1. Prospective import requirements

Leaving aside the constraint of the financing of imports, the rate of growth of imports is a function of the rate of population growth and the rate of growth of domestic product. Other facets, such as the rate of savings and capital formation, are involved but the simpler version provides a useful approximation. Using the best statistical evidence available the secretariat of the Economic Commission for Europe estimated that in 1980 the import demand of less-developed countries will be about $60 billion per year, if the latter are to achieve an increase in per capita growth of 3 percent per year. Using a slightly higher rate of growth (3.2 percent per year per capita) and a higher income elasticity of demand for imports (0.96 for GATT as opposed to 0.85 for ECE) the secretariat of the General Agreement on Tariffs and Trade estimated import requirements of $47 to $55 billion by 1969. Consideration of additional factors would improve this estimate somewhat but probably would not change the general order of magnitude.

Less developed countries during the 1950's had a per capita rate of growth of at most 1.8 percent per year, rather than the 3 or 3.2 percent per year assumed in these calculations. On the other hand, a per capita growth rate of 72 percent to 3 percent per year is generally regarded as an acceptable rate of growth for less-developed countries. The industrial countries over recent decades have grown faster than 3 percent per year per capita. Anything significantly less than this figure would imply a continued widening of the gap between per capita incomes in less-developed countries and those in the industrially advanced countries.

2. Future exports

If we accept the ECE secretariat estimates of imports required by the less developed countries for a per capita growth rate of 3 percent, the question becomes: How can imports of $60 billion per year in 1980 be financed? There are only three ways: (1) export proceeds from either primary commodities or manufactured goods, (2) net capital transfers from outside the less developed countries, and (3) liquidation of reserves. The last can be dismissed easily. The whole foreign exchange holdings of less developed countries in 1960 were less than $10 billion. Even this amount is probably too low in relation to imports.

In recent years capital transfers of all kinds into less developed countries have been about $3.5 billion per year. There is, unfortunately, no way to forecast what capital transfers will be in 1980 or, indeed, at any time in the future. Much depends upon the political and economic conditions at the time. The ECE secretariat assumed that net capital imports will increase in the same ratio as did imports and calculated a figure of $9.3 billion per year. There is, of course, no reason why any such relationship should exist and it is unlikely that industrial countries will provide net capital resources of that magnitude. Even accepting this optimistic estimate, one is left with about $50 billion to be financed in some way by exports.

We now turn to the question of export expansion. If $19 billion is taken as present exports (1957–59 average excluding petroleum exports), then to finance the entire residual by export proceeds would