented. Increasing from only 3 percent of domestic production of manufactured goods in the early 1960s, exports rose to over 10 percent by 1974. Rapid economic growth during this period was achieved with only a moderate increase in foreign debt, and with a steady decline in the rate of inflation. International reserves kept pace with growth of external debt, increasing from US\$199 million in 1967 to US\$6.5 billion in 1973.

This performance was, in large part, the consequence of the government's adoption of an export-led growth strategy, with selective import substitution in the intermediate and capital goods sectors. Its success was facilitated by a buoyant international economy and supporting inflows of direct foreign investment and technology. With per capita income growing at more than 7 percent per year, poverty alleviation was left largely to the process of "trickle down." The limited evidence available suggests that, although unequally distributed, significant gains were made at all income levels during this period.

Production figures for the post-war period up to 1974 indicate an economy vigorously expanding at an average 7.4 percent annual growth rate, with actual growth following a cyclical pattern. The oil crisis hit the Brazilian economy at the peak of a cyclical expansion. ^{1/} By 1973, excess demand in product and factor markets was generating increased inflationary pressure. Full utilization of domestic capacity was making it increasingly difficult to convert growth of domestic demand into expansion of output. The greater size and diversity of economic activity, particularly of exports, and the substantially larger international reserves, had increased the economy's capacity to adjust to most of the traditional, externally generated shocks. The specific shock that occurred, however, attacked the Brazilian economy at its most vulnerable point: namely, the heavy dependence of its industrial and transport sectors on previously low-priced, imported petroleum.

^{1/} W. Suzigan, et.al., Crescimento Industrial no Brazil. Rio de Janeiro: IPEA, 1974.

Sources of External Imbalance, 1974-76

Few large countries are as dependent on foreign petroleum as Brazil. Despite major exploratory efforts by PETROBRAS, Brazil's national oil company, more than 80 percent of the country's petroleum consumption comes from abroad. With the average import price of oil rising from US\$2.70 in 1973 to US\$9.80 per barrel in 1974, outlays on oil imports jumped fourfold from US\$770 million to US\$3.0 billion in 1974 and US\$3.8 billion in 1976. The terms of trade suffered a year-to-year decline of 30 percent in 1974. With imports swelled by speculative commodity stockpiling, the resource deficit jumped by over US\$5 billion in 1974 and US\$4 billion by 1975. The deficit on current account rose from US\$ 1.7 billion to \$7.1 billion in 1974 and to US\$6.7 billion in 1975. This represented an increase in the current account deficit from less than 2 percent of GDP during the 1969-73 period to 7 percent in 1974 and 5.6 percent of GDP in 1975 (see Table 11).

The sharply increased 1974 current account deficit was the direct consequence of the doubling of the import bill. Imports in real terms increased 28 percent, with most of this increase attributable to growth of intermediate inputs (47 percent) and capital goods (43 percent). This was the consequence of short-term, speculative increases in stocks of these goods and of longer-term trends related to capacity utilization, demand composition shifts toward import-intensive investment, and the rising import dependence of industrial growth. The import coefficient increased sharply from 4.6 percent of GDP in 1965 to 10.1 percent in 1974.

The change in the trade balance of the balance of payments which resulted from price and volume changes during 1974-76 can be identified by comparison with prices and volumes of 1972-73. Table 12 indicates that the additional import bill during 1974-76, over what it would have been had average 1972-73 import prices and volumes prevailed, was US\$21.7 billion. Changes in prices and volumes accounted about equally (49 percent and 51 percent, respectively) for the increase. Most (56 percent) of the price increase was attributable to petroleum price increases. While Brazil's exports continued to grow rapidly during this period, this was not sufficient to compensate the increase in expenditure on imports. Additional export earnings during 1974-76 totalled US\$11.6 billion. Most of this increase (70 percent) was attributable to price increases. Debt service payments increased sharply during this period as a result of heavy borrowing on the Eurodollar market. Additional capital requirements were \$15.0 billion over the average level of the preceding two years. Most of this increase was covered by a sharp expansion of gross borrowing on commercial terms. A small portion of the increase was covered by a drawdown of international reserves.

Adjustment to External Imbalance

Brazil was already moving toward severe balance of payments difficulties at the time of the 1973 oil price increase. Despite a rapidly increasing import coefficient from 1965 to 1973 and only modest increase in the ratio of exports to GDP, Brazil was experiencing only a slight trade deficit at the end of the period. This was made possible by an improvement

Table 11:
Brazil's Balance of Payments, 1970-79
(millions of U.S. dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979/a
Exports	3,067	3,280	4,415	6,816	8,790	9,750	11,165	13,344	14,025	16,714
Merchandise	2,739	2,882	3,991	6,199	7,951	8,670	10,128	12,120	12,659	15,244
Non-factor services	328	398	424	617	839	1,080	1,037	1,224	1,366	1,470
Imports	3,320	4,181	5,389	7,819	15,012	14,719	14,994	14,823	16,854	21,748
Merchandise	2,507	3,245	4,235	6,192	12,641	12,210	12,383	12,023	13,683	17,961
Non-factor services	813	936	1,154	1,627	2,371	2,509	2,611	2,800	3,171	3,787
Resource Balance	-253	-901	-974	-1,003	-6,222	-4,969	-3,829	-1,479	-2,829	-5,034
Factor Income (net) /b	-330	-420	-520	-712	-901	-1,733	-2,189	-2,558	-3,257	-4,740
Interest (net)	-234	-302	-359	-514	-652	-1,498	-1,810	-2,103	-2,694	-4,104
Receipts	(50)	(42)	(130)	(326)	(718)	(365)	(281)	(359)	(648)	(1,157)
Payments	(-284)	(-344)	(-489)	(-890)	(-1,370)	(-1,863)	(-2,091)	(-2,462)	(-3,342)	(-5,261)
Other factor income (net)	-96	-118	-161	-198	-249	-235	-379	-455	-563	-636
Transfers (net)	17	14	5	27	1	2	1	-	71	17
Balance on current account	-562	-1,307	-1,489	-1,688	-7,122	-6,700	-6,017	-4,037	-6,015	-9,757
Direct foreign investment (net)	132	168	318	940	887	892	959	810	1,071	1,505
Foreign investment in Brazil	146	169	337	1,019	1,007	1,004	1,142	956	1,196	1,697
Brazilian investment abroad	-14	-1	-19	-79	-120	-112	-183	-146	-125	-192
Brazilian loans-abroad (net)	-	-28	-67	-60	-168	-203	-248	-267	-357	-596
Medium- and long- term loans (net) -	137	394	237	720	1,217	619	717	940	988	515
Traditional										
Gross disbursements	571	135	819	1,409	1,956	1,611	2,062	2,647	2,973	2,729
Amortization	-239	-409	-620	-983	-1,181	-1,180	-1,664	-2,428	-3,454	-4,322
Financial credits (net)	630	793	2,861	2,163	3,922	3,344	4,316	3,690	7,857	4,607
Gross disbursements	869	1,202	3,481	3,146	5,103	4,524	5,980	6,118	11,311	8,929
Amortization	-239	-409	-620	-983	-1,181	-1,180	-1,664	-2,428	-3,454	-4,322
Other capital, n.e.i. and errors and omissions	208	510	579	104	328	1,098	1,465	-506	718	508
Change in reserves (- = increase)	-545	-530	-2,439	-2,179	936	950	-1,192	-630	-4,262	3,218
Memorandum items										
Debt Service	907	1,152	1,561	2,186	2,572	3,670	4,797	6,163	8,017	10,485
Amortization /c	(673)	(850)	(1,202)	(1,672)	(1,920)	(2,172)	(2,987)	(4,060)	(5,323)	(6,381)
Interest (net)	(234)	(302)	(359)	(514)	(652)	(1,498)	(1,810)	(2,103)	(2,694)	(4,104)
Net debt service (% of exports and non-factor services)	29.6	35.1	35.4	32.1	29.3	37.6	43.0	46.2	57.2	62.7
Reinvested profits	276	321	201	397	382	299	410	877	975	721

- Not available

/a Preliminary estimate.

/b Includes interest and dividends only.

/c Net of amortization of Brazilian loans abroad.

Source: Central Bank of Brazil and World Bank mission estimates.

October 1980

Table 12:

Changes in Brazil's Trade Balance in Relation
to the Average for the Period 1972-73
(millions of U.S. dollars)

	Year			Period 1974-76
	1974	1975	1976	
<u>Imports</u>	<u>7,474</u>	<u>7,045</u>	<u>7,217</u>	<u>21,736</u>
Factors accounting for the increase in the value of imports				
<u>Price effect a/</u>	<u>3,361</u>	<u>3,492</u>	<u>3,754</u>	<u>10,607</u>
Petroleum & derivatives	1,927	1,908	2,051	5,886
Fertilizers	188	184	44	416
Consumer goods, intermediate goods, and capital goods	1,246	1,400	1,659	4,305
<u>Volume effect b/</u>	<u>4,113</u>	<u>3,553</u>	<u>3,463</u>	<u>11,129</u>
Petroleum and derivatives	427	584	1,182	2,193
Fertilizers	65	-1	27	91
Consumer goods, intermediate goods and capital goods	3,621	2,970	2,254	8,845
<u>Exports</u>	<u>2,908</u>	<u>3,626</u>	<u>5,086</u>	<u>11,620</u>
Factors accounting for the increase in the value of exports				
<u>Price effect a/</u>	<u>2,729</u>	<u>2,084</u>	<u>3,286</u>	<u>8,099</u>
Manufactured goods				
Traditional exports:				
Coffee	69	335	1,749	2,153
Soymeal and cake	21	8	24	53
Iron ore	66	183	262	511
Other	2,189	952	615	3,756
<u>Volume effect b/</u>	<u>179</u>	<u>1,542</u>	<u>1,800</u>	<u>3,521</u>
Manufactured goods	637	707	748	2,092
Traditional exports				
Coffee	-322	-599	-696	-1,617
Soymeal and cake	283	395	483	1,161
Iron ore	209	441	434	1,084
Other	-628	598	831	801
<u>Trade Balance</u>	<u>-4,566</u>	<u>-3,419</u>	<u>-2,131</u>	<u>-10,116</u>

a/ $Q_{72-73} (P_i - P_{72-73})$, $i = 1974, 1975, \text{ and } 1976$.

b/ $P_i (Q_i - Q_{72-73})$, $i = 1974, 1974, \text{ and } 1976$.

in the country's terms of trade. Had the real trade trends of the 1965-73 period continued, Brazil would have had an unsustainably large deficit, equivalent to almost 5 percent of GDP by 1977. There would have been, therefore, a need for adjustment based on the pattern of growth which prevailed up to 1973 even in the absence of petroleum price increases.

The formulation of a coherent and rapid response to the situation was complicated by the change of government in March 1974. A sense of "manifest destiny" had been created by the years of rapid expansion, and the new government was committed to continuing the impressive growth performance which had occurred since 1967. Pressed by high expectations, the authorities were reluctant to restrain aggregate demand despite the awareness that it would be difficult to sustain the rate and pattern of growth over the longer term. As a consequence, economic policy since 1974 has followed a stop-go pattern, indicative of conflicting policy objectives in a context of increasingly constrained domestic resources. Initially, the decision was made to expand aggregate demand as a means of offsetting the contractionary effect of the petroleum price increase. Operating on the assumption that the energy crisis would be temporary, the authorities chose to cover the balance of payments deficits in the short term by introducing import controls and through expanded external borrowing. Simultaneously, measures were introduced to expand exports and to substitute imports, with emphasis on self-sufficiency in basic industries (steel, petrochemicals, nonmetallic minerals, fertilizers, and pulp and paper).

At the end of 1976 the government concluded that reflation had gone too far. Growth had continued strong in 1974-75, capacity utilization had increased, and as a consequence the unsustainably large current account deficit in the balance of payments of 1974 had not been reduced significantly. The supply side restraint imposed by the restrictive import policy, weather-related poor food crops, and the ambitious public sector investment program contributed to increasing inflationary pressure during this period. The events of 1976 convinced the authorities that a policy of progressive deceleration of growth should be adopted, with GDP growth targeted to decline to an average 5 percent through 1980. In 1977 the growth rate did decline to 4.7 percent; industrial output grew by only 3.9 percent. In 1978 and 1979, however, this pattern was reversed as more expansionary demand management policies were put into effect. The consumer price level rose by more than 40 percent in each of the years 1976-78. This period was marked by increasing resort to emergency price and supply interventions and a stop-go pattern of aggregate demand management. Annual GDP growth averaged about 7 percent per year between 1973 and 1978, but with considerable year-to-year variation in this growth.

Policy measures to improve the trade balance were focused primarily on imports. As a consequence of additional credit lines and export targets which were renegotiated with individual firms, export incentives were strengthened. Export industries were exempted from the import restrictions imposed after 1974. Measures to reduce imports included raising the local currency price of imported goods through administrative controls, redirecting investment to import-substituting activities, and curbing growth of domestic absorption. Oil consumption and imports were restrained largely through high pump prices for gasoline. The heavier derivatives, particularly diesel fuel, were subsidized.

The real exchange rate was not adjusted to compensate for the sharp reversal in the terms of trade; the crawling peg continued to maintain the real exchange rate fairly constant at its pre-oil-crisis level. Nevertheless, the control of imports, continued rapid growth of manufactured exports, and improvement in the terms of trade in 1977 succeeded in eliminating the merchandise trade deficit by 1977 (see Chart 2) and in reducing the resource deficit, measured in constant dollars, below the level of the early 1970s.

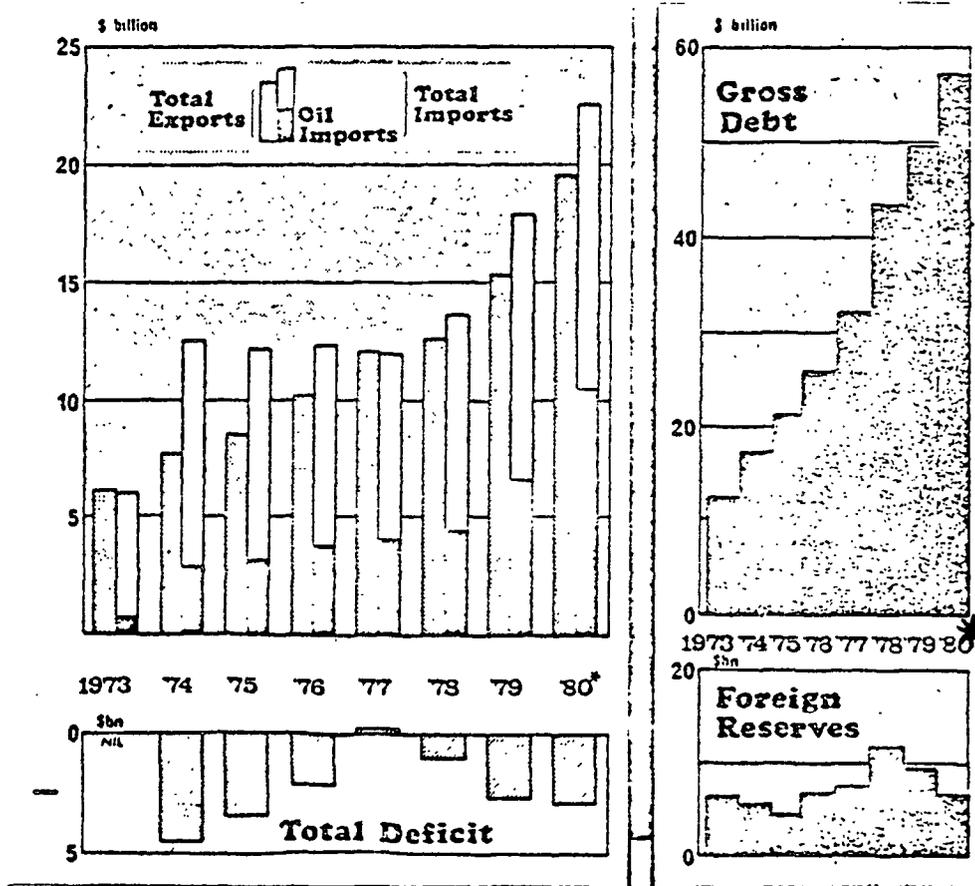
The effect of these policies on the real resource balance can be decomposed into absorption reduction, switching, and growth of tradeable goods output as shown in Table 13. Significant improvement in the real resource balance occurred during 1975-78. These improvements were largely the result of growth of tradeable goods output (export expansion and import substitution) and, to a lesser extent, of expenditure switching away from tradeable goods in response to administrative controls to curb imports. With the exception of 1977, policy-induced absorption reduction played only a minor role in improving the resource balance. Income increases stemming from growth of output were reflected for the most part in proportional increases in domestic expenditure. The result was that the total absorption effect operated to worsen the resource balance during this period.

What was the principal source of the increase in output during this period? Table 14 indicates that production of goods for domestic consumption was the major source of output growth in 1974-78. While exports and import substitutes grew rapidly during this period, this was far outweighed by the contribution of non-tradeable goods and services and non-exported exportables. Failure to raise the savings and investment coefficients made it impossible to sustain the high rate of growth achieved during 1968-74 and simultaneously to strengthen the country's external position.

In an attempt to maintain as high a rate of growth of output and employment as possible in the face of deteriorating terms of trade and growing balance of payments deficits, Brazil borrowed heavily in the Eurodollar market. Between 1974 and 1978, Brazil's total external capital requirements increased sharply from an average US\$2.4 billion annually in 1970-73 to US\$8.8 billion annually in 1974-78. The largest increase came in 1974 as a result of the US\$5 billion increase in the resource deficit. Foreign capital requirements increased almost threefold in that year. The share of gross external capital required for covering the resource deficit rose from 17 percent in 1970-73 to 70 percent in 1974. Thereafter, debt service plus profit remittances absorbed an increasing share of gross borrowing. External borrowing on commercial terms was the most important source of meeting the external capital requirements. Total public and private debt increased tenfold from US\$5 billion in 1970 to US\$50 billion by the end of the decade. During the same period, exports grew only fivefold from US\$3 billion to US\$15 billion. While international reserves grew rapidly during this period, they failed to keep pace with the growth of debt.

Chart 2:

Brazil's Oil Imports, 1973-80



* Projected.

Source: Financial Times.

Table 13:
Adjustment to External Imbalance in Brazil, 1971-78
(change in real resource balance in millions of constant cruzeiros)

	1971	1972	1973	1974	1975	1976	1977	1978
Absorption Effect	-9694.1	-8901.1	-12432.0	-12134.7	-01546.1	-9767.8	-4673.1	-6858.0
Terms of Trade Effect	81.7	56.7	-900.5	654.5	1098.8	-105.4	-1420.7	81.1
Output Effect on Income	-8654.6	-9018.7	-11898.7	-9592.1	-6448.2	-1021.6	-5726.5	-7517.3
Policy Effect	-1121.2	60.9	367.2	-3197.2	803.3	539.2	2474.1	578.2
Switching Effect	-1644.9	178.0	-809.2	-3852.8	2747.9	665.7	1632.5	1059.0
Expenditure Switching	-2062.3	140.4	-76.4	-3184.4	4180.9	732.4	2769.1	1728.5
Output Switching	417.4	37.6	-732.7	-668.5	-1433.0	-66.7	-1136.6	-669.5
Growth Effect	8546.1	8595.1	11379.1	9044.6	5735.2	9430.1	5340.6	7157.0
Total Change in Resource	-2792.9	-128.0	-1862.0	-6943.0	3937.0	328.0	2300.0	1358.0

Table 14:
Source of Brazil's Output Growth, 1974-78
(percent)

	Real Output Growth	Total	Non-traded Goods	Exports	Import Substitutes	Nonexported Exportables
1974	9.8	100	60	2	-20	58
1975	5.7	100	61	15	21	3
1976	9.0	100	59	-1	12	30
1977	4.7	100	3	-1	26	72
1978	<u>6.0</u>	<u>100</u>	<u>-5</u>	<u>12</u>	<u>-5</u>	<u>98</u>
Average 1974-78	6.3	100	33	7	5	55

Note: For methodology see p. 29.

Brazil's shift from official sources of capital toward private sources (which accounted for 90 percent of the increase in total debt during 1974-79) resulted in a deterioration in the terms and structure of the country's external debt; average maturities on total external debt declined from 13.4 years in 1974 to 9.3 years in 1977 and 11.8 years in 1979. The average interest rate on external borrowing increased from 8.5 percent in 1973 to 9.9 percent in 1979. The shortening of debt maturities, rising interest rates, and substantial increase in the size of the debt resulted in external debt service becoming increasingly burdensome on the economy and on the balance of payments:

	<u>External Debt as % of GDP</u>	<u>Debt Service as % of Exports</u>
1970	12	35
1975	17	46
1979	25	68

Recent Developments and Prospects

The general economic situation worsened markedly in 1979 because an easing of fiscal and monetary policy produced continued rapid expansion of aggregate demand, oil prices increased sharply, and there was another poor harvest. The cost of fuel imports alone rose 53 percent to represent 37 percent of total merchandise imports, compared with less than 12 percent in 1973. These factors, combined with a sharp increase in international interest rates, resulted in a 65 percent increase in the current account deficit to US\$9.8 billion, equivalent to 5 percent of GDP. The debt service ratio rose to almost 70 percent. Reserves were drawn down by more than \$3 billion but still provided more than 5 months' coverage of the projected 1980 merchandise imports. GDP growth continued at about the same rate as in 1978 (6.4 percent), and inflation accelerated to almost 80 percent.

The second round of sharp oil price increases in 1978-79 coincided with a steep rise in interest rates and the need to expand nonoil imports in order to maintain the pace of development. The response of the government was to increase incentives for exports through a 30 percent "maxi" devaluation. International reserves were reduced to meet the large deficit in the balance of payments, rather than further increase external borrowing. To cope with the continued deterioration in the country's external position, a wide range of fiscal, monetary, and price measures were taken to curb growth of aggregate demand, reduce the deficit in the balance of payments, and slow down the rate of inflation. New import restrictions, more attractive terms

for the private sector to borrow abroad, and incentives for foreign companies to convert their foreign loans into equity were subsequently introduced to improve the 1980 balance of payments.

Despite some success in the substitution of sugar alcohol for gasoline and the anticipated coming on stream of substantial new hydro-electric capacity, Brazil remains heavily dependent on imported petroleum for its energy needs. That dependency will persist throughout the 1980-85 period. Petroleum imports exceeded US\$11 billion in 1980 --almost half of total merchandise imports and more than 60 percent above the 1979 level -- despite virtually constant volume. The combination of higher imports and larger external debt service attributable to sharply increased LIBOR rates has exceeded the government's projections by about US\$2 billion. As a result, the current account deficit in the balance of payments increased sharply in 1980 to about \$12.1 billion, the equivalent of over 5 percent of GDP. After another reserve drawdown of about \$3.5 billion, the required additional financing, including direct investment, totalled about \$15 billion. Netting out amortization and subtracting direct capital inflows, medium- and long-term debt at year end grew by about \$6 billion. Growth of GDP exceeded 8 percent, and inflation accelerated to 110 percent.

Despite the rapid growth of export earnings, oil imports and debt service caused a growing deficit that can only be reduced in the next several years by curtailment of imports and a slowing of Brazil's economic growth. Brazil would be able to extricate itself from those constraints on its growth by either discovering and developing substantial oil reserves soon, or by a program of structural adjustment aimed at expanding production of traded goods more rapidly than income and consumption. Over the longer term, Brazil should be capable of developing an adequate domestic supply of energy (hydro, shale, gas, alcohol, and other nonconventional fuels), and of paying for the remaining energy shortfall with the proceeds from expanding exports of agricultural, mineral, and manufactured products. Three probable phases of adjustment and growth can be distinguished:

- Adjustment: Reduced real GDP growth in 1981-84
- Recovery: Improved real GDP growth in 1985-90, but still below the high rate achieved in 1968-74
- Resolution of the energy problem: Rapid GDP growth after 1990.

If there are signs that future increments in export earnings are not sufficient to cover future increases in both oil imports and debt service, spreads on new commercial external lending to Brazil are likely to remain high. The future position taken by the commercial banks will be influenced by trends in world liquidity, Brazil's willingness to pay attractive spreads over LIBOR, the country's political stability, and by policies aimed at diversifying and expanding the country's productive base. Of equal importance for some banks will be the ratio of their debt outstanding to Brazil to their total portfolio and existing legal requirements not to exceed a determined ratio in any one country. Maintenance of larger international reserves would,

as in the past, help Brazil sustain its creditworthiness abroad by increasing its capacity to deal with unexpected foreign exchange shortfalls (see Table 15).

Inflation is beginning to subside in Brazil. The government is now faced with conflicting policy objectives which require that strengthening the country's external position take priority over reduction of inflation. This may require reduction of imports and accelerated adjustment of the exchange rate, which could aggravate inflation. Measures to reduce energy and balance of payments deficits will probably be taken, even if they exacerbate inflation. These measures include continued raising domestic oil prices for consumers, large subsidies and other incentives to alcohol production, expansion of low-cost credit to stimulate agricultural production for export, and accelerated devaluation of the exchange rate.

Brazil's balance of payments has been severely weakened by the impact of higher world petroleum prices. Important measures have been taken in the past year to attack both the short- and medium-term problems of adjustment. Better control has been established over the activities of the public enterprises and other autonomous public sector agencies; revenue earmarking is being drastically reduced, and the money supply is now being contracted in real terms. Agriculture, which in the past was viewed largely in terms of its support role for other sectors -- source of savings, raw materials, cheap food -- is now being accorded a substantially higher developmental priority in its own right. Greater impetus is being given to the alcohol program and other energy substitution and economizing activities. These measures, together with slower growth of the economy, have begun to arrest the deterioration in the country's external position. The situation could improve even more dramatically if:

- Substantial oil reserves were discovered
- World oil prices were to rise more moderately in future years, permitting exports to catch up with and exceed future increases in oil imports and debt service
- World economic conditions were to improve sufficiently to enable Brazil to achieve even higher growth of its exports.

While it is likely that 1980-85 will continue to be a period of adjustment for Brazil, with slower growth of output and of disposable income and consumption, Brazil's rich and diversified resource base and the demonstrated resilience of the economy should make it possible simultaneously to adjust to the changed international economic environment and to achieve a moderate rate of growth.

Table 15:

Projected Balance of Payments for Brazil, 1980-85
(millions of U.S. dollars)

	1973	1978	1979	1980	1981	1982	1983	1984	1985
<u>Current Account</u>	-----Actual-----			-----Projected-----					
Merchandise Exports	<u>6,199</u>	<u>12,659</u>	<u>15,244</u>	<u>20,191</u>	<u>25,076</u>	<u>29,845</u>	<u>35,492</u>	<u>42,343</u>	<u>50,477</u>
Coffee	1,344	2,295	2,319	2,743	2,547	2,626	2,954	3,335	3,754
Manufactured Products	1,328	4,613	6,164	8,506	10,952	13,515	16,676	20,578	25,392
Soybeans and Soymeal	916	1,220	1,318	1,795	3,162	3,529	4,202	5,087	6,297
Iron Ore	362	1,028	1,288	1,515	2,008	2,280	2,656	3,088	3,554
Other Merchandise Exports	2,249	3,503	4,155	5,632	6,407	7,895	9,004	10,255	11,480
Merchandise Imports	<u>6,192</u>	<u>13,683</u>	<u>17,961</u>	<u>21,726</u>	<u>26,426</u>	<u>30,030</u>	<u>34,278</u>	<u>38,933</u>	<u>45,069</u>
Petroleum Derivatives	769	4,482	6,698	10,802	13,169	15,674	18,355	21,494	25,172
Intermediate Goods	2,381	3,825	5,081	5,107	6,091	6,080	6,559	6,843	7,898
Capital Goods	2,143	3,553	3,732	3,675	4,553	5,173	5,879	6,679	7,589
Consumer Goods	899	1,822	2,450		2,613	3,103	3,485	3,917	4,410
Trade Balance	7	-1,024	-2,717	1,535	-1,350	-185	1,214	3,410	5,408
Services (net)	<u>-1,722</u>	<u>-4,975</u>	<u>-7,057</u>	<u>-9,219</u>	<u>-10,200</u>	<u>-11,355</u>	<u>-12,668</u>	<u>-13,940</u>	<u>-15,359</u>
of which: Interest Paid	-804	-3,342	-5,261	-6,322	-6,384	-7,490	-8,694	-9,920	-11,125
Transfers (net)	27	72	17	30	40	50	50	50	50
Balance of Current Account	<u>-1,688</u>	<u>-5,927</u>	<u>-9,757</u>	<u>-10,724</u>	<u>-11,510</u>	<u>-11,490</u>	<u>-11,404</u>	<u>-10,480</u>	<u>-9,901</u>
<u>Capital Account</u>									
Net Direct Foreign Investment	940	906	1,505	1,176	1,748	1,996	2,259	2,550	2,873
Net Medium- and Long-Term Loans	2,823	8,820	6,090	6,737	12,210	11,910	12,223	11,700	12,041
Disbursements	4,495	14,106	12,641	13,719	19,659	20,311	21,459	23,244	25,416
Amortization	-1,672	-5,286	-6,551	-6,982	-7,449	-8,401	-9,235	-11,545	-13,374
Net Brazilian Loans Abroad		-358	-596	-689	-1,123	-1,468	-1,931	-2,524	-3,336
Other Capital not elsewhere included, Errors and Omissions	101	439	-461	-	-	-	-	-	-
Changes in Reserves (== increase)	-2,176	-3,880	-3,219	3,500	-1,325	-949	-1,146	1,246	1,678
<u>Memorandum Items</u>									
Gross Medium- and Long-Term Debt (end of period)	12,571	46,360	51,792	58,529	70,739	82,650	94,873	106,573	118,614
External Reserves	6,416	12,908	9,689	6,189	7,514	8,463	9,609	10,855	12,533

- Not available.

Korea

Summary

The Korean economy has undergone rapid transformation during the past two decades: from being one of the poorest developing countries, predominantly agricultural and with a weak balance of payments, it has become a semi-industrialized, middle-income country in which industry plays a pivotal role and provides the major impetus to what has been an impressively rapid rate of growth. ^{1/} Rapid transformation of the economy was the result of a deliberate shift in government policy in the early 1960s toward an export-oriented development strategy. This strategy, in combination with the country's skilled and industrious labor force, paved the way for rapid economic growth. Such growth is all the more remarkable, since the country is devoid of natural resources, particularly energy resources.

While export demand provided the spur to economic expansion, it was the rapid increase in domestic investment which permitted Korea to exploit the opportunities that existed in international markets. Domestic investment as a share of GDP more than doubled between 1962 and 1973. The combination of rapid growth of export demand, inflow of foreign capital and technology, and the high level of investment served to maintain the growth rate at an annual average of 10 percent in 1963-78. Reduction of the current account deficit through rapid export growth and continued inflow of external capital made it possible to expand international reserves. On the eve of the 1973-74 oil crisis, the Korean economy was reasonably well placed to absorb an external shock.

At the time of the oil crisis, Korea was highly dependent on imported petroleum for a significant share of its commercial energy requirement. In 1973, import of petroleum was equal to about 7 percent of GDP. Net barter terms of trade deteriorated by 19 percent in 1974, and by 10 percent in 1975. The resource loss stemming from this decline in the terms of trade represented a decline of income of 3.6 percent in 1974 and 5.1 percent in 1975.

The increase in oil prices, acceleration of world inflation, and recession in OECD countries led to a sevenfold increase in the current account deficit in 1974. The large (10 percent of GDP) deficit of US\$2 billion was financed through public and private borrowing, medium-term and direct foreign investment, and other capital inflow. Despite the substantial increase in the import bill, the decline in the growth of exports, and a large current account deficit, the authorities chose not to slow down the rate of growth of the economy, but rather to cover growth of imports through external borrowing and simultaneously to attempt to accelerate export growth through strengthened export incentives. By maintaining an undiminished supply of equipment, parts, and raw materials to Korean producers, the government was able to ensure that the supply of exportables would continue to grow, thereby generating the foreign exchange to pay for higher priced oil and -- perhaps even more important -- maintain confidence in the country's ability to service its debt obligations. At the same time the government took steps to ensure that export incentives were

^{1/} This case study is based in large part on economic and sector reports prepared at the World Bank.

not blunted by the steep rise in costs. Three measures were taken: devaluation of the currency; renewed emphasis on tax/subsidy benefits for exporters; and increased efforts to diversify Korea's export markets as well as the mix of goods exported. These measures were successful in improving the competitive position of Korea's exports; despite slowdown of growth and reduced demand for imports in Korea's major trading partners, exports resumed their earlier high rate of growth. The current account deficit of the balance of payments -- and as a consequence, external borrowing -- continued at a high level in 1975. Large increases in exports, however, resulted in a decline of the debt service ratio, from 20 percent in the early 1970s to 12 percent during 1974-75.

The adjustment strategy chosen by the Korean authorities was characterized by rapid growth of output of tradeable goods, principally exports, and introduction of measures to increase savings and dampen growth of consumption. The economy responded well to these measures, and by 1976 adjustment to the changed external environment of 1973-74 was virtually complete. Korea's performance on all fronts -- balance of payments, growth, and control of domestic inflation -- was strong in 1976. In spite of the oil price increase and worldwide recession during 1974-75, the pace of fixed capital formation was maintained. Real GDP growth in excess of 8 percent was achieved in each of these two years. Real GDP grew by 15 percent in 1976 -- a rate surpassed only once in the post-war period. This was partly due to the extraordinary growth of agriculture -- 7 percent compared with the historical 4 percent annual rate achieved during 1966-75 -- but also to the fact that, even during the crisis years of 1974-75, fixed investment continued to grow in excess of 10 percent a year in real terms.

Expansion of exports was the key to this adjustment and recovery, accounting for 56 percent of the economic growth which took place during this period. To reduce Korea's vulnerability to cyclical fluctuations in its major export markets (Japan and the United States absorbed 70 percent of the country's exports in 1973), the government actively encouraged exporters to seek new markets and to expand and diversify products exported. This policy of diversification was successful. Korea increased its trade with OECD and Middle East countries, with the result that the share of the United States and Japan in total exports fell to 55 percent by 1975. Product diversification also gathered speed as traditional light manufactures encountered restrictions in the industrialized countries. Although some moves to diversify exports by commodity were visible prior to 1974, it was the jolt administered by the oil shock which induced the Korean government to modify its industrial strategy and push exports of machinery, chemicals, and electrical industries. The oil price increase was also the start of a construction boom in the Middle East. Korean firms were quite successful in winning contracts. By 1978, the value of construction contracts stood at US\$15 billion with gross earnings in that year amounting to US\$2.2 billion. As a result of these actions, and of the improvement in the international economy, the current account deficit was fully eliminated by 1977.

Korea has had difficulty adjusting to the latest round of oil price increases because of over-expansion of the economy in 1977-78 and excessively capital-intensive import substitution in heavy industry in recent years. The magnitude (in absolute terms) of the oil price increase was larger this time, and costs of external borrowing have

increased. More important, there has been a weakening of development policies in recent years, particularly of export incentives. This is in part due to the increase in domestic political difficulties which delayed the government's response to the rapidly changing international economy. Overvaluation of the won relative to values in the early 1970s (in an effort to control inflation), a shift in domestic resources toward medium and heavy industry, sluggish export sales, unsustainably high increases in labor costs relative to productivity gains since the mid 1970s, and increased dependence on imported petroleum have made it more difficult for Korea to adjust to the latest round of external shocks. Adjustment will require additional improvement in export incentives, wage restraint, and eventual elimination of import-substitution industries which are unable to make the transition to export. As was the case in 1974-75, successful adjustment to the latest round of oil price increases will require a mix of "adjustment" of the domestic economy and external financing. This time, however, the process is more severe in terms of loss of growth, higher external financing requirements, and the length of time which will be needed to achieve adjustment.

Background

Economic development since the early 1950s falls into two distinct phases. During the decade ending in 1962, the country pursued inward-looking policies to diversify of the economy through import-substituting industrialization. Growth was sluggish during this period (5.2 percent average annual increase of GDP from 1953 to 1962), in part because recovery from the devastation of the war was not complete until the late 1950s. While manufacturing doubled its share in GDP during this period (to 12 percent), the economy still had the characteristics of a low-income developing country with a small modern sector superimposed on a large traditional, relatively undeveloped base. GNP per capita was estimated at just over US\$50 by the end of this period.

Since 1962 there has been a dramatic change in the pattern of growth. During this phase there has been an impressive acceleration of economic growth in response to adoption of an aggressive export promotion program. While export demand has provided the spur to economic expansion, it was the rapid increase in domestic investment which permitted Korea to exploit the opportunities that existed in international markets. Domestic investment as a share of GDP more than doubled between 1962 and 1973. At the beginning of the period it was just under 13 percent of GDP, most of it being financed by capital transfers from abroad. By 1973, investment was close to 26 percent, and foreign savings accounted for only a third of the total. The combination of rapid growth of export demand, inflow of foreign capital and technology, and the high level of investment served to maintain the growth rate at an average of over 9 percent. Productivity grew more rapidly than wages prior to 1975, helping to restrain inflation to under 10 percent annually. Reduction of the current account deficit through rapid export growth and continued inflow of external capital had made it possible to expand international reserves rapidly. On the eve of the 1973-74 oil crisis, the Korean economy was well placed to absorb an external shock (see Table 16).

Table 16:

Korea's Balance of Payments, 1970-79
(millions of U.S. dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Current account	-623	-848	371	-309	-2,023	-1,887	-314	12	-1,085	-4,239
Trade balance	-922	-1,046	375	-569	-1,937	-1,671	-591	-477	-1,781	-4,565
Exports	882	1,132	1,676	3,271	4,515	5,003	7,815	10,047	12,711	14,702
Imports	1,804	2,178	2,250	3,837	6,452	6,674	8,405	10,523	14,491	19,267
Service balance	119	28	33	67	-308	-442	-72	266	244	-113
Receipts	497	484	550	849	838	881	1,643	3,027	4,450	4,790
Payments (net)	378	456	517	782	1,146	1,323	1,715	2,761	4,226	4,903
Transfer (net)	180	171	170	190	222	227	349	223	472	439
Long-term capital (net)	449	528	496	597	946	1,178	1,371	1,313	2,166	2,486
Loan & investment	536	557	730	856	1,076	1,348	1,639	2,042	2,891	2,053
Amortization	-107	-135	202	261	-338	-284	-407	-536	-825	-1,178
Other (net)	20	106	32	2	208	-668	139	-139	100	1,036
Basic balance	-174	-320	125	288	-1,076	-709	1,058	1,325	1,081	-1,756
Short-term capital (net)	122	135	16	83	-45	680	357	21	1,171	844
Errors & omission	16	13	41	19	28	-122	-241	-32	-312	-639
Overall balance	-36	-172	182	390	-1,094	-151	1,174	1,315	-402	-973
Bank borrowing (net)	70	123	9	-50	1,003	633	364	408	866	1,869
IMF credit	-13	30	6	-8	156	130	97	-25	-2	-125
Bank loans	-	105	6	-18	203	65	-39	86	-70	627
Refinance	-	32	20	-95	580	180	-131	-3	522	811
Others	83	-44	29	71	64	258	422	350	416	556
Change of holdings	34	-49	159	340	15	493	1,419	1,346	631	771
Foreign exchange reserve	584	535	694	1,034	1,049	1,542	2,961	4,306	4,937	5,708

-- Not available.

Source: Handbook of Korean Economy, 1979, pp. 64, 65. Economic Management Plan for 1980.

Sources of External Imbalance

At the time of the oil crisis, Korea was highly dependent on imported petroleum for a significant share of its commercial energy requirements. In 1973, imports of petroleum were US\$300 million, the equivalent of 2.1 percent of GDP. A year later, the value of imported oil had risen to over US\$970 million, about 5.3 percent of GDP. Prices of Korea's nonoil imports had already started to rise in 1973, as a result of the boom in commodity prices and rising prices of manufactured goods. Terms of trade deteriorated by 5 percent in 1973, by 19 percent in 1974, and by 10 percent in 1975. The resource loss stemming from this decline in the terms of trade represented a decline in income of 1 percent in 1973, 3.6 percent in 1974, and 5.1 percent in 1975.

The change in the trade balance of the balance of payments which resulted from price and volume changes during 1974-76 can be identified by comparison with prices and volumes prevailing in 1972-73. Table 17 indicates that additional outlays for imports between 1974-76 totalled US\$12.9 billion compared with the annual average in 1972-73. Most of this increase (62 percent) in outlays on imports was the consequence of price increases, of which 29 percent was attributable to oil. During this period, export earnings also increased rapidly, although they did not keep pace with outlays on imports. Additional export earnings during 1974-76 totalled US\$10.1 billion, most of which was achieved through increased export volumes (72 percent).

Despite this sizeable increase in export volumes, the adverse effect of the terms-of-trade movement caused an increase in the trade deficit, totalling US\$2.9 billion for the period 1974-76. The sizeable current account deficits were financed through increased borrowing. The net inflow of both long- and short-term capital during this period was larger than the actual deficit on the current account, enabling Korea to build up its international reserves to 4 months' equivalent of imports of goods and non-factor services by 1976.

Adjustment to External Imbalance

The increase in oil prices, acceleration of world inflation, and recession in OECD countries led to a sevenfold increase in the current account deficit in 1974. The large deficit of US\$2 billion (10 percent of GDP) was financed through public and private short- and medium-term borrowing. Despite the substantial increase in the import bill, the decline in the growth of exports, and a large current account deficit, the authorities chose not to slow down the rate of growth of the economy, but rather to cover growth of imports through external borrowing and simultaneous acceleration of export growth through strengthened export incentives. The key to this strategy was the country's ability to borrow abroad. By maintaining an undiminished supply of equipment, parts, and raw materials to Korean producers, the government was able to ensure that the supply of exportables would continue to grow, thereby generating the foreign exchange to pay for higher-priced oil and, perhaps even more important, confidence in the country's ability to service its debt obligations.

Table 17:

Changes in Korea's Trade Balance in Relation
to the Average for the Period 1972-73
(millions of U.S. dollars)

	Year			Period
	1974	1975	1976	1974-76
<u>Imports</u>	<u>3,526</u>	<u>3,948</u>	<u>5,447</u>	<u>12,921</u>
Factors accounting for the increase in the value of imports				
<u>Price effect a/</u>	2,590	2,760	2,638	7,988
Petroleum	703	755	820	2,278
Machinery and transport equipment	180	257	212	729
Chemical products	198	148	133	479
Other	1,509	1,600	1,473	4,502
<u>Volume effect b/</u>	936	1,188	2,809	4,933
Petroleum and products	60	327	580	967
Machinery and transport equipments	718	702	1,145	2,565
Chemical products	151	361	452	964
Other	7	-202	632	437
<u>Exports</u>	<u>2,097</u>	<u>2,718</u>	<u>5,253</u>	<u>10,168</u>
Factors accounting for the increase in the value of exports				
<u>Price effect a/</u>	981	736	1,099	2,816
Manufactured	541	640	895	2,076
Textile yarn, fabrics, etc.	237	173	226	636
Electrical machinery	47	35	24	106
Other	156	-112	-46	-2
<u>Volume effect b/</u>	179	1,542	1,800	3,521
Manufactured	118	356	1,247	1,721
Textile yarn, fabrics, etc.	483	183	435	1,101
Electrical machinery	211	191	566	968
Other	304	1,252	2,006	3,562
<u>Trade Balance</u>	<u>-1,429</u>	<u>-1,230</u>	<u>-194</u>	<u>-2,853</u>

a/ $Q_{72-73} (P_i - P_{72-73})$, $i = 1974, 1975$ and 1976 .

b/ $P_i (Q_i - Q_{72-73})$, $i = 1974, 1974$ and 1976 .

Source: Economic Statistics Yearbook, Bank of Korea, 1976 and 1980.

Foreign capital inflows, by sustaining imports and investment, bolstered the growth rate and contributed to the elasticity of the export supply function. Simultaneously, the government took steps to ensure that export incentives were not blunted by the steep rise in costs. Three measures were taken: devaluation of the currency; renewed emphasis on tax/subsidy benefits for exporters; and increased efforts to diversify Korea's export markets as well as the mix of goods exported. These measures were successful in improving the competitive position of Korea's exports; despite slowdown of growth and reduced demand for imports in Korea's major trading partners, exports resumed their earlier high rate of growth.

Since the increase in imports was maintained at a high rate, the current account deficit of the balance of payments declined only marginally in 1975. External borrowing remained high. Total medium- and long-term external debt increased to US\$5.7 billion (30 percent of GDP) by the end of 1975, compared with US\$3.5 billion at the end of 1973. Continued large increases in exports, however, resulted in a decline in the debt service ratio, from 20 percent in 1971-72 to 12 percent during 1974-75.

Table 18 indicates the pattern of adjustment followed by Korea in the 1974-76 period. The absorption effect on the resource balance, which combines both autonomous and policy-induced changes on the level of domestic expenditure, was strongly negative throughout this period. The strong increase in domestic expenditure which took place in each of these years contributed to worsen the balance of payments. However, the negative absorption-reduction effect would have been considerably larger had it not been for the significant positive policy-induced changes in absorption resulting from dampening of growth of consumption expenditures through policies to stimulate savings. Savings changed from 19 percent of GDP in 1971-73 to 26 percent in 1974-76. While real per capita consumption increased in absolute terms, the full impact of income growth during this period was not reflected in growth of consumption, which fell from 73 percent of GDP in 1970-73 to 68 percent in 1974-76.

The major source of improvement in the real resource balance during this period was the increase in output of traded goods. Thus the adjustment strategy chosen by the Korean authorities was characterized by rapid growth of output of tradeable goods -- principally exports -- and introduction of measures to increase savings and dampen growth of consumption. The economy responded well to these measures, and by 1976 adjustment to the changed external environment of 1973-74 was virtually complete.

In spite of the oil price increase and worldwide recession during 1974-75, the pace of fixed capital formation was maintained. Real GDP growth in excess of 8 percent was achieved in each of these two years. This adjustment, however, was not without its costs. The country had financed the large balance of payments deficits by drawdown of international reserves and by a substantial increase of commercial borrowing.

Table 18:

Adjustment to External Imbalance in Korea, 1971-78
(change in real resource balance in billions of constant won)

	1971	1972	1973	1974	1975	1976	1977	1978
Absorption effect	-468.0	-17.9	-592.7	-698.3	-207.7	-652.9	-680.1	-1216.9
Terms of trade effect	-119.8	-166.9	-218.6	-117.9	-	-252.2	-431.2	-561.3
Output effect on income	-409.3	-279.0	-669.1	-408.1	-485.6	-839.0	-671.6	-826.4
Policy effect	61.2	428.0	295.0	172.2	277.9	438.3	422.6	170.8
Switching effect	-45.3	200.4	64.4	-247.6	-206.3	146.9	-6.8	-316.4
Expenditure switching	-12.6	185.0	30.3	-360.1	163.2	15.3	67.8	-224.4
Output switching	-32.7	15.4	34.0	112.5	43.2	131.7	-74.6	-91.9
Growth effect	319.5	212.4	563.6	354.0	384.6	719.0	606.1	743.4
Total change in resource	-193.8	394.9	35.2	-591.9	383.3	213.1	-80.8	-789.8

The Korean government set two major economic targets for 1976: to restrain inflation to 10 percent and to reduce the current account deficit from \$1.9 billion in the preceding year to \$1.4 billion. The government achieved the inflation target by restricting the growth of domestic credit, although the decline in import prices was also a contributory factor. The balance of payments target was surpassed; nominal exports showed a phenomenal growth of about 60 percent as a result of recovery in OECD countries and the government's vigorous drive to expand and diversify export markets. While imports increased by 22 percent, the current account deficit declined to less than \$0.3 billion, against a target of \$1.4 billion. Foreign exchange reserves increased by \$1.4 billion, to \$2.9 billion by the end of 1976. Real GDP grew by 15 percent, a rate surpassed only once in recent history. This was partly due to the extraordinary growth of agriculture -- 7 percent compared to the historical 4 percent annual rate achieved during 1966-1975 -- but also to the fact that, even during the crisis years of 1974-75, fixed investment continued to grow in excess of 10 percent a year in real terms.

Expansion of exports was the key to this adjustment and recovery accounting for 56 percent of the economic growth which took place during this period (see Table 19). To reduce Korea's vulnerability to cyclical fluctuations in its major export markets, Japan and the United States (which accounted for 70 percent of the country's exports in 1973), the government actively encouraged exporters to seek new markets and to expand and diversify products exported. This policy was successful. Korea increased its trade with OECD and Middle East countries, with the result that the share of the United States and Japan in total exports fell to 55 percent in 1975. Product diversification also gathered speed as traditional light manufactures encountered restrictions in the industrialized countries. Although some

moves to diversify exports by commodity were visible prior to 1974, it was the jolt administered by the oil shock which induced the Korean government to accelerate implementation of its industrial strategy and push export of machinery, chemical and electrical industries. The oil price increase was also the start of a construction boom in the Middle East. Korean firms were quite successful in winning contracts. By 1978 the value of construction contracts stood at \$15 billion with gross earnings in that year amounting to US\$2.2 billion. As a result of these actions, and of the improvement in the international economy, the current account deficit was fully eliminated by 1977.

Table 19:

Source of Korea's Output Growth, 1974-78
(percent)

	Real Output Growth	Total	Non-traded Goods	Exports	Import Substitutes	Non-exported Exportables
1974	8.8	100	32	-8	29	47
1975	8.8	100	39	51	36	-26
1976	15.0	100	35	86	-38	17
1977	17.4	100	63	54	-9	-8
1978	<u>11.3</u>	<u>100</u>	<u>55</u>	<u>61</u>	<u>-72</u>	<u>56</u>
Aver. 1974-78	12.3	100	70	56	-21	-5

Turkey

Summary

By the early 1970s, the Turkish economy had undergone far-reaching changes in its economic structure. ^{1/} GDP had grown at an annual rate of about 6 percent since the late 1940s, and real national income had quadrupled. Industry had emerged as the most dynamic sector, having more than doubled its share of GDP. Agriculture had declined from about half of GDP to less than a third. Turkey's population had increased rapidly, and urbanization had taken place at a rapid pace. During the second half of the 1960s, there was a sharp increase in emigration to Western Europe. Approximately one-third of the additions to the labor force had migrated, thereby easing the unemployment problem. Government efforts to accelerate development during this period resulted in a rapid increase of capital formation, which doubled as a share of GDP from about 9 percent in the late 1940s to 18.7 percent in 1973. Much of the impetus for the rapid pace of development which took place came from the public sector, which increased its share of industry from 37 percent to 46 percent.

Despite the profound changes which took place in the Turkish economy in the post-war period, there were a number of disturbing developments which were symptomatic of severe imbalances and the underlying structural weakness of the economy. Growth of the economy followed a stop-go pattern caused, in large part, by chronic foreign exchange shortages. Over-reliance on an import-substituting strategy of development resulted in rising import dependence, since new import-substituting industries were heavily dependent on imported inputs. Export growth was sluggish. These problems were aggravated by poor economic management, inflation, and capital flight. Public sector investment grew rapidly in this period, outpacing domestic resource mobilization. The results were chronic imbalance in the country's public finances and weakening of the country's external position. This problem was, in part, attributable to the pricing policies of the state enterprises, which generated large deficits and required substantial subsidies. Attempts to suppress inflation, and excess demand pressures on the balance of payments through quantitative restrictions, proved to be ineffective. Excessive short- and medium-term external borrowing on commercial terms led to a debt rescheduling in 1958. Further debt relief was provided in 1963-65, and again in 1968-71.

In the period immediately preceding the oil price increases of late 1973, the country's external position improved considerably. The stabilization program of 1970, which included strengthened incentives for exports, as well as a devaluation, resulted in a doubling of exports between 1970-73. Workers' remittances increased fourfold. The dramatic improvement in the balance of payments permitted replenishment of foreign exchange reserves from US\$200 million in 1965 to US\$2.1 billion in 1973. Rapid growth of exports and the 1970-71 debt rescheduling resulted in a decline of the debt service burden, from over 20 percent in the late 1960s to 13.5 percent in 1973. Turkey was in a relatively strong position to absorb the external shocks of 1974-76.

^{1/} This case study is based in large part on economic and sector reports prepared at the World Bank.

The quadrupling of the oil price in 1973 and the slowdown of growth in OECD countries had a strongly adverse effect on Turkey's external position. Outlays on imports in 1974 doubled as a result of rising prices of petroleum imports, on which the country was totally dependent for its supply of liquid fuel, and then increased again in 1975 and 1976 as a consequence of a sharp expansion of import volumes. This surge of import payments was accompanied by a decline in the volume of exports in 1974-75. Workers' remittances, which had become almost as important as merchandise exports by 1973, increased by 28 percent in 1974 and helped to cushion the shock of increased outlays on petroleum imports. But in 1975-76, remittances declined sharply as a consequence of recession in Western Europe and overvaluation of the Turkish lira.

Expansionary fiscal and monetary policies in the face of the adverse external environment since 1973 produced the most serious balance of payments crisis in Turkey's post-war history. Real GDP growth of over 8 percent was maintained for three years through 1976. During this period, increasingly larger deficits were registered in the balance of payments. These deficits were financed by drawing down reserves accumulated in the early 1970s and by a sharp increase in external borrowing, including an excessive buildup of short-term debt. This deterioration in the country's external position was as much a result of ill-advised domestic policies as of adverse external conditions. The objectives of these policies were: acceleration of the pace of development through increased investment, expansion of job opportunities to employ expatriate workers returning home, and increased compensatory expenditure to offset the deflationary effects of deterioration in the terms of trade and loss of income from declining remittances. But these objectives were ultimately compromised by the very policies designed to achieve them.

In 1977-80, performance of the economy continued to deteriorate as a result of erosion of investor and creditor confidence and the inability of the government to manage the economy. Investment declined, output stagnated, unemployment soared, and the pace of development deteriorated. Despite a series of massive debt reschedulings, the balance of payments situation continues to be difficult; substantial amounts of emergency financing will be required for a number of years to come. Even under the most optimistic circumstances, recovery from the dislocations caused by the economic policies of 1974-78 and the recent round of petroleum price increases has created a situation in which it is unlikely that the economy will attain a sufficient rate of growth in the near future to provide additional employment opportunities in the modern sector for more than a relatively small portion of the increment in the labor force.

The external shocks of 1974-75 and weak economic policies through 1977 exposed deep structural weaknesses in the Turkish economy. Excessive reliance on relatively capital-intensive import substitution for more than two decades had created an economic structure which was incapable of generating sustained growth of output and employment while simultaneously maintaining external balance. By compressing imports to those intermediate and capital goods absolutely essential for maintaining output, and by simultaneously undermining the economy's capacity to export, development strategy increased the vulnerability of the Turkish economy to external shocks. While the level of investment increased rapidly during this period, domestic

resource mobilization lagged seriously behind. Inadequate savings gave rise to accelerating inflation, large deficits in the balance of payments, and excessive external borrowing. Poor savings performance is itself a structural problem related to rapid growth of the public sector, and particularly of the State Economic Enterprises which now dominate the industrial sector. These enterprises constitute a large drain on the modest savings generated by the rest of the public sector. These institutional and structural characteristics of the economy have made it difficult for Turkey to adjust to external shocks of the type that it experienced in the 1970s and that are likely to be repeated in the 1980s. Unless these difficulties are overcome through a restructuring of the economy, the country will not be able to sustain the rates of growth attained in the late 1960s and mid-1970s.

To overcome these problems the Turkish government launched a program of economic reform in early 1980. Priority has been given to reducing inflation and strengthening the country's external position. Domestic resource mobilization and control of monetary expansion play a crucial role in stabilizing the domestic economy. Export promotion is being used as the principal means of strengthening the balance of payments. To extend the term structure of the country's external debt, controls have been introduced on foreign borrowing. Import substitution has been deemphasized (especially in manufacturing) except in those activities in agriculture and energy where the country has a strong comparative advantage. There has been a return to the more traditional view that the public sector should concentrate on the provision of infrastructure and the private sector should take the lead in directly productive activities, especially in manufacturing. Greater reliance is being placed on market mechanisms as against more centralized planning.

Background

Economic development in Turkey from 1948-62 can be divided into three periods. Between 1948 and 1954, there was a rapid expansion of agricultural output and a substantial increase in public sector investment in the country's economic infrastructure. Rapid output increases (averaging 7.5 percent), accelerating investment, and improved terms of trade resulted in rapid increases of domestic income. During this period of boom and a generally buoyant external sector, trade was liberalized and both imports and exports expanded rapidly. By late 1953, terms of trade began to move against Turkey, and the government was forced to curb growth of imports. It was not until 1954, however, when a massive crop failure occurred, that the government shifted its overall economic policy.

During the mid-1950s, agricultural production declined sharply as a consequence of bad weather. Efforts to sustain income and maintain high levels of public sector investment spending in the face of the loss of resources had the effect of accelerating inflation and weakening the balance of payments. Growing deficits in the balance of payments during this period were covered by accumulation of short-term debt and drawdown of the country's international reserves.

In mid-1958, the government initiated a stabilization program which included efforts to restrain inflation by curbing expansion of domestic expenditure and by stimulating growth of exports (by adjusting the exchange

rate). The credit ceilings and other measures taken to curb spending were successful in sharply reducing inflation. But by late 1959 the government began to relax its credit and expenditure policies with the result that control over the financial operations of the state enterprises and the central government itself became increasingly ineffective. In May 1960, the government was overthrown by a group of military leaders who feared that the government was reverting to the unsustainable expansionary policies that had dominated prior to 1958. Power was turned over to a civilian government the following year.

The adjustment policies adopted in the late 1950s and early 1960s had the effect of reestablishing external balance and of providing the basis for a decade of strong economic growth. Between 1961 and 1973, growth averaged almost 7 percent annually. Rising investment during this period and a strong domestic savings effort had the effect of strengthening the country's foreign exchange position, while simultaneously reducing inflation and accelerating growth of output and employment. The government's share of total investment increased rapidly, especially in manufacturing, rising from 40 percent in the early 1960s to 56 percent by the early 1970s. Growth during this period was accompanied by rapid structural transformation of the economy. Manufacturing activity, principally in import-substituting activities, doubled as a share of GDP. As a consequence of this import substitution, the import coefficient remained relatively stable during this period, despite the rising share of investment in GDP, which was import intensive. Exports remained low as a share of GDP throughout this period.

By the early 1970s, the Turkish economy had undergone far-reaching changes in its economic structure. GDP had grown at an annual rate of about 6 percent since the late 1940s and real national income had quadrupled. Industry had emerged as the most dynamic sector, more than doubling its share of GDP. Agriculture had declined from about half of GDP to less than a third. Turkey's population had increased rapidly, and urbanization had taken place at a rapid pace. During the second half of the 1960s there was a sharp increase in emigration to Western Europe. Approximately one-third of the additions to the labor force had migrated, easing the unemployment problem but creating shortages of skilled labor. Government efforts to accelerate development during this period resulted in rapid increase of capital formation, which doubled as a share of GDP from about 9 percent in the late 1940s to 18.7 percent in 1973. Much of the impetus for the rapid pace of development which took place came from the public sector, which increased its share of industry from 37 percent to 46 percent.

Despite the profound changes which took place in the Turkish economy in the post-war period, there were a number of disturbing developments which were symptomatic of severe imbalances and the underlying structural weakness of the economy. Growth of the economy followed a stop-go pattern caused in large part by chronic foreign exchange shortages. Over-reliance on an import-substituting strategy of development paradoxically resulted in rising import dependence, since new import-substituting industries were heavily dependent on imported inputs. Export growth was sluggish. These problems were aggravated by poor economic management, inflation, and capital flight. Public sector investment grew rapidly in this period, outpacing domestic resource

mobilization. The results were chronic imbalance in the country's public finances and weakening of the country's external position. This problem was, in part, attributable to pricing policy in the state economic enterprises, which generated large deficits and required substantial subsidies. Attempts to suppress inflation and excess demand pressures on the balance of payments through quantitative restrictions proved to be ineffective, and excessive short- and medium-term external borrowing on commercial terms led to a debt rescheduling in 1958. Further debt relief was provided in 1963-65, and again in 1968-71.

In the period immediately preceding the oil price increases of late 1973, the country's external position improved considerably. The stabilization program of 1970, which included strengthened incentives for exports, including a devaluation, resulted in a doubling of exports between 1970-73. Workers' remittances increased fourfold. The dramatic improvement in the balance of payments permitted replenishment of foreign exchange reserves from US\$200 million in 1965 to US\$2.1 billion in 1973. Rapid growth of exports, and the 1970-71 debt rescheduling, resulted in a decline of the debt service burden from over 20 percent in the late 1960s to 13.5 percent in 1973. Turkey was in a relatively strong position to absorb the external shocks of 1974-75 (see Table 20).

Sources of External Imbalance, 1974-76

The quadrupling of the oil price in 1973 and the slowdown of growth in the OECD had a strongly adverse effect on Turkey's external position. Outlays on imports increased more than two and a half times between 1973 and 1975, first as a result of higher fuel prices, and then increased again in 1975 and 1976 as a consequence of a sharp expansion of import volumes. This surge of import payments was accompanied by a decline in the volume of exports in 1974-75. Workers' remittances, which had become almost as important as merchandise exports by 1973, increased by 28 percent in 1974, helping to cushion the shock of increased expenditures on imports. But in 1975-76 remittances declined sharply as a consequence of recession in Western Europe.

Comparing the trade and services balances of the period 1974-76 to those prevailing in 1972-73 (see Table 21) indicates that an additional US\$8 billion was needed to pay for imports. Export receipts increased by \$2.2 billion. As a consequence, the merchandise trade deficit increased by US\$5.8 billion. This imbalance stemmed from a deterioration in the country's terms of trade, which accounted for US\$3.3 billion of the increased deficit. For imports, an additional US\$2.5 billion was needed to cover the increased prices of machinery and transport equipment and US\$1.3 billion for petroleum. But the increased payments on imports, attributable to a larger volume, were almost as large (US\$3.1 billion). Exports, in contrast, did not benefit much from improved prices. Only US\$1.6 billion was attributable to price increases compared with US\$4.9 billion for imports. The increase attributable to volume change was even smaller, adding only \$569 million to export receipts. The larger deficits in the trade balance during 1974-76 were in part offset by increased remittances from Turkish workers abroad. Additional earnings from remittances totalled nearly US\$1 billion during 1974-76, despite a decline in the number of workers abroad (which accounted for a decline of US\$600 million).

Table 20:

Turkey's Balance of Payments, 1970-78
(millions of U.S. dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Exports of goods and non-factor services	754	875	1,153	1,799	2,123	2,152	2,742	2,556	3,106
of which: Goods	5,894	677	885	1,317	1,532	1,401	1,960	1,753	2,288
Imports of goods and non-factor services	-1,096	-1,349	-1,827	-2,391	-4,183	-5,219	-5,735	-6,436	-5,059
of which: Goods	-948	-1,171	-1,563	-2,086	-3,778	-4,739	-5,129	-5,796	-4,599
Resource balance	<u>-342</u>	<u>-474</u>	<u>-674</u>	<u>-592</u>	<u>-2,060</u>	<u>-3,067</u>	<u>-2,993</u>	<u>-3,880</u>	<u>-1,953</u>
Interest (net) /a	-47	-60	-62	-59	-102	-124	-217	-570	-680
Profits	-33	-36	-35	-35	-71	-36	-83	-116	-60
Workers' remittances	273	471	740	1,183	1,426	1,312	983	982	983
Net factor service income	193	375	643	1,089	1,253	1,152	683	296	243
Transfers	91	61	46	18	27	23	15	12	
Current account balance	<u>-58</u>	<u>-38</u>	<u>15</u>	<u>515</u>	<u>-780</u>	<u>-1,892</u>	<u>-2,295</u>	<u>-3,572</u>	<u>-1,710</u>
Direct foreign investment	58	45	43	27	88	153	27	67	47
Imports with waiver	34	27	39	50	58	98	136	102	100
Public medium- and long- term borrowing /b	271	293	294	376	330	386	491	502	530
Amortization /a /b	-146	-75	-117	-72	-126	-117	-119	-214	-380
Public borrowing (net)	125	218	177	304	204	269	372	288	150
Capital not included elsewhere	-39	31	21	67	79	-204	-306	742	464
Overall balance	<u>120</u>	<u>283</u>	<u>295</u>	<u>963</u>	<u>-351</u>	<u>-1,576</u>	<u>-2,066</u>	<u>-2,373</u>	<u>-949</u>
IMF (net)	48	2	-61	-11	-	243	148	-	253
Short term (net) /c	18	61	332	-234	-80	916	1,806	1,807	844
Change in reserves (- = increase)	-186	-346	-566	-728	431	417	112	566	-148

- Not available.

a/ Net of debt relief.

b/ Government estimates, not consistent with World Bank data.

c/ Mainly Convertible lira deposit accounts, acceptance credits, commercial and oil arrears, bankers' credits, overdrafts, and Dresdner Bank Scheme deposits.

Table 21:

Changes in Turkey's Balance of Goods and Services in Relation
to the Average for the Period 1972-73
(millions of U.S. dollars)

	Year			Period
	1974	1975	1976	1974-76
<u>Imports of Goods</u>	<u>1957</u>	<u>2878</u>	<u>3231</u>	<u>8066</u>
Factors accounting for the increase in the value of imports				
<u>Price effect a/</u>	<u>1442</u>	<u>1813</u>	<u>1667</u>	<u>4922</u>
Machinery and transport equipment	720	872	868	2460
Petroleum	344	452	490	1286
Manufactures	119	156	122	397
Other	259	333	187	779
<u>Volume effect b/</u>	<u>515</u>	<u>1065</u>	<u>1564</u>	<u>3144</u>
Machinery and transport equipment	21	413	695	1129
Petroleum	215	149	399	763
Manufactures	327	449	357	1133
Others	-48	54	113	119
<u>Exports of Goods</u>	<u>564</u>	<u>702</u>	<u>968</u>	<u>2234</u>
Factors accounting for the increase in the value of exports				
<u>Price effect a/</u>	<u>503</u>	<u>507</u>	<u>555</u>	<u>1565</u>
Crude materials, inedibles	-45	-58	236	249
Food and live animals	584	514	362	1460
Manufactured goods	442	88	347	877
Other	-478	-153	-390	-1021
<u>Volume effect b/</u>	<u>61</u>	<u>195</u>	<u>313</u>	<u>569</u>
Crude materials, inedibles	85	4	73	162
Food and live animals	-700	-682	-395	-1777
Manufactures	-389	-63	-212	-664
Other	1065	936	847	2848
<u>Balance of Goods</u>	<u>-1393</u>	<u>-2176</u>	<u>-2263</u>	<u>-5832</u>
<u>Balance of Services</u> (of which)	<u>503</u>	<u>487</u>	<u>-77</u>	<u>913</u>
Workers remittances	<u>477</u>	<u>362</u>	<u>34</u>	<u>873</u>
Price effect c/	342	539	567	1448
Volume effect c/	135	-177	-533	-575
<u>Goods and Non-Factor Services</u> <u>Balance</u>	<u>-890</u>	<u>-1689</u>	<u>-2340</u>	<u>-4919</u>

a/ $Q_{72-73} (P_i - P_{72-73})$, $i = 74, 75, \text{ and } 76$.

b/ $P_{72-73} (Q_i - Q_{72-73})$, $i = 74, 75, \text{ and } 76$.

c/ World Bank "Index of international inflation" used as deflator.

Source: Statistical Yearbook of Turkey (1975 and 1977 issues).

Rising imports and declining export earnings, including remittances, brought about a sharp deterioration in Turkey's external position. The current account shifted from a surplus of US\$515 million in 1973 to a deficit of US\$780 million in 1974 and US\$1.9 billion in 1975. This deficit was financed by short- and medium-term borrowing, recourse to the IMF, and drawdown of international reserves to US\$1.4 billion. In the span of two years, Turkey moved from a position of relative external strength to one of extreme vulnerability.

Adjustment to External Imbalance

Despite a deteriorating external position, Turkey continued to pursue expansionary policies during 1974-76. Real GDP growth averaged almost 8 percent during this period. As a consequence, import growth continued at a rapid pace (23 percent annually) and export performance was uneven, declining in 1975, increasing in 1976, and declining again in 1977. Under these circumstances, the current account deficit increased rapidly from 2.7 percent of GDP in 1974 to 5.3 percent in 1975 and 7.5 percent in 1976. This deterioration in the current account of the balance of payments required a large increase in external borrowing. External debt, much of it of a short-term nature, almost doubled between 1973 and 1977.

Expansionary policies during this period, including increased investment spending, were based in part on the desire of the government to offset the contractionary effects of the deterioration in the terms of trade, to provide increased employment opportunities for migrant workers returning to Turkey from Western Europe, and to accelerate the pace of development. Public sector investment spending increased at four times the rate of the 1970-73 period. Simultaneously, domestic resource mobilization problems became more acute. Budget deficits and the deteriorating financial position of the State Economic Enterprises were met in large part by borrowing from the Central Bank, which fuelled a sharp increase in the rate of inflation.

Table 22 indicates the extent and source of the deterioration in the resource balance in real terms. The resource gap increased by large amounts every year between 1973 and 1977, with the exception of 1976. No effort was made to check the growth of expenditure stemming from increased output and income. Public sector expenditure-related increases in absorption in fact had a negative impact on the resource balance and were a major contributing factor to the deterioration during this period. In 1976, when some restraint in public spending was exercised, the policy-induced effect was much less negative than in previous years, and sufficiently strong to curb the increase in Turkey's real resource deficit. Throughout 1973-77, the negative effect of absorption reduction was only partially offset by the expansion of output of traded goods. Employment, output, and the pace of development -- all could have been accelerated with a simultaneous positive impact on the resource balance if a portion of the increased income from this expansion had been captured in the form of increased savings and greater switching had been achieved. The negative policy-induced impact on the reserve balance during this period underscores the severity of the resource mobilization problem.

The major source of economic growth during 1974-78 came from sectors producing for local consumption -- both non-traded and non-exported exportables. Of the total increase in real output, 55 percent was attributable to the expansion of non-traded goods and services and 39 percent from the expansion of exportable products consumed domestically (see Table 23). Production of goods for export and import substitutes made a negligible contribution to expanding total output (6 percent). The importance of expansion of exportable goods consumed domestically in total economic growth is a reflection of the domestic resource mobilization problem and an indication that, unless domestic savings increase hand in hand with expansion of total output and income, increases in output will not contribute toward strengthening a country's balance of payments.

While slower OECD growth and increased oil prices were an important factor in the deterioration of the country's external position in 1974-76, weak domestic demand management policies were at least as important. The government's inability to stem the continued deterioration of the country's balance of payments in 1977, depletion of the country's foreign exchange reserves, and sharp increases in external debt produced a loss of confidence in the Turkish economy. By mid-1977, Turkey's credibility as a reliable debtor country had been eroded to the point where the country could no longer borrow abroad. Capital flight accelerated, investment by the private sector dried up, output stagnated, and unemployment increased.

The balance of payments crisis of 1977 exposed deep structural deficiencies in the Turkish economy. Rapid growth during the late 1960s through the mid-1970s had been achieved through over-reliance on expansion of non-tradeable goods and services. Emphasis on import-substituting industrialization behind excessively restrictive protective barriers to trade had saddled the country with a high-cost industrial structure incapable of competing in foreign markets, as indicated by the low and stagnant export coefficient. Moderate growth of exports prior to 1974 had, for the most part, come from expansion of traditional exports which have relatively low income elasticities of demand. By the mid-1970s, import substitution had been taken as far as possible; further contraction of the import coefficient became impossible. The capital-intensive nature of domestic import-substitution industries produced rising unemployment despite large-scale emigration of Turkish workers to European Economic Community (EEC) countries. The return home of more than 50,000 workers between late 1974 and 1976, as recession in Western Europe deepened, gave rise to an acute unemployment problem at home.

Table 22:

Adjustment to External Imbalance in Turkey, 1971-78
 (change in real resource balance in millions of constant \$TL)

	1971	1972	1973	1974	1975	1976	1977	1978
Absorption Effect	-5730.0	-3642.5	-2255.3	-6947.3	-7272.0	-7119.1	-5603.9	483.6
Terms of trade effect	-218.6	250.1	67.8	964.0	1011.4	832.8	905.4	1278.3
Output effect on income	-5111.3	-3933.0	-2680.6	-5650.3	-6451.3	-7153.2	-5043.9	-3437.5
Policy effect	-400.2	40.4	357.5	-2260.9	-1831.1	-798.6	-1465.4	2642.8
Switching effect	-623.0	275.7	442.2	-1503.3	-905.1	36.3	-599.2	4187.2
Expenditure switching	-1870.0	3042.5	3755.3	-1852.7	-1529.0	219.1	-96.1	4816.4
Output switching	1246.9	-2766.7	-3313.1	349.4	623.9	-182.7	-503.1	-629.2
Growth effect	4853.1	3666.7	2513.1	5350.6	5876.1	6382.7	4503.1	3029.2
Total change in resource balance	-1500.0	300.0	700.0	-3100.0	-2300.0	-700.0	-1700.0	7700.

Table 23:

Source of Turkey's Output Growth, 1974-78
(percent)

	Real Output Growth	Total	Non-traded Goods	Exports	Import Substitutes	Non-exported Exportables
1974	8.5	100	55	-10	-28	83
1975	8.9	100	55	-10	-7	62
1976	8.5	100	57	10	11	22
1977	4.4	100	52	-11	-37	96
1978	3.5	100	54	32	132	-118
Aver.74-78	6.7	100	55.0	0.3	5.3	39.4

Recent Developments and Prospects

The stabilization program announced in 1978 had only moderate success as a consequence of the government's inability to reduce the public sector deficit. While the consolidated budget deficit was about the same as in 1977, losses of the state economic enterprises were higher. Tight controls on imports and some recuperation of exports cut the current account deficit of the balance of payments by half. But as a result of this compression of imports, output growth declined, unemployment increased, and inflation worsened. A new stabilization program was initiated in early 1979, but public sector deficits continued out of control. While the current account deficit of the balance of payments was held to the lower 1978 level by severe import rationing, output stagnated, unemployment increased, inflation accelerated, export performance faltered, and the country's external debt position remained precarious. Despite a major external debt rescheduling, net arrears increased by US\$500 million.

The latest round of oil price increases has further complicated Turkey's economic situation and has jeopardized the country's prospects for recovery. The oil bill has increased from US\$1.2 billion in 1977 to US\$3.2 billion in 1980 (now equivalent to 83 percent of export earnings). As a consequence of this and the seeming inability of the government to gain control over the public sector deficit (State Enterprise deficits have continued to increase), the current account of the balance of payments is expected to show a large increase from 3 percent of GDP in 1979 to 8 percent in 1980. While there has been some easing of inflation, output continues to be stagnant. Export performance remains poor, despite increased incentives for exports. Even emergency financing from the IMF and the World Bank did not make it possible to avert another massive debt rescheduling in mid-1980. The one major source of improvement in Turkey's balance of payments is the increase in workers' remittances during the past several months. Despite this, foreign exchange reserves are virtually depleted, and there has been an additional build-up of arrears.

To overcome these problems the Turkish government launched a program of economic reform in early 1980. Priority has been given to reducing inflation and strengthening the country's external position. Domestic resource mobilization and control of monetary expansion play a crucial role in stabilizing the domestic economy. Export promotion is being used as the principal means of strengthening the balance of payments. To extend the term structure of the country's external debt, controls have been introduced on foreign borrowing. Import substitution has been deemphasized (especially in manufacturing) except in those activities in agriculture and energy where the country has a strong comparative advantage. There has been a return to the more traditional view that the public sector should concentrate on the provision of infrastructure and the private sector should take the lead in directly productive activities, especially in manufacturing. Greater reliance is being placed on market mechanisms as against more centralized planning.

Despite these reform measures, the outlook for 1981 is only slightly more promising. The decline of investment in real terms during the past several years may be reversed, and it is possible that there will be some resumption of economic growth. The Iran-Iraq war has resulted in even more rapid rises in foreign exchange outlays on imported petroleum, and it is likely that there will be a further deterioration in the current account of the balance of payments (see Table 24). Given the accumulation of domestic economic problems, the prospects for continuing real increase in the price of petroleum imports, and the difficulty of significantly increasing the net inflow of capital, it is unlikely that the economy will recover in the medium-term without far-reaching changes in its structure.

Efforts to promote exports are unlikely to be successful unless some reorganization and restructuring of domestic industry, aimed at increasing efficiency and reducing costs, takes place. Introduction of a more rational system of protection will be required, but progress in implementing this is likely to be slow. Domestic resource mobilization continues to be a major problem, despite efforts to increase tax revenue. Dissaving by the State Enterprises remains high and progress to date has been disappointing. Introduction of bearer certificates of deposit at attractive interest rates, while increasing opportunities for tax evasion, are attracting deposits from the nonregulated or black market financial system. Efforts to improve execution of the public sector investment program, aimed at curbing its growth and making its composition more responsive to the need to concentrate limited resources on energy and export-oriented projects, are being hampered by the inability of the government to gain control over the State Enterprises.

Table 2a:
Projected Balance of Payments for Turkey, 1980-90
(millions of U.S. Dollars)

	Actual					Provisional	Projected						
	1970	1973	1975	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
Summary of Balance of Payments													
Export of goods and non-factor services	754	1799	2152	2536	3108	3257	3800	4500	5662	6673	7680	9114	19256
Imports of goods and non-factor services	-1096	-2391	-5219	-6636	-3059	-5699	-7300	-3400	-9716	-10877	-12162	-13524	-23405
Resource balance	-362	-592	-3067	-3880	-1953	-2662	-3500	-3900	-4252	-4404	-4482	-4410	-4151
Interest (net) <u>a/</u>	-67	-59	-126	-570	-620	-320	-1150	-1670	-1500	-1619	-1749	-1924	-2309
Profits	-33	-35	-36	-116	-60	-50	-	-	2103	-108	-114	-120	-150
Workers' remittances	273	1183	1312	982	963	1696	1800	2000	2400	3000	3400	3800	5800
Non-factor service													
Income	193	1089	1152	366	243	714	450	130	797	1273	1537	1756	1361
Transfers	91	18	23	12	-	-	-	-	-	-	-	-	-
Current account balance	-58	515	-1892	-1572	-1710	-1728	-3050	-3570	-3675	-3131	-2965	-2653	-810
Private foreign capital	92	77	251	169	167	209	175	200	220	244	273	299	300
Public medium- & long-term borrowing (gross) <u>b/</u>	271	376	386	502	530	1626	2175	3560	3135	3540	3826	4233	4423
Amortization <u>a/</u> <u>b/</u>	-166	-72	-117	-214	-380	-365	-1240	-1400	-1426	-2176	-2692	-2897	3729
Public borrowing (net)	125	306	269	288	150	1069	935	2140	1661	1366	1136	1336	696
Short-term borrowing (net) <u>c/</u>	66	-235	1159	1807	1097	582	150	220	-172	-129	-86	-58	-
Capital not included elsewhere	-39	67	-206	762	466	-206	1060	1010	2168	1827	1832	1288	-
Change in reserve (- increase)	-186	-728	417	566	-148	76	30	-	-402	-181	-200	-212	-386
Medium- and long-term loan commitments <u>d/</u>													
Public sector	487	491	669	1105	1307	1796							
Bank Group	40	135	158	166	358	306							
Other multilateral	1132	100	40	6	54	123							
Governments: market economies	1156	718	197	282	288	205							
Governments: centrally planned economies	114	3	3	150	206	35							
Suppliers	47	6	79	260	123								
Financial institutions	-	32	172	263	281	527							
Other	-	-	-	-	-	-							

Summary of Balance of Payments

Private sector 19 56 106 100 -100 100

AVERAGE TERMS OF MEDIUM- AND LONG-TERM LOAN COMMITMENTS d/

Grant element (X)	37.6	39.2	15.6	11.6	16.2	16.7
Interest (X)	3.6	4.7	7.2	7.6	7.2	7.0
Maturity (years)	18.8	25.7	13.5	11.6	18.6	11.9
Grants (years)	4.6	7.1	3.8	4.2	3.1	5.0

- Not available.

a/ Does not include 1980 debt relief which is included under "capital not elsewhere included." The figures are: interest relief 1980, \$329 million; 1981, \$259 million; 1982, \$173 million; and 1983, \$142 million. Principal relief: 1980, \$733 million; 1981, \$518 million; 1982, \$387 million, and 1983, \$387 million.

b/ Up to and including 1978 these figures are government estimates, which are not consistent with World Bank data.

c/ Mainly convertible Turkish lira deposits, acceptance credits, commercial and oil arrears, bankers credits, reimbursement credits, overdrafts, Dresdner Bank Scheme deposits, and IMF.

d/ Public and publicly guaranteed external debt only.

VI. Major Development Policy Issues for the SICs

Although there are significant differences among the SICs -- with some having experienced complex social and political conditions, which resulted in difficulties with economic management that others were fortunate to escape -- there are similarities in the recent experience of these countries that make it possible to draw conclusions about the group as a whole.

Most of the SICs (and each of the four countries analyzed in the previous section) are heavily dependent on petroleum imports for most of their commercial energy requirement. Each of these countries was adversely affected by the oil price increase of 1973 and subsequent changes in the world economy in 1974-76. In most, terms of trade declined, inflation accelerated, public finances were eroded, balance of payments deficits increased, and international reserves were drawn down.

Most of the SICs adopted a similar approach to deal with the adverse economic environment which they faced. In contrast to a number of OECD countries, which made efforts to shift the deficits in their balance of payments stemming from the new oil prices by reducing their level of imports, most of the SICs contributed to sustained world demand by initially maintaining growth and import levels, financing this by increased external borrowing, by expanded exports, and in some cases by compressing imports.

While most of the SICs came through the 1974-76 period with relatively favorable economic growth, cushioning the effect of adverse external shocks by a sharp increase in external borrowing, their success in adjusting their economies was mixed. Some were able to reduce the current account deficits in their balance of payments to a sustainable level while simultaneously maintaining or in some cases accelerating the pace of growth and development. Others achieved high rates of economic growth but experienced unsustainably large increases in their balance of payments deficits financed by a massive accumulation of external debt.

A difficult domestic political situation prevented Turkey from undertaking either short-term adjustment policies or initiating the longer-term structural changes needed to cope with the new world economic environment. Despite an improvement in the terms of trade in 1976-77, there was a foreign exchange crisis and collapse of economic growth in late 1977. On the eve of the second round of oil price increases, the country's external position was weak. Massive debt reschedulings were necessary to get the country through the second round of oil price increases. Future prospects are grim.

Brazil was able to expand its exports rapidly during the 1974-76 period so that by 1977 a considerable improvement in the country's external position had been achieved despite the large increases in external debt and debt service burden which had occurred. The increase in the debt service burden, however, has proved to be unsustainably large in the face of the latest petroleum price increases. The country may now face the need for

emergency financing. Over the medium term it will be necessary either to restructure the economy in order to further accelerate export growth, reduce dependence on imported oil, curb the import intensity of growth, or to cut down growth.

Korea and Uruguay have done better. While Korea was one of the most successful of all the SICs in adjusting positively to the 1974-75 reversals in the terms of trade and was well positioned to face the dislocations of the second oil price increase, political uncertainties prevented a timely response to the new situation. The country has not been able to achieve the smooth adjustment which occurred in 1974-76. Uruguay did quite well in 1974-76 and now appears to be in a strong position to cope with the recent oil price increases.

What are the most important factors in explaining why some of the SICs have adjusted better than others? What is the relationship between development policy and adjustment? The experience of the countries studied in Section V suggests that those countries which have accelerated diversification of their economic structure and have adopted policies that have integrated their economies more closely with the world economy have generally been able to adjust to the new petroleum prices and the slowdown in world trade with the least disruption of their growth and pursuit of broader development objectives. Successful adjustment, or adjustment which reinforces rather than inhibits development, must contribute to building a pattern of production that responds to the changed international economic environment. To be effective, measures to strengthen a country's external position by addressing short-term disequilibrium must be accompanied by restructuring of a long-term nature involving shifts in resource use to reflect relative scarcities and to improve efficiency. Such measures encompass both macro-economic and sectoral development policies.

For the SICs, foreign exchange availability and import capacity are an important determinant of growth and development. The change in relative prices in the world economy since 1973 has provided increased opportunities for import substitution in many of these countries, particularly in the energy field. In most, however, the scope for further compression of the import coefficient through import substitution in the industrial sector is limited.^{1/} Excessive pursuit of capital-intensive, import-substituting industrialization has, in a number of cases, tended to increase the vulnerability of the economies of many of the countries to external shocks (Turkey, Uruguay pre-1974, recent efforts to import-substitute in heavy industry in Korea, etc.). For the SICs the greatest scope for increasing import capacity and growth lies with export-oriented diversification of their productive structure.

^{1/} This contrasts with the situation of the low-income and agricultural- or mineral-based middle-income countries, where there is considerable scope for additional import substitution.

The severity of the economic deterioration caused by the state of the world economy in 1974 forced some countries to reassess their development strategies. Uruguay, which was more adversely affected than most other SICs, abandoned its commitment to import-substituting industrialization in favor of expansion of exports, especially of manufactured products based on rural goods which it produces at relatively lower cost. By shifting its development strategy toward promotion of activities more in line with the country's comparative advantage, Uruguay succeeded in simultaneously accelerating economic growth and eliminating the deficits in its balance of payments.

By redoubling its efforts to expand and diversify export products and markets, Korea adjusted rapidly to the adverse external developments, eliminated its balance of payments deficits by 1976, and sustained high rates of growth. Brazil first attempted to sustain the high rates of growth it had achieved in 1965-73 by borrowing externally and expanding its exports. These efforts were less successful than those of Korea. Eventually, import controls were tightened and growth was scaled back as it became clear that the economy would not be able to sustain the large current account deficits which were being generated. Later, as the terms of trade improved, Brazil again attempted to accelerate economic growth. These stop-go policies and the shift toward import substitution resulted in lower growth than was achieved in the period preceding the oil crisis. Expansion of output was nonetheless maintained at a relatively rapid pace, but accumulation of external debt appears to have exceeded the country's future capacity to service that debt without disrupting growth and development.

Turkey deliberately pursued expansionary policies despite its rapidly deteriorating balance of payments position. While high real rates of growth were achieved, primarily through import substitution, the country never adjusted to the adverse external circumstances it faced and simply covered its deficits by compression of imports, depletion of its foreign exchange reserves, and by unsustainably large increases in its external debt. Ill-advised domestic policies were as much responsible for the deterioration in the country's external position as were the adverse developments in the world economy.

Most of the SICs, however, have attempted to increase their exports to offset the decline in their terms of trade. A number of these countries competed successfully in deteriorating world markets, although in some cases this was achieved through excessive fiscal subsidies which contributed to deteriorating public finances. In some instances, excessive incentives for manufactured exports combined with an overvalued exchange rate shifted the internal terms of trade against agriculture and were equivalent to a discriminatory tax on agricultural production. For other countries which had a poor record of increasing exports, expanding exports in a period of worldwide recession proved to be impossible. For a number of countries it became painfully obvious that maintenance of high rates of growth of non-traditional exports over the medium term would require an internationally competitive industrial sector. This could only be achieved through gradual trade liberalization and difficult structural adjustments as some highly

protected, inefficient industries were either reorganized or allowed to die and others, for which the country had a relative comparative advantage, expanded. Most countries discovered that it was not sufficient to expand domestic production of exportables without complementary measures to increase domestic savings, since production increases generated higher levels of consumption which absorbed the exportable surplus. By simultaneously expanding domestic savings and production for export, effective increases in exports could be realized.

The experience of many of the SICs indicated that reduction of growth of output was not necessary for bringing about improvement in the balance of payments. A permanent improvement in the country's external position was most easily achieved when its economy was growing, as long as a portion of the increased income generated by the additional output could be captured in the form of increased savings. The experience of these countries indicated that it was easier to increase savings when the economy was expanding. Reconciliation of competing claims on resources was easier when total resources were growing. Similarly, external debt and debt service could increase rapidly as long as the incidence of higher debt service fell on only a portion of the increment in per capita income, making it possible for consumption and domestically financed investment to rise with debt service payments. When the rate of increase in real income and consumption after debt service payments was inadequate, debt service appeared to pose a problem, since it impinged on existing living standards and employment levels. Rapid growth of output and employment was therefore more conducive to sustained improvements in the countries' external position.

Interest rate, incomes, and exchange rate policies were used with increasing effectiveness by a number of the SICs as a means of managing aggregate demand. Maintenance of positive real rates of interest made it possible for financial intermediaries to attract private savings and contributed to more efficient allocation of these savings among alternative investment opportunities. Coordinated interest and exchange rate policies made it possible for a number of countries with rates of inflation above that of world inflation to maintain incentives to domestic savers, thereby discouraging capital flight and attracting savings from abroad. Introduction of flexible exchange rate policies played a key role in some countries which had persistent overall balance of payments deficits stemming from overly expansive domestic fiscal and monetary policies and a high rate of inflation in combination with a fixed or supported exchange rate. By allowing the exchange rate to depreciate slowly, while at the same time curbing domestic monetary expansion gradually rather than abruptly, some countries improved their balance of payments and simultaneously avoided a serious and prolonged adverse impact on economic growth and employment.

Another policy area of critical importance was that of management of public sector finances. During the early 1970s' boom in growth and expansion of world trade, a number of SICs adopted ambitious public and private investment plans with substantial foreign exchange components and heavy external borrowing requirements. For a number of countries these plans proved to be excessively large in the face of adverse external developments between 1974

and 1976 and again after 1978. While the different solutions which were adopted by individual countries varied a great deal, almost all countries attempted to deal with the problem in one way or another. In some countries fiscal and monetary reforms had a significant impact on generation of increased public sector savings, on mobilization of private savings, and on more efficient allocation of these savings to productive investment. Large fiscal deficits in some countries indicate that the degree of success of the adjustment process has not been equal for all. Where it was not possible to increase savings, investment plans were adjusted downward: in some instances by extending the investment period, in others by reducing the overall magnitude of the investment. In some countries, a combination of new tax measures, expenditure rationalization and control, and pricing policies were used to strengthen finances of the public sector. In the SICs where the public sector carries out a wide range of directly productive activities, reform of public enterprises aimed at increasing their efficiency and rationalizing their activities has been the key to assuring generation of adequate savings and cash flow to cover a reasonable share of their new investment requirements.

In the energy field there was a wide range of experience among individual SICs. While some countries reacted more quickly than others, almost all countries adjusted their domestic energy prices to the new world level. While this adjustment increased costs and prices in both the transport and industrial sectors, and for this reason was especially difficult for countries which already were having problems with inflation, most countries were aware of the overriding importance of adopting realistic energy prices. A number of countries were successful in initiating programs to conserve consumption of energy while developing alternative sources of energy, including renewables such as hydro and biomass (Brazil and Korea). Others initiated exploration and development efforts to increase domestic petroleum production. For most of these countries, the major benefits from such efforts will not come until the mid- to late 1980s due to the lead time it takes to bring new crude petroleum on stream and to develop new sources of energy. Countries which have not been successful in initiating such programs will face increasing pressure on their balance of payments in the 1980s as their expenditures on petroleum imports increase, unless they can expand their nontraditional exports at a similar rate.

Serious efforts were made in a number of the SICs to monitor and control external borrowing. While the feasibility of establishing control over private capital movements may vary from country to country, it became clear that an explicit policy regarding public sector external borrowing was required. The more established state enterprises in many countries, especially those in the extractive industries, had considerable access to international capital markets and were able to operate with independence in borrowing abroad. There is a danger -- especially in periods of excess liquidity in international capital markets -- that private lenders will lend on terms inappropriate to the activities being financed. During the adjustment period, it became increasingly obvious that it was necessary to ensure that the amount and terms of new borrowing of state enterprises were consistent with debt management objectives and that limited external capital

was properly allocated. Where such external debt policies were introduced, control over public sector expenditures was enhanced since many enterprises which normally escape budgetary control could be monitored through their larger projects which, typically, involve foreign financing. Some of the SICs were slow in adopting these measures and overborrowed during 1974-76. These countries have found it more difficult to adjust to the latest shocks, and their medium-term prospects for development have been adversely affected as a result. For these countries, measures to curb consumption and restructure the economy may entail some short-term costs as a necessary price for longer-term benefits.

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OIL IMPORTERS

Low-Income

Bangladesh
Ethiopia
India
Kenya
Madagascar
Niger
Pakistan
Sri Lanka
Tanzania
Zaire

Senegal
Sudan
Thailand
Zambia

Semi-Industrial (SICs)

Argentina
Brazil
Korea
Portugal
Turkey
Uruguay
Yugoslavia

Middle-Income

Primary Producing

Cameroon
Chile
Columbia
Costa Rica
Dominican Republic
El Salvador
Ghana
Guatemala
Ivory Coast
Jordan
Morocco
Philippines

OIL EXPORTERS-
CAPITAL IMPORTERS

Algeria
Ecuador
Egypt
Indonesia
Malaysia
Mexico
Nigeria
Tunisia
Venezuela

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APPENDIX A

APPENDIX A

Analytical Framework for Adjustment Analysis:
Decomposition of Resource Balance Changes into

Absorption, Switching, and Growth Changes

Absorption or real domestic demand is defined to equal consumption plus investment and is estimated through the following identity:

$$DD = C + I = GDP - XGS + MGS \quad (1)$$

where DD, C, I, GDP, XGS, and MGS stand, respectively, for domestic demand, consumption, investment, gross domestic product, exports of goods and non-factor services, and imports of goods and non-factor services in real terms. It is assumed that output in the economy is divided into two sectors: tradeable goods (GDP^T)^{1/} and non-tradeable goods (GDP^N). Constant price national accounts data are used for the decomposition.

At any two consecutive years, say $t-1$ and t , the resource balance is:

$$RB = XGS_{t-1} - MGS_{t-1} \quad \text{and}$$
$$RB_t = XGS_t - MGS_t \quad \text{respectively.}$$

Thus the change in the resource balance is

$$\Delta RB = RB_t - RB_{t-1} \quad (2)$$

where a positive difference indicates an improvement in the real resource balance.

The contribution of the absorption, switching, and growth of traded goods output effects can be derived as follows.

Absorption

Improvement in the resource balance occurs when output increases more rapidly than domestic demand or absorption. By reducing or curbing growth of domestic demand, demand for both imports and tradeable goods

^{1/} Defined as agricultural, mining and manufacturing output.

produced domestically (exportables and import substitutes) will be lower than would otherwise be the case, lending to improvement in the resource balance by simultaneously cutting outlays for imports and freeing up domestically produced goods for export. For estimating the absorption effect, it is assumed that output of the tradeable goods sectors is held constant and that an increase (decline) in domestic demand is accommodated by an increase (decline) in domestic absorption of import substitutes and exportables produced domestically, with the result that the exportable surplus of the tradeable goods sectors declines (rises). Output of the non-tradeable goods sector is assumed to be demand determined. The absorption effect occurs when changes in domestic demand bring about proportional changes in imports and in the exportable surplus of the tradeable goods sectors.

$$\begin{aligned} \text{Thus if } h &= \frac{DD_t}{DD_{t-1}}, \text{ then} \\ DD_t &= hDD_{t-1} \\ &= hGDP_{t-1}^N + hGDP_{t-1}^T - XGS^* + hMGS_{t-1}, \end{aligned} \quad (3)$$

where XGS^* is the residual level of exports after the change in absorption has taken place.

Therefore the change in the resource balance due to the absorption effect is estimated as:

$$\begin{aligned} \Delta RB_1 &= RB_t - RB_{t-1} \\ &= (XGS^* - hMGS_{t-1}) - (XGS_{t-1} - MGS_{t-1}). \end{aligned} \quad (4)$$

Using equation (3) and the fact that for any constant h , equation (1) can be written as:

$$hDD_{t-1} = hGDP_{t-1}^N + hGDP_{t-1}^T - hXGS_{t-1} + hMGS_{t-1},$$

the value of XGS^* can be expressed as:

$$XGS^* - GDP_{t-1}^T - hGDP_{t-1}^T + hXGS_{t-1}. \quad (5)$$

Substituting the above expression of XGS* in equation (4), the change in the resource balance due to the absorption effect can be written as,

$$\begin{aligned} \Delta RB_1 &= GDPT_{t-1} - hGDP_{t-1}^T + hXGS_{t-1} \\ &\quad - hMGS_{t-1} - XGS_{t-1} + MGS_{t-1} \\ &= (h-1)[XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^T]. \end{aligned} \quad (6)$$

Further decomposition of the absorption effect into effects that take account of an autonomous change in the level of domestic demand stemming from the income effect of a change in the terms of trade and a change in output can be estimated as follows:

First let

$$a = \frac{\text{TOTAT}}{GDP_{t-1}} \quad \text{where } \text{TOTAT}_t \text{ is the terms of trade adjustment at year } t, \text{ and } a = \text{T.O.T. effect}$$

$$b = \frac{t}{GDP_{t-1}} \quad \frac{GDP_{t-1} - GDP_{t-1}^k}{GDP_{t-1}} = k^{-1}, \quad k = \frac{t}{GDP_{t-1}} \quad \text{GDP}$$

and $c = h-1.$

The changes in domestic demand as a result of the terms of trade adjustment and change in output under the general assumptions of the absorption effect are:

$$a \text{ DD}_{t-1} = a \text{ GDP}_{t-1}^N + \text{GDP}_{t-1}^T - XGS^1 + a \text{ MGS}_{t-1} \quad (7)$$

and

$$b \text{ DD}_{t-1} = b \text{ GDP}_{t-1} + \text{GDP}_{t-1} - XGS^2 + b \text{ MGS}_{t-1} \quad (8)$$

respectively, where XGS¹ and XGS² are the levels of exports under the terms of trade and output effect, respectively.

The changes in the resource gap due to the terms of trade and output effect, respectively, are estimated as:

$$\Delta RB_{11} = a[XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^T] \quad (9)$$

$$\Delta RB_{12} = b[XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^T]$$

by the same procedure as above. See equation (6).

The change in the resource gap attributable to policy-induced changes in the level of absorption is measured by comparing the actual level of domestic demand in the subsequent period (t) to the level which would have prevailed after subtracting autonomous changes in terms of trade and output from the total absorption effect:

$$\Delta RB_{12} = (c-a-b) [XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^T]. \quad (10)$$

Switching

The switching effect can be decomposed into expenditure switching and output switching.

Expenditure switching occurs when the composition of total expenditure shifts between tradeable and non-tradeable goods and services. Expenditure switching in favor of non-tradeable goods improves the resource balance of the balance of payments by the same amount.

The contribution of expenditure switching to a change in the resource balance can be estimated by:

$$\Delta RB_{21} = GDP_t^N - hGDP_{t-1}^N. \quad (11)$$

Output switching occurs when the composition of output shifts between tradeable goods and non-tradeable goods. Output switching in favor of tradeable goods production improves the resource balance of the balance of payments by the same amount; explicitly,

$$\Delta RB_{22} = GDP_t^T - kGDP_{t-1}^T. \quad (12)$$

Growth of traded goods

Finally, the contribution of a change (increase) in output of traded goods to a change (improvement) in the resource balance of the balance of payments can be estimated by:

$$\Delta RB_3 = (k-1) GDP_{t-1}^T \quad (13)$$

Summary

In summary, it can be shown that

$$\Delta RB = \sum_{ij} \Delta RB_{ij} \quad (14)$$

as follows:

$$\begin{aligned} \sum_{ij} \Delta RB_{ij} &= (h-1)[XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^T] && \text{[Absorption effect]} \\ &+ GDP_t^N - hGDP_{t-1}^N && \text{[Expenditure switching]} \\ &+ GDP_t^T - kGDP_{t-1}^T && \text{[Output switching]} \\ &+ (k-1) GDP_{t-1}^T && \text{[Growth of traded goods].} \end{aligned}$$

Rearranging the terms, the right side of the above equation can be written as:

$$\begin{aligned} &h XGS_{t-1} - hMGS_{t-1} - (h-1) GDP_{t-1}^T \\ &- (XGS_{t-1} - MGS_{t-1}) \\ &+ GDP_t^N - hGDP_{t-1}^N - GDP_{t-1}^T. \end{aligned}$$

After collecting terms and substituting the value of GDP_t from equation (1),

$$\begin{aligned} \sum_{ij} \Delta RB_{ij} &= h[XGS_{t-1} - MGS_{t-1} - GDP_{t-1}^N - GDP_{t-1}^T] \\ &- (XGS_{t-1} - MGS_{t-1}) \\ &+ hDD_{t-1} + (XGS_t - MGS_t). \end{aligned}$$

Finally,

$$\begin{aligned}\sum_{ij} \Delta RB_{ij} &= (XGS_t - MGS_t - XGS_{t-1} + MGS_{t-1}) \\ &\quad + h[DD_{t-1} - GDP_{t-1} + XGS_{t-1} - MGS_{t-1}] \\ &= \Delta RB,\end{aligned}$$

since the second term above is zero [from equation (1)].

APPENDIX B

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

BANGLADESH

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 ***** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	50396.0	43353.0	45112.0	50569.0	52282.0	58686.0	59469.0	63982.0	55251.5
GDP(NON-TRADED)	MILL	18059.0	15577.0	16116.0	18338.0	18263.0	20943.0	22448.0	23321.0	19998.0
GDP(TRADED)	MILL	32337.0	27776.0	28996.0	32231.0	34019.0	37743.0	37021.0	40661.0	35253.5
EXPORTS OF GOODS AND SERVICES	MILL	1892.0	1459.0	3191.0	2977.0	2091.0	2660.0	3345.0	3355.0	2768.3
IMPORTS OF GOODS AND SERVICES	MILL	4561.0	4556.0	5699.0	4769.0	4169.0	5419.0	3992.0	6268.0	4587.3
DOMESTIC DEMAND	MILL	53065.0	46450.0	47620.0	52361.0	54360.0	61445.0	60116.0	66895.0	57070.5
TERMS-OF-TRADE ADJUSTMENT	MILL	782.9	423.7	-916.1	-1004.4	-801.4	-1183.3	-1043.7	-810.1	-1008.2
RESOURCE GAP	MILL	-2669.0	-3097.0	-2508.0	-1792.0	-2078.0	-2759.0	-647.0	-2913.0	-1819.0
CHANGE IN RESOURCE GAP	MILL	535.0	-428.0	589.0	716.0	-286.0	-681.0	2112.0	-2266.0	465.3

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	2292.3	4363.8	-777.6	-3136.5	-1298.9	-4704.7	876.0	-4247.6	-2066.0
TERMS OF TRADE EFFECT	MILL	-550.5	-294.3	652.4	701.4	539.2	817.0	720.3	513.1	694.5
OUTPUT EFFECT ON INCOME	MILL	2053.9	4892.2	-1252.6	-3810.9	-1152.5	-4421.5	-540.4	-2858.6	-2481.3
POLICY EFFECT	MILL	788.9	-234.1	-177.4	-27.1	-685.6	-1100.2	696.1	-1902.2	-279.2
II. SWITCHING EFFECT	MILL	121.0	-272.6	239.7	345.0	-78.9	-143.3	732.4	-827.8	213.8
EXPENDITURE SWITCHING	MILL	190.7	-230.8	146.6	617.5	-775.1	299.7	1958.0	-1658.4	525.0
OUTPUT SWITCHING	MILL	-69.7	-41.8	93.0	-272.5	696.2	-443.0	-1225.6	830.5	-311.2
III. GROWTH EFFECT	MILL	-1878.3	-4519.2	1127.0	3507.5	1091.8	4167.0	503.6	2809.5	2317.5
IV. TOTAL CHANGE IN RESOURCE	MILL	535.0	-428.0	589.0	716.0	-286.0	-681.0	2112.0	-2266.0	465.3

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	428.5	1019.6	-132.0	-438.1	-454.2	-690.9	41.5	-187.5	-444.1
TERMS OF TRADE EFFECT	UNIT	-102.9	-68.8	110.8	98.0	188.5	120.0	34.1	22.6	149.3
OUTPUT EFFECT ON INCOME	UNIT	383.9	1143.0	-212.7	-532.2	-403.0	-649.3	-25.6	-126.2	-533.3
POLICY EFFECT	UNIT	147.5	-54.7	-30.1	-3.8	-239.7	-161.6	33.0	-83.9	-60.0
II. SWITCHING EFFECT	UNIT	22.6	-63.7	40.7	48.2	-27.6	-21.0	34.7	-36.5	46.0
EXPENDITURE SWITCHING	UNIT	35.6	-53.9	24.9	86.2	-271.0	44.0	92.7	-73.2	112.8
OUTPUT SWITCHING	UNIT	-13.0	-9.8	15.8	-38.1	243.4	-65.0	-58.0	36.7	-66.9
III. GROWTH EFFECT	UNIT	-351.1	-1055.9	191.3	489.9	381.8	611.9	23.8	124.0	498.1
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	-100.0	100.0	100.0	-100.0	-100.0	100.0	-100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	1.1	-1.0	1.3	1.4	-0.5	-1.2	3.6	-3.5	0.8
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	28.3	-29.3	18.5	24.1	-13.7	-25.6	63.1	-67.5	16.8

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

ETHIOPIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
GDP	MILL	3606.1	3777.8	3879.6	3935.9	3939.5	4031.2	4048.6	4009.3	3988.8
GDP(NON-TRADED)	MILL	1389.1	1480.8	1550.2	1621.4	1667.7	1714.8	1737.5	1722.8	1685.4
GDP(TRADED)	MILL	2217.0	2297.0	2329.4	2314.5	2271.8	2316.4	2311.1	2286.5	2303.5
EXPORTS OF GOODS AND SERVICES	MILL	379.5	376.0	435.7	519.3	478.7	300.0	327.2	339.3	406.3
IMPORTS OF GOODS AND SERVICES	MILL	466.2	472.2	426.6	448.8	600.0	518.4	620.5	675.2	546.9
DOMESTIC DEMAND	MILL	3692.8	3874.0	3870.5	3865.4	4060.8	4249.6	4341.9	4345.2	4129.4
TERMS-OF-TRADE ADJUSTMENT	MILL	13.2	20.5	68.7	62.8	-21.5	181.6	166.2	120.6	97.3
RESOURCE GAP	MILL	-86.7	-96.2	9.1	70.5	-121.3	-218.4	-293.3	-335.9	-140.6
CHANGE IN RESOURCE GAP	MILL	3.7	-9.5	105.3	61.4	-191.8	-97.1	-74.9	-42.6	-75.6

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-95.6	-113.0	2.2	3.1	-113.4	-111.3	-55.1	-2.0	-69.2
	TERMS OF TRADE EFFECT	MILL	-8.5	-13.1	-43.5	-37.5	12.2	-110.3	-104.5	-77.6	-60.0
	OUTPUT EFFECT ON INCOME	MILL	-100.5	-109.7	-64.5	-33.7	-2.1	-55.7	-10.9	25.3	-25.6
	POLICY EFFECT	MILL	13.4	9.7	110.2	74.3	-123.6	54.8	60.4	50.3	16.5
II.	SWITCHING EFFECT	MILL	2.8	-2.0	41.2	24.5	-80.5	-38.7	-29.8	-18.2	-31.1
	EXPENDITURE SWITCHING	MILL	33.5	23.5	70.7	73.2	-35.7	-30.4	-14.5	-16.0	-1.9
	OUTPUT SWITCHING	MILL	-30.6	-25.6	-29.5	-48.7	-44.8	-8.3	-15.3	-2.2	-29.3
III.	GROWTH EFFECT	MILL	96.4	105.6	61.9	33.8	2.1	52.9	10.0	-22.4	24.7
IV.	TOTAL CHANGE IN RESOURCE	MILL	3.7	-9.5	105.3	61.4	-191.8	-97.1	-74.9	-42.6	-75.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-2582.9	-1189.9	2.1	5.0	-59.1	-114.6	-73.5	-4.6	-91.5
	TERMS OF TRADE EFFECT	UNIT	-230.8	-137.7	-41.3	-61.1	6.4	-113.6	-139.5	-182.2	-79.4
	OUTPUT EFFECT ON INCOME	UNIT	-2715.5	-1154.6	-61.2	-54.8	-1.1	-57.4	-14.6	59.3	-33.9
	POLICY EFFECT	UNIT	363.4	102.4	104.6	121.0	-64.5	56.4	80.6	118.2	21.8
II.	SWITCHING EFFECT	UNIT	76.9	-21.3	39.2	40.0	-42.0	-39.9	-39.8	-42.7	-41.2
	EXPENDITURE SWITCHING	UNIT	904.5	247.8	67.2	119.3	-18.6	-31.3	-19.4	-37.6	-2.4
	OUTPUT SWITCHING	UNIT	-827.6	-269.0	-28.0	-79.3	-23.4	-8.5	-20.4	-5.1	-38.7
III.	GROWTH EFFECT	UNIT	2606.0	1111.2	58.8	55.1	1.1	54.5	13.3	-52.7	32.7
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0	-100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	0.1	-0.3	2.7	1.6	-4.9	-2.4	-1.9	-1.1	-1.9
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	1.0	-2.5	24.2	11.8	-40.1	-32.4	-22.9	-12.6	-18.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

INDIA

UNITS 1971 1972 1973 1974 1975 1976 1977 1978 1979

SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	373100.0	369100.0	386500.0	389200.0	426300.0	432500.0	469700.0	497200.0	429425.0
GDP(NON-TRADED)	MILL	142100.0	146300.0	148900.0	153000.0	166500.0	176800.0	189900.0	203400.0	171550.0
GDP(TRADED)	MILL	231000.0	222800.0	237600.0	236200.0	259800.0	255700.0	279800.0	293800.0	257875.0
EXPORTS OF GOODS AND SERVICES	MILL	17200.0	18400.0	18800.0	26000.0	26000.0	30000.0	-	-	20500.0
IMPORTS OF GOODS AND SERVICES	MILL	20700.0	19900.0	14500.0	25000.0	26500.0	24600.0	-	-	19025.0
DOMESTIC DEMAND	MILL	376600.0	370600.0	382200.0	388200.0	426800.0	427100.0	469700.0	497200.0	427950.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-203.2	-37.3	-5725.4	-5129.0	-479.6	-1866.0	166.2	120.6	-1827.1
RESOURCE GAP	MILL	-3500.0	-1500.0	4300.0	1000.0	-500.0	5400.0	-	-	1475.0
CHANGE IN RESOURCE GAP	MILL	-900.0	2000.0	5800.0	-3300.0	-1500.0	5900.0	-5400.0	-	-1075.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-4154.4	3736.1	-7020.7	-3662.5	-23386.7	-183.0	-24965.5	-16381.7	-13049.4
TERMS OF TRADE EFFECT	MILL	128.8	23.5	3479.3	3096.0	289.8	1139.4	-96.2	-71.9	1107.2
OUTPUT EFFECT ON INCOME	MILL	-3613.3	2514.1	-10573.9	-1629.8	-22420.1	-3785.7	-21528.7	-16381.7	-12341.1
POLICY EFFECT	MILL	-669.9	1198.5	73.9	-5128.7	-1256.4	2463.4	-3340.6	71.9	-1815.6
II. SWITCHING EFFECT	MILL	-318.5	740.5	2317.6	-1297.3	-628.8	2304.5	-2427.6	-	-512.3
EXPENDITURE SWITCHING	MILL	2554.4	6463.9	-1979.3	1762.5	-1713.3	10183.0	-4534.5	2381.7	1424.4
OUTPUT SWITCHING	MILL	-2873.0	-5723.5	4296.8	-3059.8	1084.5	-7878.5	2106.8	-2381.7	-1936.7
III. GROWTH EFFECT	MILL	3573.0	-2476.5	10503.2	1659.8	22515.5	3778.5	21993.2	16381.7	12486.7
IV. TOTAL CHANGE IN RESOURCE	MILL	-900.0	2000.0	5800.0	-3300.0	-1500.0	5900.0	-5400.0	0.0	-1075.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-461.6	186.8	-121.0	-111.0	-1559.1	-3.1	-462.3	*****	-1213.9
TERMS OF TRADE EFFECT	UNIT	14.3	1.2	60.0	93.8	19.3	19.3	-1.8	*****	103.0
OUTPUT EFFECT ON INCOME	UNIT	-401.5	125.7	-182.3	-49.4	-1494.7	-64.2	-398.7	*****	-1148.0
POLICY EFFECT	UNIT	-74.4	59.9	1.3	-155.4	-83.8	41.8	-61.9	*****	-168.9
II. SWITCHING EFFECT	UNIT	-35.4	37.0	40.0	-39.3	-41.9	39.1	-45.0	-	-47.7
EXPENDITURE SWITCHING	UNIT	283.8	323.2	-34.1	53.4	-114.2	172.6	-84.0	*****	132.5
OUTPUT SWITCHING	UNIT	-319.2	-286.2	74.1	-92.7	72.3	-133.5	39.0	*****	-180.2
III. GROWTH EFFECT	UNIT	397.0	-123.8	181.1	50.3	1501.0	64.0	407.3	*****	1161.6
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	-100.0	100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-0.2	0.5	1.5	-0.8	-0.4	1.4	-1.1	-	-0.3
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-5.2	10.9	30.9	-12.7	-5.8	19.7	-	-	-5.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

KENYA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	12215.0	13152.0	13842.0	14350.0	15074.0	15911.8	17307.3	18459.9	15660.8
GDP(NON-TRADED)	MILL	6543.8	7268.0	7660.0	7992.6	7962.2	8483.0	8998.3	9605.4	8359.0
GDP(TRADED)	MILL	5671.2	5884.0	6182.0	6357.4	7111.8	7428.8	8309.0	8854.5	7301.8
EXPORTS OF GOODS AND SERVICES	MILL	3937.2	4002.0	4290.0	5076.0	4078.9	3963.9	3858.8	3922.5	4244.4
IMPORTS OF GOODS AND SERVICES	MILL	4811.6	4324.0	4278.0	5166.0	3671.1	3537.2	4182.2	5320.3	4139.1
DOMESTIC DEMAND	MILL	13089.4	13474.0	13830.0	14440.0	14666.2	15485.1	17630.7	19857.7	15555.5
TERMS-OF-TRADE ADJUSTMENT	MILL	-21.2	0.0	-202.3	-822.2	-906.5	-349.3	769.0	-92.7	-327.3
RESOURCE GAP	MILL	-874.4	-322.0	12.0	-90.0	407.8	426.7	-323.4	-1397.8	105.3
CHANGE IN RESOURCE GAP	MILL	-504.0	552.4	334.0	-102.0	497.8	18.9	-750.1	-1074.4	-83.8

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-1288.5	-192.3	-164.0	-272.1	-101.0	-374.3	-970.2	-1090.4	-429.4
TERMS OF TRADE EFFECT	MILL	10.8	0.0	95.5	366.5	407.3	155.3	-338.4	46.3	147.7
OUTPUT EFFECT ON INCOME	MILL	-1079.7	-502.1	-325.6	-226.4	-325.3	-372.6	-614.1	-574.9	-384.6
POLICY EFFECT	MILL	-219.5	309.8	66.2	-412.2	-183.0	-157.1	-17.7	-561.8	-192.5
II. SWITCHING EFFECT	MILL	-217.2	309.7	189.3	-56.7	278.0	-2.0	-431.4	-537.4	-53.0
EXPENDITURE SWITCHING	MILL	-130.3	531.9	200.0	-5.3	-155.6	76.2	-660.1	-529.5	-186.2
OUTPUT SWITCHING	MILL	-86.9	-222.2	-10.7	-51.5	433.7	-78.3	228.7	-7.8	133.1
III. GROWTH EFFECT	MILL	1001.7	435.0	308.7	226.9	320.7	395.3	651.5	553.3	398.6
IV. TOTAL CHANGE IN RESOURCE	MILL	-504.0	552.4	334.0	-102.0	497.8	18.9	-750.1	-1074.4	-83.9

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-255.7	-34.8	-49.1	-266.8	-20.3	-1980.5	-129.3	-101.5	-512.1
TERMS OF TRADE EFFECT	UNIT	2.1	0.0	28.6	359.3	81.8	822.0	-45.1	4.3	176.1
OUTPUT EFFECT ON INCOME	UNIT	-214.2	-90.9	-97.5	-222.0	-65.3	-1971.4	-81.9	-53.5	-458.7
POLICY EFFECT	UNIT	-43.6	56.1	19.8	-404.1	-36.8	-831.1	-2.4	-52.3	-229.6
II. SWITCHING EFFECT	UNIT	-43.1	56.1	56.7	-55.6	55.9	-10.8	-57.5	-50.0	-63.3
EXPENDITURE SWITCHING	UNIT	-25.9	96.3	59.9	-5.2	-31.3	403.3	-88.0	-49.3	-222.0
OUTPUT SWITCHING	UNIT	-17.2	-40.2	-3.2	-50.5	87.1	-414.1	30.5	-0.7	158.8
III. GROWTH EFFECT	UNIT	198.8	78.8	92.4	222.4	64.4	2091.4	86.9	51.5	475.4
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-4.1	4.2	2.4	-0.7	3.3	0.1	-4.3	-5.8	-0.5
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-12.8	13.8	7.8	-2.0	12.2	0.5	-19.4	-27.4	-2.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

MADAGASCAR

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	525300.0	496700.0	483500.0	493200.0	499600.0	481400.0	491100.0	480400.0	491325.0
GDP(NON-TRADED)	MILL	219200.0	208900.0	195300.0	186400.0	191700.0	199800.0	201500.0	200200.0	194850.0
GDP(TRADED)	MILL	306100.0	287800.0	288200.0	306800.0	307900.0	281600.0	289600.0	280200.0	296475.0
EXPORTS OF GOODS AND SERVICES	MILL	94900.0	100400.0	108400.0	118600.0	135500.0	99700.0	87500.0	102600.0	110325.0
IMPORTS OF GOODS AND SERVICES	MILL	187500.0	165400.0	162000.0	127500.0	129500.0	92900.0	117700.0	120000.0	116900.0
DOMESTIC DEMAND	MILL	617900.0	561700.0	537100.0	502100.0	493600.0	474600.0	521300.0	497800.0	497900.0
TERMS-OF-TRADE ADJUSTMENT	MILL	57299.9	37831.4	22866.9	-18006.5	-29944.7	-13395.1	21283.3	-	-10015.7
RESOURCE GAP	MILL	-92600.0	-65000.0	-53600.0	-8900.0	6000.0	6800.0	-30200.0	-17400.0	-6575.0
CHANGE IN RESOURCE GAP	MILL	-23400.0	27600.0	11400.0	44700.0	14900.0	800.0	-37000.0	12800.0	5850.0
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-29079.7	36263.1	15451.1	22273.3	5344.5	11620.9	-27039.9	14416.5	3049.7
TERMS OF TRADE EFFECT	MILL	-42301.1	-28713.8	-16242.1	12729.3	19167.8	8094.4	-12149.3	-	6960.6
OUTPUT EFFECT ON INCOME	MILL	-15798.4	21707.3	9375.8	-6857.2	-4096.7	10998.0	-5537.1	6967.7	-1373.3
POLICY EFFECT	MILL	29019.8	43269.6	22317.4	16401.2	-9726.7	-7471.4	-9353.6	7448.7	-2537.6
II. SWITCHING EFFECT	MILL	-7179.8	8002.6	3597.3	16644.8	5574.4	395.6	-15634.2	4693.3	1745.1
EXPENDITURE SWITCHING	MILL	2379.7	9636.9	-4451.1	3826.7	8455.5	15479.1	-17960.1	7783.5	2450.3
OUTPUT SWITCHING	MILL	-9559.5	-1634.4	8048.4	12818.1	-2881.2	-15083.5	2325.9	-3090.2	-705.2
III. GROWTH EFFECT	MILL	12859.5	-16665.6	-7648.4	5781.9	3981.2	-11216.5	5674.1	-6309.8	1055.2
IV. TOTAL CHANGE IN RESOURCE	MILL	-23400.0	27600.0	11400.0	44700.0	14900.0	800.0	-37000.0	12800.0	5850.0
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-124.3	131.4	135.5	49.8	35.9	1452.6	-73.1	112.6	52.1
TERMS OF TRADE EFFECT	UNIT	-180.8	-104.0	-142.5	28.5	128.6	1011.8	-32.8	-	119.0
OUTPUT EFFECT ON INCOME	UNIT	-67.5	78.6	82.2	-15.3	-27.5	1374.7	-15.0	54.4	-23.5
POLICY EFFECT	UNIT	124.0	156.8	195.8	36.7	-65.3	-933.9	-25.3	58.2	-43.4
II. SWITCHING EFFECT	UNIT	-30.7	29.0	31.6	37.2	37.4	49.4	-42.3	36.7	29.8
EXPENDITURE SWITCHING	UNIT	10.2	34.9	-39.0	8.6	56.7	1934.9	-48.5	60.8	41.9
OUTPUT SWITCHING	UNIT	-40.9	-5.9	70.6	28.7	-19.3	-1885.4	6.3	-24.1	-12.1
III. GROWTH EFFECT	UNIT	55.0	-60.4	-67.1	12.9	26.7	-1402.1	15.3	-49.3	18.0
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	100.0	100.0	100.0	-100.0	100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-4.5	5.6	2.4	9.1	3.0	0.2	-7.5	2.7	1.2
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-24.7	27.5	10.5	37.7	11.0	0.8	-42.3	12.5	5.3

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

NIGER

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	114100.0	108600.0	93400.0	99000.0	99600.0	120100.0	123600.0	136000.0	110575.0
GDP(NON-TRADED)	MILL	32600.0	33400.0	35700.0	34800.0	38300.0	45400.0	38900.0	42700.0	39350.0
GDP(TRADED)	MILL	81500.0	75200.0	57700.0	64200.0	61300.0	74700.0	84700.0	93300.0	71225.0
EXPORTS OF GOODS AND SERVICES	MILL	17600.0	18700.0	21400.0	11600.0	22700.0	24800.0	23000.0	30700.0	20525.0
IMPORTS OF GOODS AND SERVICES	MILL	22300.0	28200.0	32700.0	37900.0	31200.0	35400.0	33800.0	39500.0	34575.0
DOMESTIC DEMAND	MILL	118800.0	118100.0	104700.0	125300.0	108100.0	130700.0	134400.0	144800.0	124625.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-696.8	-	-962.5	3747.3	-4175.0	-2854.2	-1356.1	-122.5	-1159.5
RESOURCE GAP	MILL	-4700.0	-9500.0	-11300.0	-26300.0	-8500.0	-10600.0	-10800.0	-8800.0	-14050.0
CHANGE IN RESOURCE GAP	MILL	4700.0	-4800.0	-1800.0	-15000.0	17800.0	-2100.0	-200.0	2000.0	125.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-1462.3	507.9	9610.3	-13575.9	12423.0	-14592.8	-2414.8	-7389.9	-4540.1
TERMS OF TRADE EFFECT	MILL	554.1	-	750.7	-2768.4	3816.5	2000.2	963.2	94.6	1002.9
OUTPUT EFFECT ON INCOME	MILL	-5327.6	4155.1	11854.9	-4137.0	-548.5	-14366.5	-2485.8	-9580.9	-5384.5
POLICY EFFECT	MILL	3311.2	-3647.2	-2995.2	-6670.5	9154.9	-2226.6	-892.1	2096.4	-158.6
II. SWITCHING EFFECT	MILL	1421.2	-1379.3	-885.1	-4883.6	4987.9	-124.2	37.8	892.5	4.5
EXPENDITURE SWITCHING	MILL	662.3	992.1	6089.7	-7924.1	8277.0	-907.2	-7785.2	789.9	-2084.9
OUTPUT SWITCHING	MILL	758.8	-2371.4	-6974.8	3040.5	-3289.1	783.0	7823.1	102.6	2089.4
III. GROWTH EFFECT	MILL	4741.2	-3928.6	-10525.2	3459.5	389.1	12617.0	2176.9	8497.4	4660.6
IV. TOTAL CHANGE IN RESOURCE	MILL	4700.0	-4800.0	-1800.0	-15000.0	17800.0	-2100.0	-200.0	2000.0	125.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-31.1	10.6	533.9	-90.5	69.8	-694.9	-1207.4	-369.5	-3632.1
TERMS OF TRADE EFFECT	UNIT	11.8	-	41.7	-18.5	21.4	95.2	481.6	4.7	802.3
OUTPUT EFFECT ON INCOME	UNIT	-113.4	86.6	658.6	-27.6	-3.1	-684.1	-1242.9	-479.0	-4307.6
POLICY EFFECT	UNIT	70.5	-76.0	-166.4	-44.5	51.4	-106.0	-446.1	104.8	-126.8
II. SWITCHING EFFECT	UNIT	30.2	-28.7	-49.2	-32.6	28.0	-5.9	18.9	44.6	3.6
EXPENDITURE SWITCHING	UNIT	14.1	20.7	338.3	-52.8	46.5	-43.2	-3892.6	39.5	-1667.9
OUTPUT SWITCHING	UNIT	16.1	-49.4	-387.5	20.3	-18.5	37.3	3911.5	5.1	1671.5
III. GROWTH EFFECT	UNIT	100.9	-81.8	-584.7	23.1	2.2	600.8	1088.5	424.9	3728.5
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	-100.0	-100.0	-100.0	100.0	-100.0	-100.0	100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	4.1	-4.4	-1.9	-15.2	17.9	-1.7	-0.2	1.5	0.1
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	26.7	-25.7	-8.4	-129.3	78.4	-8.5	-0.9	6.5	0.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS		PAKISTAN									
		UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)											

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977											
GDP	MILL		43476.0	43983.0	47157.0	50806.0	52806.0	54557.0	55936.0	59827.0	53526.3
GDP(NON-TRADED)	MILL		20633.0	20851.0	23021.0	25393.0	27704.0	28594.0	29460.0	32130.0	27787.8
GDP(TRADED)	MILL		22843.0	23132.0	24136.0	25413.0	25102.0	25963.0	26476.0	27697.0	25738.5
EXPORTS OF GOODS AND SERVICES	MILL		3742.0	3099.0	3277.0	2711.0	3024.0	3452.0	2845.0	3218.0	3008.0
IMPORTS OF GOODS AND SERVICES	MILL		6271.0	4276.0	3796.0	4389.0	4110.0	4396.0	4865.0	5197.0	4440.0
DOMESTIC DEMAND	MILL		46005.0	45160.0	47676.0	52484.0	53892.0	55501.0	57956.0	61806.0	54958.3
TERMS-OF-TRADE ADJUSTMENT	MILL		-400.1	-532.5	-144.4	173.5	-1007.7	-1018.2	-470.8	-615.5	-580.8
RESOURCE GAP	MILL		-2529.0	-1177.0	-519.0	-1678.0	-1086.0	-944.0	-2020.0	-1979.0	-1432.0
CHANGE IN RESOURCE GAP	MILL		731.0	1352.0	658.0	-1159.0	592.0	142.0	-1076.0	41.0	-375.3
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)											

I. ABSORPTION EFFECT	MILL		340.1	466.0	-1354.3	-2486.4	-726.8	-781.9	-1190.2	-1893.0	-1296.3
TERMS OF TRADE EFFECT	MILL		243.9	310.8	79.8	-90.7	537.3	505.0	232.2	313.6	295.9
OUTPUT EFFECT ON INCOME	MILL		-79.8	-295.9	-1754.2	-1907.8	-1066.4	-868.4	-680.1	-1982.2	-1130.7
POLICY EFFECT	MILL		176.1	451.1	320.1	-487.9	-197.6	-418.5	-742.3	-224.3	-461.6
II. SWITCHING EFFECT	MILL		320.9	619.6	343.0	-540.2	318.4	91.5	-542.1	92.3	-168.1
EXPENDITURE SWITCHING	MILL		703.9	597.0	1008.3	50.4	1629.8	62.9	-398.8	713.0	336.1
OUTPUT SWITCHING	MILL		-383.0	22.6	-665.3	-590.6	-1311.4	28.6	-143.2	-620.7	-504.2
III. GROWTH EFFECT	MILL		70.0	266.4	1669.3	1867.6	1000.4	832.4	656.2	1841.7	1089.2
IV. TOTAL CHANGE IN RESOURCE	MILL		731.0	1352.0	658.0	-1159.0	592.0	142.0	-1076.0	41.0	-375.2
DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)											

I. ABSORPTION EFFECT	UNIT		46.5	34.5	-205.8	-214.5	-122.8	-550.6	-110.6	-4617.0	-345.5
TERMS OF TRADE EFFECT	UNIT		33.4	23.0	12.1	-7.8	90.8	355.6	21.6	764.8	78.9
OUTPUT EFFECT ON INCOME	UNIT		-10.9	-21.9	-266.6	-164.6	-180.1	-611.5	-63.2	-4834.7	-301.3
POLICY EFFECT	UNIT		24.1	33.4	48.6	-42.1	-33.4	-294.7	-69.0	-547.1	-123.0
II. SWITCHING EFFECT	UNIT		43.9	45.8	52.1	-46.6	53.8	64.4	-50.4	225.0	-44.8
EXPENDITURE SWITCHING	UNIT		96.3	44.2	153.2	4.3	275.3	44.3	-37.1	1739.0	89.6
OUTPUT SWITCHING	UNIT		-52.4	1.7	-101.1	-51.0	-221.5	20.2	-13.3	-1513.9	-134.4
III. GROWTH EFFECT	UNIT		9.6	19.7	253.7	161.1	169.0	586.2	61.0	4492.0	290.2
IV. TOTAL CHANGE IN RESOURCE	UNIT		100.0	100.0	100.0	-100.0	100.0	100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT		1.7	3.1	1.4	-2.3	1.1	0.3	-1.9	0.1	-0.7
CHANGE IN RESOURCE GAP/EXPORTS	UNIT		19.5	43.6	20.1	-42.8	19.6	4.1	-37.8	1.3	-12.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS		SRI LANKA								
	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	13209.0	13631.0	14138.0	14585.0	14987.0	15431.0	16078.0	17401.0	15270.3
GDP(NON-TRADED)	MILL	7192.0	7452.0	7675.0	8185.0	8482.0	8595.0	8907.0	9709.0	8542.3
GDP(TRADED)	MILL	6017.0	6179.0	6463.0	6400.0	6505.0	6836.0	7171.0	7692.0	6728.0
EXPORTS OF GOODS AND SERVICES	MILL	3486.0	3404.0	3860.0	3481.0	4333.0	4332.0	3803.0	2508.0	3987.3
IMPORTS OF GOODS AND SERVICES	MILL	3491.0	3228.0	3151.0	3049.0	3004.0	3464.0	3264.0	2694.0	3195.3
DOMESTIC DEMAND	MILL	13214.0	13455.0	13429.0	14153.0	13658.0	14563.0	15539.0	17587.0	14478.3
TERMS-OF-TRADE ADJUSTMENT	MILL	-257.4	-388.6	-858.4	-1103.6	-1970.8	-1125.7	-143.0	-139.3	-1085.8
RESOURCE GAP	MILL	-5.0	176.0	709.0	432.0	1329.0	868.0	539.0	-186.0	792.0
CHANGE IN RESOURCE GAP	MILL	425.0	181.0	533.0	-277.0	897.0	-461.0	-329.0	-725.0	-42.5
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	191.0	-109.8	11.6	-310.2	208.7	-343.0	-400.0	-874.1	-211.1
TERMS OF TRADE EFFECT	MILL	126.0	177.2	378.0	449.2	806.4	388.8	55.3	57.4	424.9
OUTPUT EFFECT ON INCOME	MILL	-10.8	-192.4	-223.3	-181.9	-164.5	-153.3	-250.2	-545.7	-187.5
POLICY EFFECT	MILL	75.8	-94.6	-143.1	-577.5	-433.2	-578.4	-205.0	-385.8	-448.5
II. SWITCHING EFFECT	MILL	223.9	98.6	291.6	-171.1	511.9	-310.7	-215.7	-441.0	-46.4
EXPENDITURE SWITCHING	MILL	241.0	128.8	237.4	96.2	583.3	-449.0	-264.0	-371.9	-8.4
OUTPUT SWITCHING	MILL	-17.0	-30.2	54.2	-267.3	-71.4	138.3	48.4	-69.1	-38.0
III. GROWTH EFFECT	MILL	10.0	192.2	229.8	204.3	176.4	192.7	286.6	590.1	215.0
IV. TOTAL CHANGE IN RESOURCE	MILL	425.0	181.0	533.0	-277.0	897.0	-461.0	-329.0	-725.0	-42.5
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	44.9	-60.7	2.2	-112.0	23.3	-74.4	-121.6	-120.6	-496.7
TERMS OF TRADE EFFECT	UNIT	29.6	97.9	70.9	162.2	89.9	84.3	16.8	7.9	999.8
OUTPUT EFFECT ON INCOME	UNIT	-2.5	-106.3	-41.9	-65.7	-18.3	-33.3	-76.1	-75.3	-441.2
POLICY EFFECT	UNIT	17.8	-52.3	-26.9	-208.5	-48.3	-125.5	-62.3	-53.2	-1055.4
II. SWITCHING EFFECT	UNIT	52.7	54.5	54.7	-61.8	57.1	-67.4	-65.5	-60.8	-109.2
EXPENDITURE SWITCHING	UNIT	56.7	71.2	44.5	34.7	65.0	-97.4	-80.3	-51.3	-19.7
OUTPUT SWITCHING	UNIT	-4.0	-16.7	10.2	-96.5	-8.0	30.0	14.7	-9.5	-89.5
III. GROWTH EFFECT	UNIT	2.4	106.2	43.1	73.8	19.7	41.8	87.1	81.4	505.9
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	100.0	-100.0	100.0	-100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	3.2	1.3	3.8	-1.9	6.0	-3.0	-2.0	-4.2	-0.3
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	12.2	5.3	13.8	-8.0	20.7	-10.6	-8.7	-28.9	-1.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

TANZANIA, UNITED REP. O

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	8001.0	8539.0	8800.0	9020.0	9553.0	10068.0	10663.0	11260.0	9826.0
GDP(NON-TRADED)	MILL	3899.0	4145.0	4363.0	4717.0	4981.0	5094.0	5353.0	5619.0	5036.3
GDP(TRADED)	MILL	4102.0	4394.0	4437.0	4303.0	4572.0	4974.0	5310.0	5641.0	4789.8
EXPORTS OF GOODS AND SERVICES	MILL	2312.8	2416.4	2110.6	1695.8	1863.3	2318.2	1808.8	1483.2	1921.5
IMPORTS OF GOODS AND SERVICES	MILL	2917.9	2930.5	2491.2	2546.9	2544.3	2441.9	2478.7	2861.6	2503.0
DOMESTIC DEMAND	MILL	8606.1	9053.1	9180.6	9871.1	10234.0	10191.7	11332.9	12638.4	10407.4
TERMS-OF-TRADE ADJUSTMENT	MILL	-177.4	0.0	-204.1	-141.1	-366.6	-103.7	179.6	-36.3	-108.0
RESOURCE GAP	MILL	-605.1	-514.1	-380.6	-851.1	-681.0	-123.7	-669.9	-1378.4	-581.4
CHANGE IN RESOURCE GAP	MILL	-243.6	91.0	133.5	-470.5	170.1	557.3	-546.2	-708.5	-72.3

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-307.5	-244.5	-69.1	-362.3	-189.5	21.7	-570.8	-688.9	-275.2
	TERMS OF TRADE EFFECT	MILL	101.2	0.0	117.3	77.3	209.5	57.0	-90.9	20.4	63.2
	OUTPUT EFFECT ON INCOME	MILL	-183.0	-316.5	-150.0	-120.4	-304.6	-283.2	-301.3	-334.8	-252.4
	POLICY EFFECT	MILL	-225.6	72.0	-36.4	-319.2	-94.4	247.9	-178.6	-374.4	-86.1
II.	SWITCHING EFFECT	MILL	-104.1	59.7	68.3	-219.1	105.3	289.1	-269.3	-316.9	-23.5
	EXPENDITURE SWITCHING	MILL	-20.1	43.5	159.6	25.8	90.6	133.6	-311.4	-350.6	-15.3
	OUTPUT SWITCHING	MILL	-83.9	16.2	-91.3	-244.9	14.7	155.5	42.0	33.7	-8.2
III.	GROWTH EFFECT	MILL	167.9	275.8	134.3	110.9	254.3	246.5	294.0	297.3	226.4
IV.	TOTAL CHANGE IN RESOURCE	MILL	-243.6	91.0	133.5	-470.5	170.1	557.3	-546.2	-708.5	-72.3

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-126.2	-268.7	-51.8	-77.0	-111.4	3.9	-104.5	-97.2	-380.5	
	TERMS OF TRADE EFFECT	UNIT	41.5	0.0	87.9	16.4	123.1	10.2	-16.6	2.9	87.4	
	OUTPUT EFFECT ON INCOME	UNIT	-75.1	-347.8	-112.4	-25.6	-179.0	-50.8	-55.2	-47.3	-348.9	
	POLICY EFFECT	UNIT	-92.6	79.2	-27.3	-67.8	-55.5	44.5	-32.7	-52.8	-119.0	
II.	SWITCHING EFFECT	UNIT	-42.7	65.6	51.2	-46.6	61.9	51.9	-49.3	-44.7	-32.5	
	EXPENDITURE SWITCHING	UNIT	-8.3	47.8	119.6	5.5	53.3	24.0	-57.0	-49.5	-21.2	
	OUTPUT SWITCHING	UNIT	-34.5	17.8	-68.4	-52.1	8.7	27.9	7.7	4.8	-11.3	
III.	GROWTH EFFECT	UNIT	68.9	303.1	100.6	23.6	149.5	44.2	53.8	42.0	313.0	
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0	

CHANGE IN RESOURCE GAP/GDP %			UNIT	-3.0	1.1	1.5	-5.2	1.8	5.5	-5.1	-6.3	-0.7
CHANGE IN RESOURCE GAP/EXPORTS			UNIT	-10.5	3.8	6.3	-27.7	9.1	24.0	-30.2	-47.8	-3.8

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL IMPORTERS

ZAIRE

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	993.9	995.4	1076.4	1128.9	1070.4	1067.1	1029.3	970.0	1073.9
GDP(NON-TRADED)	MILL	528.9	517.6	567.7	602.4	563.6	586.6	542.3	512.7	573.7
GDP(TRADED)	MILL	465.0	477.8	508.7	526.5	506.8	480.5	487.0	457.3	500.2
EXPORTS OF GOODS AND SERVICES	MILL	462.5	493.5	540.1	581.2	578.5	787.5	851.5	1051.3	699.7
IMPORTS OF GOODS AND SERVICES	MILL	477.8	541.2	634.4	653.0	651.4	780.7	1032.1	963.8	779.3
DOMESTIC DEMAND	MILL	1009.2	1043.1	1170.7	1200.7	1143.3	1060.3	1209.9	882.5	1153.5
TERMS-OF-TRADE ADJUSTMENT	MILL	-80.4	-101.9	11.9	-11.9	-197.9	-291.4	-352.0	-227.2	-213.3
RESOURCE GAP	MILL	-15.3	-47.7	-94.3	-71.8	-72.9	6.8	-180.6	87.5	-79.6
CHANGE IN RESOURCE GAP	MILL	-29.7	-32.4	-46.6	22.5	-1.1	79.7	-187.4	268.1	-21.6

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-40.3	-16.1	-64.3	-15.5	28.6	42.1	-66.8	180.7	-2.9
	TERMS OF TRADE EFFECT	MILL	37.1	49.2	-6.3	6.7	104.9	157.8	156.2	147.4	106.4
	OUTPUT EFFECT ON INCOME	MILL	-26.0	-0.7	-42.8	-29.4	31.0	1.8	16.8	38.5	5.0
	POLICY EFFECT	MILL	-51.5	-64.6	-15.2	7.3	-107.3	-117.5	-239.9	-5.2	-114.3
II.	SWITCHING EFFECT	MILL	-16.2	-17.0	-21.2	13.1	-2.4	39.2	-103.5	115.5	-13.4
	EXPENDITURE SWITCHING	MILL	-6.9	-29.1	-13.2	20.2	-10.0	63.9	-127.1	117.1	-13.2
	OUTPUT SWITCHING	MILL	-9.4	12.1	-8.0	-7.0	7.6	-24.7	23.5	-1.6	-0.2
III.	GROWTH EFFECT	MILL	26.9	0.7	38.9	24.8	-27.3	-1.6	-17.0	-28.1	-5.3
IV.	TOTAL CHANGE IN RESOURCE	MILL	-29.7	-32.4	-46.6	22.5	-1.1	79.7	-187.4	268.1	-21.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-135.8	-49.8	-137.9	-68.7	2600.2	52.8	-35.7	67.4	-13.4
	TERMS OF TRADE EFFECT	UNIT	125.1	152.0	-13.5	29.7	9534.3	198.0	83.4	55.0	493.2
	OUTPUT EFFECT ON INCOME	UNIT	-87.6	-2.2	-91.8	-130.7	2818.6	2.2	9.0	14.3	23.4
	POLICY EFFECT	UNIT	-173.3	-199.5	-32.7	32.3	-9752.7	-147.5	-128.0	-1.9	-530.0
II.	SWITCHING EFFECT	UNIT	-54.6	-52.4	-45.5	58.4	-219.9	49.2	-55.3	43.1	-62.2
	EXPENDITURE SWITCHING	UNIT	-23.1	-89.7	-28.4	89.6	-909.3	80.2	-67.8	43.7	-61.4
	OUTPUT SWITCHING	UNIT	-31.6	37.3	-17.1	-31.2	689.4	-31.0	12.6	-0.6	-0.7
III.	GROWTH EFFECT	UNIT	90.5	2.2	83.4	110.3	-2480.3	-2.0	-9.1	-10.5	-24.4
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	-100.0	-100.0	100.0	-100.0	100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-3.0	-3.3	-4.3	2.0	-0.1	7.5	-18.2	27.6	-2.0
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-6.4	-6.6	-8.6	3.9	-0.2	10.1	-22.0	25.5	-3.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

CAMEROON

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	531100.0	544800.0	574600.0	638400.0	627500.0	658600.0	711300.0	772000.0	658950.0
GDP(NON-TRADED)	MILL	283400.0	287600.0	308900.0	361000.0	343200.0	364500.0	410300.0	447600.0	369750.0
GDP(TRADED)	MILL	247700.0	257200.0	265700.0	277400.0	284300.0	294100.0	301000.0	324400.0	289200.0
EXPORTS OF GOODS AND SERVICES	MILL	146000.0	153300.0	157300.0	178800.0	160600.0	185900.0	157900.0	173800.0	170800.0
IMPORTS OF GOODS AND SERVICES	MILL	180900.0	179300.0	162900.0	163400.0	170100.0	175200.0	200700.0	234400.0	177350.0
DOMESTIC DEMAND	MILL	566000.0	570800.0	580200.0	623000.0	637000.0	647900.0	754100.0	832600.0	665500.0
TERMS-OF-TRADE ADJUSTMENT	MILL	14365.4	-6219.4	-12179.6	4197.0	-9968.0	-52302.7	28025.1	34991.1	-7512.1
RESOURCE GAP	MILL	-34900.0	-26000.0	-5600.0	15400.0	-9500.0	10700.0	-42800.0	-60600.0	-6550.0
CHANGE IN RESOURCE GAP	MILL	-34500.0	8900.0	20400.0	21000.0	-24900.0	20200.0	-53500.0	-17800.0	-9300.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-24860.7	-2396.6	-4663.8	-20013.2	-5887.6	-5027.3	-46453.3	-35788.8	-19345.4
TERMS OF TRADE EFFECT	MILL	-6631.1	3309.4	6331.3	-1981.6	4090.9	24488.5	-12059.4	-16912.6	3634.6
OUTPUT EFFECT ON INCOME	MILL	-8955.0	-7289.8	-15490.7	-30123.5	4473.4	-14561.2	-22677.2	-29338.8	-15722.1
POLICY EFFECT	MILL	-9274.7	1583.8	4495.7	12091.9	-14451.9	-14954.6	-11716.7	10462.6	-7257.8
II. SWITCHING EFFECT	MILL	-18579.1	4907.1	10995.2	11511.5	-14276.1	11136.9	-30580.1	-7697.6	-5551.9
EXPENDITURE SWITCHING	MILL	-21539.3	1796.6	16563.8	29313.2	-25912.4	15427.3	-13946.7	-5411.2	1220.4
OUTPUT SWITCHING	MILL	2960.2	3110.5	-5568.6	-17801.7	11636.3	-4290.4	-16633.4	-2286.3	-6772.3
III. GROWTH EFFECT	MILL	8939.8	6389.5	14068.6	29501.7	-4736.3	14090.4	23533.4	25686.3	15597.3
IV. TOTAL CHANGE IN RESOURCE	MILL	-34500.0	8900.0	20400.0	21000.0	-24900.0	20200.0	-53500.0	-17800.0	-9300.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-72.1	-26.9	-22.9	-95.3	-23.6	-24.9	-86.8	-201.1	-208.0
TERMS OF TRADE EFFECT	UNIT	-19.2	37.2	31.0	-9.4	16.4	121.2	-22.5	-95.0	39.1
OUTPUT EFFECT ON INCOME	UNIT	-26.0	-81.9	-75.9	-143.4	18.0	-72.1	-42.4	-164.8	-169.1
POLICY EFFECT	UNIT	-26.9	17.8	22.0	57.6	-58.0	-74.0	-21.9	58.8	-78.0
II. SWITCHING EFFECT	UNIT	-53.9	55.1	53.9	54.8	-57.3	55.1	-57.2	-43.2	-59.7
EXPENDITURE SWITCHING	UNIT	-62.4	20.2	81.2	139.6	-104.1	76.4	-26.1	-30.4	13.1
OUTPUT SWITCHING	UNIT	8.6	34.9	-27.3	-84.8	46.7	-21.2	-31.1	-12.8	-72.8
III. GROWTH EFFECT	UNIT	25.9	71.8	69.0	140.5	-19.0	69.8	44.0	144.3	167.7
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	100.0	-100.0	100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-6.5	1.6	3.6	3.3	-4.0	3.1	-7.5	-2.3	-1.4
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-23.6	5.8	13.0	11.7	-15.5	10.9	-33.9	-10.2	-5.4

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

CHILE

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE. FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	283364.0	282099.0	270399.0	290554.2	253043.2	261945.1	287769.8	311417.3	273328.1
GDP(NON-TRADED)	MILL	161025.0	159161.0	155785.0	170013.8	152550.3	156139.3	173745.6	192273.8	163112.3
GDP(TRADED)	MILL	122339.0	122938.0	114614.0	120540.4	100492.9	105805.8	114024.2	119143.5	110215.8
EXPORTS OF GOODS AND SERVICES	MILL	33288.0	28373.0	29937.0	41665.9	42644.7	53036.3	59338.1	65978.4	49171.3
IMPORTS OF GOODS AND SERVICES	MILL	56407.0	58246.0	61925.0	63764.3	45647.8	47608.0	64523.4	73465.5	55385.9
DOMESTIC DEMAND	MILL	306483.0	311972.0	302387.0	312652.6	256046.3	256516.8	292955.1	318904.4	279542.7
TERMS-OF-TRADE ADJUSTMENT	MILL	17991.1	13957.9	23905.5	24287.2	-282.3	4483.9	-	-674.5	7122.2
RESOURCE GAP	MILL	-23119.0	-29873.0	-31988.0	-22098.4	-3003.1	5428.3	-5185.3	-7487.1	-6214.6
CHANGE IN RESOURCE GAP	MILL	-670.0	-6754.0	-2115.0	9889.6	19095.3	8431.4	-10613.6	-2301.8	6700.7

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-10372.0	-2605.1	4695.0	-4976.9	25825.0	-190.2	-14258.7	-10559.3	1599.8
	TERMS OF TRADE EFFECT	MILL	-9171.0	-7164.9	-12949.5	-13167.8	138.6	-1834.0	-	279.4	-3715.8
	OUTPUT EFFECT ON INCOME	MILL	-10919.4	649.4	6337.8	-10927.5	18414.9	-3640.9	-9896.0	-9796.0	-1512.4
	POLICY EFFECT	MILL	9718.4	3910.5	11306.6	19118.4	7271.5	5284.7	-4362.6	-1042.7	6828.0
II.	SWITCHING EFFECT	MILL	618.5	-3602.8	-1711.1	6323.3	8832.2	5086.3	-6786.1	-1112.4	3363.9
	EXPENDITURE SWITCHING	MILL	-1560.0	-4747.9	1514.0	8940.1	13317.8	3308.7	-4573.3	3138.2	5248.3
	OUTPUT SWITCHING	MILL	2178.4	1145.1	-3225.2	-2616.8	-4485.5	1777.6	-2212.8	-4250.6	-1884.4
III.	GROWTH EFFECT	MILL	9083.6	-546.1	-5098.8	8543.2	-15562.0	3535.3	10431.2	9369.9	1736.9
IV.	TOTAL CHANGE IN RESOURCE	MILL	-670.0	-6754.0	-2115.0	9889.6	19095.3	8431.4	-10613.6	-2301.8	6700.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-1548.1	-38.6	222.0	-50.3	135.2	-2.3	-134.3	-458.7	23.9
	TERMS OF TRADE EFFECT	UNIT	-1368.8	-106.1	-612.3	-133.1	0.7	-21.8	-	12.1	-55.5
	OUTPUT EFFECT ON INCOME	UNIT	-1629.8	9.6	299.7	-110.5	96.4	-43.2	-93.2	-425.6	-22.6
	POLICY EFFECT	UNIT	1450.5	57.9	534.6	193.3	38.1	62.7	-41.1	-45.3	101.9
II.	SWITCHING EFFECT	UNIT	92.3	-53.3	-80.9	63.9	46.3	60.3	-63.9	-48.3	50.2
	EXPENDITURE SWITCHING	UNIT	-232.8	-70.3	71.6	90.4	69.7	39.2	-43.1	136.3	78.3
	OUTPUT SWITCHING	UNIT	325.1	17.0	-152.5	-26.5	-23.5	21.1	-20.8	-184.7	-28.1
III.	GROWTH EFFECT	UNIT	1355.8	-8.1	-241.1	86.4	-81.5	41.9	98.3	407.1	25.9
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	-100.0	-100.0	100.0	100.0	100.0	-100.0	-100.0	100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-0.2	-2.4	-0.8	3.4	7.5	3.2	-3.7	-0.7	2.5
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-2.0	-23.8	-7.1	23.7	44.8	15.9	-17.9	-3.5	13.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

COLOMBIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979	
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	126721.8	136743.5	147178.0	156707.5	163399.2	170226.5	178325.7	194374.4	167164.7
GDP(NON-TRADED)	MILL	66504.6	71645.4	77600.7	83129.6	87061.4	91137.9	96778.6	105355.8	89526.9
GDP(TRADED)	MILL	60217.2	65098.1	69577.3	73577.9	76337.8	79088.6	81547.1	89018.6	77637.8
EXPORTS OF GOODS AND SERVICES	MILL	18834.5	19591.5	20204.9	18978.2	24646.0	22590.4	21582.6	28436.9	21949.3
IMPORTS OF GOODS AND SERVICES	MILL	23104.2	21205.2	19757.3	24216.9	21833.2	23551.8	26202.4	30002.5	23951.1
DOMESTIC DEMAND	MILL	130991.5	138357.2	146730.4	161946.2	160586.4	171187.9	182945.5	195940.0	169166.5
TERMS-OF-TRADE ADJUSTMENT	MILL	-1088.0	692.8	1506.2	2600.9	-2016.7	4074.6	11600.2	8201.7	4064.8
RESOURCE GAP	MILL	-4269.7	-1613.7	447.6	-5238.7	2812.8	-961.4	-4619.8	-1565.6	-2001.8
CHANGE IN RESOURCE GAP	MILL	-2145.9	2656.0	2061.3	-5686.3	8051.5	-3774.2	-3658.4	3054.2	-1266.9

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-4454.5	-3626.1	-4037.3	-7168.7	661.8	-4853.9	-5498.0	-6120.4	-4214.7
	TERMS OF TRADE EFFECT	MILL	543.8	-352.5	-734.8	-1221.7	1014.3	-1833.4	-5455.1	-3963.0	-1874.0
	OUTPUT EFFECT ON INCOME	MILL	-3461.0	-5099.9	-5090.6	-4476.0	-3365.6	-3072.1	-3808.7	-7754.7	-3680.6
	POLICY EFFECT	MILL	-1537.3	1826.3	1788.1	-1471.0	3013.1	51.6	3765.7	5597.4	1339.9
II.	SWITCHING EFFECT	MILL	-1029.6	1519.9	1131.2	-3022.6	4247.8	-2109.9	-1923.3	1835.6	-702.0
	EXPENDITURE SWITCHING	MILL	-159.1	1401.2	1619.4	-2518.2	4629.8	-1671.1	-618.9	1703.1	-44.6
	OUTPUT SWITCHING	MILL	-870.5	118.7	-488.2	-504.4	-382.0	-438.8	-1304.5	132.5	-657.4
III.	GROWTH EFFECT	MILL	3338.2	4762.2	4967.4	4505.0	3141.9	3189.6	3763.0	7339.0	3649.9
IV.	TOTAL CHANGE IN RESOURCE	MILL	-2145.9	2656.0	2061.3	-5686.3	8051.5	-3774.2	-3658.4	3054.2	-1266.9

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-207.6	-136.5	-195.9	-126.1	8.2	-128.6	-150.3	-200.4	-332.7
	TERMS OF TRADE EFFECT	UNIT	25.3	-13.3	-35.6	-21.5	12.6	-48.6	-149.1	-129.8	-147.9
	OUTPUT EFFECT ON INCOME	UNIT	-161.3	-192.0	-247.0	-78.7	-41.8	-81.4	-104.1	-253.9	-290.5
	POLICY EFFECT	UNIT	-71.6	68.8	86.7	-25.9	37.4	1.4	102.9	183.3	105.8
II.	SWITCHING EFFECT	UNIT	-48.0	57.2	54.9	-53.2	52.8	-55.9	-52.6	60.1	-55.4
	EXPENDITURE SWITCHING	UNIT	-7.4	52.8	78.6	-44.3	57.5	-44.3	-16.9	55.8	-3.5
	OUTPUT SWITCHING	UNIT	-40.6	4.5	-23.7	-8.9	-4.7	-11.6	-35.7	4.3	-51.9
III.	GROWTH EFFECT	UNIT	155.6	179.3	241.0	79.2	39.0	84.5	102.9	240.3	288.1
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-1.7	1.9	1.4	-3.6	4.9	-2.2	-2.1	1.6	-0.8
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-11.4	13.6	10.2	-30.0	32.7	-16.7	-17.0	10.7	-5.8

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

COSTA RICA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	5951.3	6438.0	6934.3	7318.8	7472.5	7884.8	8586.9	9125.1	7815.8
GDP(NON-TRADED)	MILL	3425.4	3717.9	4004.0	4241.4	4299.7	4612.0	5065.2	5340.7	4554.6
GDP(TRADED)	MILL	2525.9	2720.1	2930.3	3077.4	3172.8	3272.8	3521.7	3784.4	3261.2
EXPORTS OF GOODS AND SERVICES	MILL	2005.3	2346.0	2446.2	2659.2	2632.3	2842.9	3100.7	3408.9	2808.8
IMPORTS OF GOODS AND SERVICES	MILL	2389.1	2398.6	2564.9	2810.5	2610.9	3035.8	3731.7	4011.7	3047.2
DOMESTIC DEMAND	MILL	6335.1	6490.6	7053.0	7470.1	7451.1	8077.7	9217.9	9727.9	8054.2
TERMS OF TRADE ADJUSTMENT	MILL	-275.6	-363.5	-301.7	-709.8	-584.5	-312.0	83.2	-258.0	-380.8
RESOURCE GAP	MILL	-383.8	-52.6	-118.7	-151.3	21.4	-192.9	-631.0	-602.8	-238.5
CHANGE IN RESOURCE GAP	MILL	-61.8	331.2	-66.1	-32.6	172.7	-214.3	-438.1	28.2	-128.1

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-201.5	-71.4	-240.2	-180.3	8.2	-265.0	-489.2	-229.8	-231.6
	TERMS OF TRADE EFFECT	MILL	133.6	177.7	129.9	312.1	257.9	131.6	-36.6	124.8	166.2
	OUTPUT EFFECT ON INCOME	MILL	-183.1	-238.0	-213.7	-169.1	-67.8	-173.9	-308.6	-260.3	-179.8
	POLICY EFFECT	MILL	-151.9	-11.2	-156.4	-323.3	-181.8	-222.7	-144.0	-94.3	-218.0
II.	SWITCHING EFFECT	MILL	-21.7	196.1	-35.5	-14.8	99.9	-124.3	-240.3	37.2	-69.9
	EXPENDITURE SWITCHING	MILL	-6.3	208.4	-36.1	0.6	69.1	-49.3	-197.8	-4.7	-44.3
	OUTPUT SWITCHING	MILL	-15.3	-12.4	0.5	-15.4	30.8	-75.1	-42.5	42.0	-25.5
III.	GROWTH EFFECT	MILL	161.3	206.6	209.7	162.5	64.6	175.1	291.4	220.7	173.4
IV.	TOTAL CHANGE IN RESOURCE	MILL	-61.8	331.2	-66.1	-32.6	172.7	-214.3	-438.1	28.2	-128.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-326.0	-21.6	-363.5	-553.1	4.8	-123.7	-111.7	-814.7	-180.8
	TERMS OF TRADE EFFECT	UNIT	216.1	53.7	196.6	957.3	149.3	61.4	-8.4	442.5	129.8
	OUTPUT EFFECT ON INCOME	UNIT	-296.4	-71.8	-323.4	-518.6	-39.3	-81.1	-70.4	-923.0	-140.4
	POLICY EFFECT	UNIT	-245.8	-3.4	-236.7	-991.8	-105.3	-103.9	-32.9	-334.2	-170.2
II.	SWITCHING EFFECT	UNIT	-35.0	59.2	-53.8	-45.3	57.8	-58.0	-54.9	132.0	-54.6
	EXPENDITURE SWITCHING	UNIT	-10.2	62.9	-54.5	1.9	40.0	-23.0	-45.2	-16.8	-34.6
	OUTPUT SWITCHING	UNIT	-24.8	-3.7	0.8	-47.2	17.8	-35.0	-9.7	148.8	-19.9
III.	GROWTH EFFECT	UNIT	261.0	62.4	317.2	498.4	37.4	81.7	66.5	782.7	135.4
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	-100.0	100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-1.0	5.1	-1.0	-0.4	2.3	-2.7	-5.1	0.3	-1.6
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-3.1	14.1	-2.7	-1.2	6.6	-7.5	-14.1	0.8	-4.6

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

DOMINICAN REP.

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	1647.0	1818.2	2052.7	2175.9	2288.9	2442.9	2564.6	2620.0	2368.1
GDP(NON-TRADED)	MILL	948.8	1040.8	1161.1	1256.4	1338.8	1409.6	1501.5	1508.4	1376.6
GDP(TRADED)	MILL	698.2	777.4	891.6	919.5	950.1	1033.3	1063.1	1111.6	991.5
EXPORTS OF GOODS AND SERVICES	MILL	299.1	389.0	436.9	415.0	430.3	515.6	550.0	545.0	477.7
IMPORTS OF GOODS AND SERVICES	MILL	397.2	410.9	453.5	608.9	632.3	618.8	652.3	615.8	628.1
DOMESTIC DEMAND	MILL	1745.1	1840.1	2069.3	2369.8	2490.9	2546.1	2666.9	2690.8	2518.4
TERMS-OF-TRADE ADJUSTMENT	MILL	-16.0	-7.2	-24.8	69.4	201.6	1.9	-10.1	-102.2	65.7
RESOURCE GAP	MILL	-98.1	-21.9	-16.6	-193.9	-202.0	-103.2	-102.3	-70.8	-150.3
CHANGE IN RESOURCE GAP	MILL	10.5	76.2	5.3	-177.3	-8.1	98.8	0.9	31.5	-21.4
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-71.2	-43.3	-99.6	-131.9	-56.9	-25.5	-53.9	-10.4	-67.1
TERMS OF TRADE EFFECT	MILL	8.1	3.5	10.9	-30.7	-103.1	-0.9	4.7	46.5	-32.5
OUTPUT EFFECT ON INCOME	MILL	-81.7	-82.8	-103.1	-54.5	-57.8	-77.5	-56.6	-25.2	-61.6
POLICY EFFECT	MILL	2.4	35.9	-7.4	-46.7	104.1	52.9	-2.0	-31.7	27.1
II. SWITCHING EFFECT	MILL	11.8	47.0	4.6	-98.9	1.0	60.4	3.3	19.0	-8.5
EXPENDITURE SWITCHING	MILL	26.8	40.3	-9.3	-73.3	18.2	41.1	25.0	-6.6	2.8
OUTPUT SWITCHING	MILL	-15.0	6.6	13.9	-25.6	-17.2	19.3	-21.7	25.5	-11.3
III. GROWTH EFFECT	MILL	69.9	72.6	100.3	53.5	47.8	63.9	51.5	23.0	54.2
IV. TOTAL CHANGE IN RESOURCE	MILL	10.5	76.2	5.3	-177.3	-8.1	98.8	0.9	31.5	-21.4
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-678.3	-56.9	-1878.5	-74.4	-702.4	-25.8	-5991.3	-33.2	-313.0
TERMS OF TRADE EFFECT	UNIT	76.9	4.6	206.1	-17.3	-1273.3	-0.9	519.7	147.5	-151.8
OUTPUT EFFECT ON INCOME	UNIT	-778.5	-108.6	-1945.1	-30.7	-713.8	-78.5	-6290.9	-79.9	-287.6
POLICY EFFECT	UNIT	23.3	47.2	-139.5	-26.3	1284.7	53.6	-220.1	-100.7	126.4
II. SWITCHING EFFECT	UNIT	112.2	61.6	86.7	-55.8	12.9	61.1	371.6	60.3	-39.8
EXPENDITURE SWITCHING	UNIT	255.5	53.0	-176.2	-41.3	224.6	41.6	2780.2	-20.8	12.9
OUTPUT SWITCHING	UNIT	-143.2	8.7	262.9	-14.4	-211.8	19.5	-2408.5	81.1	-52.7
III. GROWTH EFFECT	UNIT	666.1	95.2	1891.8	30.2	589.5	64.7	5719.6	72.9	252.8
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	100.0	-100.0	-100.0	100.0	100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	0.6	4.2	0.3	-8.1	-0.4	4.0	0.0	1.2	-0.9
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	3.5	19.6	1.2	-42.7	-1.9	19.2	0.2	5.8	-4.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

EL SALVADOR

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	2508.7	2645.9	2779.7	2958.4	3122.8	3246.9	3444.9	3579.3	3193.3
GDP(NON-TRADED)	MILL	1385.6	1494.8	1581.7	1660.5	1753.0	1889.2	2026.5	2108.2	1832.3
GDP(TRADED)	MILL	1123.1	1151.1	1198.0	1297.9	1369.8	1357.7	1418.4	1471.1	1361.0
EXPORTS OF GOODS AND SERVICES	MILL	1063.5	1339.2	1229.3	1321.3	1479.7	1470.3	1389.0	1340.0	1415.1
IMPORTS OF GOODS AND SERVICES	MILL	1374.9	1440.5	1696.9	1744.9	1711.2	2073.0	2332.8	2391.0	1965.5
DOMESTIC DEMAND	MILL	2820.1	2747.2	3247.3	3382.0	3354.3	3849.6	4388.7	4630.3	3743.6
TERMS-OF-TRADE ADJUSTMENT	MILL	215.4	157.9	322.6	65.4	5.6	531.1	986.4	583.3	397.1
RESOURCE GAP	MILL	-311.4	-101.3	-467.6	-423.6	-231.5	-602.7	-943.8	-1051.0	-550.4
CHANGE IN RESOURCE GAP	MILL	-69.9	210.1	-366.3	44.0	192.1	-371.2	-341.1	-107.2	-119.0
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-92.0	37.1	-228.0	-69.1	14.1	-236.4	-274.5	-130.0	-141.5
TERMS OF TRADE EFFECT	MILL	-117.9	-90.3	-152.7	-39.2	-3.3	-272.3	-595.5	-400.0	-227.6
OUTPUT EFFECT ON INCOME	MILL	-63.0	-78.5	-63.3	-107.1	-95.7	-63.6	-119.5	-92.2	-96.5
POLICY EFFECT	MILL	89.0	205.8	-12.0	77.2	113.0	99.5	440.6	362.1	182.6
II. SWITCHING EFFECT	MILL	-29.3	111.6	-196.5	36.1	105.9	-189.2	-149.4	-32.5	-49.1
EXPENDITURE SWITCHING	MILL	-31.9	145.0	-185.2	13.2	106.1	-122.7	-127.3	-29.9	-32.7
OUTPUT SWITCHING	MILL	2.6	-33.4	-11.3	22.9	-0.2	-66.5	-22.1	-2.6	-16.5
III. GROWTH EFFECT	MILL	51.4	61.4	58.2	77.0	72.1	54.4	82.8	55.3	71.6
IV. TOTAL CHANGE IN RESOURCE	MILL	-69.9	210.1	-366.3	44.0	192.1	-371.2	-341.1	-107.2	-119.1
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-131.6	17.6	-62.2	-157.0	7.3	-63.7	-80.5	-121.3	-118.9
TERMS OF TRADE EFFECT	UNIT	-168.7	-43.0	-41.7	-89.1	-1.7	-73.4	-174.6	-373.1	-191.2
OUTPUT EFFECT ON INCOME	UNIT	-90.2	-37.3	-17.3	-243.4	-49.8	-17.1	-35.0	-86.0	-81.0
POLICY EFFECT	UNIT	127.3	98.0	-3.3	175.4	58.8	26.8	129.2	337.8	153.4
II. SWITCHING EFFECT	UNIT	-41.9	53.1	-53.7	82.0	55.1	-51.0	-43.8	-30.3	-41.3
EXPENDITURE SWITCHING	UNIT	-45.6	69.0	-50.6	30.0	55.2	-33.0	-37.3	-27.9	-27.4
OUTPUT SWITCHING	UNIT	3.7	-15.9	-3.1	52.0	-0.1	-17.9	-6.5	-2.5	-13.9
III. GROWTH EFFECT	UNIT	73.5	29.2	15.9	175.0	37.5	14.7	24.3	51.6	60.1
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-2.8	7.9	-13.2	1.5	6.2	-11.4	-9.9	-3.0	-3.7
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-6.6	15.7	-29.8	3.3	13.0	-25.2	-24.6	-8.0	-8.4

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

GHANA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	5488.7	5350.9	5648.0	6033.0	5283.0	5097.0	5212.0	5454.0	5406.3
GDP(NON-TRADED)	MILL	1837.4	1744.9	1916.0	2101.0	1924.0	1815.0	2028.0	1731.0	1967.0
GDP(TRADED)	MILL	3651.3	3606.0	3732.0	3932.0	3359.0	3282.0	3184.0	3723.0	3439.3
EXPORTS OF GOODS AND SERVICES	MILL	1151.8	1404.1	1342.0	1048.0	1023.0	1074.0	806.0	1401.1	987.8
IMPORTS OF GOODS AND SERVICES	MILL	1268.1	811.3	1012.8	1130.0	974.0	926.0	984.0	1057.7	1003.5
DOMESTIC DEMAND	MILL	5605.0	4758.1	5318.8	6115.0	5234.0	4949.0	5390.0	5110.6	5422.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-164.1	-300.4	-16.9	-98.2	-	-167.5	87.9	-418.9	-44.4
RESOURCE GAP	MILL	-116.3	592.8	329.2	-82.0	49.0	148.0	-178.0	343.4	-15.8
CHANGE IN RESOURCE GAP	MILL	112.1	709.1	-263.6	-411.2	131.0	99.0	-326.0	521.4	-126.8
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-108.1	569.3	-355.1	-509.4	578.3	180.2	-279.3	174.3	-7.5
TERMS OF TRADE EFFECT	MILL	115.7	206.2	9.5	59.1	-	104.9	-54.1	270.2	27.5
OUTPUT EFFECT ON INCOME	MILL	-191.8	94.6	-167.3	-232.0	499.0	116.5	-70.7	-156.1	78.2
POLICY EFFECT	MILL	-31.9	268.5	-197.3	-336.6	79.3	-41.2	-154.5	60.2	-113.2
II. SWITCHING EFFECT	MILL	40.3	231.5	-108.7	-156.2	41.5	37.0	-120.8	199.3	-49.6
EXPENDITURE SWITCHING	MILL	16.6	185.1	-34.5	-101.8	125.7	-4.2	51.3	-191.9	17.7
OUTPUT SWITCHING	MILL	23.7	46.4	-74.2	-54.4	-84.2	41.3	-172.0	391.2	-67.3
III. GROWTH EFFECT	MILL	179.9	-91.7	200.2	254.4	-488.8	-118.3	74.0	147.8	-69.7
IV. TOTAL CHANGE IN RESOURCE	MILL	112.1	709.1	-263.6	-411.2	131.0	99.0	-326.0	521.4	-126.8
DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-96.4	80.3	-134.7	-123.9	441.5	182.1	-85.7	33.4	-5.9
TERMS OF TRADE EFFECT	UNIT	103.2	29.1	3.6	14.4	-	106.0	-16.6	51.8	21.7
OUTPUT EFFECT ON INCOME	UNIT	-171.1	13.3	-63.5	-56.4	380.9	117.7	-21.7	-29.9	61.7
POLICY EFFECT	UNIT	-28.5	37.9	-74.8	-81.9	60.5	-41.6	-47.4	11.5	-89.3
II. SWITCHING EFFECT	UNIT	35.9	32.6	-41.3	-38.0	31.7	37.4	-37.0	38.2	-39.1
EXPENDITURE SWITCHING	UNIT	14.8	26.1	-13.1	-24.8	96.0	-4.3	15.7	-36.8	14.0
OUTPUT SWITCHING	UNIT	21.1	6.5	-28.2	-13.2	-64.3	41.7	-52.8	75.0	-53.1
III. GROWTH EFFECT	UNIT	160.5	-12.9	76.0	61.9	-373.1	-119.5	22.7	28.4	-54.9
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	100.0	100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	2.0	13.3	-4.7	-6.8	2.5	1.9	-6.3	9.6	-2.3
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	9.7	50.5	-19.6	-39.2	12.8	9.2	-40.4	37.2	-12.8

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

GUATEMALA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979	
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	1492.8	2031.6	2169.4	2307.7	2352.7	2526.5	2723.8	2859.9	2477.7
GDP(NON-TRADED)	MILL	663.6	1135.6	1216.8	1300.3	1334.4	1440.7	1568.6	1652.3	1411.0
GDP(TRADED)	MILL	829.2	896.0	952.6	1007.4	1018.3	1085.8	1155.2	1207.6	1066.7
EXPORTS OF GOODS AND SERVICES	MILL	360.4	412.1	451.6	481.6	497.5	530.3	563.3	562.7	518.2
IMPORTS OF GOODS AND SERVICES	MILL	312.1	294.7	324.2	370.7	352.1	457.1	499.8	521.6	419.9
DOMESTIC DEMAND	MILL	1444.5	1914.2	2042.0	2196.8	2207.3	2453.3	2660.3	2818.8	2379.4
TERMS-OF-TRADE ADJUSTMENT	MILL	-71.8	-111.3	-116.5	-158.0	-172.5	-172.8	-97.8	-151.8	-150.3
RESOURCE GAP	MILL	48.3	117.4	127.4	110.9	145.4	73.2	63.5	41.1	98.2
CHANGE IN RESOURCE GAP	MILL	-4.4	69.1	10.0	-16.5	34.5	-72.2	-9.7	-22.4	-16.0
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	122.6	-253.9	-52.0	-62.6	-4.3	-97.3	-85.4	-65.0	-62.4
TERMS OF TRADE EFFECT	MILL	28.9	58.2	44.7	60.1	67.0	64.1	39.2	60.8	57.6
OUTPUT EFFECT ON INCOME	MILL	120.7	-281.9	-52.8	-52.6	-17.5	-64.5	-79.1	-54.5	-53.4
POLICY EFFECT	MILL	-27.1	-30.3	-43.8	-70.0	-53.8	-96.9	-45.6	-71.3	-66.6
II. SWITCHING EFFECT	MILL	2.6	23.7	1.2	-14.7	19.1	-50.1	-9.1	-15.1	-13.7
EXPENDITURE SWITCHING	MILL	-181.8	256.2	5.4	-8.7	27.9	-42.4	6.3	-9.8	-4.2
OUTPUT SWITCHING	MILL	184.3	-232.5	-4.2	-5.9	-8.7	-7.7	-15.4	-5.3	-9.4
III. GROWTH EFFECT	MILL	-129.5	299.3	60.8	60.7	19.6	75.2	84.8	57.7	60.1
IV. TOTAL CHANGE IN RESOURCE	MILL	-4.4	69.1	10.0	-16.5	34.5	-72.2	-9.7	-22.4	-16.0
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	2785.6	-367.5	-519.8	-379.1	-12.4	-134.7	-880.8	-290.4	-390.6
TERMS OF TRADE EFFECT	UNIT	657.4	84.3	446.6	364.1	194.2	88.8	404.0	271.6	360.6
OUTPUT EFFECT ON INCOME	UNIT	2743.9	-407.9	-528.1	-318.8	-50.7	-89.3	-815.2	-243.5	-334.3
POLICY EFFECT	UNIT	-615.7	-43.9	-438.3	-424.4	-156.0	-134.2	-469.6	-318.5	-416.8
II. SWITCHING EFFECT	UNIT	58.7	34.3	12.1	-88.9	55.5	-69.4	-93.3	-67.3	-85.6
EXPENDITURE SWITCHING	UNIT	-4131.0	370.8	53.8	-53.0	80.8	-58.7	65.4	-43.6	-26.5
OUTPUT SWITCHING	UNIT	4189.8	-336.4	-41.7	-35.9	-25.3	-10.7	-158.7	-23.8	-59.1
III. GROWTH EFFECT	UNIT	-2944.3	433.1	607.7	368.1	56.9	104.2	874.1	257.7	376.2
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	-100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-0.3	3.4	0.5	-0.7	1.5	-2.9	-0.4	-0.8	-0.6
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-1.2	16.8	2.2	-3.4	6.9	-13.6	-1.7	-4.0	-3.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

IVORY COAST

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	BILL	1069.3	1134.9	1198.4	1234.3	1320.8	1483.3	1539.3	1701.5	1394.4
GDP (NON-TRADED)	BILL	640.6	692.2	727.7	761.5	800.6	931.8	989.1	1127.7	870.8
GDP (TRADED)	BILL	428.7	442.7	470.7	472.8	520.2	551.5	550.2	573.8	523.7
EXPORTS OF GOODS AND SERVICES	BILL	484.2	569.4	583.1	699.2	659.1	670.0	656.1	692.5	671.1
IMPORTS OF GOODS AND SERVICES	BILL	281.3	264.1	397.8	407.2	350.8	446.3	559.2	627.0	440.9
DOMESTIC DEMAND	BILL	866.4	829.6	1013.1	942.3	1012.5	1259.6	1442.4	1636.0	1164.2
TERMS OF TRADE ADJUSTMENT	BILL	-207.8	-302.6	-194.2	-251.2	-306.8	-156.2	-	-76.9	-178.5
RESOURCE GAP	BILL	202.9	305.3	185.3	292.0	308.3	223.7	96.9	65.5	230.2
CHANGE IN RESOURCE GAP	BILL	13.3	102.4	-120.0	106.7	16.3	-84.6	-126.8	-31.4	-22.1

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	BILL	-14.4	9.6	-30.4	19.9	-13.5	-51.7	-47.6	-60.8	-23.2
TERMS OF TRADE EFFECT	BILL	45.0	63.9	23.5	59.8	44.9	25.1	-	22.6	32.5
OUTPUT EFFECT ON INCOME	BILL	-14.6	-13.9	-7.7	-8.5	-12.7	-26.1	-12.4	-47.8	-14.9
POLICY EFFECT	BILL	-44.8	-40.5	-46.2	-31.3	-45.7	-50.7	-35.2	-35.7	-40.7
II. SWITCHING EFFECT	BILL	0.4	66.5	-114.4	72.7	-3.4	-96.9	-100.0	-28.5	-31.9
EXPENDITURE SWITCHING	BILL	5.5	78.8	-117.6	84.7	-17.6	-64.2	-77.9	5.8	-18.8
OUTPUT SWITCHING	BILL	-5.1	-12.3	3.2	-12.0	14.3	-32.7	-22.1	-34.4	-13.1
III. GROWTH EFFECT	BILL	27.3	26.3	24.8	14.1	33.1	64.0	20.8	58.0	33.0
IV. TOTAL CHANGE IN RESOURCE	BILL	13.3	102.4	-120.0	106.7	16.3	-84.6	-126.8	-31.4	-22.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-108.4	9.4	-25.3	18.7	-82.6	-61.1	-37.5	-193.8	-105.0
TERMS OF TRADE EFFECT	UNIT	338.1	62.4	19.6	56.1	275.7	29.6	-	72.1	146.9
OUTPUT EFFECT ON INCOME	UNIT	-109.5	-13.5	-6.4	-8.0	-77.7	-30.8	-9.8	-152.1	-67.5
POLICY EFFECT	UNIT	-337.0	-39.5	-38.5	-29.4	-280.6	-59.9	-27.8	-113.7	-184.4
II. SWITCHING EFFECT	UNIT	3.1	65.0	-95.3	68.1	-20.6	-114.5	-78.9	-90.9	-144.4
EXPENDITURE SWITCHING	UNIT	41.5	77.0	-98.0	79.3	-108.2	-75.9	-61.5	18.6	-84.9
OUTPUT SWITCHING	UNIT	-38.4	-12.0	2.7	-11.2	87.5	-38.7	-17.4	-109.5	-59.5
III. GROWTH EFFECT	UNIT	205.3	25.7	20.6	13.2	203.3	75.7	16.4	184.6	149.4
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	1.2	9.0	-10.0	8.6	1.2	-5.7	-8.2	-1.8	-1.6
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	2.7	18.0	-20.6	15.3	2.5	-12.6	-19.3	-4.5	-3.3

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

JORDAN

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	251.2	271.0	244.8	274.8	269.4	308.2	307.9	367.8	290.1
GDP(NON-TRADED)	MILL	198.4	203.4	194.3	189.5	196.6	220.2	215.7	241.5	205.5
GDP(TRADED)	MILL	52.8	67.6	50.5	85.3	72.8	88.0	92.2	126.3	84.6
EXPORTS OF GOODS AND SERVICES	MILL	66.7	79.4	109.9	92.9	121.3	188.5	228.5	243.1	157.8
IMPORTS OF GOODS AND SERVICES	MILL	191.9	212.7	229.7	262.2	301.1	446.3	525.3	514.6	383.7
DOMESTIC DEMAND	MILL	376.4	404.3	364.6	444.1	449.2	566.0	604.7	639.3	516.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-8.1	-7.1	-15.9	16.0	-	1.3	-8.1	-17.5	2.3
RESOURCE GAP	MILL	-125.2	-133.3	-119.8	-169.3	-179.8	-257.8	-296.8	-271.5	-225.9
CHANGE IN RESOURCE GAP	MILL	-125.2	-8.1	13.5	-49.5	-10.5	-78.0	-39.0	25.3	-44.2

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-	-13.2	19.7	-37.1	-2.9	-65.7	-23.6	-22.3	-32.3
	TERMS OF TRADE EFFECT	MILL	-	5.0	11.8	-11.1	-	-1.3	9.1	22.1	-0.8
	OUTPUT EFFECT ON INCOME	MILL	-	-14.0	19.4	-20.9	5.0	-36.4	0.3	-75.7	-13.0
	POLICY EFFECT	MILL	-	-4.2	-11.5	-5.1	-7.9	-28.1	-33.1	31.3	-18.5
II.	SWITCHING EFFECT	MILL	251.2	0.9	0.3	-18.6	-5.9	-22.8	-15.3	29.6	-15.6
	EXPENDITURE SWITCHING	MILL	198.4	-9.7	10.9	-47.2	4.9	-27.5	-19.6	13.5	-22.3
	OUTPUT SWITCHING	MILL	52.8	10.6	-10.6	28.6	-10.8	4.7	4.3	16.2	6.7
III.	GROWTH EFFECT	MILL	-	4.2	-6.5	6.2	-1.7	10.5	-0.1	17.9	3.7
IV.	TOTAL CHANGE IN RESOURCE	MILL	251.2	-8.1	13.5	-49.5	-10.5	-78.0	-39.0	25.3	-44.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-	-162.9	146.1	-75.0	-27.8	-84.2	-60.6	-88.0	-73.1
	TERMS OF TRADE EFFECT	UNIT	-	61.7	87.5	-22.5	-	-1.6	23.3	87.3	-1.9
	OUTPUT EFFECT ON INCOME	UNIT	-	-173.2	143.9	-42.2	47.6	-46.6	0.9	-299.1	-29.3
	POLICY EFFECT	UNIT	-	-51.4	-85.2	-10.4	-75.5	-36.0	-84.8	123.8	-41.9
II.	SWITCHING EFFECT	UNIT	100.0	11.5	2.3	-37.5	-56.2	-29.2	-39.2	117.1	-35.3
	EXPENDITURE SWITCHING	UNIT	79.0	-119.8	80.5	-95.3	46.9	-35.3	-50.1	53.2	-50.5
	OUTPUT SWITCHING	UNIT	21.0	131.3	-78.3	57.8	-103.1	6.0	11.0	63.9	15.1
III.	GROWTH EFFECT	UNIT	-	51.4	-48.4	12.5	-16.0	13.4	-0.2	70.9	8.4
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	-100.0	100.0	-100.0	-100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-49.8	-3.0	5.5	-18.0	-3.9	-25.3	-12.7	6.9	-15.3
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-187.7	-10.2	12.3	-53.3	-8.7	-41.4	-17.1	10.4	-28.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

MOROCCO

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979	
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	19902.0	20408.0	21187.0	22416.0	23920.0	26986.0	28736.0	29792.0	25514.5
GDP(NON-TRADED)	MILL	11894.0	12179.0	12866.0	13428.0	15545.0	17875.0	19686.0	19776.0	16633.5
GDP(TRADED)	MILL	8008.0	8229.0	8321.0	8988.0	8375.0	9111.0	9050.0	10016.0	8881.0
EXPORTS OF GOODS AND SERVICES	MILL	3468.0	4044.0	4542.0	4320.0	3627.0	3857.0	4235.0	4515.0	4009.8
IMPORTS OF GOODS AND SERVICES	MILL	3976.0	3802.0	4333.0	4812.0	5972.0	7392.0	8392.0	7509.0	6642.0
DOMESTIC DEMAND	MILL	20410.0	20166.0	20978.0	22908.0	26265.0	30521.0	32893.0	32786.0	28146.8
TERMS-OF-TRADE ADJUSTMENT	MILL	-50.8	-370.8	-457.5	384.6	398.3	-40.0	-153.2	-128.9	147.4
RESOURCE GAP	MILL	-508.0	242.0	209.0	-492.0	-2345.0	-3535.0	-4157.0	-2994.0	-2632.3
CHANGE IN RESOURCE GAP	MILL	181.0	750.0	-33.0	-701.0	-1853.0	-1190.0	-622.0	1163.0	-1091.5

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-386.7	101.8	-321.6	-746.3	-1389.2	-1737.1	-982.8	43.0	-1213.9
	TERMS OF TRADE EFFECT	MILL	22.0	158.6	179.0	-147.3	-168.4	17.9	71.8	59.3	-56.5
	OUTPUT EFFECT ON INCOME	MILL	-479.1	-216.5	-304.9	-470.6	-636.1	-1374.1	-820.1	-485.3	-825.2
	POLICY EFFECT	MILL	70.5	159.7	-195.8	-128.5	-584.7	-381.0	-234.5	469.0	-332.2
II.	SWITCHING EFFECT	MILL	129.2	444.6	-25.5	-437.4	-1066.8	-526.4	-230.0	787.5	-565.2
	EXPENDITURE SWITCHING	MILL	-2.3	427.2	196.6	-621.7	149.2	-188.9	421.8	154.0	-59.9
	OUTPUT SWITCHING	MILL	131.5	17.4	-222.1	184.3	-1216.0	-337.5	-651.8	633.4	-505.3
III.	GROWTH EFFECT	MILL	438.5	203.6	314.1	482.7	603.0	1073.5	590.8	332.6	687.5
IV.	TOTAL CHANGE IN RESOURCE	MILL	181.0	750.0	-33.0	-701.0	-1853.0	-1190.0	-622.0	1163.0	-1091.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-213.6	13.6	-974.6	-106.5	-75.0	-146.0	-158.0	3.7	-111.2
	TERMS OF TRADE EFFECT	UNIT	12.1	21.2	542.6	-21.0	-9.1	1.5	11.5	5.1	-5.2
	OUTPUT EFFECT ON INCOME	UNIT	-264.7	-28.9	-923.9	-67.1	-34.3	-115.5	-131.8	-41.7	-75.6
	POLICY EFFECT	UNIT	38.9	21.3	-593.3	-18.3	-31.6	-32.0	-37.7	40.3	-30.4
II.	SWITCHING EFFECT	UNIT	71.4	59.3	-77.3	-62.4	-57.6	-44.2	-37.0	67.7	-51.8
	EXPENDITURE SWITCHING	UNIT	-1.3	57.0	595.8	-88.7	8.1	-15.9	67.8	13.2	-5.5
	OUTPUT SWITCHING	UNIT	72.6	2.3	-673.1	26.3	-65.6	-28.4	-104.8	54.5	-46.3
III.	GROWTH EFFECT	UNIT	242.3	27.1	951.9	68.9	32.5	90.2	95.0	28.6	63.0
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	-100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	0.9	3.7	-0.2	-3.1	-7.7	-4.4	-2.2	3.9	-4.3
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	5.2	18.5	-0.7	-16.2	-51.1	-30.9	-14.7	25.8	-27.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

PHILIPPINES

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	53526.0	56075.0	60931.0	64139.0	68392.0	72962.0	77363.0	82572.0	70714.0
GDP(NON-TRADED)	MILL	24176.0	25301.0	27253.0	29290.0	32192.0	34319.0	36181.0	38296.0	32995.5
GDP(TRADED)	MILL	29350.0	30774.0	33678.0	34849.0	36200.0	38643.0	41182.0	44276.0	37718.5
EXPORTS OF GOODS AND SERVICES	MILL	8997.0	9877.0	11312.0	9980.0	9951.0	11931.0	14168.0	13980.0	11507.5
IMPORTS OF GOODS AND SERVICES	MILL	10015.0	10334.0	10800.0	12883.0	13505.0	13679.0	14557.0	15558.0	13656.0
DOMESTIC DEMAND	MILL	54544.0	56532.0	60419.0	67042.0	71946.0	74710.0	77752.0	84150.0	72862.5
TERMS-OF-TRADE ADJUSTMENT	MILL	615.2	-	1536.4	1313.4	-64.3	-1943.6	-1909.5	-2098.3	-651.0
RESOURCE GAP	MILL	-1018.0	-457.0	512.0	-2903.0	-3554.0	-1748.0	-389.0	-1578.0	-2148.5
CHANGE IN RESOURCE GAP	MILL	228.0	561.0	969.0	-3415.0	-651.0	1806.0	1359.0	-1189.0	-225.3

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-1262.9	-1106.8	-2147.4	-3635.6	-2761.5	-1527.3	-1644.6	-3420.8	-2392.2
	TERMS OF TRADE EFFECT	MILL	-348.5	-	-855.7	-714.9	37.8	1129.7	1057.1	1127.5	377.4
	OUTPUT EFFECT ON INCOME	MILL	-1422.9	-1446.2	-2704.6	-1746.2	-2503.3	-2656.4	-2436.3	-2799.1	-2335.6
	POLICY EFFECT	MILL	508.5	339.3	1412.9	-1174.5	-296.0	-0.6	-265.3	-1749.2	-434.1
II.	SWITCHING EFFECT	MILL	129.4	270.1	451.4	-1552.6	-200.3	914.3	672.7	-541.1	-41.5
	EXPENDITURE SWITCHING	MILL	-209.1	243.8	212.4	-950.4	759.5	890.3	464.6	-862.2	291.0
	OUTPUT SWITCHING	MILL	338.5	26.3	239.0	-602.1	-959.8	24.1	208.1	321.1	-332.4
III.	GROWTH EFFECT	MILL	1361.5	1397.7	2665.0	1773.1	2310.8	2418.9	2330.9	2772.9	2208.4
IV.	TOTAL CHANGE IN RESOURCE	MILL	228.0	561.0	969.0	-3415.0	-651.0	1806.0	1359.0	-1189.0	-225.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-553.9	-197.3	-221.6	-106.5	-424.2	-84.6	-121.0	-287.7	-1062.0
	TERMS OF TRADE EFFECT	UNIT	-152.8	-	-88.3	-20.9	5.8	62.6	77.8	94.8	167.6
	OUTPUT EFFECT ON INCOME	UNIT	-624.1	-257.8	-279.1	-51.1	-384.5	-147.1	-179.3	-235.4	-1036.9
	POLICY EFFECT	UNIT	223.0	60.5	145.8	-34.4	-45.5	0.0	-19.5	-147.1	-192.7
II.	SWITCHING EFFECT	UNIT	56.7	48.2	46.6	-45.5	-30.8	50.6	49.5	-45.5	-18.4
	EXPENDITURE SWITCHING	UNIT	-91.7	43.5	21.9	-27.8	116.7	49.3	34.2	-72.5	129.2
	OUTPUT SWITCHING	UNIT	148.5	4.7	24.7	-17.6	-147.4	1.3	15.3	27.0	-147.6
III.	GROWTH EFFECT	UNIT	597.2	249.1	275.0	51.9	355.0	133.9	171.5	233.2	980.4
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	100.0	-100.0	-100.0	100.0	100.0	-100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	0.4	1.0	1.6	-5.3	-1.0	2.5	1.8	-1.4	-0.3
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	2.5	5.7	8.6	-34.2	-6.5	15.1	9.6	-8.5	-2.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

SENEGAL

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	247200.0	262600.0	248300.0	258100.0	276800.0	298800.0	301300.0	277300.0	283750.0
GDP(NON-TRADED)	MILL	153800.0	158400.0	153600.0	145000.0	154600.0	166300.0	171000.0	165000.0	159225.0
GDP(TRADED)	MILL	93400.0	104200.0	94700.0	113100.0	122200.0	132500.0	130300.0	112300.0	124525.0
EXPORTS OF GOODS AND SERVICES	MILL	64000.0	82300.0	63800.0	68600.0	76700.0	95800.0	100900.0	72700.0	85500.0
IMPORTS OF GOODS AND SERVICES	MILL	82000.0	88100.0	83600.0	85500.0	85800.0	104400.0	114900.0	110200.0	97650.0
DOMESTIC DEMAND	MILL	265200.0	268400.0	268100.0	275000.0	285900.0	307400.0	315300.0	314800.0	295900.0
TERMS-OF-TRADE ADJUSTMENT	MILL	0.0	-3552.4	-2032.3	5369.6	-1656.6	-10321.2	-810.4	1288.0	-1854.6
RESOURCE GAP	MILL	-18000.0	-5800.0	-19800.0	-16900.0	-9100.0	-8600.0	-14000.0	-37500.0	-12150.0
CHANGE IN RESOURCE GAP	MILL	-5000.0	12200.0	-14000.0	2900.0	7800.0	500.0	-5400.0	-23500.0	1450.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-2290.0	-1344.2	123.0	-2946.8	-5152.7	-9873.9	-3626.2	228.8	-5399.9
TERMS OF TRADE EFFECT	MILL	0.0	1600.9	851.3	-2476.1	834.4	4895.9	382.7	-616.9	909.2
OUTPUT EFFECT ON INCOME	MILL	-92.7	-6940.0	5990.1	-4519.1	-9418.8	-10435.7	-1180.6	11494.2	-6388.6
POLICY EFFECT	MILL	-2197.3	3994.9	-6718.5	4048.4	3431.7	-4334.1	-2828.3	-10648.5	79.4
II. SWITCHING EFFECT	MILL	-2792.2	7725.6	-8448.7	2109.2	4758.3	661.5	-2882.4	-13349.8	1161.7
EXPENDITURE SWITCHING	MILL	5390.0	2744.2	-4623.0	-12553.2	3852.7	73.9	426.2	-5728.8	-2050.1
OUTPUT SWITCHING	MILL	-8182.2	4981.4	-3825.7	14662.3	905.6	587.6	-3308.6	-7621.0	3211.7
III. GROWTH EFFECT	MILL	82.2	5818.6	-5674.3	3737.7	8194.4	9712.4	1108.6	-10379.0	5688.3
IV. TOTAL CHANGE IN RESOURCE	MILL	-5000.0	12200.0	-14000.0	2900.0	7800.0	500.0	-5400.0	-23500.0	1450.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-45.8	-11.0	0.9	-101.6	-66.1	-1974.8	-67.2	1.0	-372.4
TERMS OF TRADE EFFECT	UNIT	0.0	13.1	6.1	-85.4	10.7	979.2	7.1	-2.6	62.7
OUTPUT EFFECT ON INCOME	UNIT	-1.9	-56.9	42.8	-155.8	-120.8	-2087.1	-21.9	48.9	-440.6
POLICY EFFECT	UNIT	-43.9	32.7	-48.0	139.6	44.0	-866.8	-52.4	-45.3	5.5
II. SWITCHING EFFECT	UNIT	-55.8	63.3	-60.3	72.7	61.0	132.3	-53.4	-56.8	80.1
EXPENDITURE SWITCHING	UNIT	107.8	22.5	-33.0	-432.9	49.4	14.8	7.9	-24.4	-141.4
OUTPUT SWITCHING	UNIT	-163.6	40.8	-27.3	505.6	11.6	117.5	-61.3	-32.4	221.5
III. GROWTH EFFECT	UNIT	1.6	47.7	-40.5	128.9	105.1	1942.5	20.5	-44.2	392.3
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	100.0	100.0	100.0	-100.0	-100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-2.0	4.6	-5.6	1.1	2.8	0.2	-1.8	-8.5	0.5
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-7.8	14.8	-21.9	4.2	10.2	0.5	-5.4	-32.3	1.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

SUDAN

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	1199.1	1240.6	1307.0	1478.7	1510.8	1575.8	1653.0	1733.1	1554.6
GDP(NON-TRADED)	MILL	674.1	691.8	703.1	868.9	764.6	849.8	923.9	964.7	851.8
GDP(TRADED)	MILL	525.0	548.8	603.9	609.8	746.2	726.0	729.1	768.4	702.8
EXPORTS OF GOODS AND SERVICES	MILL	195.9	187.8	215.0	164.4	179.3	237.3	192.5	-	193.4
IMPORTS OF GOODS AND SERVICES	MILL	259.6	220.0	270.8	374.1	418.6	407.0	447.0	-	411.7
DOMESTIC DEMAND	MILL	1262.8	1272.8	1362.8	1688.4	1750.1	1745.5	1907.5	1733.1	1772.9
TERMS-OF-TRADE ADJUSTMENT	MILL	41.4	18.4	23.9	30.1	-	-20.1	41.8	-	13.0
RESOURCE GAP	MILL	-63.7	-32.2	-55.8	-209.7	-239.3	-169.7	-254.5	-	-218.3
CHANGE IN RESOURCE GAP	MILL	-55.4	31.5	-23.6	-153.9	-29.6	69.6	-84.8	254.5	-49.7

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-49.5	-4.7	-41.1	-157.6	-29.9	2.6	-83.1	89.9	-67.0
	TERMS OF TRADE EFFECT	MILL	-18.5	-9.0	-11.2	-15.2	-	13.1	-23.8	-	-6.5
	OUTPUT EFFECT ON INCOME	MILL	-25.1	-20.4	-31.1	-86.7	-17.8	-42.4	-43.9	-47.7	-47.7
	POLICY EFFECT	MILL	-5.9	24.8	1.2	-55.8	-12.2	31.9	-15.5	137.6	-12.9
II.	SWITCHING EFFECT	MILL	-30.5	18.0	-11.9	-75.6	-12.9	34.9	-37.2	129.2	-22.7
	EXPENDITURE SWITCHING	MILL	-26.9	12.4	-37.6	-2.2	-136.1	87.2	-4.8	125.3	-13.9
	OUTPUT SWITCHING	MILL	-3.6	5.6	25.7	-73.4	123.2	-52.3	-32.5	4.0	-8.8
III.	GROWTH EFFECT	MILL	24.6	18.2	29.4	79.3	13.2	32.1	35.6	35.3	40.1
IV.	TOTAL CHANGE IN RESOURCE	MILL	-55.4	31.5	-23.6	-153.9	-29.6	69.6	-84.8	254.5	-49.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-89.4	-14.8	-174.1	-102.4	-101.2	3.7	-98.0	35.3	-134.9
	TERMS OF TRADE EFFECT	UNIT	-33.5	-28.7	-47.3	-9.9	-	18.8	-28.0	-	-13.0
	OUTPUT EFFECT ON INCOME	UNIT	-45.2	-64.7	-131.8	-56.3	-60.1	-60.9	-51.7	-18.7	-96.0
	POLICY EFFECT	UNIT	-10.7	78.6	5.0	-36.2	-41.1	45.8	-18.3	54.1	-25.9
II.	SWITCHING EFFECT	UNIT	-55.1	57.1	-50.4	-49.1	-43.5	50.2	-43.9	50.8	-45.7
	EXPENDITURE SWITCHING	UNIT	-48.5	39.2	-159.4	-1.4	-459.6	125.3	-5.6	49.2	-28.1
	OUTPUT SWITCHING	UNIT	-6.6	17.9	109.0	-47.7	416.1	-75.1	-38.3	1.6	-17.6
III.	GROWTH EFFECT	UNIT	44.5	57.7	124.5	51.5	44.7	46.1	41.9	13.9	80.6
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	-100.0	-100.0	100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-4.6	2.5	-1.8	-10.4	-2.0	4.4	-5.1	14.7	-3.2
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-28.3	16.8	-11.0	-93.6	-16.5	29.3	-44.1	-	-25.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

THAILAND

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	157900.0	164600.0	180200.0	190000.0	203500.0	222500.0	237200.0	261100.0	213300.0
GDP(NON-TRADED)	MILL	79400.0	83900.0	89700.0	95700.0	102200.0	111200.0	120100.0	132000.0	107300.0
GDP(TRADED)	MILL	78500.0	80700.0	90500.0	94300.0	101300.0	111300.0	117100.0	129100.0	106000.0
EXPORTS OF GOODS AND SERVICES	MILL	26800.0	31900.0	30500.0	30000.0	28900.0	36400.0	42700.0	49700.0	34500.0
IMPORTS OF GOODS AND SERVICES	MILL	29600.0	33800.0	41700.0	37700.0	36800.0	39200.0	49200.0	53200.0	40725.0
DOMESTIC DEMAND	MILL	160700.0	166500.0	191400.0	197700.0	211400.0	225300.0	243700.0	264600.0	219525.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-1684.8	-	7943.6	4007.2	727.1	-1248.4	-3587.4	-4886.0	-25.4
RESOURCE GAP	MILL	-2800.0	-1900.0	-11200.0	-7700.0	-7900.0	-2800.0	-6500.0	-3500.0	-6225.0
CHANGE IN RESOURCE GAP	MILL	7600.0	900.0	-9300.0	3500.0	-200.0	5100.0	-3700.0	3000.0	1175.0
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-2268.2	-2934.3	-12352.8	-3347.5	-7068.3	-7180.1	-9318.4	-10600.1	-6728.6
TERMS OF TRADE EFFECT	MILL	952.1	-	-3986.3	-2261.5	-390.3	669.9	1839.7	2546.0	-35.6
OUTPUT EFFECT ON INCOME	MILL	-6724.3	-3449.7	-7828.4	-5530.9	-7247.4	-10195.6	-7538.3	-12453.8	-7628.0
POLICY EFFECT	MILL	3504.0	515.4	-538.1	4444.9	569.4	2345.6	-3619.8	-692.3	935.0
II. SWITCHING EFFECT	MILL	3991.6	503.4	-4595.6	1925.7	168.0	2822.1	-1734.9	1801.2	795.3
EXPENDITURE SWITCHING	MILL	3468.2	1634.3	-6747.2	3047.5	-131.7	2280.1	-181.6	1600.1	1253.6
OUTPUT SWITCHING	MILL	523.4	-1130.9	2151.6	-1121.8	299.7	542.0	-1553.3	201.1	-458.3
III. GROWTH EFFECT	MILL	5876.6	3330.9	7648.4	4921.8	6700.3	9458.0	7353.3	11798.9	7108.3
IV. TOTAL CHANGE IN RESOURCE	MILL	7600.0	900.0	-9300.0	3500.0	-200.0	5100.0	-3700.0	3000.0	1175.0
DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-29.8	-326.0	-132.8	-95.6	-3534.1	-140.8	-251.8	-353.3	-572.6
TERMS OF TRADE EFFECT	UNIT	12.5	-	-42.9	-64.6	-195.2	13.1	49.7	84.9	-3.0
OUTPUT EFFECT ON INCOME	UNIT	-88.5	-383.3	-84.2	-158.0	-3623.7	-199.9	-203.7	-415.1	-649.2
POLICY EFFECT	UNIT	46.1	57.3	-5.8	127.0	284.7	46.0	-97.8	-23.1	79.6
II. SWITCHING EFFECT	UNIT	52.5	55.9	-49.4	55.0	84.0	55.3	-46.9	60.0	67.7
EXPENDITURE SWITCHING	UNIT	45.6	181.6	-72.6	87.1	-65.9	44.7	-4.9	53.3	106.7
OUTPUT SWITCHING	UNIT	6.9	-125.7	23.1	-32.1	149.9	10.6	-42.0	6.7	-39.0
III. GROWTH EFFECT	UNIT	77.3	370.1	82.2	140.6	3350.1	185.5	198.7	393.3	605.0
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	100.0	-100.0	100.0	-100.0	100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	4.8	0.5	-5.2	1.8	-0.1	2.3	-1.6	1.1	0.6
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	28.4	2.8	-30.5	11.7	-0.7	14.0	-8.7	6.0	3.4

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Middle-Income Primary Producing

ZAMBIA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	1276.6	1394.2	1380.8	1473.9	1438.1	1500.1	1424.4	1458.8	1459.1
GDP(NON-TRADED)	MILL	577.1	607.8	608.4	670.2	695.6	678.1	645.1	633.0	672.3
GDP(TRADED)	MILL	699.5	786.4	772.4	803.7	742.5	822.0	779.3	825.8	786.9
EXPORTS OF GOODS AND SERVICES	MILL	641.7	729.0	666.5	706.7	683.2	830.3	813.0	747.7	758.3
IMPORTS OF GOODS AND SERVICES	MILL	498.6	506.6	418.8	488.3	454.9	339.4	317.4	249.5	400.0
DOMESTIC DEMAND	MILL	1133.5	1171.8	1133.1	1255.5	1209.8	1009.2	928.8	960.6	1100.8
TERMS-OF-TRADE ADJUSTMENT	MILL	-166.9	-203.2	-48.7	-104.6	-387.2	-446.5	-496.1	-503.8	-358.6
RESOURCE GAP	MILL	143.1	222.4	247.7	218.4	228.3	490.9	495.6	498.2	358.3
CHANGE IN RESOURCE GAP	MILL	-71.8	79.3	25.3	-29.3	9.9	262.6	4.7	2.6	62.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-38.5	-18.8	18.6	-56.7	21.3	85.3	26.4	-9.7	19.1
	TERMS OF TRADE EFFECT	MILL	67.2	88.6	19.7	39.7	153.8	159.6	109.5	100.3	115.7
	OUTPUT EFFECT ON INCOME	MILL	-3.1	-51.3	5.4	-35.4	14.2	-22.2	16.7	-6.9	-6.7
	POLICY EFFECT	MILL	-102.6	-56.1	-6.5	-61.0	-146.7	-52.2	-99.8	-103.2	-89.9
II.	SWITCHING EFFECT	MILL	-37.7	33.7	14.2	-24.7	8.1	145.3	19.8	-6.5	37.1
	EXPENDITURE SWITCHING	MILL	-7.2	11.2	20.7	-3.9	49.8	97.8	21.0	-34.2	41.2
	OUTPUT SWITCHING	MILL	-30.5	22.5	-6.4	-20.8	-41.7	47.5	-1.2	27.7	-4.0
III.	GROWTH EFFECT	MILL	4.4	64.4	-7.6	52.1	-19.5	32.0	-41.5	18.8	5.8
IV.	TOTAL CHANGE IN RESOURCE	MILL	-71.8	79.3	25.3	-29.3	9.9	262.6	4.7	2.6	62.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-53.6	-23.7	73.6	-193.4	215.2	32.5	561.2	-373.6	30.8
	TERMS OF TRADE EFFECT	UNIT	93.6	111.7	77.8	135.7	1553.3	60.8	2329.9	3859.1	186.6
	OUTPUT EFFECT ON INCOME	UNIT	-4.3	-64.6	21.4	-120.7	143.6	-8.4	355.5	-263.5	-10.7
	POLICY EFFECT	UNIT	-142.9	-70.8	-25.6	-208.4	-1481.7	-19.9	-2124.1	-3969.2	-145.1
II.	SWITCHING EFFECT	UNIT	-52.5	42.4	56.3	-84.3	82.0	55.3	421.3	-250.3	59.9
	EXPENDITURE SWITCHING	UNIT	-10.0	14.1	81.7	-13.4	503.0	37.3	447.3	-1314.9	66.5
	OUTPUT SWITCHING	UNIT	-42.5	28.3	-25.5	-70.9	-421.0	18.1	-25.9	1064.6	-6.5
III.	GROWTH EFFECT	UNIT	6.1	81.3	-29.9	177.7	-197.2	12.2	-882.6	723.9	9.3
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	100.0	100.0	100.0	100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-5.6	5.7	1.8	-2.0	0.7	17.5	0.3	0.2	4.2
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-11.2	10.9	3.8	-4.1	1.4	31.6	0.6	0.3	8.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Semi-Industrial countries

ARGENTINA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	14800.0	15300.0	16100.0	17100.0	16900.0	16600.0	17400.0	16700.0	17000.0
GDP(NON-TRADED)	MILL	7300.0	7500.0	7700.0	8300.0	8400.0	8300.0	8700.0	8700.0	8425.0
GDP(TRADED)	MILL	7500.0	7800.0	8400.0	8800.0	8500.0	8300.0	8700.0	8000.0	8575.0
EXPORTS OF GOODS AND SERVICES	MILL	1600.0	1500.0	1600.0	1600.0	1300.0	1800.0	2700.0	2900.0	1850.0
IMPORTS OF GOODS AND SERVICES	MILL	1600.0	1400.0	1300.0	1500.0	1600.0	1200.0	1500.0	1400.0	1450.0
DOMESTIC DEMAND	MILL	14800.0	15200.0	15800.0	17000.0	17200.0	16000.0	16200.0	15200.0	16600.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-94.1	-31.0	288.2	95.2	12.8	-221.7	-624.4	-703.6	-184.5
RESOURCE GAP	MILL	-	100.0	300.0	100.0	-300.0	600.0	1200.0	1500.0	400.0
CHANGE IN RESOURCE GAP	MILL	-200.0	100.0	200.0	-200.0	-400.0	900.0	600.0	300.0	225.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-446.8	-202.7	-303.9	-615.2	-102.4	614.0	-96.3	463.0	-50.0
	TERMS OF TRADE EFFECT	MILL	46.1	15.7	-145.0	-47.9	-6.5	115.5	289.6	303.3	87.7
	OUTPUT EFFECT ON INCOME	MILL	-342.6	-253.4	-402.6	-503.1	101.8	156.2	-371.1	301.7	-154.1
	POLICY EFFECT	MILL	-150.3	34.9	243.7	-64.2	-197.6	342.3	-14.8	-142.0	16.4
II.	SWITCHING EFFECT	MILL	-105.7	49.3	96.1	-106.5	-194.7	436.9	296.3	187.0	108.0
	EXPENDITURE SWITCHING	MILL	-153.2	2.7	-96.1	15.2	2.4	486.0	296.3	537.0	200.0
	OUTPUT SWITCHING	MILL	47.5	46.6	192.2	-121.7	-197.1	-49.1	-	-350.0	-92.0
III.	GROWTH EFFECT	MILL	352.5	253.4	407.8	521.7	-102.9	-150.9	400.0	-350.0	167.0
IV.	TOTAL CHANGE IN RESOURCE	MILL	-200.0	100.0	200.0	-200.0	-400.0	900.0	600.0	300.0	225.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-223.4	-202.7	-152.0	-307.6	-25.6	68.2	-16.0	154.3	-22.2
	TERMS OF TRADE EFFECT	UNIT	23.0	15.7	-72.5	-23.9	-1.6	12.8	48.3	101.1	39.0
	OUTPUT EFFECT ON INCOME	UNIT	-171.3	-253.4	-201.3	-251.6	25.4	17.4	-61.8	100.6	-68.5
	POLICY EFFECT	UNIT	-75.1	34.9	121.9	-32.1	-49.4	38.0	-2.5	-47.3	7.3
II.	SWITCHING EFFECT	UNIT	-52.9	49.3	48.1	-53.3	-48.7	48.5	49.4	62.3	48.0
	EXPENDITURE SWITCHING	UNIT	-76.6	2.7	-48.0	7.6	0.6	54.0	49.4	179.0	88.9
	OUTPUT SWITCHING	UNIT	23.8	46.6	96.1	-60.9	-49.3	-5.5	-	-116.7	-40.9
III.	GROWTH EFFECT	UNIT	176.2	253.4	203.9	260.9	-25.7	-16.8	66.7	-116.7	74.2
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	-100.0	100.0	100.0	100.0	100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-1.4	0.7	1.2	-1.2	-2.4	5.4	3.4	1.8	1.3
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-12.5	6.7	12.5	-12.5	-30.8	50.0	22.2	10.3	12.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Semi-Industrial countries

BRAZIL

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	189469.9	211711.3	241143.5	264722.7	279773.3	304857.6	319072.0	338303.3	292106.4
GDP(NON-TRADED)	MILL	116250.3	129859.0	148644.8	163847.9	174596.3	190317.2	200327.6	213071.4	182272.3
GDP(TRADED)	MILL	73219.6	81852.3	92498.7	100874.8	105177.0	114540.4	118744.4	125231.9	109834.2
EXPORTS OF GOODS AND SERVICES	MILL	14413.0	17895.0	20446.0	20923.0	23345.0	23276.0	23187.0	27309.0	22682.8
IMPORTS OF GOODS AND SERVICES	MILL	18022.0	21632.0	26045.0	33465.0	31950.0	31553.0	29164.0	31928.0	31533.0
DOMESTIC DEMAND	MILL	193078.9	215448.3	246742.5	277264.7	288378.3	313134.6	325049.0	342922.3	300956.7
TERMS-OF-TRADE ADJUSTMENT	MILL	-210.1	-139.9	2227.4	-1608.8	-2564.7	259.2	3526.4	-207.4	-97.0
RESOURCE GAP	MILL	-3609.0	-3737.0	-5599.0	-12542.0	-8605.0	-8277.0	-5977.0	-4619.0	-8850.3
CHANGE IN RESOURCE GAP	MILL	-2792.9	-128.0	-1862.0	-6943.0	3937.0	328.0	2300.0	1358.0	-94.5

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-9694.1	-8901.1	-12432.0	-12134.7	-4546.1	-9767.8	-4673.1	-6858.0	-7780.4
	TERMS OF TRADE EFFECT	MILL	81.7	56.7	-900.5	654.5	1098.8	-105.4	-1420.7	81.1	56.8
	OUTPUT EFFECT ON INCOME	MILL	-8654.6	-9018.7	-11898.7	-9592.1	-6448.2	-10201.6	-5726.5	-7517.3	-7992.1
	POLICY EFFECT	MILL	-1121.2	60.9	367.2	-3197.2	803.3	539.2	2474.1	578.2	154.9
II.	SWITCHING EFFECT	MILL	-1644.9	178.0	-809.2	-3852.8	2747.9	665.7	1632.5	1059.0	298.3
	EXPENDITURE SWITCHING	MILL	-2062.3	140.4	-76.4	-3184.4	4180.9	732.4	2769.1	1728.5	1124.5
	OUTPUT SWITCHING	MILL	417.4	37.6	-732.7	-668.5	-1433.0	-66.7	-1136.6	-669.5	-826.2
III.	GROWTH EFFECT	MILL	8546.1	8595.1	11379.1	9044.6	5735.2	9430.1	5340.6	7157.0	7387.6
IV.	TOTAL CHANGE IN RESOURCE	MILL	-2792.9	-128.0	-1862.0	-6943.0	3937.0	328.0	2300.0	1358.0	-94.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-347.1	-6954.0	-667.7	-174.8	-115.5	-2978.0	-203.2	-505.0	-8233.3	
	TERMS OF TRADE EFFECT	UNIT	2.9	44.3	-48.4	9.4	27.9	-32.1	-61.8	6.0	60.1	
	OUTPUT EFFECT ON INCOME	UNIT	-309.9	-7045.9	-639.0	-138.2	-163.8	-3110.3	-249.0	-553.6	-8457.3	
	POLICY EFFECT	UNIT	-40.1	47.6	19.7	-46.0	20.4	164.4	107.6	42.6	163.9	
II.	SWITCHING EFFECT	UNIT	-58.9	139.1	-43.5	-55.5	69.8	203.0	71.0	78.0	315.7	
	EXPENDITURE SWITCHING	UNIT	-73.8	109.7	-4.1	-45.9	106.2	223.3	120.4	127.3	1189.9	
	OUTPUT SWITCHING	UNIT	14.9	29.4	-39.4	-9.6	-36.4	-20.3	-49.4	-49.3	-874.3	
III.	GROWTH EFFECT	UNIT	306.0	6714.9	611.1	130.3	145.7	2875.0	232.2	527.0	7817.6	
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	-100.0	-100.0	-100.0	100.0	100.0	100.0	100.0	-100.0	

CHANGE IN RESOURCE GAP/GDP %			UNIT	-1.5	-0.1	-0.8	-2.6	1.4	0.1	0.7	0.4	0.0
CHANGE IN RESOURCE GAP/EXPORTS			UNIT	-19.4	-0.7	-9.1	-33.2	16.9	1.4	9.9	5.0	-0.4

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Semi-Industrial countries

KOREA, REPUBLIC OF

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	BILL	6950.5	7377.0	8504.2	9206.6	9951.7	11333.0	12472.0	13884.9	10740.8
GDP(NON-TRADED)	BILL	3489.9	3688.6	4218.2	4454.1	4771.4	5302.0	5909.5	6670.9	5109.3
GDP(TRADED)	BILL	3460.6	3688.4	4286.0	4752.5	5180.3	6031.0	6562.5	7214.0	5631.6
EXPORTS OF GOODS AND SERVICES	BILL	1143.5	1565.4	2432.3	2357.0	2748.4	3931.5	4941.9	5805.2	3494.7
IMPORTS OF GOODS AND SERVICES	BILL	2229.2	2256.2	3087.9	3604.5	3612.6	4582.6	5673.8	7326.9	4368.4
DOMESTIC DEMAND	BILL	8036.2	8067.8	9159.8	10454.1	10815.9	11984.1	13203.9	15406.6	11614.5
TERMS-OF-TRADE ADJUSTMENT	BILL	186.1	255.2	368.2	202.9	-	415.1	731.3	959.8	337.3
RESOURCE GAP	BILL	-1085.7	-690.8	-655.6	-1247.5	-864.2	-651.1	-731.9	-1521.7	-873.7
CHANGE IN RESOURCE GAP	BILL	-193.8	394.9	35.2	-591.9	383.3	213.1	-80.8	-789.8	-19.1

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	BILL	-468.0	-17.9	-592.7	-698.3	-207.7	-652.9	-680.1	-1216.9	-559.7
TERMS OF TRADE EFFECT	BILL	-119.8	-166.9	-218.6	-117.9	-	-252.2	-431.2	-561.3	-200.3
OUTPUT EFFECT ON INCOME	BILL	-409.3	-279.0	-669.1	-408.1	-485.6	-839.0	-671.6	-826.4	-601.1
POLICY EFFECT	BILL	61.2	428.0	295.0	-172.2	277.9	438.3	422.6	170.8	241.7
II. SWITCHING EFFECT	BILL	-45.3	200.4	64.4	-247.6	206.3	146.9	-6.8	-316.4	24.7
EXPENDITURE SWITCHING	BILL	-12.6	185.0	30.3	-360.1	163.2	15.3	67.8	-224.4	-28.5
OUTPUT SWITCHING	BILL	-32.7	15.4	34.0	112.5	43.2	131.7	-74.6	-91.9	53.2
III. GROWTH EFFECT	BILL	319.5	212.4	563.6	354.0	384.6	719.0	606.1	743.4	515.9
IV. TOTAL CHANGE IN RESOURCE	BILL	-193.8	394.9	35.2	-591.9	383.3	213.1	-80.8	-789.8	-13.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-241.5	-4.5	-1683.9	-118.0	-54.2	-306.4	-841.8	-154.1	-2934.3
TERMS OF TRADE EFFECT	UNIT	-61.8	-42.3	-621.0	-19.9	-	-118.3	-533.7	-71.1	-1050.1
OUTPUT EFFECT ON INCOME	UNIT	-211.2	-70.6	-1901.0	-69.0	-126.7	-393.7	-831.2	-104.6	-3151.1
POLICY EFFECT	UNIT	31.6	108.4	838.0	-29.1	72.5	205.7	523.1	21.6	1266.9
II. SWITCHING EFFECT	UNIT	-23.4	50.8	182.8	-41.8	53.8	68.9	-8.4	-40.1	129.5
EXPENDITURE SWITCHING	UNIT	-6.5	46.8	86.2	-60.8	42.6	7.2	84.0	-28.4	-149.3
OUTPUT SWITCHING	UNIT	-16.9	3.9	96.6	19.0	11.3	61.8	-92.4	-11.6	278.8
III. GROWTH EFFECT	UNIT	164.9	53.8	1601.1	59.8	100.3	337.4	750.2	94.1	2704.8
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-2.8	5.4	0.4	-6.4	3.9	1.9	-0.6	-5.7	-0.2
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-16.9	25.2	1.4	-25.1	13.9	5.4	-1.6	-13.6	-0.5

Semi-Industrial countries

DECOMPOSITION OF CHANGES IN RESOURCE GAP

PORTUGAL

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	131400.0	143800.0	162500.0	166800.0	159000.0	169400.0	178900.0	184400.0	168525.0
GDP(NON-TRADED)	MILL	61800.0	68000.0	78100.0	80600.0	80300.0	88200.0	92200.0	94800.0	85325.0
GDP(TRADED)	MILL	69600.0	75800.0	84400.0	86200.0	78700.0	81200.0	86700.0	89600.0	83200.0
EXPORTS OF GOODS AND SERVICES	MILL	38100.0	44300.0	46000.0	38800.0	32700.0	32700.0	34600.0	39700.0	34700.0
IMPORTS OF GOODS AND SERVICES	MILL	53600.0	58400.0	62400.0	65400.0	48900.0	50600.0	56600.0	55600.0	55375.0
DOMESTIC DEMAND	MILL	146900.0	157900.0	178900.0	193400.0	175200.0	187300.0	200900.0	200300.0	189200.0
TERMS OF-TRADE ADJUSTMENT	MILL	3084.7	4675.4	2607.7	2156.6	-2778.5	-4596.8	-3968.1	-4871.7	-2296.7
RESOURCE GAP	MILL	-15500.0	-14100.0	-16400.0	-26600.0	-16200.0	-17900.0	-22000.0	-15900.0	-20675.0
CHANGE IN RESOURCE GAP	MILL	-6200.0	1400.0	-2300.0	-10200.0	10400.0	-1700.0	-4100.0	6100.0	-1400.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-6804.0	-6372.4	-11956.3	-8169.9	10615.1	-6554.2	-7195.7	324.6	-2826.2
TERMS OF TRADE EFFECT	MILL	-1863.1	-3028.0	-1630.3	-1337.8	1879.0	2743.6	2321.4	2960.0	1401.6
OUTPUT EFFECT ON INCOME	MILL	-3563.5	-8030.7	-11690.8	-2667.3	5274.8	-6207.3	-5557.6	-3341.8	-2289.3
POLICY EFFECT	MILL	-1377.4	4686.4	1364.7	-4164.8	3461.3	-3090.5	-3959.5	706.4	-1938.4
II. SWITCHING EFFECT	MILL	-2522.3	1204.3	-200.9	-4263.4	3815.8	-293.5	-1458.0	3109.9	-549.8
EXPENDITURE SWITCHING	MILL	-2496.0	1572.4	1056.3	-3830.1	7284.9	2354.2	-2404.3	2875.4	851.2
OUTPUT SWITCHING	MILL	-26.3	-368.0	-1257.2	-433.4	-3469.1	-2647.7	946.3	234.5	-1401.0
III. GROWTH EFFECT	MILL	3126.3	6568.0	9857.2	2233.4	-4030.9	5147.7	4553.7	2665.5	1976.0
IV. TOTAL CHANGE IN RESOURCE	MILL	-6200.0	1400.0	-2300.0	-10200.0	10400.0	-1700.0	-4100.0	6100.0	-1400.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PEP CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-109.7	-455.2	-519.8	-80.1	102.1	-385.5	-175.5	5.3	-201.9
TERMS OF TRADE EFFECT	UNIT	-30.0	-216.3	-70.9	-13.1	18.1	161.4	56.6	48.5	100.1
OUTPUT EFFECT ON INCOME	UNIT	-57.5	-573.6	-508.3	-26.2	50.7	-365.1	-135.6	-54.8	-163.5
POLICY EFFECT	UNIT	-22.2	334.7	59.3	-40.8	33.3	-181.8	-96.6	11.6	-138.5
II. SWITCHING EFFECT	UNIT	-40.7	86.0	-8.7	-41.8	36.7	-17.3	-35.6	51.0	-39.3
EXPENDITURE SWITCHING	UNIT	-40.3	112.3	45.9	-37.5	70.0	138.5	-58.6	47.1	60.8
OUTPUT SWITCHING	UNIT	-0.4	-26.3	-54.7	-4.2	-33.4	-155.7	23.1	3.8	-100.1
III. GROWTH EFFECT	UNIT	50.4	469.1	428.6	21.9	-38.8	302.8	111.1	43.7	141.1
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	-100.0	100.0	-100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-4.7	1.0	-1.4	-6.1	6.5	-1.0	-2.3	3.3	-0.8
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-16.3	3.2	-5.0	-26.3	31.8	-5.2	-11.8	15.4	-4.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP

Semi-Industrial countries

TURKEY

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	122300.0	129700.0	135000.0	146900.0	159900.0	173900.0	183800.0	190500.0	166125.0
GDP(NON-TRADED)	MILL	61700.0	68200.0	74300.0	80500.0	87000.0	94800.0	100700.0	105000.0	90750.0
GDP(TRADED)	MILL	60600.0	61500.0	60700.0	66400.0	72900.0	79100.0	83100.0	85500.0	75375.0
EXPORTS OF GOODS AND SERVICES	MILL	6800.0	9300.0	11700.0	10000.0	9900.0	11900.0	10100.0	11000.0	10475.0
IMPORTS OF GOODS AND SERVICES	MILL	11200.0	13400.0	15100.0	16500.0	18700.0	21400.0	21300.0	14500.0	19475.0
DOMESTIC DEMAND	MILL	126700.0	133800.0	138400.0	153400.0	168700.0	183400.0	195000.0	194000.0	175125.0
TERMS-OF-TRADE ADJUSTMENT	MILL	427.6	-470.5	-134.0	-2030.2	-2038.1	-1629.9	-1777.1	-2491.4	-1868.8
RESOURCE GAP	MILL	-4400.0	-4100.0	-3400.0	-6500.0	-8800.0	-9500.0	-11200.0	-3500.0	-9000.0
CHANGE IN RESOURCE GAP	MILL	-1500.0	300.0	700.0	-3100.0	-2300.0	-700.0	-1700.0	7700.0	-1950.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-5730.0	-3642.5	-2255.3	-6947.3	-7271.0	-7119.1	-5603.9	483.6	-6735.3
	TERMS OF TRADE EFFECT	MILL	-218.6	250.1	67.8	964.0	1011.4	832.8	905.4	1278.3	928.4
	OUTPUT EFFECT ON INCOME	MILL	-5111.3	-3933.0	-2680.6	-5650.3	-6451.3	-7153.2	-5043.9	-3437.5	-6074.7
	POLICY EFFECT	MILL	-400.2	40.4	357.5	-2260.9	-1831.1	-798.6	-1465.4	2642.8	-1589.0
II.	SWITCHING EFFECT	MILL	-623.0	275.7	442.2	-1503.3	-905.1	36.3	-599.2	4187.2	-742.8
	EXPENDITURE SWITCHING	MILL	-1870.0	3042.5	3755.3	-1852.7	-1529.0	219.1	-96.1	4816.4	-814.7
	OUTPUT SWITCHING	MILL	1246.9	-2766.7	-3313.1	349.4	623.9	-182.7	-503.1	-629.2	71.9
III.	GROWTH EFFECT	MILL	4853.1	3666.7	2513.1	5350.6	5876.1	6382.7	4503.1	3029.2	5528.1
IV.	TOTAL CHANGE IN RESOURCE	MILL	-1500.0	300.0	700.0	-3100.0	-2300.0	-700.0	-1700.0	7700.0	-1950.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-382.0	-1214.2	-322.2	-224.1	-316.1	-1017.0	-329.6	6.3	-345.4
	TERMS OF TRADE EFFECT	UNIT	-14.6	83.4	9.7	31.1	44.0	119.0	53.3	16.6	47.6
	OUTPUT EFFECT ON INCOME	UNIT	-340.8	-1311.0	-382.9	-182.3	-280.5	-1021.9	-296.7	-44.6	-311.5
	POLICY EFFECT	UNIT	-26.7	13.5	51.1	-72.9	-79.6	-114.1	-86.2	34.3	-81.5
II.	SWITCHING EFFECT	UNIT	-41.5	91.9	63.2	-48.5	-39.4	5.2	-35.2	54.4	-38.1
	EXPENDITURE SWITCHING	UNIT	-124.7	1014.2	536.5	-59.8	-66.5	31.3	-5.7	62.6	-41.8
	OUTPUT SWITCHING	UNIT	83.1	-922.2	-473.3	11.3	27.1	-26.1	-29.6	-8.2	3.7
III.	GROWTH EFFECT	UNIT	323.5	1222.2	359.0	172.6	255.5	911.8	264.9	39.3	283.5
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	-100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-1.2	0.2	0.5	-2.1	-1.4	-0.4	-0.9	4.0	-1.2
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-22.1	3.2	6.0	-31.0	-23.2	-5.9	-16.8	70.0	-18.6

Semi-Industrial countries

DECOMPOSITION OF CHANGES IN RESOURCE GAP

URUGUAY

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979	
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	17.3	16.7	16.9	17.4	18.2	18.6	19.3	20.0	18.4
GDP(NON-TRADED)	MILL	10.5	10.2	10.3	10.6	11.0	11.3	11.6	12.2	11.1
GDP(TRADED)	MILL	6.8	6.5	6.6	6.7	7.1	7.4	7.6	7.8	7.2
EXPORTS OF GOODS AND SERVICES	MILL	2.7	2.5	2.6	3.1	3.8	4.9	5.1	5.4	4.3
IMPORTS OF GOODS AND SERVICES	MILL	3.6	3.2	3.4	3.2	3.5	3.6	4.0	4.2	3.6
DOMESTIC DEMAND	MILL	18.2	17.4	17.7	17.5	17.8	17.4	18.1	18.8	17.7
TERMS-OF-TRADE ADJUSTMENT	MILL	0.4	0.7	1.2	-0.4	-1.0	-1.4	-1.7	-1.6	-1.1
RESOURCE GAP	MILL	-0.8	-0.6	-0.9	-0.1	0.4	1.3	1.1	1.2	0.7
CHANGE IN RESOURCE GAP	MILL	-0.5	0.2	-0.2	0.8	0.5	0.9	-0.1	0.0	0.5

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-0.1	0.3	-0.2	0.1	-0.1	0.2	-0.3	-0.3	0.0
	TERMS OF TRADE EFFECT	MILL	-0.2	-0.3	-0.5	0.2	0.4	0.5	0.5	0.5	0.4
	OUTPUT EFFECT ON INCOME	MILL	0.1	0.3	-0.1	-0.2	-0.3	-0.2	-0.2	-0.3	-0.2
	POLICY EFFECT	MILL	0.0	0.4	0.4	0.2	-0.2	-0.2	-0.6	-0.5	-0.2
II.	SWITCHING EFFECT	MILL	-0.3	0.1	-0.1	0.5	0.3	0.6	-0.1	0.0	0.3
	EXPENDITURE SWITCHING	MILL	-0.2	0.2	-0.2	0.5	0.2	0.5	-0.1	0.1	0.3
	OUTPUT SWITCHING	MILL	0.0	-0.1	0.0	-0.1	0.1	0.1	0.0	-0.1	0.0
III.	GROWTH EFFECT	MILL	-0.1	-0.2	0.0	0.2	0.3	0.2	0.2	0.3	0.2
IV.	TOTAL CHANGE IN RESOURCE	MILL	-0.5	0.2	-0.2	0.8	0.5	0.9	-0.1	0.0	0.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-26.0	166.6	-62.3	13.6	-26.9	18.4	-192.3	-643.3	-5.7
	TERMS OF TRADE EFFECT	UNIT	-38.0	-158.2	-210.6	23.2	85.0	57.0	390.8	1325.0	81.2
	OUTPUT EFFECT ON INCOME	UNIT	15.0	130.6	-22.0	-30.0	-66.5	-19.2	-146.4	-639.2	-45.6
	POLICY EFFECT	UNIT	-3.0	194.2	170.3	20.5	-45.4	-19.5	-436.7	-1329.1	-41.4
II.	SWITCHING EFFECT	UNIT	-59.7	49.5	-57.7	59.9	61.5	61.4	-84.6	-7.3	59.2
	EXPENDITURE SWITCHING	UNIT	-51.4	77.1	-73.4	66.6	47.8	52.1	-84.1	245.8	54.6
	OUTPUT SWITCHING	UNIT	-8.4	-27.5	15.8	-6.7	13.6	9.3	-0.4	-253.1	4.7
III.	GROWTH EFFECT	UNIT	-14.3	-116.1	20.0	26.5	65.4	20.2	176.9	750.6	46.5
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	100.0	100.0	100.0	-100.0	100.0	100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-2.7	1.2	-1.5	4.5	2.5	4.9	-0.7	0.2	2.8
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-17.4	8.1	-9.7	25.1	11.9	18.9	-2.7	0.7	11.9

Semi-Industrial countries

DECOMPOSITION OF CHANGES IN RESOURCE GAP

YUGOSLAVIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	236941.0	248596.0	257857.0	281975.0	292126.0	303519.0	327801.0	349764.0	301355.3
GDP(NON-TRADED)	MILL	133055.0	141504.0	142367.0	156189.0	163645.0	168531.0	182113.0	198659.0	167619.5
GDP(TRADED)	MILL	103886.0	107092.0	115490.0	125786.0	128481.0	134988.0	145688.0	151105.0	133735.8
EXPORTS OF GOODS AND SERVICES	MILL	52456.0	59206.0	67463.0	68357.0	62510.0	65767.0	62002.0	63538.0	64659.0
IMPORTS OF GOODS AND SERVICES	MILL	68067.0	64996.0	76948.0	86691.0	79217.0	72633.0	81533.0	89247.0	80018.5
DOMESTIC DEMAND	MILL	252552.0	254386.0	267342.0	300309.0	308833.0	310385.0	347332.0	375473.0	316714.8
TERMS-OF-TRADE ADJUSTMENT	MILL	-570.5	-	-589.4	-6635.4	-4085.3	-3153.2	-4026.4	-1692.3	-4475.1
RESOURCE GAP	MILL	-15611.0	-5790.0	-9485.0	-18334.0	-16707.0	-6866.0	-19531.0	-25709.0	-15359.5
CHANGE IN RESOURCE GAP	MILL	-3769.0	9821.0	-3695.0	-8849.0	1627.0	9841.0	-12665.0	-6178.0	-2511.5

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-10517.1	-867.8	-5749.1	-15411.2	-4090.7	-729.6	-16885.7	-13386.1	-9279.3
TERMS OF TRADE EFFECT	MILL	280.9	-	267.6	3216.0	2088.0	1567.2	1881.8	853.0	2188.3
OUTPUT EFFECT ON INCOME	MILL	-9231.9	-5878.0	-4205.2	-11689.2	-5188.3	-5662.4	-11348.5	-11069.8	-8472.1
POLICY EFFECT	MILL	-1566.2	5010.2	-1811.6	-6937.9	-990.5	3365.6	-7419.0	-3169.2	-2995.5
II. SWITCHING EFFECT	MILL	-1466.3	5578.7	-1935.4	-4239.9	1189.5	5559.8	-6578.5	-2553.1	-1017.3
EXPENDITURE SWITCHING	MILL	-1530.9	7482.8	-6343.9	-3733.8	3022.7	4063.6	-6479.3	1791.1	-781.7
OUTPUT SWITCHING	MILL	64.5	-1904.1	4408.5	-506.1	-1833.3	1496.2	-99.3	-4344.2	-235.6
III. GROWTH EFFECT	MILL	8214.5	5110.1	3989.5	10802.1	4528.3	5010.8	10799.3	9761.2	7785.1
IV. TOTAL CHANGE IN RESOURCE	MILL	-3769.0	9821.0	-3695.0	-8849.0	1627.0	9841.0	-12665.0	-6178.0	-2511.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-279.0	-8.8	-155.6	-174.2	-251.4	-7.4	-133.3	-216.7	-369.5
TERMS OF TRADE EFFECT	UNIT	7.5	-	7.2	36.3	128.3	15.9	14.9	13.8	87.1
OUTPUT EFFECT ON INCOME	UNIT	-244.9	-59.9	-113.8	-132.1	-318.9	-57.5	-89.6	-179.2	-337.3
POLICY EFFECT	UNIT	-41.6	51.0	-49.0	-78.4	-60.9	34.2	-58.6	-51.3	-119.3
II. SWITCHING EFFECT	UNIT	-38.9	56.8	-52.4	-47.9	73.1	56.5	-51.9	-41.3	-40.5
EXPENDITURE SWITCHING	UNIT	-40.6	76.2	-171.7	-42.2	185.8	41.3	-51.2	29.0	-31.1
OUTPUT SWITCHING	UNIT	1.7	-19.4	119.3	-5.7	-112.7	15.2	-0.8	-70.3	-9.4
III. GROWTH EFFECT	UNIT	217.9	52.0	108.0	122.1	278.3	50.9	85.3	158.0	310.0
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	-100.0	100.0	100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-1.6	4.0	-1.4	-3.1	0.6	3.2	-3.9	-1.8	-0.8
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-7.2	16.6	-5.5	-12.9	2.6	15.0	-20.4	-9.7	-3.9

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

ALGERIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	40648.6	47047.0	47420.0	48466.5	50179.0	55238.0	58760.0	63969.0	53160.9
GDP(NON-TRADED)	MILL	18378.1	18890.6	19176.0	20449.2	22367.0	24826.0	27180.0	29370.0	23705.6
GDP(TRADED)	MILL	22270.5	28156.4	28244.0	28017.3	27812.0	30412.0	31580.0	34599.0	29455.3
EXPORTS OF GOODS AND SERVICES	MILL	16461.4	22095.8	22755.0	20115.0	20162.0	20860.0	21933.0	23151.0	20767.5
IMPORTS OF GOODS AND SERVICES	MILL	9692.0	12992.0	14500.0	19580.4	22553.0	21863.0	26425.0	27130.0	22605.4
DOMESTIC DEMAND	MILL	33879.2	37943.2	39165.0	47931.9	52570.0	56241.0	63252.0	67948.0	54998.7
TERMS-OF-TRADE ADJUSTMENT	MILL	-9447.9	-11071.4	-11136.3	-	-3395.1	-2733.2	-2887.9	-5291.6	-2254.1
RESOURCE GAP	MILL	6769.4	9103.8	8255.0	534.6	-2391.0	-1003.0	-4492.0	-3979.0	-1837.9
CHANGE IN RESOURCE GAP	MILL	-6233.9	2334.4	-848.8	-7720.4	-2925.6	1388.0	-3489.0	513.0	-3186.8

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-2450.1	-1859.4	-613.5	-4474.4	-2659.3	-2109.1	-3916.2	-2678.1	-3289.8
TERMS OF TRADE EFFECT	MILL	3155.6	4222.0	4509.8	-	1925.2	1645.1	1642.4	3248.4	1303.2
OUTPUT EFFECT ON INCOME	MILL	393.7	-2440.0	-151.1	-441.1	-971.1	-3045.0	-2003.0	-3197.7	-1615.1
POLICY EFFECT	MILL	-5999.5	-3641.5	-4972.3	-4033.3	-3613.4	-709.2	-3555.6	-2728.8	-2977.9
II. SWITCHING EFFECT	MILL	-3023.6	688.3	-458.5	-3869.3	-1256.2	693.1	-1511.9	391.6	-1486.1
EXPENDITURE SWITCHING	MILL	919.5	-1692.1	-322.9	-3019.3	-61.0	897.1	-740.8	172.1	-731.0
OUTPUT SWITCHING	MILL	-3943.1	2380.4	-135.6	-850.0	-1195.3	-204.0	-771.1	219.5	-755.1
III. GROWTH EFFECT	MILL	-760.2	3505.5	223.2	623.3	990.0	2804.0	1939.1	2799.5	1589.1
IV. TOTAL CHANGE IN RESOURCE	MILL	-6233.9	2334.4	-848.8	-7720.4	-2925.6	1388.0	-3489.0	513.0	-3186.8

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-39.3	-79.7	-72.3	-58.0	-90.9	-152.0	-112.2	-522.0	-103.2
TERMS OF TRADE EFFECT	UNIT	50.6	180.9	531.3	-	65.8	118.5	47.1	633.2	40.9
OUTPUT EFFECT ON INCOME	UNIT	6.3	-104.5	-17.8	-5.7	-33.2	-219.4	-57.4	-623.3	-50.7
POLICY EFFECT	UNIT	-96.2	-156.0	-585.8	-52.2	-123.5	-51.1	-101.9	-531.9	-93.4
II. SWITCHING EFFECT	UNIT	-48.5	29.5	-54.0	-50.1	-42.9	49.9	-43.3	76.3	-46.6
EXPENDITURE SWITCHING	UNIT	14.8	-72.5	-38.0	-39.1	-2.1	64.6	-21.2	33.5	-22.9
OUTPUT SWITCHING	UNIT	-63.3	102.0	-16.0	-11.0	-40.9	-14.7	-22.1	42.8	-23.7
III. GROWTH EFFECT	UNIT	-12.2	150.2	26.3	8.1	33.8	202.0	55.6	545.7	49.9
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	-100.0	-100.0	-100.0	100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-15.3	5.0	-1.8	-15.9	-5.8	2.5	-5.9	0.8	-6.0
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-37.9	10.6	-3.7	-38.4	-14.5	6.7	-15.9	2.2	-15.3

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

ECUADOR

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	102662.0	109097.0	118483.0	137250.0	143535.0	157968.0	167752.0	179925.0	151626.3
GDP(NON-TRADED)	MILL	55933.0	62303.0	60282.0	73321.0	79153.0	87105.0	94788.0	101533.0	83591.8
GDP(TRADED)	MILL	46729.0	46794.0	58201.0	63929.0	64382.0	70863.0	72964.0	78392.0	68034.5
EXPORTS OF GOODS AND SERVICES	MILL	23292.0	28911.0	39923.0	40464.0	36769.0	37877.0	37147.0	41734.0	38064.3
IMPORTS OF GOODS AND SERVICES	MILL	27793.0	24266.0	27156.0	39493.0	44464.0	43118.0	49566.0	50850.0	44160.3
DOMESTIC DEMAND	MILL	107163.0	104452.0	105716.0	136279.0	151230.0	163209.0	180171.0	189041.0	157722.3
TERMS-OF-TRADE ADJUSTMENT	MILL	-4812.9	-8553.4	-8724.9	5551.3	-1115.5	3069.7	4930.4	-	3109.0
RESOURCE GAP	MILL	-4501.0	4645.0	12767.0	971.0	-7695.0	-5241.0	-12419.0	-9116.0	-6096.0
CHANGE IN RESOURCE GAP	MILL	-258.0	9146.0	8122.0	-11796.0	-8666.0	2454.0	-7178.0	3303.0	-6296.5
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-2775.2	1296.0	-510.1	-13135.2	-6907.0	-5709.3	-7909.3	-4203.5	-8415.2
TERMS OF TRADE EFFECT	MILL	2424.8	4268.3	3370.8	-2128.7	511.7	-1541.5	-2375.3	-	-1383.5
OUTPUT EFFECT ON INCOME	MILL	-2766.4	-3211.2	-3626.2	-7196.5	-2883.0	-7247.6	-4713.6	-6195.9	-5510.2
POLICY EFFECT	MILL	-2433.6	238.9	-254.6	-3810.0	-4535.7	3079.8	-820.4	1992.4	-1521.6
II. SWITCHING EFFECT	MILL	-9.4	4920.9	4606.2	-7879.5	-4686.4	1689.4	-3657.7	2211.8	-3633.5
EXPENDITURE SWITCHING	MILL	501.2	7785.0	-2774.9	-4388.8	-2212.0	1682.3	-1369.7	2078.5	-1572.0
OUTPUT SWITCHING	MILL	-510.7	-2864.0	7381.1	-3490.7	-2474.5	7.1	-2288.0	133.3	-2061.5
III. GROWTH EFFECT	MILL	2526.7	2929.0	4025.9	9218.7	2927.5	6473.9	4389.0	5294.7	5752.3
IV. TOTAL CHANGE IN RESOURCE	MILL	-258.0	9146.0	8122.0	-11796.0	-8666.0	2454.0	-7178.0	3303.0	-6296.5
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-1075.7	14.2	-6.3	-111.4	-79.7	-232.7	-110.2	-127.3	-133.6
TERMS OF TRADE EFFECT	UNIT	939.8	46.7	41.5	-18.0	5.9	-62.8	-33.1	-	-22.0
OUTPUT EFFECT ON INCOME	UNIT	-1072.3	-35.1	-44.6	-61.0	-33.3	-295.3	-65.7	-187.6	-87.5
POLICY EFFECT	UNIT	-943.3	2.6	-3.1	-32.3	-52.3	125.5	-11.4	60.3	-24.2
II. SWITCHING EFFECT	UNIT	-3.7	53.8	56.7	-66.8	-54.1	68.8	-51.0	67.0	-57.7
EXPENDITURE SWITCHING	UNIT	194.3	85.1	-34.2	-37.2	-25.5	68.6	-19.1	62.9	-25.0
OUTPUT SWITCHING	UNIT	-197.9	-31.3	90.9	-29.6	-28.6	0.3	-31.9	4.0	-32.7
III. GROWTH EFFECT	UNIT	979.3	32.0	49.6	78.2	33.8	263.8	61.1	160.3	91.4
IV. TOTAL CHANGE IN RESOURCE	UNIT	-100.0	100.0	100.0	-100.0	-100.0	100.0	-100.0	100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	-0.3	8.4	6.9	-8.6	-6.0	1.6	-4.3	1.8	-4.2
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-1.1	31.6	20.3	-29.2	-23.6	6.5	-19.3	7.9	-16.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

EGYPT, ARAB REP. OF

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	3914.0	4104.0	4399.0	4627.0	5056.0	5478.0	5895.0	6519.0	5264.0
GDP(NON-TRADED)	MILL	1783.0	1863.0	2122.0	2312.0	2559.0	2813.0	3086.0	3496.0	2692.5
GDP(TRADED)	MILL	2131.0	2241.0	2277.0	2315.0	2497.0	2665.0	2809.0	3023.0	2571.5
EXPORTS OF GOODS AND SERVICES	MILL	853.0	896.0	851.0	885.0	1053.0	1296.0	1415.0	1398.0	1162.3
IMPORTS OF GOODS AND SERVICES	MILL	1238.0	1299.0	1364.0	1871.0	2154.0	2064.0	2180.0	2269.0	2067.3
DOMESTIC DEMAND	MILL	4299.0	4507.0	4912.0	5613.0	6157.0	6246.0	6660.0	7390.0	6169.0
TERMS-OF-TRADE ADJUSTMENT	MILL	50.8	10.3	144.4	145.4	-	55.9	61.4	-65.1	65.7
RESOURCE GAP	MILL	-385.0	-403.0	-513.0	-986.0	-1101.0	-768.0	-765.0	-871.0	-905.0
CHANGE IN RESOURCE GAP	MILL	3.0	-18.0	-110.0	-473.0	-115.0	333.0	3.0	-106.0	-63.0
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)										

I. ABSORPTION EFFECT	MILL	-81.8	-121.7	-237.6	-398.2	-319.9	-52.0	-227.5	-391.7	-249.4
TERMS OF TRADE EFFECT	MILL	-33.0	-6.6	-93.0	-92.2	-	-39.8	-38.5	39.5	-42.6
OUTPUT EFFECT ON INCOME	MILL	-92.2	-122.1	-190.1	-144.6	-306.1	-300.3	-261.3	-378.3	-253.1
POLICY EFFECT	MILL	43.3	7.0	45.5	-161.3	-13.9	288.1	72.3	-52.9	46.3
II. SWITCHING EFFECT	MILL	7.2	0.3	-33.5	-192.9	-9.7	176.6	27.7	-11.6	0.4
EXPENDITURE SWITCHING	MILL	14.8	-6.3	91.6	-112.8	22.9	217.0	86.5	71.7	53.4
OUTPUT SWITCHING	MILL	-7.6	6.6	-125.1	-80.0	-32.6	-40.4	-58.9	-83.3	-53.0
III. GROWTH EFFECT	MILL	77.6	103.4	161.1	118.0	214.6	208.4	202.9	297.3	186.0
IV. TOTAL CHANGE IN RESOURCE	MILL	3.0	-18.0	-110.0	-473.0	-115.0	333.0	3.0	-106.0	-63.0
DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)										

I. ABSORPTION EFFECT	UNIT	-2727.7	-676.3	-216.0	-84.2	-278.2	-15.6	-7584.9	-369.6	-395.9
TERMS OF TRADE EFFECT	UNIT	-1099.0	-36.6	-84.6	-19.5	-	-12.0	-1283.0	37.3	-67.7
OUTPUT EFFECT ON INCOME	UNIT	-3073.2	-678.5	-172.8	-30.6	-266.1	-90.2	-8711.0	-356.9	-401.7
POLICY EFFECT	UNIT	1444.5	38.9	41.3	-34.1	-12.1	86.5	2409.1	-49.9	73.5
II. SWITCHING EFFECT	UNIT	241.4	1.6	-30.5	-40.8	-8.4	53.0	922.7	-10.9	0.7
EXPENDITURE SWITCHING	UNIT	494.3	-34.8	83.3	-23.9	19.9	65.2	2884.9	67.7	84.8
OUTPUT SWITCHING	UNIT	-252.9	36.4	-113.7	-16.9	-28.4	-12.1	-1962.2	-78.6	-84.1
III. GROWTH EFFECT	UNIT	2586.3	574.7	146.4	25.0	186.6	62.6	6762.2	280.5	295.2
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	-100.0	-100.0	-100.0	-100.0	100.0	100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	0.1	-0.4	-2.5	-10.2	-2.3	6.1	0.1	-1.6	-1.2
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	0.4	-2.0	-12.9	-53.4	-10.9	25.7	0.2	-7.6	-5.4

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

INDONESIA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	*****	*****	*****	*****	*****	*****	*****	*****	*****
GDP(NON-TRADED)	MILL	*****	*****	*****	*****	*****	*****	*****	*****	*****
GDP(TRADED)	MILL	*****	*****	*****	*****	*****	*****	*****	*****	*****
EXPORTS OF GOODS AND SERVICES	MILL	891000.0	*****	*****	*****	*****	*****	*****	*****	*****
IMPORTS OF GOODS AND SERVICES	MILL	730000.0	925000.0	*****	*****	*****	*****	*****	*****	*****
DOMESTIC DEMAND	MILL	*****	*****	*****	*****	*****	*****	*****	*****	*****
TERMS-OF-TRADE ADJUSTMENT	MILL	*****	*****	711.8	856411.4	581067.2	646626.3	*****	*****	780608.4
RESOURCE GAP	MILL	161000.0	198000.0	38000.0	*****	*****	*****	*****	*****	*****
CHANGE IN RESOURCE GAP	MILL	10000.0	37000.0	*****	*****	*****	13000.0	*****	*****	*****

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	*****	*****	*****	*****	*****	*****	*****	*****
	TERMS OF TRADE EFFECT	MILL	156714.2	188349.6	-412.8	*****	*****	*****	*****	*****
	OUTPUT EFFECT ON INCOME	MILL	*****	*****	*****	*****	*****	*****	*****	*****
	POLICY EFFECT	MILL	*****	*****	*****	336871.5	216388.4	456049.5	639230.6	540387.1
II.	SWITCHING EFFECT	MILL	74.4	8369.9	-73029.8	*****	-96153.6	19152.1	-25838.0	*****
	EXPENDITURE SWITCHING	MILL	40805.4	101161.4	*****	-30857.8	62213.7	-11149.8	114235.8	-23648.4
	OUTPUT SWITCHING	MILL	-40730.9	-92791.5	53716.2	-86236.3	*****	30301.9	*****	-93552.9
III.	GROWTH EFFECT	MILL	214730.9	327791.5	420283.8	320236.3	220367.3	308698.1	423073.8	345552.9
IV.	TOTAL CHANGE IN RESOURCE	MILL	10000.0	37000.0	*****	*****	*****	13000.0	*****	*****

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-2048.1	-808.5	-317.0	-166.8	-146.3	-2421.9	-451.5	-167.4
	TERMS OF TRADE EFFECT	UNIT	1567.1	509.1	-0.3	-173.3	-139.9	-3272.8	-602.4	-212.2
	OUTPUT EFFECT ON INCOME	UNIT	-2049.3	-845.0	-248.7	-104.4	-87.2	-2657.2	-414.8	-114.6
	POLICY EFFECT	UNIT	-1565.9	-472.6	-68.1	110.8	80.7	3508.1	565.7	159.4
II.	SWITCHING EFFECT	UNIT	0.7	22.6	-45.6	-38.5	-35.9	147.3	-22.9	-34.6
	EXPENDITURE SWITCHING	UNIT	408.1	273.4	-79.2	-10.2	23.2	-85.8	101.1	-7.0
	OUTPUT SWITCHING	UNIT	-407.3	-250.8	33.6	-28.4	-59.1	233.1	-124.0	-27.6
III.	GROWTH EFFECT	UNIT	2147.3	885.9	262.7	105.3	82.2	2374.6	374.4	101.9
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	-100.0	100.0	-100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	0.2	0.6	-2.4	-4.2	-3.5	0.2	-1.3	-3.6
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	1.1	3.3	-11.8	-21.7	-21.2	0.9	-6.5	-19.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

MALAYSIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	13016.0	14238.0	15904.0	17227.0	17365.0	19373.0	20875.0	22446.0	18710.0
GDP(NON-TRADED)	MILL	6472.0	7156.0	7910.0	8709.0	8919.0	9649.0	10654.0	11521.0	9482.8
GDP(TRADED)	MILL	6544.0	7082.0	7994.0	8518.0	8446.0	9724.0	10221.0	10925.0	9227.3
EXPORTS OF GOODS AND SERVICES	MILL	5480.0	5591.0	6384.0	7401.0	7179.0	8397.0	8776.0	9461.0	7938.3
IMPORTS OF GOODS AND SERVICES	MILL	4856.0	4709.0	5494.0	7517.0	6232.0	6805.0	7814.0	8908.0	7092.0
DOMESTIC DEMAND	MILL	12392.0	13356.0	15014.0	17343.0	16418.0	17781.0	19913.0	21893.0	17863.8
TERMS-OF-TRADE ADJUSTMENT	MILL	-445.4	-1052.2	-26.4	152.9	-884.5	126.2	530.5	492.3	-18.7
RESOURCE GAP	MILL	624.0	882.0	890.0	-116.0	947.0	1592.0	962.0	553.0	846.3
CHANGE IN RESOURCE GAP	MILL	64.0	258.0	8.0	-1006.0	1063.0	645.0	-630.0	-409.0	18.0

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-345.9	-460.5	-769.7	-1102.0	460.5	-622.6	-975.1	-920.6	-559.8
TERMS OF TRADE EFFECT	MILL	210.3	478.6	11.5	-68.3	443.3	-54.5	-222.7	-218.4	24.5
OUTPUT EFFECT ON INCOME	MILL	-360.3	-555.8	-725.5	-591.0	-69.2	-867.1	-630.5	-696.8	-539.4
POLICY EFFECT	MILL	-195.9	-383.3	-55.7	-442.7	86.4	299.1	-121.9	-5.5	-44.8
II. SWITCHING EFFECT	MILL	14.7	104.1	-51.0	-569.0	534.3	290.9	-408.9	-257.6	-38.2
EXPENDITURE SWITCHING	MILL	211.9	180.5	-134.3	-428.0	674.5	-10.4	-151.9	-192.4	21.0
OUTPUT SWITCHING	MILL	-197.2	-76.4	83.3	-141.0	-140.2	301.3	-256.9	-65.2	-59.2
III. GROWTH EFFECT	MILL	395.2	614.4	828.7	665.0	68.2	976.7	753.9	769.2	615.9
IV. TOTAL CHANGE IN RESOURCE	MILL	64.0	258.0	8.0	-1006.0	1063.0	645.0	-630.0	-409.0	18.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-540.4	-178.5	-9620.8	-109.5	43.3	-96.5	-154.8	-225.1	-3109.9
TERMS OF TRADE EFFECT	UNIT	328.6	185.5	144.0	-6.8	41.7	-8.5	-35.3	-53.4	135.8
OUTPUT EFFECT ON INCOME	UNIT	-563.0	-215.4	-9068.3	-58.7	-6.5	-134.4	-100.1	-170.4	-2996.9
POLICY EFFECT	UNIT	-306.1	-148.6	-696.4	-44.0	8.1	46.4	-19.4	-1.3	-248.8
II. SWITCHING EFFECT	UNIT	23.0	40.4	-637.6	-56.6	50.3	45.1	-64.9	-63.0	-212.1
EXPENDITURE SWITCHING	UNIT	331.1	70.0	-1679.2	-42.5	63.5	-1.6	-24.1	-47.0	116.8
OUTPUT SWITCHING	UNIT	-308.1	-29.6	1041.6	-14.0	-13.2	46.7	-40.8	-15.9	-328.9
III. GROWTH EFFECT	UNIT	617.5	238.1	10358.4	66.1	6.4	151.4	119.7	188.1	3421.9
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	100.0	-100.0	100.0	100.0	-100.0	-100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	0.5	1.8	0.1	-5.8	6.1	3.3	-3.0	-1.8	0.1
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	1.2	4.6	0.1	-13.6	14.8	7.7	-7.2	-4.3	0.2

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

MEXICO

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

**** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	477811.0	512300.0	551357.0	582901.0	606051.0	618313.0	636756.0	681600.0	611005.3
GDP(NON-TRADED)	MILL	296270.0	320356.0	346701.0	366227.0	383080.0	387594.0	394346.0	374409.0	382811.8
GDP(TRADED)	MILL	181541.0	191944.0	204656.0	216674.0	222971.0	230719.0	242410.0	307191.0	228193.5
EXPORTS OF GOODS AND SERVICES	MILL	42604.0	50007.0	53251.0	49687.0	51609.0	50068.0	55137.0	65335.0	51625.3
IMPORTS OF GOODS AND SERVICES	MILL	51527.0	58097.0	69663.0	73352.0	82737.0	75811.0	60171.0	74482.0	73017.8
DOMESTIC DEMAND	MILL	486734.0	520390.0	567769.0	606566.0	637179.0	644056.0	641790.0	690747.0	632397.8
TERMS-OF-TRADE ADJUSTMENT	MILL	1134.5	-	3996.7	2415.0	3605.5	10785.0	4379.7	4078.5	5296.3
RESOURCE GAP	MILL	-8923.0	-8090.0	-16412.0	-23665.0	-31128.0	-25743.0	-5034.0	-9147.0	-21392.5
CHANGE IN RESOURCE GAP	MILL	5195.0	833.0	-8322.0	-7253.0	-7463.0	5385.0	20709.0	-4113.0	2844.5

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-4306.0	-13169.9	-18212.1	-15106.1	-12129.8	-2742.5	902.3	-18875.5	-7269.0
TERMS OF TRADE EFFECT	MILL	-468.9	-	-1560.6	-968.3	-1486.6	-4521.8	-1816.6	-1584.9	-2198.3
OUTPUT EFFECT ON INCOME	MILL	-6584.9	-13747.9	-15250.3	-12647.6	-9545.1	-5141.1	-7649.7	-17426.4	-8745.9
POLICY EFFECT	MILL	2747.8	578.0	-1401.3	-1490.1	-1098.1	6920.4	10368.7	135.8	3675.2
II. SWITCHING EFFECT	MILL	3403.1	899.1	-4743.4	-3855.6	-3938.5	3616.2	12924.8	-2309.4	2186.7
EXPENDITURE SWITCHING	MILL	4754.0	3599.9	-2821.9	-4164.9	-1630.2	379.5	8115.7	-50018.5	675.0
OUTPUT SWITCHING	MILL	-1350.9	-2700.9	-1921.5	309.3	-2308.2	3236.7	4809.1	47709.1	1511.7
III. GROWTH EFFECT	MILL	6097.9	13103.9	14633.5	11708.7	8605.2	4511.3	6881.9	17071.9	7926.8
IV. TOTAL CHANGE IN RESOURCE	MILL	5195.0	833.0	-8322.0	-7253.0	-7463.0	5385.0	20709.0	-4113.0	2844.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-82.9	-1581.0	-218.8	-208.3	-162.5	-50.9	4.4	-458.9	-255.5
TERMS OF TRADE EFFECT	UNIT	-9.0	-	-18.8	-13.4	-19.9	-84.0	-8.8	-38.5	-77.3
OUTPUT EFFECT ON INCOME	UNIT	-126.8	-1650.4	-183.3	-174.4	-127.9	-95.5	-36.9	-423.7	-307.5
POLICY EFFECT	UNIT	52.9	69.4	-16.8	-20.5	-14.7	128.5	50.1	3.3	129.2
II. SWITCHING EFFECT	UNIT	65.5	107.9	-57.0	-53.2	-52.8	67.2	62.4	-56.1	76.9
EXPENDITURE SWITCHING	UNIT	91.5	432.2	-33.9	-57.4	-21.8	7.0	39.2	-1216.1	23.7
OUTPUT SWITCHING	UNIT	-26.0	-324.2	-23.1	4.3	-30.9	60.1	23.2	1160.0	53.1
III. GROWTH EFFECT	UNIT	117.4	1573.1	175.8	161.4	115.3	83.8	33.2	415.1	278.7
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	-100.0	100.0	100.0	-100.0	100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	1.1	0.2	-1.5	-1.2	-1.2	0.9	3.3	-0.6	0.5
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	12.2	1.7	-15.6	-14.6	-14.5	10.8	37.6	-6.3	5.5

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS		NIGERIA									
UNITS		1971	1972	1973	1974	1975	1976	1977	1978	1979	
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)											

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977											
GDP	MILL	10336.6	10683.8	11180.0	12207.0	13370.0	14925.0	15665.0	16458.0	14041.8	
GDP(NON-TRADED)	MILL	4498.4	4764.6	5338.0	5990.0	7489.0	8471.0	9251.0	9716.0	7800.3	
GDP(TRADED)	MILL	5838.2	5919.2	5842.0	6217.0	5881.0	6454.0	6414.0	6742.0	6241.5	
EXPORTS OF GOODS AND SERVICES	MILL	1994.1	2180.8	2467.0	2381.0	1968.0	2198.0	2434.0	2159.0	2245.3	
IMPORTS OF GOODS AND SERVICES	MILL	1650.7	1476.0	1763.0	2356.0	3645.0	4758.0	5779.0	5294.0	4134.5	
DOMESTIC DEMAND	MILL	9993.2	9979.0	10476.0	12182.0	15047.0	17485.0	19010.0	19593.0	15931.0	
TERMS-OF-TRADE ADJUSTMENT	MILL	-211.8	-416.7	1.4	2736.8	1925.2	2642.2	2581.4	2240.3	2471.4	
RESOURCE GAP	MILL	343.4	704.8	704.0	25.0	-1677.0	-2560.0	-3345.0	-3135.0	-1889.3	
CHANGE IN RESOURCE GAP	MILL	63.3	361.4	-0.8	-679.0	-1702.0	-883.0	-785.0	210.0	-1012.3	
ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)											

I.	ABSORPTION EFFECT	MILL	-604.1	7.8	-259.7	-836.7	-1456.3	-1224.6	-786.2	-299.3	-1075.9
	TERMS OF TRADE EFFECT	MILL	115.0	221.5	-0.7	-1257.7	-976.6	-1493.6	-1559.0	-1395.7	-1321.7
	OUTPUT EFFECT ON INCOME	MILL	-620.1	-184.6	-242.2	-472.0	-589.9	-879.0	-446.9	-494.0	-597.0
	POLICY EFFECT	MILL	-99.1	-29.2	-16.8	893.0	110.2	1148.1	1219.8	1590.4	842.8
II.	SWITCHING EFFECT	MILL	12.5	157.5	-16.0	-378.9	-838.1	-342.4	-318.8	184.6	-469.6
	EXPENDITURE SWITCHING	MILL	103.6	272.6	336.1	-217.3	90.3	-231.4	41.2	181.3	-79.3
	OUTPUT SWITCHING	MILL	-91.1	-115.1	-352.1	-161.6	-928.3	-111.0	-360.0	3.3	-390.2
III.	GROWTH EFFECT	MILL	654.9	196.1	274.9	536.6	592.3	684.0	320.0	324.7	533.2
IV.	TOTAL CHANGE IN RESOURCE	MILL	63.3	361.4	-0.8	-679.0	-1702.0	-883.0	-785.0	210.0	-1012.3
DECOMPOSITION OF CHANGES IN RESOURCE GAP(PER CENT OF TOTAL)											

I.	ABSORPTION EFFECT	UNIT	-954.4	2.2	-32462.6	-123.2	-85.6	-138.7	-100.2	-142.5	-106.3
	TERMS OF TRADE EFFECT	UNIT	181.7	61.3	-85.4	-185.2	-57.4	-169.2	-198.6	-664.6	-130.6
	OUTPUT EFFECT ON INCOME	UNIT	-979.7	-51.1	-30272.3	-69.5	-34.7	-99.6	-56.9	-235.2	-59.0
	POLICY EFFECT	UNIT	-156.5	-8.1	-2104.9	131.5	6.5	130.0	155.4	757.3	83.3
II.	SWITCHING EFFECT	UNIT	19.8	43.6	-2001.4	-55.8	-49.2	-38.8	-40.6	87.9	-46.4
	EXPENDITURE SWITCHING	UNIT	163.7	75.4	42012.6	-32.0	5.3	-26.2	5.2	86.3	-7.8
	OUTPUT SWITCHING	UNIT	-143.9	-31.8	-44014.0	-23.8	-54.5	-12.6	-45.9	1.6	-38.6
III.	GROWTH EFFECT	UNIT	1034.6	54.3	34364.0	79.0	34.8	77.5	40.8	154.6	52.7
IV.	TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	-100.0	-100.0	-100.0	100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	0.6	3.4	0.0	-5.6	-12.7	-5.9	-5.0	1.3	-7.2
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	3.2	16.6	0.0	-28.5	-86.5	-40.2	-32.3	9.7	-45.1

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

TUNISIA

UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
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SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)

 **** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977

GDP	MILL	800.6	944.8	946.5	1047.3	1135.5	1203.4	1243.7	1347.0	1157.5
GDP(NON-TRADED)	MILL	495.4	567.5	592.5	648.8	724.3	763.8	808.7	872.0	736.4
GDP(TRADED)	MILL	305.2	377.3	354.0	398.5	411.2	439.6	435.0	475.0	421.1
EXPORTS OF GOODS AND SERVICES	MILL	220.4	270.6	245.0	269.4	283.0	310.2	327.7	357.7	297.6
IMPORTS OF GOODS AND SERVICES	MILL	236.0	282.9	283.9	358.4	366.4	437.3	509.6	558.5	417.9
DOMESTIC DEMAND	MILL	816.2	957.1	985.4	1136.3	1218.9	1330.5	1425.6	1547.8	1277.8
TERMS-OF-TRADE ADJUSTMENT	MILL	-2.6	-	14.3	92.6	34.3	33.2	50.7	68.2	52.7
RESOURCE GAP	MILL	-15.6	-12.3	-38.9	-89.0	-83.4	-127.1	-181.9	-200.8	-120.3
CHANGE IN RESOURCE GAP	MILL	22.6	3.3	-26.6	-50.1	5.6	-43.7	-54.8	-18.9	-35.8

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I. ABSORPTION EFFECT	MILL	-22.9	-55.4	-11.5	-60.2	-35.4	-45.3	-40.5	-52.9	-45.3
TERMS OF TRADE EFFECT	MILL	1.1	-	-5.9	-38.4	-16.0	-14.4	-23.9	-33.8	-23.2
OUTPUT EFFECT ON INCOME	MILL	-33.5	-57.8	-0.7	-41.8	-41.1	-29.6	-19.0	-51.2	-32.9
POLICY EFFECT	MILL	9.5	2.4	-4.9	20.1	21.6	-1.3	2.4	32.2	10.7
II. SWITCHING EFFECT	MILL	16.2	3.7	-15.8	-27.6	7.5	-23.0	-29.0	-2.2	-18.0
EXPENDITURE SWITCHING	MILL	2.5	-13.4	8.2	-34.4	28.3	-26.8	-9.7	-6.0	-10.7
OUTPUT SWITCHING	MILL	13.7	17.1	-24.0	6.8	-20.9	3.8	-19.3	3.9	-7.4
III. GROWTH EFFECT	MILL	29.3	55.0	0.7	37.7	33.6	24.6	14.7	36.1	27.6
IV. TOTAL CHANGE IN RESOURCE	MILL	22.6	3.3	-26.6	-50.1	5.6	-43.7	-54.8	-18.9	-35.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I. ABSORPTION EFFECT	UNIT	-101.3	-1678.2	-43.3	-120.1	-632.8	-103.6	-73.9	-279.8	-126.8
TERMS OF TRADE EFFECT	UNIT	4.9	-	-22.2	-76.7	-285.3	-33.1	-43.6	-179.0	-64.9
OUTPUT EFFECT ON INCOME	UNIT	-148.4	-1750.9	-2.6	-83.5	-733.1	-67.7	-34.6	-271.1	-91.9
POLICY EFFECT	UNIT	42.2	72.8	-18.4	40.1	385.7	-2.9	4.3	170.3	29.9
II. SWITCHING EFFECT	UNIT	71.8	112.4	-59.2	-55.2	133.5	-52.6	-52.9	-11.4	-50.5
EXPENDITURE SWITCHING	UNIT	11.0	-406.7	30.9	-68.7	506.0	-61.4	-17.7	-31.9	-29.8
OUTPUT SWITCHING	UNIT	60.7	519.1	-90.1	13.6	-372.5	8.7	-35.3	20.5	-20.7
III. GROWTH EFFECT	UNIT	129.5	1665.8	2.6	75.2	599.3	56.3	26.9	191.2	77.3
IV. TOTAL CHANGE IN RESOURCE	UNIT	100.0	100.0	-100.0	-100.0	100.0	-100.0	-100.0	-100.0	-100.0
CHANGE IN RESOURCE GAP/GDP %	UNIT	2.8	0.3	-2.8	-4.8	0.5	-3.6	-4.4	-1.4	-3.1
CHANGE IN RESOURCE GAP/EXPORTS	UNIT	10.3	1.2	-10.9	-18.6	2.0	-14.1	-16.7	-5.3	-12.0

DECOMPOSITION OF CHANGES IN RESOURCE GAP

OIL EXPORTER CAPITAL IMPORTERS

VENEZUELA

	UNITS	1971	1972	1973	1974	1975	1976	1977	1978	1979
SELECTED TRADE DATA (CONSTANT LOCAL CURRENCY)										

*** NOTE: FIGURES IN COL. 1979 ARE AVERAGES OF 1974-1977										
GDP	MILL	52464.0	54173.0	57471.0	60978.0	64590.0	70015.0	74796.0	77161.0	67594.8
GDP(NON-TRADED)	MILL	30706.0	33204.0	35129.0	38688.0	43326.0	47680.0	51985.0	53689.0	45419.8
GDP(TRADED)	MILL	21758.0	20969.0	22342.0	22290.0	21264.0	22335.0	22811.0	23472.0	22175.0
EXPORTS OF GOODS AND SERVICES	MILL	11864.0	11038.0	11400.0	9495.0	7201.0	7350.0	7120.0	7100.0	7791.5
IMPORTS OF GOODS AND SERVICES	MILL	10074.0	10877.0	11757.0	15132.0	18902.0	23281.0	30988.0	33287.0	22075.8
DOMESTIC DEMAND	MILL	50674.0	54012.0	57828.0	66615.0	76291.0	85946.0	98664.0	103348.0	81879.0
TERMS-OF-TRADE ADJUSTMENT	MILL	-756.0	1599.7	6107.6	25038.0	17551.4	17029.9	17311.6	14904.1	19232.7
RESOURCE GAP	MILL	1790.0	161.0	-357.0	-5637.0	-11701.0	-15931.0	-23868.0	-26187.0	-14284.3
CHANGE IN RESOURCE GAP	MILL	-1351.0	-1629.0	-518.0	-5280.0	-6064.0	-4230.0	-7937.0	-2319.0	-5877.8

ADJUSTMENT TO EXTERNAL IMBALANCE (CONSTANT DOMESTIC CURRENCY)

I.	ABSORPTION EFFECT	MILL	-1119.0	-1315.3	-1470.1	-3449.1	-4056.5	-4171.9	-5662.5	-2216.1	-4335.0
	TERMS OF TRADE EFFECT	MILL	273.9	-608.9	-2346.0	-9889.1	-8038.3	-8691.6	-9461.5	-9301.4	-9020.1
	OUTPUT EFFECT ON INCOME	MILL	-560.5	-650.5	-1266.8	-1385.1	-1654.2	-2768.8	-2613.0	-1476.0	-2105.3
	POLICY EFFECT	MILL	-832.4	-56.0	2142.6	7825.1	5636.1	7288.5	6412.0	8561.3	6790.4
II.	SWITCHING EFFECT	MILL	-887.9	-1022.4	-324.5	-3194.2	-3327.9	-1844.1	-3799.7	-824.2	-3041.5
	EXPENDITURE SWITCHING	MILL	-402.0	475.3	-420.9	-1778.9	-981.5	-1129.1	-2750.5	-763.9	-1660.0
	OUTPUT SWITCHING	MILL	-485.9	-1497.8	96.4	-1415.4	-2346.3	-715.0	-1049.2	-60.3	-1381.5
III.	GROWTH EFFECT	MILL	655.9	708.8	1276.6	1363.4	1320.3	1786.0	1525.2	721.3	1498.7
IV.	TOTAL CHANGE IN RESOURCE	MILL	-1351.0	-1629.0	-518.0	-5280.0	-6064.0	-4230.0	-7937.0	-2319.0	-5877.7

DECOMPOSITION OF CHANGES IN RESOURCE GAP (PER CENT OF TOTAL)

I.	ABSORPTION EFFECT	UNIT	-82.8	-80.7	-283.8	-65.3	-66.9	-98.6	-71.3	-95.6	-73.8
	TERMS OF TRADE EFFECT	UNIT	20.3	-37.4	-452.9	-187.3	-132.6	-205.5	-119.2	-401.1	-153.5
	OUTPUT EFFECT ON INCOME	UNIT	-41.5	-39.9	-244.6	-26.2	-27.3	-65.5	-32.9	-63.6	-35.8
	POLICY EFFECT	UNIT	-61.6	-3.4	413.6	148.2	92.9	172.3	80.8	369.2	115.5
II.	SWITCHING EFFECT	UNIT	-65.7	-62.8	-62.6	-60.5	-54.9	-43.6	-47.9	-35.5	-51.7
	EXPENDITURE SWITCHING	UNIT	-29.8	29.2	-81.3	-33.7	-16.2	-26.7	-34.7	-32.9	-28.2
	OUTPUT SWITCHING	UNIT	-36.0	-91.9	18.6	-26.8	-38.7	-16.9	-13.2	-2.6	-23.5
III.	GROWTH EFFECT	UNIT	48.5	43.5	246.4	25.8	21.8	42.2	19.2	31.1	25.5
IV.	TOTAL CHANGE IN RESOURCE	UNIT	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0
	CHANGE IN RESOURCE GAP/GDP %	UNIT	-2.6	-3.0	-0.9	-8.7	-9.4	-6.0	-10.6	-3.0	-8.7
	CHANGE IN RESOURCE GAP/EXPORTS	UNIT	-11.4	-14.8	-4.5	-55.6	-84.2	-57.6	-111.5	-32.7	-75.4

APPENDIX C

Table C.1:
Source of Change in External Balance, 1974

	Change in Real Resource Balance as % of GDP	Total Change	Percent of Total Attributable to:				Growth
			Absorption		Switching		
			Total	Of Which Policy	Total	Of Which Output	
<u>Oil Importers</u>							
<u>Low-Income</u>							
Bangladesh	1.4	+100	-438	-4	48	-38	489
Ethiopia	1.6	+100	5	121	40	-79	55
India	-0.8	-100	-111	-155	-39	-93	50
Kenya	-0.7	-100	-267	-404	-56	-51	222
Madagascar	9.1	+100	50	37	37	29	13
Niger	-15.2	-100	-91	-45	-33	20	23
Pakistan	-2.3	-100	-215	-42	-47	-51	161
Sri Lanka	-1.9	-100	-112	-209	-62	-97	74
Tanzania	-5.2	-100	-77	-68	-47	-52	24
Zaire	2.0	+100	-69	32	58	-31	110
<u>Middle-Income Primary Producing</u>							
Cameroon	+3.3	+100	-95	58	55	-85	141
Chile	+3.4	+100	-50	193	64	-27	86
Colombia	-3.6	-100	-126	-26	-33	-9	79
Costa Rica	-0.4	-100	-353	-792	-45	-47	498
Dominican Republic	-8.1	-100	-74	-26	-56	-14	30
El Salvador	+1.5	+100	-157	175	82	52	175
Ghana	-6.8	-100	-124	-82	-38	-13	62
Guatemala	-0.7	-100	-379	-424	-89	-36	368
Ivory Coast	+8.6	+100	19	-29	68	-11	13
Jordan	-18.0	-100	-75	-10	-38	58	13
Morocco	-3.1	-100	-107	-18	-62	26	69
Philippines	-5.3	-100	-107	-34	-46	-18	52
Senegal	+1.1	+100	-102	140	73	506	129
Sudan	-10.4	-100	-193	-208	-84	-71	178
Thailand	-1.8	-100	-96	127	55	-32	141
Zambia	-2.0	-100	-193	-208	-84	-71	178
<u>Semi-Industrial</u>							
Argentina	-1.2	-100	-308	-32	-53	-61	261
Brazil	-2.6	-100	-175	-46	-56	-10	130
Korea	-6.4	-100	-118	-29	-42	19	60
Portugal	-6.1	-100	-80	-41	-42	-4	22
Turkey	-21.0	-100	-224	-73	-49	11	173
Uruguay	+4.5	+100	14	21	60	-7	27
Yugoslavia	-3.1	-100	-174	-78	-48	-6	122
<u>Oil Exporter Capital Importers</u>							
Algeria	-15.9	-100	-58	-52	-50	-11	8
Ecuador	-8.6	-100	-111	-32	-67	-30	78
Egypt	-10.2	-100	-84	-34	-41	-17	25
Polynesia	-4.2	-100	-167	111	-39	-28	105
Malaysia	-5.8	-100	-110	-44	-57	-14	66
Mexico	-1.2	-100	-208	-21	-53	4.3	161
Nigeria	-5.6	-100	-123	132	-56	-24	79
Tunisia	-4.8	-100	-120	40	-55	14	75
Venezuela	-8.7	-100	-65	148	-61	-27	26

Table C.2:

Source of Change in External Balance, 1975

	Change in Real Resource Balance as % of GDP	Total Change	Percent of Total Attributable to:				Growth
			Absorption		Switching		
			Total	Of Which Policy	Total	Of Which Output	
Oil Importers							
<u>Low-Income</u>							
Bangladesh	-0.5	-100	-454	-240	-28	243	382
Ethiopia	-4.9	-100	-59	-65	-42	-23	1
India	-0.4	-100	1559	-84	-42	72	1501
Kenya	+3.3	+100	-20	-37	56	87	54
Madagascar	+3.0	+100	36	-65	37	-19	27
Niger	+17.9	+100	70	51	28	-19	2
Pakistan	1.1	+100	-123	-33	54	-222	169
Sri Lanka	6.0	+100	23	-48	57	-8	20
Tanzania	1.8	+100	-111	-56	62	9	150
Zaire	-0.1	-100	2600	-9753	-220	689	2480
<u>Middle-Income Primary Producers</u>							
Cameroon	-4.0	-100	-24	-58	-57	47	-19
Chile	+7.5	+100	135	38	46	-24	-82
Colombia	+4.9	+100	8	37	53	-5	39
Costa Rica	+2.3	+100	5	-105	58	18	37
Dominican Republic	-0.4	-100	-702	1285	13	-212	590
El Salvador	+6.2	+100	7	59	55	0	38
Ghana	+2.5	-100	442	61	32	-64	-373
Guatemala	+1.5	+100	-12	-156	56	-25	57
Ivory Coast	+1.2	+100	-83	-281	-21	88	203
Jordan	-3.9	-100	-28	-76	-56	-103	-16
Morocco	-7.7	-100	-75	-32	-58	-66	33
Philippines	-1.0	-100	-424	-46	-30	-147	355
Senegal	+2.8	+100	-66	44	61	12	105
Sudan	-2.0	-100	-101	-41	-44	416	45
Thailand	-0.1	-100	-3534	265	04	100	3500
Zambia	+0.7	+100	215	-1482	82	-421	-197
<u>Semi-Industrial</u>							
Argentina	-5.8	-100	-91	-124	-43	-41	34
Brazil	+1.4	+100	-116	20	70	-36	146
Korea	+6.5	+100	54	73	54	11	100
Portugal	+3.9	+100	-102	33	37	33	-39
Turkey	-1.4	-100	-316	-80	-39	27	256
Uruguay	+2.5	+100	-27	-45	62	14	65
Yugoslavia	+0.6	+100	-251	-61	73	-113	278
<u>Oil Exporter Capital Importers</u>							
Algeria	-5.8	-100	-91	-124	-43	-41	34
Ecuador	6.0	-100	-80	-52	-54	-29	34
Egypt	-2.3	-100	-278	-12	-8	-28	187
Indonesia	-3.5	-100	-146	81	-36	-59	82
Malaysia	+6.1	+100	43	8	50	-13	6
Mexico	-1.2	-100	-163	-15	-53	-31	115
Nigeria	-12.7	-100	-86	7	-49	-55	35
Tunisia	0.5	+100	-633	386	134	-373	599
Venezuela	-9.4	-100	-67	93	-55	-39	22

Table C.3:
Source of Change in External Balance, 1976

	Change in Real Resource Balance as % of GDP	Total Change	Percent of Total Attributable to:				Growth
			Absorption		Switching		
			Total	Of Which Policy	Total	Of Which Output	
Oil Importers							
Low-Income							
Bangladesh	-1.2	-100	- 691	-162	-21	-65	612
Ethiopia	-2.4	-100	-115	56	-40	-9	55
India	+1.4	+100	-3	42	-39	-134	64
Kenya	+0.1	+100	-1981	-831	-11	-414	2091
Madagascar	-0.2	+100	-1453	-834	-49	1885	1402
Niger	-1.7	-100	-694	-106	- 6	37	601
Pakistan	0.3	+100	-551	-295	64	20	586
Sri Lanka	-3.0	-100	-74	-126	-67	30	42
Tanzania	5.5	+100	4	45	52	28	4
Zaire	7.5	+100	53	-148	49	-31	-2
Middle-Income Primary Producers							
Cameroon	+3.1	+100	-25	-74	55	-21	70
Chile	+3.2	+100	-2	63	60	21	42
Colombia	-2.2	-100	-129	1	-56	-12	85
Costa Rica	-2.7	-100	-124	-104	-58	-35	82
Dominican Republic	+4.0	+100	.26	54	61	20	65
El Salvador	-11.4	-100	-64	27	-51	-18	15
Ghana	+1.9	+100	182	-42	37	42	120
Guatemala	-2.9	-100	135	134	-69	-11	104
Ivory Coast	-5.7	-100	-61	-60	-115	-39	76
Jordan	-25.3	-100	-84	-36	-129	6	13
Morocco	-4.4	-100	-146	-32	- 44	-28	90
Philippines	+2.5	+100	-85	0	51	1	134
Senegal	+0.2	+100	-1994	-867	132	118	1943
Sudan	+4.4	+100	4	46	50	-75	46
Thailand	+2.3	+100	-141	46	55	11	186
Zambia	+17.5	+100	33	-20	55	18	12
Semi-Industrial Countries							
Argentina	5.4	+100	68	38	49	-6	-17
Brazil	0.1	+100	-2978	164	203	-20	2875
Korea	1.9	+100	-306	206	69	62	337
Portugal	-1.0	-100	-385	-182	-17	-156	303
Turkey	-0.4	-100	-1017	-114	5	-26	912
Uruguay	4.9	+100	18	-20	61	9	20
Yugoslavia	3.2	+100	-7	-34	57	15	51
Oil Exporter Capital Importers							
Algeria	2.5	+100	-152	-51	50	-15	202
Ecuador	1.6	+100	-233	126	69	0	284
Egypt	6.1	+100	-16	87	53	-12	63
Indonesia	0.2	+100	-2422	3508	147	233	2375
Malaysia	3.3	+100	-97	46	45	47	151
Mexico	0.9	+100	-51	129	67	60	84
Nigeria	-5.9	-100	-139	130	-39	-13	878
Tunisia	-3.6	-100	-104	-3	-53	9	56
Venezuela	-6.0	-100	-99	172	-44	-17	42

Table C.4:
Source of Change in External Balance, 1974

	Change in Real Resource Balance as % of GDP	Total Change	Percent of Total Attributable to:				Growth
			Absorption		Switching		
			Total	Of Which Policy	Total	Of Which Output	
Oil Importers							
Low Income							
Bangladesh	3.6	+100	42	33	35	-58	24
Ethiopia	-1.9	-100	-74	81	-40	-20	13
India	-1.1	-100	-462	-62	-45	39	407
Kenya	-4.3	-100	-129	-2	-58	31	87
Madagascar	-7.5	-100	-73	-25	-42	6	15
Niger	-0.2	-100	-1207	-466	19	3912	1089
Pakistan	-1.9	-100	-111	-69	-50	-13	61
Sri Lanka	-2.0	-100	-122	-62	-66	15	87
Tanzania	-5.1	-100	-105	-33	-49	8	54
Zaire	-18.2	-100	-36	-128	-35	13	- 9
Middle Income Primary Producers							
Cameroon	-7.5	-100	-87	-22	-57	-31	44
Chile	-3.7	-100	-134	-41	-64	-21	98
Colombia	-2.1	-100	-150	103	-53	-36	103
Costa Rica	-5.1	-100	-112	-33	-55	-10	67
Dominican Republic	0	0	-5991	-220	372	-2409	5720
El Salvador	-9.9	-100	-81	129	-44	-7	24
Ghana	-6.3	-100	-86	-47	-37	-53	23
Guatemala	-0.4	-100	-881	-470	-93	-159	874
Ivory Coast	-8.2	-100	-38	-28	-79	-17	16
Jordan	-12.7	-100	-61	-85	-39	11	0
Morocco	-2.2	-100	-158	-38	-37	-105	95
Philippines	1.8	+100	-121	-20	50	15	172
Senegal	-1.8	-100	-67	-52	-53	-61	21
Sudan	-5.1	-100	-98	-18	-44	-38	42
Thailand	-1.6	-100	-252	-98	-47	-42	199
Zambia	0.3	+100	561	-2124	421	-26	-883
Semi-Industrial Countries							
Argentina	3.4	+100	-16	-3	49	0	67
Brazil	0.7	+100	-203	108	71	-49	232
Korea	-0.6	-100	-842	523	-8	-92	750
Portugal	-2.3	-100	-176	-97	-36	23	111
Turkey	-0.9	-100	-330	-86	-35	-30	265
Uruguay	-0.7	-100	-192	-437	-85	0	177
Yugoslavia	-3.9	-100	-133	-59	-52	-1	85
Oil Exporter Capital Importers							
Algeria	-5.9	-100	-112	-102	-43	-22	56
Ecuador	-4.3	-100	-110	-11	-51	-32	61
Egypt	0.1	+100	-7585	2409	923	1962	6762
Indonesia	-1.3	-100	-452	566	-23	-124	374
Malaysia	-3.0	-100	-155	-19	-65	-41	120
Mexico	3.3	+100	4	50	62	23	33
Nigeria	-5.0	-100	-100	155	-41	-46	41
Tunisia	-4.4	-100	-74	4	-53	-35	27
Venezuela	-10.6	-100	-71	81	-48	-13	19

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