

resources should be produced, priced and consumed.

Major international developments

A global balance-sheet for 1973 would feature a number of major entries on both sides of the ledger. While it was a year of historic achievement in the search for *détente* in Europe and peace in East Asia, war in the Middle East triggered a revolution in the politics of oil, food production fell behind global needs, and the testing of nuclear weapons continued.

Indochina

The beginning of the year was dominated by mounting expectations which were finally realized when Messrs. Kissinger and Le Duc Tho signed the Viet-Nam ceasefire agreement in Paris on January 27. While the prospect of a genuine peace proved to be a chimera, the agreement nevertheless provided an umbrella for the withdrawal of United States forces and defused the danger of a wider war. Relations between the United States and both the U.S.S.R. and China improved. Steps were taken by many of the nations of Southeast Asia to come to terms with the reality of Chinese power. With tensions over Viet-Nam diminishing, the way also lay open for increasing contacts between China and the Japanese industrial giant — an event of great potential significance.

Middle East

On October 5, the Middle East erupted into bloody warfare in the Sinai Desert and on the Golan Heights, emphasizing the failure over a period of 25 years to achieve any significant progress in solving the Arab-Israeli dispute. The ferocity of the fighting and the sophistication of the weaponry

shocked a world already apprehensive about the danger of the super-powers being drawn more deeply into conflict. It was only after two weeks of battle that the United States and the Soviet Union were in a position to co-sponsor a Security Council resolution calling for a cease-fire.

To separate the combatants, a United Nations Emergency Force was established on a basis that broke important new ground by ensuring that the Security Council would have direct responsibility over its operations. UNEF I, withdrawn in 1967, had been responsible to the UN General Assembly.

Petroleum crisis

Concurrent with the Middle East War, there developed a crisis in the supply of oil, which broke upon a world already troubled by the prospect of shortfalls in fuel supplies. As a means of increasing their political leverage, the major Arab oil-producing countries — of which Saudi Arabia quickly assumed apparent leadership — announced a series of selective cutbacks in oil shipments as well as a total embargo of supplies to certain countries, including most notably the United States. The exact nature of the boycotts was always something of a mystery, but there could be no doubting the effect of the staggering rise in the price of petroleum (already increasing steadily even prior to the Middle East war), which on the international market almost tripled within a few months. This had the effect of adding substantially to the already high rates of inflation plaguing the industrialized world, and also triggering sharp rises in the prices of alternative sources of energy, from uranium to coal.

For Western Europe and Japan — and to a lesser degree the United States — these events provided a chilling indication of their dependence on external energy supplies and prompted an intense search for "secure" sources of petroleum and for alternative means of producing energy. For the Arab oil-producing states and the major petroleum-exporting countries it signalled an extraordinary advance in political and economic power. However, for the non-oil-producing developing countries it was an economic setback of major proportions. Their total foreign-exchange expenditure on petroleum is expected to rise from approximately \$5 billion *per annum* to more than \$15 billion. The extent of this disaster can be gauged by the fact that for many developing countries the cost in foreign currency of petroleum imports would exceed the total anticipated inflow of development assistance funds, at a time when most of the donor countries were ill prepared to increase substantially the level of their aid disbursements.

Europe

The oil crisis and the consequent anxiety of each member to safeguard its own petroleum supplies added to strains within the Atlantic Community, chiefly between the U.S.A. and its European allies. Britain, Denmark and Ireland joined the European Economic Community at the beginning of the year, but it soon became clear that this long-awaited transformation would not speed progress towards economic and political cohesion in the short run. This was hardly to be expected. Any international change of such proportions is bound to raise new questions. Somewhat unexpected, however, was the