

World Development Report, 1979

The World Bank

Part I. Development Prospects and International Policy Issues

Prospects for Development International Policy Issues

Part II. Structural Change and Development Policy

Employment Trends and Issues Industrialization

Urbanization: Patterns and Policies

Part III. Country Development Experience and Issues

Growth and Equity in Semi-industrialized Nations

Development in Primary Producing Countries

Conclusions

Annex: World Development Indicators

World Development Report 1979

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Foreword

The World Development Report, 1979, along with its statistical annex, is the second in a series of annual reports designed to provide a comprehensive, continuing assessment of global development issues. This year's report emphasizes issues of employment, industrialization and urbanization in developing countries and discusses the policies necessary to pursue the twin objectives of growth and poverty alleviation. Over the next two decades, these countries will face unprecedented challenges: they will need to create productive employment for a work force that is likely to expand by more than 500 million people between 1975 and 2000; over the same period their cities will need to provide jobs, housing, transportation, water, sanitation and health care for almost one billion additional inhabitants; and a growing number of developing countries face the need for new policy initiatives to shape the process of industrialization. At the same time, however, the range of policy choices available to developing countries is becoming narrower, partly as a result of the past orientation of their development strategies, but partly because of the uncertain and less expansionary climate in the international environment.

The quarter of a century between 1950 and 1975 witnessed substantial progress in developing countries. Such advances were greatly helped by rapid economic growth in industrialized nations and the progressive relaxation of barriers to international trade and capital flows. The slower rates of growth of industrialized economies since the mid-1970s, and the associated increase in protectionist tendencies, have had adverse effects on the growth of

developing countries and have given rise to troublesome questions and uncertainties about the future.

The success of developing countries will very largely depend on their domestic programs and policies. But their task can be greatly aided by improved access to markets in the industrialized nations and by more generous flows of concessional assistance from these countries. The uncertainties in the world economy could be much reduced, and the dynamism of world production and trade restored, if countries were to act in recognition of their growing economic interdependence. Over the long term, a more liberal environment for international trade and capital flows would bring benefits to all groups of nations. Industrialized countries stand to gain from buoyant economic conditions in developing countries, which are important markets for their exports; increasing trade barriers and reducing foreign aid in response to short-term pressures may appease sectional grievances, but only at the expense of greater, long-term gains.

This volume reflects the work of many of my colleagues in the World Bank. The judgments expressed do not necessarily reflect the views of our Board of Directors or the governments they represent. The report has been produced under the direction of Attila Karaosmanoglu; Shankar Acharya is the principal author.



Robert S. McNamara

Definitions

Country Groups in the analytical framework of this report are as follows:

*Developing Countries*¹ are divided, on the basis of 1977 gross national product (GNP) per capita into:

Low Income Countries—with per capita income of US\$300 and below;

Middle Income Countries—with per capita income above US\$300.

Capital Surplus Oil Exporters: Kuwait, Libya, Oman, Qatar, Saudi Arabia and United Arab Emirates are identified as a separate group from other developing countries since, at least for the near future, their economic characteristics are significantly different. Other major exporters of oil are grouped among the developing countries.

Industrialized Countries are the members of the Organisation for Economic Co-operation and Development, apart from Greece, Portugal, Spain and Turkey, which are included among the Middle Income Developing Countries.

Centrally Planned Economies (CPEs) are Albania, Bulgaria, the People's Republic of China, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, the Democratic Republic of Korea, Mongolia, Poland, Romania and the USSR.

Organisation for Economic Co-operation and Development (OECD) members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The *Development Assistance Committee* (DAC) of OECD comprises Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Community.

The *Organization of Petroleum Exporting Countries* (OPEC) comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

Manufactured goods refers to commodities in the Standard International Trade Classification (Revised) (SITC), Sections 5 through 9 minus Division 68: chemicals and related products, including manufactured fertilizers and plastic materials; manufactured articles, including textiles and products based on leather, rubber and wood; iron and steel; products based on metals and non-metallic minerals; machinery and transport equipment; building fixtures and fittings; furniture, clothing, footwear, professional and scientific instruments, photographic and optical goods, watches and clocks, and miscellaneous articles not classified elsewhere in the SITC.

Primary commodities comprise SITC Sections 0 through 4: food and live animals; beverages and tobacco; inedible crude materials; fuels, including coal, petroleum and petroleum products, natural and manufactured gas, and electric current; animal and vegetable oils, fats and waxes; and the non-ferrous metals of SITC Division 68.

Billion is 1,000 million.

Growth Rates are in real terms unless otherwise stated.

Symbols used in the text tables are as follows:

.. Not available.

(.) Less than half the unit shown.

n.a. Not applicable.

¹The division is slightly different for the projections, where, in order to retain comparability with those made for *World Development Report, 1978*, the earlier country groupings used in that report have been maintained. The difference involves less than 1 percent of the total GNP of all developing countries.

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Chapter 1: Introduction

This report is the second in a continuing series designed to address, in an analytical framework, the principal issues of development policy at the domestic and international levels. Many of the themes and points of focus in the present document have evolved out of the extensive discussion of the 1978 report. That document gave particular attention to the problems and prospects of the poor countries of Asia and Sub-Saharan Africa: countries in which the key to more rapid and equitable development lies in policies to stimulate agricultural growth and to confront rural poverty. This year's report gives greater attention to development in the Middle Income countries, in most of which the process of structural transformation is much further advanced than in the poorer developing countries. Two of the principal aspects of this transformation—industrialization and urbanization—are important concerns in all developing nations, but pose especially urgent choices for policy in Middle Income nations. Common to all developing countries is the challenge of creating enough productive jobs for a labor force that is expanding at unprecedented rates. Though world population growth is believed to have peaked in the early 1970s, the earlier rapid growth will add more than 500 million people to the labor force in developing countries between 1975 and the end of this century.

The natural growth of population and the process of industrialization are key factors fueling the rapid increase in the size of urban populations in developing countries. In the final quarter of this century the number of people living in the cities and towns of these nations is projected to increase by nearly a billion, from about 650 million in 1975 to over 1,600 million in 2000. Urbanization is likely to be accompanied by an increasing concentration of urban dwellers in large cities; by the year 2000, some 40 cities in developing nations are projected to exceed 5 million people in size, while 18 of them may be larger than 10 million. This dramatic expansion in urban communities will pose massive new tasks of urban resource management for national and municipal authorities: tasks which

will demand bold initiatives in the design and allocation of urban land, transport, shelter, water, sewerage and other services.

As policy makers confront the new challenges thrown up by rapid urban growth, they will need simultaneously to grapple with the manifold problems of industrialization. Increasing numbers of developing countries are engaged in the endeavor of widening and deepening their industrial sectors. The task they confront is to encourage a pattern of industrial development that will rapidly expand productive employment, and will strengthen the mutually beneficial links between industry and agriculture. These intersectoral links are particularly important since, in the majority of developing countries, agriculture will remain the most important single source of livelihood for some time to come, and broadly based agricultural development will, in most cases, continue to be a central element of strategies to alleviate poverty.

The discussion of international issues in this report takes as its starting point the analysis in *World Development Report, 1978*, which emphasized the growth of interdependence among nations over the past quarter century, gave illustrative projections of how the world economy might evolve in the years to 1985, and traced the implications for the economic growth of developing countries. Chapter 2 of this report assesses recent trends and their implications for future developments up to 1990. For the period up to 1985, the basic set of projections foresees somewhat slower growth of developing countries than was projected last year, particularly for Middle Income countries, whose development prospects are especially sensitive to conditions in the world economy. Alternative sets of projections are also presented. One of them outlines the dismal consequences that might follow if the slow growth of world output and trade since 1973 were to continue through to 1990. Another assesses the implications of recovery in world trade and output growth to rates comparable to those experienced in the 1960s. These projections reveal a clear need for international and domestic policy actions that will improve the

environment for international trade and capital flows, and will strengthen the basis for more rapid growth and more efficient structural adjustments in developing and industrialized nations. These policy priorities are the subject of subsequent chapters of the report.

Chapter 3 discusses three areas of international concern—trade, capital flows and energy—where all countries have strong mutual interests, which need to be protected and furthered by national and international action. The next three chapters, on employment, industrialization and urbanization, dwell on the policy issues and options confronted by developing nations as their economies develop and change in structure. Chapters 7 and 8 provide a fuller treatment of Middle Income country development experi-

ence and issues than was given in last year's report. To make the analysis more relevant and responsive to the enormous diversity among Middle Income countries, three major types of nations are distinguished and discussed.

The analysis highlights the crucial role of development strategies and policies in creating productive employment and alleviating poverty in developing countries. But it also shows that for these policies to yield their full potential, support from a liberal international environment is essential. Further deterioration in the international framework for trade and capital flows would damage both industrialized and developing economies, and make more intractable the daunting tasks the latter face of expanding employment and alleviating poverty.

PART I: DEVELOPMENT PROSPECTS AND INTERNATIONAL POLICY ISSUES

Chapter 2: Prospects for Development

A year ago, *World Development Report, 1978* put forward projections of developing countries' economic growth through 1985 on the basis of what was then viewed as a likely evolution of the international environment, together with assumptions about these countries' own performance. Gross domestic product (GDP) in the industrialized countries was projected to grow at 4.2 percent a year in 1975-85, significantly more slowly than in the 1960s (4.9 percent), in reflection of economic troubles since then. Protectionist restrictions against the developing countries' manufactured exports were judged likely to remain at much the same intensity as in early 1978. Thus, though exports of textiles and clothing would be severely affected by the tighter quotas introduced in 1977-78, and there would be a continuing threat of new non-tariff barriers, further increases in protection would be held in check. An early slowdown was expected in the growth of private capital flows to developing countries. Private flows had accounted for nearly 90 percent of the increase in these countries' net capital inflows during 1970-75, mainly reflecting the rapid growth of commercial bank lending. Official Development Assistance (ODA) was projected to rise at 5 percent a year in real terms, reversing its earlier downward trend as a share of the GNP of the industrialized countries that make up the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development. This share was projected to rise from 0.36 percent of their GNP in 1975 to 0.39 percent in 1985.

Based on these and other assumptions about international economic conditions, Middle Income developing countries were expected to sustain GDP growth rates averaging 5.9 percent a year in 1975-85. Low Income Asia was expected to accelerate its growth to 5.1 percent a year, considerably better than its historical experience, in large measure through improving performance in agriculture. Slower growth at 4.1 percent was expected in Low Income Africa.

This chapter reassesses the growth prospects of the developing countries in the light of recent

events and further perspectives on trends in the 1970s. The projections are extended to 1990, and the growth prospects of the Middle Income countries are disaggregated by region. Following the basic set of projections, alternative growth scenarios are analyzed more thoroughly and over a wider range of possibilities than could be done last year.

It needs to be emphasized that the projections presented are simply intended to provide illustrative frames of reference for the discussion of development issues in subsequent chapters. The projections themselves should not be viewed as targets for international decision making. Nor should they be seen as precise forecasts for the future. The prevailing uncertainties regarding growth in industrialized countries, international inflation, currency instability, trade and capital flows, and the institutional framework within which they occur, caution against that.

The assumptions underpinning this year's projections differ from those made last year only where recent developments clearly indicate that modifications are necessary. For the period 1975-85 the main changes as they affect

1. Developing Countries: Growth of Gross Domestic Product, 1970-90

(Average annual percentage growth rates, at 1975 prices)

	1970-76	1977 ^a	1978 ^a	1975-85	1985-90
Low Income Countries	3.4	5.7	5.4	4.7	4.9
Africa	2.6	4.0	3.4	3.7	3.8
Asia	3.5	6.0	5.7	4.9	5.1
Middle Income Countries	6.2	4.6	5.0	5.3	5.8
All Developing Countries	5.7	4.8	5.1	5.2	5.6

^aEstimates based on preliminary and incomplete data.

the developing countries are slightly slower growth in industrialized countries, world trade and external concessional assistance, and a different trajectory of private commercial lending. The overall effect is to reduce the projected annual growth of gross domestic product in the developing countries in 1975-85 from 5.7 percent

to 5.2 percent. The largest reduction comes in the Middle Income countries—from 5.9 percent to 5.3 percent a year. A sizable reduction is also indicated in Low Income Africa. However, these reductions stem less from changes in the assessment of the future and more from the fact that recovery from the economic difficulties of 1974-75 has been slower than anticipated.

Recent Trends and Implications for the Future

Growth of Industrialized Economies

The economic health of industrialized countries is a key determinant of the growth prospects of developing nations. Industrialized countries are the principal markets for exports from developing countries and their main suppliers of external capital and technology. In 1976 industrialized countries purchased two-thirds of all merchandise exports from developing countries; the share was 69 percent for fuel, 65 percent for other primary commodities and 61 percent for manufactures. The joint attainment of rapid growth, full employment and price stability has remained elusive in recent years in the industrialized economies. In several countries, strong

2. Industrialized Countries: Growth of Gross Domestic Product, 1960-90

(Average annual percentage growth rates, at 1975 prices)

	1960-70	1970-78 ^a	1970-80	1980-90
North America	4.0	3.4	3.3	4.0
Japan and Oceania	9.4	5.1	5.1	5.9
Western and Northern Europe	4.7	2.8	2.9	3.8
All Industrialized Countries	4.9	3.4	3.4	4.2

^aEstimates for 1978 are based on preliminary data.

inflationary pressures and volatile external payments situations have hampered sustained recovery from the recession of 1974-75. Projections for 1979 and 1980 do not indicate any significant improvement over the 3.4 percent annual growth recorded between 1970 and 1978, which itself was significantly below the 4.9 percent annual growth achieved in the previous decade. The outlook for the next decade is uncertain, but it seems reasonable to assume recovery to an average growth rate of 4.2 percent a year, with Japan's economy growing at nearly 6 percent a year while the economies of North America and Europe grow at or below the average rate for the group.

Developments in World Trade

Slow and erratic growth in industrialized countries in recent years, combined with other disruptive influences, including increased protection, international inflation, and exchange rate instability, reduced the volume growth of world trade from about 9 percent a year between 1965 and 1973 to just over 4 percent a year between 1973 and 1977. In the same periods, the growth of developing country exports declined from 6.4 percent to 3.6 percent a year. Recent export price trends have been erratic and, on balance, unfavorable to developing countries. In 1978 adverse changes in export and import prices appear to have more than offset the growth in their export volume, resulting in a decline in the purchasing power of their exports.

Primary commodity exports of developing countries have grown little in volume since the boom year of 1973. Aside from the unfavorable international market conditions, noted above, this stagnation also reflects adverse weather conditions during the mid-1970s in key producers of agricultural exports, and other supply difficulties, including the inadequate incentives and low investment priorities that have frequently been accorded to primary production. With the recovery of growth momentum in the industrialized countries, improved weather conditions, and growing benefits from recent efforts to accelerate primary production, the rate of growth of developing countries' primary exports can be expected to return to historical levels. For the period 1976-90 the non-fuel primary commodity exports of developing nations are projected to grow at an average annual rate of 3.3 percent (Table 3).

Developing countries' manufactured exports have continued to show much greater dynamism, but their growth slowed from an average of about 15 percent a year in the period 1965-73 to about 11 percent a year in 1974-77. To a large extent, this slowdown was the result of slower economic growth and heightened protection in industrialized countries. After clothing and textiles, the major product categories most affected by increased protection have been footwear and steel. In 1977, in these four product groups together, the current US dollar value of developing countries' exports rose by only 7 percent—less than the average rise in prices of all traded manufactures (9 percent), reflecting an apparent decline in volume. By contrast, their exports of

3. Growth of Merchandise Exports, by Product Category and Country Group, 1960-76 and 1976-90
(Average annual percentage growth rates, at 1975 prices)

	1960-76			1976-90		
	World	Industrialized Countries	Developing Countries	World	Industrialized Countries	Developing Countries
Fuels and Energy	6.7	4.5	6.3	3.1	3.3	3.2
Other Primary Products	4.4	5.1	3.7	3.3	3.3	3.3
Food and Beverages	4.4	5.4	3.5	3.7	3.9	3.1
Non-food Agricultural Products	5.1	6.3	3.4	1.8	1.1	2.8
Minerals and Non-ferrous Metals	3.9	3.4	4.7	3.5	3.0	4.5
Manufactures	9.1	9.1	12.7	7.0	6.5	10.9
Machinery and Transport Equipment	9.9	10.0	17.5	7.6	7.1	15.3
Other Manufactures	8.5	8.3	11.8	6.5	6.0	9.0
Total Merchandise	7.4	7.8	6.3	5.7	5.9	6.1

Sources: World Bank; *United Nations Yearbook of International Trade Statistics*, various issues (New York: United Nations, UN Statistical Office); *Handbook of International Trade and Development Statistics*, various issues (Geneva: United Nations Conference on Trade and Development); and *Networks of World Trade, By Areas and Commodity Classes, 1955-76* (Geneva: General Agreement on Tariffs and Trade, Studies in International Trade No. 7, 1978).

other manufactured goods rose in current value by 23 percent, resulting in a 16 percent increase in their total manufactured exports (about 9-10 percent in real terms since their export prices probably rose less than those of other countries). Preliminary information indicates that developing countries' manufactured exports grew somewhat faster in 1978 than in 1977.

The projections for manufactured exports in Table 3 assume that growth in industrialized countries will recover to an average rate of 4.2 percent a year in the 1980s, and that further increases in protection will be averted through improved economic policies and determined

resistance to protectionist pressures. It is important to emphasize also that the attainment of the export growth rates projected here would require bold policy reforms and sustained effort on the part of developing countries.

The trade projections assume that the developing countries will continue their rapid expansion of trade with one another. In 1976 more than one-fourth of developing country merchandise exports went to other developing nations. This trade—analyzed further in the next chapter—appears to depend more on the developing countries' payments situations, economic growth and overall trade policies than on special

4. Developing Countries: Merchandise Exports, by Product Category and as a Share of World Merchandise Exports, 1960, 1976 and 1990
(Percentages, at 1975 prices)

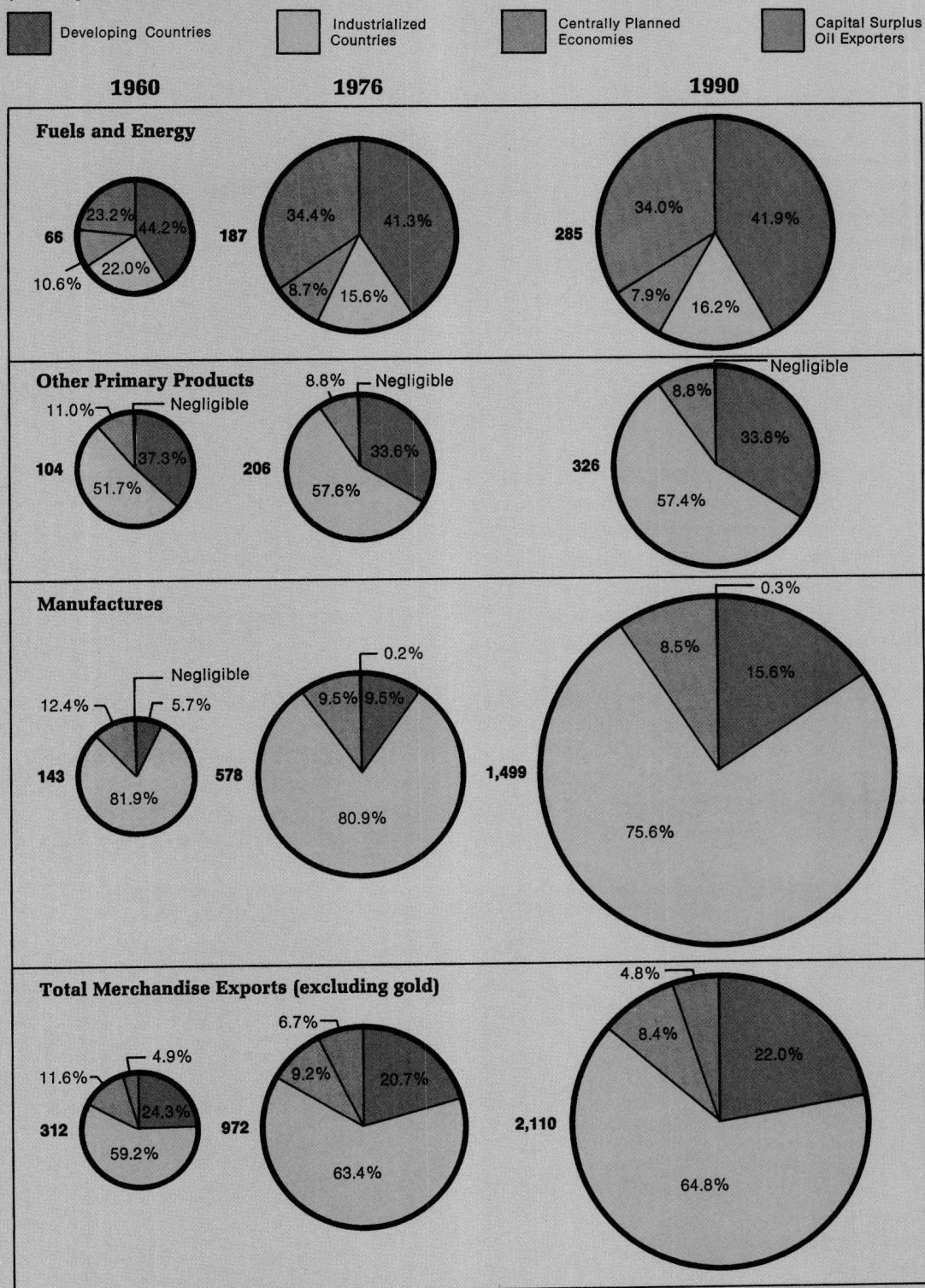
	Product Composition			Developing Countries' Exports as a Share of World Exports		
	1960	1976	1990	1960	1976	1990
Fuels and Energy	38	38	26	44	41	42
Other Primary Products	51	35	24	37	34	34
Food and Beverages	34	22	15	40	35	32
Non-food Agricultural Products	9	6	4	39	30	34
Minerals and Non-ferrous Metals	8	7	5	29	33	38
Manufactures	11	27	50	6	10	16
Machinery and Transport Equipment	1	6	20	2	5	12
Other Manufactures	10	21	30	9	14	19
Total Merchandise	100	100	100	24	21	22

Sources: As in Table 3.

Figure 1

Shares of Merchandise Exports, by Country Group, 1960, 1976, 1990

(Percentages, at 1975 prices)



Note: Numbers beside pies indicate the total values of world merchandise exports, in billion 1975 US dollars. Percentages may not add to 100, due to rounding.

Sources: As in Table 3.

5. Structure and Growth of Merchandise Exports, 1960-90

(Percentages, at 1975 prices)

	Country Composition			Average Annual Growth Rate	
	1960	1976	1990	1960-76	1976-90
Developing Countries	24	21	22	6.3	6.1
Industrialized Countries	59	63	65	7.8	5.9
Capital Surplus Oil Exporters	5	7	5	9.5	3.2
Centrally Planned Economies	12	9	8	5.8	5.1
World	100	100	100	7.4	5.7

Sources: As in Table 3.

arrangements among these nations. Setbacks in the expansion of trade with industrialized economies would adversely affect the overall export performance and balance of payments positions of developing countries, and hence would impede the growth of trade among them. No major change is projected in the trade orientation of the centrally planned economies, which purchased only 6 percent of developing country merchandise exports in 1976. The growing involvement of the People's Republic of China in

international trade and capital flows could have significant implications for developing countries, but not enough is known to take this into account in the projections. The composition of developing countries' exports and their shares of world trade in principal product categories are shown in Table 4 and Figure 1.

If world trade evolves according to these projections, the relative importance of major country groupings would show little change by 1990 (Table 5).

6. Developing Countries: External Financing Requirements, 1976-90

(Billion current US dollars)

	Low Income Countries			Middle Income Countries			All Developing Countries		
	1976	1985	1990	1976	1985	1990	1976	1985	1990
Net Imports	3	19	29	24	75	91	26	94	119
(Imports of Goods and Non-factor Services)	(26)	(90)	(146)	(275)	(889)	(1,539)	(301)	(979)	(1,685)
Less: (Exports of Goods and Non-factor Services)	(24)	(71)	(118)	(251)	(814)	(1,448)	(275)	(885)	(1,566)
Interest on Medium- and Long-term Loans	1	4	6	9	40	73	10	44	79
Repayment of Principal	2	8	11	18	115	214	20	122	225
Increase in Reserves	3	2	4	5	21	42	8	23	46
Total to be Financed	8	32	50	56	251	419	64	283	469
Net Factor Income, excluding Interest on Medium- and Long-term Loans	(.)	1	2	5	21	32	5	21	33
Official Grants and Concessional Loans (gross)	5	19	32	9	23	33	15	42	65
Medium- and Long-term Loans at Market Terms (gross)	4	9	12	45	179	309	49	188	321
Direct Investment and Other Capital (net)	-1	2	3	-5	23	38	-6	25	41
Private Transfers (net)	(.)	1	1	2	5	8	3	7	9
Total Financing	8	32	50	56	251	419	64	283	469
At 1975 Prices	8	15	17	54	118	147	62	133	165

Note: Totals may not add due to rounding. The assumed average annual rate of inflation between 1975 and 1990 is 7.2 percent.

The Supply of External Capital

The external capital required by developing countries to sustain the growth projected in the basic scenario is outlined in Table 6.

Despite promises by donor governments and some recent actions on debt forgiveness, net flows of Official Development Assistance (ODA) from the industrialized countries that make up the Development Assistance Committee of the OECD fell in real terms between 1975 and 1977. As a proportion of their gross national product, ODA from these countries declined from 0.35 percent in 1975 to 0.31 percent in 1977 (Table 7).

77. This assistance, currently equivalent to about 2 percent of the donors' GNP, is projected to decline slowly in real terms, reflecting slower rates of economic growth than those experienced in recent years. However, if the real price of petroleum were to increase during the 1980s, net ODA flows from OPEC nations could be expected to rise. Flows of ODA are assumed to be progressively reallocated toward Low Income countries, so that their share of net ODA disbursements increases to 47 percent by 1985 and 51 percent by 1990. Concessional assistance will continue to be of crucial importance to Low Income

7. Net Flows of Official Development Assistance From Donors, 1975-90

	Billion Current US Dollars				Average Annual Percentage Growth Rate (at 1975 prices)	
	1975	1977	1985	1990	1975-77	1977-90
Members of Development Assistance Committee of OECD	13.6	14.7	41.8	69.0	-1.9	4.8
Members of Organization of Petroleum Exporting Countries	5.5	5.7	9.4	12.4	-3.7	-1.2
Others	0.5	..	1.3	1.9		
Total	19.6	..	52.5	83.3		
At 1975 Prices	19.6	..	24.7	29.4		
<i>Note:</i>						
DAC Flows as a Percentage of Donors' GNP	0.35	0.31	0.35	0.35		
OPEC Flows as a Percentage of Donors' GNP	2.71	2.01		
Capital Surplus Oil Exporters' Flows as a Percentage of Donors' GNP	6.46	5.58		

Note: ODA flows in this table include contributions to multilateral agencies as well as to developing countries, and the value of technical assistance. The assumed average annual rate of inflation between 1975 and 1990 is 7.2 percent.

This was less than half the target of 0.7 percent endorsed by the United Nations General Assembly in 1970. Based on renewed commitments by donor governments and preliminary estimates for 1978, indicating a rise in the ODA share to 0.32 percent of donors' gross national product, ODA from DAC countries is projected to increase by nearly 5 percent a year in real terms from 1977, to reach a proportion of 0.35 percent of GNP by 1985, where it is assumed to remain through 1990. This reflects some reduction from last year's projection, in which Official Development Assistance from DAC countries was expected to reach 0.39 percent of GNP by 1985. Achieving even these modest increases will require renewed efforts by donor countries.

Net ODA flows from the Organization of Petroleum Exporting Countries, which had grown rapidly in the early 1970s, leveled off at an average of US\$5.6 billion a year during 1975-

countries: nearly two-thirds of the external financing requirements of these countries in 1990 is projected to be met by gross disbursements of concessional capital (Table 6).

In marked contrast to the Low Income countries, about four-fifths of the external financing requirements of Middle Income countries in 1976 were met by loans at market terms, with private sources accounting for over 85 percent of this lending. In *World Development Report*, 1978 it had been assumed that after the rapid growth between 1971 and 1976 the expansion of private lending would slow down sharply, so that over the period 1975 to 1985, net inflows of private loans to developing countries would grow at about 12 percent a year in current prices. In practice, continuing liquidity in international capital markets permitted a much more rapid expansion of private lending, mostly by banks, in 1977 and 1978. Liquidity in international mar-