Chapter 3
Constraints on the growth of the European Community

The previous chapter argued that energy problems have slowed growth in the non-OPEC world considered as a whole. To the Community, the most obvious manifestation of the energy constraint has been the huge rise in the price paid for imported oil, though the Community has also been affected by slow growth of non-OPEC markets. In consequence the Community's trade balance has deteriorated and growth of its internal economic activity has slowed down.

The high oil price does not impose an absolute constraint on the Community, still less on its member countries individually. Already Europe has partially compensated for the higher cost of oil imports by energy saving and by expansion of its internal energy supply (oil and gas from the North Sea). The weakened trade position is also now accommodated, in part, by external borrowing. Moreover industries in one or more European countries might in principle have escaped a slow-down in growth by improving their competitiveness, securing larger market shares at the expense of industries in other countries.

These wider aspects of trade and external finance are examined formally in the first part of this chapter which analyses relationships between the balance of payments and economic growth in a single country or group of countries, taking account of the oil price and the energy situation.

Given this analytical background, the second part of the chapter examines trends in the Community's external trade and payments to see how the rise in the oil price and the slow-down in world growth have in practice affected the Community.

The next chapter will look at growth and balance of payments problems in individual member countries.

3.1 The balance of payments and the foreign trade multiplier

Consider the position of a single country (or group of countries) within the non-OPEC world. We may write its balance of payments as

$$X - pEM - M = B = L \qquad (1)$$

which says that the value of exports, X, less the value of oil imports, pEM (the price of oil times the volume of oil imports, EM) and the value of all other imports, M, is equal to the balance of payments on current account, B, which in turn is equal to net lending (borrowing, if negative) to the rest of the world, L.

As in the previous chapter, the volume of oil imports is given by

$$EM = eY - EQ$$

that is, by the volume of energy used, eY (where e is the energy coefficient and Y is the level of real income in the country) less the volume of domestic energy supply, EQ.

We assume also that non-oil imports are sensitive to the level of income, writing the relationship as

$$M = mY$$

where m is the ratio of non-oil imports to income.

The balance of payments can be rewritten as

$$B = X + pEQ - (m + pe)Y \qquad (1a)$$

that is, as the sum of exports and domestic energy supply less the value of imports and energy consumption implied by the level of real income. In the short run this may simply tell us how the current balance (and therefore net external borrowing or lending) alters in response to changes in variables on the right-hand side. Thus a rise in exports or in energy supply tends to improve the current balance (move it towards surplus) while a rise in either income, the import ratio, the price of oil or the energy coefficient tends to worsen the current balance (move it towards deficit).

Generally, the impact of changes in trade variables on the current balance will be at least partially offset by changes in the level of income. A rise in exports or in energy supply usually increases aggregate income and this is likely to cause some increase in imports, diminishing the improvement in the current balance. Equally a rise in the import ratio or in the price of oil tends to reduce income, thereby limiting the deterioration of the current balance.

Financing of the balance of payments

If we take a longer-run perspective it is not possible to consider the current balance simply as the chance outcome of changes in income and trade flows. For the current balance has a counterpart in net external lending or borrowing and this has to be consistent with financial decisions. It is important to note that net external lending (or borrowing if negative) is necessarily equal to the net financial surplus (or deficit) of a country's private sector, PB, less borrowing by its government, GD. Thus

$$L = PB - GD$$

There are three aspects of the financial situation to consider:

(i) Under what circumstances will the government increase or reduce its own borrowing? In the short run tax receipts and government spending may not conform to budget plans; thus a fall in national income tends to augment the government's deficit and an unexpected rise to reduce it. But in the longer run the size of the deficit is largely a matter of policy.

(ii) The private sector's overall financial balance may also in the short run be affected by fluctuations in income and expenditure requirements. In practice the private sector's balance tends to move towards surplus when income falls and towards deficit when income rises, as the financial position of companies is altered by changes in the volume of stocks in the process of production and distribution. In the longer run we must suppose that the private financial balance is the outcome of saving and borrowing decisions (the latter constrained by bankers and other creditors).

Note that changes in stocks usually reinforce the effects of changes in the government's deficit caused by alterations in public spending and tax rates. A planned cut in the government deficit, augmented by private destocking, can produce a sharp reduction in net external borrowing (at the expense of a fall in national income). Conversely, a planned increase in the government deficit, augmented by a build-up of stocks, leads to a rapid increase in net external borrowing.

(iii) The net lending or borrowing of a country may produce external pressures on both the government and the private sector. For example, if the outcome of government and private decisions is a high rate of net borrowing, the fact that this must be financed externally may cause a fall in the exchange rate and/or a rise in interest rates. Generally countries may be regarded as being constrained when their governments do not wish net borrowing to rise further, either because of pressure from external creditors or because they are unwilling to risk a fall in the exchange rate or an increase in interest rates.

The net external lending or borrowing of a country is mainly determined, directly and indirectly, by government financial policy, often subject to external pressures. The balance of payments equation must therefore be seen as constraining possible relationships between external trade and the level of national income. Two hypotheses are examined here. The first assumes that the level of income is an independent variable and, therefore, that equation (1a) defines ways in which the pattern of trade can and must adjust. The second hypothesis assumes that income is the dependent variable and that the balance-of-payments equation determines how income changes in response to changes in external trade flows.

Trade adjustment

Equation (1a) can be rewritten as

$$X = mY + p(eY - EQ) + L \qquad (1b)$$

This indicates that if the level of income is determined by productive capacity or by labour supply, and if net external lending, L, and the energy situation, p, e and EQ, are given, growth of income will require that exports rise relative to the import ratio. It is usually assumed that the level of exports and/or the import ratio are adjusted as necessary by changes in the exchange rate or the internal price level which keep industries appropriately competitive *vis-à-vis* their rivals in other countries.

Now consider the consequences of a rise in the price of oil. It is possible that this may sooner or later induce energy saving or an expansion of internal energy supply sufficient to prevent any rise in the country's oil deficit. If not, the increased cost of oil imports will have to be offset by an improved balance in non-oil trade – i.e. a rise in exports or a fall in the import ratio, induced by depreciation of the exchange rate, a fall in domestic prices or some other adjustment mechanism.

What if the rise in oil prices is accompanied by a fall in demand in the rest of the world? The improvement in the country's competitiveness in non-oil trade must then be all the greater. Exports must take a still larger share of overseas markets and/or the import ratio must be further reduced.

It should be noted that if the mechanism of trade adjustment is a fall in the exchange rate or in the internal price level, this may increase the internal price of oil relative to other commodities, adding to the energy-saving stimulus given by the assumed rise in the world price of oil.

The adjustment process discussed here is at least logically possible for one country (whether or not it occurs in practice). But, according to the analysis of the previous chapter, it is *not* logically possible for all energy-deficit countries taken together. For, as was shown there, once the com-

bined financial deficit of non-OPEC countries is given, a limit is set to the level to which the world price of oil can rise. This, together with world-wide energy policies, determines aggregate energy supply, the average energy coefficient and, therefore, the total income of the non-OPEC world. In circumstances of energy scarcity the level of economic activity of the non-OPEC world may be lower than its total productive potential.

In the presence of a global constraint of this kind trade adjustment becomes a competitive (or beggar-my-neighbour) matter. Any one country can improve its own position at the expense of others but not all can steal an advantage simultaneously. In effect, competition in non-oil trade becomes a struggle for shares of the available oil.

The foreign trade multiplier

A more realistic hypothesis is that the level of income in a country is largely determined by developments in external trade and financing, and that processes of trade adjustment are often lacking or inadequate.

In this case, equation (1a) may be rewritten once again as

$$Y = \frac{X + p.EQ + L}{m + pe}$$

The implication is that with unchanged net external lending, L, a rise in exports will induce an increase in income by a multiple

$$r = 1/(m + pe)$$

of the increase in exports itself.

The same goes for a change in the import ratio, the price of oil, internal energy supply or the energy coefficient. In each case, if there is an impact effect, dB, on the trade balance at a given level of income, the final result is an induced change in income equal to

$$r.dB$$

sufficient, *ex post,* to restore the trade balance to the position set by net external lending, L.

Obviously this, like the previous hypothesis of full-trade adjustment, is an extreme case. If changes in external trade persistently depress a country's income, there will usually be at least some accommodation through increased external borrowing, devaluation of the exchange rate or restriction of imports. But such accommodations are often weak and they may sometimes not occur at all.

The foreign-trade-multiplier hypothesis can be used to examine the consequences for individual countries of energy shortage or a rise in oil prices and the mechanism by which trade recession tends to be transmitted from one country to others.

First consider a country whose internal energy supply falls increasingly short of energy use. Unless it can compensate by accelerated growth of exports or increased external borrowing, expansion of its economy will be held back. The energy shortfall will be resolved in part by low growth of internal energy use and in part by low growth of non-oil imports, which will adversely affect its trading partners.

Now consider the case discussed in the previous chapter where general energy scarcity pushes up the price of oil and reduces growth of income in a large part of the world. The direct effect of the increase in oil prices will vary from one country to another depending on the degree of self-sufficiency of each in energy supply. Countries which suffer least will be those which are nearly or entirely self-sufficient in oil and which export to OPEC. The worst casualties will be those which are heavily dependent on oil imports and which rely on other energy-deficit countries as export markets. Note that it is possible for a country which is self-sufficient in energy to lose income if its non-oil exports are depressed by recession elsewhere. It is also possible for an energy-deficit country to gain from a rise in the price of oil, not only through induced energy saving or expansion of its own energy supply, but also through higher exports to oil-rich countries. The presumption of recession in the non-OPEC world, demonstrated in the previous chapter, does not imply that all energy-deficit countries will suffer recession nor that all energy-exporting countries will escape it.

3.2 The position of the European Community

The European Community's deficit in energy trade has increased from 1½% of its income in 1973 to 4½% in 1981. This is a large sum. It may be compared, for example, with the total value of the Community's exports of manufactures to the rest of the world, which averaged between 7% and 8% of its income prior to the oil price increase. But for the arrival of North Sea oil the Community's energy deficit would now be even larger.

The immediate consequence of the oil-price increases in 1973 and in 1979 was a large deterioration in the Community's current balance – i.e. a sharp increase in net external borrowing. The current balance, which had previously always shown at least a small surplus, shifted in 1974 into a deficit equal to 1¼% of income. The next year the deficit was almost eliminated as internal income and demand for imports fell. By 1977 the Community was once again in surplus. The second oil-price increase was followed in 1980 by a deficit equal to 1½% of income which has only marginally been reduced in 1981.

As we have seen in Chapter 1, the Community's income has grown much more slowly since 1973 than it did before. Was this entirely the result of the rise in the oil price or did non-oil trade also deteriorate, reinforcing the effect of the oil price?

As Table 3.1 indicates, the Community's net deficit on food and raw materials has declined

Table 3.1 Trends in the European Community's balance of payments

	1965	1973	1981[e]	1965-73	1973-81[e]
	(per cent of total income)			(changes over period in percentage ratio to income)	
Net food and raw materials	−3.72	−2.64	−1.26	+1.08	+1.38
Net fuels	−1.22	−1.63	−4.50	−0.41	−2.87
Net manufactures	3.81	3.39	3.90	−0.42	+0.51
of which:					
exports	7.18	7.98	10.33	+0.80	+2.35
less imports	−3.37	−4.59	−6.43	−1.22	−1.84
Balance on goods	−1.13	−0.88	−1.86	+0.25	−0.98
Net services	+1.60	+1.46	+1.28	−0.14	−0.18
Net transfers	−0.09	−0.40	−0.66	−0.31	−0.26
Current balance	0.38	0.18	−1.25	−0.20	−1.43
	(billion 1975 PPS)			(growth rates, % per year)	
Exports of manufactures	56.4	88.7	127.4	5.8	4.6
Imports of manufactures	26.5	51.0	79.3	8.5	5.7
Real income	785.5	1,111.7	1,232.9	4.4	1.3
Ratio of imports of manufactures to exports of manufactures (%)	47.0	57.5	62.2	2.6	1.0

historically relative to income. The main reason for this is that demand for food and raw materials tends to rise more slowly than income. (A secondary reason is that primary products have increasingly been processed in supplying countries before shipment in the form of 'semi manufactures'.) The net food and raw material deficit fell a little more relative to income over the period 1973-81 than over the preceding eight years, as was to be expected given an internal recession and a reduction in real prices of most imported primary products.

The main branch of trade which might have offset the oil deficit was trade in manufactures which have always been the Community's principal net export.

In the event the balance on manufactures has improved since 1973, rising from a surplus equal to 3.4% of income in that year to 3.9% in 1981. This in itself tells us little since demand for manufactures, and hence the value of imports, is particularly sensitive to income. Reduced growth of income will have contributed to the increase in the surplus. In fact, when internal real income fell in 1974-5 the net surplus on manufactures rose to 4.7% of income; in the subsequent years of partial economic recovery it was reduced progressively to 3.2% of income, increasing once again in 1981 as internal income fell.

. The tendencies of trade in manufactures are better revealed if we look at growth of exports and the *ratio* of imports to income. Again referring to Table 3.1, there has been some reduction in the growth of exports of manufactures since 1973, while the ratio of imports of manufactures to aggregate income has increased from 4.6% in 1973 to 6.4% in 1981. Imports have grown 1% a year faster than exports and the import *ratio* has grown almost as fast as exports.

Table 3.2 gives some information about changes in the geographical pattern of the Community's trade in manufactures since 1973. The OPEC market has evidently increased greatly in importance. On the other hand exports to the United States and other developed countries outside Europe have fared particularly badly.

The main source of increased imports of manufactures has been Japan and other East Asian countries. Imports from the USA have also increased considerably, aided by depreciation of the dollar in the second half of the 1970s. In addition there has been a significant rise in imports from West European countries which are not members of the Community.

This evidence shows that external trade in manufactures has made only a weak contribution to growth of income in the Community and that the outcome has been particularly disappointing in trade with the USA, the rest of Western Europe, Japan and East Asian countries.It does not reveal whether the cause of the weakened trade position was a loss of competitiveness of Community

Table 3.2 The Community's external trade in manufactures, 1973 and 1980

(% of total exports of manufactures)

	Exports		Imports		Exports less Imports	
	1973	1980	1973	1980	1973	1980
By destination/source						
Japan	2.9	2.1	4.6	6.6	−1.7	−4.5
East Asian countries[a]	3.3	3.9	3.0	5.1	0.3	−1.2
USA	16.1	12.1	13.3	16.0	2.8	−3.9
Centrally planned	9.1	8.4	4.2	4.6	4.9	3.8
Rest of Europe	35.3	33.6	20.6	23.3	14.7	10.3
Other developed	8.0	6.0	3.1	2.5	4.9	3.5
Other developing	16.0	15.9	5.8	6.2	19.6	27.7
OPEC[b]	9.4	18.0				
Total	100.0	100.0	54.6	64.3	45.4	35.7
By commodity group[c]						
Chemicals	13.5	14.7	5.5	6.5	8.0	8.2
Machinery	48.5	47.9	17.8	22.6	30.7	25.3
Other manufactures	38.1	37.4	31.3	35.2	6.8	2.2
Total	100.0	100.0	54.6	64.3	45.4	35.7

Source: *Eurostat Monthly External Trade Bulletin,* Supplement

[a] Korea, Taiwan, Hong Kong, Philippines, Thailand, Malaysia, Singapore.

[b] OPEC members plus Mexico, Oman and Bahrain.

[c] Chemicals, SITC 5; machinery, SITC 7; other manufactures, SITC 6 and 8.

industries or a lack of opportunity due to recession in external markets.

To examine this question we can again refer to data on the world economy divided into blocs. This has the disadvantage that Western Europe must stand as a proxy for the Community. The gain is that we can look at Europe's exports and imports relative to those of other blocs*.

Table 3.3 indicates that in three markets (the Middle East, Africa and developing Asia) Western Europe's exports of manufactures have grown much more rapidly since 1973 than they did before. These were the fastest-growing world markets – the Middle East and Africa chiefly on account of oil revenues, Asia on account of outward-looking industrialisation. In all three markets Europe held or improved its share.

There are two markets in which growth of Europe's exports slowed down but remained quite significant (Latin America and the centrally planned economies). But Europe's export growth came to a complete halt in the USA and other developed-country markets. In these less buoyant markets Europe's share fell.

*Recall that in economic terms the member countries of the Community constitute 75% of Western Europe. Note, however, that exports are valued on a different basis; the slow-down in growth of total exports 1973-80, as compared with 1965-73, is 3% (Western Europe, world data) rather than the 1½% figure shown in our data for the European Community.

The pattern of export growth since 1973 accords with our energy-based explanation of the general slow-down in growth. It appears that Europe's close links with Africa and the Middle East have been of great value in sustaining growth of its exports but are insufficient to compensate fully for stagnation in energy-deficit parts of the world.

It may well not have been possible for Europe to export much more, given the global energy constraint. Table 3.4 shows the high degree of concentration of world markets for manufactures, dominated above all by Western Europe itself. Europe, Japan and the USA together take 75% of the market for manufactures in other parts of the world. Western Europe is the top supplier in four of the eight markets distinguished in our data and comes second in three of the remaining four (it is third in the small Japanese import market). It supplies no less than 70% of world exports of manufactures to the centrally-planned bloc, 67% of exports to Africa and 50% of exports to the Middle East. Its average share of world markets is almost 40%. When allowance is made for the tendency for high mutual trade between Japan and developing Asia and between Canada, the USA and parts of Latin America, it is hard to see how Western Europe could be much more successful in terms of market shares than it is already. The one important market in which Europe's performance has been weak is that of the USA, where its share has fallen persistently as the shares of Japan and

Table 3.3 Growth of Western Europe's exports of manufactures by market

	1965	1973	1980e	1965-73	1973-80e
		($ 1975 billion)		(growth rates, % per year)	
Western Europe's exports to:					
Middle East	3.4	8.3	23.4	11.5	16.0
Africa	7.8	13.4	25.9	7.0	9.9
Asia	5.2	6.8	11.9	3.3	9.6
Sub total	16.4	28.5	61.2	7.2	11.5
Centrally planned	5.9	14.5	21.5	12.0	5.8
Latin America	6.1	10.8	14.5	7.3	4.3
Sub total	12.0	25.3	36.0	9.8	5.2
USA	10.6	22.7	22.0	10.0	–0.5
Japan and other developed	10.5	18.7	17.5	7.5	–0.9
Sub total	21.1	41.4	39.5	8.8	–0.7
World (excl. W. Europe)	49.5	95.3	137.7	8.5	5.4
	(per cent of world exports to each world market)			(growth rates, % per year)	
Market share of Western Europe in:					
Middle East	58	52	51	–1.3	–0.2
Africa	64	62	67	–0.4	0.9
Asia	32	25	26	–3.3	0.9
Centrally planned	81	77	71	–0.6	–1.1
Latin America	39	39	32	–0.1	–2.6
USA	44	37	29	–2.2	–3.3
Japan and other developed	38	32	27	–2.2	–2.6
World (excl. W. Europe)	46	41	39	–1.3	–0.6

Note: intra-bloc trade is excluded.

Table 3.4 Western Europe's markets for exports of manufactures, 1980e

	W. Europe's exports ($ 1975 billion)	Top three exporters* (percentage shares)	Total share of top three (%)
Africa	25.9	WE 67, JA 9, CP 8	84
Middle East	23.4	WE 51, JA 18, US 11	80
USA	22.0	WE 29, JA 26, OD 20	75
Centrally planned	21.5	WE 71, JA 18, AS 4	94
Latin America	14.5	US 42, WE 32, JA 12	87
Other developed	13.5	US 47, WE 27, JA 10	86
Asia	12.9	JA 37, WE 26, US 19	83
Japan	4.0	AS 27, US 26, WE 25	78
World (excl. W. Europe)	137.7	WE 39, JA 19, US 18	76

*
WE Western Europe
JA Japan
US USA
CP Centrally planned
OD Other developed
AS Asia

Note: intra-bloc trade is excluded.

Table 3.5 Manufactured imports: Western Europe compared with other blocs

(ratio of imports of manufactures to income, %)

	1965	1973	1980e
Western Europe	1.9	2.8	4.1
USA	2.1	4.0	4.2
Japan	1.5	2.9	2.5
Other developed	12.2	14.2	13.3
Latin America	8.6	9.0	10.0
Africa	14.1	17.6	18.5
Asia	11.1	12.8	15.7
Middle East	8.3	12.0	16.5

Note: intra-bloc imports of manufactures are excluded

developing Asia have risen. But even if Europe had managed to hold its share of the US market without adverse repercussions elsewhere, the average growth rate of its exports of manufactures since 1973 would only have been about ½% a year more than it actually was.

If Europe's share of export markets remains generally high, it is nevertheless true that since 1973 there has been a marked rise in imports of manufactures to Europe as a percentage of income (see Table 3.5). The same has not happened in the USA, Japan or other developed countries; the import ratio in the USA went up considerably between 1965 and 1973 but has since barely increased, while manufactured imports have actually fallen relative to income in Japan and other developed countries outside Europe. At 4%, the ratio of manufactured imports to income is now about the same for Western Europe as for the USA, higher than for Japan (where it is 2½%), but lower than in all other parts of the world (where it exceeds 10%). There can be no question that the rise in imports of manufactures from Japan and Asia (which together account for nearly one-third) reflects combinations of cost and quality which European industries often cannot match. But this hardly indicates an overall failure of competitiveness. The growth of imports from the rest of the world must be ascribed in part to the long-run effects of trade liberalisation which seem to have been more delayed in Europe than in the USA. Nor could Europe readily cut down its imports of manufactures, whether by fair competition or by other means, without risking damage to its export markets.

Europe's difficulty in improving its balance of trade in manufactures can readily be seen if we examine the pattern of net balances of the rest of the world. Japan is the only other area which has a large net surplus on trade in manufactures (see Table 3.6). Both Europe and Japan have increased their surpluses since 1973, the need being provided by the increased price of oil and the opportunity by expansion of markets in oil-exporting countries. But they are not alone in needing to earn more to pay for oil imports. Developing Asia is becoming a significant net oil importer. Very many countries would undoubtedly like to emulate Europe and Japan and earn something from exports of manufactures to help pay their energy bills.

Table 3.6 Balances on trade in manufactures

($ 1975 billion)

	1965	1973	1980e	Changes 1965-73	Changes 1973-80e
Western Europe	26.0	46.2	56.3	+20.2	+10.1
Japan	12.6	33.5	62.8	+20.9	+29.3
Asia	−11.3	−8.7	−4.6	+2.6	+4.1
USA	13.4	1.6	15.3	−11.8	+13.7
Centrally planned	1.4	−0.7	0.3	−2.1	+1.0
Other developed	−13.5	−18.2	−20.8	−4.7	−2.6
Latin America	−13.1	−21.4	−32.6	−8.3	−11.2
Africa	−9.6	−17.4	−34.0	−7.8	−16.6
Middle East	−5.8	−14.7	−42.7	−8.9	−28.0

Conclusion

Our conclusion must be that Europe has become constrained indirectly by reduced growth in other parts of the world as well as directly by the high cost of its own oil imports. The constraint was eased temporarily by a large current-account deficit in 1974 and has again been eased by a deficit in 1980-81 after the second oil-price increase. But even if the deficit is henceforth maintained by continued net external borrowing, this may not be enough to secure a higher growth rate.

To illustrate the possible magnitude of the problem, Table 3.7 gives a projection of the growth of Europe's trade and income up to 1985 derived from our world model, assuming broadly unchanged policies. The pursuit of restrictive financial targets by European governments, another rise in the real price of oil (see Chapter 2), stagnation in the rest of the non-OPEC world, and a further increase in the ratio of manufactured imports to income may all combine to depress Europe's growth rate in the next few years.

To avoid slow growth European governments might borrow more although this would tend to push the price of oil still higher. Some relief might be obtained by greater efforts at energy saving. A better outcome on trade in manufactures might be possible if there were faster growth in other constrained parts of the world. It appears that Europe's economic future depends above all on at least a partial solution to world-wide constraints. This issue will be further discussed in Chapter 5.

Table 3.7 Projected growth of Western Europe to 1985

	1980e	1985p	1980e-85p
Trade balances	(as % of income)		(change)
Deficits on			
food and raw materials	1.1	0.7	−0.4
fuels	3.9	4.5	+0.6
less net services, transfers and external borrowing	−2.1	−1.6	+0.5
Required surplus on manufactures	2.9	3.6	+0.7
	($ 1975 billion)		(growth rate, % per year)
Real values			
Exports of manufactures to:			
USA and other developed	39.5	42.1	1.3
Middle East and Africa	49.3	68.5	6.8
Rest of world	48.9	66.7	6.4
Total	137.7	177.3	5.2
Imports of manufactures consistent with required surplus	81.4	103.6	4.9
Manufactured import ratio (per cent)	4.1	5.0	3.9
Real income	1,966	2,067	1.0

Note: projection of CEPG world model, allowing for feedbacks between blocs, assuming broadly unchanged policies.