

Country terms of trade

How individual countries and groups of countries fared in 1973, in the face of commodity price fluctuations, depended on the composition of their trade. The terms of trade of developed market economies fell back by one point, though North America, whose commodity exports and imports roughly balance, experienced no significant change, and Oceania – with high wool, food and minerals prices – made great gains. Within the rest of the developed world, Britain, Italy and Japan suffered severely on the terms of trade cycle: these countries could also have expected to suffer a further sharp deterioration in 1974 on account of higher oil prices. The following data relating to Britain are interesting. They show a drop from 90 in 1973 to 77 in the first three-quarters of 1974.

Britain: Unit value index numbers

		<i>Imports</i>	<i>Exports</i>	<i>Terms of Trade</i>
1970	100	100	100
1971	104.7	105.6	100.8
1972	109.6	111.0	101.3
1973	139.4	125.7	90.1
1973	1st quarter ..	123.2	119.2	96.7
	2nd quarter ..	132.8	123.5	93.0
	3rd quarter ..	146.4	128.6	87.9
	4th quarter ..	161.8	135.7	83.9
1974	1st quarter ..	194.5	146.6	75.3
	2nd quarter ..	218.3	159.1	72.9
	3rd quarter ..	223.3	167.4	75.0

Developing countries as a whole scored well on the terms of trade in 1973, gaining four per cent. However, this aggregation is not very significant for Commonwealth developing countries. Sri Lanka, a big tea exporter and food importer, did badly, as did Malawi, exporting tea and tobacco. Guyana (sugar and bauxite) was worse off for reasons which would apply also to Jamaica – the relative fixity of contract sugar prices and competition with supplies of aluminium from US stockpiles. On the other hand some countries did well, e.g. Malaysia exporting tin, rubber and vegetable oils, and Zambia exporting copper.

Though as mentioned above, developing countries as a whole did well in 1973 on movements of the terms of trade, this would have been no consolation to the large food deficit areas of South Asia, such as India, dependent on massive imports of foodgrains, as well as petroleum, at high prices.

Table V Terms of trade of selected Commonwealth countries

	1970	1971	1972	1973
Developed countries ^a	100	99	100	99
Australia	100	94	103	134
Britain	100	101	102	90
Canada	100	98	97	101
New Zealand	100	104	124	170
Developing countries ^a	100	102	100	104
Guyana	100	107	120	112
India	100	103	110	..
Kenya	100	89	87	..
Malawi	100	103	93	81
Malaysia	100	88	75	84
Mauritius	100	99	108	..
Sri Lanka	100	93	89	78
Zambia	100	68	60	74

^a Including non-Commonwealth.