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## Recycling Surplus Oil Funds and the Economies of some Non-oil Producing Developing Countries

Patrick E. Archibong  
*Central Bank of Nigeria*

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# Recycling Surplus Oil Funds and the Economies of some Non-Oil Producing Developing Countries\*

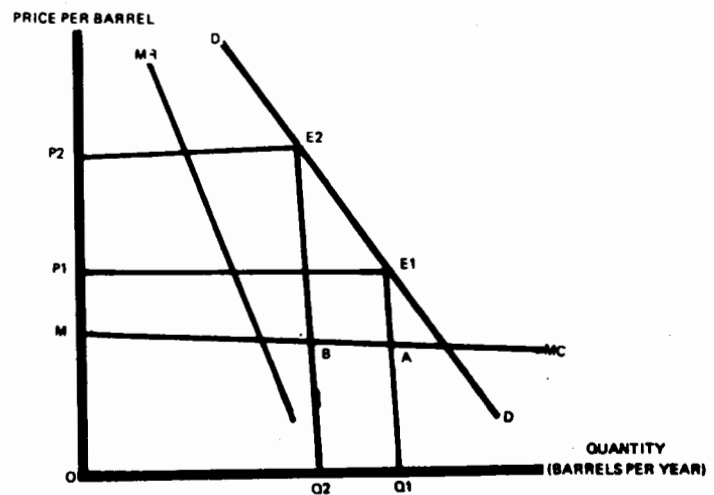
## Introduction

Central to recycling was the desire of the international community to redistribute international resources that were rapidly being accumulated by major oil exporters thus creating significant deficits in the payments balances of the oil importers. The increase in the export earnings<sup>1</sup> of the Organisation of Petroleum Exporting countries (OPEC) from about \$30 billion in 1973 to \$102 billion in 1974 was one of those historical events that fundamentally altered economic relationships among nations and groups of nations. World Bank estimate of the wealth to be accumulated by OPEC by 1980 ranged from \$600 billion to over \$1,250 billion<sup>2</sup>. These and many other estimates<sup>3</sup> of the financial wealth accumulated by OPEC were based on the assumption that the oil producers did not have the capacity to spend it. Recycling, therefore, is an attempt to redistribute or transfer surplus oil funds to the oil importers.

The main objective of the paper is to examine, in general, the phenomenon of recycling against the background of enduring and fundamental disequilibria in the payments balances of the economies of non-oil producing developing countries. The technique used is, essentially, casual empiricism. In part I of the paper a brief attempt is made, using elementary micro-economic analysis, to illustrate conditions for the emergence of the surplus oil funds. Part II examines the mechanics and channels of recycling while Part III reflects on the attendant external debt burden of some non-oil producing developing countries. Part IV dwells on the limited effectiveness of recycling and prescribes a package of policies aimed at strengthening it.

Theoretically, the genesis of surplus oil funds is traceable to the cartelisation of the petroleum market.

## The Effects of the OPEC Cartel<sup>4</sup>



\*The author gratefully acknowledges in particular the helpful comments of Professor Jerome C. Wells and those of the participants at the Winter 1980 Comparative Economic Systems Workshop, University of Pittsburgh, where a somewhat different version of this paper was presented. Grateful acknowledgement also goes to members of the Editorial Board of this Review for their useful comments. However, the lapses that may be found and the position taken on issues remain the responsibility of the author.

1. A remarkable rise in the value of oil exports resulted from the fourfold increase in the price of oil between October, 1973 and January 1974. (See Appendix I for various oil price changes in a typical member country of OPEC)
2. "SURVEY". *The Economist*, May 1975, p. 27.
3. See, for instance, *World Financial Markets*, Morgan Guaranty Trust Company of New York, January 21, 1975 p. 8; *Wall Street Journal* March 19, 1975, p. 11; *Monthly Economic Letter*, First National City Bank of New York, June 1975 and "Future OPEC Accumulation of Oil Money: A New Look at a Critical Problem", A. J. Levy Consultants Corporation, New York, 1975.
4. It is, however, noted that OPEC has consistently objected to its being referred to as a cartel. See, for instance, *OPEC's Supplement to the Weekly Bulletin* of 16th November, 1973, Vol. IV, No. 46 p. 5.

In the above diagram DD represents the demand for oil. This demand is relatively price inelastic. The marginal costs of oil production is assumed to be constant over all output levels<sup>5</sup>. Although OPEC was founded in 1960, it had relatively little effect on the petroleum market for the first ten years of its existence. The observed market equilibrium is at E<sub>1</sub>. Because of the highly concentrated nature of the industry, market price was somewhat above the competitive level (and output was correspondingly lower), but price was far below the monopoly price. With the onset of the October 1973 oil embargo, OPEC came to recognize its economic power and raised prices towards its monopoly level.<sup>6</sup> In moving from E<sub>1</sub> to E<sub>2</sub>, OPEC managed to increase the price of oil about fourfold, from an average of about \$2.50 to about \$12.00 per barrel. Profits (which mainly, though not solely, accrued to OPEC members) rose sharply from P<sub>1</sub> E<sub>1</sub> AM to P<sub>2</sub> E<sub>2</sub> BM. This increase in profits represented a vast transfer of income from consumers to producers, and many of the OPEC countries, particularly those with relatively small populations, entered (albeit, temporarily) the ranks of the world's creditor nations in the international financial markets.

If the world consisted of two countries only: oil exporting country A and an oil importing country B, no payment or adjustment problem could arise as a result of A's doubling or tripling of the price of its oil. The basic assumption here is that the government of A has been running an ambitious development programme which it now greatly expands and places in B orders for goods and services to the full amount of its extra export proceeds.

Recycling or transfer problem arises if the model is enlarged to include many countries with different currencies and preferences for currencies. Assume, for instance, a five country world: the oil exporting country A (represents OPEC), industrialised oil importers B, C, D (with different currencies, sterling, dollar and yen) and a developing non-oil producing country E, whose prospects for economic development have been gravely jeopardised by the oil price increase. If A devoted its surplus to new investment in E, it would more than offset the additional amount that E would have to pay for oil; E's chance of further economic development would not only be safe-guarded but enhanced. And, since the equipment, machinery, engineering and management know-how for this massive new investment would have to be imported from countries other than A, the three industrialised oil importers: B, C and D would have an opportunity to correct their balance of payments deficits.

A more serious difficulty stems partly from A's inability to spend all of its additional oil proceeds on current imports and partly from its asset-holding decisions which are likely to create balance of payments problems among B, C and D. One or more of them could be forced into borrowing so large that it would not be politically and

5. Some OPEC economists argue that for a resource such as oil that is in "fixed" supply, marginal costs should include both actual production costs and additional "scarcity" costs of current production that stem from the reduced availability of the resource in the future period. In this discussion, that distinction is ignored.
6. Since there are many non-OPEC oil producers, the complete monopoly position was not attainable. The output reduction from Q<sub>1</sub> to Q<sub>2</sub> was made possible largely by production restraint imposed by Saudi Arabia and Arab States.

sometimes economically acceptable as long or medium-term proposition. For most non-oil producing developing countries their capacity to borrow could be seriously limited by their lack of credit-worthiness. The need for internationally established channels for recycling of surplus funds thus became apparent.

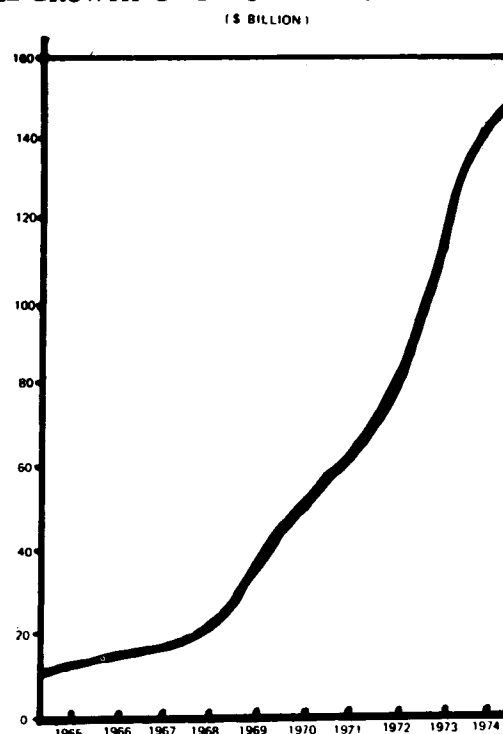
II

### Mechanics and Channels of Recycling

In practice, recycling took many forms, although the basic objective remained the same: to transfer or redistribute the surplus oil funds. The *Eurodollar banks* bore the greatest share of the burden of recycling in 1974 by taking in large short-term deposits from OPEC countries. The resultant phenomenal growth in Eurocurrency market and expansion in publicized credits are reflected in Chart 1 and Table 1. Since the dominant institutions in the eurocurrency market<sup>7</sup> are commercial banks, the market has simply functioned as a distribution system for transmitting the monetary expansion of one country to other countries of the world<sup>8</sup>

Chart 1

### THE GROWTH OF EUROCURRENCY MARKET, 1965-74<sup>9</sup>



SOURCE: BANK FOR INTERNATIONAL SETTLEMENTS, (BIS) ANNUAL REPORTS (Various Issues)

7. In fact, the term "Eurocurrency market" is a broad catch-all for a number of specific markets separated by the type of transaction, institutional arrangements, the use of financial instruments for various dealings, etc. The largest segment of the Euromarket is the inter-bank, which is essentially short-term in nature and its dealings with developing countries are relatively not substantial.
8. See, for instance, Eisuke Sakakibara and John Hereson, "Eurodollar Deposit Multiplier: A Portfolio Approach", *IMF Staff Papers*, July 1974, pages 307-327. In this empirical study the authors suggest, among other things, that the impact of the Eurocurrency market on the world monetary supply has not been very significant and that the Eurocurrency market by itself has, probably, not been the source of much inflationary pressure.
9. This covers only that part of the market which is accounted for by banks or countries reporting to the BIS.

Although during the past ten years, a growing number of developing countries have borrowed increasing amounts from the Eurocurrency market, access has not been easy for these countries. Finance from this market is not only relatively dear (See Appendix 2) but less suitable for development purposes. Since the Eurodollar banks' supply of credit to an individual borrower is based largely on the banks' perceptions of the borrower's credit-worthiness, only the high income developing countries such as Argentina, Brazil, Mexico, etc., have been able to borrow substantial and increasing amounts. Other developing countries especially the low income group with debt management problems, generally fail to meet the criteria for lending by Euro-market bankers.

In terms of operational mechanics, most of the transactions on the Eurocurrency market by developing countries have been through syndicated medium-term credits. Such lending operations consist of credits syndicated among numerous banks. The lending rate is usually based on a fixed margin above the London inter-bank offer rate (LIBOR). In addition to LIBOR and the "spread" over LIBOR, various fees are charged by the lending banks.

Another form of recycling is **Bilateral Credits** from oil producers to the industrialized countries like those of Iran to U.K. and France, etc. The governments of the OPEC countries themselves do not consider the Euro-markets to be a sufficient channel for monetary relations with the industrialized countries. In order to obtain special benefits or maximise special interests, they obviously prefer to enter into bilateral agreements with interested governments among industrialized countries. The oil producers also make bilateral aid commitments to developing countries.

**MULTILATERAL Commitments** by oil producers to agencies like the World Bank and U.N. Emergency Fund constitute effective recycling channels. Tables 2 and 3 show concessional assistance and total net flows from OPEC members for the period 1973 through 1976. In 1976 OPEC countries occupied the first five ranks among all donor countries as regards aid in relation to GNP and three of them were also among the ten largest bilateral aid donors in absolute terms. However, in that year, commitments of concessional assistance fell by \$1.7 billion to \$6.0 billion owing to a pronounced reduction in new commitments by Iran, Kuwait, Qatar, Iraq and Libya. On the other hand, Algeria, Nigeria and Venezuela increased their concessional commitments. Commitments by Saudi Arabia and the United Arab Emirates (UAE) remained virtually unchanged.

The terms of OPEC aid commitments (Table 4), which had hardened in 1975 showed improvement in 1976. The overall grant element which had fallen from 79 per cent in 1974 and 72 per cent in 1975, rose again in 1976. The improvement in overall terms is largely related to the softening of Iranian and Saudi Arabian commitments.

In terms of geographic distribution, OPEC aid is highly concentrated. Although the number of recipients which had increased from 42 in 1974 to 52 in 1975, rose further to 57 in 1976, OPEC aid disbursements remain concentrated with five countries-Egypt, Pakistan, Syria, India and Jordan-receiving 71 per cent of the total. The main feature of the allocation of OPEC aid by purposes is the high, though declining, share of general support (balance of

payments) assistance. On a disbursement basis, general support assistance declined from 67 per cent of bilateral Official Development Assistance (ODA) in 1975 to about 40 per cent in 1976, though on a commitment basis it fell only from 43.0 to 40.0 per cent.

Many multilateral institutions have been set-up by OPEC countries as recycling channels for concessional financing to non-OPEC developing countries. The most important with a world-wide vocation is the **Opec Special Fund** which became operational in August, 1976. The Fund operates with a small staff, uses national aid agencies in OPEC countries, and international organisations for the appraisal of projects and programs. An amount of U.S.\$435 million of the original resources of U.S.\$800 million was set aside for the International Fund for Agricultural Development. Another U.S.\$200 million was earmarked for balance-of-payments support and the rest for project assistance. The loans are interest-free with a 0.5 per cent service charge and a maturity of 25 years, including 5 years grace period.

Another OPEC's recycling channel is the **Arab Bank For Economic Development in Africa (BADEA)**. By July, 1977 the Board of Directors of the Bank approved loans totalling \$186 million in favour of twenty-three countries. The amounts of individual loans varied between \$2 million and \$15 million with interest rates varying between 2 and 6 per cent according to the general economic situation of the recipient and the nature of the project. The loans are of 25 years maturity including five years grace period. The *Special Arab Aid Fund For Africa (SAAFA)* with a capital of \$360 million was later merged with BADEA and their combined capital increased to \$812 million by early 1977.

There is also the *Islamic Development Bank* which relies on joint and parallel financing and gives priority to projects which promote economic cooperation among member countries, particularly the poorest countries among its members. Other recycling agencies are the *Islamic Solidarity Fund* and the *Arab Fund for Economic and Social Development (AFESD)*. All of them play minimal role in the recycling process in terms of the amounts disbursed and the geographic distribution of the loans, etc.

To supplement the efforts of existing channels or institutions for recycling oil surplus, the International Monetary Fund set up an Oil Facility Fund in June, 1974. The objective of the fund was to help oil importing member countries, particularly the developing ones, finance the balance-of-payments impact of their sharply increased petroleum import costs. Financed with funds borrowed for this purpose from oil exporting member countries, the Fund offered lenders an interest rate of 7 per cent per annum and a measure of exchange rate guarantee by denominating such debts in special drawing rights (SDRs).

Drawings on the oil facility are repayable within 7 years in 16 equal quarterly instalments after an initial three-year grace period, but repayment has to be accelerated if a country's international reserve position improves. The cost of drawings from the oil facility is: an annual interest rate of 6 $\frac{1}{8}$  per cent of the outstanding balance for the first three years such a drawing is out-

standing; 7 per cent for the fourth year; and  $7\frac{1}{8}$  per cent a year for the remaining time to maturity. In addition, the transaction is subject to the Fund's standard one-time service charge of  $\frac{1}{2}$  per cent payable at the time of the drawing. The combination of interest and service charges yields an effective annual borrowing cost of 6.9095 per cent for the first three years, 7.035 per cent in the fourth year, and 7.1608 per cent for the last three years.

A member's maximum entitlement to the oil facility was originally limited to the smaller of the following two amounts: (a) 75 per cent of a member's quota in the International Monetary Fund; or (b) the calculated entitlement which is a presumptive formula. The presumptive formula is the amount yielded by multiplying a member's net oil import volume in 1972 adjusted for part of the change in the volume of imports from 1972 to 1973, by \$7.25 per barrel. On the basis of an established member's maximum potential entitlement to the use of the facility, the Fund then projects a member's balance-of-payments performance for 1974, and the projected deficit qualified for financing through the oil facility.<sup>10</sup>

Total IMF oil facility funding in 1974 was 3.4 billion, all of which was contributed by OPEC. OPEC's contribution declined to \$2.9 billion and \$1.3 billion in 1975 and 1976, respectively. This development may be explained partly by OPEC's preference for bilateral dealings and partly by the relatively low returns on OPEC investment in the oil facility. The IMF pays an annual interest rate of 7 per cent to lenders to the Oil Facility. This rate is evidently below international lending rates for comparable credits.

In summary, capital outflows from OPEC countries totalled about \$30 billion in 1974. Of this, however, only about \$4.7 billion went to developing countries, and of this \$2.5 billion was concessional. The remainder went mainly to investment in both liquid and non-liquid assets in industrial countries and into repayments of debt to industrial countries and to international institutions. OPEC countries committed \$8.6 billion (excluding the IMF Oil Facility) for bilateral and multi-lateral assistance in 1974. A shift to project assistance occurred in 1975 when OPEC donors committed about \$9.0 billion. Assistance to developing countries came largely through transfers to multi-lateral lending institutions. Despite the inflow of funds into the Euro-currency markets the huge demand for balance-of-payment loans by European countries meant very keen competition for even the most credit worthy developing countries to obtain medium and long-term finance. And given its conditionality and its limited funding, the IMF Oil Facility could produce minimal impact on correcting disequilibria in the balance of payments of non-oil producing developing countries whose current account deficit for 1974 was \$20 billion compared with \$8 billion in the preceding year.

10. This original conditionality was later revised to allow qualified member countries draw on the oil facility, amounts not exceeding 90 per cent of their 1974 calculated entitlement according to the formula, or 100 per cent of their assessed balance-of-payments need, whichever amount is smaller.

### III

## RECYCLING AND MOUNTING EXTERNAL DEBT

The debt build-up of developing countries has taken a large leap forward in recent years, notably after 1973. By the end of 1976 their debt had almost doubled in nominal terms. Table 5 shows the general trend in debt evolution. Disbursed debt rose from \$98 billion in 1973 to some \$200 billion in 1977. The indebtedness of some developing countries such as Brazil and Mexico had risen even more; and the proportion of borrowing from private sources had also increased very rapidly. Borrowing from commercial banks in the Eurocurrency market has been the largest single source of the increase in debt.

The reasons for the large-scale Euro-lending and borrowing are obvious. On the demand side, rising current account deficits largely associated with import of oil, food as well as industrial products, provided a strong demand for general purpose balance-of-payments borrowing. With their lack of conditionality, Euro-loans provide an attractive alternative to borrowing from international institutions. In any case, the IMF Oil Facility was not exclusively meant for non-oil producing LDCs. Italy and Britain became its largest users. On the supply side, the excess liquidity in major money centres in 1974-1977 provided a powerful motive for banks to look for new customers. Major developing countries' governments, therefore, provided the outlet. They paid higher interest rates than other clients considered comparable by the lenders. They required very little preparatory work and supervision. A loan to a company, for example, requires extensive financial analysis, complicated documentation, enforcement of financial covenants, etc., and the company can always go bankrupt and disappear. Sovereign countries did not have these disadvantages, at least at the margin of deciding whether to lend an extra dollar to say, Brazil and Mexico, or to company X, Y or Z.

A close examination of the indicators in Table 5 shows that the fastest growth rate was recorded for external debt. With 1973 as the base year (1973=100), the debt outstanding reached an index of 208 at the end of 1977 while world inflation index was 162. It is axiomatic that an inflationary situation is advantageous to borrowers, as rising nominal incomes diminish the real debt burden. However, it is very doubtful if this principle can necessarily be transferred to the external debt burden of countries since the inflation relevant to their income is not the average price in the world or even in international trade. Thus "world inflation" as measured by the prices of internationally traded goods, most of which are industrial products—except crude oil—does not raise the nominal export income of primary producers. On the contrary, the cost of their imports may go up faster than the unit prices of their exports. That is precisely what has been happening to the non-oil producing developing countries, particularly since 1973. This decline in their terms of trade meant that even though "world inflation" was rising, the real burden in terms of prices relevant to the oil-importing developing countries was larger than it was in 1973.

11. As has been done by a number of authors, for example, see, Robert Solomon on "LDC Debt" in *Brookings Papers*, 1977

Merchandise export earnings rose to \$130 billion or an index of 191 in the same period. It should not, of course, be surprising that debt has risen faster than export earnings, since the reason for borrowing was precisely to fill the growing gap between export earnings and imports pushed up by rising prices. The point, though, is whether prospective export growth will be sufficient to meet interest and heavy principal repayments.

International reserves rose to \$53 billion which is 116 per cent more than the level in 1973. But the ratio of reserve to outstanding external debt remained at about the same level of 25 per cent as prevailed in 1973.

## Debt Burden

A few governments accounted for the lion's share of Euro-borrowing by non-OPEC countries. *Brazil* and *Mexico* accounted for about 45 per cent of publicized gross Euro-loans in 1973-77 as shown on the last line of Table 5. Mexico and Brazil also accounted for almost one-third of the external debt of non-OPEC developing countries. Close to another 30.0 per cent of the debt belonged to India, Argentina, Turkey, Philippines, Chile and Peru (See Table 6).

It is, perhaps, important to note that by themselves these numbers do not mean very much except that they highlight the importance of looking at individual countries before making judgements about "debt problem". Moreover, the data for individual countries have to be treated with caution. For example, both Argentina and Chile, each emerging from financial crisis, had high debt service ratios in 1976, but these have been declining rapidly. The ratio for Turkey did not include service charges on the "convertible Lira deposits" which are not strictly debts but rather foreigners' short-term deposits; yet without these liabilities, Turkey would have little or no debt problem.

A debt problem occurs when a country's debt service capacity is weak. Traditionally, the most widely used indicator of debt servicing capacity is the debt service ratio. However, as a measure of either the borrowers' or the creditors' risk, the instrument appears deficient. Countries with similar debt service ratios may vary widely in their ability to service their debts; conversely, countries with widely divergent debt service ratios may have similar debt service capacities. The debt service ratio is particularly inadequate if calculated for a single year. The direction and magnitude of changes over time are crucial to any interpretation of debt service indicators.

As debt service and exports are only two of the variables which enter into the external financial position of any country, they must be used in conjunction with information about the other relevant variables such as imports and the current account balance; the overall balance of payments; the amount of external liabilities; the amount of external assets. All of these must be related to other magnitudes, such as GNP, trade and reserves.

Table 7 lists seven countries which have recently faced serious balance of payments and debt servicing difficulties. There are a number of other countries which also face debt servicing problem, especially some of the small and poorer African countries, but none of them has been a significant

borrower from commercial sources. The seven countries listed account for 10 per cent of the external debt of developing countries. Because they are easily available, three indicators have been used to spot signs of financial difficulties (and, hence, debt service problems) in each of the seven non-oil producing developing countries. Although by themselves these indicators are not conclusive demonstrations of difficulties, they often provide a clue. The massive channelling of domestic banking system credit to the public sector is a sign of trouble. As the proportion going to the public sector increases over time, the private sector is squeezed. Most such cases would also show a very rapid growth of central bank credit and consequent inflation usually accompanied by a decline in net international reserves.

All of the selected countries appeared to have a slow or negative growth of export volume. Export value data can be deceptive in the case of primary producers, whose export prices are subject to sharp fluctuations. The rather drastic declines in the terms of trade shown in the third column, highlight the precariousness of the external position of the five countries for which data were available.

No single factor can explain the financial troubles of these countries. There was, as there usually is in such situations, a mixture of domestic problems and external factors, such as the sharp decline in copper prices for three of the countries (Zaire, Zambia and Chile) which in turn brought out and accentuated the internal weaknesses. Certainly, financial problems would have been much less intense had export prices not declined sharply. Put another way, high export prices can effectively conceal latent economic problems.

Ratios of debt service to export earnings (whether current account foreign exchange earnings, or merchandise exports net of profit remittances) are very general indicators which cannot by themselves give any reliable measure of willingness or ability to pay. A 2 per cent external public debt service ratio in Haiti may be much more of a problem than a 30 per cent in Mexico. A low debt service ratio may be meaningless if there is a large current account deficit and relatively low level of capital inflows as is the case in a number of the smaller non-oil producing LDCs. More advanced economies, provided they are able to count on large capital inflows, can support a relatively high debt service burden. As long as a growing inflow can be assured after the payment of interest and the substitution of old debt for new debt—which may be, admittedly, difficult to meet—external borrowing may become a major "engine of economic growth", during the transitional period into an industrial economy,<sup>12</sup> as occurred in the United States in the second half of the last century and as is occurring, for example, at present in Brazil. *Each country thus constitutes a special case. Standard across-the-board comparative ratios have only general indicative value.*

For the non-oil producing developing countries (or all developing countries, for that matter) what matters essentially is whether foreign resources (external debt)

12. There is an argument that external debt impairs economic growth. The position taken here is that whether foreign debt benefits or impoverishes the borrowing country depends essentially on the cost of the resources and the uses to which they are put.

are used for investment and if the marginal current cost of borrowing is less than the marginal productivity of the investment programme (in terms of foreign exchange). If this occurs, the recipient stands to benefit from the external debt accumulated. Real debt problems arise, therefore, only if external resources are consumed (by displacing domestic savings, for example or meeting import of consumer goods) rather than invested, or if the recipients investment programme yields a marginal return which is less than the marginal cost of borrowing.

#### IV

### RECYCLING-A MERE PALLIATIVE

The substantial proportion of the 1976 recovery in the current account and overall payment balances, the growth in GDP and the expected aggregate marginal growth in investment and savings (Tables 8, 9 and 10) particularly for the non-oil producing middle income countries, was the result of a combination of factors which include the impact of recycling activities, more effective internal policies and a favourable international economic environment. Recycling operation was merely a palliative.

Some of the internal adjustment policies could be cited. Uruguay adopted a stabilization programme involving a flexible exchange rate policy and careful demand policies while wage adjustments were left below the rate of inflation. Argentina's dramatic turn-around in its balance of payments between 1975 and 1976 was partly attributable to the implementation of comprehensive domestic and external policies, including a major adjustment of the exchange rate coupled with greatly improved demand and wage policies. Brazil resorted to, among other things, a tightening of fiscal and credit policies and the greater moderation in wage awards. Brazil's improvement was helped by its continued ability to attract large amounts of long-term funds following the adoption of a more restrictive domestic credit policy and a sharp rise in interest rates.

To bring about a sharp reduction in imports and to restore equilibrium in current account, Jamaica tightened exchange and trade controls. In the wake of expansionary fiscal and wage policies, Mexico devalued the peso in 1976 and since then it has been tightening wage and fiscal policies in an effort to restore internal and external equilibrium. A major devaluation of the sol, corrective price increases, tight credit policies and a more restrained wage policy resulted in Peru's improvement in current account and overall balance of payments in 1976. Ghana, Zaire and many other non-oil producing countries of Africa employed fiscal and monetary policies, particularly the operation of Central Banks Credit Guidelines, price control and wage restraint. The general success of the internal policy measures was aided by improvement in the terms of trade in 1976.

The export earnings of this group of countries were further boosted by the widespread rise in commodity prices. The major exceptions were the price of sugar, which plummeted in world markets, and the prices of certain cereals, which also declined markedly. The price of coffee, which affects the exports of a large number of countries in Latin America and the Caribbean, more than doubled; soyabean and fishmeal prices made important gains; and

meat prices recovered somewhat. Prices of raw materials such as cotton, wool, copper and other non-ferrous metals improved significantly.

Imports of the non-oil producing developing countries, however, remained sluggish, reflecting efforts to restrain the growth of domestic demand in order to curb inflation and to improve the balance of payments (see Table 10). The current account improvement in 1976 took place despite a rising deficit on net services and transfers.

The foregoing analysis imply that the noticeable favourable movements in the major economic indicators of some non-oil producing developing countries are attributable to factors other than recycling. As a temporary balance of payments measure, recycling certainly produced a palliative effect, particularly considering the fact that a large proportion of the foreign resources (external debt) was used not only for investment but also for consumption of imported goods. If all the funds borrowed in the process of recycling had been invested, the external debt could, probably, have produced greater positive economic impact with minimum long-run debt problems.<sup>13</sup>

Maximisation of the economic impact of recycling requires elimination of discriminatory tariffs and other trade barriers<sup>14</sup> and the stabilization of primary commodity prices. A glaring illustration of the adverse impact of protectionist barriers is drawn from the Brazilian exports of footwear. Export of footwear became important mainly after 1970, when over 85.0 per cent of them were destined for the United States market. In that year, 3.8 million pairs of shoes worth US\$8.3 million, were exported. But between 1970 and 1975 export climbed to 32 million pairs, worth US\$165 million. In 1976, the volume fell by 11.0 per cent, although in terms of value, there was a rise of 10.0 per cent because of increases in prices. According to a U.N. survey, "the explanation of these trends in 1976 must be sought in the pressures exerted by the United States government and the United State International Trade Commission (ITC) on the grounds that these exports constituted dumping"<sup>15</sup> The Brazilian government was thus obliged to reduce the incentives to exports of footwear and some other manufactures. Despite the removal of incentives at the end of 1976, the ITC recommended an increase from 10.0 to 40.0 per cent in the tariff on imports of footwear.

13. Controversy continue to rage over the issue of impact of foreign resource inflows on economic growth of developing countries. For some of the divergent views, see Griffin & Enos article on "Foreign Assistance: Objectives and Consequences". *Economic Development and Cultural Change* (EDCC). (April 1970) pp. 313-327; Comments on the above quoted article by Kellman (*EDCC*, October, 1971); Papanek, on "The Effect of Aid and Other Resource Transfers on Savings and Growth in Less Developed Countries", *Economic Journal*, September 1972, pp. 34-50.
14. Since the end of the World War II, there has developed a tendency for developed countries to merge into self-interest groups-first the Organisation for European Economic Co-operation (OEEC) later European Economic Community (EEC) and the European Free Trade Area (EFTA). At the same time Canada was moving closer to U.S.A. The General Agreement on Tariffs and Trade (GATT) which came into force in 1948 stands out for special mention. The concept of *quid pro quo* has meant that tariff negotiations have been restricted to manufactured products of interest to developed countries. The resulting discriminatory trading practices adversely affect less developed countries.
15. United Nations, *Economic Survey of Latin America*, 1976, p. 96.

This imposed a limit around 21 million pairs, that is, 30.0 per cent lower than the 1976 exports to the United States market. Thus, after an initial success in placing a non-traditional product on the market of an industrialized economy, exports diminished with serious macro-economic consequences for Brazil. 16

Apart from trade barriers, the general structure of the economies of non-oil producing developing countries is worth noting. Primary production plays a dominant role in these economies. The production of raw materials and semi-processed commodities comprises the bulk of economic activity. Currently about 80.0 per cent of their total export earnings are derived from primary product sales, and in most of them, trade is highly concentrated within a narrow range of mineral or agricultural commodities such as bananas, coffee, copper, cocoa, tin etc. (See Table 11). Almost half of these countries, rely on only one commodity for more than 50.0 per cent of total exports. Consequently their national income, employment and future economic development are highly dependent on the prices and trading opportunities prevailing in World commodity markets.

These markets are characterised by large price fluctuations which contribute in turn to long-term adverse trends. Such commodity price instability generates a plethora of problems particularly for the non-oil producing developing countries. Unemployment, inflation, balance of payments and government budget deficits are a few of the most obvious and recurring consequences of overwhelming dependence on commodity exports, markets and prices.

Given the structure and characteristics of the economies of the non-oil producing developing countries sketched above, it is obvious that their problem is not a temporary disequilibrium that can be easily eliminated by *ad hoc* rescheduling of surplus funds. It is an enduring disequilibrium that call for not only recycling but supporting actions on the part of the international community in order to ensure the effectiveness of recycling.

There is a need for restructuring the framework of international resource transfers to ensure automaticity. Multi-lateral channels should be used for directing assistance in preference to bilateral channels. This will be consistent with greater automaticity of resource transfer based on poverty and needs (rather than on special relationship) and a more orderly system of debt sharing.

Provided it can win the confidence of the international community as a whole, the World Bank and the International Monetary Fund (IMF) can emerge as the primary automatic recycling channels for international resources. The only problem is that institutions which lend largely or exclusively to developing countries may claim to be more suitable than the IMF which has a mandate to assist in correcting disequilibria in the balances of payments of all its member countries regardless of their level of development. An alternative is, probably, for the World Bank to divide the funds between African, Asian and Inter-American Development Banks.

16. As one of the world's largest debtors, Brazil's case is interesting. Its success or failure represents, in part, the success or failure of recycling. In 1976, Brazil's external debt was \$28.5 billion—about 22.0 per cent of Gross Domestic Product—one of the highest in the world.

For the higher income non-oil producing developing countries, access to international capital markets and expanded trade opportunities, not concessional assistance, is important. Removal of trade barriers and discriminatory tariff restrictions will ensure that this group of countries reap greater benefits from their export expansion resulting from the recycled funds. For the poorest countries, it is essential that assistance be in the form of grants, without creating a reverse obligation of mounting debt service liability at a low level of poverty.

An element of continuity and automaticity should be built into the concept of recycling (international resource transfer system) by creating new measures that will provide readily available resources that will meet unexpected needs not only of the non-oil producing developing countries but of the international community. New sources of international financing could include: tax on multi-national corporation activities and rebates to country of origin of trained immigrants from the developing countries. However, if the rich industrialized nations are unwilling to tax themselves, others can collect and distribute these tax proceeds on the basis of what the rich nations consume. For example, even a one dollar per barrel "development levy" by OPEC could create a development pool of over US \$10 billion a year for automatic recycling of international resources.

Commodity price stabilization is an important factor in strengthening the effect of recycling on non-oil producing developing countries. This generally takes the form of (1) setting up internationally managed buffer stocks covering a wide range of commodities (coffee, cocoa, sugar, copper, cotton, tin, etc.) largely produced and exported by developing countries and (2) the establishment of a common fund to provide the financing needed for the acquisition and maintenance of the stocks.

A third alternative is the indexation proposed by the developing countries in which export prices of primary commodities from developing countries are linked with the price which these countries have to pay for their imports of manufactured goods from industrial countries. The factual background for this proposal is provided by the strong inflationary movements which have affected the world economy in recent years and which caused both adverse shifts in the terms of trade of developing countries, particularly the non-oil producing developing countries, and an erosion of their capacity to import.

## Summary and Conclusion

The massive accumulation of "petrodollars" following the 1973/74 phenomenal increase in oil prices temporarily catapulted the major oil exporters (OPEC) into oil-rich countries with huge surpluses in their international payments balances while most of the oil importers were simultaneously overwhelmed by deficits in their current accounts and overall payments balances.

Recycling should be seen as a mechanism that attempts to redistribute international resources in order to eliminate disequilibria in the oil importer's payments balances. But to do so effectively, it has to be allied to policies that help to restore the equilibrium while the funds fill the temporary gap. These policies include non-oil producing countries' national economic policy adjustments, the re-



structuring of the framework of international resource transfer, commodity income/price stabilization through some form of indexation by which the prices of primary commodities are linked with the prices of manufactured goods or internationally-managed buffer stocks in an integrated commodity programme and the elimination of discriminatory and other trade barriers against developing countries in general

No across-the-board debt service ratios can apply, except as very general indicators which cannot by themselves give any reliable measure of willingness or ability to service debt. A squeeze on economic growth, induced by a balance of payments crises, of which heavy debt service may be an ingredient, is a form of debt problem. "Debt problem" in its wide or narrow sense does not arise in isolation and is usually the result of inter-related economic events, such as fiscal problem, declining export prices, economic mismanagement, etc.

Given the structure of the economies of non-oil producing developing countries and the existing mechanics and channels of recycling oil-generated surplus funds, recycling is a mere palliative. It can only temporarily alleviate the chronic balance of payments situation into which these economies have been thrown. It cannot be relied upon to provide long-term finance critically needed for development.

Patrick E. Archibong  
Deputy Director of Research  
International Finance Division

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**TABLE 1**  
**PUBLICIZED EUROCURRENCY CREDITS**

(\$ million)

<u>Selected Countries</u>	<u>1973</u>	<u>1974</u>
Bolivia	6	52
Brazil	718	1,438
Egypt	0	230
Korea	142	222
Jamaica	36	95
Panama	251	101
Philippines	179	869
Zambia	150	-
Zaire	287	105
<b>TOTAL (all non-oil exporting developing countries including Spain, Greece and Yugoslavia)</b>	<b>6,104</b>	<b>8,410</b>

Source: IMF Survey, February 17, 1975

**TABLE 2**  
**CONCESSIONAL ASSISTANCE BY OPEC MEMBERS, 1973-1976**

Donor Country	Commitments \$ million				Net Disbursements							
					\$ million				As per cent of GNP			
	1973	1974	1975	1976	1973	1974	1975	1976	1973	1974	1975	1976
Algeria	23.0	63.7	59.6	77.9	25.3	46.9	40.7	53.6	0.31	0.39	0.30	0.34
Iran	8.8	805.5	1,448.5	402.2	1.9	408.3	593.1	740.6	0.01	0.88	0.10	1.12
Iraq	115.7	497.7	370.8	181.3	11.1	422.9	(215.4)	(96.7)	0.21	3.99	(1.63)	(0.60)
Kuwait	378.8	838.9	1,190.0	755.5	345.3	621.9	975.1	526.9	5.76	5.70	6.52	3.23
Libya	238.4	266.9	291.6	217.2	214.4	147.0	261.1	103.6	3.32	1.23	2.13	0.67
Nigeria	4.6	15.7	35.8	136.4	4.7	15.3	13.9	82.8	0.04	0.07	0.05	0.28
Qatar	93.1	227.7	369.1	138.3	93.7	185.2	338.9	175.1	15.62	9.26	15.62	7.40
Saudi-Arabia	568.2	1,287.6	2,790.1	2,802.6	304.9	1,029.1	1,997.4	2,315.8	3.75	4.56	6.01	5.77
UAE	318.1	676.6	1,123.6	1,181.4	288.6	510.6	1,046.1	1,021.9	12.03	6.66	11.79	(10.23)
Venezuela	18.1	112.4	11.6	145.2	17.7	58.8	30.0	65.0	0.11	0.23	0.11	0.21
<b>Total</b>	<b>1,766.8</b>	<b>4,792.7</b>	<b>7,690.7</b>	<b>6,038.0</b>	<b>1,307.6</b>	<b>3,445.6</b>	<b>5,511.7</b>	<b>5,182.0</b>	<b>1.41</b>	<b>2.01</b>	<b>2.70</b>	<b>2.41</b>

Source: OECD Development Cooperation Review, 1977.

TABLE 3

## TOTAL NET FLOWS FROM OPEC MEMBERS TO DEVELOPING COUNTRIES, 1973 - 1976

DONOR COUNTRY	\$ million				As per cent of GNP			
	1973	1974	1975	1976	1973	1974	1975	1976
Algeria	29.7	51.4	42.2	66.6	0.36	0.43	0.31	0.43
Iran	4.9	739.4	936.1	795.4	0.02	1.59	1.74	1.20
Iraq	11.1	440.2	251.4	119.7	0.21	4.16	1.91	0.75
Kuwait	550.0	1,250.1	1,711.2	1,874.8	9.17	11.46	11.44	11.50
Libya	403.7	263.2	362.8	373.2	6.25	2.21	2.96	2.43
Nigeria	5.7	134.8	347.5	176.7	0.04	0.60	1.37	0.61
Qatar	93.7	217.9	366.7	245.4	15.62	10.90	16.90	10.37
Saudi Arabia	334.9	1,622.1	2,466.7	2,826.0	4.12	7.19	7.42	7.04
UAE	288.6	749.4	1,206.6	1,143.8	12.03	9.78	13.59	11.45
Venezuela	17.7	483.4	472.3	333.6	0.11	1.93	1.80	1.06
<b>TOTAL</b>	<b>1,740.0</b>	<b>5,951.9</b>	<b>8,163.5</b>	<b>7,955.2</b>	<b>1.88</b>	<b>3.47</b>	<b>4.01</b>	<b>3.28</b>

1 Not including contributions to the IMF Oil Facility (\$2.9 billion in 1975 and \$1.3 billion in 1976) which are not regarded as resource flows by the IMF and which only partly benefitted developing countries. Information on private flows is incomplete.

Source: OECD, op. cit.

TABLE 4

## INDIVIDUAL OPEC COUNTRIES' TERMS PERFORMANCE

(Concessional Commitments only)

Donor Country	% of Grants in Total Commitments			Grant Elements of ODA Loans* (%)			Overall Grant Elements (%)		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Algeria	97.1	77.3	43.9	50.5	38.7	38.7	98.5	86.0	65.6
Iran	5.9	1.3	57.0	34.7	43.6	(35.8)	38.5	44.3	(72.4)
Iraq	59.0	(74.1)	(46.4)	42.9	(56.6)	(47.3)	78.2	(88.8)	(71.7)
Kuwait	80.1	74.2	57.9	41.2	50.5	46.7	88.7	87.3	77.6
Libya	55.4	96.0	63.2	42.1	53.5	27.2	74.2	98.2	73.2
Nigeria	100.0	100.0	100.0	—	—	—	100.0	100.0	100.0
Qatar	71.9	64.9	87.7	34.4	36.6	44.8	81.5	77.8	93.2
Saudi Arabia	79.7	46.1	56.8	51.7	43.1	47.7	90.2	69.3	77.4
UAE	84.2	56.1	74.7	49.3	62.7	35.5	92.0	83.6	83.7
Venezuela	82.2	100.0	100.0	56.4	—	—	92.3	100.0	100.0
<b>TOTAL</b>	<b>64.6</b>	<b>48.2</b>	<b>62.9</b>	<b>40.6</b>	<b>46.4</b>	<b>45.4</b>	<b>79.0</b>	<b>72.3</b>	<b>79.3</b>

Source: OECD, Development Cooperation 1977 Review

\* ODA Loans are the Official Development Assistance of the Development Assistance Countries (DAC). These loans with their 60.0 per cent average grant element is 40.0 per cent of the nominal value.

**TABLE 5****THE EXTERNAL DEBT OF NON-OPEC DEVELOPING COUNTRIES**

	1973	1974	1975	1976	1977
(a) Current account deficit of non-oil developing countries (\$ billion, current prices) ... ..	10.9	29.5	38.2	25.5	21.0
(b) External public debt over 1 year initial maturity (\$ billion, current prices)	63.5	77.2	94.7	116.1	138.0
(c) Debt of private sector and short-term bank debt not compensated by external balances (\$ billion, current prices)	35.0	44.0	51.0	59.0	67.0
(d) Total debt of non-oil producing countries (b + c) \$ billion, current prices	98.5	121.2	145.7	175.1	205.0
Index of line (d) ... ..	100	123	148	178	208
(e) World Inflation Index ... ..	100	115	131	146	162
(f) Merchandise exports of non-oil developing countries ... ..	100	144	139	169	191
(g) GNP of non-oil developing countries Index ... ..	100	122	145	170	199
(h) International reserves of non-oil LDC's (in billion SDRs) ... ..	24.5	26.5	26.6	36.7	53.0
Index .... ..	100	108	108	150	216
(i) Gross syndicated banking loans to non-oil LDCs (\$ billion, current prices)	4.5	6.3	8.3	11.1	13.4
of which Mexico and Brazil ....	2.3	2.8	4.5	5.2	5.5
as % of total .... ..	51%	44%	54%	47%	41%

Source: World Bank published data as of 1975; Morgan Guaranty Trust Co., World Financial Markets, various issues. IMF, International Financial Statistics, various issues

**TABLE 6****THE LARGEST DEBTORS**

Countries	Total debt, including short-term not com- pensated by external balances (\$ billion), end 1977	Service on debt with initial maturity of over one year as percentage of exports, 1976
Brazil	36	46
Mexico	32	40
India	16	14
Argentina	12	41
Turkey	8	10
Philippines	7	16
Chile	7	45
Peru	6	33
Total	124	

Source: World Bank published data as of 1975; Morgan Guaranty Trust Co., World Financial Market, various issues. IMF International Financial Statistics various issues.

TABLE 7

SOME SELECTED PROBLEM CASES

Countries	External debt defined in Table 5 (\$ billion)	Proportion of increase in net banking system credit channelled to public sector, 1973-77	Annual average growth of export volume 1971-76	Total change in terms of trade 1977-1979
Turkey	8	47%	5.4%	-5%
Peru	6	67%	-6.5%	-10%
Zaire	2+	71%	3.9%	-34%
North Korea	2	na	na	na
Zambia	1+	68%	-3.2%	-35%
Jamaica	1+	89%	1.0%	na
Gabon	1	35%	na	na

Source: World Bank published data as of 1975; Morgan Guaranty Trust Co., World Financial Markets, various issues. IMF, International Financial Statistics, various issues.

TABLE 8

## SELECTED NON-OIL PRODUCING LDCs: ANNUAL RATES OF REAL GDP GROWTH AND PRICE INCREASES, 1974-76

(In per cent)

Countries	Annual Rate of real GDP growth			Annual Rate of Price Increases					
				GDP deflator			Consumer prices (Annual Average)		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Argentina	6.6	-1.4	-3.5	25	186	496	24	183	447
Bahamas	-2.0	-1.0	-	12	9	4	13	10	5
Barbados	-	-1.7	6.2	22	32	-3	39	20	8
Brazil	9.6	4.2	8.0	29	28	41	28	29	42
Chile	4.3	-14.7	3.0	666	351	225	456	375	212
Colombia	6.1	4.6	7.5	28	22	22	23	24	20
Haiti	3.5	1.9	4.0	16	21	10	16	17	11
Jamaica	4.3	-2.3	-4.3	26	21	11	27	17	11
Mexico	5.9	4.2	4.0	24	17	18	24	15	16
Nicaragua	13.6	1.8	6.5	15	2	8	12	8	3
Peru	6.6	3.5	2.8	15	18	37	17	24	34

Source: IMF, Finance and Development, June, 1977, p.33.

**TABLE 9**  
**SOME NON-OIL PRODUCING LDCs: SUMMARY BALANCE OF PAYMENTS,**  
**1974-76 (\$ million)**

Countries	Current Account Balance			Capital Account Balance			Surplus or Deficit		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Argentina	220	-1264	568	-130	177	-605	90	-1107	-37
Bahamas	-70	-38	-62	76	41	52	6	3	-10
Brazil	-7563	-6759	-6000	6539	5745	8000	-1024	-1014	2000
Chile	-383	-633	-139	262	313	564	-121	-320	425
Colombia	-468	-207	175	374	327	408	-94	120	583
Guyana	-11	-13	-126	44	50	26	33	37	-100
Haiti	-54	-57	-57	48	46	64	-6	-11	7
Jamaica	-151	-310	-316	201	231	36	60	-79	-280
Mexico	-2887	-4188	-3557	-2699	4389	2481	-188	201	-1076
Nicaragua	-273	-194	-69	246	201	121	-27	7	52
Peru	-752	-1571	-1140	1023	1047	456	271	-524	-684

Source: IMF, op. cit., p. 35.

**TABLE 10**  
**TRENDS IN INVESTMENT, SAVINGS AND CAPITAL REQUIREMENTS**  
**IN THE NON-OIL MIDDLE-INCOME COUNTRIES**

(as percentage of GDP 1)

	1969	1973	1975	1978	1985	Growth Rates (percentage per-annum).	
						1973-78	1978-85
<b><u>Savings and Investment</u></b>							
Investment	20.4	21.5	22.2	22.3	22.8	6.1	6.9
National Savings	<u>18.3</u>	<u>19.9</u>	<u>17.6</u>	<u>19.3</u>	<u>21.3</u>	4.7	8.1
External Capital	<u>2.1</u>	<u>1.6</u>	<u>4.6</u>	<u>3.0</u>	<u>1.5</u>	20.8	-3.3
<b><u>External Balance</u></b>							
Imports (inc. net factor services)	17.3	18.5	19.2	19.8	19.7	6.9	6.5
Export (inc. net factor services)	<u>15.5</u>	<u>16.9</u>	<u>17.2</u>	<u>19.1</u>	<u>20.1</u>	8.1	7.3
Export Surplus (+)	<u>1.8</u>	<u>1.6</u>	<u>2.0</u>	<u>0.7</u>	<u>-0.4</u>		
+Terms of Trade Loss 2/	-0.3	-0.3	2.4	1.8	1.3		
+Factor Income Payments	1.0	0.6	0.6	0.9	0.9		
-Transfers Received	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>		
=External Capital 3/	<u>2.1</u>	<u>1.6</u>	<u>4.6</u>	<u>3.0</u>	<u>1.5</u>		
GDP (billions of 1973 US dollars)	274.0	365.0	407.0	475.0	741.0		

1 Based on data in 1967-69 dollars.

2 "Terms of Trade Loss" is the decrease in a country's international purchasing power due to changes in the relative prices of its exports and imports. In this table exports and imports are valued at 1967-69 prices.

3 Equals current account deficit.

Source: IMF, Finance and Development, June, 1977, Vol 14, p. 29

TABLE 11

PRIMARY PRODUCTS OF SOME LDCs, 1974

Countries	Primary Production at Factor Cost as % of GDP	Primary products as % of Total Exports	Principal Exports	% of Total Exports
Argentina	14	83	Meat, cereals	54
Bolivia	28	99	Tin	54
Brazil	14	81	Coffee	30
Chile	18	24	Copper	75
Colombia	29	84	Coffee	37
Ecuador	30	98	Bananas	45
Haiti	49	70	Coffee	38
Nicaragua	28	83	Cotton	23
Panama	19	98	Bananas	55
Uruguay	36	81	Meat	27
Peru	13	85	Wool, meat	64

Sources: UN Economic Survey of Latin America, 1974 ;  
Economic Survey of Africa, 1975;  
Yearbook of International Trade Statistics Trade by Country, Vol. 1, 1975.

APPENDIX I

PRICE PER BARREL OF NIGERIAN CRUDE OIL (in U.S. Dollars)

Posted or Tax Reference Price

Effective Date	Nigerian Light	Nigerian Medium	Average
	34.0	27.0	30.5
1967 Nov. 6th	2.170	2.030	2.350
1970 Sept. 1st	2.420	2.280	2.350
1971 March 20th	3.212	3.104	3.158
July 1st	3.195	3.087	3.141
Oct. 1st	3.178	3.070	3.124
1972 Jan. 1st	3.176	3.068	3.122
Feb. 15th	3.446	3.328	3.387
April 1st	3.426	3.306	3.365
July 1st	3.409	3.291	3.350
1973 Jan. 1st	3.561	3.440	3.5005
April 1st	3.787	3.659	3.723
June 1st	4.003	3.868	3.9355
July 1st	4.135	3.997	4.066
Aug. 1st	4.291	4.148	4.2195
Oct. 1st	<del>4.287</del>	4.148	<del>4.217</del> ✓
Oct. 20th	8.310	8.072	8.191
Nov. 1st	8.404	8.163	8.284
1974 Oct. 1st	14.691	14.481	14.586
Nov. 1st	11.663	11.453	11.558
1975 Oct. 1st	13.709	13.499	13.604
1976 July 1st	13.820	13.610	13.715
Oct. 1st	13.990	13.780	13.885

Source: The Nigerian National Petroleum Corporation.

APPENDIX 2

MONEY MARKET AND EURODOLLAR RATES

(In percent per annum)

	1971	1972	1973	1974	1975	1976
<b>A. Money Market Rates</b>						
United States	4.34	4.07	7.03	7.87	5.82	4.99
Canada	3.56	3.56	5.47	7.83	7.40	8.87
Japan	6.42	4.72	7.16	12.54	10.67	6.98
Belgium	3.70	2.48	4.81	9.25	4.63	8.31
Germany	6.06	4.30	10.19	8.87	4.41	3.89
Netherlands	4.85	1.93	6.44	9.20	4.17	7.28
United Kingdom	5.57	5.54	9.34	11.37	10.18	11.12
<b>B. Eurodollar</b>						
London (Libor)	6.58	5.46	9.24	11.01	6.99	5.58

Source: IMF, International Financial Statistics, Vol. XXXI, No. 10, October, 1978.